



MINISTRY OF JUSTICE
OF THE RUSSIAN FEDERATION

FEDERAL

REGISTRATION SERVICE

Administration of the Federal Registration
Service in St. Petersburg and the Leningrad
Region

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August 24, 2007 No. 30-01-6228¹

RE: No. _____ Of date: _____

¹ Translator's note: Both entries were translated
from hand-written text.

Alexander Konstantinovich,

The Administration of the Federal Registration Service in St. Petersburg and the Leningrad Region has as of August 20, 2007 completed its audit of the activities of the St. Petersburg Public Organisation "Environmental Rights Centre Bellona" (hereinafter referred to as Organisation) with a view to verifying that such activities, the expenditure of monetary assets and the use of other property included, are in agreement with the purposes specified in the Charter of the Organisation and with the legislation of the Russian Federation.

The Certificate of Audit is hereby enclosed for your attention.

You are given a period of 3 days to make yourself acquainted with the Certificate, which must then be signed and the second copy of the Certificate must be mailed to the Administration at the following address: 3 Galerny Proyezd, 199226, St. Petersburg.

Should you have objections as to the facts stated in the Certificate of Audit, you are entitled to attaching a written letter of disagreement with the Certificate as a whole, or else with specific items in it, as well as documentation (or notarised copies thereof) serving as confirmation of the validity of your claims.

Attached is the Certificate of Audit in 2 copies, 5 pages each.

Deputy
head

(signature present)
M. A. Melnikova

S.N. Zharkoi 7196724
of August "24" 2007

Administration of the Federal Registration Service
in St. Petersburg and the Leningrad Region.³ Ulitsa Smolnogo, St. Petersburg

CERTIFICATE OF AUDIT

of the St. Petersburg Public Organisation "Environmental Rights Centre Bellona," registration
No. 2508-YuR³, record of registration entered on December 09, 2002.

Audit started: July "02" 2007

Audit completed: August "20" 2007

The present Certificate is to attest to the results of an audit of the St. Petersburg Public Organisation "Environmental Rights Centre Bellona" (hereinafter also referred to as Subject of Audit) which has been undertaken in agreement with the Instruction by the Administration of the Federal Registration Service in St. Petersburg and the Leningrad Region (hereinafter, Administration) of June 19, 2007, No. 1-2845 rn (Instruction amended on: July 19, 2007, No. 1-3029; July 06, 2007, No. 1-2777 rn; July 25, 2007, No. 1-3231 rn; and July 31, 2007, No. 1-3342 rn).

Period into which the audit was undertaken: July 02, 2004, to July 02, 2007.

The audit of the Foundation's⁴ activities was executed by a committee represented by:
Chairman of the Committee: special expert with the Department for the Supervision of Activities of Non-Commercial Organisations of the Administration, Svetlana Nikolayevna Zharkoi.

Committee members:

consultant with the Department for the Supervision of Activities of Non-Commercial Organisations of the Administration, Viktor Anatoliyevich Kholin;

senior special expert of the Department for the Supervision of Activities of Non-Commercial Organisations of the Administration, Irina Mikhailovna Vovchok;

senior special expert of the Department for the Supervision of Activities of Non-Commercial Organisations of the Administration, Pavel Alexeyevich Titov;

special expert of the Department for the Supervision of Activities of Non-Commercial Organisations of the Administration, Alevtina Ivanovna Kalinina.

The registration record on the Subject of Audit was entered to the Unified State Register of Legal Entities (hereinafter, USRLE) on December 09, 2002, main state registration number **102780001 i 183**; TIN⁵ 7825117098; RVC⁶ 784001001.

Address of the standing governing body of the Subject of Audit: 87-A Ligovsky Prospekt, 191040, St. Petersburg, Office 23-N. In the course of the inquiry, information has been supplied by a representative of the St. Petersburg Public Organisation "Environmental Rights Centre Bellona" that the Subject of Audit also performs its activities at a different address, which is as follows: 59 Suvorovsky Prospekt, St. Petersburg, in view of which relevant addenda were made to the Instruction of June 19, 2007, No. 1-2485 rn. The audit was executed at the following address: 59 Suvorovsky Prospekt, St. Petersburg.

The Subject of Audit supplied copies of documents in agreement with requests it had received. According to the Charter of the St. Petersburg Public Organisation "Environmental Rights Centre Bellona," the Subject of Audit performs activities aimed at protecting the environment,

² Translator's note: As read from hand-written text.

³ Translator's note: Here and everywhere else in the text, Russian alphabet letters appearing as part of document numbers will be rendered into English in accordance with transliteration rules.

⁴ Translator's note: It appears that the St. Petersburg Public Organisation "Environmental Rights Centre Bellona" was referred to as "Foundation" in the Russian original. It was translated accordingly.

⁵ Translator's note: TIN stands for Taxpayer Identification Number.

⁶ Translator's note: RVC stands for Record Validity Code.

including initiating, organising and implementing public environmental risk assessment hearings, as well as assisting physical persons and legal entities in exercising their rights to a healthy environment, to accurate information about its condition and to the reparation of damages inflicted on their health or property by violations of ecological legislation.

The upper governing body of the Subject of Audit is the Conference (Item 4.1 of the Charter). The Conference gathers for meetings no less than once in five years. The Conference held one meeting in 2004, one meeting in 2005, and one meeting in 2006. In the periods between the Conference's meetings, the Board is the standing governing body of the Subject of Audit (Item 4.5 of the Charter). The Board is represented by A. K. Nikitin, Yu. I. Vdovin, G. M. Pasko, Jon Gauslaa, and S. N. Zhavoronkin (Protocol No. 8 of April 07, 2004). At a meeting of the Conference of the Subject of Audit on August 28, 2006, Jon Gauslaa was relieved of his duties as a member of the Board and Yu. M. Shmidt was appointed as a new member of the Board. The Board gathers for meetings as and when needed (Item 4.7 of the Charter). The Board held three meetings in 2004. Two meetings took place in 2006. One meeting of the Board took place in 2007.

According to Item 4.12 of the Charter of the Subject of Audit, a committee of supervisors (supervisor) organises a compliance assessment and performs an audit of the financial and economic activities, for which purpose auditing firms are hired by the committee, if necessary. According to Protocol No. 8 of April 07, 2004, Siri Engesaeth was voted in as Supervisor of the Subject of Audit, and at a Conference meeting on April 16, 2005, Nils Bohmer was voted in as the new Supervisor. It follows from the documents supplied that an audit was performed by the Supervisor in May 2006.

In accordance with Item 4.8 of the Charter, the Chairman of the Board performs his or her duties on behalf of the Subject of Audit without a power of attorney. Voting on the candidature of the Chairman of the Board is done at a meeting of the Board of the Subject of Audit. According to Protocol No. 9 of April 7, 2004, Alexander Konstantinovich Nikitin was voted in as Chairman of the Board for a period of five years.

During the period of the audit, the St. Petersburg Public Organisation "Environmental Rights Centre Bellona" was represented by Alexander Konstantinovich Nikitin, as well as a representative with a letter of attorney, Yury Innokentyevich Vdovin.

In the course of the audit, the following violations of the legislation of the Russian Federation and of the Charter have been revealed:

The St. Petersburg Public Organisation "Environmental Rights Centre Bellona" had concluded an agreement with the Consulate General of the Kingdom of the Netherlands in St. Petersburg acting in the name of the Ministry of Foreign Affairs of the Netherlands, Project No. KAP 06/04 of the Matra Programme. According to the above agreement, No. PET-06/04 of May 12, 2004, the Consulate General of the Kingdom of the Netherlands in St. Petersburg undertakes the financial subsidisation of the project "School of Environmental Journalism" in the amount of RUR 408,897. It is specified in the agreement that the funding provided is a non-repayable target donation.

Upon completing their analysis of the agreement specified above, the Committee's members have concluded that the legal nature of the agreement does not allow for classification of it as an agreement of donation.

Part 1 of Article 582 of the Civil Code of the Russian Federation gives a definition of the notion of the agreement of donation, under which it understands transfer by way of gift of a property item or a claim or entitlement with the purpose of public benefit. The law classifies donation as a type of transfer by way of gift as it considers its distinguishing characteristic to be the intention with the transfer by way of gift, which the purpose of public benefit is. In a donation, as with any agreement of transfer by way of gift, the gratuitousness of the transfer of property is a necessary characteristic. In its turn, the notion of gratuitousness is defined in Article 423 of the Civil Code of the Russian Federation as the assignment of something to

another party without the collection of payment or other consideration from it.

However, a number of obligations was included into the agreement of May 12, 2004, No. PET-06/04, the implementation of which is a necessary condition of the subsidisation of Project KAP 06/04. Item 2 of the agreement specifies: “...when holding any activities in the framework of the project, a reference to the Consulate General of the Netherlands in St. Petersburg must be made...”

According to the legislation in effect in the Russian Federation, transfer by way of gift rules out the existence of any counter-obligation as with the existence of such, the agreement shall not be recognised as transfer by way of gift (Item 1 of Article 572 of the Civil Code of the Russian Federation). Therefore, any donating party performs the donation on a gratis basis and does not expect anything in return, including a reference to its name.

Taking the provisions of Item 1 of Article 572 and Item 1 of Article 582 of the Civil Code of the Russian Federation into consideration, the agreement specified above is not an agreement of donation by implication of the civil legislation of the Russian Federation because gratuitousness, which is the inherent characteristic of the given agreement, is absent from it. The loss of the characteristic of gratuitousness in the agreement in question entails consequences of legal significance manifesting in the recognition of it as a fraudulent deal and application to it of rules provided for in Item 2 of Article 170 of the Civil Code of the Russian Federation.

We believe that when assessing the agreement on Project KAP 06/04 of the Matra Programme, No. PET-06/04 of May 12, 2004, provisions should be applied of the Federal Law No. 108-FZ “On Advertising” of July 18, 1995, which was in effect at the time that the agreement was concluded, and that the transfer of monetary assets to the Subject of Audit should be regarded as sponsorship (Article 19 of the said law).

It was established in the course of the audit that the monetary assets received by the Subject of Audit in the period into which the audit had been undertaken, namely: RUR 408,897 in accordance with the agreement on Project KAP 06/04 of the Matra Programme, No. PET-06/04 of May 12, 2004, had not been included into the tax base, as a result of which an unfounded understatement of it took place.

Taking all of the above into consideration, we believe that constituent elements of a tax offence are present in the actions of the Subject of Audit as specified in Article 120 of the Internal Revenue Code of the Russian Federation (a gross violation of the rules of revenue and tax base accounting).

For the same reasons, classification as an agreement of donation is not applicable to the agreement of August 25, 2006, No. 03/2006, according to which the Consulate General of Great Britain in St. Petersburg, in the person of George Edgar, transferred to the Subject of Audit monetary assets in the amount of GBP 3,675 as a donation for the implementation of the project “School of Environmental Journalism” carried out under the auspices of the “Environmental Rights Centre Bellona.” Item 4.2 of the agreement of August 25, 2006, No. 03/2006, specifies an obligation on the part of the donation recipient: “...when mentioning the Project and its results in the mass media, as well as in materials created in the course of the implementation of the programme (including printed materials and electronic messages in the Internet), that ‘the present programme is carried out with the support of the Consulate General of Great Britain in St. Petersburg.’”⁷

In the opinion of the members of the Committee, this case calls for the application of the provisions of the Federal Law No. 38-FZ “On Advertising” of March 13, 2006, and the relations between the parties of the said agreement should be regarded as rendering of advertising services (sponsor’s advertising). It was established in the course of the audit that the monetary assets received by the Subject

of Audit in the period into which the audit had been undertaken, namely: GBP 3,675, in accordance with the agreement of August 25, 2006, No. 03/2006, had not been included into the tax base, as a result of which an unfounded understatement of it took place. Therefore, constituent elements of a tax offence are present in the actions of the Subject of Audit as

⁷ Translator’s note: This sentence appeared cut in the original text and was translated accordingly.

specified in Article 120 of the Internal Revenue Code of the Russian Federation (a gross violation of the rules of revenue and tax base accounting).

In pursuance of the requirements of the legislation of the Russian Federation, the Subject of Audit supplied in 2005 and 2006 information to the Administration on the continuation of its activities with specification of the actual place of location of its standing governing body, its name and information about the head executives of the Subject of Audit, to the scope such as required for the inclusion into the Unified State Register of Legal Entities.

However, the report submitted in accordance with Form ON0003 approved by Decree No. 212 of April 15, 2006, of the Government of the Russian Federation, was signed by Yu. I. Vdovin – a member of the Board, however, he is not entitled to such a right. According to Item 4.8 of the Charter of the Subject of Audit, it is the Chairman of the Board who puts his signature on documents, including reports on the financial and economic activities of the Subject of Audit. As was mentioned earlier, A. K. Nikitin was voted in as Chairman of the Board (Protocol No. 9 of April 07, 2004). Therefore, the information submitted does not testify to the fulfilment by the St. Petersburg Public Organisation “Environmental Rights Centre Bellona” of its duty as specified by Paragraph 8 of Article 29 of the Law on Public Organisations.

Furthermore, Decree No. 212 of April 15, 2006, of the Government of the Russian Federation determines the order in which Form ON0003 must be filled out, namely, it is specified that when transferring monetary assets for certain purposes, the Subject of Audit must specify the particular purpose with which said monetary assets will be expended. In the report submitted, the Subject of Audit specified as the purpose of expenditure of the monetary assets received the *“implementation of activities as determined by the organisation’s charter.”* However, documents submitted for the audit prove that the Subject of Audit received special-purpose financing as well (Agreement No. 03/2006 of August 25, 2006).

Findings on the results of the audit:

The activities of the St. Petersburg Public Organisation “Environmental Rights Centre Bellona” is in correspondence with the purposes and objectives of the Subject of Audit as specified in its Charter and with the legislation of the Russian Federation, however, it is carried out with a violation of the legislation of the Russian Federation and the Charter, namely, Article 120 of the Internal Revenue Code of the Russian Federation and Item 4 of the Charter of the Subject of Audit.

In consideration of the results of the audit, we believe it is necessary: in accordance with Part 2 of Paragraph 5 of Article 38 of the Federal Law “On Public Organisations,” No. 82-FZ of May 19, 1995, to extend a written warning to the standing governing body of the Subject of Audit and, taking the revealed violations into account, to send the audit materials to the Administration of the Federal Tax Service in St. Petersburg.

The present certificate has been prepared in three copies, all of which have equal legal force. Attachment:

1. Audit materials, 381⁸ pages.

Chairman of the Committee, S. N. Zharkoi (signature present)

Committee members: (signature) The signature of V. A. Kholin, committee member, V. A. Kholin

is absent for the reason of his dismissal from job.

Head of the Department for the Supervision of Activities

of Non-Commerical Organisations (signature) N. S. Romanovskaya⁹

⁸ Translator’s note: As read from hand-written number on the page.

⁹ Translator’s note: As read from hand-written Russian text.

(signature present) I. M. Vovchok
(signature present) P. A. Titov
(signature) The signature of A. I. Kalinina, committee member, A. I. Kalinina
is absent for the reason of her being on vacation.
Head of the Department for the Supervision
of Activities of Non-Commerical
Organisations (signature) N. S. Romanovskaya¹⁰

I have read the Certificate of Audit:

(title of the chief executive of the Subject of Audit,

or of any other person authorised by the chief executive, (signature) Stamp Here
(Full name)
including the full title of the Subject of Audit)

On “__” _____ of year _____

My objections to the Certificate of Audit on “__” page(s) are attached.

(title of the chief executive of the Subject of Audit,

or of any other person authorised by the chief executive, (signature) Stamp Here
(Full name)
including the full title of the Subject of Audit)

On “__” _____ of year _____

3 copies have been sent
1st and 2nd copies to the Organisation
3rd copy to the Administration

¹⁰ Translator's note: As read from hand-written Russian text.