

**THE RUSSIAN ORTHODOX CHURCH ST
NICHOLAS FUND LTD ("THE FUND")**

REPORT AND FINANCIAL STATEMENTS
31 December 2011

THE RUSSIAN ORTHODOX CHURCH ST NICHOLAS FUND LTD ("THE FUND")

REPORT AND FINANCIAL STATEMENTS 31 December 2011

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THE RUSSIAN ORTHODOX CHURCH ST NICHOLAS FUND LTD ("THE FUND")

EXECUTIVE COMMITTEE AND OTHER OFFICERS

Executive Committee:

Oleg Lapoushkin
Yuriy Pianykh
Petros Valko
Valery Gusev
Valery Zhigarev

Company Secretary:

Cyproservus Co. Limited
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:

99180

THE RUSSIAN ORTHODOX CHURCH ST NICHOLAS FUND LTD ("THE FUND")

REPORT OF THE EXECUTIVE COMMITTEE

The Executive Committee presents its report and audited financial statements of The Fund for the year ended 31 December 2011.

Incorporation

The Company The Russian Orthodox Church St Nicholas Fund Ltd ("The Fund") was incorporated in Cyprus on 12 August 1997 as a company not having a share capital limited by guarantee under the Cyprus Companies Law, Cap. 113.

Principal activities

The principal activity of The Fund, which is unchanged from the previous year, is the construction, operation 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. The surplus for the year is retained.

Share capital

The Fund is limited by guarantee without share capital up to the amount of C€1.000.

Board of Directors

The members of The Fund's Executive Committee as at 31 December 2011 and at the date of this report are presented on page 1. of them were members of the Executive Committee throughout the year ended 31 December 2011.

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

There were no significant changes in the assignment of responsibilities 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 16 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

Nicosia, 21 February 2013

THE RUSSIAN ORTHODOX CHURCH ST NICHOLAS FUND LTD ("THE FUND")

STATEMENT OF INCOME AND EXPENSES

Year ended 31 December 2011

	2011	2010
	€	€
INCOME		
Donations	583.450	293.086
Total revenue	<u>583.450</u>	<u>293.086</u>
EXPENSES		
Staff salaries	6.000	-
Benefits in kind	1.500	-
Social cohesion fund	120	-
Rent	8.400	5.600
Common expenses	255	-
Sundry expenses	1.984	-
Telephone and postage	-	20
Subscriptions and contributions	102	-
Auditors' remuneration for the audit of annual accounts	4.095	2.925
Other professional fees	14.498	12.320
Travelling	5.123	-
Other expenses	(14.336)	(19.353)
Total expenses	<u>27.741</u>	<u>1.512</u>
Surplus for the year	<u><u>555.709</u></u>	<u><u>291.574</u></u>

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

THE RUSSIAN ORTHODOX CHURCH ST NICHOLAS FUND LTD ("THE FUND")

STATEMENT OF NET ASSETS 31 December 2011

	Note	2011 €	2010 €
ASSETS			
Non-current assets			
Property, plant and equipment	9	<u>188.507</u>	45.517
		<u>188.507</u>	45.517
Current assets			
Receivables	10	4.101	3.759
Cash at bank and in hand	11	<u>914.077</u>	498.083
		<u>918.178</u>	501.842
Total assets		<u>1.106.685</u>	547.359
NET ASSETS AND LIABILITIES			
Net assets			
Net assets		<u>1.068.119</u>	512.410
Total net assets		<u>1.068.119</u>	512.410
Current liabilities			
Trade and other payables	12	<u>38.566</u>	34.949
		<u>38.566</u>	34.949
Total net assets and liabilities		<u>1.106.685</u>	547.359

On 21 February 2013 the Executive Committee of The Russian Orthodox Church St Nicholas Fund Ltd ("The Fund") 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 ("THE FUND")

CASH FLOW STATEMENT

Year ended 31 December 2011

	2011	2010
Note	€	€
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus/ (deficit) before tax	555.741	291.613
Adjustments for:		
Interest income	5 <u>(8.028)</u>	(920)
Cash flows from operations before working capital changes	547.713	290.693
Increase in receivables	(342)	-
Increase in trade and other payables	<u>3.616</u>	-
Cash flows from operations	550.987	290.693
Tax paid	<u>(32)</u>	-
Net cash flows from operating activities	550.955	290.693
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for purchase of property, plant and equipment	9 (142.990)	(10.000)
Interest received	<u>8.029</u>	920
Net cash flows used in investing activities	(134.961)	(9.080)
CASH FLOWS FROM FINANCING ACTIVITIES		
	-	-
Net increase in cash and cash equivalents	415.994	281.613
Cash and cash equivalents:		
At beginning of the year	<u>498.083</u>	216.470
At end of the year	11 <u>914.077</u>	<u>498.083</u>

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

THE RUSSIAN ORTHODOX CHURCH ST NICHOLAS FUND LTD ("THE FUND")

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

1. Incorporation and principal activities

Country of incorporation

The Company The Russian Orthodox Church St Nicholas Fund Ltd ("The Fund") was incorporated in Cyprus on 12 August 1997 as a company not having a share capital limited by guarantee 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 activities

The principal activity of The Fund, which is unchanged from the previous year, is the construction, operation 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.

Revenue recognition

Income from received donations is credited to the Statement of Income and Expenses in the year in which they relate to. Other income earned by The Fund is recognised on the following basis:

- **Interest income**

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

Finance costs

Interest expense and other borrowing costs are charged to surplus or deficit 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.

THE RUSSIAN ORTHODOX CHURCH ST NICHOLAS FUND LTD ("THE FUND")

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

2. Accounting policies (continued)

(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 surplus or deficit.

Tax

The Fund is categorised as a non-profit making organisation and hence it is not subject to corporation tax.

Property, plant and equipment

Property, plant and equipment are stated at historical cost. The cost of fixed assets represents their purchase cost together with any incidental costs of acquisition.

The chapel is a prefabricated wooden building which has been imported from Russia and set up on the land donated by the Archbishop of Cyprus. The chapel is not depreciated.

Expenditure for repairs and maintenance of property, plant and equipment is charged to surplus or deficit 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.

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 surplus or deficit.

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.

Cash and cash equivalents

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

THE RUSSIAN ORTHODOX CHURCH ST NICHOLAS FUND LTD ("THE FUND")

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

2. Accounting policies (continued)

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 surplus or deficit.

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 ("THE FUND")

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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. The Fund'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:

	2011	2010
	€	€
Variable rate instruments		
Financial assets	<u>906.638</u>	498.082
	<u>906.638</u>	<u>498.082</u>

Sensitivity analysis

An increase of 100 basis points in interest rates at 31 December 2011 would have increased/(decreased) surplus or deficit 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 surplus and net assets.

	Profit or loss	
	2011	2010
	€	€
Variable rate instruments	<u>9.066</u>	4.981
	<u>9.066</u>	<u>4.981</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 RUSSIAN ORTHODOX CHURCH ST NICHOLAS FUND LTD ("THE FUND")

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

3. Financial risk management (continued)

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 Dollars. The Fund'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	
	2011	2010
	€	€
United States Dollars	<u>283.587</u>	<u>350.881</u>
	<u>283.587</u>	<u>350.881</u>

Sensitivity analysis

A 10% strengthening of the Euro against the following currencies at 31 December 2011 would have increased (decreased) surplus or deficit 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 surplus and other net assets.

	Surplus or deficit	
	2011	2010
	€	€
United States Dollars	<u>(31.690)</u>	<u>(24.067)</u>
	<u>(31.690)</u>	<u>(24.067)</u>

Fair value estimation

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

4. Revenue

	2011	2010
	€	€
Donations	<u>583.450</u>	<u>293.086</u>
	<u>583.450</u>	<u>293.086</u>

5. Other income

	2011	2010
	€	€
Interest income	8.028	920
Exchange profit	6.830	18.512
Members' subscriptions	<u>342</u>	<u>342</u>
	<u>15.200</u>	<u>19.774</u>

THE RUSSIAN ORTHODOX CHURCH ST NICHOLAS FUND LTD ("THE FUND")

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

6. Expenses by nature

	2011	2010
	€	€
Staff costs (Note 7)	7.620	-
Auditors' remuneration for the statutory audit of annual accounts	4.095	2.925
Other expenses	31.027	17.940
Total expenses	42.742	20.865

7. Staff costs

	2011	2010
	€	€
Wages and salaries	7.500	-
Social cohesion fund	120	-
	7.620	-
Average number of employees	1	-

8. Finance costs

	2011	2010
	€	€
Other finance expenses	167	382
	167	382

9. Property, plant and equipment

	Wooden chapel	Church under construction	Total
	€	€	€
Cost			
Balance at 1 January 2010	35.517	-	35.517
Additions	10.000	-	10.000
Balance at 31 December 2010/ 1 January 2011	45.517	-	45.517
Additions	-	142.990	142.990
Balance at 31 December 2011	45.517	142.990	188.507
Net book amount			
Balance at 31 December 2011	45.517	142.990	188.507
Balance at 31 December 2010	45.517	-	45.517

THE RUSSIAN ORTHODOX CHURCH ST NICHOLAS FUND LTD ("THE FUND")

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

9. Property, plant and equipment (continued)

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.

10. Receivables

	2011	2010
	€	€
Annual subscriptions due by members (Note 13)	<u>4.101</u>	<u>3.759</u>
	<u>4.101</u>	<u>3.759</u>

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.

11. Cash at bank and in hand

Cash balances are analysed as follows:

	2011	2010
	€	€
Cash at bank and in hand	202.305	298.558
Bank deposits	<u>711.772</u>	<u>199.525</u>
	<u>914.077</u>	<u>498.083</u>

The effective interest rate on short-term bank deposits was 2,179% (2010: 2,405%) and these deposits have an average maturity of 60 days.

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.

12. Trade and other payables

	2011	2010
	€	€
Accruals	38.344	34.949
Other creditors	<u>222</u>	<u>-</u>
	<u>38.566</u>	<u>34.949</u>

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

THE RUSSIAN ORTHODOX CHURCH ST NICHOLAS FUND LTD ("THE FUND")

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

13. Related party transactions

The following transactions were carried out with related parties:

13.1 Shareholders' current accounts - debit balances (Note 10)

	2011	2010
	€	€
Members' annual subscription	<u>4.101</u>	<u>3.759</u>
	<u>4.101</u>	<u>3.759</u>

As per Memorandum and Articles of Association of The Fund, each member is obliged to pay the annual subscription amounting to CY£ 20.

14. Contingent liabilities

The Fund had no contingent liabilities as at 31 December 2011.

15. Commitments

The Fund had no capital or other commitments as at 31 December 2011.

16. Events after the reporting period

There were no material events after the reporting period, which have a bearing on the understanding of the financial statements.