Russia Infrastructure Equities Limited

Consolidated financial statements

For the period from 21 August 2007
(date of incorporation) to 31 December 2008

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Contents

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Company information

Directors	David Blair Alexander Kotchoubey (resigned 27 June 2008) Yves Gunter (appointed 27 June 2008, resigned 8 May 2009) Igor Stychinsky (appointed 9 June 2009) Sarah Moule (resigned 9 July 2009) James Keyes (appointed 9 July 2009)
Registered office	Palm Grove House PO Box 3190 Road Town Tortola British Virgin Islands
Investment manager	Renaissance Capital Investment Management Limited Craigmuir Chambers PO Box 71 Road Town, Tortola British Virgin Islands
Prime broker and custodian	Renaissance Advisory Services Limited Canon's Court 22 Victoria Street Hamilton, HM 12 Bermuda
Administrator, registrar, transfer agent and company secretary	Custom House Fund Services (Ireland) Limited 25 Eden Quay Dublin 1 Ireland
Independent auditor	Ernst & Young LLC Sadovnicheskaya Nab., 77, bld. 1 Moscow 115035 Russia

Company information (continued)

General legal advisors *United Kingdom & U.S.*	Akin Gump Strauss Hauer & Feld City Point, Level 32 1 Ropemaker Street London EC2Y 9AW United Kingdom
Bermuda	Appleby Corporate Services Limited Canon's Court 22 Victoria Street P.O. Box HM 1179 Hamilton HM EX Bermuda
British Virgin Islands	Appleby Corporate Services Limited Palm Grove House P.O. Box 3190 Road Town, Tortola British Virgin Islands

Independent Auditors' Report

To the Shareholders and Directors of Russia Infrastructure Equities Limited

We have audited the accompanying consolidated financial statements of Russia Infrastructure Equities Limited ("the Fund"), which comprise the consolidated balance sheet as at 31 December 2008, the consolidated income statement, consolidated statement of changes in net assets attributable to shareholders and consolidated cash flow statement for the period from 21 August 2007, the date of incorporation, to 31 December 2008, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from 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 auditors' 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of 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 consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2008, and its financial performance and its cash flows for the period from 21 August 2007, the date of incorporation, to 31 December 2008 in accordance with International Financial Reporting Standards.

15 September 2009

Russia Infrastructure Equities Limited

Consolidated Income Statement

for the period from 21 August 2007 (date of incorporation) to 31 December 2008

(stated in United States dollars)

	Notes	21 August 2007 to 31 December 2008
		US$
Operating income		
Dividend income		403,730
Interest income	9	2,410,737
Net loss on financial instruments at fair value through profit or loss	5	(112,296,656)
Total operating loss		**(109,482,189)**
Expenses		
Interest expense		(61,893)
Management fee	7	(2,574,405)
Administration fee	8	(282,219)
Incorporation expenses		(141,020)
Other operating fees and expenses	10	(376,626)
Total operating expenses		**(3,436,163)**
Loss before tax		**(112,918,352)**
Income tax expense	13	(60,560)
Decrease in net assets attributable to shareholders from operations		**(112,978,912)**

The accompanying notes form an integral part of these consolidated financial statements.

Russia Infrastructure Equities Limited

Consolidated Balance Sheet

as at 31 December 2008

(stated in United States dollars)

	Note	31 December 2008
		US$
Assets		
Cash and cash equivalents	4	36,672,810
Financial assets at fair value through profit or loss	5	61,173,769
Other assets		5,153
Total assets		**97,851,732**
Liabilities		
Due to brokers	6	313,563
Management fee payable	7	508,178
Tax payable		46,265
Other accounts payable and accrued expenses	8	94,197
Total liabilities excluding net assets attributable to shareholders		**962,203**
Net assets attributable to shareholders		**96,889,529**
Redeemable shares in issue - Class A	11	199,882,986
Net asset value per redeemable share (US$)	15	0.48

Signed and approved for release on behalf of the Directors of the Fund
on 15 September 2009

James Hayes
Director

Igor Stychinsky
Director

The accompanying notes form an integral part of these consolidated financial statements.

Russia Infrastructure Equities Limited

Consolidated Statement of Changes in Net Assets Attributable to Shareholders

for the period from 21 August 2007 (date of incorporation)
to 31 December 2008

(stated in United States dollars)

	Note	Number of redeemable shares	Net assets attributable to shareholders (calculated in accordance with IFRS)
			US$
Balance at 21 August 2007		–	–
Issue of redeemable shares	11	199,882,986	209,868,441
Increase in net assets attributable to shareholders from transactions in redeemable shares		–	***209,868,441***
Decrease in net assets attributable to shareholders from operations		–	(112,978,912)
Balance at 31 December 2008		199,882,986	96,889,529

The accompanying notes form an integral part of these consolidated financial statements.

Russia Infrastructure Equities Limited

Consolidated Statement of Cash Flows

for the period from 21 August 2007 (date of incorporation)
to 31 December 2008

(stated in United States dollars)

	Note	21 August 2007 to 31 December 2008
		US$
Cash flows from operating activities		
Decrease in net assets attributable to shareholders from operations		(112,978,912)
Adjustments to reconcile changes in net assets attributable to shareholders from operating activities to net cash from operating activities		
Interest expense		61,893
Net changes in operating assets and liabilities		
Increase in financial assets at fair value through profit or loss		(61,173,769)
Increase in other assets		(5,153)
Increase in due to brokers		313,563
Increase in management and performance fees payable		508,178
Increase in tax payable		46,265
Increase in other accounts payable and accrued expenses		94,197
Net cash used in operating activities		**(173,133,738)**
Cash flows from financing activities		
Proceeds from the issue of redeemable shares		209,868,441
Interest paid		(61,893)
Net cash flows provided by financing activities		**209,806,548**
Net increase in cash and cash equivalents		**36,672,810**
Cash and cash equivalents at the beginning of the period		–
Cash and cash equivalents at the end of the period	4	**36,672,810**
Cash flows from operating activities include:		
Interest received		2,409,730
Dividends received (net of withholding tax)		403,730
Tax paid		(14,294)

The accompanying notes form an integral part of these consolidated financial statements.

1. Incorporation and background information

These consolidated financial statements include the financial statements of Russia Infrastructure Equities Limited and its 100% owned subsidiary Moxham Enterprises Limited (the "Subsidiary"), together referred to as the "Fund" or the "Group".

Russia Infrastructure Equities Limited (the "Fund") is an investment company incorporated on 21 August 2007 under the laws of the British Virgin Islands, which commenced its operations on 28 November 2007. The Fund is a closed-ended investment vehicle under British Virgin Islands law and as such is not a regulated entity under the Mutual Funds Act of 1996 (as amended) of the British Virgin Islands.

The Fund's shares are listed on the Bermuda Stock Exchange.
The overall investment objective of the Fund is to achieve medium-term capital appreciation through investment in equity and equity-related instruments of companies involved in the infrastructure sector of Russia and the other states of the former Soviet Union.

The Fund may also invest in forward contracts, futures, options, and other types of derivatives, may purchase securities on margin, may sell securities short and may engage in repurchase transactions, stock borrowing, lending and other similar transactions. The Fund may also invest in government and corporate debt instruments for investment purposes and as a substitute for cash positions. Depending on market conditions, the Fund may engage in hedging strategies, including buying put options and selling future contracts on the underlying stocks, indexes or commodities, in order to limit the downside risk of the investments.

At each annual general meeting of the Fund falling after January 2011, an ordinary resolution will be proposed for the continuation of the Fund. If such resolution is not passed, the Directors are required to formulate proposals to be put to the shareholders for the winding-up or reorganisation of the Fund.

The Fund offers one class of shares and invests via 100% owned subsidiary Moxham Enterprises Limited (the "Subsidiary"), incorporated in Cyprus as limited liability company in accordance with the provisions of the Companies Law, Cap.113, on 28 June 2007.

The Fund's registered office is Palm Grove House, PO Box 3190, Road Town, Tortola, British Virgin Islands.

The Fund's investment activities are managed by Renaissance Capital Investment Management Limited (the "Investment Manager"). The Fund's custodian and prime broker is Renaissance Advisory Services Limited. The Fund's administrator is Custom House Fund Services (Ireland) Limited (the "Administrator").

The consolidated financial statements of the Fund for the period from 21 August 2007, date of incorporation, to 31 December 2008 were authorised for issue by the Fund's Directors on 15 September 2009.

2 Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

(a) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets and financial liabilities that have been measured at fair value.

The functional and presentation currency of the Fund is United States dollars, reflecting the fact that the redeemable shares of the Fund are issued in United States dollars and the Fund's investing activities are primarily conducted in United States dollars (US$), unless otherwise indicated.

(b) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The accounting policies detailed below have been applied consistently by the Group.

(c) Income taxes

There are no taxes on income, profits or capital gains in the British Virgin Islands. Taxes may arise in Cyprus for the Fund's subsidiaries, or in Russian Federation, mainly in relation to dividend income.

Cyprus subsidiaries of the Fund are liable for income tax on taxable income, which excludes capital gains on trading of securities either of a revenue or capital nature, at a flat rate of 10%. All expenses wholly and exclusively incurred in the production of taxable income are deductible for Cypriot tax purposes (expenses relating to the trading of securities will not be allowed for tax purposes).

(d) Financial instruments

(i) Classification

The Fund classifies its financial assets and financial liabilities into the categories below in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

Financial assets and liabilities at fair value through profit or loss

The category of financial assets and liabilities at fair value through profit or loss is sub-divided into:

Financial assets and liabilities held for trading: Financial assets held for trading include equity securities and debt instruments. These assets are acquired principally for the purpose of generating a profit from short-term fluctuation in price. All derivatives and liabilities from short sales of financial instruments are classified as held for trading. Derivative financial instruments entered into by the Fund do not meet the hedge accounting criteria as defined by IAS 39.

2. Significant accounting policies (continued)

(d) Financial instruments (continued)

Financial instruments designated at fair value through profit or loss upon initial recognition: These include equity securities, investments in funds and debt instruments that are not held for trading. These financial assets are designated on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document. The financial information about these financial assets is provided internally on that basis to the Investment Manager and to the Directors of the Fund.

The Fund designates the equity investments in companies in which it holds more than 20 per cent and less than 50 per cent upon initial recognition, as at fair value through profit or loss in accordance with the exemption provided by IAS 28 "Investments in Associates" for investment companies and venture capital organizations.

Financial assets and liabilities that are not at fair value through profit or loss include loans and receivables, accounts payable and accrued expenses, due to / from broker, redemptions payable, subscriptions pending and financial liabilities arising on redeemable shares.

(ii) Recognition

The Fund recognizes financial assets and liabilities on the date it becomes party to the contractual provisions of the instrument. A regular way purchase of financial assets is recognized using trade date accounting. From this date any gains or losses arising from changes in fair value of the financial assets or financial liabilities are recorded.

(iii) Measurement and fair value measurement principles

All financial instruments are measured initially at fair value (transaction price) plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately, while on other financial instruments they are amortised.

Subsequent to initial recognition all instruments classified at fair value through profit or loss are re-measured at fair value.

Fair value consideration

Financial instruments which have a quoted market price in an active market are measured based on quoted bid prices for long securities and quoted offer prices for short securities. If the market for a financial instrument is not active, fair value is established by using a valuation technique. Valuation techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible. Investments in other unlisted or illiquid open-ended investment funds are recorded at the net asset value per share as reported by administrators of such funds.

2. Significant accounting policies (continued)

(d) Financial instruments (continued)

Subsequent changes in the fair value of those financial instruments are recorded in 'Net gain or loss on financial instruments at fair value through profit or loss'.

The policy set out above regarding quoted securities which is based on IAS 39 requirements differs from the valuation policy as set out in the offering documents of the Fund, which states that investments in securities are stated at the mid market prices of securities which are quoted on active market on each valuation day. The policy is used to calculate the net asset value on each valuation day. Please refer to Note 15.

(iv) Derecognition

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognising in accordance with IAS 39. The Fund uses the first-in-first-out method to determine realised gains and losses on derecognition.

(v) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is generally not the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated balance sheet.

(e) Net gain or loss on financial instruments at fair value through profit or loss

This item includes changes in the fair value of financial assets and liabilities held for trading or designated upon initial recognition as 'held at fair value through profit or loss' and excludes interest and dividend income and expense. Realised gains and losses on disposals of financial instruments classified as 'at fair value through profit or loss' are calculated using the First-In, First Out (FIFO) method. Unrealised gains and losses comprise changes in the fair value of financial instruments for the period and from reversal of prior period's unrealised gains and losses for financial instruments which were realised in the reporting period.

(f) Option contracts

Options are derivative financial instruments that give the buyer, in exchange for a premium payment, the right but not the obligation, to purchase from (call option) or sell to (put option) the writer of a specified underlying instrument at a specified price on or before a specified date. The Fund may enter into exchange traded and over the counter option contracts to meet the requirements of its risk management and trading activities.

2. Significant accounting policies (continued)

(f) Option contracts (continued)

The premium on purchased put options that are exercised is subtracted from the proceeds of the sale of the underlying security or foreign currency in determining the realised gain or loss. The premium on purchased call options that are exercised is added to the cost of securities or foreign currency purchased. Premiums paid on the purchase of options that expire unexercised are treated as realised losses. Gains and losses associated with the revaluation of options are recognised as unrealised appreciation or depreciation on investments. Fair value of options is determined according to accounting policies for financial assets and liabilities at fair value through profit or loss.

(g) Foreign currency translation

The Fund's functional currency is the US dollar. However, it may from time to time transact business in currencies other than the US dollar.

Transactions during the period, including purchases and sales of securities, income and expenses, are translated at the rate of exchange prevailing on the date of the transaction.

Differences between the contractual exchange rate of a transaction in a foreign currency and the exchange rate prevailing on the date of the transaction are included in net gains less losses from dealing in foreign currencies. The official CBR exchange rate at 31 December 2008 was 29.3804 Russian Rubles to 1 US$.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at each period end.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Foreign currency transaction gains and losses on financial instruments classified as at fair value through profit or loss are included in the consolidated income statement as part of the "Net gain or loss on financial assets and liabilities at fair value through profit or loss". Foreign exchange differences on other financial instruments are included in the consolidated income statement as "Net foreign exchange gain/(loss)".

(h) Dividend revenue and expense

Dividend revenue is recognised when the Fund's right to receive the payment is established. Dividend revenue is presented net of any non-recoverable withholding taxes.

Dividend expense relating to equity securities sold short is recognised when the shareholders' right to receive the payment is established.

2. Significant accounting policies (continued)

(i) Interest revenue and interest expense

Interest income and expense is recognised in the consolidated income statement as it accrues, using the original effective interest rate of the instrument calculated at the acquisition or origination date. Interest income includes amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

(j) Expenses

All expenses are recognised in the consolidated income statement on an accrual basis.

(k) Impairment of financial assets

The Funds assesses at each reporting date whether a financial asset or group of financial assets classified as loans and receivables is impaired. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted using the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss as an *'Impairment loss'.*

Impaired debts together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Fund. If, in a subsequent period, the amount of the estimated impairment loss increases and decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a previous write-off is later recovered, the recovery is credited to the *'Impairment loss'.*

Interest revenue on impaired financial asset is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(l) Due to and due from brokers

Amounts due to brokers are short-term loans taken from the broker to execute payments.

Amounts due from brokers include short-term deposits placed with the broker and balance on settlement account with the broker.

2. Significant accounting policies (continued)

(l) Due to and due from brokers (continued)

Interest on positive brokerage account balances is recognised as interest income and interest on negative brokerage account balances is recognised as interest expense in the consolidated income statement as it is accrued.

(m) Cash and cash equivalents

Cash and cash equivalents comprises placements in bank. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash and margin commitments rather than for investment or other purposes.

(n) Profit-participating non-voting redeemable shares

The shares are not redeemable at the option of the Shareholders but may be repurchased at the option of the Fund. Please refer to Note 11.

Redeemable shares are classified as financial liabilities according to IAS 32. The liabilities arising from the redeemable shares are carried at the redemption amount being the net asset value calculated in accordance with IFRS.

For the purpose of calculating the net assets attributable to shareholders in accordance with the Fund's redemption requirements, the value of securities which are quoted or dealt in on any stock exchange is based on the mid market price. This valuation of net assets value is different from IFRS valuation requirements. The difference between the two valuations is presented in the Note 15 as 'IAS 39 adjustment to bid price'.

The Fund's net asset value per share is calculated by dividing the net assets attributable to shareholders (calculated in accordance with redemption requirements) by the number of shares in issue.

(o) Consolidation of subsidiaries

Subsidiaries are those enterprises controlled by the Fund. Control exists when the Fund has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(p) Fees and commissions

Unless included in the effective interest calculation, fees and commissions are recognised on an accrual basis.

2. Significant accounting policies (continued)

(q) Future changes in accounting policies

Improvements to IFRS

In May 2008, the IASB issued amendments to IFRS, which resulted from the IASB's annual improvements project. They comprise amendments that result in accounting changes for presentation, recognition or measurement purposes as well as terminology or editorial amendments related to a variety of individual IFRS standards. Most of the amendments are effective for annual periods beginning on or after 1 January 2009, with earlier application permitted. The Fund is currently evaluating the potential impact that the adoption of the amendments will have on its consolidated financial statements.

IAS 1 Presentation of Financial Statements (Revised)

The standard replaces IAS 1 Presentation of Financial Statements (revised in 2003) as amended in 2005. The revised IAS 1 Presentation of Financial Statements was issued in September 2007 and is effective for accounting periods beginning on or after 1 January 2009 with early application permitted.

The standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Fund has not decided yet whether a single statement or two linked statements will be presented.

IAS 23 "Borrowing Costs" (Revised)

IAS 23 Borrowing Costs issued in March 2007 will supersede IAS 23 Borrowing Costs (revised in 2003). IAS 23 is effective for accounting periods beginning on or after 1 January 2009, with early application permitted. The main change from the previous version is the removal of the option to immediately recognise as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. The Fund expects that this revision will have no impact on the Fund's consolidated financial statements.

Amendments to IAS 32 "Financial Instruments: Presentation" and IAS 1 "Presentation of Financial Statements" – Puttable Financial Instruments and Obligations Arising on Liquidation

Amendments to IAS 32 and IAS 1 were issued by the IASB in February 2008 and become effective for annual periods beginning on or after 1 January 2009 with early application permitted. The amendment to IAS 32 requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. The amendments to IAS 1 require disclosure of certain information relating to puttable instruments classified as equity. The Fund is still evaluating effect of these amendments to its consolidated financial statements.

2. Significant accounting policies (continued)

(q) Future changes in accounting policies (continued)

Amendment to IAS 39 "Financial Instruments: recognition and measurement" - Eligible Hedged Items.

This amendment to IAS 39 Financial Instruments: Recognition and Measurement was issued on 31 July 2008 and is applicable for annual periods beginning on or after 1 July 2009 with early application permitted. The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. The Fund expects that these amendments will have no impact on the Fund's consolidated financial statements.

Amendments to IFRS 1 "First-time Adoption of IFRSs" and IAS 27 "Consolidated and Separate Financial Statements" - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

These amendments were issued in May 2008, and become effective for annual periods beginning on or after 1 January 2009. The revision to IAS 27 will have to be applied prospectively. The amendments to IFRS 1 allow an entity to determine the cost of investments in a subsidiary, jointly controlled entity or associate in its opening IFRS financial statements in accordance with IAS 27 or using a deemed cost. The amendment to IAS 27 requires all dividends from a subsidiary, jointly controlled entity or associate to be recognised in the income statement in the separate financial statements. The new requirements affect only the parent's separate financial statements and do not have an impact on the consolidated financial statements of the Fund.

Amendments to IFRS 2 "Share-based Payment"- Vesting Conditions and Cancellations

This amendment to IFRS 2 Share-based payments was published in January 2008 and becomes effective for financial years beginning on or after 1 January 2009. The standard restricts the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as the result of a failure to meet a nonvesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation.

The Fund expects that these amendments will have no impact on the Fund's consolidated financial statements as no such payment schemes currently exist.

IFRS 3 "Business Combinations" (revised in January 2008) and IAS 27 "Consolidated and Separate Financial Statements" (revised in January 2008).

The revised standards were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. IFRS 3 (Revised 2008) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27 (Revised 2008) requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Application of the revised standards will become mandatory for the Fund's 2010 consolidated financial statements.

2. Significant accounting policies (continued)

(q) Future changes in accounting policies (continued)

IFRS 8 "Operating Segments"

IFRS 8 becomes effective for annual periods beginning on or after 1 January 2009. This standard requires disclosure of information about the Fund's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Fund.

For management purposes, the Fund is organized into one main operating segment, which invests in equity securities. All of the Fund's activities are interrelated, and each activity is dependent on the others. All significant operating decisions are based upon analysis of the Fund as one segment. The financial results from this segment are equivalent to the consolidated financial statements of the Fund as a whole. Accordingly, adoption of this Standard will not have any impact on the financial position or performance of the Fund.

IFRIC 13 "Customer Loyalty Programmes"

IFRIC Interpretation 13 was issued in June 2007 and becomes effective for annual periods beginning on or after 1 July 2008. This Interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. The Fund expects that this interpretation will have no impact on the Fund's consolidated financial statements as no such schemes currently exist.

IFRIC 15 "Agreements for the Construction of Real Estate"

IFRIC Interpretation 15 was issued in July 2008 and is applicable retrospectively for annual periods beginning on or after 1 January 2009. IFRIC 15 clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. The interpretation also provides guidance on how to determine whether an agreement is within the scope of IAS 11 "Construction Contracts" or IAS 18 "Revenue" and supersedes the current guidance for real estate in the Appendix to IAS 18. The Fund expects that this interpretation will have no impact on the Fund's consolidated financial statements.

IFRIC 16 "Hedges of a Net Investment in a Foreign Operation"

IFRIC Interpretation 16 was issued in July 2008 and is applicable for annual periods beginning on or after 1 October 2008. This Interpretation provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of net investment, where within the group the hedging instrument can be held and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. The Fund expects that this interpretation will have no impact on the Fund's consolidated financial statements.

2. Significant accounting policies (continued)

(q) Future changes in accounting policies (continued)

IFRIC 17 "Distribution of Non-Cash Assets to Owners"

IFRIC Interpretation 17 was issued on 27 November 2008 and is effective for annual periods beginning on or after 1 July 2009. IFRIC 17 applies to pro rata distributions of non-cash assets except for common control transactions and requires that a dividend payable should be recognised when the dividend is appropriately authorized and is no longer at the discretion of the entity; an entity should measure the dividend payable at the fair value of the net assets to be distributed; an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. The Interpretation also requires an entity to provide additional disclosures if the net assets being held for distribution to owners meet the definition of a discontinued operation. The Fund expects that this interpretation will have no impact on the Fund's consolidated financial statements.

IFRIC 18 Transfers of Assets from Customers

IFRIC 18 was issued in January 2009 and becomes effective for financial years beginning on or after 1 July 2009 with early application permitted, provided valuations were obtained at the date those transfers occurred. This interpretation should be applied prospectively. IFRIC 18 provides guidance on accounting for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services or to do both. The interpretation clarifies the circumstances, in which the definition of an asset is met, the recognition of the asset and its measurement on initial recognition, the identification of the separately identifiable services, the recognition of revenue and the accounting for transfers of cash from customers. IFRIC 18 will have no impact on the financial position or performance of the Fund, as the Fund does not receive assets from customers.

Amendments to IFRS 7 "Improving Disclosures about Financial Instruments"

Amendments to IFRS 7 "Improving Disclosures about Financial Instruments" were issued in March 2009 and become effective for periods beginning on or after 1 January 2009 with early application permitted. These Amendments introduce a three-level fair value disclosure hierarchy that distinguishes fair value measurements by the significance of the inputs used. In addition, the amendments enhance disclosure requirements on the nature and extent of liquidity risk arising from financial instruments to which an entity is exposed. These amendments will have no impact on the financial position or performance of the Fund but will result in more detailed disclosures regarding measurement of the fair value of financial instruments.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The key judgement relates to the selection of valuation policy for financial assets and liabilities (including assessment of impairment issues, fair value determination and methods used).

Fair value of financial instruments

When the fair value of financial assets and financial liabilities cannot be derived from active markets, it is determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The models are calibrated regularly and tested for validity using prices from any observable current market transactions in the same instrument (without modification or repackaging) or based on any available observable market data.

Further information on the risks related to the investments is included in Note 16.

Allowance for impairment

The Fund regularly reviews its loans and receivables to assess impairment. The Fund uses its experienced judgment to estimate the amount of any impairment loss in cases where a borrower is in financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, the Fund estimates changes in future cash flows based on the observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans and receivables. The Fund uses its experienced judgment to adjust observable data for a group of loans or receivables to reflect current circumstances.

Deferred tax asset

Deferred tax assets are recognized in respect of tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits.

(stated in United States dollars)

4. Cash and cash equivalents

	31 December 2008
Cash on bank account	36,672,810
	36,672,810

Cash is held in the highly reliably banks, for details of currency and counterparty risk exposure refer to Note 16.

5. Financial assets at fair value through profit or loss

The Fund maintains positions in a variety of financial instruments as dictated by its investment management strategy. According to its investment strategy the Fund intends to take advantage of investment opportunities in companies involved in the infrastructure sector of Russia and the other states of the former Soviet Union.

As of 31 December 2008 the Fund's investment portfolio comprises listed and unlisted equity securities.

The following table shows financial instruments by class recorded at fair value, analysed between those whose fair value is based on quoted market prices, those involving valuation techniques where the model inputs are observable in the market and those where the valuation technique involves the use of non-market observable inputs.

31 December 2008	Valued at quoted market price	Valuation technique-market observable inputs	Valuation technique-non-market observable inputs	Total
Financial assets held for trading - listed equities	26,024,245	19,403,250	4,396,510	**49,824,005**
Designated at fair value through profit or loss	–	1,043,019	10,306,745	**11,349,764**
	26,024,245	**20,446,269**	**14,703,255**	**61,173,769**

Net loss on financial instruments at fair value through profit or loss

	21 August 2007 to 31 December 2008
Net loss on financial assets held for trading	(100,142,445)
Net loss on financial assets designated at fair value through profit or loss	(10,383,784)
Net loss on derivative financial assets	(1,770,427)
	(112,296,656)

(stated in United States dollars)

5. Financial assets at fair value through profit or loss (continued)

In the table below fair value of investments designated at fair value through profit or loss is presented.

	31 December 2008
Granit JSC	5,859,450
EPAM Systems Inc	4,294,295
RenShares Utilities Limited	1,043,019
Lubel Coal Company Limited	153,000
	11,349,764

As of 31 December 2008 the Fund exercised significant influence over Granit JSC. The Fund designates the investments in listed securities in which it holds more than 20 per cent and less than 50 per cent upon initial recognition, as at fair value through profit or loss in accordance with the exemption provided by IAS 28 "Investments in Associates" for investment companies and venture capital organizations.

Refer to Note 12 for detailed disclosure on fair value of financial assets at fair value through profit or loss.

6. Due to brokers

	31 December 2008
Cash on brokerage account	313,563
	313,563

Cash on brokerage account is represented by cash balance on Renaissance Advisory Services Limited account. Broker credits interest on positive account balance of 2% p.a. Interest payable on negative balance was 8% p.a. until February 2008 and 12% p.a. afterwards.

7. Management and performance fees

	31 December 2008
Management fees payable	508,178
	508,178

Under the terms of the investment management agreement, the Investment Manager is paid a fee equal to 1.5% p.a. of the net asset value as at the close of business on each business day. The fees are accrued daily and are payable quarterly in arrears. During the period from 21 August 2007 to 31 December 2008, fees of US$2,574,405 were incurred of which US$508,178 were outstanding at the period end.

(stated in United States dollars)

7. Management and performance fees (continued)

The Fund will also pay to the Investment Manager a performance fee equal to 20% of the total increase in the net asset value per redeemable share over the initial offering price of US$1 per redeemable share. The performance fee is payable on the redemption or repurchase of the redeemable shares. The performance fee is calculated and accrued on a daily basis. It is payable on, or in anticipation of, winding up of the Fund, at the Directors' discretion. As the criteria for performance fee accrual at the end of 2008 were not met, the provision for performance fee was not made and payable at period end was nil.

8. Other accounts payable and accrued expenses

	31 December 2008
Professional fees	56,626
Administration fee payable	18,330
Other fees and expenses	19,241
	94,197

Under the terms of the administration agreement, an administration fee is paid quarterly in arrears to the Fund's Administrator. Administration fee is equal to 0.2% of the net asset value of the Fund if such net asset value is below US$50 million, 0.15% if such asset value is between US$50 million and US$200 million, 0.10% if between US$200 million and US$400 million and 0.075% if the net asset value exceeds US$400 million. During the period to 31 December 2008, fees of US$282,219 were incurred of which US$18,330 were outstanding at period end.

9. Interest income

	21 August 2007 to 31 December 2008
Interest on loans receivable	1,647,601
Interest on positive brokerage account balance	433,340
Interest on bank accounts	329,796
	2,410,737

10. Other operating fees and expenses

	21 August 2007 to 31 December 2008
Professional fee	172,168
Listing fee	89,251
Legal fee	35,598
Directors fee	18,035
Other	61,574
	376,626

11. Shares

Incorporation and share capital

The Fund is authorized to issue 100 non-participating voting founder shares of US Dollar 0.01 each and 500,000,000 profit participating, non-voting redeemable shares of US Dollar 0.01 each.

The Investment manager owns 100% of the founder shares.

As of 31 December 2008 100 founder shares have been issued at US$ 0.01 each and 199,882,986 profit participating, non-voting redeemable shares have been issued at US$ 0.01 each.

The Fund does not have any externally imposed capital requirements.

Rights of the founder shares

The founder shares carry no right to any dividend and on liquidation they will rank equally for return of the subscription price paid up on them after the return of the subscription price paid up on the redeemable shares. Founder shares carry the right to one vote each. Founder shares may not be redeemed.

Rights of the redeemable shares

The redeemable shares do not carry a right to vote except in relation to separate class rights upon any variation of rights attaching to the shares in which case, each share carries the right to one vote. The redeemable shares are entitled to dividends.

The redeemable shares are not redeemable at the option of the shareholders but may be repurchased at the option of the Fund. At their absolute discretion, the Directors may repurchase shares pursuant to request from a shareholder, in accordance with applicable law and resolutions which have been adopted by the Fund.

Winding Up

The redeemable shares carry a right to a return of the subscription price paid up in respect of such shares in priority to any return of the subscription price paid up in respect of founder shares, and an exclusive right to share in surplus assets remaining after the return of the subscription price paid up on the redeemable shares and founder shares.

Distributions

The Directors have their absolute discretion as to the payment of dividends. The Directors currently intend for dividends to accumulate in the Fund.

12. Fair value of financial instruments

The following describes the methodologies and assumptions used to determine fair values of financial instruments.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or have a short-term maturity it is assumed that the carrying amounts approximate their fair value. This assumption is applied to due to / from brokers, cash on bank accounts and other short-term receivables / payables.

Financial instruments recorded at fair value

Please refer to Note 5 for determination of fair value of financial instruments by class recorded at fair value, analysed between those whose fair value is based on quoted market prices, those involving valuation techniques where all the model inputs are observable in the market and those where the valuation technique involves the use of non-market observable inputs.

As of 31 December 2008 the fair value of financial assets held for trading which are traded on active market was determined based on quoted market prices or binding dealer price quotations at the reporting date (bid price), without any deduction for transaction costs.

Financial assets held for trading for which market is not active were valued using pricing models. Inputs are based on the composition of market observable and non-observable inputs which may vary according to the specific industry that the investee operates in at the balance sheet date.

As of 31 December 2008 the fair value of Fund's investments designated at fair value through profit or loss (except for investment in RenShares Utilities Limited) were estimated using pricing models or discounted cash flow techniques, or combination of both. The estimated future cash flows are based on management's best estimates which are discounted to arrive at the present value of the cash flows at the balance sheet date using the relevant discount rate.

As of 31 December 2008 the Fund has entered into a put option agreement related to investment in EPAM Systems Inc. In accordance with term of this contract, the Fund has a right to dispose the shares at a fixed or determinable price if the investee does not make a Public Offering by a certain date. As of 31 December 2008 the fair value of EPAM Systems Inc. was estimated based on assumption that the respective put option would be exercised.

As of 31 December 2008 the Fund invested in the shares of the other investment fund RenShares Utilities Limited. Fair value of this investment was determined based on the fund's net asset value per share as per its audited IFRS consolidated financial statements at 31 December 2008.

(stated in United States dollars)

12. Fair value of financial instruments (continued)

The most significant key assumptions used in estimating the fair value of investments were:

Discount rate	16%-20.5%
Lack of liquidity discount	0%-20%
Lack of control discount	0%-20%
EV/Sales	0.28-1.38
EV/EBITDA	2.75-6.35
EV/Pipeline length	66.4
Depreciated replacement costs for pipeline networks of gas companies (US$/m)	26.6
Preferred shares discount	30% - 67%

13. Taxation

The operations of the Fund are subject to multiple taxation jurisdictions, as follows:

BVI

Russia Infrastructure Equities Limited is registered in the BVI as tax exempt company.

Cyprus

The Fund's subsidiary is subject to corporation tax under the laws of Cyprus on its taxable profits at the rate of 10%.

Under certain conditions interest may be subject to defence contributions at the rate of 10%. In such cases 50% of the same interest will be exempt from corporation tax thus having an effective tax burden of 15%. Dividends received from abroad are subject to defence contributions at the rate of 15% if the interest of shareholding in the company from which dividends are received is less than 1%.

	21 August 2007 to 31 December 2008
Accounting loss before tax	(112,918,352)
Tax benefit calculated at domestic rate applicable to the Fund's subsidiary	12,425,365
Tax effect of non-deductible expenses	(12,196,166)
Tax effect of tax exempt income	40,373
Tax effect of imputed notional interest on receivables from related parties	(6,200)
Income tax benefit	**263,372**
Unrecognised income tax asset	(263,372)
Special Defence Contribution	(60,560)
Income tax expense	**(60,560)**

(stated in United States dollars)

14. Related parties

In accordance with IAS 24 "Related Party Disclosures", parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The Fund's related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

During the period the Fund was involved in transactions with related parties which are classified as follows:

- Investment Manager - Renaissance Capital Investment Management Limited
- Other entities under common control

  Renaissance Capital Investment Management Limited belongs to Renaissance Investment Management Group ("RIM Group") which together with Renaissance Capital Group ("RCHL Group") is under common control of Renaissance Group Holdings Limited (Bermuda).

  Entities of RCHL Group which had operations with the Fund during the period from 21 August 2007 to 31 December 2008 are as follows:
  - Renaissance Advisory Services Limited (Bermuda), broker and custodian of the Fund
  - Renaissance Securities Trading Limited (Bermuda)
  - Renaissance Securities (Cyprus) Limited

- Directors – the list of the Fund's Directors is shown on page 1.

The table below presents the transactions and balances with the related parties identified above.

Related party balances		**31 December 2008**
Liabilities		
Due to brokers	Other entities under common control	313,563
Management fee payable	Investment manager	508,178

Related party transactions		**21 August 2007 to 31 December 2008**
Interest income	Other entities under common control	2,080,941
Interest expense	Other entities under common control	(61,147)
Directors fee	Directors	(18,035)
Management fee	Investment manager	2,574,405

(stated in United States dollars)

15. Reconciliation of audited net assets to net assets as reported to shareholders

In accordance with the terms of its offering documents the Fund reports its net assets on a daily basis. As a result of the preparation of these consolidated financial statements certain adjustments have been recorded to the net assets as previously reported in order to comply with IFRS. These differences are:

- A net unrealized loss on financial assets carried at fair value has been recognized;
- Deferred organization expenses have been written off; and
- Additional income tax has been recorded.

See below the reconciliation between the net assets as reported to shareholders and the adjusted net assets as per the IFRS consolidated financial statements.

	31 December 2008
Net assets as reported to shareholders	**118,346,908**
IAS 39 adjustment to bid price	(5,631,056)
Fair value revaluation of unquoted or illiquid investments	(15,720,583)
Deferred expenses written-off	(74,852)
Additional income tax accrual	(30,888)
Adjusted net assets as per the IFRS consolidated financial statements	**96,889,529**
Total number of redeemable shares in issue	**199,882,986**
Net asset value per redeemable share as reported to shareholders, US$	0.59
Effect of adjustments per redeemable share, US$	(0.11)
Adjusted net asset value per redeemable share per the consolidated financial statements	**0.48**

<u>IAS 39 Adjustment to Bid price</u>

For the purpose of calculating the net assets attributable to shareholders in accordance with the Fund's redemption requirements, the Fund's assets are valued on the basis of mid-market prices, which is different from the IFRS valuation requirements. Respective adjustment to bid prices was recognized in these consolidated financial statements.

<u>Fair value revaluation of unquoted or illiquid investments</u>

In the course of preparation of these consolidated financial statements the Fund revalued its unquoted and illiquid investments. Respective change of investments' fair value was recognized within consolidated income statement.

16. Financial risk management

The Fund maintains positions in a variety of derivative and non-derivative financial instruments as dictated by its investment management strategy.

According to its investment strategy the Fund aims to achieve medium-term capital appreciation through investment in equity and equity-related instruments, both listed and unlisted, of companies involved in the development of the infrastructure sector. The Fund has a long-only strategy and may use hedging strategies when deemed appropriate.

As at 31 December 2008 the Fund's investment portfolio comprises listed and unlisted equities which it intends to hold for uncertain period of time.

Asset allocation is determined by the Fund's Investment Manager who manages the distribution of the assets to achieve the investment objectives. Divergence from target asset allocations and the composition of the portfolio is monitored by the Fund's Compliance Controller. In instances where the portfolio has diverged from target asset allocations, the Fund's Investment Manager will rebalance the portfolio to fall in line with the target asset allocations.

The Fund's investing activities expose it to various types of risk that are associated with the financial instruments and markets in which it invests. The most important types of financial risk to which the Fund is exposed are market risk, credit risk and liquidity risk.

The nature and extent of the financial instruments outstanding at the balance sheet date and the risk management policies employed by the Fund are discussed below.

Excessive risk concentration

Concentration indicates the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location. Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowing facilities or reliance on a particular market in which to realise liquid assets. Concentrations of foreign exchange risk may arise if the Fund has a significant net open position in a single foreign currency, or aggregate net open positions in several currencies that tend to move together. In order to avoid excessive concentration of risk, the Fund's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. The Investment Manager is instructed to reduce exposure or to use derivative instruments to manage excessive risk concentrations when they arise.

Credit risk

Credit risk represents the potential loss that the Fund would incur if counterparty to a financial instrument failed to perform pursuant to the terms of their obligations to the Fund. Credit risk is generally higher when a non-exchange-traded financial instrument is involved, because the counterparty is not backed by an exchange clearing house.

16. Financial risk management (continued)

Risk concentrations of the maximum exposure to credit risk

The table below shows the maximum exposure to credit risk for the components of the consolidated balance sheet, including derivatives. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

Maximum exposure	Notes	2008
Cash and cash equivalents	4	36,672,810
Total credit risk exposure		**36,672,810**

The carrying amounts of financial assets best represent the maximum credit risk exposure at the balance sheet date. This relates also to financial assets carried at amortised cost, as they have a short-term to maturity. Where financial instruments are recorded at fair value, the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

Concentration of risk is managed by counterparty, by geographical region and by industry sector.

Counterparty risk

The counterparty credit risk is managed through the internal developed system of counterparty limits. The counterparty limits are established and monitored by the Investment Manager on a daily basis. The exposure to counterparty credit risk reduced by master netting arrangements may change significantly within short period of time as a result of transactions subject to the arrangement. Master netting agreements are used for all types of the transactions except pre-IPO and buy-out deals. The corresponding assets and liabilities have not been offset on the consolidated balance sheet.

Substantially all of the securities in which the Fund has investments are held by Renaissance Advisory Services (Cyprus) Limited, Prime Broker and custodian. All of the cash held for trading on brokerage accounts is held by Prime Broker. Bankruptcy or insolvency of the custodian may cause the Fund's rights with respect to securities and cash held by the custodian to be delayed or limited. The Fund monitors its risk by monitoring the credit quality and financial position of the custodian the Fund uses.

Substantially all of the cash held by the Fund is held by J.P. Morgan Chase Bank. Bankruptcy or insolvency of the bank may cause the Fund's rights with respect to the cash held by the bank to be delayed or limited. The Fund monitors its risk by monitoring the credit quality and financial position of the bank.

(stated in United States dollars)

16. Financial risk management (continued)

Geographical Concentration

The geographical concentration of the Fund's financial assets and liabilities is set out below:

	2008			
	Russia and CIS	USA	Other	Total
Assets:				
Cash and cash equivalents	-	36,672,810	-	36,672,810
Financial assets at fair value through profit or loss	61,173,769	-	-	61,173,769
Other assets	-	-	5,153	5,153
	61,173,769	**36,672,810**	**5,153**	**97,851,732**
Liabilities:				
Due to brokers	-	-	313,563	313,563
Management fee payable	-	-	508,178	508,178
Accounts payable and accrued expenses	56,626	-	37,571	94,197
	56,626	**-**	**859,312**	**915,938**
Net balance sheet position	**61,117,143**	**36,672,810**	**(854,159)**	**96,935,794**

Credit quality per class of financial assets

The credit quality of financial assets is managed based on international credit ratings of counterparties, determined by Standard and Poor's, Moody's or Fitch. The cash is held in high rated banks.

None of the Fund's financial assets were considered to be past due or impaired as of 31 December 2008.

Liquidity risk and funding management

Liquidity risk is defined as the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities earlier than expected.

As the Fund is a closed-ended investment fund, its shares cannot be redeemed prior to the Fund's termination. Prior to the expiration of the Fund's term, the net assets will not be distributed to shareholders. Therefore the Fund's constitution does not provide for any cancellation or redemption of shares prior to termination of the Fund, and therefore it has limited exposure to liquidity risk.

The Fund's financial instruments are traded substantially on active markets. However, in some circumstances the markets in which the Fund trades can be illiquid, thereby making it difficult to acquire or dispose of investments at prices quoted on the relevant exchanges. In addition, suspension by an exchange of trading in a particular security could make it impossible for positions to be realised and thereby expose the Fund to losses.

16. Financial risk management (continued)

Liquidity risk and funding management (continued)

The current liquidity requirements including payments of operating expenses and fees are managed in accordance with policies and procedures in place. The Fund uses detailed cash flow forecasting, carried out by the Treasury department, which allows to control and manage its liquidity and undertake proper measures if liquidity shortages or excessive liquidity are anticipated.

(stated in United States dollars)

Analysis of financial liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Fund's financial liabilities at 31 December 2008 based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately.

Financial liabilities As at 31 December *2008*	**Less than 3 months**	**3 to 12 months**	**Total**
Amounts due to broker	313,563	–	**313,563**
Management and performance fees payable	–	508,178	**508,178**
Other accounts payable and accrued expenses	40,035	54,162	**94,197**
Total undiscounted financial liabilities	**353,598**	**562,340**	**915,938**

Analysis of financial assets and liabilities by expected maturities

As at 31 December 2008 the Fund had no assets and liabilities which were expected to be recovered or settled during the period of more than one year, except for the following investments:

	31 December 2008
Granit JSC	5,859,450
EPAM Systems Inc	4,294,295
Lubel Coal Company Limited	153,000
	10,306,745

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The maximum risk resulting from financial instruments, except for written options and securities sold short, equals their fair value.

Market risk embodies the potential for both loss and gains and includes currency risk, interest rate risk and price risk.

16. Financial risk management (continued)

Market risk (continued)

The Fund's strategy on the management of investment risk is driven by the Fund's investment objective. The overall investment objective of the Fund is to achieve medium-term capital appreciation through investment in equity and equity-related instruments of companies involved in the infrastructure sector of Russia and the other states of the former Soviet Union, which includes but is not limited to real estate, power generation and distribution, transportation manufacture and infrastructure development, social infrastructure and high technology industries.

The Investment Manager is not required to maintain a balanced portfolio or to diversify risk. Accordingly, the Fund's portfolio may be highly concentrated and its performance may be materially and adversely affected by the performance (either positive or negative) of a single investment.

The Fund may borrow on a temporary basis an aggregate amount of up to 10% of its net asset value.

The exposure to market risk of the Fund's financial asset and liability positions is measured using value-at-risk (VaR) analysis. The details of the method including its main assumptions and limitations are disclosed further in the current note.

Currency risk

The Fund may invest in financial instruments denominated in currencies other than its functional currency – US dollars (US$). According to the Fund's investment policy, it may invest in securities and other instruments that are principally denominated in Russian roubles. Consequently, the Fund may be exposed to risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse affect on the value of that portion of the Fund's assets or liabilities denominated in currencies other than United States dollar but the Investment Manager does not intend to seek to hedge the Fund's currency risks. If the Investment Manager were to seek to hedge against such risks there can be no assurance that such hedging transactions would be effective or beneficial.

Normally, any cash balances or proceeds in Russian roubles and other non-US$ currencies are immediately converted into US$.

The securities in which the Fund invests may be denominated in Russian roubles or other currencies. At the year end, the major part of investments was denominated mainly in Russian roubles. However, those securities are priced and traded in US$. All settlements on securities trading are predominantly performed in US dollars. Therefore the Fund is not exposed to currency risk and does have any specific policies for managing the currency risk in what relates to active operations of the Fund.

16. Financial risk management (continued)

Currency risk (continued)

<u>Concentration of foreign currency exposure</u>

The Fund has limited exposure to currency risk as 100% of the Fund's monetary assets and liabilities are nominated in US$.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

The Fund primarily invests in equity securities, which are not exposed to interest rate risk.

At 31 December 2008 the Fund has no interest-bearing financial assets and liabilities at floating rates. The Fund's placements and borrowings are with related parties at fixed rates, the expectation of re-pricing is low. Therefore, the Fund has limited exposure to interest rate fluctuations and does not have specific policies and procedures for managing interest rate risk.

Price risk

Price risk is the risk that value of the instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

As the majority of the Fund's financial instruments are carried at fair value with fair value changes recognised in the consolidated income statement, all changes in market conditions will directly affect the Fund's net investment gain/loss and therefore consolidated statement of changes in net assets attributable to shareholders.

Price risk is managed by the Fund's Investment Manager by diversifying the portfolio and measured using value-at-risk (VaR) analysis. The Fund's overall price risk exposure is monitored by Investment Manager and reported to the Fund's Directors.

Value-at-risk (VAR)

VAR analysis reflects the interdependencies between risk variables, unlike a traditional sensitivity analysis. VAR represents the potential losses from adverse changes in market factors for a specified time period and confidence level.

To monitor value at risk effectively, securities are categorised in tiers:

- Tier 1
- Tier 2
- Tier 3

Breakdown is made on the basis of 3 parameters: liquidity (average daily trading volume for the last 6 months), average bid/ask spread (for 2 years), and volatility (with 2-year horizon).

16. Financial risk management (continued)

Price risk (continued)

(stated in United States dollars)

Following approach is applied to the VAR calculation: VAR of the portfolio is calculated as a sum of VAR of liquid equities (Tier 1 and Tier 2 instruments and equity, equity index derivatives), VAR of liquid bonds (Tier 1 and Tier bonds and bond derivatives), and VAR of illiquid instruments (Tier 3).

VAR of the liquid instruments is calculated as follows:

- Variance-Covariance method is used for liquid equities and equity, equity index derivatives.
- The confidence level used is 99% and volatility is calculated based on historical daily close prices and yields for last 2 years. This implies that returns are assumed to be normally distributed.
- For various classes of instruments it's assumed that its correlation with other classes of instruments is equal to 100%.
- Calculation is based on the values of VAR of each individual instrument.
- For fixed income instruments modified duration is used in calculation of the VAR of each individual instrument.
- VAR of derivative instruments is calculated together with underlying equity through both delta and gamma approaches.

For each illiquid instrument (Tier 3) the Risk Management Committee determines at their discretion whether its individual VAR should be calculated in compliance with VAR computation method for liquid instruments or set equal to 30% of the market value of equities and 10% of the market value of bonds. In the latter case, it's assumed that its correlation with other instruments is equal to 100%.

Limitations of the used VAR calculation approach are the following:

- Historical data usage does not cover all possible scenarios in future, especially those which are extraordinary by nature.
- Usage of the 99% confidence level does not take into account potential loss which can occur out of that interval. Real loss can exceed calculated VAR value with the probability of 1%.
- As soon as VAR is calculated after the trade date, it does not consider risks that concern with positions opened during trade date.

The table below indicates the VAR of the Fund's financial instruments, measured as the potential loss in value during 1 day from adverse changes in equity prices with a 99% confidence level.

	31 December 2008
VAR of the portfolio	16,590,760
VAR/NAV ratio, %	17%

17. Commitments and contingencies

Operating environment

As previously noted, the Fund's activity is mainly focused on investments in entities located in the Russian Federation.

Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

The Russian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The ongoing global financial crisis has resulted in capital markets instability, significant deterioration of liquidity in the banking sector, and tighter credit conditions within Russia. While the Russian Government has introduced a range of stabilization measures aimed at providing liquidity and supporting refinancing of foreign debt for Russian banks and companies, there continues to be uncertainty regarding the access to capital and cost of capital for the Fund's investees, which could affect the fair value of the financial position, results of operations and business prospects of the Fund's investees and, consequently, affect the fair value of the Fund's investments.

Also, the investees of the Fund may have been affected by the deterioration in liquidity, which could in turn impact their ability to repay the amounts due. Due to the fall in prices in global and Russian securities markets, the Fund experienced a significant decrease in the fair value of investments. To the extent that information is available, the Fund has reflected revised estimates of expected future cash flows in its fair value assessments.

While management believes it is taking appropriate measures to support the sustainability of the Fund's business in the current circumstances, unexpected further deterioration in the areas described above could negatively affect the Fund's results and financial position in a manner not currently determinable.

Legal

In the ordinary course of business, the Fund is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Fund.

The Management is unaware of any significant actual, pending or threatened claims against the Fund.

18. Events after the reporting date

After 31 December 2008 there were no subsequent events which may influence these consolidated financial statements.