

**UKRAINIAN MTN FINANCE PLC
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

REGISTERED NUMBER: 06620455

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COMPANIES HOUSE

The directors' present their report and the audited financial statements of Ukrainian MTN Finance plc (the "Company" or the "Issuer") for the year ended 31 December 2010

Principal Activities

The Company was incorporated in England and Wales on 16 June 2008 as a public limited company. The Company is a special purpose entity the principal activity of which is to carry on the business of a finance and investment company for the sole benefit of Joint Stock Commercial Innovation Bank "UkrSibbank" (referred to in these financial statements as "UkrSibbank" or the "Borrower"), a company incorporated in Ukraine (see notes 5 and 15). In that capacity, and in accordance with the base prospectus dated 22 July 2008 (the "Prospectus") available from the Company secretary at fifth floor, 100 Wood Street, London EC2V 7EX, the Company has undertaken the following transactions

- Issued US\$250,000,000 Fixed Rate Loan Participation Notes due August 2011 (the "Notes"), listed on the London Stock Exchange's Gilt Edged and Fixed Interest Market,
- Granted a loan of US\$250,000,000 to UkrSibbank (the "Loan")

Business Review and Future Outlook

The Company's results for the year are shown in the Profit and Loss account on page 7. The directors do not recommend the payment of a dividend.

The global financial and economic crisis that emerged out of the severe reduction in global liquidity has posed significant difficulties for all financial institutions, leading also to bank failures and significant levels of government and central bank intervention through direct liquidity support and fiscal stimuli. The Ukraine economy suffered as a result of this crisis, including reduced levels of capital inflow and decrease in demand for exports. Measures to provide support to the Ukrainian financial markets (in particular from the IMF) have helped to stabilise the position (see also note 15).

The loan agreement with UkrSibbank expires on 4 August 2011, when the Loan is due to be repaid.

The directors have reviewed expenses and cash flows in Sterling and US Dollars and are satisfied that for the foreseeable future there are sufficient funds available to meet expenses as and when they fall due.

Principal Risks and Uncertainties

The principal risk is credit risk, being the correct and timely receipt of interest and principal on the loan due from UkrSibbank. During the year under review all amounts were paid completely and timely when they were due. Moreover, the loan agreement with UkrSibbank contains a clause relating to the noteholders' limited recourse to the Company which is only obligated to pay interest and principal repayments to noteholders to the extent of amounts actually received from the Borrower.

The directors are satisfied that based on their assessment of the current available financial and other information, they are not aware of any reason why UkrSibbank will not be able to fulfil its obligations to repay principal and interest on the loan when they fall due (see note 10 below).

Going Concern

The directors have undertaken a review and concluded that the Company has adequate capital and liquid resources and suitable arrangements in place for it to be able to continue in operational existence for the foreseeable future and meet its obligations as they fall due. Therefore the directors believe it appropriate for the financial statements to be prepared on a going concern basis.

Key Performance Indicators

As shown in note 10, the interest rate on the loan to UkrSibbank is equal to the interest rate on the Notes. Therefore, the net interest income of the Company is US\$ nil. The majority of the Company's administrative expenses have also been funded and the majority of them paid in advance. As a result, the key performance indicator ("KPI") of the business is considered to be the result before tax as shown in the profit and loss account on page 7. The directors are satisfied that, while the net retained loss is US\$18,422, taking into account the current and future business plans of the ultimate controlling party, the Company's profits over the foreseeable future are expected to be sufficient to compensate this loss.

Directors

The directors of the Company during the year were
L D C Corporate Director No 3 Limited
L D C Corporate Director No 4 Limited
I K Bowden

The directors are not subject to retirement by rotation.

Financial Instruments

A discussion of the Company's objectives, policies and strategies with regard to financial instruments can be found in note 10 to the financial statements

The Company's only financial liability is the Notes in issue, the purpose of which is to finance the Loan to UkrSibbank

The Company's only financial asset other than cash is the Loan to UkrSibbank

The Company does not undertake financial instrument transactions which are speculative or unrelated to the Company's trading activities

Payment of Suppliers

The directors believe that disclosure of the creditors' payment period is deemed unnecessary as the Company does not have any trade creditors' balances

Statement of Disclosure of Information to Auditors

Each of the directors confirms that so far as the directors are aware there is no relevant audit information of which the Company's auditors are unaware. The directors have taken all steps that ought to have been taken to be aware of any relevant audit information and to establish that the auditors are aware of that information

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors for the ensuing year will be proposed at the annual general meeting in accordance with the Companies Act 2006

By order of the Board



Law Debenture Corporate Services Limited

Secretary

5 May 2011

Registered Office

Fifth floor

100 wood street

London EC2V 7EX

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations. They are also responsible for ensuring that the annual report includes the information required by the listing rules of the financial services authority.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom accounting standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements the directors are required to

- Select suitable accounting policies and then apply them consistently,
- Make judgments and accounting estimates that are reasonable and prudent,
- State whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable it to ensure that the financial statements comply with the Companies Act 2006. The directors 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.

The directors confirm that they have complied with the above requirements.

By order of the board



Law Debenture Corporate Services Limited

Secretary

5 May 2011

Registered office

Fifth floor

100 Wood Street

London EC2V 7EX

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF UKRAINIAN MTN FINANCE PLC

We have audited the financial statements of Ukrainian MTN Finance plc (the "Company") for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF UKRAINIAN MTN
FINANCE PLC (CONTINUED)**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Jeremy Foster (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
11 May 2011

UKRAINIAN MTN FINANCE PLC
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2010

REGISTERED NUMBER: 06620455

		2010	2009
		US\$000	US\$000
	Notes		
Interest receivable and similar income		23,125	23,126
Interest payable and similar charges		(23,125)	(23,126)
NET INTEREST INCOME		-	-
Other operating income		615	611
Administrative expenses		(614)	(601)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	1	10
Taxation on profit on ordinary activities	4	-	-
PROFIT FOR THE YEAR		1	10

There are no recognised gains or losses other than the profit for the year stated above
Accordingly, no statement of total recognised gains and losses is given

The above amounts relate exclusively to continuing operations

The annexed notes form an integral part of these financial statements

UKRAINIAN MTN FINANCE PLC
BALANCE SHEET
AS AT 31 DECEMBER 2010

REGISTERED NUMBER: 06620455

	Notes	2010 US\$000	2009 US\$000
FIXED ASSETS			
Loan to UkrSibbank	5	-	250,000
Debtors amounts falling due after more than one year	6	-	285
		<u>-</u>	<u>250,285</u>
CURRENT ASSETS			
Debtors amounts falling due within one year	7	259,774	10,059
Cash in hand and at bank		67	110
		<u>259,841</u>	<u>10,169</u>
CREDITORS:			
Amounts falling due within one year	8	(259,835)	(10,152)
		<u>6</u>	<u>17</u>
NET CURRENT ASSETS			
		6	250,302
CREDITORS:			
Amounts falling due after more than one year	9	-	(250,297)
		<u>6</u>	<u>5</u>
TOTAL NET ASSETS			
CAPITAL AND RESERVES			
Share capital	11	24	24
Profit and loss account		(18)	(19)
EQUITY SHAREHOLDERS' SURPLUS	13	<u>6</u>	<u>5</u>

Approved and authorised for issue by the directors on 5 May 2011 and signed on its behalf
by



L D C Corporate Director No 3 Limited
Director

The annexed notes form an integral part of these financial statements

UKRAINIAN MTN FINANCE PLC
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010

REGISTERED NUMBER: 06620455

	Notes	2010 US\$000	2009 US\$000
Net cash flow from operating activities	12	(43)	(24)
Cash flow from financing activities		- (43)	- (24)
Movement in cash		(43)	(24)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

		2010 US\$000	2009 US\$000
Net debt as at 1 January 2010		(249,890)	(249,866)
Movement in cash in the period		(43)	(24)
Net debt as at 31 December 2010	14	(249,933)	(249,890)

The annexed notes form an integral part of these financial statements

1. Statement of Accounting Policies

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom and in accordance with the historical cost convention. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Preparation of financial statements in US Dollars

The financial statements of the Company have been drawn up in US Dollars as the directors consider this is the Company's functional currency. The US\$ exchange rate to Sterling at 31 December 2010 was US\$1 5471 to £1 (2009 US\$1 59280 to £1).

Basis of preparation

The loan to UkrSibbank is due to be repaid in August 2011 and the proceeds will be used to repay the Notes. The directors will consider applying for voluntary strike-off if the loan facility is not renewed.

Going Concern

Based on their assessment of the current available financial and other information, the directors are satisfied that UkrSibbank, with continued support from BNP Paribas, will be able to fulfil its obligations to repay principal and interest on the loan when they fall due (see note 10 below). In the event of a delay or default in the payment of interest by UkrSibbank, the terms of the Notes make it clear that the Company is only obligated to pay interest and capital to Loan Note holders to the extent that amounts have been received from UkrSibbank.

Revenue recognition***Interest income***

Interest receivable on the Loan is calculated in accordance with the terms of the Loan agreement and recognised on a time apportioned basis.

Other operating income

Other operating income, which comprises amounts received from the Borrower to finance the administration costs of the Company, is accounted for on an accruals basis.

Finance costs

Finance costs ('issue costs') are calculated in accordance with the terms of the Notes and recognised on a time apportioned basis so as to reflect the effective yield.

Administrative expenses

All administrative expenses, which comprise primarily professional fees and other overheads, are accounted for on an accruals basis.

Expenses paid in respect of periods subsequent to the balance sheet date are carried forward as prepayments with the related payment financed by the Borrower shown as deferred income.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)**Taxation**

Corporation tax is payable on profits based on the applicable tax law and is recognised as an expense in the period in which profits arise

Financial instruments

In accordance with financial reporting standard 26 “financial instruments measurement” the interest and loans receivable are classified as loans and receivables and are initially recognised at fair value and then carried at amortised cost. Interest and loans payable are also initially recognised at fair value and then are carried at amortised cost. Costs relating to the issue of the Notes are initially recognised at cost and are amortised over the period the Loan Notes are in issue. Fees related to the issue of the Loan to UkrSibbank are initially recognised at cost and are amortised over the period until contractual maturity of the Loan. Unamortised fees receivable are recorded as deferred income within creditors, while unamortised issue costs are recorded as such within debtors.

Foreign currencies

Transactions in foreign currencies are translated into US Dollars at the rate of exchange at the date of the transaction. Foreign currency monetary assets and liabilities are translated into US Dollars at the rate of exchange ruling at the balance sheet date. Resulting exchange gains or losses are taken to the profit and loss account.

Critical accounting estimates and judgments

The estimates and judgments made by the directors, which have a significant risk of causing a material adjustment to the carrying amounts of financial assets and liabilities within the next financial year are as follows:

Loan to UkrSibbank

The directors assess the recoverability of the Loan to UkrSibbank on a regular basis, using the available market and other financial data, including taking into consideration the financial position, capital and liquidity levels and profitability of the Borrower.

2. Employee Information and Directors' Emoluments

The average number of employees in the Company during the year was, 0 (2009: 0).

The directors received no emoluments in respect of their services to the Company during the year.

3. Profit on Ordinary Activities before Taxation

The following amounts have been included in arriving at the result on ordinary activities before taxation

	2010 US\$000	2009 US\$000
Foreign exchange loss/(gain)	3	(10)
Auditors' remuneration for audit of the Company's annual accounts	<u>40</u>	<u>40</u>

4. Taxation on Profit on Ordinary Activities

Analysis of charge in the year

	2010 US\$000	2009 US\$000
Current tax:		
Corporation tax charge for the year	<u>-</u>	<u>-</u>
Total taxation charge for the year	<u>-</u>	<u>-</u>

The Company has elected to enter the permanent tax regime for securitisation companies. The directors are satisfied that the Company meets the definition of a 'securitisation company' as defined by both the Finance Act 2005 and subsequent secondary legislation and that no incremental unfunded tax liabilities will arise.

For the year ended 31 December 2010 the retained profit for permanent tax regime purposes was US\$333 33 (2009 US\$333 33)

5. Fixed Assets

	2010 US\$000	2009 US\$000
Loan to UkrSibbank (note 10)	<u>-</u>	<u>250,000</u>

6. Debtors: amounts falling due after more than one year	2010	2009
	US\$000	US\$000
Prepayments	-	28
Unamortised issue costs	-	257
	<u>-</u>	<u>285</u>
 7. Debtors: amounts falling due within one year	 2010	 2009
	US\$000	US\$000
Prepayments	28	57
Unamortised issue costs	257	513
Interest receivable on Notes	9,489	9,489
Loan to UkrSibbank (note 10)	250,000	-
	<u>259,774</u>	<u>10,059</u>
 8. Creditors: amounts falling due within one year	 2010	 2009
	US\$000	US\$000
Sundry creditors	41	41
Deferred income	305	622
Interest payable	9,489	9,489
Notes (repayable in 2011 (note 10))	250,000	-
	<u>259,835</u>	<u>10,152</u>
 9. Creditors: amounts falling due after more than one year	 2010	 2009
	US\$000	US\$000
Deferred income	-	297
Notes (repayable in 2011 (note 10))	-	250,000
	<u>-</u>	<u>250,297</u>

10. Financial Instruments

The Company's financial instruments comprise borrowings, interest receivable and interest payable, that arise directly from its operations and which are classified as loans and receivables under Financial Reporting Standard 26. The main purpose of these financial instruments is to raise funds and provide finance for the Company's operations.

The principal financial assets held by the Company comprise a loan to UkrSibbank which has been financed by Notes in issue. The Company has not entered into any derivative transactions.

The Company does not undertake financial instrument transactions which are speculative or unrelated to the Company's trading activities.

A description of the principal risks relating to financial instruments and their relevance to the Company and how they are managed is given below.

Interest rate risk

There is no interest rate risk because interest rates on the Company's principal asset and liability are matched. Interest and other sums payable to the Company by UkrSibbank exactly match the interest and other sums payable by the Company to the note holders.

Liquidity risk

The risk of the Company not having sufficient cash available in order to meet the interest repayments on the Notes is not considered to be significant as the interest payment dates and repayment of the Loan from UkrSibbank matches exactly the interest payment dates and repayment of the Notes payable. In the event of a delay or default in the payment of principal or interest by the Borrower, the terms of the Notes make it clear that the Company is only obligated to pay interest and capital to loan note holders to the extent that actual amounts have been received from UkrSibbank. The majority of the Company's administrator expenses have been paid in advance.

Currency risk

There is minimal foreign currency risk as both the Loan to UkrSibbank and the Notes payable are denominated in US Dollars, the function currency of the Company. The Company also holds sufficient cash in Sterling to meet its expected expenses in Sterling as and when they fall due.

Credit risk

Although UkrSibbank is the only client of the Company, the directors are, through appropriate contact with its management, satisfied that UkrSibbank will be able to fulfil its obligations. Failing that, the consequential risk of default is mitigated by the noteholders' limited recourse to the Company which is, as noted above, only obligated to pay interest to loan note holders to the extent that actual amounts have been received from the Borrower.

10. Financial Instruments (continued)**Financial assets**

Currency	Total	Fixed rate	Average interest rate	Period of fixed year
US Dollars	250,000,000	250,000,000	9.25%	Less than 1

The Company has one long term financial asset being the Loan to UkrSibbank, repayable on 4 August 2011 which bears interest at a fixed rate of 9.25%, payable semi-annually in arrears on 4 February and 4 August each year. The principal is due for repayment on 4 August 2011.

Financial liabilities

Currency	Total	Fixed rate	Average interest rate	Period of fixed year
US Dollars	250,000,000	250,000,000	9.25%	Less than 1

The Company has one long term financial liability, being US\$250,000,000 Notes issued during 2008 up to the full amount of the principal. Interest is payable at a fixed rate of 9.25% semi-annually in arrears on 4 February and 4 August each year. The principal is due for repayment on 4 August 2011, on the basis that the Company will have received sufficient funds from the Borrower and ultimate controlling party.

2010**Fair values**

Set out below is a comparison, by category, of book values and fair values of the financial assets and financial liabilities as at 31 December 2010.

	Book value	Fair value
Financial assets	US\$000	US\$000
Loan to UkrSibbank	250,000	256,355
Interest receivable	9,489	9,489
Cash in hand and at bank	67	67
	259,556	265,911
Financial liabilities		
Notes payable	250,000	256,355
Interest payable	9,489	9,489
	259,489	265,844

The fair value of the Notes has been determined by reference to the mid-market price of US\$102.542 stated on the London stock exchange on Friday 31 December 2010. The fair value of the Loan to UkrSibbank is considered to be equal to the fair value of the Notes.

10. Financial Instruments (continued)**2009****Fair values**

Set out below is a comparison, by category, of book values and fair values of the financial assets and financial liabilities as at 31 December 2009

	Book value	Fair value
	US\$000	US\$000
Financial assets		
Loan to UkrSibbank	250,000	231,875
Interest receivable	9,489	9,489
Cash in hand and at bank	110	110
	<u>259,599</u>	<u>241,475</u>
Financial liabilities		
Notes payable	250,000	231,875
Interest payable	9,489	9,489
	<u>259,489</u>	<u>241,364</u>

The fair value of the Notes has been determined by reference to the mid-market price of US\$92.75 stated on the London stock exchange on Thursday 31 December 2009. The fair value of the Loan to UkrSibbank is considered to be equal to the fair value of the Notes.

11. Share Capital

	2010 US\$000	2009 US\$000
Authorised, allotted and part paid		
50,000 authorised £1 ordinary shares, each a quarter paid (issued 16 June 2008 US\$1.9479 to £1)	24	24
As at 31 December	<u>24</u>	<u>24</u>

The capital of the Company comprises share capital only. The directors have considered the nature and structure of the Company and are satisfied that there is sufficient capital in relation to the business activities of the Company and levels of planned financial performance.

12. Reconciliation of Operating Result to Net Cash Flow from Operating Activities

	2010	2009
	US\$000	US\$000
Operating profit	1	10
Decrease in debtors	570	954
Decrease in creditors	(614)	(988)
Net cash flow from operating activities	<u>(43)</u>	<u>(24)</u>

13. Reconciliation of Capital and Reserves

	2010	2009
	US\$000	US\$000
Opening balance	5	(5)
Profit for the year	1	10
Closing balance as at 31 December	<u>6</u>	<u>5</u>

14. Reconciliation of Net Cash Flow to Movement in Net Debt

	As at 31 December 2009 US\$000	Cash flow 2009 US\$000	other non- cash changes US\$000	As at 31 December 2009 US\$000
Cash in hand and at bank	110	(43)	-	67
Debt due after one year	(250,000)	-	-	(250,000)
Net debt	<u>(249,890)</u>	<u>(43)</u>	<u>-</u>	<u>(249,933)</u>

15. Controlling Party, Ultimate Controlling Party and Related Party Transactions

Under the trust deed dated 23 June 2008, The Law Debenture Intermediary Corporation p l c acts as trustee, holding the member's rights on a discretionary basis for charitable purposes

In the opinion of the directors, Joint-Stock Commercial Innovation Bank "UkrSibbank", incorporated in Ukraine, is the Company's controlling party as the Company has been set up with the sole purpose of financing a loan to UkrSibbank. The results of the Company are included in the consolidated financial statements of UkrSibbank, which are available online at www.ukrsibbank.com. The Company's ultimate controlling party is considered to be BNP Paribas S A , incorporated in France. The consolidated financial statements of BNP Paribas, which include the consolidated results of UkrSibbank, are available online at www.bnpparibas.ua

During the year the Company incurred costs of US\$51,070 (2009 US\$51,070) in relation to corporate services provided by Law Debenture Corporate Services Limited, a company in the same group as the corporate directors

Interest receivable from UkrSibbank in the year amounted to US\$23,125,000 (2009 US\$23,126,383), of which US\$9,488,791 was owed at the year-end (2009 US\$9,488,791). This payment was received as scheduled by 4 February 2011