

Charity Commission No 1086396

Company Number: 4189311

THE HILL FOUNDATION

(A Private Company Limited by Guarantee)

REPORT OF THE TRUSTEES

AND

FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2004



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THE HILL FOUNDATION

REPORT OF THE TRUSTEES

YEAR ENDED 31ST MARCH 2004

OBJECTS AND POLICY

The principal objects and policy of the Company in the year was that of the advancement of education and relief of poverty.

The Company may establish and support any charitable trusts, associations or institutions to achieve these objects.

REVIEW AND FUTURE DEVELOPMENTS

During its third year, the Company selected a further 10 students for its Oxford University Scholarships, who have now commenced their studies. The annual dinner was held at Magdalen College in November 2003 at which the President reiterated the role of the Foundation in facilitating the democratization of Russia by inculcation of broad liberal Western values.

A new project was the funding of a schools project in which 4 high academic achievers spend one term at a leading UK public school. A full-time student co-ordinator was recruited to spearhead the charity's initiatives.

The trustees will continue to seek projects that will enhance the Foundation's reputation in areas of academic excellence and to promote Russo-British co-operation in education and culture.

FINANCIAL RESULTS

Full details are set out in the following accounts which are in accordance with the Statement of Recommended Practice for charities.

CONSTITUTION AND OTHER STATUTORY INFORMATION

The Company is limited by guarantee and is a registered Charity No 1086396 governed by the Memorandum of Association adopted 28th March 2001. It is managed by the trustees who are supported by the company secretary.

The trustees who served during the year were:

MR. JAMES W A KITCATT
MS. IRINA L NEVZLINA
DR. ANTHONY SMITH

The trustees are the directors of the Company whose activities are governed by the Articles of Association adopted 28th March 2001.

RISK MANAGEMENT, RESERVES AND INVESTMENT POLICY

The trustees conduct the overall supervision and monitoring of the financial position of the organisation. Significant risks to income arise from the charity's dependence on the interest arising from the expendable endowment fund. Mitigation of this risk, together with the reserves and investment policy, is explained in more detail in Note 9.1 on page 9 to the Accounts.

Internal risks are mitigated by the implementation of procedures for authorisation of all transactions by at least two of the trustees.

THE HILL FOUNDATION

REPORT OF THE TRUSTEES (CONTINUED)

YEAR ENDED 31ST MARCH 2004

TRUSTEES' RESPONSIBILITIES

The Memorandum and Articles of Association require the trustees to prepare financial statements for the financial year which give a true and fair view of the state of affairs of the Company and to explain its transactions. In preparing those financial statements, the trustees are required to:

- * select suitable accounting policies and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable.
- * state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- * prepare the financial statements on the going concern basis unless it is not appropriate to presume that the company will continue in being.

The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the requirements of the Charities Act and relevant Statements of Recommended Accounting Practice as well as the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

CONNECTED CHARITIES

Dr Anthony Smith is President of Magdalen College, Oxford. The scholarship sponsorship costs were paid to Oxford University and further details are set out in Note 2 on page 7 to the Accounts.

AUDITORS

The auditors, Messrs Simon Silver Myer, will be proposed for reappointment in accordance with Section 385 of the Companies Act 1985.

In preparing the above report, the trustees have taken advantage of special exemptions applicable to small companies under Part VII of the Companies Act 1985 relating to small companies.

By Order of the Board



Secretary - MR. ALASTAIR TULLOCH

29 June 2004

REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF THE HILL FOUNDATION

We have audited the financial statements on pages 3 to 9 which have been prepared in accordance with the Financial Reporting Standard for Smaller Entities and the accounting policies set out on page 6.

Respective responsibilities of the trustees and auditors

As described on page 2, the charity trustees are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

We have been appointed as auditors under Section 43 of the Charities Act 1993 and report in accordance with regulations made under Section 44 of that Act. We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Charities Act 1993 and the Companies Act 1985. We also report to you if, in our opinion, the Trustees Report is not consistent with the financial statements, if the charity has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Trustees' Report and consider the implications for our report if we become aware of any apparent misstatements within it or material inconsistencies with the financial statements.

Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

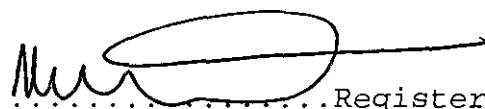
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2004 and of its incoming resources and application of resources for the year then ended and have been properly prepared in accordance with the Charities Act 1993 and the Companies Act 1985.

8 Durweston Street
London W1H 1EW

Signed.....Registered Auditors



Simon Silver Myer
Chartered Accountants

Dated this 30th June 2004

THE HILL FOUNDATION

STATEMENT OF FINANCIAL ACTIVITIES

YEAR ENDED 31ST MARCH 2004

	<u>Notes</u>	<u>Unrestricted Funds</u> £	<u>Rest'ctd Funds</u> £	<u>Total</u> <u>2004</u> £	<u>Total</u> <u>2003</u> £
<u>Incoming resources</u>	1				
Donations		-	-	-	-
Endowments		-	-	-	-
Bank deposit interest		487,116	-	487,116	533,720
<u>Total Incoming Resources</u>		<u>487,116</u>	<u>-</u>	<u>487,116</u>	<u>533,720</u>
<u>Resources expended</u>	1				
Costs in furtherance of the charity's objects	2	445,674	-	445,674	200,231
Legal & Professional costs	3	2,497	-	2,497	2,115
Administration costs	4	16,369	-	16,369	2,989
<u>Total Resources Expended</u>		<u>464,540</u>	<u>-</u>	<u>464,540</u>	<u>205,335</u>
<u>Net Incoming Resources</u>		22,576	-	22,576	328,385
Unrealised gains on investments		132	-	132	-
<u>NET MOVEMENT IN FUNDS</u>		<u>22,708</u>	<u>-</u>	<u>22,708</u>	<u>328,385</u>
<u>FUND BALANCES AT 1 April 2003</u>		<u>13,887,560</u>	<u>-</u>	<u>13,887,560</u>	<u>13,559,174</u>
<u>FUND BALANCES AT 31 March 2004</u>		<u>£13,910,268</u>	<u>£ -</u>	<u>£13,910,268</u>	<u>£13,887,559</u>

The notes on pages 6 to 9 form an integral part of these financial statements.

THE HILL FOUNDATION

BALANCE SHEET AT 31 MARCH 2004

	<u>Notes</u>	£	<u>2004</u> £	£	<u>2003</u> £
<u>FIXED ASSETS</u>					
Investments	5		13,815,213		-
<u>CURRENT ASSETS</u>					
Debtors	6	5,000		-	
Cash at bank		127,698		13,908,851	
				<u>13,908,851</u>	
		132,698			
<u>CREDITORS: AMOUNTS FALLING</u> <u>DUE WITHIN ONE YEAR</u>	7	37,643		21,292	
				<u>21,292</u>	
<u>NET CURRENT ASSETS</u>			95,055		13,887,559
<u>TOTAL NET ASSETS</u>			<u>£ 13,910,268</u>		<u>£13,887,559</u>

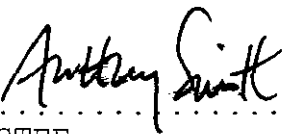
Represented by:

INCOME FUNDS

Unrestricted Funds	8		13,910,268		13,887,559
			<u>£ 13,910,268</u>		<u>£ 13,887,559</u>

The Accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and in accordance with the Financial Reporting Standard for Smaller Entities.

The accounts were approved by the Board on 29 June 2004 and are signed on their behalf by:


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TRUSTEE

The notes on pages 6 to 9 form an integral part of these financial statements.

THE THE HILL FOUNDATION LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2004

1. ACCOUNTING POLICIES

1.1 Basis of Accounting

The accounts are prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities, and the Statement of Recommended Practice - Accounting by Charities.

1.2 Cash flow

The accounts do not include a cash flow statement because the company, as a small reporting entity, is exempt from the requirement to prepare such a statement under Financial Reporting Standard 1.

1.3 Incoming resources

Donations, endowments and other forms of voluntary income are recognised as incoming resources when receivable, except insofar as they are incapable of financial measurement. Income tax recoverable in relation to donations received under Gift Aid or deeds of covenant is recognised at the time of receipt from the Inland Revenue.

1.4 Resources expended

Management and administration expenses reflect central establishment costs and may include costs of managing charitable projects.

1.5 Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

1.6 Accumulated funds

Restricted funds are subject to specific conditions by donors as to how they may be used. The purposes and uses of the restricted funds are set out in the notes to the accounts.

1.7 Taxation

The Company is registered as a charity and is not liable to UK income or corporation tax on its charitable work.

THE THE HILL FOUNDATION LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2004

2. COSTS OF ACTIVITIES IN FURTHERANCE OF THE CHARITY'S OBJECTS

	<u>Unrestricted</u> <u>Funds</u> £	<u>Restricted</u> <u>Funds</u> £	<u>Total</u> <u>2004</u> £	<u>Total</u> <u>2003</u> £
Scholarship sponsorship costs	362,153	-	362,153	156,216
School student exchanges	26,931	-	26,931	-
Language tutorial short courses	15,440	-	15,440	-
Student selection costs	9,602	-	9,602	666
Travel costs	2,758	-	2,758	1,286
Secretarial support costs	23,500	-	23,500	15,863
Cultural exchanges	1,290	-	1,290	6,200
Academic projects	4,000	-	4,000	20,000
	<u>£445,674</u>	<u>-</u>	<u>£445,674</u>	<u>£200,231</u>

Included in scholarship sponsorship costs are estimated amounts totalling £183,408 in respect of the second and third academic years for the nominated scholars.

3. LEGAL AND PROFESSIONAL COSTS

	<u>2004</u> £	<u>2003</u> £
Auditors' remuneration	2,497	2,115
	<u>£ 2,497</u>	<u>£ 2,115</u>

4. ADMINISTRATION AND MANAGEMENT COSTS

	<u>Unrestricted</u> <u>Funds</u> £	<u>Restricted</u> <u>Funds</u> £	<u>Total</u> <u>2004</u> £	<u>Total</u> <u>2003</u> £
Student co-ordinator salary	10,256	-	10,256	-
State national insurance	1,214	-	1,214	-
Staff travel and accomodation	3,905	-	3,905	-
Office and support costs	855	-	855	1,763
Website design and support	-	-	-	1,182
Bank charges	29	-	29	29
Annual return & visa fees	110	-	110	15
	<u>£ 16,369</u>	<u>-</u>	<u>£ 16,369</u>	<u>£ 2,989</u>

THE THE HILL FOUNDATION LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2004

5. FIXED ASSET INVESTMENTS

	<u>Listed in UK</u>	<u>Unlisted</u>	<u>Total</u>
	<u>£</u>	<u>£</u>	<u>£</u>
Cost or valuation:			
Additions in year	13,815,081	-	13,815,081
Other movements in year	132	-	132
	<u> </u>	<u> </u>	<u> </u>
31 March 2004	£13,815,213	-	£13,815,213
	<u> </u>	<u> </u>	<u> </u>
Market value:			
31 March 2004	£13,815,213		£13,815,213
	<u> </u>	<u> </u>	<u> </u>

	<u>Market Value</u>	<u>2004</u> <u>Cost</u>
	<u>£</u>	<u>£</u>
Investment categories		
UK Bonds	5,571,705	5,520,000
UK Unit Trusts	1,298,426	1,350,000
Managed Investment Trust Fund	4,005,457	4,005,456
Bank Deposit Account	2,939,625	2,939,625
Unrealised gain on revaluation		132
	<u> </u>	<u> </u>
	£13,815,213	£13,815,213
	<u> </u>	<u> </u>

6. DEBTORS

	<u>2004</u>	<u>2003</u>
	<u>£</u>	<u>£</u>
Other debtors	5,000	-
	<u> </u>	<u> </u>
	£ 5,000	£ -
	<u> </u>	<u> </u>

7. CREDITORS: AMOUNTS FALLING DUE
 WITHIN ONE YEAR

	<u>2004</u>	<u>2003</u>
	<u>£</u>	<u>£</u>
Other creditors	37,643	21,292
	<u> </u>	<u> </u>
	£ 37,643	£ 21,292
	<u> </u>	<u> </u>

THE THE HILL FOUNDATION LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2004

8. ACCUMULATED FUNDS

	<u>As at</u> <u>1.4.2003</u>	<u>Outgoing</u> <u>Resources</u>	<u>Investment</u> <u>Revaluation</u>	<u>Interest</u>	<u>As at</u> <u>31.3.2004</u>
	£	£	£	£	£
<u>Unrestricted funds:</u>					
Expendable Endowment	13,887,560	(464,540)	132	487,116	13,910,268
Other donations	-	-	-	-	-
	<u>13,887,560</u>	<u>(464,540)</u>	<u>132</u>	<u>487,116</u>	<u>13,910,268</u>

9. PURPOSES OF THE ACCUMULATED FUNDS

9.1 Expendable Endowment Fund

The expendable endowment fund is to be invested conservatively and there is no duty on the part of the trustees to apply the funds until the trustees decide to convert those funds into income, when such funds shall then become unrestricted income.

The donor has expressed a view that the reserves will be built up to cover possible fluctuations in income to a level that is at least equal to one year's projected expenditure, but this is not a binding obligation on the trustees.

The donor has further expressed a wish that the funds are directed towards the integration of the Russian Federation into the world. Such activities are to include, but are not restricted to, sponsorship of Russian students at schools and universities outside of Russia, support of educational establishments, cultural exchanges and promotion of Russian art.

The foregoing is not binding on the trustees, nor subject to specific trusts, and the trustees are free to expend the expendable endowments and income thereof in pursuit of general charitable objects. Hence the accumulated fund is to be regarded as unrestricted within the definitions of the UK SORP relating to charities.