

Ratepower Limited

**Annual Report
for the period from 1 October 2002 to 31 December 2003**

Registration No.: 4318433



Ratepower Limited

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Ratepower Limited

Director and other officers

Director

Serge Barychkov

Company Secretary

Volha Martin

Alfa Finance Holdings

22 Grand rue

L-1660 Luxembourg

Registered office

The Apple Barn

Langley Park Sutton Road

Maidstone

Kent

ME173NQ

United Kingdom

Registered Auditors

PricewaterhouseCoopers LLP

London

United Kingdom

Principal Bankers

Alfa Bank

Amsterdam Trade Bank

Ratepower Limited

Director's report for the period from 1 October 2002 to 31 December 2003

The Director presents his report and the audited financial statements of the Company for the period from 1 October 2002 to 31 December 2003.

Principal activities

The principal activity of the Company is connected to the Alfa Bank Group in Russia (see note 14 and 15) consisting of trading in bills of exchange mainly with related companies and granting loans.

Change of financial year end

The financial year end of the Company has changed from 30 September to 31 December.

Results

The Company's results for the period under review are set out on page 4.

Review of business and future developments

The year end and financial position of the Company showing a deficit on shareholders funds of US\$40.914 and the results for the period are considered satisfactory. The parent company has indicated it will provide sufficient funds to enable the company to meet its liabilities as they fall due.

Dividends

The Director does not recommend the payment of a dividend.

Directors

The Directors who held office during the period from 1 October 2002 to 31 December 2003 are given below:

Michael John Radford Morris (resigned 15 October 2002)

Pavel Nazarian (resigned 19 November 2003)

David Andrew Oliva (resigned 15 September 2004)

Serge Barychkov (appointed 15 September 2004).

Ratepower Limited

Directors' interests

The Director did not hold any beneficial interests in the shares of the Company at 31 December 2003 or at any time during the period under review.

Statement of directors' responsibilities

Company law requires the Director to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. The Director is required to prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the company will continue in business.

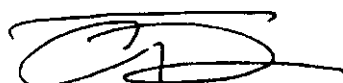
The Director confirms that suitable accounting policies have been used and applied consistently. He also confirms that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the period from 1 October 2002 to 31 December 2003 and that applicable accounting standards have been followed.

The Director is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and which enable him to ensure that the financial statements comply with the Companies Act 1985. He is 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.

Auditor

The auditors, PricewaterhouseCoopers LLP have indicated their willingness to continue in office. A resolution proposing their reappointment and giving authority to the Director to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board



Serge Barychkov
Director

Nicosia
29 June 2005

Ratepower Limited

Independent auditors' report to the members of Ratepower Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the cash flow statement and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies. We have not audited the comparative balances for the period to 30 September 2002.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 directors' 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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit 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 by the directors 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 that 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.

Ratepower Limited

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2003 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, flowing style.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
29 June 2005

Ratepower Limited

Profit and loss account

for the period from 1 October 2002 to 31 December 2003

		Period from 1 October 2002 to 31 December 2003 US\$	Period from 7 November 2001 to 30 September 2002 US\$ (unaudited)
Continuing operations	Note		
Turnover		76,431,760	-
Cost of sales		(76,094,955)	-
Gross profit		336,805	-
Interest income from loans		1,036,296	-
Administrative expenses		(42,036)	-
Profit on ordinary activities before interest and taxation	3	1,331,065	-
Interest payable and similar charges	6	(1,371,981)	-
Loss on ordinary activities before taxation		(40,916)	-
Tax on profit an ordinary activities	7	-	-
Retained loss for the period	11	(40,916)	-

Recognised gains and losses

The Company has no recognised gains or losses other than the loss above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained loss for the period as stated above, and their historical cost equivalents.

The notes on pages 10 to 17 form part of these financial statements.

Ratepower Limited

Balance sheet at 31 December 2003

	Note	31 December 2003 US\$	30 September 2002 US\$ (unaudited)
Current assets			
Corporate bills of exchange	8	50,246,991	-
Other receivables	14	-	2
Cash and bank	13	3,056	-
		<u>50,250,047</u>	<u>2</u>
Creditors: Amounts falling due within one year	9	<u>(50,290,961)</u>	<u>-</u>
Net (liabilities)/assets		<u>(40,914)</u>	<u>2</u>
Capital and reserves			
Called up share capital	10	2	2
Profit and loss reserve	11	(40,916)	-
Total shareholders' (deficit) funds	12	<u>(40,914)</u>	<u>2</u>

The financial statements on pages 6 to 17 were approved by the Director on 29 June 2005 and were signed by:



Serge Barychkov, Director

The notes on pages 10 to 17 form part of these financial statements.

Ratepower Limited

Cash flow statement for the period from 1 October 2002 to 31 December 2003

	Period from 1 October 2002 to 31 December 2003 US\$	Period from 7 November 2001 to 30 September 2002 US\$ (unaudited)
Cash flows to continuing operations (reconciliation to operating profit on page 7)	(48,872,490)	(2)
Servicing of finance		
Interest paid	(1,371,445)	-
Net cash outflow on servicing of finance	(1,371,445)	-
Cash flows from financing activities		
Net proceeds from loan	50,246,991	-
Issue of share capital	-	2
Net increase in cash (Note 13)	3,056	-

The notes on pages 10 to 17 form part of these financial statements.

Ratepower Limited

Reconciliation of operating loss to net cash inflow from operating activities for the period from 1 October 2002 to 31 December 2003

	Period from 1 October 2002 to 31 December 2003 US\$	Period from 7 November 2001 to 30 September 2002 US\$ (unaudited)
Cash generated from continuing operations		
Retained loss for the period	(40,916)	-
Adjustments for:		
Interest expense	1,371,445	-
Changes in working capital:		
Increase in bills of exchange	(50,246,991)	-
Decrease/(increase) in other receivables	2	(2)
Increase in accrued expenses	17,784	-
Increase in amounts due to related companies	26,186	-
Cash flows to continuing operations	(48,872,490)	(2)

The notes on pages 10 to 17 form part of these financial statements.

Ratepower Limited

Notes to the financial statements – 31 December 2003

1 Accounting policies

The financial statements are prepared on the going concern basis, under the historical cost convention in accordance with the Companies Act 1985 and applicable Accounting Standards. The principal accounting policies are set out below.

Revenue recognition

Revenue comprises the value for the sale of bills of exchange as agreed by contracts. Revenues earned by the Company are recognised on the following bases:

(a) Sales of bills of exchange

Sales of bills of exchange are recognised when significant risks and rewards of ownership of the bills have been transferred to the customer which is usually upon signing of the relevant contract with the customer.

(b) Interest income

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

Foreign currencies

The financial statements are expressed in United States dollars. Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account. Such balances are translated at year-end exchange rates. The equivalent of the Russian Rouble to the US Dollar at 31 December 2003 was 29.45.

Bills of exchange

Bills of exchange are acquired for short term period for the purpose of generating profit and are included in current assets.

Purchases and sales of bills of exchange are recognised on the trade date, which is the date that the Company commits to purchase or sell the asset through signed contracts.

The Company assesses at each balance sheet date whether there is any objective evidence that the bills of exchange are impaired, which would be if their carrying amount is greater than their estimated recoverable amount. The amount of the impairment loss is written off in the profit and loss account.

Ratepower Limited

Notes to the financial statements – 31 December 2003

1 Accounting policies (continued)

Borrowings

Borrowings are recognised initially at the receipt of proceeds, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Taxation

The charge on taxation is based on the result for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more tax in the future, or a right to pay less taxation in future. An asset is not recognised to the extent that the transfer of economic benefits in future is uncertain. Deferred assets and liabilities have not been discounted.

2 Financial risk management

(1) Financial risk factors

The Company's activities expose it to risks, primarily interest rate risk, liquidity risk and currency risk arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below.

(a) Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company's income and operating cash flows are substantially independent of changes in market interest rates as the Company has no significant interest-bearing assets. The Company is exposed to interest rate risk in relation to its non-current borrowings. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

Ratepower Limited

Notes to the financial statements – 31 December 2003

2 Financial risk management (continued)

(1) Financial risk factors (continued)

(b) 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 Company 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 Company is financially supported by its holding company.

(c) 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 Company's measurement currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Russian Rouble. The Company's management ensures that assets and liabilities of the same foreign amount and currency are kept in order to avoid such risks.

(2) Fair value estimation

The fair values of the Company's financial assets and liabilities approximate their carrying amounts at the balance sheet date.

The nominal value less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

3 Operating profit

Operating profit is stated after charging:

	Period from 1 October 2002 to 31 December 2003 US\$	Period from 7 November 2001 to 30 September 2002 US\$ (unaudited)
Auditor's remuneration – audit services	17,884	-

Ratepower Limited

Notes to the financial statements – 31 December 2003

4 Directors' emoluments

No remuneration was paid or is payable by the company to the Director. The Director is employed by other companies in the group and consider that his services to this company are incidental to his activities within the group (2002 : Nil). His remuneration cannot be meaningfully apportioned between companies.

5 Employee information

There were no persons directly employed by the company during the year ended 31 December 2003 (2002: nil).

6 Interest payable and similar charges

	Period from 1 October 2002 to 31 December 2003 US\$	Period from 7 November 2001 to 30 September 2002 US\$ (unaudited)
Interest payable on loans	1,371,445	-
Foreign exchange loss	536	-
	<u>1,371,981</u>	<u>-</u>

Ratepower Limited

Notes to the financial statements – 31 December 2003

7 Tax on profit on ordinary activities

Taxation on profit on ordinary activities

	Period from 1 October 2002 to 31 December 2003 US\$	Period from 7 November 2001 to 30 September 2002 US\$ (unaudited)
(a) Analysis of tax charge for the period:		
United Kingdom Corporation Tax charge for Current year	-	-
Adjustment in respect of prior years	-	-
Current tax charge for period	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

A deferred tax asset of US\$12,275 relating to tax losses has not been recognized at 31 December 2003 as it is not envisaged with sufficient certainty that the company will generate significant taxable profits in the foreseeable future.

(b) Factors affecting current tax charge for the year:

Loss before tax	(40,916)	-
	<u>(40,916)</u>	<u>-</u>
Tax on profit at 30%	(12,275)	-
Effects of:		
Permanent differences	-	-
Timing differences:	-	-
Losses for which deferred tax not recognised	12,275	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

8 Bills of exchange

	31 December 2003 US\$	30 September 2002 US\$ (unaudited)
Bills of exchange	<u>50,246,991</u>	<u>-</u>

Bills of exchange are denominated in Russian Roubles and mature in 2008. These have been disposed of at the beginning of 2004.

Ratepower Limited

Notes to the financial statements – 31 December 2003

9 Creditors: Amounts falling due within one year

	31 December 2003 US\$	30 September 2002 US\$ (unaudited)
Loan due to related company (1) - (Note 14)	50,246,991	-
Amount due to related companies (2) - (Note 14)	26,186	-
Accruals	17,784	-
	<u>50,290,961</u>	<u>-</u>

- (1) The loan is denominated in Russian Roubles, bears interest at the rate of 3.7% per annum and is repayable on demand. The loan is secured by a pledge on the bills of exchange held by the company at year end (Note 8).
- (2) The balances with related companies, bear no interest and no terms or conditions agreed for their repayment.

10 Called up share capital

	Stg£	Stg£
Authorised		
1 000 ordinary equity shares of STG£1 each	<u>1,000</u>	<u>1,000</u>
Issued and fully paid		
1 ordinary equity share of STG£1 each	<u>1</u>	<u>1</u>
	US\$	US\$
Translated into US\$	<u>2</u>	<u>2</u>

11 Profit and loss reserve

	31 December 2003 US\$	30 September 2002 US\$ (unaudited)
At beginning of period	-	-
Retained loss for the period	(40,916)	-
At end of period	<u>(40,916)</u>	<u>-</u>

Ratepower Limited

Notes to the financial statements – 31 December 2003

12 Reconciliation of shareholders' funds

	31 December 2003 US\$	30 September 2002 US\$ (unaudited)
Loss for the period	(40,916)	-
Opening equity shareholders' funds	2	-
Issue of share capital	-	2
Closing shareholders' funds	<u>(40,914)</u>	<u>2</u>

13 Cash at bank

	31 December 2003 US\$	30 September 2002 US\$ (unaudited)
Changes in the period		
At beginning of period	-	-
Net cash inflow	3,056	-
At end of period	<u>3,056</u>	<u>-</u>

14 Related party disclosures

The following transactions were carried out with related parties:

(a) Sale of bills of exchange to related companies

	Period from 1 October 2002 to 31 December 2003 US\$	Period from 7 November 2001 to 30 September 2002 US\$ (unaudited)
Marrow Ventures Ltd	5,058,767	-
Manwood Ltd	50,064,110	-
Ashford Technologies Corp	21,308,883	-
	<u>76,431,760</u>	<u>-</u>

Ratepower Limited

Notes to the financial statements – 31 December 2003

14 Related party disclosures (continued)

(b) Purchases of bills of exchange from related companies

	Period from 1 October 2002 to 31 December 2003 US\$	Period from 7 November 2001 to 30 September 2002 US\$ (unaudited)
Manwood Ltd	26,094,955	-
Alfa Bank	50,000,000	-
	<u>76,094,955</u>	<u>-</u>

Year-end balances arising from the sale/purchase of bills of exchange with related companies

	2003 US\$	2002 US\$ (unaudited)
Alfa Capital Holdings (Cyprus)	19,104	-
Manwood Ltd	7,082	-
	<u>26,186</u>	<u>-</u>

The above companies are related through common control.

(d) Loans from related company:

	2003 US\$	2002 US\$ (unaudited)
Alfa Bank	<u>50,246,991</u>	<u>-</u>

The above company is related through common control.

The loan is denominated in Russian Roubles, bears interest at the rate of 3.7% per annum and is repayable on demand. The loan is secured by a pledge on the bills of exchange held by the company at year end (Note 8).

15 Ultimate parent undertaking

The parent of the company is ABH Financial Limited and the ultimate controlling party is ABH Holdings Corp. Both companies are incorporated in the British Virgin Islands.

16 Post balance sheet events

There were no material post balance sheet events, which have a bearing on the presentation and understanding of the financial statements.