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Renaissance Capital Limited

Report and Accounts

31 December 1998



Renaissance Capital Limited

Registered No. 3059237

DIRECTORS

Richard Deitz (resigned 6 January 1999)
Bruce Gardner
Stephen Jennings

SECRETARY

Mary-Louise Ferrier

AUDITORS

Ernst & Young
Rolls House
7 Rolls Buildings
Fetter Lane
London EC4A 1NH

BANKERS

The Chase Manhattan Bank, NA
Woolgate House
Coleman Street
London EC2P 2HD

SOLICITORS

Allen & Overy Legal Services
One New Change
London EC4M 9QQ

REGISTERED OFFICE

18th Floor
1 Angel Court
Copthall Avenue
London EC2R 7HS

Renaissance Capital Limited

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 1998.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to \$155,000 (1997 - \$830,000 loss). The directors do not recommend a dividend.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company provides marketing assistance to fellow group companies whose activities include the trading of equity and fixed income investments in Russia and other former Soviet Republics.

The company commenced trading in April 1998 after obtaining SFA registration.

YEAR 2000 COMPLIANCE

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the Year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of our business depends not only on our own computer systems, but also to some degree on those of our suppliers and customers. This could expose us to further risk in the event that there is a failure by other parties to remedy their own Year 2000 issues.

A significant risk analysis has been performed to determine the impact of the issue on all our activities. Priority was given to those systems which could cause a significant financial or legal impact on the company's business if they were to fail.

The risk analysis also considered the impact on our business of Year 2000 related failures by our significant suppliers and customers. In appropriate cases we have initiated formal communication with these other parties.

Given the complexity of the problem, it is not possible for any organisation to guarantee that no Year 2000 problem will remain, because at least some level of failure may still occur. However, the Board believes that it has achieved an acceptable state of readiness and has also provided resources to deal promptly with significant subsequent failures or issues that might arise.

DIRECTORS AND THEIR INTERESTS

The directors during the year were as follows:

Richard Deitz (resigned 6 January 1999)
Bruce Gardner
Stephen Jennings

There are no directors' interests requiring disclosure under the Companies Act 1985.

AUDITORS

A resolution to reappoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

On behalf of the board


Bruce Gardner
Director

30 March 1999

Renaissance Capital Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which 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. In preparing those accounts, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are 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.

REPORT OF THE AUDITORS
to the members of Renaissance Capital Limited

We have audited the accounts on pages 5 to 12, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

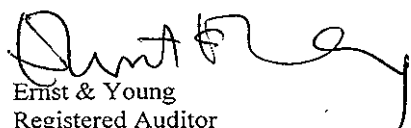
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Fundamental uncertainty - Russian economic developments

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 to the accounts concerning the uncertainties resulting from the developments in the Russian economy. In view of the significance of these uncertainties, we consider that they should be drawn to your attention but our opinion is not qualified in this respect.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor
London

12 April 1999

Renaissance Capital Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 1998

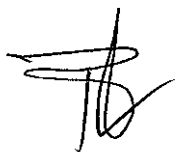
	<i>Notes</i>	<i>1998 \$000</i>	<i>1997 \$000</i>
TURNOVER		2,388	-
Administrative expenses		(2,248)	(832)
OPERATING PROFIT/(LOSS)	2	140	(832)
Bank interest receivable		17	3
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		157	(829)
Taxation	4	(2)	(1)
PROFIT/(LOSS) RETAINED FOR THE FINANCIAL YEAR		155	(830)

There are no recognised gains and losses other than the profit for the year (1997 - loss).

Renaissance Capital Limited

BALANCE SHEET at 31 December 1998

	Notes	1998 \$000	1997 \$000
FIXED ASSETS			
Tangible assets	5	561	592
Investments	6	1,820	1,820
		<u>2,381</u>	<u>2,412</u>
CURRENT ASSETS			
Debtors	7	1,007	181
Cash at bank and in hand		19	533
		<u>1,026</u>	<u>714</u>
CREDITORS: amounts falling due within one year	9	80	39
		<u>946</u>	<u>675</u>
NET CURRENT ASSETS			
		<u>3,327</u>	<u>3,087</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
CREDITORS: amounts falling due after more than one year			
Amounts owed to group undertakings		-	3,921
		<u>3,327</u>	<u>(834)</u>
CAPITAL AND RESERVES			
Called up share capital	10	4,006	-
Profit and loss account	11	(679)	(834)
Shareholders' funds:			
Equity		<u>3,327</u>	<u>(834)</u>
Non-equity		<u>-</u>	<u>-</u>
		<u>3,327</u>	<u>(834)</u>



Bruce Gardner

Director

30 March 1999

Renaissance Capital Limited

STATEMENT OF CASH FLOWS for the year ended 31 December 1998

	<i>Note</i>	<i>1998 \$000</i>	<i>1997 \$000</i>
CASH OUTFLOW FROM OPERATING ACTIVITIES	2(b)	(424)	(934)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		-	3
TAXATION			
Corporation tax paid		(1)	-
CAPITAL EXPENDITURE			
Payments to acquire tangible fixed assets		(174)	(631)
ACQUISITIONS AND DISPOSALS			
Purchase of subsidiary undertaking		-	(1,300)
CASH OUTFLOW BEFORE FINANCING		(599)	(2,862)
FINANCING			
Net movement in long term borrowings		(3,921)	3,395
Issue of ordinary shares		4,006	-
INCREASE IN CASH		(514)	533
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT			
Increase/(decrease) in cash in the year		(514)	533
Cash inflow/(outflow) from increase/decrease in debt and lease financing		3,921	(3,395)
MOVEMENT IN NET DEBT IN THE PERIOD		3,407	(2,862)
NET DEBT AT 1 JANUARY		(3,388)	(526)
NET FUNDS/(DEBT) AT 31 DECEMBER	8	19	(3,388)

Renaissance Capital Limited

NOTES TO THE ACCOUNTS

at 31 December 1998

1. ACCOUNTING POLICIES

Accounting convention and currency

The accounts are prepared under the historical cost convention and are drawn up in United States dollars, being the currency in which the majority of the company's transactions are denominated.

The accounts are prepared in accordance with applicable accounting standards.

The company's activity is the provision of marketing assistance to a fellow group company. Many of the operations of the Renaissance Capital Group are undertaken in Russia and are thus susceptible to uncertain future developments in the Russian political regime and economy.

On August 17, 1998, the Russian government announced the restructuring of its short-term obligations into long-term debt and imposed a moratorium on servicing and repaying financial borrowings from western financial institutions by Russian corporate entities. Additionally, the Russian rouble underwent significant deterioration and the Central Bank of Russia cancelled its support of the exchange rate of the Russian rouble to major foreign currencies.

Further, legislation in the Russian Federation is constantly evolving as the government attempts to transform from a command to a market-oriented economy and solve the current economic uncertainties.

The company's directors have discussed the current Russian political and economic position with the parent undertaking and are satisfied that all the assets of the company are realisable and the company will be able to meet its liabilities as they fall due. The directors therefore consider it appropriate to prepare the accounts on the going concern basis. The accounts do not include any adjustments that would result if adequate finance were not available.

Group accounts

The company has not prepared group accounts to include its wholly owned subsidiary by virtue of the fact that this group satisfies the criteria of a small group. Accordingly the accounts are those of the company and not the group of which it is the parent company.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset evenly over its expected useful life as follows

Leasehold improvements	-	over 5 years
Computer and communications equipment	-	over 3 years
Fixtures and fittings	-	over 5 years

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

Renaissance Capital Limited

NOTES TO THE ACCOUNTS at 31 December 1998

1. ACCOUNTING POLICIES (continued)

Leasing commitments

Rentals paid under operating leases are charged to the profit and loss account during the year in which they are incurred.

Related parties

The company has taken advantage of the exemption in FRS 8 from disclosing transactions with related parties that are part of the Renaissance Capital Group Limited group.

2. OPERATING PROFIT/(LOSS)

(a) This is stated after charging:

	1998 \$000	1997 \$000
Auditors' remuneration	12	8
Depreciation of tangible fixed assets	205	39
Operating lease rentals		
- plant and machinery	2	2
- other	115	56
	<u>127</u>	<u>95</u>

None of the company's directors received any emoluments during the year (1997 - \$nil).

(b) Reconciliation of operating profit/(loss) to net cash outflow from operating activities

	1998 \$000	1997 \$000
Operating profit/(loss)	157	(832)
Depreciation of tangible fixed assets	205	39
Increase in debtors	(826)	(179)
Increase in creditors	40	38
Net cash outflow from operating activities	<u>(424)</u>	<u>(934)</u>

3. STAFF COSTS

	1998 \$000	1997 \$000
Staff costs include the following:		
Wages and salaries	726	201
Social security costs	72	19
	<u>798</u>	<u>220</u>

The average number of persons employed by the company during the year was as follows:

	1998 No.	1997 No.
Administration	<u>7</u>	<u>7</u>

Renaissance Capital Limited

NOTES TO THE ACCOUNTS at 31 December 1998

4. TAXATION

	1998 \$000	1997 \$000
Corporation tax charge for the year	2	1

5. TANGIBLE FIXED ASSETS

	<i>Leasehold improvements</i> \$000	<i>Computer and communication equipment</i> \$000	<i>Fixtures and fittings</i> \$000	<i>Total</i> \$000
Cost:				
At 1 January 1998	126	375	130	631
Additions	35	91	48	174
At 31 December 1998	161	466	178	805
Depreciation:				
At 1 January 1998	6	29	4	39
Provided during the year	25	147	33	205
At 31 December 1998	31	176	37	244
Net book amount:				
At 31 December 1998	130	290	141	561
At 1 January 1998	120	346	126	592

6. INVESTMENTS

	<i>Subsidiary undertakings</i> \$000
Cost:	
At 1 January 1998	1,820
Additions	-
At 31 December 1998	1,820

The above investment relates to a US broker - dealer, Renaissance Capital Securities, Inc. This entity is licensed by the United States National Association of Securities Dealers ("NASD") and the US Securities and Exchange Commission to conduct broker-dealer activities in the United States. The offices of Renaissance Capital Securities, Inc. are located in New York, USA.

The investment comprises 100 issued voting common stock with a nominal value of \$0.001 per share in Renaissance Capital Securities, Inc., together with 'additional paid in capital' and in total amounts to \$1,820,000.

The aggregate capital and reserves of Renaissance Capital Securities, Inc. at 31 December 1998 was \$1,306,611 (1997 - \$1,988,488). Its estimated retained loss for the year ended 31 December 1998 was \$681,873 (1997 - \$96,023 profit).

Renaissance Capital Limited

NOTES TO THE ACCOUNTS

at 31 December 1998

7. DEBTORS

	1998 \$000	1997 \$000
Due within one year:		
Amounts due from group undertakings	927	-
Other debtors	41	145
Prepayments and accrued income	39	36
	<u>1,007</u>	<u>181</u>

8. ANALYSIS OF NET (DEBT)/FUNDS

	Opening \$000	Cash Flow \$000	Closing \$000
Cash at bank and in hand	533	(514)	19
Long term loans	(3,921)	3,921	-
Total	<u>(3,388)</u>	<u>3,407</u>	<u>19</u>

9. CREDITORS: amounts falling due within one year

	1998 \$000	1997 \$000
Corporation tax	2	1
Other taxation and social security	19	26
Accruals and deferred income	59	12
	<u>80</u>	<u>39</u>

10. SHARE CAPITAL

	1998 No.	1997 No.	1998 \$000	Authorised 1997 \$000
Ordinary shares of £1 each	2,433,000	100	4,006	-
	<u>2,433,000</u>	<u>100</u>	<u>4,006</u>	<u>-</u>
				<i>Allotted, called up and fully paid</i>
	1998 No.	1997 No.	1998 \$000	1997 \$000
Ordinary shares of £1 each	2,433,000	1	4,006	-
	<u>2,433,000</u>	<u>1</u>	<u>4,006</u>	<u>-</u>

During the year the company increased its authorised share capital to 2,433,000 £1 ordinary shares and issued all remaining authorised shares. This was done in order to meet SFA capitalisation requirements.

Renaissance Capital Limited

NOTES TO THE ACCOUNTS

at 31 December 1998

11. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	<i>Share capital \$000</i>	<i>Profit and loss account \$000</i>	<i>Total shareholders' funds \$000</i>
At 1 January 1997	-	(4)	(4)
Loss for the year		(830)	(830)
At 31 December 1997	-	(834)	(834)
Profit for the year		155	155
Shares issued	4,006		4,006
At 31 December 1998	4,006	(679)	3,327

12. OTHER FINANCIAL COMMITMENTS

Annual commitments under non-cancellable operating leases are as follows:

	<i>Land and buildings</i>		<i>Other</i>	
	<i>1998</i>	<i>1997</i>	<i>1998</i>	<i>1997</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
Operating leases which expire:				
in two to five years	113	-	2	3
in over five years	-	112	-	-

13. PARENT UNDERTAKING AND CONTROLLING PARTY

In the opinion of the directors, the company's ultimate parent undertaking and controlling party is Renaissance Capital Group Limited, a company incorporated in Bermuda.

Copies of the consolidated accounts of Renaissance Capital Group Limited are available from 18th floor, 1 Angel Court, Copthall Avenue, London EC2R 7HS.