

**THE RUSSIAN ORTHODOX CHURCH
"ST. NICHOLAS" FUND LTD**

REPORT AND FINANCIAL STATEMENTS
31 December 2012

THE RUSSIAN ORTHODOX CHURCH "ST. NICHOLAS" FUND LTD

REPORT AND FINANCIAL STATEMENTS

31 December 2012

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THE RUSSIAN ORTHODOX CHURCH "ST. NICHOLAS" FUND LTD

EXECUTIVE COMMITTEE AND OTHER OFFICES

Executive Committee:

Oleg Lapoushkin
Yuriy Pianykh
Petros Valko
Valery Gusev
Valery Zhigarev

Secretary:

Cyproservus Co. Ltd
284 Arch. Makarios III Avenue
3rd floor, Flat 32
Limassol, Cyprus

Independent Auditors:

HLB Afxentiou Ltd
Chartered Accountants
Palaceview House
Corner of Prodromos Street & Zinonos Kitieos
2064 Nicosia
Cyprus

Registered office:

284, Arch. Makariou III Ave.
Fortuna Court, Block B
3105, Limassol
Cyprus

Registration number:

88190

THE RUSSIAN ORTHODOX CHURCH "ST. NICHOLAS" FUND LTD

REPORT OF THE EXECUTIVE COMMITTEE

The Executive Committee presents its report and audited financial statements of the Fund for the year ended 31 December 2012.

Principal activity

The principal activity of the Russian Orthodox Church St Nicholas Fund, which is unchanged from the previous year, is the construction and maintenance of the Russian Orthodox Church "St Nicholas" in Limassol.

Review of current position, future developments and significant risks

The Fund's development to date, financial results and position as presented in the financial statements are considered satisfactory.

The main risks and uncertainties faced by the Fund and the steps taken to manage these risks, are described in note 3 of the financial statements.

Results

The Fund's results for the year are set out on page 3.

Share capital

The Fund is limited by guarantee without share capital up to the amount of € 1.710.

Executive Committee

The members of the Fund's Executive Committee as at 31 December 2012 and at the date of this report are presented on page 1. All of them were members of the Executive Committee throughout the year ended 31 December 2012.

In accordance with the Fund's Articles of Association all present members of the Committee continue in office.

There were no significant changes in the assignment of responsibilities and remuneration of the Executive Committee.

Events after the reporting period

Any significant events that occurred after the end of the reporting period are described in note 15 to the financial statements.

Independent Auditors

The Independent Auditors, HLB Afxentiou Ltd, have expressed their willingness to continue in office and a resolution giving authority to the Executive Committee to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Executive Committee,

Yuriy Pianykh
Member of Executive Committee

Limassol, 13 October 2014

THE RUSSIAN ORTHODOX CHURCH "ST. NICHOLAS" FUND LTD

STATEMENT OF INCOME AND EXPENSES

Year ended 31 December 2012

	2012	2011
	€	€
INCOME		
Members' subscriptions	342	342
Donations	313.468	583.450
Finance income	21.192	14.826
Total revenue	335.002	598.618
EXPENSES		
Staff salaries	24.000	6.000
Benefits in kind	7.038	1.500
Social cohesion fund	480	120
Rent	8.400	8.400
Common expenses	12	255
Sewage expenses	475	-
Repairs and maintenance	259	-
Sundry expenses	4.360	1.984
Subscriptions and contributions	11.294	12.422
Auditors' remuneration for the audit of annual accounts	4.130	4.095
Other professional fees	-	2.178
Travelling	21.645	5.123
Entertaining	12.395	-
Private motor vehicle expenses	1.842	-
Advertising	-	665
Finance expenses	10.578	167
Total expenses	106.908	42.909
Surplus for the year	228.094	555.709

The notes on pages 6 to 13 form an integral part of these financial statements.

THE RUSSIAN ORTHODOX CHURCH "ST. NICHOLAS" FUND LTD

STATEMENT OF NET ASSETS

31 December 2012

	Note	2012 €	2011 €
ASSETS			
Non-current assets			
Property, plant and equipment	8	<u>326.739</u>	188.507
		<u>326.739</u>	188.507
Current assets			
Receivables	9	5.143	4.101
Cash at bank and in hand	10	<u>969.165</u>	914.077
		<u>974.308</u>	918.178
Total assets		<u><u>1.301.047</u></u>	<u>1.106.685</u>
EQUITY AND LIABILITIES			
Equity			
Net assets		<u>1.296.215</u>	1.068.120
Total equity		<u>1.296.215</u>	1.068.120
Current liabilities			
Trade and other payables	11	<u>4.832</u>	38.565
		<u>4.832</u>	38.565
Total equity and liabilities		<u><u>1.301.047</u></u>	<u>1.106.685</u>

On 13 October 2014 the Executive Committee of The Russian Orthodox Church "St. Nicholas" Fund Ltd authorised these financial statements for issue.

.....
Member of Executive Committee

.....
Member of Executive Committee

The notes on pages 6 to 13 form an integral part of these financial statements.

THE RUSSIAN ORTHODOX CHURCH "ST. NICHOLAS" FUND LTD

CASH FLOW STATEMENT

Year ended 31 December 2012

	Note	2012 €	2011 €
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus		228.094	555.709
Adjustments for:			
Interest income	7	<u>(21.192)</u>	(7.996)
Cash flows from operations before working capital changes		206.902	547.713
Increase in receivables		(1.041)	(342)
(Decrease)/increase in trade and other payables		<u>(33.733)</u>	3.617
Cash flows from operations		<u>172.128</u>	<u>550.988</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of property, plant and equipment	8	(138.232)	(142.990)
Interest received		<u>21.192</u>	7.996
Net cash flows used in investing activities		<u>(117.040)</u>	<u>(134.994)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		-	-
Net increase in cash and cash equivalents		55.088	415.994
Cash and cash equivalents:			
At beginning of the year		<u>914.077</u>	498.083
At end of the year	10	<u>969.165</u>	<u>914.077</u>

The notes on pages 6 to 13 form an integral part of these financial statements.

THE RUSSIAN ORTHODOX CHURCH "ST. NICHOLAS" FUND LTD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

1. Incorporation and principal activities

Country of incorporation

The Russian Orthodox Church "St. Nicholas" Fund Ltd (the "Fund") was incorporated in Cyprus on 12 August 1997 as a private limited liability Company under the Cyprus Companies Law, Cap. 113. Its registered office is at 284, Arch. Makariou III Ave., Fortuna Court, Block B, 3105, Limassol, Cyprus.

Principal activity

The principal activity of the Russian Orthodox Church St Nicholas Fund, which is unchanged from the previous year, is the construction and maintenance of the Russian Orthodox Church "St Nicholas" in Limassol.

2. Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented in these financial statements unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113. The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgment in the process of applying the Fund's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Adoption of new and revised IFRSs

During the current year the Fund adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2012. This adoption did not have a material effect on the accounting policies of the Fund.

At the date of approval of these financial statements, standards and interpretations were issued by the International Accounting Standards Board which were not yet effective. Some of them were adopted by the European Union and others not yet. The Executive Committee expects that the adoption of these accounting standards in future periods will not have a material effect on the financial statements of the Fund.

Revenue recognition

Donations is credited to the Statement of Income and Expenses in the year in which they are received. Other revenues earned by the Fund are recognised on the following bases:

- **Income from subscriptions**

Income from subscriptions is recognised on an accrual basis in the accounting period in which the subscriptions are earned.

- **Interest income**

Interest income is recognised on a time-proportion basis using the effective interest method.

THE RUSSIAN ORTHODOX CHURCH "ST. NICHOLAS" FUND LTD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

2. Accounting policies (continued)

Finance income

Finance income includes interest income which is recognised based on an accrual basis.

Finance costs

Interest expense and other borrowing costs are charged to profit or loss as incurred.

Foreign currency translation

(1) Functional and presentation currency

Items included in the Fund's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Euro (€), which is the Fund's functional and presentation currency.

(2) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment are stated at historical cost. The church chapel is a prefabricated wooden building which has been imported from Russia and set up on land donated by the Archbishop of Cyprus. The chapel is not depreciated.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Fund's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Where the carrying amount of an asset is greater than its estimated recoverable amount, the asset is written down immediately to its recoverable amount.

Expenditure for repairs and maintenance of property, plant and equipment is charged to profit or loss of the year in which it is incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Fund. Major renovations are depreciated over the remaining useful life of the related asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised in the Fund's statement of net assets when the Fund becomes a party to the contractual provisions of the instrument.

THE RUSSIAN ORTHODOX CHURCH "ST. NICHOLAS" FUND LTD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

2. Accounting policies (continued)

Financial instruments (continued)

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Fund retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Fund has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of net assets if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of net assets.

THE RUSSIAN ORTHODOX CHURCH "ST. NICHOLAS" FUND LTD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

3. Financial risk management

Financial risk factors

The Fund is exposed to interest rate risk, credit risk, liquidity risk and currency risk arising from the financial instruments it holds. The risk management policies employed by the Fund to manage these risks are discussed below:

3.1 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Borrowings issued at variable rates expose the Fund to cash flow interest rate risk. Borrowings issued at fixed rates expose the Fund to fair value interest rate risk. 's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

At the reporting date the interest rate profile of interest-bearing financial instruments was:

	2012	2011
	€	€
Fixed rate instruments		
Financial assets	737.381	721.458
Variable rate instruments		
Financial assets	<u>230.714</u>	<u>192.619</u>
	<u>968.095</u>	<u>914.077</u>

Sensitivity analysis

An increase of 100 basis points in interest rates at 31 December 2012 would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. For a decrease of 100 basis points there would be an equal and opposite impact on the profit.

	Profit or loss	
	2012	2011
	€	€
Variable rate instruments	<u>2.307</u>	1.926
	<u>2.307</u>	<u>1.926</u>

3.2 Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Fund has no significant concentration of credit risk. The Fund has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables. Cash balances are held with high credit quality financial institutions and the Fund has policies to limit the amount of credit exposure to any financial institution.

3.3 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Fund has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The following tables detail the Fund's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Fund can be required to pay. The table includes both interest and principal cash flows.

THE RUSSIAN ORTHODOX CHURCH "ST. NICHOLAS" FUND LTD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

3. Financial risk management (continued)

3.3 Liquidity risk (continued)

31 December 2012	Carrying amounts	Contractual cash flows	3 months or less	Between 3-12 months	Between 1-5 years	More than 5 years
	€	€	€	€	€	€
Trade and other payables	702	702	702	-	-	-
	702	702	702	-	-	-

31 December 2011	Carrying amounts	Contractual cash flows	3 months or less	Between 3-12 months	Between 1-5 years	More than 5 years
	€	€	€	€	€	€
Trade and other payables	222	222	222	-	-	-
	222	222	222	-	-	-

3.4 Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Fund's measurement currency. The Fund is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar. 's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

The carrying amounts of the Fund's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets	
	2012	2011
	€	€
United States Dollars	287.220	283.587
	287.220	283.587

Sensitivity analysis

A 10% strengthening of the Euro against the following currencies at 31 December 2012 would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. For a 10% weakening of the Euro against the relevant currency, there would be an equal and opposite impact on the profit.

	Profit or loss	
	2012	2011
	€	€
United States Dollars	(26.111)	(25.781)
	(26.111)	(25.781)

Fair value estimation

The fair values of the Fund's financial assets and liabilities approximate their carrying amounts at the reporting date.

4. Revenue

	2012	2011
	€	€
Donations	313.468	583.450
Members' subscriptions	342	342
	313.810	583.792

THE RUSSIAN ORTHODOX CHURCH "ST. NICHOLAS" FUND LTD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

5. Surplus for the year

	2012	2011
	€	€
Surplus for the year is stated after charging the following items:		
Staff costs (Note 6)	31.518	7.620
Auditors' remuneration for the statutory audit of annual accounts	4.130	4.095

6. Staff costs

	2012	2011
	€	€
Wages and salaries	31.038	7.500
Social cohesion fund	480	120
	31.518	7.620
Average number of employees	1	1

7. Finance income/cost

	2012	2011
	€	€
Interest income	21.192	7.996
Exchange profit	-	6.830
Finance income	21.192	14.826
Net foreign exchange transaction losses	(9.599)	-
Other finance expenses	(979)	(167)
Finance costs	(10.578)	(167)
Net finance income	10.614	14.659

Interest revenue is analysed as follows:

	2012	2011
	€	€
Bank deposits	21.192	7.996
	21.192	7.996

THE RUSSIAN ORTHODOX CHURCH "ST. NICHOLAS" FUND LTD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

8. Property, plant and equipment

	Wooden chapel €	Church under construction €	Total €
Cost			
Balance at 1 January 2011	45.517	-	45.517
Additions	-	142.990	142.990
Balance at 31 December 2011/ 1 January 2012	45.517	142.990	188.507
Additions	-	138.232	138.232
Balance at 31 December 2012	45.517	281.222	326.739
Net book amount			
Balance at 31 December 2012	45.517	281.222	326.739
Balance at 31 December 2011	45.517	142.990	188.507

An agreement was signed on 14 May 1997 between Archbishop Chrysostomos acting in the capacity of the Archbishop of Cyprus and Patriarch Sergey acting in the capacity of the Patriarch of the Russian Orthodox Church for the transfer, by a way of gift, of the land from the Church of Cyprus to the Russian Orthodox Church. Under this agreement, the Church of Cyprus donated to the Russian Orthodox Church the plots of land numbered 572, 573, 574, 575 and 576 of Φ/ΣΧ LIV44 which are situated at Yermasogia, Limassol, under the condition that these would be used for the construction on them of a church and ancillary buildings to be used by the Russian Orthodox people. The donated plots of land were registered in the name of the Russian Orthodox Church by the Lands and Surveys Department on 17 November 2010.

9. Receivables

	2012 €	2011 €
Annual subscriptions by members receivable (Note 12)	4.443	4.101
Deposits and prepayments	700	-
	5.143	4.101

The fair values of trade and other receivables due within one year approximate to their carrying amounts as presented above.

The exposure of the Fund to credit risk and impairment losses in relation to trade and other receivables is reported in note 3 of the financial statements.

10. Cash at bank and in hand

Cash balances are analysed as follows:

	2012 €	2011 €
Cash at bank and in hand	242.409	202.305
Bank deposits	726.756	711.772
	969.165	914.077

The exposure of the Fund to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 3 of the financial statements.

THE RUSSIAN ORTHODOX CHURCH "ST. NICHOLAS" FUND LTD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

11. Trade and other payables

	2012	2011
	€	€
Accruals	4.130	38.343
Other creditors	<u>702</u>	<u>222</u>
	<u>4.832</u>	<u>38.565</u>

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

12. Related party transactions

The following transactions were carried out with related parties:

12.1 Annual subscriptions by members receivable (Note 9)

	2012	2011
	€	€
Annual subscriptions by members receivable	<u>4.443</u>	<u>4.101</u>
	<u>4.443</u>	<u>4.101</u>

As per Memorandum and Articles of Association of The Fund, each member is obliged to pay the annual subscription amounting to € 34.

13. Contingent liabilities

The Fund had no contingent liabilities as at 31 December 2012.

14. Commitments

The Fund had no capital or other commitments as at 31 December 2012.

15. Events after the reporting period

Significant events that occurred after the end of the reporting period are described in note to the financial statements.

On 22 March 2013 legislation was enacted by the House of Representatives of the Republic of Cyprus concerning restrictive measures in respect of transactions executed through the banking institutions operating in Cyprus. The extent and duration of the restrictive measures are decided by the Minister of Finance and the Governor of the Central Bank of Cyprus and they were enforced on 28 March 2013. The Fund's operations will be affected by the extent and duration of these restrictive measures.

On 18 April 2013 legislation was enacted by the House of Representatives to increase the corporate tax from 10% to 12.5% with effect from 1 January 2013. Furthermore, legislation was enacted to increase the rate of special defence contribution from 15% to 30% on interest which does not arise from the ordinary course of business or is closely linked to it.

On 29 March 2013 the Central Bank of Cyprus issued Decrees relating to Laiki Bank and the Bank of Cyprus implementing measures for these two banks under the Resolution of Credit and Other Institutions Law of 2013.