Russia Infrastructure Equities Limited

Consolidated financial statements

For the year ended 31 December 2009

Contents

Directors and other information

Directors	David Blair Yves Gunter (resigned on 8 May 2009) Igor Stychinsky (appointed on 9 June 2009, resigned on 24 August 2010) Sarah Moule (resigned on 9 July 2009) James Keyes (appointed 9 July 2009) John Elder (appointed on 22 September 2010)
Registered office	(Until 12 January 2010) Palm Grove House PO Box 3190 Road Town Tortola British Virgin Islands (From 12 January 2010) Jayla Place Wickhams Cay I Road Town, Tortola VG1110 British Virgin Islands
Investment manager	Renaissance Capital Investment Management Limited Jayla Place Wickhams Cay I Road Town, Tortola VG1110 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 Administration & Corporate Services Limited 25 Eden Quay Dublin 1 Ireland
Independent auditors	Ernst & Young LLC Sadovnicheskaya Nab., 77, bld. 1 Moscow 115035 Russia

Directors and other information (continued)

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

Investment manager's report

The infrastructure sector of the Russian Federation, which includes industries engaged in production of energy (gas and electricity), construction materials, transportation (railways, ports and air traffic) as well as real estate stock (both commercial and residential) remains attractive for investing purposes. Infrastructure is one of the sectors most preferred by the Government of the Russian Federation.

9.9% of Gross Domestic Product ("GDP") in 2009 refers to the construction output, which in total amount has decreased by 33% from 2008, but growth in 2010 is expected. The construction industry was underinvested significantly over the last 10 years from US$ 28 billion in 1999 to US$ 120 billion in 2009. US$ 27 billion was invested in road construction and modernization in 2009, almost half of this amount supported new road construction.

Investments in the infrastructure sector are important as they stimulate internal demand, provide for additional working places and as a result solve various social problems. This is understood by the Government of the Russian Federation. The amounts invested by the Government in the infrastructure projects provide the companies, operating in construction materials production, transportation and construction, with the portfolios of orders, which are revenue generating. The main large construction projects related to the 2014 Winter Olympic Games in Sochi (US$ 12.2 billion) and the 2012 Asia-Pacific Economic Cooperation Forum spur regional infrastructure growth. Russia Infrastructure Equities Limited (the "Fund") invested in companies involved in execution of these projects.

The importance of the private infrastructure (non-government) in Russia is growing. The majority of Russian sea ports are privately owned, six out of the ten largest airports are privately owned or operated by a concessionaire, and approximately half of cargo rail cars are owned by private rail companies.

The Public-Private Partnerships ("PPP") becomes the significant part of the Infrastructure sector, PPPs are necessary to fill the gap between the amount of public investment and the actual investment requirements. A number of PPP tenders have been closed already, including "Pulkovo airport" in St. Petersburg and "First section of Moscow - St. Petersburg toll road". Solid regulation, high standards of corporate governance and low country risk are all needed to reassure private investors.

All the factors above mentioned are favourable for the further development of the infrastructure sector in Russia, for the growth of the companies operating in the infrastructure projects and the potential value growth of the Fund.

On 2 July 2010 the Fund distributed US$ 25 million of cash to all shareholders. This equates to US$ 0.125 per share. The cash was raised realising some of the value from the Fund's largest holdings. While the Investment Manager foresees considerable upside in all of them, the Investment Manager recognizes that the shareholders will welcome the liquidity provision.

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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 statement of financial position as at 31 December 2009, the consolidated statement of comprehensive income, consolidated statement of changes in net assets attributable to shareholders and consolidated statement of cash flows for the year ended 31 December 2009, 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 consolidated 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 2009, and its financial performance and its cash flows for the year ended 31 December 2009 in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to the fact that the Fund has previously issued consolidated financial statements for the year ended 31 December 2009. The previously issued consolidated financial statements for the year ended 31 December 2009 authorized for issue on 27 July 2010 have been revised as disclosed in Note 2. This opinion on these revised consolidated financial statements supersedes our previously issued opinion.

Ernst & Young LLC

17 May 2011

Consolidated statement of comprehensive income

for the year ended 31 December 2009

(stated in United States dollars)

	Notes	*2009*	*21 August 2007 to 31 December 2008*
Results from operations			
Dividend income		941,043	403,730
Interest income	7	49,417	2,410,737
Net gain/ (loss) on financial assets at fair value through profit or loss	12	111,485,742	(112,296,656)
		112,476,202	(109,482,189)
Expenses			
Interest expense		(34,711)	(61,893)
Management fees	9	(2,164,914)	(2,574,405)
Administration fees	10	(241,494)	(282,219)
Incorporation expenses		-	(141,020)
Other operating expenses	8	(491,418)	(376,626)
		(2,932,537)	(3,436,163)
Operating profit/ (loss)		109,543,665	(112,918,352)
Income tax expense	14	-	(60,560)
Increase/ (decrease) in net assets attributable to shareholders from operations		109,543,665	(112,978,912)
Other comprehensive income for the year/ period		-	-
Total comprehensive income/ (loss) for the year/ period		109,543,665	(112,978,912)

Consolidated statement of financial position

as at 31 December 2009

(stated in United States dollars)

	Notes	*31 December 2009*	*31 December 2008*
Assets			
Cash and cash equivalents	5	715,041	36,672,810
Due from brokers	6	7,399,570	-
Financial assets at fair value through profit or loss	12	199,160,901	61,173,769
Other assets		4,999	5,153
Total assets		**207,280,511**	**97,851,732**
Liabilities			
Due to brokers	6	-	313,563
Management fees payable	9	690,288	508,178
Current income tax payable		46,265	46,265
Other accounts payable and accrued expenses	10	110,764	94,197
Total liabilities excluding net assets attributable to shareholders		**847,317**	**962,203**
Net assets attributable to shareholders		**206,433,194**	**96,889,529**
Participating shares in issue	11	199,882,986	199,882,986
Net asset value per participating share		**1.03**	**0.48**

The consolidated financial statements were signed and authorized for release by the Board of Directors on 17 May 2011

David Blair
Director

James Keyes
Director

Consolidated statement of changes in net assets attributable to shareholders

for the year ended 31 December 2009

(stated in United States dollars)

	Notes	*Number of participating shares*	*Net assets attributable to shareholders (calculated in accordance with IFRS)*
Balance at 21 August 2007		-	-
Issue of participating shares at par value	11	199,882,986	1,998,830
Share premium	11	-	207,869,611
Increase in net assets attributable to shareholders from transactions in participating shares		-	**209,868,441**
Decrease in net assets attributable to shareholders from operations		-	(112,978,912)
Balance at 31 December 2008	11	199,882,986	96,889,529
Increase in net assets attributable to shareholders from operations		-	109,543,665
Balance at 31 December 2009	11	199,882,986	206,433,194

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

Consolidated statement of cash flows

for the year ended 31 December 2009

(stated in United States dollars)

	31 December 2009	21 August 2007 to 31 December 2008
Cash flows from operating activities		
Increase/ (decrease) in net assets attributable to shareholders from operations	109,543,665	(112,978,912)
Net changes in operating assets and liabilities		
Increase in financial assets at fair value through profit or loss	(137,987,132)	(61,173,769)
Increase in due from brokers	(7,399,570)	-
Decrease/ (increase) in other assets	154	(5,153)
(Decrease)/ increase in due to brokers	(313,563)	313,563
Increase in management fees payable	182,110	508,178
Increase in current income tax payable	-	46,265
Increase in other accounts payable and accrued expenses	16,567	94,197
Net cash used in operating activities	**(35,957,769)**	**(173,195,631)**
Cash flows from financing activities		
Proceeds from the issue of participating shares	-	209,868,441
Net cash flows provided by financing activities	**-**	**209,868,441**
Net (decrease)/ increase in cash and cash equivalents	**(35,957,769)**	**36,672,810**
Cash and cash equivalents at the beginning of the year/period	36,672,810	-
Cash and cash equivalents at the end of the year/period	**715,041**	**36,672,810**
Operating cash flows from interest, dividends and tax		
Interest received	49,417	2,409,730
Interest paid	(34,711)	(61,893)
Dividends received (net of withholding tax)	941,043	403,730
Tax paid	-	(14,294)

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

1. Corporate 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".

Russia Infrastructure Equities Limited is an investment company incorporated with limited liability on 21 August 2007 under the laws of the British Virgin Islands, which commenced its operations on 28 November 2007. It is a closed-end 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 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 futures 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 the Subsidiary, a company 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 (BVI) (the "Investment Manager"). The Fund's custodian and prime broker is Renaissance Advisory Services Limited (Bermuda). The Fund's administrator is Custom House Administration & Corporate Services Limited (Ireland) (the "Administrator").

The consolidated financial statements of the Fund for year ended 31 December 2009 were authorised for issue by the Fund's Directors on 27 July 2010.

2. Basis of preparation

(a) General

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 ("US$"), reflecting the fact that the participating shares of the Fund are issued in United States dollars and the Fund's investing activities are primarily conducted in United States dollars.

Preparation of the consolidated financial statements in conformity with International Financial Reporting Standards ("IFRS") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are detailed in Note 4.

(b) Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB. The accounting policies applied in preparation of the consolidated financial statements and detailed below have been applied consistently to the years presented.

2. Basis of preparation (continued)

(c) Basis of consolidation

The consolidated financial statements comprise financial statements of Russia Infrastructure Equities Limited and the Subsidiary. The Fund owned 100% of the Subsidiary at 31 December 2009 and 2008.

The Subsidiary is fully consolidated from the date of acquisition, being the date on which the Fund obtains control, and continues to be consolidated until the date that such control ceases. The financial statements of the Subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, income and expenses, unrealised gains and losses and dividends resulting from intra-group transactions are eliminated in full.

(d) Correction of disclosure

The Fund has previously issues consolidated financial statements for the year ended 31 December 2009 which were authorized for issue on 27 July 2010. These revised consolidated financial statements supersede the previously issued consolidated financial statements of the Fund. The presentation of financial investments by level 2 and level 3 in the Note 13 "Fair value of financial instruments" in these consolidated financial statements as of December 31, 2009 and for the year then ended, including comparative information for 2008, was corrected.

3. Summary of significant accounting policies

(a) Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except the Fund has adopted the following standards and amendments as at 1 January 2009:

- IFRS 8 *Operating Segments;*
- IAS 1 (Revised 2007) *Presentation of Financial Statements;*
- Amendments to IFRS 7 *Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments*.

The principal effect of these changes is as follows:

IFRS 8 Operating Segments

This standard is effective for accounting periods beginning on or after 1 January 2009, it requires disclosure of information about the Fund's operating segments and replaced the requirement to determine primary (business) and secondary (geographical) reporting segments of the Fund. For management purposes, the Fund is organised into one business unit. The Fund determined that this operating segment was the same as the business segment previously identified under IAS 14 Segment Reporting.

IAS 1 (Revised 2007) Presentation of Financial Statements

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.

The standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. The Fund has no instruments classified as equity and therefore a statement of changes in equity is not presented. 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 elected to present one single statement.

Amendments to IFRS 7 Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments

The amendments to IFRS 7 were issued in March 2009 and became effective for annual periods beginning on or after 1 January 2009. The Fund has adopted these amendments with effect from 1 January 2009.

3. Summary of significant accounting policies (continued)

(a) Changes in accounting policies and disclosures (continued)

The amendments to IFRS 7 require fair value measurements to be disclosed by the source of inputs, using a three-level hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2);
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).In addition, the amendments revise the specified minimum liquidity risk disclosures including: the contractual maturity of non-derivative and derivative financial liabilities, and a description of how this is managed.

In the first year of application, comparative information is not required. However, the Fund has voluntarily disclosed comparative information.

The following standards, amendments and interpretations are effective for 2009 were adopted, but had no impact on the financial position or performance of the Fund:

Amendment to IFRS 2 Share-based Payments – Vesting Conditions and Cancellations

This amendment to IFRS 2 Share-based Payments was published in January 2008 and became 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.

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 became 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 amendments to IAS 32 and IAS 1 had no material impact on the financial performance or position of the Fund.

Amendment to IAS 23 Borrowing Costs

IAS 23 Borrowing Costs issued in March 2007 supersedes IAS 23 Borrowing Costs (revised in 2003). 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.

IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement

These amendments to IFRIC 9 require an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. IAS 39 now states that if an embedded derivative cannot be reliably measured, the entire hybrid instrument must remain classified as at fair value through profit or loss.

IFRIC 13 Customer Loyalty Programmes

IFRIC 13 Customer Loyalty Programmes addresses accounting by the entity that grants loyalty award credits to its customers.

IFRIC 15 Agreements for the Construction of Real Estate

IFRIC 15 Agreements for the Construction of Real Estate provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of IAS 11 Construction Contracts or IAS 18 Revenue and when revenue from the construction should be recognised.

3. Summary of significant accounting policies (continued)

(a) Changes in accounting policies and disclosures (continued)

IFRIC 16 Hedges of a Net Investment in a Foreign Operation

IFRIC 16 Hedges of a Net Investment in a Foreign Operation applies to an entity that hedges the foreign currency risk arising from its net investments in foreign operations and wishes to qualify for hedge accounting in accordance with IAS 39.

IFRIC 18 Transfer of Assets from Customers

The IFRIC issued IFRIC Interpretation 18 in January 2009. IFRIC 18 provides guidance on accounting for transfers of assets, where cash is used to purchase those items of plant, property and equipment, which an entity receives from a customer, which is either used to connect the customer to a network, or provide the customer ongoing access to a supply of goods and services. The Interpretation is effective prospectively to transfers of assets from customers received on or after 1 July 2009.

Improvements to IFRSs

In May 2008 the IASB has issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The amendments to the following standards did not have any impact on the accounting policies, financial position or performance of the Fund.

The following standards, amendments and interpretations are not effective and are not expected to have material impact on the financial position or performance of the Fund:

IFRS 3 (Revised 2008) Business Combinations and IAS 27 (Revised 2008) Consolidated and Separate Financial Statements

The revised standards were issued in January 2008 and became 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.

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.

IFRS 1 First Time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters

The revised standard was issued in July 2009 and becomes effective for financial years beginning on or after 1 January 2010. The amendment provides relief from the full retrospective application of IFRS in certain circumstances.

IFRS 2 Share-based Payments – Group cash-settled share-based payment transactions

The revised standard was issued in July 2009 and is effective for annual periods beginning on or after 1 January 2010. It provides guidance on that to be in the scope of IFRS 2, an award must be a "share-based payment transaction", and part of a "share-based payment arrangement".

IFRIC Interpretation 17 Distributions of Non-Cash Assets to Owners

The IFRIC issued IFRIC Interpretation 17 in November 2008. IFRIC 17 provides guidance on how to account for distributions of non-cash assets to its owners and distributions that give owners a choice of receiving either non-cash assets or a cash alternative. An entity shall apply this Interpretation prospectively for annual periods beginning on or after 1 July 2009.

3. Summary of significant accounting policies (continued)

(a) Changes in accounting policies and disclosures (continued)

IFRS 9 Financial Instruments

In November 2009 the IASB issued the first phase of IFRS 9 Financial instruments. This standard will eventually replace IAS 39 Financial Instrument: Recognition and Measurement. IFRS 9 becomes effective for financial years beginning on or after January 1, 2013. Entities may adopt the first phase for reporting periods ending on or after December 31, 2009. The first phase of IFRS 9 introduces new requirements on classification and measurement of financial assets. In particular, for subsequent measurement all financial assets are to be classified at amortised cost or at fair value through profit or loss with the irrevocable option for equity instruments not held for trading to be measured at fair value through other comprehensive income. The Fund now evaluates the impact of the adoption of new standard and considers the initial application date.

Amendments to IAS 32 Financial instruments: Presentation: Classification of Rights Issues

In October 2009, the IASB issued amendment to IAS 32. Entities shall apply that amendment for annual periods beginning on or after 1 February 2010. Earlier application is permitted. The amendment alters the definition of a financial liability in IAS 32 to classify rights issues and certain options or warrants as equity instruments. The Fund expects that this amendment will have no impact on its consolidated financial statements.

IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"

IFRIC Interpretation 19 was issued in November 2009 and is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies the accounting when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor to extinguish all or part of the financial liability. IFRIC 19 is not expected to have any material impact on the Fund's consolidated financial statements.

Amendments to IAS 24 Related party disclosure

The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities. The Fund does not expect any impact on its financial position or performance. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

Improvements to IFRSs

In April 2009 the IASB has issued the second omnibus of amendments to its standards and interpretations. The following amendments are not expected to have any impact on the accounting policies, financial position or performance of the Fund.

In May 2010 the IASB issued the third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. Most of the amendments are effective for annual periods beginning on or after 1 January 2011. There are separate transitional provisions for each standard. Amendments included in May 2010 "Improvements to IFRS" will have impact on the accounting policies, financial position or performance of the Fund, as described below:

- IFRS 3 Business combinations: limits the scope of the measurement choices that only the components of NCI that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets, in the event of liquidation, shall be measured either at fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. The Fund expects no impact on the on its consolidated financial statements;
- IFRS 7 Financial instruments: Disclosures; introduces the amendments to quantitative and credit risk disclosures. The additional requirements are expected to have minor impact as information is expected to be readily available;
- IAS 34 Interim Financial Reporting: adds disclosure requirements about the circumstances affecting fair values and classification of financial instruments, about transfers of financial instruments between levels of the fair value hierarchy, changes in classification of financial assets and changes in contingent liabilities and assets. This requirement will have no impact on the consolidated financial position of the Fund;
- Amendments to IFRS 1, IAS 1, IAS 27 and IFRIC 13 will have no impact on the accounting policies, financial position or performance of the Fund.

3. Summary of significant accounting policies (continued)

(b) Significant accounting policies

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 and liabilities at fair value are classified as held for trading if they are acquired or incurred for the purpose of selling or repurchasing in the near term. Derivatives are also classified as held for trading. The financial assets and liabilities at fair value held for trading are measured at fair value. Gains or losses on financial assets and liabilities at fair value held for trading are recognized in the consolidated statement of comprehensive income.

Derivative financial instruments entered into by the Fund do not meet the hedge accounting criteria as defined by IAS 39. Consequently, hedge accounting is not applied by the Fund.

- *Financial instruments designated as at fair value through profit or loss upon initial recognition*

These include equity securities 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 Memorandum. The vast majority of these financial assets are expected to be realised within 12 months of the reporting date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Fund includes in this category amounts relating to short-term receivables.

(ii) Recognition

The Fund recognizes financial assets and liabilities on the date it becomes party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognised on the trade date, i.e. the date that the Fund commits to purchase or sell the asset.

(iii) Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The rights to receive cash flows from the asset have expired; or
- The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and
- Either (a) the Fund has transferred substantially all the risks and rewards of the asset, or (b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Fund's continuing involvement in the asset.

The Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expires.

3. Summary of significant accounting policies (continued)

(b) Significant accounting policies (continued)

(iv) Initial measurement

Financial assets and financial liabilities at fair value through profit or loss are recorded in the consolidated statement of financial position at fair value. All transaction costs for such instruments are recognised directly in the consolidated statement of comprehensive income. Derivatives embedded in other financial instruments are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself classified as held for trading or designated as at fair value through profit or loss. Embedded derivatives separated from the host are carried at fair value with changes in fair value recognised in the consolidated statement of comprehensive income.

Loans and receivables and financial liabilities are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

(v) Subsequent measurement

After initial measurement, the Fund measures financial instruments which are classified as at fair value through profit or loss at fair value.

Subsequent changes in the fair value of those financial instruments are recorded in "Net gain/ (loss) on financial assets at fair value through profit or loss". Interest earned and dividend revenue elements of such instruments are recorded separately in "Interest income" and "Dividend income" respectively. Dividend expenses related to short positions are recognised in "Dividends on securities sold, but not yet repurchased".

Financial liabilities, other than those classified as at fair value through profit or loss, are measured at amortised cost using the effective interest method. Gains and losses are recognised in the consolidated statement of comprehensive income when the liabilities are derecognised as well as through the amortisation process.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instruments but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Determination of fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price or binding dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

Where the Fund has assets and liabilities with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies the bid or asking price to the net open position as appropriate.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. 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.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 13.

Impairment of financial assets

At each reporting date the Fund assesses 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

3. Summary of significant accounting policies (continued)

(b) Significant accounting policies (continued)

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 asset 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 the consolidated statement of comprehensive income as a separate line.

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 or 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 consolidated statement of comprehensive income as a separate line.

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.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position 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 statement of financial position.

Functional and presentation currency

The primary objective of the Fund is to generate returns in US$, its capital-raising currency. The liquidity of the Fund is managed on a day-to-day basis in US$ in order to handle the issue, acquisition and resale of the Fund's participating shares. The Fund's performance is evaluated in US$. Therefore, the management considers US$ as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

The consolidated financial statements are presented in US$.

Foreign currency translations

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.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at each period end using currency rate established by the Central Bank of Russian Federation.

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 statement of comprehensive income as part of the "Net gain/ (loss) on financial assets at fair value through profit or loss". Exchange differences on other financial instruments are included in the consolidated statement of comprehensive income as "Other operating expenses".

Due to and due from brokers

Amounts due to brokers are negative balances on brokerage accounts. Interest on negative brokerage account balances is recognised as interest expense in the consolidated statement of comprehensive income as it is accrued.

Amounts due from brokers include positive balances on brokerage accounts and margin accounts. Margin accounts represent cash deposits held with broker as collateral against open forwards contracts. Interest on

3. Summary of significant accounting policies (continued)

(b) Significant accounting policies (continued)

positive brokerage account balances is recognised as interest income in the consolidated statement of comprehensive income as it is accrued.

Participating shares

The Fund's shares are not redeemable at the option of the shareholders but may be repurchased at the option of the Fund. In case of winding-up of the Fund the shares carry a right to a return of the nominal amount paid up in respect of such shares and surplus assets remaining.

Shares are classified as financial liabilities according to IAS 32.

The liabilities arising from the participating 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 Offering Memorandum, the value of securities which are quoted or dealt in on any stock exchange is based on the mid price.

This valuation of net assets value is different from the IFRS valuation requirements. The difference between the two valuations is reported in Note 15.

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, current accounts, short-term deposits in banks and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Short-term investments that are not held for the purpose of meeting short-term cash commitments and restricted margin accounts are not considered "cash and cash equivalents".

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Interest income and interest expense

Interest income and expense are recognised in the consolidated statement of comprehensive income for all interest-bearing financial instruments using the effective interest method.

Dividend income and expense

Dividend income is recognised when the Fund's right to receive the payment is established. Dividend income 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.

Fees and commissions

Unless included in the effective interest calculation, fees and commissions are recognised on an accrual basis. Legal and audit fees are included within "Other operating expenses".

Net gain/ (loss) on financial assets 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 expenses.

3. Summary of significant accounting policies (continued)

(b) Significant accounting policies (continued)

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.

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. They represent the difference between an instrument's initial carrying amount and disposal amount, or cash payments or receipts made on derivative contracts (excluding payments or receipts on collateral margin accounts for such instruments).

Income taxes

There are no taxes on income, profits or capital gains in the British Virgin Islands. Income tax expense may arise on a level of the Subsidiary registered in Cyprus.

4. Significant accounting judgements, estimates and assumptions

The preparation of the Fund's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts recognised in the consolidated financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

In the process of applying the Fund's accounting policies, management has made the following judgements and estimates, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Going concern

The Fund's management has made an assessment of the Fund's ability to continue as a going concern and is satisfied that the Fund has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Fund's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are 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 17.

5. Cash and cash equivalents

	31 December 2009	*31 December 2008*
Cash on current bank account	715,041	36,672,810
Total cash and cash equivalents	715,041	36,672,810

Cash is held with a highly reliable non-Russian bank. For details of currency and counterparty risk exposure refer to Note 17.

6. Due to and due from brokers

	31 December 2009	31 December 2008
Cash on brokerage accounts - positive balance	7,399,570	-
Total due from brokers	**7,399,570**	**-**
Cash on brokerage accounts - negative balance	-	313,563
Total due to brokers	**-**	**313,563**

Cash on brokerage account is represented by cash balances held with the Fund's brokers - Renaissance Advisory Services Limited (Bermuda) and Renaissance Securities (Cyprus) Limited. Brokers charge interest on positive account balance at 2% p.a. Interest payable on negative balance was 15% in 2008.

7. Interest income

	2009	21 August 2007 to 31 December 2008
Interest on loans receivable	-	1,647,601
Interest on positive brokerage account balance	49,417	433,340
Interest on bank accounts	-	329,796
	49,417	**2,410,737**

8. Other operating expenses

	2009	21 August 2007 to 31 December 2008
Commission and other charges	305,196	32,070
Professional fee	116,883	172,168
Legal fee	29,056	35,598
Directors fee	23,462	18,035
Listing fee	5,140	89,251
Other	11,681	29,504
	491,418	**376,626**

9. Management and performance fees

Under the terms of the investment management agreement, the Investment Manager is paid a management 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 year, fees of US$ 2,164,914 (2008: US$ 2,574,405) were incurred out of which US$ 690,288 (2008: US$ 508,178) were outstanding as of 31 December 2009 and 2008, respectively.

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 participating share over the initial offering price of US$ 1.05 per participating share. The performance fee is calculated and accrued on a daily basis. The performance fee is payable on the redemption or repurchase of the participating shares. 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 2009 and 2008 were not met, the provision for performance fee was not made. As of 31 December 2009 and 2008 performance fee payable was nil.

10. Other accounts payable and accrued expenses

	31 December 2009	*31 December 2008*
Professional fees	75,732	56,626
Administration fee payable	25,637	18,330
Other fees and expenses	9,395	19,241
	110,764	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 year ended 31 December 2009, fees of US$ 241,494 (2008: US$ 282,219) were incurred out of which US$ 25,637 (2008: US$ 18,330) were outstanding at year/period end.

11. Participating shares

Incorporation and share capital

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

The Investment Manager owns 100% of the founder shares.

As of 31 December 2009 and 2008 100 founder shares have been issued at US$ 0.01 each and 199,882,986 profit participating, non-voting participating shares have been issued at US$ 0.01 each. During the year 2009 there were no movements in number of participation shares.

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 participating shares. Founder shares carry the right to one vote each. Founder shares may not be redeemed.

Rights of the participating shares

The participating 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 participating shares are entitled to dividends.

The participating 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 participating 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 participating 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.

11. Participating shares (continued)

Capital management

As a result of the ability to issue and redeem shares, the capital of the Fund can vary depending on the demand for redemptions and subscriptions to the Fund. The Fund is not subject to externally imposed capital requirements and has no restrictions on the issue and redemption of shares.

The Fund's objectives for managing capital are:

- To invest the capital in investments meeting the description, risk exposure and expected return indicated in its Offering Memorandum;
- To achieve consistent returns while safeguarding capital by investing in diversified portfolio;
- To maintain sufficient liquidity to meet the expenses of the Fund as they arise;
- To maintain sufficient size to make the operation of the Fund cost-efficient.

As at 31 December 2009 and 2008 the Fund did not have any loan capital (including term loans) outstanding or created but unissued, and no outstanding mortgages, charges, debentures or other borrowings, or indebtedness in the nature of borrowings, including bank overdrafts, liabilities under acceptances or acceptance credits, obligations under finance leases, hire purchase commitments, guarantees or other contingent liabilities.

Refer to Note 17 for the policies and processes applied by the Fund in managing its capital.

12. 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 disclosed in Note 1.

As of 31 December 2009 and 2008 the Fund's investment portfolio comprises listed and unlisted equity securities.

	31 December 2009	*31 December 2008*
Financial assets held for trading		
Listed equity securities	184,548,418	49,824,005
Total financial assets held for trading	**184,548,418**	**49,824,005**
Financial assets designated at fair value through profit or loss		
Listed equity securities	799,533	1,043,019
Unlisted equity securities	12,296,835	10,306,745
Exchange traded notes	1,516,115	-
Total financial assets designated at fair value through profit or loss	**14,612,483**	**11,349,764**
Financial assets at fair value through profit or loss	**199,160,901**	**61,173,769**

The Fund has not designated any loan or receivable as at fair value through profit or loss.

	2009	*21 August 2007 to 31 December 2008*
Net gain/ (loss) on financial assets at fair value through profit or loss		
Financial assets held for trading	110,454,815	(100,142,445)
Financial assets designated at fair value through profit or loss	1,030,927	(10,383,784)
Derivative financial assets	-	(1,770,427)
Total gain/ (loss)	**111,485,742**	**(112,296,656)**

During the year 2009 the Fund acquired iPath Exchange Traded Notes ("ETNs") – senior, unsubordinated, unsecured debt securities issued by Barclays Bank PLC that are linked to the total return of a market index. The ETNs were classified as financial assets at fair value through profit and loss upon initial recognition based on their fair value analysis in accordance with the Fund's strategy and the data on these investments available to the Fund's Management. As of 31 December 2009 fair value of the ETNs was US$ 1,516,115.

As of 31 December 2009 and 2008 the Fund exercised significant influence over Granit JSC. The Fund designated the investments in 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.

13. Fair value of financial instruments

The following table shows financial instruments recognised at fair value, analysed between those whose fair value is based on:

- Quoted prices in active markets for identical assets or liabilities (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

	31 December 2009			
	Level 1	*Level 2*	*Level 3*	*Total*
Financial assets held for trading				
Listed equity securities	127,218,576	11,499,192	45,830,650	184,548,418
Financial assets designated at fair value through profit or loss				
Listed equity securities	-	799,533	-	799,533
Unlisted equity securities	-	-	12,296,835	12,296,835
Exchange traded notes	1,516,115	-	-	1,516,115
	128,734,691	12,298,725	58,127,485	199,160,901

	31 December 2008			
	Level 1	*Level 2*	*Level 3*	*Total*
Financial assets held for trading				
Listed equity securities	26,024,246	-	23,799,759	49,824,005
Financial assets designated at fair value through profit or loss				
Listed equity securities	-	1,043,019	-	1,043,019
Unlisted equity securities	-	-	10,306,745	10,306,745
	26,024,246	1,043,019	34,106,504	61,173,769

When fair values of listed equity and debt securities as well as publicly traded derivatives at the reporting date are based on quoted market prices or binding dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs, the instruments are included within Level 1 of the hierarchy. When the Fund has assets and liabilities with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the off-setting risk positions and applies the bid or ask price to the net open position as appropriate.

Transfers between Level 1 and 2

The following table shows all transfers between Level 1 and Level 2 of the fair value hierarchy for financial assets recognized at fair value:

	Transfers from Level 1 to Level 2	
	31 December 2009	*31 December 2008*
Financial assets held for trading		
Listed equity securities	908,848	-

Financial assets were transferred from Level 1 to Level 2 as they ceased to be traded in an active market during the year. Fair values at the reporting date were obtained using valuation techniques based on observable market inputs.

13. Fair value of financial instruments (continued)

Level 3 reconciliation

The following table shows a reconciliation of all movements in the fair value of financial instruments categorised within Level 3 between beginning and the end of the reporting year.

	2009		
	Financial assets held for trading	*Financial assets designated at fair value through profit or loss*	*Total*
As at 1 January 2009	23,799,759	10,306,745	34,106,504
Total net gains recognised in consolidated statement of comprehensive income	23,675,274	1,990,090	25,665,364
Purchases	2,676,262	-	2,676,262
Transfers out of Level 3	(8,590,273)	-	(8,590,273)
Transfers into Level 3	4,269,628	-	4,269,628
As at 31 December 2009	45,830,650	12,296,835	58,127,485
Total net gains for the year included in profit or loss for assets held at the end of the reporting year	24,843,514	1,990,090	26,833,604

	2008		
	Financial assets held for trading	*Financial assets designated at fair value through profit or loss*	*Total*
As at 21 August 2007	-	-	-
Total gains and losses in consolidated statement of comprehensive income	(40,651,992)	(8,880,433)	(49,532,425)
Purchases	64,451,751	19,187,178	83,638,929
As at 31 December 2008	23,799,759	10,306,745	34,106,504
Total gains/(losses) for the year included in profit or loss for assets held at the end of the reporting year	(40,651,992)	(8,880,433)	(49,532,425)

Transfers into Level 3

Financial assets were transferred from Level 1 to Level 3 as they ceased to be traded in an active market during the year. Fair values at the reporting date were obtained using valuation techniques based on unobservable market inputs.

Transfers out of Level 3

The reason for transfers from Level 3 to Level 2 is that inputs to valuation techniques have become observable.

Level 3 – assumptions used and sensitivity disclosure

As of 31 December 2009 and 2008 fair value of the financial assets held for trading and financial assets designated at fair value through profit and loss which are traded on a non-active market are 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 reporting date.

As of 31 December 2009 and 2008 the Fund has investment in shares of Russian companies engaged in bridge and road construction, cement and concrete production, distribution and production of machinery and equipment for construction industry, production and installation of thermal and sound isolation products, production of integrated circuits and related electronic products, production of switches and spare parts for railway sector and investment in IT outsourcing provider rendering software development, maintenance and support. Fair value of these investments was calculated using guideline companies method, i.e. multiples method, or using inputs based on the historical over-the-counter ("OTC") transactions information, and amounted to USD 39,369,843 as of 31 December 2009 (2008: USD 23,204,998).

Key assumptions used were EV/Sales multiple, EV/EBITDA multiple, preferred shares discount and lack of liquidity discount.

13. Fair value of financial instruments (continued)

Level 3 – assumptions used and sensitivity disclosure (continued)

Fair value of investments valued based on average price to EV/Sales and EV/EBITDA multiples. The potential effect of measuring the fair value of these investments based on only EV/Sales multiple, which is considered a reasonable possible alternative assumption, would have increased the fair value by USD 6,846,134 (2008: USD 731,956). In case these investments are measured based on only EV/EBITDA respective fair value would have been reduced by USD 8,352,777 (2008: USD 731,956).

In case when fair value was calculated using historical OTC transactions information adjusted by lack of liquidity discount reasonable possible alternative assumption was increase or decrease of liquidity discount by 10%. Fair value of investments measured using this method will decrease or increase by USD 174,874 respectively.

As of 31 December 2009 the Fund has investment in shares of Russian companies engaged in gaz production and transmission those fair value was calculated using multiples method. Fair value of these investments as of 31 December 2009 amounted to USD 13,187,671 (2008: USD 4,889,056). In 2008 fair value of these investments was calculated using inputs based on the historical OTC transactions information.

Key assumptions used are EV/Pipeline in ownership length multiple, preferred shares discount, and lack of liquidity discount.

In 2009 the Fund estimates fair value of these investments based on EV/Pipeline in ownership length multiple calculated as an average for companies of gas production and distribution sector. The potential effect of measuring fair value of these investments in case of change of this multiple by 10%, which is considered a reasonable possible alterative assumption, would have following effect on fair value of these investments:
- increase of EV/Pipeline in ownership length multiple by 10% would have increase fair value of these investments by USD 1,385,643;
- decrease of EV/Pipeline in ownership length multiple by 10% would have reduce fair value of these investments by USD 1,385,643.

In 2008 when fair value of investments in gas industry companies was calculated using historical OTC transactions information adjusted for lack of liquidity discount reasonable possible alternative assumption was increase or decrease of liquidity discount by 10%. Fair value of investments measured using this method will decrease or increase by USD 54,323 respectively.

As of 31 December 2009 and 2008 the Fund has investments in companies engaged in exploration and development of mineral resources – granite and coal. Fair value of these investments as of 31 December 2009 amounted to USD 5,569,972 (2008: 6,012,451).

For the purposes of valuation of these investments the Fund applied a combination of cost approach and income approach, based on projected prices of these mineral resources. Key assumptions used are discount rate and projected prices of mineral resources.

The potential effect of measuring the fair value of these investments in case of change of discount rate by 10%, which is considered a reasonable possible alternative assumption, would have following effect on fair value of these investments:
- increase of discount rate by 10% would have reduce the fair value by USD 733,780 (2008: USD 570,315);
- decrease of discount rate by 10% would have increase fair value by USD 881,484 (2008: USD 660,880).

14. 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 Subsidiary is subject to corporation tax under the laws of Cyprus on its taxable profits at the rate of 10%. Capital gains derived on sale of securities are tax exempted (except for capital gains realized in connection with sale of shares in companies deriving their fair value or the greater part of their value from immovable property located in Cyprus.

14. Taxation (continued)

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%.

	2009	*21 August 2007 to 31 December 2008*
Accounting income/ (loss) before tax	109,543,665	(112,918,352)
Theoretical tax expense calculated at the Fund's statutory tax rate (0%)	-	-
Tax effect of income of subsidiary taxed at other rates	(9,357,933)	12,458,025
Tax effect of non-deductible expenses	(1,889,677)	(12,340,506)
Tax effect of tax exempt income	11,242,679	40,373
Losses brought forward from previous years	157,892	-
Unrecognised loss brought forward	(154,270)	(157,892)
Effect of translation	1,309	-
Special defence contribution	-	(60,650)
Income tax expense	**-**	**(60,560)**

The Fund has tax losses which arose in Cyprus and related to the Subsidiary that has a history of losses. Tax losses are available indefinitely for offset against future taxable profits of the Subsidiary, do not expire and may not be used to offset taxable income of the Fund, if any.

Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits of the Fund and the Subsidiary has no temporary differences nor any tax planning opportunities available that could partly support the recognition of these losses as a deferred tax asset.

15. Reconciliation of audited net asset value as per IFRS to net asset value as reported to shareholders

In accordance with the terms of the Offering Memorandum 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 presented below:

	31 December 2009	*31 December 2008*
Net assets as reported to shareholders	**191,991,545**	**118,346,908**
Adjustment to fair value of financial assets at fair value through profit or loss	14,456,840	(21,351,639)
Accrual adjustment	(15,191)	(105,740)
Adjusted net assets as per the IFRS consolidated financial statements	**206,433,194**	**96,889,529**
Total number of participating shares in issue	**199,882,986**	**199,882,986**
Net asset value per participating share as reported to shareholders	0.96	0.59
Effect of adjustments per participating share	0.07	(0.11)
Adjusted net asset value per participating share per the consolidated financial statements	**1.03**	**0.48**

Adjustment to fair value of financial assets at fair value through profit or loss

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

Additionally, in the course of preparation of these consolidated financial statements the Fund revalued its unquoted and illiquid investments. The respective change in fair value was recognized within the consolidated statement of comprehensive income.

16. 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 year the Fund was involved in transactions with related parties which are classified as follows:

- Directors – the list of the Fund's Directors is shown on page 1;
- Investment Manager - Renaissance Capital Investment Management Limited (BVI);
- Other entities under common control with the Investment Manager.

The Investment Manager 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 year/period ended 31 December 2009 and 2008 are as follows:

- Renaissance Advisory Services Limited (Bermuda);
- Renaissance Investment Management (Cyprus) Limited;
- Renaissance Securities (Cyprus) Limited.

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

Consolidated statement of financial position	*Nature of related party*	*31 December 2009*	*31 December 2008*
Assets			
Due from brokers	Other entities under common control with the Investment Manager	7,399,570	-
Financial assets at fair value through profit or loss	Other entities under common control with the Investment Manager	799,533	1,043,019
Liabilities			
Due to brokers	Other entities under common control with the Investment Manager	-	313,563
Management fees payable	Investment Manager	690,288	508,178

Consolidated statement of comprehensive income	*Nature of related party*	*2009*	*21 August 2007 to 31 December 2008*
Income			
Interest income	Other entities under common control with the Investment Manager	49,417	2,080,941
Expense			
Interest expense	Other entities under common control with the Investment Manager	(34,711)	(61,893)
Management fees	Investment Manager	(2,164,914)	(2,574,405)
Other operating expenses	Directors	(23,462)	(18,035)

17. Financial risk management

General

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 of companies involved in the development of the infrastructure sector. The Fund invests in equity and equity-related instruments, both listed and unlisted, issued by the companies in the Russian infrastructure sector. The Fund has a long-only strategy and may use hedging strategies when deemed appropriate.

In 2009 and 2008 the Fund's investment portfolio comprised listed and unlisted equities, and exchange traded notes.

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 Investment Manager's Compliance Controller. In instances where the portfolio has diverged from target asset allocations, the 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 credit risk, liquidity risk and market risk.

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

Credit risk

Credit risk represents the potential loss that the Fund would incur if counterparties 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.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the reporting date. This relates also to financial assets carried at amortised cost, as they have a short-term to maturity.

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

At the reporting date, the Fund's financial assets exposed to credit risk amounted to the following:

Maximum exposure	*2009*	*2008*
Cash and cash equivalents	715,041	36,672,810
Financial assets at fair value through profit or loss	2,315,648	-
Due from brokers	7,399,570	-
Total credit risk exposure	10,430,259	36,672,810

Amounts in the above table are based on the carrying value of all accounts.

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 table below shows the credit quality by class of asset for loan-related lines of consolidated statement of financial position, based on the Fund's credit risk monitoring approach.

31 December 2009	*High rated*	*Not rated*	*Total*
Cash and cash equivalents	715,041	-	715,041
Financial assets at fair value through profit or loss	-	2,315,648	2,315,648
Due from brokers	-	7,399,570	7,399,570
Total	715,041	9,715,218	10,430,259

17. Financial risk management (continued)

Credit risk (continued)

31 December 2008	High rated	Not rated	Total
Cash and cash equivalents	36,672,810	-	36,672,810
Total	36,672,810	-	36,672,810

"High-rated" in the tables above is equivalent to an investment grade ratings from AAA to BBB- with the Standard & Poor's and Fitch or from Aaa with Baa3 with Moody's.

Transactions involving derivative financial instruments are usually with counterparties with whom the Fund signed master netting agreements. Master netting agreements provide for the net settlement of contracts with the same counterparty in the event of default. The impact of the master netting agreements is to reduce credit risk. The credit risk associated with derivative financial assets subject to a master netting arrangement is eliminated only to the extent that financial liabilities due to the same counterparty will be settled after the assets are realized.

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 type the transactions except pre-IPO and buy-out deals. The corresponding assets and liabilities have not been offset on the consolidated statement of financial position.

The counterparty credit risk is managed through the internally developed system of counterparty limits. The counterparty limits are established by the Investment Manager; adherence to those limits is monitored by the Investment Manager on a daily basis. Counterparty limits bound the maximum amount of all unsettled trades (exposure) for all products with each respective counterparty.

Credit risk arising on transactions with brokers relates to transactions awaiting settlement. Non-delivery risk, prepayment risk and pre-settlement risk, incurred in non-exchange-settled transaction, are subject to monitoring. The risks are aggregated and utilised against counterparty limit. Risk relating to unsettled transactions is considered small due to the short settlement period involved and the high credit quality of the brokers used. The prime broker of the Fund is Renaissance Advisory Services Limited (Bermuda). The Fund monitors the credit ratings and financial positions of the brokers used to further mitigate this risk. At the reporting date no unsettled transactions were in place.

The majority of the Fund's assets are held by Renaissance Advisory Services Limited (Bermuda). Bankruptcy or insolvency of the custodian may cause the Fund's rights with respect to securities 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 with JP Morgan Chase, N.A. to facilitate redemption and other payments. The Fund also established a bank account with Raiffeisen Bank to facilitate any payments or proceeds received in Russian Roubles. Bankruptcy or insolvency of these banks may cause the Fund's rights in respect of the cash held by the banks to be delayed or limited. The Fund manages its risk by monitoring the credit quality and financial position of the banks.

Geographical concentration

The geographical concentration of the Fund's financial assets and liabilities as of 31 December is set out below:

	2009			
	Russia and CIS	*USA*	*Other*	*Total*
Assets:				
Cash and cash equivalents	-	715,041	-	715,041
Financial assets at fair value through profit or loss	197,644,786	-	1,516,115	199,160,901
Due from brokers	-	-	7,399,570	7,399,570
	197,644,786	715,041	8,915,685	207,275,512
Liabilities:				
Management fee payable	-	-	690,288	690,288
Other accounts payable and accrued expenses	75,732	-	35,032	110,764
	75,732	-	725,320	801,052
Net consolidated financial position	197,569,054	715,041	8,190,365	206,474,460

17. Financial risk management (continued)

Credit risk (continued)

	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
	61,173,769	36,672,810	-	97,846,579
Liabilities:				
Due to brokers	-	-	313,563	313,563
Management fee payable	-	-	508,178	508,178
Other accounts payable and accrued expenses	56,626	-	37,571	94,197
	56,626	-	859,312	915,938
Net consolidated financial position	61,117,143	36,672,810	(859,312)	96,930,641

Industry concentration

The majority of the Fund's counterparties are financial institutions.

None of the Fund's financial assets were considered to be past due or impaired in both 2009 and 2008.

Liquidity risk

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.

The Fund has a term of three years. At each annual general meeting of the Fund falling after 1 January 2011 and the term of the Fund may be extended. Prior to the expiration of the Fund's term, the net assets will not be distributed to shareholders.

The Fund's Offering Memorandum does not provide for the redemption of the participating shares at the option of the shareholders and the Fund is therefore not exposed to the liquidity risk of meeting shareholder redemptions upon the cancellation time.

Part of the Fund's investments are unlisted and can be illiquid, thereby making it difficult to acquire or dispose of investments at values stated in the current consolidated financial statements. The Fund intends to hold its unlisted investments until disposed of via a private transaction with one or more investors or in or following an initial private offering ("IPO"). There is no assurance that the Fund will be able to dispose of any investments by way of an IPO. If no IPO takes place in relation to a particular investment, the Fund will seek to dispose of such investment by means of a sale on a secondary market, if any exists, or otherwise. However, there is no assurance that the Fund will be able to dispose of any investment at a price or on terms that the Fund finds acceptable.

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.

The table below summarizes the maturity profile of the Company's financial liabilities at 31 December 2009 based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately.

31 December 2009	*Less than 3 months*	*3 to 12 months*	*Total*
Management fee payable	-	690,288	690,288
Other accounts payable and accrued expenses	25,637	85,128	110,765
Total undiscounted financial liabilities	25,637	775,416	801,053

17. Financial risk management (continued)

Credit risk (continued)

31 December 2008	*Less than 3 months*	*3 to 12 months*	*Total*
Due to brokers	313,563	–	**313,563**
Management fee payable	-	508,178	**508,178**
Other accounts payable and accrued expenses	18,330	75,867	**94,197**
Total undiscounted financial liabilities	331,893	584,045	915,938

Market risk

General

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 other price risk.

The Fund's strategy on the management of market risk is driven by the Fund's investment objective. The investment objective of the Fund is disclosed in Note 1.

The Fund's market risk is managed on a daily basis by the Investment Manager in accordance with policies and procedures in place. The following guidelines and policies are established:

- the total amount of leverage will not exceed 50% of the Fund's capital;
- the Fund may invest up to 50% of its capital into one company.

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 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 below.

Details of the nature of the Fund's investment portfolio at 31 December 2009 and 2008 are disclosed in Note 12 and 13.

Currency risk

The Fund may invest in financial instruments denominated in currencies other than its functional currency – US$. According to the Fund's investment policy, it may invest in securities and other instruments that are principally denominated in Russian Roubles. Consequently, the Fund may be exposed to risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse affect on the value of that portion of the Fund's assets or liabilities denominated in currencies other than US$, 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 dollar 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$. All settlements on securities trading are predominantly performed in US$. 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.

The Fund operates with instruments denominated in Russian Roubles, EUR, US$. Majority of the Fund's trades and settlements are performed in US$.

17. Financial risk management (continued)

Market risk (continued)

The Fund has limited exposure to currency risk as 100% of its monetary assets and liabilities in 2009 and 2008 were denominated 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.

Cash and cash equivalents are represented by current bank accounts not exposed to interest rate risk.

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

As at 31 December 2009 and 2008 the Fund has no interest-bearing financial assets and liabilities at floating rates. The Fund's placements and borrowings are within 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.

Other price risk

Other 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 statement of comprehensive income, all changes in market conditions will directly affect Net gain/ (loss) on financial assets at fair value through profit or loss.

Price risk is managed and measured by the Fund's Investment Manager using value-at-risk (VaR) analysis. The Fund's overall price risk exposure is monitored by the Investment Manager on a daily basis.

Value-at-risk (VaR)

The market risk of the Fund's financial asset and liability positions is monitored by the Investment Manager using VaR analysis. 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.

As of 31 December 2009 VaR is derived using standard deviation of the fund share return calculated using 2-year history. Thus fund share daily VaR is calculated using 99% confidence interval. Then VaR figure is interpolated to the fund portfolio which allows calculating value at risk in US$.

As of 31 December 2008 VaR was calculated as a sum of VaR of liquid equities, VaR of liquid bonds and VaR of illiquid securities. VaR of liquid instruments was calculated using variance-covariance method based on the values of each individual instrument. For each illiquid instrument the Risk Management Committee of the Investment Manager determined 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%.

In the year 2009 methodology for VaR calculation was changed and VaR of the Fund's financial instruments as of 31 December 2008 was recalculated respectively.

VaR exposure is reported to the management and the Directors of the Fund on the daily basis.

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 the trade date.

17. Financial risk management (continued)

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 2009	*31 December 2008*
VaR of the portfolio	5,634,237	1,373,049
VaR/NAV ratio, %	2.73%	17%

18. Maturity analysis of assets and liabilities

As at 31 December 2009 and 2008 the Fund has no assets and liabilities which were expected to be recovered during a period of more than one year, except for the following investments:

	31 December 2009	*31 December 2008*
EPAM Systems Inc	6,726,863	4,294,295
Granit JSC	5,370,793	5,859,451
Renshares Utilities Limited	799,533	1,043,019
Lubel Coal Company Limited	199,178	153,000
	13,096,367	11,349,765

19. Commitments and contingencies

Operating environment

As previously noted the Fund's activity is mainly focused on investments in equities of Russian issuers.

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 global financial crisis has resulted in a decline in the gross domestic product, 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 to Russian banks and companies, there continues to be uncertainty regarding the access to capital and cost of capital for the Fund's counterparties, which could affect the Fund's consolidated financial position, results of operations and business prospects.

Also, factors including increased unemployment in Russia, reduced corporate liquidity and profitability, and increased corporate and personal insolvencies, have affected the Fund's debtors' ability to repay the amounts due to the Fund. To the extent that information is available, the Fund has reflected revised estimates of expected future cash flows in its impairment assessment.

While the 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.

20. Events after the reporting date

In January 2010 the Fund sold all shares of EPAM Systems Inc owned by the Fund as of 31 December 2009 for US$ 6,999,991.

On 2 July 2010 the Fund declared a dividend of US$ 0.1251 per share. The total amount of dividends declared was US$ 25,000,000.

During the period between the end of the reporting year and the date of authorisation of these consolidated financial statements there were no other material events.