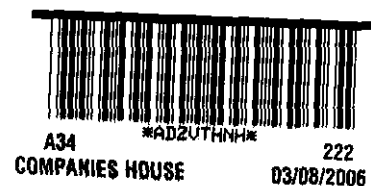


**FUTURE OF RUSSIA FOUNDATION
(FORMERLY KNOWN AS OPEN RUSSIA FOUNDATION)**

TRUSTEE'S REPORT AND FINANCIAL STATEMENTS

30 SEPTEMBER 2005



Registered company no. : 4529663

Registered charity no. : 1093811

Saffery Champness

CHARTERED ACCOUNTANTS

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FUTURE OF RUSSIA FOUNDATION

LEGAL AND ADMINISTRATIVE INFORMATION

Trustee	Farrer & Co Trust Corporation Limited
Bankers	HSBC Private Bank (UK) Limited 78 St James's Street London SW1A 1JB
Solicitors	Farrer & Co 66 Lincoln's Inn Fields London WC2A 3LH
Auditors	Saffery Champness Lion House Red Lion Street London WC1R 4GB
Investment advisers	Smith & Williamson Investment Management 25 Moorgate London EC2R 6AY
Registered Address	66 Lincoln's Inn Fields London WC2A 3LH
Registered company number	4529663
Registered charity number	1093811
Company Secretary	Tyrolese (Secretarial) Limited 66 Lincoln's Inn Fields London WC2A 3LH

FUTURE OF RUSSIA FOUNDATION
REPORT OF THE TRUSTEE
FOR THE YEAR ENDED 30 SEPTEMBER 2005

The Trustee presents its annual report and the financial statements for the year ended 30 September 2005.

Constitution and objects

The Foundation was incorporated in England and Wales as a company limited by guarantee on 9 September 2002 under the registered number 4529663. It is a registered charity, with the registered charity number 1093811, and is managed by the Trustee, who is also the director of the company. The Trustee has the power to delegate day to day administration and investment activities to suitably qualified individuals and organisations. The Trustee is appointed by the members of the company. Additional trustees may be appointed by the Trustee and their appointment be ratified at the subsequent Annual General Meeting.

On 25 November 2004 the Foundation changed its name from "Open Russia Foundation" to "Future of Russia Foundation".

The Foundation's objects are:

- (1) the advancement of the education of children and young people in Russia and other countries of Eastern Europe;
- (2) the advancement of education of the public in the history, arts, music and language of Russia and other countries in Eastern Europe; and
- (3) to promote such other purposes for the benefit of the public throughout the world as deemed by English Law to be charitable.

Organisation

Details of the Trustees serving since the last Trustees' report are as follows:

Farrer & Co Trust Corporation Limited	appointed 9 November 2005
The Right Honourable Lord Rothschild	resigned 9 November 2005
Dr Henry Kissinger	resigned 9 November 2005
Dr Mikhail Piotrovsky	resigned 9 November 2005
Ambassador Arthur Hartman	resigned 9 November 2005
Mr Steven Theede	resigned 9 November 2005

On 9 November 2005, a sole Corporate Trustee was appointed to administer the Foundation's activities. The new Trustee will be responsible for all matters relating to the governance of the Foundation and its assets.

Statement of Trustee's responsibilities

Company law requires the Trustee to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the income and expenditure of the company for that period. In preparing those financial statements, the Trustee is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in the foreseeable future.

FUTURE OF RUSSIA FOUNDATION

REPORT OF THE TRUSTEE (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2005

The Trustee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Foundation and to enable it to ensure that the financial statements comply with the Companies Act 1985 and relevant Statements of Recommended Accounting Practice. It is also responsible for safeguarding the assets of the Foundation and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Reserves policy

The assets of the Foundation are held largely in the form of an expendable endowment. The original donation of £10,000,000 is held as expendable endowment with the aim of preserving the capital value in order to generate future income. The unrestricted income fund represents the balance of interest earned on the expendable endowment for the Trustee to spend on charitable activities.

The adequacy of the reserves is reviewed annually.

Grant making policy

Following advice received from the Foundation's solicitors, and endorsed by the Charity Commission, the Trustee has suspended grant-making activities for the foreseeable future.

On 9th November 2005, a sole Corporate Trustee was appointed to take on the responsibility of Trustee of the Foundation, and to hold the Foundation's assets during this period of dormancy.

Financial review	2005	2004
	£	£
Incoming resources for the year :		
Investment income	465,294	384,549
Grants and donations amounted to	9,299	57,051
Investment management and administration expenses were	12,152	44,135
Total net assets of the Foundation increased by	443,843	283,363

Investment policy

The Trustee is holding the funds in accordance with professional advice obtained from Smith & Williamson Investment Management.

Risk Management

The Trustee has examined the major strategic, business and operational risks which the Foundation faces and confirms that the necessary steps have been taken to minimise these risks.

FUTURE OF RUSSIA FOUNDATION

**REPORT OF THE TRUSTEE (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2005**

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Saffery Champness be reappointed as auditors of the Foundation will be put to the Annual General Meeting.

Approved by the Trustee on 2006.

A handwritten signature in black ink, appearing to read 'Jonathan Hill', is written over the printed name of the trustee.

Farrell & Co Trust Corporation Limited

FUTURE OF RUSSIA FOUNDATION

REPORT OF THE INDEPENDENT AUDITORS TO THE TRUSTEE FOR THE YEAR ENDED 30 SEPTEMBER 2005

We have audited the financial statements on pages 6 to 10.

Respective responsibilities of directors and auditors

As described on page 2 the trustee, who is also the director of Open Russia Foundation for the purposes of company law is responsible for the preparation of the annual report and financial statements in accordance with applicable law and United Kingdom accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the trustee's report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the trustee's 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 audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgements made by the trustee in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable 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 charitable company's state of affairs as at 30 September 2005 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Saffery Champness

Saffery Champness

Chartered Accountants
Registered Auditors

31. July 2006

Lion House
Red Lion Street
London
WC1R 4GB

FUTURE OF RUSSIA FOUNDATION

**STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 30 SEPTEMBER 2005**

	Note	Unrestricted funds - Income £	Expendable endowment £	Total 2005 £	Total 2004 £
Incoming resources:					
Investment income	2	465,294	-	465,294	384,549
Total incoming resources		<u>465,294</u>	<u>-</u>	<u>465,294</u>	<u>384,549</u>
Resources expended					
Costs of generating funds					
Investment related costs		-	-	-	17,625
Charitable expenditure					
Grants and donations	3	9,299	-	9,299	57,051
Management and administration	4	12,152	-	12,152	26,510
Total resources expended		<u>21,451</u>	<u>-</u>	<u>21,451</u>	<u>101,186</u>
Net incoming resources		<u>443,843</u>	<u>-</u>	<u>443,843</u>	<u>283,363</u>
Net movement in funds for the year		443,843	-	443,843	283,363
Balances brought forward at 30 September 2004		313,189	10,000,000	10,313,189	10,029,826
Balances carried forward at 30 September 2005	5	<u>757,032</u>	<u>10,000,000</u>	<u>10,757,032</u>	<u>10,313,189</u>

The Statement of Financial Activities includes all gains and losses recognised in the year.

All incoming resources and resources expended derive from continuing activities.

The notes on pages 9 and 10 form part of the financial statements.

FUTURE OF RUSSIA FOUNDATION

**BALANCE SHEET
AS AT 30 SEPTEMBER 2005**

	Note	Unrestricted funds - Income £	Expendable endowment £	Total 2005 £	Total 2004 £
Fixed assets					
Investment cash balances held on deposit		724,178	10,000,000	10,724,178	10,000,000
		<u>724,178</u>	<u>10,000,000</u>	<u>10,724,178</u>	<u>10,000,000</u>
Current assets					
Accrued interest income		15,090	-	15,090	11,062
Cash at bank		40,822	-	40,822	315,127
		<u>55,912</u>	<u>-</u>	<u>55,912</u>	<u>326,189</u>
Creditors: amounts falling due within one year					
Professional fees		12,994	-	12,994	5,000
Other creditors		10,064	-	10,064	8,000
		<u>23,058</u>	<u>-</u>	<u>23,058</u>	<u>13,000</u>
Net assets		<u>757,032</u>	<u>10,000,000</u>	<u>10,757,032</u>	<u>10,313,189</u>
Financed by:					
Funds	5	<u>757,032</u>	<u>10,000,000</u>	<u>10,757,032</u>	<u>10,313,189</u>

The notes on pages 9 and 10 form part of the financial statements.

The financial statements were approved by the Trustee on 2006.



Farrer & Co Trust Corporation Limited

FUTURE OF RUSSIA FOUNDATION
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2005

		2005	2004
		£	£
Net cash flow from operating activities	(a)	449,873	267,116
Increase in investment cash and cash at bank	(b)	449,873	267,116

NOTES TO THE CASHFLOW STATEMENT

(a) Reconciliation of changes in resources to net cash flow from operating activities

Net incoming resources	443,843	283,363
(Increase) in debtors	(4,028)	(847)
Increase/ (decrease) in creditors	10,058	(15,400)
Net cashflow from operating activities	449,873	267,116

(b) Analysis of the increase in investment cash and cash at bank

Net balance brought forward	10,315,127	10,048,011
Net balance carried forward	10,765,000	10,315,127
	449,873	267,116

The notes on pages 9 and 10 form part of the financial statements.

FUTURE OF RUSSIA FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2005

1 Accounting policies

1.1 Basis of accounting

The financial statements are prepared under the historical cost convention. In preparing the financial statements the Foundation follows best practice as laid down in the Statement of Recommended Practice 'Accounting and Reporting by Charities' (SORP 2000) issued in October 2000.

1.2 Incoming resources

Investment income is accounted for on a receivable basis.

Donations are accounted for in the year in which the Foundation is entitled to receipt.

1.3 Resources expended

Expenditure is included on an accruals basis.

Costs of generating funds comprise those costs directly attributable to managing the investment portfolio.

1.4 Grants and donations

Grants and donations payable are charged in the year when the offer is conveyed to the recipient except in those cases where the offer is conditional, and therefore recognised as expenditure when the conditions attached are fulfilled. Grants offered subject to conditions which have not been met at the year end are noted as a commitment, but not accrued as an expense.

1.5 Investments

Investments are included at market value, or Trustee's valuation in the case of unquoted investments for which no market value is available. Any gain or loss is taken to the Statement of Financial Activities.

1.6 Fund accounting

The original donation of £10,000,000 is held as expendable endowment with the aim of preserving the capital value in order to generate future income. The unrestricted income fund represents the balance of interest earned on the expendable endowment for the Trustee to spend on charitable activities.

2 Investment income

	2005	2004
	£	£
Bank deposit interest	<u>465,294</u>	<u>384,549</u>

3 Grants and donations

	2005	2005
	£	£
Arts, Heritage and Culture		
Paul Watkins Publishers for 'Towers of Crim Tartary' by Sir Charles Brett	<u>5,999</u>	5,999
Grants to individuals		
Sergei Pudalov: Music fees at Moscow Gnessis College	1,650	
Margarita Trif: Music fees at Moscow Gnessis College	<u>1,650</u>	3,300
Total grants and donations		<u>9,299</u>

FUTURE OF RUSSIA FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2005

4 Management and administration of the Foundation

	Unrestricted fund	Expendable endowment	Total 2005	Total 2004
	£	£	£	£
Professional and administrative fees	9,877	-	9,877	25,989
Audit fee	2,250	-	2,250	9,870
Other costs	25	-	25	8,276
	<u>12,152</u>	<u>-</u>	<u>12,152</u>	<u>44,135</u>

No remuneration or reimbursement of expenses was received by the Trustee in either year.

5 Funds

The Income Fund represents the balance of income from all sources after deduction of donations and other necessary expenditure.

The Expendable Endowment Fund represents all the other assets of the Foundation. The original donation of £10,000,000 is held as expendable endowment with the aim of preserving the capital value in order to generate future income.