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# ***Audited Consolidated Financial Statements***

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**Firebird Avroora Fund, Ltd.**

**Year Ended December 31, 2015**

**With Report of Independent Auditors**



**FIREBIRD MANAGEMENT LLC**

Firebird Avrora Fund, Ltd.

Audited Consolidated Financial Statements

Year Ended December 31, 2015

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## Report of Independent Auditors

The Board of Directors  
Firebird Avrora Fund, Ltd.

We have audited the accompanying consolidated financial statements of Firebird Avrora Fund, Ltd. (the Fund), which comprise the consolidated statement of assets and liabilities, including the consolidated condensed schedule of investments, as of December 31, 2015, and the related consolidated statements of operations, changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Firebird Avvora Fund, Ltd. at December 31, 2015, and the consolidated results of its operations, changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

*Ernst & Young Ltd.*

March 29, 2016

Firebird Avrora Fund, Ltd.

**Consolidated Statement of Assets and Liabilities**  
*(Stated in United States Dollars)*

December 31, 2015

**Assets**

Cash and cash equivalents	\$ 2,681,041
Investments in securities, at fair value (cost \$134,974,653)	84,789,406
Investment in other investment funds, at fair value (cost \$26,092)	265,054
Due from brokers	275,023
Loan receivable	22,004
Dividends receivable	90,696
Interest receivable and other assets	2,808
<b>Total assets</b>	<b>88,126,032</b>

**Liabilities**

Class C redemptions payable	957,411
Class D redemptions payable	19,752
Unrealized capital gains tax reserve	21,085
Realized capital gains tax reserve	4,061
Accounts payable and accrued expenses	216,219
<b>Total liabilities</b>	<b>1,218,528</b>
<b>Net assets</b>	<b>\$ 86,907,504</b>

**Net asset value per share**

Class A Master series (based on 5,010.89 shares outstanding)	\$ 1,236.57
Class A February 2006 series (based on 23.21 shares outstanding)	\$ 521.16
Class A March 2006 series (based on 0.93 shares outstanding)	\$ 497.50
Class A April 2006 series (based on 16.91 shares outstanding)	\$ 489.35
Class A May 2006 series (based on 8.36 shares outstanding)	\$ 447.26
Class A June 2006 series (based on 64.85 shares outstanding)	\$ 484.56
Class A July 2006 series (based on 40.40 shares outstanding)	\$ 489.77
Class A February 2008 series (based on 174.08 shares outstanding)	\$ 359.39
Class A March 2008 series (based on 174.08 shares outstanding)	\$ 337.52
Class A April 2008 series (based on 138.91 shares outstanding)	\$ 348.99
Class A May 2008 series (based on 1.16 shares outstanding)	\$ 343.69
Class A June 2008 series (based on 282.01 shares outstanding)	\$ 320.82
Class A July 2008 series (based on 82.61 shares outstanding)	\$ 331.50
Class A February 2009 series (based on 79.47 shares outstanding)	\$ 1,179.74
Class A 2011 Master series (based on 21.38 shares outstanding)	\$ 528.27
Class A November 2011 series (based on 41.36 shares outstanding)	\$ 700.45

Firebird Avrora Fund, Ltd.

Consolidated Statement of Assets and Liabilities (continued)  
*(Stated in United States Dollars)*

**Net asset value per share (continued)**

Class A December 2011 series (based on 419.77 shares outstanding)	\$	725.06
Class A February 2012 series (based on 330.37 shares outstanding)	\$	723.97
Class A 2014 Master (based on 829.74 shares outstanding)	\$	725.19
Class A H 2014 series (based on 25.81 shares outstanding)	\$	778.79
Class A February 2014 series (based on 18.37 shares outstanding)	\$	755.34
Class A August 2014 series (based on 14.38 shares outstanding)	\$	919.03
Class A January 2015 series (based on 17.98 shares outstanding)	\$	1,208.25
Class B (based on 100.00 shares outstanding)	\$	409,216.06
Class C Master series (based on 1,640.75 shares outstanding)	\$	1,505.94
Class C February 2006 series (based on 65.00 shares outstanding)	\$	634.69
Class C May 2006 series (based on 75.00 shares outstanding)	\$	544.68
Class C July 2006 series (based on 100.00 shares outstanding)	\$	596.46
Class C T 2008 series (based on 30.55 shares outstanding)	\$	473.14
Class C June 2008 series (based on 100.00 shares outstanding)	\$	390.70
Class C December 2009 series (based on 117.11 shares outstanding)	\$	834.02
Class C 2011 Master series (based on 22,762.60 shares outstanding)	\$	649.94
Class C May 2011 series (based on 200.00 shares outstanding)	\$	614.82
Class C 2014 Master series (based on 306.53 shares outstanding)	\$	669.97
Class D Master series (based on 1,056.56 shares outstanding)	\$	1,530.71
Class D February 2006 series (based on 175.00 shares outstanding)	\$	645.13
Class D March 2006 series (based on 350.00 shares outstanding)	\$	615.84
Class D April 2006 series (based on 88.08 shares outstanding)	\$	605.75
Class D February 2008 series (based on 200.00 shares outstanding)	\$	444.88
Class D August 2008 series (based on 200.00 shares outstanding)	\$	475.99
Class D January (A) 2010 series (based on 192.14 shares outstanding)	\$	859.25
Class D January (B) 2010 series (based on 431.09 shares outstanding)	\$	859.25
Class D 2011 Master series (based on 379.96 shares outstanding)	\$	658.15
Class D February 2011 series (based on 300.00 shares outstanding)	\$	622.96
Class D March 2011 series (based on 600.00 shares outstanding)	\$	606.55
Class D April 2012 series (based on 250.00 shares outstanding)	\$	760.66
Class D 2014 Master series (based on 991.20 shares outstanding)	\$	673.34
Class D July 2015 series (based on 10,000.00 shares outstanding)	\$	895.50
Class D October 2015 series (based on 5,000.00 shares outstanding)	\$	948.41
Class M (based on 2,399.50 shares outstanding)	\$	882.22

*See accompanying notes.*

Firebird Avrora Fund, Ltd.

Consolidated Condensed Schedule of Investments  
(Stated in United States Dollars)

December 31, 2015

Quantity	Fair Value	Percent of Net Assets
<b>Investments in securities</b>		
Equities:		
Common stock:		
Armenia:		
Gold (cost \$123,248)	\$ 8,000	0.01%
Bulgaria:		
Banking	754,863	0.87
Consumer Products	897,800	1.03
Insurance	1,817,330	2.09
Manufacturing	882,964	1.01
Miscellaneous	147,391	0.17
Pharmaceuticals	2,119,483	2.44
Tourism	404,576	0.47
Total Bulgaria (cost \$16,086,249)	7,024,407	8.08
Estonia:		
Construction	2,249,824	2.59
Consumer Products	793,586	0.91
Food	274,446	0.32
Gambling	2,389,721	2.75
Real Estate	231,960	0.27
Retail	1,329,606	1.53
Transportation	4,121,582	4.74
Total Estonia (cost \$13,098,735)	11,390,725	13.11
Georgia:		
Banking:		
318,415 Bank of Georgia PLC	8,933,879	10.28
Consumer Products	846,658	0.97
Utilities	139,106	0.16
Total Georgia (cost \$6,606,205)	9,919,643	11.41

Firebird Aurora Fund, Ltd.

Consolidated Condensed Schedule of Investments (continued)  
(Stated in United States Dollars)

Quantity	Fair Value	Percent of Net Assets
<b>Investments in securities (continued)</b>		
Equities (continued):		
Common stock (continued):		
Kazakhstan:		
Banking	\$ 2,467,441	2.84%
Cement	557,420	0.64
Metallurgy & Mining	12,290	0.01
Oil & Gas	710,564	0.82
Telecommunications	833,965	0.96
Total Kazakhstan (cost \$24,583,222)	4,581,680	5.27
Kyrgyzstan:		
Metallurgy & Mining	-	-
Miscellaneous	-	-
Utilities	65,873	0.07
Total Kyrgyzstan (cost \$127,995 )	65,873	0.07
Lithuania:		
Banking	1,026,852	1.18
Manufacturing	85,204	0.10
Pipelines	466,933	0.54
Retail	2,627,170	3.02
Total Lithuania (cost \$3,026,926)	4,206,159	4.84
Mongolia:		
Metallurgy & Mining (cost \$3,460,985)	1,842,069	2.13
Poland:		
Publishing	202,573	0.23
Shipping	129,106	0.15
Total Poland (cost \$399,610)	331,679	0.38



Firebird Avrora Fund, Ltd.

Consolidated Condensed Schedule of Investments (continued)  
*(Stated in United States Dollars)*

Quantity	Fair Value	Percent of Net Assets
<b>Investments in securities (continued)</b>		
Equities (continued):		
Common stock (continued):		
Romania:		
	\$ 1,302,531	1.50%
	Automobiles	
	Banking:	
12,182,344	7,146,191	8.22
	Banca Transilvania	
	109,422	0.13
	Chemicals	
	199,480	0.23
	Consumer Products	
	449,402	0.52
	Food	
	1,378,441	1.59
	Manufacturing	
	157,761	0.18
	Metallurgy & Mining	
	2,416,465	2.78
	Miscellaneous	
	2,352,191	2.71
	Oil & Gas	
	215,613	0.25
	Real Estate	
	249,510	0.28
	Transportation	
	1,824,101	2.10
	Utilities	
	17,801,108	20.49
	Total Romania (cost \$18,078,721)	
Russia:		
	245,779	0.28
	Airlines	
	Banking:	
604,197	6,814,099	7.84
	SDM Bank	
	3,882,687	4.47
	Other	
	10,696,786	12.31
	Total Banking	
	18,359	0.02
	Diamonds & Gems	
	4,307,860	4.95
	Fishing	
	1,153,438	1.33
	Food	
	985,722	1.13
	Gold	
	828,512	0.95
	Manufacturing	
	1,740,126	2.00
	Metallurgy & Mining	
	248,747	0.29
	Nuclear	
	2,952,624	3.39
	Oil & Gas	
	777,163	0.89
	Pulp & Paper	

Firebird Avrora Fund, Ltd.

Consolidated Condensed Schedule of Investments (continued)  
*(Stated in United States Dollars)*

Quantity	Fair Value	Percent of Net Assets
<b>Investments in securities (continued)</b>		
Equities (continued):		
Common stock (continued):		
Russia (continued):		
Retail	\$ 145,915	0.17%
Stock Exchange	1,238,676	1.43
Technology	63,806	0.07
Telecommunications	374,566	0.43
Uranium	78,756	0.09
Utilities	150,813	0.18
Total Russia (cost \$32,870,217)	26,007,648	29.91
Ukraine:		
Agriculture	93,000	0.11
Chemicals	16,457	0.02
Food	241,406	0.28
Insurance	52,278	0.06
Real Estate	39,424	0.05
Total Ukraine (cost \$13,842,841)	442,565	0.52
Total common stock (cost \$132,304,954)	83,621,556	96.22
Preferred stock:		
Bulgaria:		
Miscellaneous (cost \$207,440)	105,137	0.12
Russia:		
Fishing	408	–
Manufacturing	431,489	0.50
Oil & Gas	396,966	0.46
Uranium	6,717	0.01
Utilities	21,441	0.02
Total Russia (cost \$529,661)	857,021	0.99
Total preferred stock (cost \$737,101)	962,158	1.11

Firebird Avrora Fund, Ltd.

Consolidated Condensed Schedule of Investments (continued)  
*(Stated in United States Dollars)*

Quantity	Fair Value	Percent of Net Assets
<b>Investments in securities (continued)</b>		
Equities (continued):		
Restricted stock:		
Armenia:		
Gold (cost \$1,646,250)	\$ 43,515	0.05%
Mongolia:		
Banking (cost \$270,000)	158,640	0.18
Total restricted stock (cost \$1,916,250)	202,155	0.23
Total equities (cost \$134,958,305)	84,785,869	97.56
Corporate bonds:		
Kazakhstan:		
Banking	3,537	–
Total corporate bonds (cost \$16,348)	3,537	–
<b>Total investments in securities (cost \$134,974,653)</b>	<b>\$ 84,789,406</b>	<b>97.56%</b>
<b>Investment in other investment funds</b>		
Baltics:		
Miscellaneous	\$ 265,054	0.30
<b>Total investment in other investment funds (cost \$26,092)</b>	<b>\$ 265,054</b>	<b>0.30%</b>

*See accompanying notes.*

Firebird Avvora Fund, Ltd.

Consolidated Statement of Operations  
*(Stated in United States Dollars)*

Year Ended December 31, 2015

**Investment income**

Dividend income (net of \$219,910 withholding taxes)	\$ 2,772,157
Interest income	1,320
Total investment income	<u>2,773,477</u>

**Expenses**

Professional fees and other expenses	919,591
Management fees	791,325
Custodian fees	248,685
Total expenses	<u>1,959,601</u>

Net investment income	813,876
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**Net gain (loss) on investments and foreign currency transactions**

Net change in unrealized capital gains tax reserve	(15,241)
Net change in realized capital gains tax reserve	225
Net realized loss on investments and foreign currency transactions	(12,262,494)
Net change in unrealized appreciation on investments and foreign currency transactions	<u>3,244,748</u>
Net loss on investments and foreign currency transactions	<u>(9,032,762)</u>
Net decrease in net assets resulting from operations	<u>\$ (8,218,886)</u>

*See accompanying notes.*

Firebird Avrora Fund, Ltd.

Consolidated Statement of Changes in Net Assets  
(Stated in United States Dollars)

Year Ended December 31, 2015

**Decrease in net assets resulting from operations**

Net investment income	\$	813,876
Net change in unrealized capital gains tax reserve		(15,241)
Net change in realized capital gains tax reserve		225
Net realized loss on investments and foreign currency transactions		(12,262,494)
Net change in unrealized appreciation on investments and foreign currency transactions		<u>3,244,748</u>
Net decrease in net assets resulting from operations		<u>(8,218,886)</u>

**Decrease in net assets resulting from capital share transactions**

Class D shares subscribed		15,000,000
Class A shares redeemed		(1,600,000)
Class C shares redeemed		(9,907,030)
Class D shares redeemed		(5,370,764)
Class M shares redeemed		(250,000)
Dividends declared on Class B shares		<u>(1,100,000)</u>
Net decrease in net assets resulting from capital share transactions		<u>(3,227,794)</u>

Net change in net assets		(11,446,680)
Net assets at beginning of year		<u>98,354,184</u>
Net assets at end of year	\$	<u><u>86,907,504</u></u>

*See accompanying notes.*

Firebird Avrrora Fund, Ltd.

Consolidated Statement of Cash Flows  
(Stated in United States Dollars)

Year Ended December 31, 2015

**Operating activities**

Net decrease in net assets resulting from operations	\$ (8,218,886)
Adjustments to reconcile net decrease in net assets resulting from operations to net cash provided by operating activities:	
Net realized loss on investments	12,064,183
Net change in unrealized appreciation on investments	(3,095,949)
Purchases of investments	(4,497,028)
Proceeds from sales of investments	8,756,671
Changes in operating assets and liabilities:	
Due from brokers	338,729
Loan receivable	(22,004)
Dividends receivable	58,034
Interest receivable and other assets	9,653
Realized capital gains tax reserve	(225)
Unrealized capital gains tax reserve	15,241
Accounts payable and accrued expenses	(29,981)
Net cash provided by operating activities	<u>5,378,438</u>

**Financing activities**

Proceeds from issuance of Class D Shares	15,000,000
Payments for redemptions of Class A Shares	(1,600,000)
Payments for redemptions of Class C Shares	(9,882,943)
Payments for redemptions of Class D Shares	(5,661,714)
Payments for redemptions of Class M Shares	(250,000)
Dividends paid on Class B shares	(1,600,000)
Net cash used in financing activities	<u>(3,994,657)</u>
Net change in cash and cash equivalents	1,383,781
Cash and cash equivalents at beginning of year	1,297,260
Cash and cash equivalents at end of year	<u>\$ 2,681,041</u>

See accompanying notes.

# Firebird Avrora Fund, Ltd.

## Notes to Consolidated Financial Statements

December 31, 2015

### **1. Organization**

Firebird Avrora Fund, Ltd. (the “Fund”) was incorporated as an exempted company under the laws of the Cayman Islands on October 16, 2003, and registered under the Cayman Islands Mutual Fund Law on November 17, 2003. The Fund commenced operations on December 1, 2003. The purpose of the Fund is to invest primarily in publicly traded securities of companies operating in Russia, the other former Soviet republics, and certain Eastern European countries. The Class A, Class C, and Class D Shares of the Fund are listed on the Bermuda Stock Exchange.

The Fund has a continuing pool (Class B, C, D, and M shares) and a liquidating pool (Class A shares). The holdings of the Class A shares are being liquidated in an orderly manner with the proceeds paid out periodically to those investors (see Note 3 for summary of investments allocated between classes).

Leo Overseas Ltd. (“Leo”) is a wholly owned subsidiary of the Fund and was incorporated as a limited liability company under the Companies Law, Cap. 113, of Cyprus on October 3, 2003. Leo owns shares of companies operating in Russia and various Eastern European countries.

Elise Holdings S.à r.l. (“Elise”) is a wholly owned subsidiary of the Fund and was incorporated as a private limited liability company (Société à responsabilité limitée or S.à r.l.) under the laws of Luxembourg on June 20, 2012. Elise owns shares of a company operating in Mongolia.

The Fund’s investment manager is Firebird Avrora Advisors LLC, a New York limited liability company (the “Manager”). The principals of the Manager are also directors of the Fund. The Manager is a registered investment advisor with the United States Securities and Exchange Commission as a “relying adviser” for which the “filing adviser” is Firebird Management LLC.

Trident Trust Company (Cayman) Limited (the “Administrator”) provides administration services and maintains the registered office of the Fund. Seaward Services Limited provides administration services to Leo and maintains its registered office. Trident Trust Company (Luxembourg) S.A. provides administration services to Elise while Dechert Luxembourg maintains its registered office.

## Firebird Avrora Fund, Ltd.

### Notes to Consolidated Financial Statements (continued)

#### **2. Significant Accounting Policies**

The consolidated financial statements of the Fund have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”) as detailed in the Financial Accounting Standards Board’s (“FASB”) Accounting Standards Codification (“ASC”) and are stated in United States Dollars. The Fund meets the definition of an investment company and follows the accounting and reporting guidance in ASC Topic 946, *Financial Services – Investment Companies*. The following is a summary of the significant accounting and reporting policies used in preparing the consolidated financial statements.

#### **Basis of Consolidation**

The consolidated financial statements include the results of the Fund and its subsidiaries, Leo and Elise, after the elimination of all intercompany balances and transactions.

The Fund consolidates its investment in other investment funds in which it has a controlling financial interest. Consolidation requirements typically define a controlling interest as an ownership, directly or indirectly, of over 50% of the outstanding voting interest of other investment funds unless control is temporary or does not rest with the majority owner.

The Fund does not consolidate operating companies for which there is a controlling interest, unless the entity is an operating company providing services to the investment company. For the year ended December 31, 2015, the Fund did not consolidate any operating companies.

#### **Cash and Cash Equivalents**

Cash and cash equivalents include amounts due from banks on demand and deposits with original maturities of three months or less. Substantially all of the cash and cash equivalents are held at Swedbank AS. All cash and cash equivalents are held at banks organized in the United States of America, Estonia, Georgia, Kazakhstan, and Mongolia. The Fund does not expect any material losses as a result of this allocation.

#### **Security Transactions and Related Investment Income and Expenses**

Security transactions are accounted for on a trade date basis. Realized gains and losses from investment transactions are determined using the specific identification method and are recorded in the consolidated statement of operations. Interest is recorded on the accrual basis and dividends are recorded net of withholding taxes on the ex-dividend date in the consolidated statement of operations.



## Firebird Avrora Fund, Ltd.

### Notes to Consolidated Financial Statements (continued)

#### **2. Significant Accounting Policies (continued)**

##### **Foreign Exchange Transactions**

Assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at the date of the consolidated financial statements. Transactions in foreign currencies are translated at the rates of exchange prevailing at the time of the transaction. Exchange gains or losses are included in the consolidated statement of operations. As of December 31, 2015, the Fund and its subsidiaries held \$173,378 (cost \$173,887) of cash in foreign currencies.

The Fund does not isolate that portion of gains and losses on investments which is due to changes in foreign exchange rates from that which is due to changes in market prices of the investments. Such fluctuations are included with the net realized and change in unrealized gains and losses on investments and foreign currency transactions.

##### **Fair Value of Financial Instruments**

The fair value of the Fund's assets and liabilities which qualify as financial instruments under ASC Topic 825, *Financial Instruments*, approximates the carrying amounts presented in the consolidated financial statements.

In accordance with ASC Topic 820, *Fair Value Measurements and Disclosures*, fair value is defined as the price that the Fund would receive to sell an investment or pay to transfer a liability under an orderly liquidation in a timely transaction with an independent buyer in the principal market or, in the absence of a principal market, the most advantageous market for the investment or liability.

## Firebird Avrora Fund, Ltd.

### Notes to Consolidated Financial Statements (continued)

#### **2. Significant Accounting Policies (continued)**

##### **Fair Value of Financial Instruments (continued)**

ASC Topic 820 establishes a three-tier hierarchy to distinguish between inputs obtained from sources independent of the reporting entity that affect assumptions that market participants would use in pricing an asset or liability (observable inputs) and inputs that reflect the reporting entity's own assumptions that it thinks market participants would use in pricing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to establish classification of fair value measurements for disclosure purposes. The inputs are summarized in the three broad levels listed below:

Level 1 – valuations based on quoted prices in active markets for identical assets or liabilities that the Fund has the ability to assess and in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Valuation adjustments and block discounts are not applied to Level 1 securities. Because valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these instruments does not entail a significant degree of judgment.

Level 2 – valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – valuations based on inputs that are unobservable and significant to the overall fair value measurement. These inputs may include the Manager's own assumptions in determining the fair value of investments.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. Investments may move between different levels during the course of the year and are caused by certain information becoming available to the Manager. The Fund recognizes transfers between levels as occurring at the beginning of the reporting period. Information relating to transfers into and out of Level 3 can be found in Note 3.

## Firebird Avrora Fund, Ltd.

### Notes to Consolidated Financial Statements (continued)

#### **2. Significant Accounting Policies (continued)**

##### **Fair Value of Financial Instruments (continued)**

In general, portfolio securities that are traded in an active market (in most cases a market where there has been at least one transaction in the last 15 business days and had at least 12 trading days in the recent month at sufficient volumes with reasonably consistent price levels taking into account the volatility of the market in question) are classified as Level 1. These securities are valued at their last reported sales price on the valuation date in the case of securities listed or quoted on a recognized securities exchange, the U.S. NASDAQ National Market List or any comparable foreign quotation system for securities that generally trade daily, or if no prices were quoted on such date, at the last reported sales price on the last prior date when a price was quoted for such securities.

If no such prices have been quoted in an active market, the investment is valued in good faith by the Manager, in consultation with the Administrator, and approved by the Directors, according to the steps outlined in ASC Topic 820. For these Level 2 or Level 3 securities, the Manager may consult with and rely upon information provided by the Fund's custodians, market makers, brokers, and outside valuation services.

Level 2 securities will normally be priced using other observable information including identical or similar securities traded on other exchanges and quotations received from the counterparty, dealers, or brokers, whenever available and considered reliable. The Fund holds certain securities which are restricted under Rule 144A. Restricted securities are generally fair valued at a discount to similar publicly traded securities.

The Fund's Investment in other investment funds meets the definition of an investment company for which its net asset value or partners' capital has been measured in accordance with, or in a manner consistent with, the principles of ASC Topic 946, *Financial Services – Investment Companies*, are valued using the reported net asset value as a practical expedient. The Fund's Investment in other investment funds is classified as Level 3, but can be Level 2 if it becomes redeemable at net asset value within six months of the measurement date.

## Firebird Aurora Fund, Ltd.

### Notes to Consolidated Financial Statements (continued)

#### **2. Significant Accounting Policies (continued)**

##### **Fair Value of Financial Instruments (continued)**

The Fund's investment in other investment funds is generally valued at the reported values, provided by the administrator or management of the investment fund, after discounts for any applicable redemption charges and any lock up periods, which valuations are prepared in accordance with such investment fund's governing documents. The Manager considers this a reliable representation of fair value if the investment fund is accepting subscriptions and processing redemptions based on this reported value. However, in certain circumstances, the Manager will estimate the value of such investment based on available relevant information as it considers material.

The strategy of the other investment fund in which the Fund has a position is to invest in the Baltic region. The investment fund is a private equity fund and withdrawals are made in accordance with the terms of the offering memorandum.

For Level 3 securities, the Manager will value the equity securities using either a "market approach," an "income approach," or both approaches, as appropriate. The "market approach" uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The "income approach" uses valuation techniques to convert future amounts (for example, cash flows or earnings) to a single present amount (discounted).

In following these approaches, the types of factors that may be taken into account include, as relevant: available current market data, including relevant and applicable market trading and transaction comparables, applicable market yields and multiples, the nature and realizable value of any collateral, the issuer of the security's ability to make payments, the issuer's earnings, discounted cash flows and net asset value analysis, the markets in which the issuer does business, comparisons of financial ratios of peer public companies, recent merger and acquisition transactions for comparable public or private companies, actual and imminent capital transactions in the subject investee company and the principal market for the relevant security, among other factors.

## Firebird Avrora Fund, Ltd.

### Notes to Consolidated Financial Statements (continued)

#### **2. Significant Accounting Policies (continued)**

##### **Fair Value of Financial Instruments (continued)**

The Manager and analysts monitor and review the valuation methodologies on a monthly basis. They use the latest available information to update the valuations each month. The Fund also engages the services of an independent valuation firm to perform quarterly or semi-annual valuations on certain Level 3 assets. A Valuation Committee oversees the process and procedures for the valuation of the Level 3 investments in accordance with the valuation policy approved by the Board of Directors. The Valuation Committee meets on a quarterly basis or more frequently as required. It is comprised of staff of the Manager and three Directors, who are also principals of the Manager.

Because of the inherent uncertainty of valuation of securities and other investment funds traded in emerging market economies (see Note 11), the estimated fair values may differ significantly from values that will eventually be realized upon an actual liquidation of the portfolio, and such differences could be material.

##### **Use of Estimates**

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts reported and disclosed in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

##### **Investment Classification**

The industry and geographic classifications reflected in the consolidated condensed schedule of investments represent the Manager's belief as to the most meaningful presentation of the classification of the principal business of the holdings in the portfolio.

##### **Loans Receivable**

Loans receivable disclosed in the consolidated statement of assets and liabilities are recorded at their carrying value as of December 31, 2015 and are subject to impairment testing.

Firebird Aurora Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

**3. Financial Instruments**

The following is a summary of the inputs used as of December 31, 2015, in valuing the Fund's investments carried at fair value, disaggregated by geographic region:

	<b>Level 1 Quoted Prices in Active Markets for Identical Assets</b>	<b>Level 2 Other Significant Observable Inputs</b>	<b>Level 3 Significant Unobservable Inputs</b>	<b>Fair Value December 31, 2015</b>
Investments in securities:				
Equities:				
Baltics:				
Estonia	\$ –	\$ 11,170,974	\$ 219,751	\$ 11,390,725
Lithuania	2,627,170	1,493,785	85,204	4,206,159
Total Baltics	2,627,170	12,664,759	304,955	15,596,884
Central Asia:				
Kazakhstan	–	4,581,680	–	4,581,680
Kyrgyzstan	–	65,873	–	65,873
Total Central Asia	–	4,647,553	–	4,647,553
Eastern Asia:				
Mongolia	1,055,139	241,557	704,013	2,000,709
Eastern Europe:				
Bulgaria	–	6,231,744	897,800	7,129,544
Georgia	8,933,879	–	985,764	9,919,643
Romania	7,255,613	10,438,251	107,244	17,801,108
Russia	7,506,281	3,070,085	16,288,303	26,864,669
Other	464,103	292,921	68,735	825,759
Total Eastern Europe	24,159,876	20,033,001	18,347,846	62,540,723
Total investment in equities	\$ 27,842,185	\$ 37,586,870	\$ 19,356,814	\$ 84,785,869

Firebird Avrora Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

**3. Financial Instruments (continued)**

	<b>Level 1 Quoted Prices in Active Markets for Identical Assets</b>	<b>Level 2 Other Significant Observable Inputs</b>	<b>Level 3 Significant Unobservable Inputs</b>	<b>Fair Value December 31, 2015</b>
Investments in securities (continued):				
Corporate bonds:				
Central Asia	\$ -	\$ 3,537	\$ -	\$ 3,537
Total investment in corporate bonds	-	3,537	-	3,537
Total investments in securities	<u>\$ 27,842,185</u>	<u>\$ 37,590,407</u>	<u>\$ 19,356,814</u>	<u>\$ 84,789,406</u>
Investments allocated to Class A interests	\$ 2,244	\$ 692,916	\$ 6,964,320	\$ 7,659,480
Investments allocated to Class B, C, D, and M interests	27,839,941	36,897,491	12,392,494	77,129,926
Total	<u>\$ 27,842,185</u>	<u>\$ 37,590,407</u>	<u>\$ 19,356,814</u>	<u>\$ 84,789,406</u>
Investment in other investment funds:				
Baltics	\$ -	-	\$ 265,054	\$ 265,054
Total investment in other investment funds	<u>\$ -</u>	<u>-</u>	<u>\$ 265,054</u>	<u>\$ 265,054</u>
Investments allocated to Class B, C, D, and M interests	<u>\$ -</u>	<u>-</u>	<u>\$ 265,054</u>	<u>\$ 265,054</u>

Firebird Aurora Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

**3. Financial Instruments (continued)**

The following is a reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining fair value:

	<b>Equities</b>				
	<b>Baltics</b>	<b>Central Asia</b>	<b>Eastern Asia</b>	<b>Eastern Europe</b>	<b>Total</b>
Balance as at December 31, 2014	\$ 872,583	\$ 215,721	\$ 679,416	\$ 18,058,025	\$ 19,825,745
Net realized loss	(59,875)	–	–	(10,294,247)	(10,354,122)
Net change in unrealized appreciation (depreciation)	40,592	(489)	24,597	12,038,189	12,102,889
Purchases	24,916	–	–	253,321	278,237
Sales	(573,261)	–	–	(1,166,658)	(1,739,919)
Transfers into Level 3*	–	–	–	16,457	16,457
Transfers out of Level 3**	–	(215,232)	–	(557,241)	(772,473)
Balance as at December 31, 2015	<u>\$ 304,955</u>	<u>\$ –</u>	<u>\$ 704,013</u>	<u>\$ 18,347,846</u>	<u>\$ 19,356,814</u>
Net change in unrealized appreciation on investments still held as of December 31, 2015	<u>\$ 52,983</u>	<u>\$ –</u>	<u>\$ 24,597</u>	<u>\$ 1,402,165</u>	<u>\$ 1,479,745</u>

\*\$16,457 of investments were transferred from Level 2 due to the unavailability of direct observable market information.

\*\*\$772,473 of investments were transferred to Level 2 due to availability of direct observable inputs.

	<b>Bonds</b>	<b>Other Investment Funds</b>
	<b>Central Asia</b>	<b>Baltics</b>
Balance as at December 31, 2014	\$ 244,823	\$ 295,776
Realized loss	–	(6,217)
Net change in unrealized appreciation	50,308	1,062
Purchases	73,084	–
Sales	–	(25,567)
Transfers out of Level 3***	(368,215)	–
Balance as at December 31, 2015	<u>\$ –</u>	<u>\$ 265,054</u>
Net change in unrealized depreciation on investments still held as of December 31, 2015	<u>\$ –</u>	<u>\$ 974</u>

\*\*\*Transfer out of Level 3 pertains to bonds converted into Level 2 common shares.



## Firebird Aurora Fund, Ltd.

### Notes to Consolidated Financial Statements (continued)

#### 3. Financial Instruments (continued)

A quantitative disclosure of the unobservable inputs and assumptions for Level 3 securities has been provided in the table below.

Asset Class	Geographic Region	Fair Value as at December 31, 2015	Valuation Techniques	Unobservable Inputs	Ranges (Weighted Averages)
Equities	Eastern Europe	\$ 18,347,846	Market comparable companies	Price/Book value ratio Price/Earnings ratio Price/Gross Written Premiums ratio Price/Sales Ratio Enterprise value/EBITDA ratio Enterprise value/Production ratio Dividend Yield	0.15 – 2.10 (0.92) 7.89 0.61 1.56 0.63 - 8.60 (7.30) 231.12 0.03
	Eastern Asia	704,013	Quarterly net asset valuation		
	Baltics	304,955	Market comparable companies	Price/Book value ratio Enterprise value/EBITDA ratio Enterprise value/Sales ratio	0.83 0.73 0.82
Other investment funds	Baltics	\$ 265,054	Quarterly net asset valuation	Lock up discount	10%

#### 4. Due from/to Brokers and Concentration of Credit Risk

Due from/to brokers generally includes amounts receivable or payable for securities transactions that have not been settled at the date of the consolidated financial statements and cash held at brokers for settled trades. The majority of publicly traded investments are held with Swedbank AS. The Fund periodically monitors the credit standing of the brokers and does not expect any material losses as a result of default by brokers.

## Firebird Avrora Fund, Ltd.

### Notes to Consolidated Financial Statements (continued)

#### 5. Share Capital

The authorized share capital of the Fund is \$50,000 divided into 4,900,000 Class A, C, D, and M non-voting shares and 100,000 Class B voting shares each having a par value of \$0.01 per share. Outstanding Class A, C, D, M, and Class B shares will participate in the assets of the Fund upon liquidation ratably in proportion to their respective redemption values. Each Class B shareholder is entitled to one vote for each share held on any matter presented to a meeting of shareholders. Firebird Avrora Holdings LLC, an affiliate of the Manager, is the Class B shareholder.

Class A shares are redeemed and converted and Class C and D shares are issued, redeemed and converted in accordance with the Memorandum and Articles of Association.

New series of Class C and Class D shares will be issued to all subscribing investors at the offering price of US\$1,000 per share in order to permit the Performance Allocation to be calculated separately with respect to each share of each series. Accordingly, each series may have a different net asset value per share for each share class.

Class M shares are only offered to employees of the Manager, its affiliates and related persons, and are subject to the same rights, terms and conditions as the Class C shares except that Class M shares will not be subject to any Management Fee or Performance Fee Allocation.

Share transactions for the year ended December 31, 2015, were as follows:

	Class A	Class B	Class C	Class D	Class M
Shares outstanding at December 31, 2014	9,655.41	100.00	35,722.89	8,540.91	2,676.33
Shares issued	–	–	–	15,000.00	–
Shares redeemed	(1,838.23)	–	(10,325.34)	(3,326.89)	(276.83)
Net effect of share transfers	(0.15)	–	–	–	–
Shares outstanding at December 31, 2015	7,817.03	100.00	25,397.55	20,214.02	2,399.50

## Firebird Avrora Fund, Ltd.

### Notes to Consolidated Financial Statements (continued)

#### **6. Management Fees**

Pursuant to the Memorandum and Articles of Association and the Management Agreement with effect from April 30, 2009, the Fund pays the Manager a management fee at an annual rate of 1.75% of the Class A and Class C net asset value calculated and payable quarterly in advance based on the Class A and Class C share of the Fund's net asset value (before accrual for performance allocation) as of the last business day of the preceding quarter. The management fee relating to the Class D shares is calculated and payable under the same terms at an annual rate of 1.50%. For the year ended December 31, 2015, the Fund recorded and paid \$791,325 in management fees.

Management fees are not charged to the Class B and M shareholders. The Manager may, in its discretion, waive all or a portion of the management fee with respect to any shareholder.

#### **7. Performance Allocation**

Pursuant to the Memorandum and Articles of Association and the Investment Advisory Management Agreement, Class B Shares receive a performance allocation annually equal in the aggregate to 15% of the net increase each year in the net asset value of each outstanding Class A and Class D share plus 17.5% of the net increase each year in the net asset value of each outstanding Class C share. This calculation is inclusive of net unrealized gains and losses and is subject to a loss carry forward.

The Manager may waive all or part of the Performance Allocation for certain investors. The performance allocations are recorded on the final day of the calendar year in which the fees are charged to investors and in the month following crystallization of performance fees due to a redemption. There was no performance allocation to Class B shares for the year ended December 31, 2015. The performance allocation can be withdrawn at any time by the holder of the Class B shares by way of dividend or redemption.

For the year ended December 31, 2015, the Fund declared \$1,100,000 of dividends and \$1,600,00 was paid during the year.

## Firebird Avvora Fund, Ltd.

### Notes to Consolidated Financial Statements (continued)

#### **8. Taxation**

There is currently no taxation imposed on income or profits of the Fund by the Government of the Cayman Islands. If any form of taxation were to be enacted, the Fund has been granted an exemption therefrom until October 28, 2023.

The Fund is not subject to United States Federal, state or local taxation. The Fund reports tax information to its U.S. resident shareholders on the accrual basis. The Fund has elected to be treated as a partnership for U.S. Federal income tax purposes.

ASC Topic 740, *Income Taxes*, provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the consolidated financial statements. ASC Topic 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Fund's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. The Fund has adopted ASC Topic 740 and its impact is reflected in these consolidated financial statements.

The Fund recognizes interest and penalties, if any, as capital gains tax expense in the consolidated statement of operations. During the year, the Fund did not accrue any interest or penalties.

Tax accruals are calculated in local currencies. The effective rate to the Fund can exceed or be less than the above rates if the local currency has appreciated or depreciated against the US Dollar during the period of investment.

Tax legislation in all of the jurisdictions in which the Fund invests is subject to varying interpretations and changes, which can occur unexpectedly. The Manager's interpretation of such legislation as applied to transactions and activities of the Fund and its subsidiaries since inception may be challenged by the relevant regional and federal authorities. It is not practical to determine the amount of unasserted claims that may manifest themselves, if any, or the likelihood of any unfavorable outcome thereof.

## Firebird Avrora Fund, Ltd.

### Notes to Consolidated Financial Statements (continued)

#### 9. Derivative Financial Instruments

In the normal course of business, the Fund may enter into transactions involving derivative financial instruments in connection with its investing activities. These instruments are subject to various risks similar to non-derivative instruments, including market, credit, liquidity, and operational risks. The Fund manages these risks on an aggregate basis along with the risks associated with its investing activities as part of its overall risk management policies. The Fund does not distinguish derivative profit or loss from any other category of investments for consolidated statement of operations presentation purposes. No derivative positions were held during the year.

#### 10. Related Party Transactions

In accordance with ASC Topic 850, *Related Party Disclosures*, related parties include principal ownership (defined to include investments where the Fund combined with funds under common control hold interests greater than 10%), associated companies (defined as investments where the Fund combined with funds under common control hold interests less than 10% and have members on the Board of Directors), and Affiliates. Affiliates are defined as other investment funds managed by the Manager and related parties of the Manager.

Outstanding balances at year-end and transactions with these entities during the year ended December 31, 2015, were as follows:

	<b>Principal Ownership</b>	<b>Associated Companies</b>	<b>Affiliates</b>
Loan receivable	\$ 22,004	\$ -	\$ -
Interest receivable	742	-	-
Interest income	742	-	-
Reversal of unamortized interest income on convertible bonds	(12,333)	-	-
Purchases of investments	25,416	-	-
Sales of investments	218,696	373,356	244,495
Realized gain (loss)	(17,907)	(283,998)	(605,928)

Firebird Avrora Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

**10. Related Party Transactions (continued)**

Included in related parties are the following entities in which the Fund and Affiliates have a greater than 20% aggregate interest in the entity and/or a Director(s) seat is held.

Name of Company	2015 Ownership by the Fund and 2015 Investments		Industry
	Affiliates	Held by the Fund	
Amber Trust	3.01%	\$ 265,054	Miscellaneous
Global Gold Corporation	52.09	51,515	Gold
National Investment Bank of Mongolia	9.50	158,640	Banking
NBD Bank	6.86	955,495	Banking
PR Foods	56.97	274,446	Food
SDM Bank	8.50	6,814,099	Banking
Sharyn Gol	71.86	241,557	Metallurgy & Mining
Tallink Grupp	5.55	4,121,582	Transportation
Teliani Valley JSC	23.03	712,246	Consumer Products
Utenos Trikotazas	11.85	85,204	Manufacturing
Sharyn Gol Holdings, Ltd.	88.46	545,373	Metallurgy & Mining
Arco Vara AS	11.32	231,960	Real Estate

All investments in the above companies are carried at fair value, as discussed in Note 2.

The Fund provided an unsecured loan of \$22,004 to Mogul Coal Holdings Pte. Ltd., a company incorporated under the laws of Singapore, which is repayable on or before January 15, 2017. The loan is at a commercial rate of interest and has been recorded at December 31, 2015 at principal plus interest.

## Firebird Avrora Fund, Ltd.

### Notes to Consolidated Financial Statements (continued)

#### **11. Investment Risks**

The Fund's investments are based principally in the emerging economies of Russia, the other former Soviet Republics and emerging Eastern Europe. Therefore, they are subject to the risks inherent in those economies including, but not limited to:

- the ability to find a buyer in order to sell security positions owned by the Fund;
- the risk that brokers which hold shares for the Fund may become insolvent, which may result in a loss of such shares;
- uncertainties regarding existing local laws and regulations that provide protection to owners of investment securities;
- uncertainties regarding the convertibility of local currencies into U.S. dollars;
- private companies in which the Fund holds or will hold an interest will be returned to some form of state control or that the assets of such companies will be confiscated by the state without or with inadequate compensation to investors;
- the risk of an economic or political catastrophe or renationalization that could result in a substantial or total loss of the value of the investments;
- a liquidity risk associated with restructuring of companies, during which time such securities may be frozen until registration has been completed;
- the risk of restrictions being imposed by foreign governments on the repatriation of cash; and
- geopolitical and macroeconomic uncertainty involving Russia may lead to further devaluation of the ruble and weaken certain of the markets in which the Fund operates.

The above risks are not unique in the context of emerging markets investing.

The Fund could be affected, for the foreseeable future, by these risks and their consequences, and the effects could be significant. The accompanying consolidated financial statements do not include any adjustments that may result from the future clarification of these uncertainties. Such adjustments, if any, will be reported in the Fund's consolidated financial statements in the period when they become known and estimable.

## Firebird Avrora Fund, Ltd.

### Notes to Consolidated Financial Statements (continued)

#### 12. Indemnifications

The Fund enters into contracts that contain a variety of indemnifications. The Fund's maximum exposure under these arrangements is unknown. However, the Fund has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

#### 13. Financial Highlights

Financial highlights for the year ended December 31, 2015, were as follows:

	<u>Class A</u>	<u>Class C</u>	<u>Class D</u>
<b>Per share operating performance</b>			
Beginning net asset value	\$ 993.23	\$ 1,709.70	\$ 1,733.47
Change in net assets resulting from operations:			
Net investment (expense) income	(17.03)	4.71	16.99
Net gain (loss) on investments and foreign currency transactions	260.37	(208.47)	(219.75)
Net change in net assets resulting from operations	243.34	(203.76)	(202.76)
Ending net asset value	<u>\$ 1,236.57</u>	<u>\$ 1,505.94</u>	<u>\$ 1,530.71</u>
<b>Total return</b>			
Total return before and after performance allocation	24.50%	(11.92)%	(11.70)%
<b>Ratios to average net assets</b>			
Total expenses before and after performance allocation	(2.44)%	(3.00)%	(2.73)%
Net investment income (expense)	1.63%	(0.33)%	0.02%

The above per share operating information and total return are calculated for Class A, Class C, and Class D initial series shares. Ratios to average net assets are calculated for each class taken as a whole. An individual investor's per share operating performance, total return and ratios to average net assets may vary from these amounts and ratios based on the timing of capital transactions and differing management fee and performance allocation rates.



## Firebird Avrora Fund, Ltd.

### Notes to Consolidated Financial Statements (continued)

#### **14. Credit Facilities**

As of December 31, 2015, the Fund had a credit agreement (“Credit Facility”) with Swedbank AS, pursuant to which the Fund has granted security over its assets held at Swedbank AS in order to have access to funds on a short-term basis to fulfill redemption requests in limited circumstances, as determined by the Manager. Pursuant to the terms of the Credit Facility, the Fund can borrow up to approximately \$9,171,200. These lines of credit are at market rates and as at December 31, 2015, there were no outstanding amounts due.

#### **15. Subsequent Events**

Management has evaluated events subsequent to year-end and through March 29, 2016, the date the consolidated financial statements were available to issue. During this period, the Fund recorded \$10,000,000 Class D subscriptions and \$10,052,041 of Class C and Class D redemptions.