RENAISSANCE

Pre-IPO Fund

Consolidated Financial Statements 2011
International Financial Reporting Standards
Consolidated Financial Statements and Report of the
Independent Auditors for the year ended December 31, 2011

Contents

Company Information

Directors	David Blair (appointed on April 11, 2006) James Keyes (appointed on July 9, 2009) John Elder (appointed September 22, 2010)
Registered office	Appleby Corporate Services (Cayman) Ltd Clifton House P.O. Box 1350 GT 75 Fort Street Grand Cayman KY1-1104 Cayman Islands
Investment manager	(Before April 16, 2012) Renaissance Capital Investment Management Limited Jayla Place Wickhams Cay I Road Town Tortola VG1110 British Virgin Islands
Investment manager	(From April 16, 2012) Renaissance Asset Managers (Guernsey) Limited Block F Hirzel Court St Peter Port Guernsey GY1 2NH
Prime broker	Renaissance Advisory Services Limited Canon's Court 22 Victoria Street Hamilton, HM 12 Bermuda
Administrator, registrar, transfer agent	Custom House Global Fund Services Limited 60 Tigne Towers Tigne Street Sliema SLM 3172 Malta
Secretary	Reid Services Limited PO Box 1350 GT 75 Fort Street Grand Cayman, Cayman Islands
Independent auditors	Ernst & Young Ltd. 62 Forum Lane Camana Bay P.O. Box 510 Grand Cayman KY1-1106 Cayman Islands

Company Information (continued)

General legal advisors

United States Law	Akin Gump Strauss Hauer & Feld City Point, Level 32 One Ropemaker Street London EC 2Y 9AW United Kingdom
Bermuda Law	Appleby (Bermuda) Limited Canon's Court 22 Victoria Street P.O. Box HM 1179 Hamilton HM EX Bermuda
Cayman Islands Law	Appleby (Cayman) Limited Clifton House P.O. Box 1350 GT 75 Fort Street Grand Cayman, Cayman Islands
Listing Sponsor	Appleby Securities (Bermuda) Ltd. 41a Cedar Avenue PO Box HM 1179 Hamilton HM EX Bermuda

Investment Manager's Report

(in thousands of US Dollars unless otherwise stated)

The initial public offering (the "IPO") and merger and acquisition market in Russia and other countries of Commonwealth of Independent States ("CIS") in 2011 remained very challenging and showed negative dynamics in comparison with 2010 at least in part of IPO deals.

Year	IPO Deals	IPO Value, mln of USD
2011	10	6,212
2010	25	6,690
2009	12	1,333

www.offerings.ru

The volume of private deals in Russia in 2011 grew twofold. The research by Ernst & Young reveals the total volume of 4,200 mln of USD against 2,200 mln of USD in 2010, with the average deal volume reached USD 80,000 against USD 50,000 in 2010. The number of deals grew from 46 to 55. However, the majority of deals are in telecommunication and innovation sectors (42%). Consumer sector accounts for 16%, real estate for 16%, finance for 9%. Most deals were closed by strategic buyers acquiring controlling stakes or acquisition by few private equity houses. No significant exits except from Yandex (IPO) were registered.

One of the largest is the deal of Rosnano (state fund), Baring Vostok and Russian Partners, investing in nano technology used for oil equipment (USD 666,000 until 2015). Ozon.ru internet shop attracted USD100,000 from a Japanese retailer Rakuten. Alfa Capital Partners, NOOH and VTB Capital acquired an advertising agency News Outdoor for USD 270,000. And one deal involved private capital raised by a public company – Russia Sea sold 30% of new shares oil trader Gunvor.

Regardless adverse market environment the Renaissance Pre-IPO Fund (the "Fund') executed two exits in 2011. In summer 2011 both loans to Panato Holdings Limited and to Victoria Alliance (Cyprus) Limited were repaid. The total return on the investment for the portfolio was 30%. In autumn 2011 the Fund sold the shares of Devenny Holdings Limited for the total amount of USD 6,899 against USD 7,843 reflected as fair value as of December 31, 2010.

On the back of these exits the Fund distributed US Dollar 25.89 per share or (USD 34,302 in total), as a result of which the total distribution to investors reaching US Dollar 49.24 per share or 50% of the initial capital. The first distribution of US Dollar 21.14 per share took place on July 5, 2011, the second distribution was conducted on December 12, 2011 (US Dollar 4.75 per share).

During 2011 the Investor Manager was mostly concentrated on looking for the exits and the monitoring of portfolio companies.

Lubel. In April 2011 the shareholders with whom the Fund has a Put Option agreement could not meet the liabilities under the extended agreement. As this was already the third time they could not serve the obligation, the Investment manager decided to file the claim to the Arbitration court of New York and require the counterparty to pay or transfer the pledged shares. In December 2011 The Fund received a positive award from the American Arbitration Association, which satisfied most claims:

- The Tribunal confirmed that the transfer of the pledged shares does not discharge the liability of the respondents and confirmed the total amount due as of April 28, 2011 equal to USD 19,188 plus 12% interest compounded annually from April 28, 2011 to the date payment is made. Payment must be made within 30 days of the respondents receiving the award (i.e., by January 18, 2012). In case no payment is received the Fund can have the order confirmed by a New York court, thereby converting it into a legally enforceable judgment;
- The Tribunal declared that the Fund may proceed to sell both the security shares and the put option shares on any commercially reasonable terms, with the respondents to be credited pro rata with the sales proceeds as an offset to the award, and any excess over the amount of the award to be paid to the respondents;
- The respondents' application for emergency relief was denied;
- The Tribunal also awarded us with costs of USD 550 of our expenses on this legal proceeding.

We expect to recover the amount due in the fourth quarter 2012 as a result of a successful sale of the company to a strategic investor. Until the payment if made or the fund is able to recover the amount due, it continues accruing 12% per annum.

Probusinessbank. In the first half of 2011 the Fund's Investment Manager together with other minority shareholders of the Bank worked on the terms of the Bank's placement on a Russian stock exchange. The attempt was not successful due to several factors: market conditions, the Bank's readiness for the IPO (size, business model, corporate governance), timing.

Investment Manager's Report (continued)

(in thousands of US Dollars unless otherwise stated)

In July 2011 the minority shareholders decided to put on pause the IPO as the pre-marketing show luck of the interest at the requested valuation. In autumn 2011 the minority shareholders tried to negotiate a private placement but could not agree the terms. In April 2012 the Board of directors of the Bank approved a new program for IPO, which would include streamlining of the business model, bring corporate governance in line with the best practices and regular investor relations activity to make the bank knows on the capital market. It also has an ambitious growth program in order to reach critical mass for the IPO, scheduled for 2014. The Bank showed good financial results for both 2010 and 2011.

Golden League. In 2011 the Investment Manager together with other Company's shareholders was concentrated on looking for new capital. In spring 2012 one of company's shareholders agreed to finance the Company. The Fund's Investment Manager continues working on marketing its stake in the company for sale.

Verysell. In the end of 2011 the Fund's Board of Directors decided to write down this investment to USD Nil. The reason was that the company reported very bad financial data, even negative equity. In 2012 several creditors claimed to wind up the Company. The Company is now subject to a court hearing.

The Fund has built a well-diversified portfolio of companies operating in different sectors of the economy.

At December 31, 2011, the investment portfolio is concentrated in the following sectors:

Mining	54%
Finance	39%
Industries	5%
Others	2%

On May 10, 2011 the shareholders decided to extend the Fund until June 2013.

Most portfolio companies showed good financial results for 2011. However, we decided to review the value of Golden League and Probusinessbank downwards. Probusinessbank was valued downwards based on reduction of market multiples at the end of 2011.

Golden League was valued downwards as the valuation methodology was changed. At the end of 2010 the Company was valued based on market approach. At the end of 2011 the Company was valued based on the deal with one of its shareholders which granted a convertible loan to the Company in 2012. Golden League valuation was estimated based on agreed pre-money valuation within this deal. We believe that the approach results in more fair Company's valuation

The value of UCP Chemical AG also was valued slightly downwards, due to market movements.

As in the previous year the Investment Manager limited the use of Income Approach due to the high level of economic uncertainty and inability to produce reliable medium-term financial forecasts. For revaluation of the other Fund's investments the Investment Manager used the following methods:

- the Market approach. Valuation was based on EV/Sales multiples of comparable listed companies;
- NAV approach;
- Approach based on the value of financing of the Company;
- those investments, which have built-in protection mechanisms were valued based on the discounted projected cash stream, which would be received had such mechanisms been exercised.

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Independent Auditors' Report

The Board of Directors
Renaissance Pre-IPO Fund

We have audited the accompanying consolidated financial statements of Renaissance Pre-IPO Fund (the "Fund") which comprise the consolidated statement of financial position as at December 31, 2011, and 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 then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the directors, as a body. Our audit work has been undertaken so that we might state to the directors those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the directors as a body, for our audit work, for this report, or for the opinions we have formed.

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, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about whether the consolidated financial statements are free from material misstatement.

Independent Auditors' Report (continued)

Auditors' Responsibility (continued)

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 consolidated 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 consolidated 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 consolidated 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 accompanying consolidated financial statements present fairly, in all material respects, the financial position of Renaissance Pre-IPO Fund as at December 31, 2011, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young Ltd.

June 28, 2012

Consolidated Statement of Financial Position as at December 31, 2011

(in thousands of US Dollars)

	Notes	2011	2010
Assets			
Cash and cash equivalents		671	2,772
Amounts due from broker		44	23
Financial assets designated at fair value through profit or loss	5	482	2,093
Loans and receivables	7	204	26,558
Other accounts receivable	6	20,753	12,086
Investment securities available for sale	6	21,595	42,209
Other assets		29	-
Total assets		**43,778**	**85,741**
Liabilities			
Dividends payable		95	-
Management fee payable	8	267	521
Accounts payable and accrued expenses		87	554
Current tax liabilities	10	5	22
1 Total liabilities excluding net assets attributable to shareholders		**454**	**1,097**
Net assets attributable to shareholders	9	**43,324**	**84,644**
Total liabilities and net assets attributable to shareholders		**43,778**	**85,741**
Number of participating shares in issue	9	**1,324,932**	**1,324,932**
Net asset value per participating share (in US dollars)	9	**32.70**	**63.89**

Signed and authorized for release on behalf of the Directors of the Fund

David Blair
Director

John Elder
Director

June 28, 2012

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

Consolidated Statement of Comprehensive Income for the year ended December 31, 2011

(in thousands of US Dollars)

	Notes	**2011**	**2010**
Results from operations			
Dividend income, gross		343	797
Interest income		1,552	3,053
Net loss on financial assets designated at fair value through profit or loss	5	(1,619)	(6,238)
Net realized gain on investment securities available for sale	6	4,630	3,116
Net foreign exchange gain/(loss)		3	(31)
Total operating income		**4,909**	**697**
Management fee	8	(1,521)	(2,040)
Administration fee		(45)	(171)
Impairment of investment securities available for sale	6	-	(248)
Other operating expenses		(542)	(277)
Total expenses		**(2,108)**	**(2,736)**
Finance costs			
Distributions to shareholders	9	(34,302)	(7,950)
Decrease in net assets attributable to shareholders from operations before income tax		**(31,501)**	**(9,989)**
Income tax expense	10	(5)	(13)
Decrease in net assets attributable to shareholders from operations		**(31,506)**	**(10,002)**
Other comprehensive (loss)/income for the year	6	(9,814)	1,260
Total comprehensive loss for the year		**(41,320)**	**(8,742)**

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

Consolidated Statement of Changes in Net Assets Attributable to Shareholders for the year ended December 31, 2011

(in thousands of US Dollars)

	Notes	**Number of participating shares**	**Net assets attributable to shareholders (calculated in accordance with IFRS)**
January 1, 2010	**9**	**1,324,932**	**93,386**
Net gain on investment securities available for sale	6	-	1,260
Decrease in net assets attributable to shareholders from operations		-	(10,002)
Total loss for the year		-	**(8,742)**
December 31, 2010	**9**	**1,324,932**	**84,644**
Net loss on investment securities available for sale	6	-	(9,814)
Decrease in net assets attributable to shareholders from operations		-	(31,506)
Total loss for the year		**-**	**(41,320)**
December 31, 2011	**9**	**1,324,932**	**43,324**

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

Consolidated Statement of Cash Flows for the year ended December 31, 2011

(in thousands of US Dollars)

	2011	2010
Cash flows from operating activities		
Decrease in net assets attributable to shareholders from operations	(31,506)	(10,002)
Adjustments to reconcile net change in net assets attributable to shareholders to net cash provided by operating activities		
Distribution to shareholders	34,302	7,950
Non-cash:		
Net (loss)/gain on investment securities available for sale	(9,814)	1,260
Net changes in operating assets and liabilities:		
Decrease in financial assets designated at fair value through profit or loss	1,611	6,238
Increase in amounts due from broker	(21)	(16)
Decrease in investment securities available for sale	20,614	18,235
Decrease/(increase) in loans receivable	26,354	(1,466)
Increase of other accounts receivable	(8,667)	(12,086)
(Increase)/decrease in other assets	(29)	9
Decrease in management fee payable	(254)	(2,748)
Increase in dividends payable	95	-
(Decrease)/increase in accounts payable and accrued expenses	(467)	64
(Decrease)/increase in current tax liabilities	(17)	12
Net cash flows provided by operating activities	**32,201**	**7,450**
Financing activities		
Distributions paid to shareholders	(34,302)	(7,950)
Net cash flows used in financing activities	**(34,302)**	**(7,950)**
Net decrease in cash and cash equivalents	**(2,101)**	**(500)**
Cash and cash equivalents at the beginning of the year	**2,772**	**3,272**
Cash and cash equivalents at the end of the year	**671**	**2,772**

Supplementary information:		
Interest received	2,976	1,553
Dividends received, net of withholding tax	343	446

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

Notes to the Financial Statements

(in thousands of US Dollars)

1. Principal Activities

These consolidated financial statements include the financial statements of Renaissance Pre-IPO Fund and its 100% owned subsidiary Agrera Investments Limited (the "Subsidiary"), together referred to as the "Fund".

Renaissance Pre-IPO Fund was incorporated under the laws of the Cayman Islands on April 4, 2006, as a closed-end limited liability exempted company. It has voluntarily registered with the Cayman Islands Monetary Authority pursuant to the Mutual Funds Law on May 26, 2006. Its registered office is Clifton House, 75 Fort Street, P.O. Box 1350 GT, Grand Cayman, KY1-1104, Cayman Islands.

Agrera Investment Limited was incorporated in Cyprus as a private limited liability company on September 16, 2005.
The Fund is listed on Bermuda Stock Exchange and is registered in CIMA – state regulation authority.

The initial investment objective of the Fund is to achieve medium term capital growth through investments in listed and unlisted equity and equity-related securities and other instruments in companies that are located in Russia or other states of the Commonwealth of Independent States ("CIS") and are planning to undertake an initial public offering ("IPO"). Investments may also be made in companies that derive a substantial portion of their revenue from, or have substantial assets in Russia, or other states of the CIS. Considering the short term of its maturity, the Fund will not make any new investments. For majority of the investments, the Fund is following an exit strategy. The Fund makes all investments through the Subsidiary.

The Fund's investment activities were managed by Renaissance Capital Investment Management Limited (the "Investment Manager") up to April 16, 2012. On that date a new investment manager was appointed by the Fund –- Renaissance Asset Managers (Guernsey) Limited. The Fund's administrator is Custom House Global Fund Services Limited.

In accordance with the Offering Memorandum, the Fund has a term of three years from the commencement date of May 25, 2006, provided that the Directors may extend the term, which was done in 2009 and 2010. On May 13, 2011 the Fund's maturity has been extended to June 30, 2013 by the extraordinary general meeting of the shareholders.

2. Basis of Preparation

The consolidated financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies in Note 3. For example financial assets designated at fair value through profit or loss, investment securities available for sale have been measured at fair value.

The consolidated financial statements are presented in United States Dollars ("US Dollars"), which is the functional and presentation currency of the Fund, as management considers that the US Dollars reflects the economic substance of the underlying events and circumstances of the Fund.

Financial information presented in US Dollars has been rounded to the nearest thousand ("USD").

2.1 Statement of Compliance

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 of the IASB ("IFRIC"). The accounting policies applied in preparation of the consolidated financial statements and detailed below have been applied consistently to the years presented.

2,2 Basis of Consolidation

The consolidated financial statements comprise financial statements of Renaissance Pre-IPO Fund and its subsidiary – Agrera Investments Limited (Cyprus). The Fund owns 100% of the Subsidiary at December 31, 2011 and 2010.

Subsidiaries, which are those entities in which the Fund has an interest of more than one half of the voting rights, or otherwise has power to exercise control over their operations, are consolidated. 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.

(in thousands of US Dollars)

3. Summary of Significant Accounting Policies

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

(A) Financial Instruments

(i) Classification

The Fund classifies its financial assets and financial liabilities into the categories below in accordance with IAS 39. The Fund determines the classification of its financial assets upon initial recognition, and subsequently can reclassify financial assets in certain cases as described below.

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. These financial instruments are acquired principally for the purposes of generating profit from short-term fluctuation in price. 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

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 financial information about these financial assets is provided internally on that basis to the Directors.

Available for Sale Financial Assets

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as investments at fair value through profit or loss or investments held to maturity.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as trading securities or designated as investment securities available for sale. The Fund includes in this category amounts relating to reverse repurchase agreements, cash collateral on securities borrowed and other short-term receivables.

(ii) Recognition

The Fund recognises a financial asset or a financial liability when, and only when, it becomes a 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) 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 consolidated statement of comprehensive income.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Loans and receivables and financial liabilities (other than those classified as held for trading) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

(in thousands of US Dollars)

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 contract are carried at fair value with changes in fair value recognised in the consolidated statement of comprehensive income.

(iv) Subsequent Measurement

After initial measurement, the Fund measures financial instruments which are classified as at fair value through profit or loss at fair value (see B below). Subsequent changes in the fair value of those financial instruments are recorded in "Net gain/(loss) on financial assets designated 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".

After initial recognition, available for sale financial assets are measured at fair value, with gains or losses being recognised as a separate component of net assets attributable to shareholders until the investment is derecognised, or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in net assets attributable to shareholders is included in the consolidated statement of comprehensive income. However, interest calculated using the effective interest method is recognised in the consolidated statement of comprehensive income.

Loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

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 profit or loss 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.

(v) 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 derecognizes a financial liability when the obligation under the liability is discharged, cancelled or expires.

(B) 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 5 and Note 6.

(in thousands of US Dollars)

C) Impairment of Financial Assets

The Fund assesses at each reporting date whether a financial asset or group of financial assets classified as loans and receivables is impaired. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's 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 consolidated statement of comprehensive income as "Impairment of interest bearing assets".

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 "Impairment of interest bearing assets".

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

For available for sale financial investments, the Fund assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of comprehensive income – is removed from net assets attributable to shareholders and recognised in the consolidated statement of comprehensive income. Impairment losses on equity investments are not reversed through the consolidated statement of comprehensive income; increases in their fair value after impairment are recognised directly in net assets attributable to shareholders.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded in the consolidated statement of comprehensive income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the consolidated statement of comprehensive income, the impairment loss is reversed through the consolidated statement of comprehensive income.

(D) 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.

(E) Foreign Currency Translations

Transactions during the reporting 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 reporting period end.

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

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

(in thousands of US Dollars)

(F) Due to and due from Brokers

Amounts due to broker 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 broker include positive balances on brokerage accounts and margin accounts. Margin accounts represent cash deposits held with broker as collateral against open derivative contracts. Interest on positive brokerage account balances is recognised as interest income in the consolidated statement of comprehensive income as it is accrued.

(G) Participating Shares

The shares are not redeemable at the option of the shareholders. 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.

The Fund has issued one class of non-voting participating shares and one class of Management shares. The Management shares are subordinate to all other classes of instruments and as such the non-voting participating shares do not meet the criteria of an equity instrument under IAS 32 and are classified as a financial liability.

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 traded on any stock exchange is based on the last trade price.

This valuation of net assets value is different from the IFRS valuation requirements. The difference between the two valuations is reported in the Note 9.

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.

(H) Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash on hand, current accounts, demand deposits, short-term deposits in banks with original maturities of three months or less 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 as "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, net of outstanding bank overdrafts.

(I) Interest Revenue and 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.

(J) Dividend Revenue and Expense

Dividend revenue is recognized when the Fund's right to receive the payment is established. Dividend revenue is presented gross 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.

(K) Net Loss on Financial Assets Designated 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.

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 year.

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).

(in thousands of US Dollars)

(L) 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”.

(M) Income Taxes

The Fund is exempted from tax on income, profits or capital gains in the Cayman Islands. Income tax expense may arise on a level of the Subsidiary registered in Cyprus (Note 10).

However, in some jurisdictions, investment income and capital gains are subject to withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the gross investment income in the statement of comprehensive income. For the purpose of the statement of cash flows, cash inflows from investments are presented net of withholding taxes, when applicable.

(N) Segment Information

For management purposes, the Fund is organized into one main operating segment, which invests in equity securities, and related derivatives. All of the Fund’s activities are interrelated, and each activity is dependent on the others. Accordingly, all significant operating decisions are based upon analysis of the Fund as one segment. The financial results from this segment are equivalent to the consolidated financial statements of the Fund as a whole.

(O) Changes in Accounting Policy and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS adopted in the year commencing January 1, 2011:

- IAS 24 Related Party Disclosures (amendment) effective January 1, 2011
- IAS 32 Financial Instruments: Presentation (amendment) effective February 1, 2010
- IFRIC 14 Prepayments of a Minimum Funding Requirement (amendment) effective January 1, 2011
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments effective July 1, 2010
- Improvements to IFRSs (May 2010) effective either July 1, 2010 or January 1, 2011

The adoption of the standards or interpretations is described below:

IAS 24 Related Party Transactions (Amendment)

The IASB issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect the related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Fund.

IAS 32 Financial Instruments: Presentation (Amendment)

The IASB issued an amendment that alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity’s non-derivative equity instruments, to acquire a fixed number of the entity’s own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Fund because the Fund does not have these type of instruments.

IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as pension asset. The amendment has had no effect on the financial position or performance of the Fund because the Fund does not have employee benefit schemes.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

In November 2009, the IASB issued IFRIC 19 Extinguishing Financial Liabilities with Equity. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss. The adoption of this interpretation has had no effect on the financial statements of the Fund.

(in thousands of US Dollars)

Improvements to IFRSs

In May 2010, the IASB issued its third 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 adoption of the following amendments resulted in changes to presentation and disclosure and to accounting policies but no impact on the financial position or performance of the Fund.

IFRS 7 Financial Instruments – Disclosures: The amendment was intended to simplify the disclosures provided, by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.

- IAS 1 Presentation of Financial Statements (Presentation of an analysis of each component of other comprehensive income)
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters
- IFRS 3 Business Combinations (Contingent consideration arising from business combination prior to adoption of IFRS 3 (as revised in 2008))
- IFRS 3 Business Combinations (Un-replaced and voluntarily replaced share-based payment awards)
- IAS 27 Consolidated and Separate Financial Statements
- IAS 34 Interim Financial Statement
- IFRIC 13 Customer Loyalty Programmes (determining the fair value of award credits)
- IFRIC 14 Prepayments of a Minimum Funding Requirement

(P) Standards, Interpretations and Amendments Issued but not yet Effective

Standards issued but not yet effective up to the date of issuance of the Fund’s consolidated financial statements are listed below. The Fund intends to adopt applicable standards when they become effective.

IAS 1 Financial Statement Presentation — Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or ”recycled”) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has there no impact on the Fund’s consolidated financial position or performance. The amendment becomes effective for annual periods beginning on or after July 1, 2012.

IAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets

In December 2010 the IASB issued amendments to IAS 12 effective for annual periods beginning on or after January 1, 2012. The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. This amendment does not affect the Fund’s consolidated financial position or performance.

IAS 19 Employee Benefits (Amendment)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amendment becomes effective for annual periods beginning on or after January 1, 2013. The Fund has no employee benefits which would be affected by these amendments.

IAS 27 Separate Financial Statements (as revised in 2011)

As a consequence of the new IFRS 10 and IFRS 12, what remains in IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. As the Fund has no subsidiaries, this amendment has no impact on the Fund’s consolidated financial position or performance. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

(in thousands of US Dollars)

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 and IFRS 12. IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. As the fund has no associates or joint venture investments, this amendment has no impact on the Fund's consolidated financial position or performance. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment becomes effective for annual periods beginning on or after July 1, 2011. The amendment affects disclosure only and has no impact on the Fund's financial position or performance.

Amendments to IAS 32 Financial Instruments: Presentation (Guidance On Offsetting Financial Assets and Liabilities), and Amendments to IFRS 7 Financial Instruments: Disclosures (Disclosures on Offsetting Financial Assets and Liabilities).

In December 2011, the IASB issued amendments to its current guidance in IAS 32 on offsetting financial assets and liabilities and has introduced new disclosure requirements in IFRS 7. The amendments to IFRS 7 are to be retrospectively applied for annual periods beginning on or after January 1, 2013 and the amendments to IAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014. Earlier application is permitted. The amendments to IAS 32 now clarify that rights to set-off must not only be legally enforceable in the normal course of business, but must also be enforceable in the event of default, bankruptcy or insolvency of all the counterparties to the contract. The amendments to IAS 32 also clarify that rights of set-off must not be contingent on a future event. The amendments to IAS 32 also clarify the offsetting criteria that the reporting entity is required to intend either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The amendments to IFRS 7 require the reporting entity to disclose information about rights of set-off and related arrangements for all recognized financial instruments that are set off in accordance with IAS 32. The Fund now evaluates the impact of the adoption of new amendments and considers the initial application date.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after January 1, 2013. In subsequent phases, the IASB will address hedge accounting and impairment of financial asset. The completion of this project is expected over the course of 2011 or the first half of 2012. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Fund's financial assets but will potentially have no impact on classification and measurements of financial liabilities. The Fund will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also replaces SIC-12 Consolidation – Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including 'special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard becomes effective for annual periods beginning on or after January 1, 2013. This amendment has no impact on the Fund's financial position or performance.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities – Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities ("JCEs") using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The application of this new standard will not impact the consolidated financial position of the Fund. This standard becomes effective for annual periods beginning on or after January 1, 2013.

IFRS 12 Disclosure of Involvement with Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after January 1, 2013.

(in thousands of US Dollars)

IFRS 13 – Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Fund is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after January 1, 2013.

4. Significant Accounting Judgments and Estimates

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.

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, 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.

IFRS 7 requires disclosures relating to fair value measurements using a three-level fair value hierarchy that reflects the significance of the inputs used in measuring fair values. The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustments based on unobservable inputs, then that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability. To assess the significance of a particular input to the entire measurement, the fund performs sensitivity analysis or stress testing techniques.

Impairment of Loans and Receivables

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

Impairment of Investments

The Fund holds investments in several companies, including publicly-traded securities and other securities that do not trade in an active market. Future adverse changes in market conditions, poor operating results, or the inability of certain development-stage companies to find additional financing could result in losses that may not be reflected in an investment’s current carrying value, thereby requiring an impairment charge in the future. The Fund regularly reviews its investments to determine if there have been any indicators that the value may be impaired. These reviews require estimating the outcome of future events and determining whether factors exist that indicate impairment has occurred.

As of December 31, 2011, based on the results of regular impairment assessment, the Fund has not identified investments available for sale that were impaired (2010: USD 248) (Note 6).

(in thousands of US Dollars)

5. Financial Assets Designated at Fair Value through Profit or Loss

As at December 31, 2011 and 2010 financial assets designated at fair value through profit or loss comprised ordinary shares of the following issuers:

	2011	2010
	USD	**USD**
Quoted equity securities		
GAZ OJSC	378	565
Arzamas Instrument Plant Limited	104	192
	482	**757**
Unquoted equity securities		
Sakaras Holding Limited	-	1,336
Pleasure Machine CJSC	-	-
	-	**1,336**
	482	**2,093**

The decrease of fair value of the financial assets designated at fair value through profit or loss amounting to USD 1,611 in 2011 and the realized loss of USD 8 were recognized within "Net loss on financial assets designated at fair value through profit or loss", totaling USD 1,619 (2010: USD 6,238).

As of December 31, 2011 fair value of the Fund's investment in Sakaras Holding Limited and Pleasure Machine CJSC was USD Nil. Decrease in fair value resulted from significant deterioration in the financial position and financial performance of these companies.

Refer to Note 13 for detailed disclosure of fair value of financial assets designated at fair value through profit or loss.

6. Investment Securities Available for Sale

	December 31, 2011		December 31, 2010	
	Cost	**Fair value**	**Cost**	**Fair value**
	USD	**USD**	**USD**	**USD**
Ordinary unquoted shares				
Lubel Coal Company Ltd.	-	-	15,033	6,418
Devenny Holding Ltd.	-	-	10,665	7,843
Karavan Real Estate Ltd.	12,302	651	12,302	571
UCP Chemicals AG	7,952	2,113	7,952	2,661
Golden League Ltd.	5,013	2,064	5,013	4,857
	25,267	**4,828**	**50,965**	**22,350**
Unquoted equity participation note				
Rekha Holdings Ltd.	15,065	16,767	15,065	19,859
	40,332	**21,595**	**66,030**	**42,209**

Fair value of the Company's investment in UCP Chemicals AG as of December 31, 2011 comprised EURO 1,633 thousand (2010: EURO 1,988 thousand), and was translated into US Dollars at the rate of 1.2938 (2010: 1.3384). Translation was made using the official EUR/USD foreign exchange rates, stated by the European Central Bank as of December 31, 2011 and as of December 31, 2010.

On May 17, 2010 the Fund exercised its put option on the investment in Lubel Coal Company Ltd., and provided the writers of the put option with put option notice, claiming USD 20,094. In accordance with the terms of the membership interest purchase agreement, this amount should have been paid by August 17, 2010. As obligation of the writers of the put option were not repaid on maturity, the Fund renegotiated the terms of repayment, and changed the maturity date of settlements under put option agreements to April 28, 2011. The writers of the put option paid to the Fund amount of USD 2,500 as a settlement under the updated membership interest purchase agreement in December 2010.

(in thousands of US Dollars)

As of December 31, 2010 the receivable under the put option agreement was classified as other accounts receivable and amounted to USD 12,086.

As of December 31, 2010, the fair value of the investment in Lubel Coal Company amounted to USD 6,418 and represented fair value of the Fund's stake in the company.

The Fund and the writers of the put option signed a security deed in accordance with which the writers of the put option pledged 7.46% of the ordinary shares of Lubel Coal Company Ltd. as a security of obligations under a membership interest purchase agreement.

On April 28, 2011 the writers of the put option failed to repay their obligation to the Fund. As a result the Fund filed a claim to the International Arbitration Tribunal (the "Court"). In December 2011 according to the decision of the Court the writers of the put option were obliged to repay their obligations in amount of USD 19,189 during 30 days after the Court's decision. It was agreed that the interest of 12% per annum will be accrued from April 28, 2011 up to the date of actual repayment.

Besides, shares of Lubel Coal Company Ltd. pledged to the Fund were transferred to the Fund in order to sell them together shares owned by the Fund as of December 31, 2010 aiming the repayment of receivable from writers of the put option.

In case if the consideration received from sale of mentioned shares of Lubel Coal Company Ltd. is higher than the amount of receivable, the Fund is obliged to transfer the surplus to the writers of the put option. In case if consideration received is lower, the writers of the put option are obliged to reimburse the difference to the Fund. This obligation of the writers of the put option is secured by additional shares of Lubel Coal Company Ltd.

As a result of the Court decision the Fund derecognized the shares owned as of December 31, 2010. Amount receivable from the writers of the put option amounted to USD 20,753 as of the reporting date and was classified as other accounts receivable in these consolidated financial statements (2010: USD 12,086).

Fair value of shares held by the Fund as collateral and available for sale was USD 20,977 as of December 31, 2011.

In December 2007 the Fund sold 124,151 ordinary shares of JSCB Probusinessbank to Rekha Holdings Ltd, a related party. On the same date the Fund purchased an Equity Linked Note issued by the same related party, under which the Fund retains the right to receive any dividends and other distributions arising from the JSCB Probusinessbank shares and the right to receive any proceeds resulting from the disposal of those shares by the related party. In these consolidated financial statements this equity participation note was recognized at fair value of the underlying asset.

As of December 31, 2011 the Fund did not identify any objective evidence of impairment of its investment securities available for sale. As of December 31, 2010 impairment charge amounted to USD 248 within the consolidated statement of comprehensive income.

Movements in unrealized gains/(losses) on investment securities available for sale were as follows:

	Unrealized gain/(loss) on investment securities available for sale
	USD
January 1, 2010	**9,515**
Net unrealized gain on investment securities available for sale	3,807
Net realized gain on investment securities available for sale	(2,795)
Impairment of investment securities available for sale	248
December 31, 2010	**10,775**
Net unrealised loss on investment securities available for sale	(6,354)
Net realized gain on investment securities available for sale	(3,460)
December 31, 2011	**961**

Net unrealised loss on investment securities available for sale, amounting to USD 6,354, and net realised gain on investment securities available for sale, amounting to USD 3,460, were recognised within "Other comprehensive (loss)/income for the year" totalling USD 9,814 (2010: income of USD 1,260).

(in thousands of US Dollars)

7. Loans and Receivables

As at December 31, 2011 and 2010 the Fund has the following loans and receivables outstanding.

	Maturity	Interest rate	2011	2010
			USD	**USD**
Golden League Ltd.	December 31, 2012	12%	204	**-**
Victoria Alliance Ltd.	January 31, 2011	12%	-	13,878
Panato Holdings Ltd.	January 31, 2011	12%	-	12,680
			204	**26,558**

Loans granted in the year 2009 to the Panato Alliance Ltd. and Victoria Alliance Ltd. were fully repaid in June 2011.

8. Performance and Management Fees

The Fund pays the Investment Manager a performance fee equal to 20% of all amounts otherwise distributable to the shareholders (whether as dividends, distributions or upon liquidation) in excess of the aggregate issue price for the participating shares. Such performance fee, if owed, will be payable within 30 days of the date of any distribution, unless the Directors decide otherwise.

As of December 31, 2011 the Fund's net assets amounted to USD 43,339 (2010: USD 84,644) which was less than the total aggregate issue price for the participating shares. As a result no performance fees were recognized.

Up to June 1, 2011 the Fund paid the Investment Manager a management fee equal to 2% per annum of the total capital invested, provided that such fees will not exceed 2% of the aggregate issue price for the participating shares. By the resolution of the Fund's Directors management fees calculation was changed to 2% per annum of the aggregate net assets value of the Fund. Management fees are generally paid quarterly in arrears or at such other times as the Directors, with the consent of the Investment Manager, may determine.

During 2011 a management fee of USD 1,521 (2010: USD 2,040) was incurred. As of December 31, 2011, the management fee payable amounted to USD 267 (2010: USD 521).

9. Net Assets Attributable to Shareholders

Incorporation and Share Capital

The Fund's authorized share capital is USD 50. The Fund is authorised to issue 100 non-participating voting Management shares of US Dollar 0.01 each and 4,999,900 profit participating, non-voting participating shares of US Dollar 0.01 each.

The Investment Manager owns 100% of the Management shares.

As of December 31, 2011 and 2010, 100 Management shares have been issued at US Dollar 0.01 each and 1,324,932 profit participating, non-voting participating shares have been issued at US Dollar 0.01 each.

The Fund does not have any externally imposed capital requirements.

Rights of the Management Shares

The Management shares carry one vote each at annual and general meetings of the Fund and have no rights to any dividends. On liquidation of the Fund the nominal amount paid up on the Management shares will be returned after the return of the nominal amount paid up on the participating shares.

Rights of the Participating Shares

The participating shares have no voting rights, are not redeemable at the option of the shareholder. The Fund's Directors may declare and pay dividends on the participating shares, at their sole discretion.

Winding Up

The participating shares carry a right to a return of the nominal amount paid up in respect of such shares in priority to any return of the nominal amount paid up in respect of Management shares, and an exclusive right to share in surplus assets remaining after the return of the nominal amount paid up on the participating shares and Management shares.

(in thousands of US Dollars)

Distributions

Distributions from the Fund may be made at any time as determined by the Directors. The Fund is not required to distribute the net proceeds of investments disposed of by the Fund and may reinvest all or a part of such net proceeds in new investments. The Fund will be entitled to withhold from any distributions amounts necessary to create, in its discretion, appropriate reserves for expenses and liabilities of the Fund as well as for any required tax withholdings.

All distributions will be paid out to the holders of participating shares pro rata in proportion to their shareholding. The Directors may determine whether and to what extent a distribution will be made in the form of dividends or as a partial compulsory redemption of shares.

In the year 2011 the Fund declared dividends in the amount of US Dollar 25.89 per share totaling to USD 34,302 (2010: USD 7,950).

Capital Management

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, by participating in derivative and other capital markets and by using various investment strategies and hedging techniques;
- To maintain sufficient liquidity to meet the expenses of the Fund;
- To maintain sufficient size to make the operation of the Fund cost-efficient.

As at December 31, 2011 and 2010, the Fund's operations were funded by issued share capital.

Reconciliation of Audited Net Assets to Net Assets as Reported to Shareholders

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

- A net unrealized loss on financial assets designated at fair value through profit or loss and investment securities available for sale has been recognized;
- An impairment charge of investment securities available for sale has been recognized;
- Other adjustments for expense accruals have been recorded.

The table below provides a reconciliation of the net assets attributable to shareholders as previously reported to the net assets attributable to shareholders as disclosed in these consolidated financial statements.

	2011	2010
	USD	**USD**
Net assets as reported to shareholders	**50,164**	**81,108**
Net loss on financial assets designated at fair value through profit or loss	(512)	(5,651)
Net (loss)/gain on investment securities available for sale	(12,690)	9,182
Derecognition of investments in Lubel Coal Company Ltd.	6,418	-
Accrual adjustments	(56)	5
Adjusted net assets per consolidated financial statements	**43,324**	**84,644**
Net asset value per participating share as reported to shareholders (in US Dollars)	**37.86**	**61.22**
Adjustments per participating share (in US Dollars)	(5.16)	2.67
Net asset value per participating share per these consolidated financial statements (in US Dollars)	**32.70**	**63.89**

(in thousands of US Dollars)

10. Income Tax Expense

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

Cayman Islands

Renaissance Pre-IPO Fund is registered in the Cayman Island as tax exempt company.

Cyprus

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

A reconciliation of income tax benefit/(expense) calculated at domestic rate applicable to the Subsidiary, to income tax benefit/(expense) at the Fund's effective income tax rate is as follows:

USD	**2011**	**2010**
Accounting loss before tax	**(31,501)**	**(9,989)**
Theoretical income tax expense at the statutory rate (0%)	-	-
Tax charge calculated at domestic rate applicable to the Subsidiary	(393)	(1,009)
Tax effect of non deductible expenses	896	1,414
Tax effect of income exempt from tax	(498)	(394)
Tax (recovery)/charge for the year	**5**	**11**
Adjustment of income tax for prior periods	-	2
Income tax expense	**5**	**13**

11. Commitments and Contingencies

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.

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

Operating Environment

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

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

The Russian and Ukrainian economies have been affected by the global financial crisis. Despite some indications of recovery there continues to be uncertainty regarding further economic growth, access to capital and cost of capital, which could negatively affect the Fund's future financial position, results of operations and business prospects.

Also, factors including increased unemployment in Russia and Ukraine, reduced corporate liquidity and profitability, and increased corporate and personal insolvencies, have affected the Fund's borrowers' ability to repay the amounts due to the Fund. In addition, changes in economic conditions have resulted in deterioration in the value of collateral held against loans and other obligations. To the extent that information is available, the Fund has reflected revised estimates of expected future cash flows in its impairment assessment.

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

(in thousands of US Dollars)

12. Financial Risk Management

General

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

According to its initial investment strategy the Fund intended to invest in companies which were planning to undertake an IPO in the next few years. Initially, the Fund intended to hold such investments until the IPO and sell them in or following the IPO. However, considering the term to its maturity, the Fund will not make any new investments. Currently the Fund is in process of negotiation with possible investors to dispose of its investment portfolio.

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 occasionally invest in government and corporate debt instruments, when deemed appropriate and as a substitute for cash positions. Investments in structured and other derivative products may include, without limitation, contracts the value of which derives from a security that is subject to restrictions on ownership by foreign persons.

In 2011 and 2010 the Fund's investment portfolio comprised listed and unlisted equities which it intends to dispose in indefinite period of time in accordance with exist strategy adopted by the Investment Manager.

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 Compliance Controller of the Investment Manager. 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 counterparty to a financial instrument failed to perform pursuant to the terms of their obligations to the Fund. Credit risk is generally higher when a non-exchange-traded financial instrument is involved, because the counterparty is not backed by an exchange clearing house.

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. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

	Maximum exposure	**Maximum exposure**
	December 31, 2011	**December 31, 2010**
	USD	**USD**
Cash and cash equivalents	671	2,772
Amounts due from broker	44	23
Loans and receivables	204	26,558
Other accounts receivable	20,753	12,086
Other assets	29	-
Total credit risk exposure	**21,701**	**41,439**

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

(in thousands of US Dollars)

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 consolidated statement of financial position lines, based on the Fund's credit risk monitoring approach.

As at December 31, 2011	**High rated***	**Low rated**	**Not rated**	**Total**
	USD	**USD**	**USD**	**USD**
Cash and cash equivalents	671	-	-	671
Amounts due from broker	-	-	44	44
Loans and receivables	-	-	204	204
Other accounts receivable	-	-	20,753	20,753
Other assets	-	-	29	29
Total	**671**	**-**	**21,030**	**21,701**

As at December 31, 2010	**High rated***	**Low rated**	**Not rated**	**Total**
Cash and cash equivalents	2,772	-	-	2,772
Amount due from broker	-	-	23	23
Loans and receivables	-	-	26,558	26,558
Other accounts receivable	-	-	12,086	12,086
Total	**2,772**	**-**	**38,667**	**41,439**

* Equivalent to investment rating grade with Standard and Poor's, Moody's or Fitch

As of December 31, 2011 and 2010 the Company had neither past due financial assets, nor individually impaired assets.

The counterparty credit risk is managed through the internal developed system of counterparty limits. Adherence to those limits is monitored by the Investment Manager on a regular 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. 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.

Substantially major part of cash held by the Fund is held by Reiffeisen Bank to facilitate any payments or proceeds received in US Dollars and Roubles. The Fund also established a bank account with Royal Bank of Scotland (Isle of Man) to facilitate redemption and other payments. Bankruptcy or insolvency of the banks may cause the Fund's rights with respect to the cash held by the Banks to be delayed or limited. The Fund monitors its risk by monitoring the credit quality and financial position of the banks.

(in thousands of US Dollars)

Geographical Concentration

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

	December 31, 2011				December 31, 2010			
Assets	***Russia and CIS***	***Cyprus***	***Other***	***Total***	***Russia and CIS***	***Cyprus***	***Other***	***Total***
	USD	**USD**	**USD**	**USD**	**USD**	**USD**	**USD**	**USD**
Cash and cash equivalents	516	-	155	671	-	-	2,772	2,772
Amounts due from broker	-	-	44	44	-	-	23	23
Financial assets designated at fair value through profit or loss	482	-	-	482	2,093	-	-	2,093
Loans and receivables	204	-	-	204	26,558	-	-	26,558
Other accounts receivable	20,753	-	-	20,753	12,086	-	-	12,086
Investment securities available for sale	21,595	-	-	21,595	42,209	-	-	42,209
Other assets	-	-	29	29	-	-	-	-
Total assets	**43,550**	**-**	**228**	**43,778**	**82,946**	**-**	**2,795**	**85,741**
Liabilities								
Dividends payable	-	-	95	95	-	-	-	-
Management fee payable	-	-	267	267	-	-	521	521
Accounts payable and accrued expenses	87	-	-	87	160	394	-	554
Current tax liabilities	-	5	-	5	-	22	-	22
	87	**5**	**362**	**454**	**160**	**416**	**521**	**1,097**
Net position	**43,463**	**(5)**	**(134)**	**43,324**	**82,786**	**(416)**	**2,274**	**84,644**

Liquidity Risk and Funding Management

In 2011 the Fund's term was extended to 2013. Prior to the expiration of the Fund's term, the net assets will not be distributed to shareholders.

Being a closed-end investment fund, the Fund's shares are not redeemable at the option of shareholders, therefore it has limited exposure to the liquidity risk.

The majority 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 investments until disposed of via a private transaction with one or more investors or in or following an 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.

Analysis of Financial Liabilities by Remaining Contractual Maturities

As of December 31, 2011 and 2010 all the Fund's liabilities, based on contractual undiscounted repayment obligations, had maturity less than three months.

Amount of the net assets attributable to shareholders is excluded from the analysis above as it is not subject to liquidity risk.

(in thousands of US Dollars)

Market Risk

Market risk embodies the potential for loss and includes currency risk, interest rate risk and 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 defined in Note 1 of the consolidated financial statements.

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:

1. The total amount of leverage will not exceed 50% of the Fund's capital;
2. 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 later on in this note.

Details of the nature of the Fund's investment portfolio at the reporting date are disclosed in Note 5 and 6 of the consolidated financial statements.

Currency Risk

The Fund may invest in financial instruments denominated in currencies other than its functional currency – US dollars. 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 dollars 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 Dollars currencies are immediately converted into US Dollars.

The Fund operates with instruments denominated in Russian roubles, EURO and US Dollars. At the year end, the major part of investments was denominated mainly in Russian roubles. However, those securities are priced and traded in US Dollars. All settlements on securities trading are predominantly performed in US Dollars. Therefore the Fund is not exposed to currency risk and does have any specific policies for managing the currency risk in what relates to active operations of the Fund.

All the investments of the Fund including Rouble-denominated equities are quoted in US Dollars. The majority of the Fund's trades and settlements are performed in US Dollars.

Sensitivity Analysis

As of December 31, 2011 the Fund did not have assets and liabilities, denominated in foreign currency, thus there is no effect of the change in currency rate on the change of Net Assets attributable to shareholders.

Sensitivity analysis in the year 2010 was based on consideration of up and down scenarios according to parameters stated in the following table. Currency risk for equities was measured using VaR, therefore it was not included in the sensitivity analysis.

The results of the sensitivity analysis as of December 31, 2010 were as follows:

Currency	Change in currency rate in % 2010	Effect on Change of Net Assets Attributable to shareholders (before tax) 2010
		USD
Russian Ruble (upper border)	9%	-
Russian Ruble (lower border)	-9%	-
Euro (upper border)	11%	(42)
Euro (lower border)	-11%	42
GBP (upper border)	10%	(1)
GBP (lower border)	-10%	1

(in thousands of US Dollars)

Interest Rate Risk

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

Interest rate risk for fixed income instruments is measured using VaR. The Fund, however, does not invest in such instruments.

Loans and receivables are granted at fixed rates and, therefore, are not materially exposed to 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 total comprehensive income.

Price risk is managed by the Investment Manager by diversifying the portfolio and measured using VaR analysis. The Fund's overall price risk exposure is monitored by Investment Manager on a daily basis.

At December 31, 2011 and 2010 no investments in any single instrument exceeded the set limits.

Value-at-risk

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.

For closed-end funds the approach to VaR calculation is as following. VaR is derived using standard deviation of the fund weekly share return calculated using 2-year history. Thus fund share weekly VaR is calculated using 99% confidence interval. Then the VaR figure is interpolated to the fund portfolio which allows calculating value at risk in US Dollar.

VaR exposure is reported to top management and the Fund's Directors on a daily basis.

As of December 31, 2011 and 2010, the Fund's overall market VaR is set out below:

	2011	**2010**
VaR, USD	7,352	3,213
VaR/NAV ratio, %	16.96	7.25

13. Fair Value of Financial Instruments

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

Assets for which Fair Value Approximates Carrying Value

For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to demand deposits, savings accounts without a specific maturity and variable rate financial instruments.

Financial instruments Recorded at Fair Value

The fair value of listed equities is based on quoted market prices or binding dealer price quotations at the reporting date (bid price), without any deduction for transaction costs.

As of December 31, 2011 and 2010 the Fund has entered into a number of put option agreements related to investments available for sale and financial assets designated at fair value through profit or loss. In accordance with terms of these contracts, the Fund has a right to dispose the shares at a fixed or determinable price if the Investees do not make IPO by a certain date.

As of December 31, 2011 and 2010 the Fund did not estimate fair value of its investments based on the assumption that the respective put options would be exercised as there is significant uncertainty that those obligations of the counterparties under these contracts would be fulfilled.

(in thousands of US Dollars)

Fair Value Hierarchy

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).

				December 31, 2011
	Level 1	Level 2	Level 3	Total
	USD	USD	USD	USD
Financial assets designated at fair value through profit or loss:	**-**	**482**	**-**	**482**
Quoted equity securities	-	482	-	482
Investment securities available for sale	**-**	**-**	**21,595**	**21,595**
Ordinary unquoted shares	-	-	4,828	4,828
Unquoted equity participation note	-	-	16,767	16.767
	-	**482**	**21,595**	**22,077**

				December 31, 2010
	Level 1	Level 2	Level 3	Total
	USD	USD	USD	USD
Financial assets designated at fair value through profit or loss:	**565**	**192**	**1,336**	**2,093**
Quoted equity securities	565	192	-	757
Unquoted equity securities	-	-	1,336	1,336
Investment securities available for sale	**-**	**-**	**42,209**	**42,209**
Ordinary unquoted shares	-	-	22,350	22,350
Unquoted equity participation note	-	-	19,859	19,859
	565	**192**	**43,545**	**44,302**

During the year 2011 financial asset with fair value of USD 378 as of December 31, 2011 (2010: USD 192) was transferred from Level 1 into Level 2 as it ceased to be traded in an active market.

As of December 31, 2011 and 2010 some of the Fund's assets recorded at fair value were estimated using pricing models or discounted cash flow techniques, or combination of both. The investments can therefore be classified as Level 3 investments. The following table shows the movement of the investment securities classified as Level 3:

	Investment securities available for sale	Financial assets designated at fair value through profit and loss	Total
	USD	USD	USD
As at January 1, 2011	**42,209**	**1,336**	**43,545**
Total profit/(loss) recognised in profit or loss	4,630	(1,336)	3,294
Total loss recognised directly in net assets	(10,983)	-	(10,983)
Disposals	(14,261)	-	(14,261)
As at December 31, 2011	**21,595**	**-**	**21,595**
Total losses for the year included in profit or loss for assets held at the end of the reporting year	**-**	(1,336)	**(1,336)**

(in thousands of US Dollars)

	Investment securities available for sale	Financial assets designated at fair value through profit and loss	Total
	USD	**USD**	**USD**
As at January 1, 2010	**60,444**	**7,766**	**68,21**
Total loss in profit or loss	(164)	(6,430)	(6,594)
Total gain recognised directly in net assets	1,744	-	1,74
Disposals	(19,815)	-	(19,815)
As at December 31, 2010	**42,209**	**1,336**	**43,54**
Total losses for the year included in profit or loss for assets held at the end of the reporting year	**(248)**	**(6,430)**	**(6,678)**

The estimated future cash flows are based on management's best estimates which are discounted to arrive at the present value of the cash flows at the reporting date using the relevant discount rate. Generally, it is the interest rate of loans received by particular investee.

Where pricing models are used, inputs are based on the composition of market observable and non-observable inputs which may vary according to the specific industry that the Investee operates in, at the balance sheet date. The most significant key assumptions used in estimating the fair value of investments were:

	2011	2010
Discount rate	18.38%	16%
Lack of liquidity discount	15%-25%	15%-25%
Lack of control discount	0%-30%	0%-20%
EV/Sales	1.43-5.25	0.65-3.5
EV/EBITDA	n/a	7.27-12.7
EV/Reserves	n/a	43.0

As of December 31, 2011 and 2010 fair value of the investment securities available for sale 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. Key assumption used in fair value calculation was lack of liquidity discount.

The potential effect of measuring the fair value of these investments in case of change of discount rate, 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 reduced the fair value by USD 59 (2010: USD 2,780).
- Decrease of discount rate by 10% would have increase fair value by USD 59 (2010: USD 795).

Fair value of investment in Golden League Ltd. as of December 31, 2011 was based on the value of financing of the company, and liquidity discount was not applied. The potential effect of measuring the fair value of this investment in case of application of liquidity discount equal to 15%, which is considered a reasonable possible alternative assumption, would have reduced the fair value by USD 310.

The total amount of net unrealised gain/(loss) recorded in the net assets attributable to shareholders for the years ended December 31, 2011 and 2010 is attributable to investment securities available for sale whose fair value is estimated using valuation techniques with composition of market observable and non-market observable inputs.

(in thousands of US Dollars)

14. Maturity Analysis of Assets and Liabilities

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled. See Note 12 "Financial risk management" for the Fund's contractual undiscounted repayment obligations.

	December 31, 2011			December 31, 2010		
	Within one year	More than one year	Total	Within one year	More than one year	Total
	USD	USD	USD	USD	USD	USD
Cash and cash equivalents	671	-	671	2,772	-	2,772
Amounts due from broker	44	-	44	23	-	23
Financial assets designated at fair value through profit or loss	-	482	482	-	2,093	2,093
Loans and receivables	204	-	204	26,558	-	26,558
Other accounts receivable	20,753	-	20,753	12,086	-	12,086
Investment securities available for sale	-	21,595	21,595	-	42,209	42,209
Other assets	29	-	29	-	-	-
Total	**21,701**	**22,077**	**43,778**	**41,439**	**44,302**	**85,741**
Dividends payable	95	-	95	-	-	-
Management fee payable	267	-	267	521	-	521
Accounts payable and accrued expenses	87	-	87	554	-	554
Current tax liabilities	5	-	5	22	-	22
Total	**454**	**-**	**454**	**1,097**	**-**	**1,097**
Net position	**21,247**	**22,077**	**43,324**	**40,342**	**44,302**	**84,644**

15. Related Party Transactions

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 in 2011 and 2010.

The volumes of related party transactions, outstanding balances at the year end, and related expense and income for the year are as follows:

	2011			2010		
	Investment Manager	Directors	Entities under common control	Investment Manager	Directors	Entities under common control
	USD	USD	USD	USD	USD	USD
Management fee payable at January 1	**521**	**-**	**-**	**3,269**	**-**	**-**
Management fee accrued	1,521	-	-	2,040	-	-
Management fee paid	(1,775)	-	-	(4,788)	-	-
Management fee payable at December 31	**267**	**-**	**-**	**521**	**-**	**-**
Amounts due from broker	-	-	44	-	-	23
Accounts payable and accrued expenses	-	-	-	-	-	394
Interest income	-	-	69	-	-	2
Investment securities available for sale	-	-	16,767	-	-	19,859
Other operating expenses	-	30	77	-	12	-

(in thousands of US Dollars)

During the year the Fund was involved into transactions with related parties which are classified as follows:

- Investment Manager – Renaissance Capital Investment Management Limited;
- Other entities under common control;
- Directors – the list of the Fund's Directors in shown on page 3.

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

In 2011 and 2010 the Fund had operations with its broker, Renaissance Advisory Services Limited (Bermuda), the entity of Renaissance Group Holding Limited (Bermuda).

In 2011 and 2010 the Fund had no significant transactions with its Directors, except for Directors fees disclosed in the table above.

16. Events after the Reporting Date

On May 3, 2012 one of shareholders of Golden League Ltd. provided it with loan amounted to USD 7,000.