RENAISSANCE

Pre-IPO Fund

Consolidated Financial Statements 2012
International Financial Reporting Standards
Consolidated Financial Statements and Report of the Independent Auditors for the year ended December 31, 2012

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	(From April 16, 2012) Renaissance Asset Managers (Guernsey) Limited Hirzel Court St Peter Port Block F GY1 2NH Guernsey (Before April 16, 2012) Renaissance Capital Investment Management Limited 56 Administration Drive Wickhams Cay I P.O. Box 3190 Road Town, Tortola British Virgin Islands
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

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 2012 remained extremely challenging as compared with previous years at least in relation to IPO deals.

Year	IPO Deals	IPO Value, mln of USD	% of GDP
2012	15	8,813	0.4%
2011	10	6,212	1.8%
2010	25	6,690	0.5%
2009	12	1,333	0.1%

www.offerings.ru

The average deal size fell significantly and the two deals, Megafon and MICEX, accounted for virtually all the deal size done in the year. It is obvious that deal flow has fallen significantly. The appetite for Russian IPO is very difficult and the number of deals being withdrawn has seen a significant rise in number. This stagnant appetite and general concern over the Russian economy with GDP growth declining and international investor concern in the Russian investment climate meant that Renaissance Pre-IPO Fund (the "Fund") in 2012 was unable to launch any deals.

Lubel
In April 2011, the shareholders with whom the Fund had 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). Since no payment was 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 the Fund with costs of USD 550 of expenses on this legal proceeding.

We have for strategic purposes decided to take a soft approach on enforcement of this claim. Until the payment is made or the Fund is able to recover the amount due in process of disposal of shares of Lubel, it continues accruing 12% per annum.

Fair value of shares discounted using effective interest rate which is considered to be a recoverable amount as of December 31, 2012 was below the total amount receivable from shareholders of Lubel. As a result the Fund recognized impairment of other accounts receivable. Fair value of Lubel shares was calculated using valuation model based on discounted cashflow method.

Probusinessbank
The bank continues with its strategy of readying itself for an IPO, with a new target date of 2014. The construction of several committees within the bank is testament to this as is the upcoming appointment of independent Directors.

In early 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. The bank showed excellent financial results for 2012 on the back of significant branch expansion and fully reaping the benefits of consolidation following the merger of the group of banks.

Fair value of investment in Probusinessbank was calculated based on valuation model using guideline companies method.

Golden League
In early 2012, one of the company's shareholders agreed to finance the company. The Fund's Investment Manager continues working on marketing its stake in the company for sale.

The shareholders are due in Q3 2013 to reformulate strategy with respect to this investment. This strategy will most likely include converting the loans payable into equity.

Investment Manager's Report (continued)

(in thousands of US Dollars unless otherwise stated)

The Fund increased the liquidity haircut that was applied for valuation of this investment, as a result of negative financial performance of the investee and increase of its net debt. In 2012 impairment of investment was recognized.

Besides, due to inability to repay the loan granted to Golden Leagues the Investment Manager assessed it as 100% impaired recognized respective loan loss allowance.

UCP
The company is in good health and has growing profitability. The Fund's Investment Manager continues to work with both other shareholders and other interested parties at divestment. However, the general market environment means that the opportunity to dispose of the investment is relatively small.

Verysell
This is carried at nil value. In 2012, several creditors claimed to wind up the company. The company is now subject to a court hearing.

The Fund has built a diversified portfolio of companies operating in different sectors of the economy. At December 31, 2012, the investment portfolio (including other accounts receivable) is concentrated in the following sectors:

Mining	46%
Finance	46%
Industries	8%

In July 2013, the shareholders voted by an overwhelming majority to extend the life of the Fund until December 31, 2014.

However, we decided to review the value of Golden League, Karavan and Arzamas downwards for the reasons described above.

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;
- discounted cashflow method;
- NAV approach.

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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, 2012 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 Consolidated 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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, 2012 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young Ltd.

August 30, 2013

Consolidated Statement of Financial Position as at December 31, 2012

(in thousands of US Dollars)

	Notes	2012	2011
Assets			
Cash and cash equivalents		56	671
Amounts due from broker		32	44
Financial assets designated at fair value through profit or loss	5	662	482
Loans and receivables	7	19	204
Other accounts receivable	8	15,227	20,753
Investment securities available for sale	6	19,789	21,595
Other assets		7	29
Total assets		**35,792**	**43,778**
Liabilities			
Dividends payable		–	95
Management fee payable	9	943	267
Accounts payable and accrued expenses		447	87
Current tax liabilities		–	5
Total liabilities excluding net assets attributable to shareholders		**1,390**	**454**
Net assets attributable to shareholders	10	**34,402**	**43,324**
Total liabilities and net assets attributable to shareholders		**35,792**	**43,778**
Number of participating shares in issue	10	1,324,932	1,324,932
Net asset value per participating share (in US dollars)	10	**25.97**	**32.70**

Signed and authorized for release on behalf of the Directors of the Fund on August 30, 2013

Director

JAMES KEYES

Director

JOHN ELDER

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

Consolidated Statement of Comprehensive Income for the year ended December 31, 2012

(in thousands of US Dollars)

	Notes	**2012**	**2011**
Results from operations			
Dividend income		35	343
Interest income		2,335	1,552
Net gain/(loss) on financial assets designated at fair value through profit or loss	5	180	(1,619)
Net realized gain on investment securities available for sale		–	4,630
Net foreign exchange (loss)/gain		(3)	3
Other income	8	550	–
Total operating income		**3,097**	**4,909**
Management fee	9	(943)	(1,521)
Administration fee		(31)	(45)
Impairment of investment securities available for sale	6	(2,865)	–
Allowance for loan impairment	7, 8	(8,614)	–
Other operating expenses		(604)	(542)
Total expenses		**(13,057)**	**(2,108)**
Finance costs			
Distributions to shareholders	10	–	(34,302)
Decrease in net assets attributable to shareholders from operations before income tax		**(9,960)**	**(31,501)**
Income tax expense	11	(22)	(5)
Decrease in net assets attributable to shareholders from operations		**(9,982)**	**(31,506)**
Other comprehensive income/(loss) for the year	6	1,060	(9,814)
Total comprehensive loss for the year		**(8,922)**	**(41,320)**

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, 2012

(in thousands of US Dollars)

	Notes	**Number of participating shares**	**Net assets attributable to shareholders (calculated in accordance with IFRS)**
January 1, 2011	**10**	**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	**10**	**1,324,932**	**43,324**
Net gain on investment securities available for sale	6	–	1,060
Decrease in net assets attributable to shareholders from operations		–	(9,982)
Total loss for the year		**–**	**(8,922)**
December 31, 2012	**10**	**1,324,932**	**34,402**

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

Consolidated Statement of Cash Flows for the year ended December 31, 2012

(in thousands of US Dollars)

	2012	2011
Cash flows from operating activities		
Decrease in net assets attributable to shareholders from operations	(9,982)	(31,506)
Adjustments to reconcile net change in net assets attributable to shareholders to net cash (used in)/provided by operating activities		
Distribution to shareholders	–	34,302
Non-cash:		
Net gain/(loss) on investment securities available for sale	1,060	(9,814)
Allowance for loan impairment	2,865	–
Net changes in operating assets and liabilities:		
(Increase)/decrease in financial assets designated at fair value through profit or loss	(180)	1,611
Decrease/(increase) in amounts due from broker	12	(21)
Decrease in investment securities available for sale	1,806	20,614
(Increase)/decrease in loans receivable	(43)	26,354
Decrease/(increase) of other accounts receivable	2,889	(8,667)
Decrease/(increase) in other assets	22	(29)
Increase/(decrease) in management fee payable	676	(254)
(Decrease)/increase in dividends payable	(95)	95
Increase/(decrease) in accounts payable and accrued expenses	360	(467)
Decrease in current tax liabilities	(5)	(17)
Net cash flows (used in)/provided by operating activities	**(615)**	**32,201**
Financing activities		
Distributions paid to shareholders	–	(34,302)
Net cash flows used in financing activities	**–**	**(34,302)**
Net decrease in cash and cash equivalents	**(615)**	**(2,101)**
Cash and cash equivalents at the beginning of the year	**671**	**2,772**
Cash and cash equivalents at the end of the year	**56**	**671**
Supplementary information:		
Interest received	2	2,976
Dividends received, net of withholding tax	10	343

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

(in thousands of US Dollars)

Notes to the Financial Statements

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.

The initial investment objective of the Fund was 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 was extended to June 30, 2013 by the extraordinary general meeting of the shareholders.

On July 16, 2013 the Fund's term was extended to December 31, 2014 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") unless otherwise stated. This is the functional and presentation currency of the Fund. The Fund's performance is evaluated and its liquidity is managed in US Dollar.

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

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

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 Fund owns 100% of the Subsidiary at December 31, 2012 and 2011.

Subsidiaries 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. Subsidiaries are consolidated from the date on which control is transferred to the Fund and are no longer consolidated from the date that control ceases. All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in full; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Fund.

(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. The Fund includes in this category loans issued and other short-term receivables.

Other financial liabilities

This category includes all financial liabilities, other than those classified as held for trading. The Fund includes in this category amounts relating to repurchase agreements, cash collateral on securities lent and other short-term payables.

(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) 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.

(in thousands of US Dollars)

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.

(IV) Initial Measurement

Financial assets and financial liabilities at fair value through profit or loss are recorded in the consolidated statement of financial position at fair value. All transaction costs for such instruments are recognised directly in 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.

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.

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

(V) Subsequent Measurement

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

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.

(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 “Allowance for loan impairment”.

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 “Allowance for loan impairment”.

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.

(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 (gain)/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)”.

(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.

(in thousands of US Dollars)

(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 10.

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 Income

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.

(K) Net Gain/(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).

(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 11).

(in thousands of US Dollars)

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.

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

(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 on the following amended IFRS and IFRIC interpretations adopted by the Fund during the year noted below:

Amendments to IFRS 7 Financial Instruments: Disclosures

The Amendments were issued in October 2010 and are effective for annual periods beginning on or after July 1, 2011. The amendment requires additional disclosure about financial assets that have been transferred to enable the users of the Fund's financial statements to evaluate the risk exposures relating to those assets. The amendment affects disclosure only and has no impact on its financial position or performance.

(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.

Amendments to IAS 19 Employee Benefits

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. The Fund expects that these amendments will have no impact on the Fund's consolidated financial position.

Amendments to IAS 1 Changes to the presentation of the Other Comprehensive Income

The amendments to IAS 1 *Presentation of Financial Statements*, effective for annual periods beginning on or after July 1, 2012, 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 Fund expects that these amendments will have no impact on the Fund's consolidated financial position.

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. The Fund expects that these amendments will have no impact on the Fund's consolidated financial position.

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. The Fund expects that these amendments will have no impact on the Fund's consolidated financial position.

(in thousands of US Dollars)

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.

These amendments clarify the meaning of “currently has a legally enforceable right to set-off”. It will be necessary to assess the impact to the Fund by reviewing settlement procedures and legal documentation to ensure that offsetting is still possible in cases where it has been achieved in the past. In certain cases, offsetting may no longer be achieved. In other cases, contracts may have to be renegotiated. The requirement that the right of set-off be available for all counterparties to the netting agreement may prove to be a challenge for contracts where only one party has the right ot offset in the event of default.

The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. While many settlement systems are expected to meet the new criteria, some may not. As the impact of the adoption depends on the Fund’s examination of the operational procedures applied by the central clearing houses and settlement systems it deals with to determine if they meet the new criteria, it is not practical to quantify the effects.

These amendments become effective for annual periods beginning on or after January 1, 2014.

Amendment to IFRS 1 – Government loans

These amendments require first-time adopters to apply the requirements of IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*, prospectively to government loans existing at the date of transition to IFRS. These amendments are not applicable for the Fund.

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 was initially effective for annual periods beginning on or after January 1, 2013, but Amendments to IFRS 9 *Mandatory Effective Date of IFRS 9 and Transition Disclosures*, issued in December 2011, moved the mandatory effective date to January 1, 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The Fund will quantify the effect of the adoption of the first phase of IFRS 9 in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 10 Consolidated Financial Statements

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, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. In addition IFRS 10 introduces specific application guidance for agency relationships. IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 *Consolidation — Special Purpose Entities*. It is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. Currently the Fund evaluates possible effect of the adoption of IFRS 10 on its financial position and performance.

IFRS 11 Joint Arrangements

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. IFRS 11 supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities – Non-monetary Contributions by Venturers* and is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Fund expects that adoption of IFRS 11 will have no effect on its consolidated financial position and performance.

(in thousands of US Dollars)

IFRS 12 Disclosure of Involvement with Other Entities

IFRS 12 is effective for annual periods beginning on or after January 1, 2013. 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. In particular, the Fund will need to disclose more information about the consolidated and unconsolidated structured entities with which it is involved or which it has sponsored. However, the standard will have no impact on Fund's financial position or performance.

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. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The adoption of the IFRS 13 may have effect on the measurement of the Fund assets and liabilities accounted for at fair value. Currently the Fund evaluates possible effect of the adoption of IFRS 13 on its financial position and performance.

Improvements to IFRS

The amendments are effective for annual periods beginning on or after January 1, 2013. They will not have an impact on the Fund.

- *IFRS 1 First-time Adoption of International Financial Reporting Standards:* This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS.
- *IAS 1 Presentation of Financial Statements*: This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.
- *IAS 16 Property Plant and Equipment*: This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.
- *IAS 32 Financial Instruments, Presentation*: This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 *Income Taxes*.
- *IAS 34 Interim Financial Reporting:* The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

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, the Management is not aware of any material uncertainties that may cast significant doubt upon the Fund's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

Functional currency

The primary objective of the Fund is to generate returns in US Dollar, its capital-raising currency. The term of the Fund is limited and thus its liquidity is managed on a regular basis in US Dollar in order to handle the acquisition of its shares at the end of the Fund's term. The Fund's performance is evaluated in US Dollar. Therefore, the management considers the US Dollar as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

(in thousands of US Dollars)

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.

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.

Allowance for loan impairment

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

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

As at December 31, 2012 and 2011 financial assets designated at fair value through profit or loss comprised ordinary shares of the following issuers:

	2012	2011
	USD	**USD**
Quoted equity securities		
GAZ OJSC	662	378
Arzamas Instrument Plant Limited	–	104
	662	**482**
Unquoted equity securities		
Sakaras Holding Limited	–	–
Pleasure Machine CJSC	–	–
	–	**–**
	662	**482**

The net increase of fair value of the financial assets designated at fair value through profit or loss amounting to USD 180 in 2012 were recognized within "Net gain/(loss) on financial assets designated at fair value through profit or loss" (2011: decrease of USD 1,611 and the realized loss of USD 8).

(in thousands of US Dollars)

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. As of December 31, 2012 the Fund did not identify improvements of these companies financial position and financial performance, thus fair value remained USD Nil.

Refer to Note 14 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, 2012		December 31, 2011	
	Cost	**Fair value**	**Cost**	**Fair value**
	USD	**USD**	**USD**	**USD**
Ordinary unquoted shares				
UCP Chemicals AG	7,952	2,301	7,952	2,113
Golden League Ltd.	5,013	541	5,013	2,064
Karavan Real Estate Ltd.	12,302	–	12,302	651
	25,267	**2,842**	**25,267**	**4,828**
Unquoted equity participation note				
Rekha Holdings Ltd.	15,065	16,947	15,065	16,767
	40,332	**19,789**	**40,332**	**21,595**

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, 2012 the Fund identified objective evidence of impairment of Golden League Ltd. and Karavan Real Estate Ltd. and recognized respective impairment loss of USD 2,865 in the consolidated statement of comprehensive income. As of December 31, 2011 the Fund did not identify any objective evidence of impairment of its investment securities available for sale.

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

	Unrealized gain/(loss) on investment securities available for sale
	USD
January 1, 2011	**10,775**
Net unrealized loss on investment securities available for sale	(6,354)
Net realized gain on investment securities available for sale	(3,460)
Impairment of investment securities available for sale	–
December 31, 2011	**961**
Net unrealized loss on investment securities available for sale	(1,805)
Impairment of investment securities available for sale	2,865
December 31, 2012	**2,021**

Net gain on investment securities available for sale, amounting to USD 1,060 was recognised within "Other comprehensive income/(loss) for the year" (2011: net loss on investment securities available for sale, amounting to USD 9,814).

(in thousands of US Dollars)

7. Loans and Receivables

As of December 31, 2012 outstanding balance of loans and receivable was USD 19 (2011: USD 204) and comprised of loans issued to third parties and accounts receivable representing dividends receivable from the Fund's investee.

As at December 31, 2012 and 2011 amortised cost of the Fund's loans issued was the following:

	Maturity	Interest rate	2012	2011
			USD	**USD**
Golden League Ltd.	December 31, 2012	12%	–	204
			–	**204**

As of December 31, 2012 the loan was not repaid. Based on the Fund's assessment of recoverability 100% allowance for loan impairment was recognized in consolidated statements of comprehensive income and amounted to USD 228, which is the gross amount receivable from Golden Leagues Ltd. Interest income accrued for 2012 amounted to USD 24 (2011: USD 4).

8. Other accounts receivable

As of December 31, 2012 and 2011 the Fund had a receivable under the put option agreement with shareholders of Lubel Coal Company Ltd. (the "writers of the put option").

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. As obligation of the writers of the put option was 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. Besides, 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 renegotiated maturity date 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.

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.

Fair value of shares of Lubel Coal Company Ltd. held by the Fund aiming to be disposed for repayment of receivable from writers of the put option was USD 17,017 (2011: USD 20,977). It was calculated using valuation model based on market non-observable inputs.

In accordance with the Court decision the Fund is awarded the cost of arbitration and arbitration fees, including reasonable legal fees and expenses incurred in the arbitration. Total amount of reimbursement established by the Court amounted to USD 550 and was recognized by the Fund in consolidated statement of comprehensive income as "Other income". The amount was added to amount receivable from writers of the put option. Total amount receivable was USD 23,613 as of December 31, 2012 (2011: USD 21,595).

Based on the Fund's assessment of impairment of the total amount receivable from writers of the put option the Fund recognized allowance for loan impairment within consolidated statement of comprehensive income in amount of USD 8,386. Total charge of allowance for loan impairment amounted to USD 8,614 (2011: USD Nil) and included allowance for impairment of loan issued to Golden League Ltd. (Note 7).

As a result as of December 31, 2012 amortised cost of the other accounts receivable amounted to USD 15,227 (2011: USD 20,753).

Interest income accrued on other accounts receivable for 2012 amounted to USD 2,309 (2011: USD 1,453).

(in thousands of US Dollars)

9. 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, 2012 the Fund's net assets amounted to USD 34,402 (2011: USD 43,324) 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 calculated in accordance with the Offering memorandum. 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 2012 a management fee of USD 943 (2011: USD 1,521) was incurred. As of December 31, 2012, the management fee payable amounted to USD 943 (2011: USD 267).

10. 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, 2012 and 2011, 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.

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 2012 the Fund did not declare dividends. In the year 2011 the Fund declared and executed distributions in total amount of USD 34,302, representing US Dollar 25.89 per share.

(in thousands of US Dollars)

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, 2012 and 2011, 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.

	2012	2011
	USD	**USD**
Net assets as reported to shareholders	**45,415**	**50,164**
Net loss on financial assets designated at fair value through profit or loss	(110)	(512)
Net loss on investment securities available for sale	(2,620)	(12,690)
Derecognition of investments in Lubel Coal Company Ltd.	–	6,418
Allowance for loan impairment	(8,863)	–
Accrual adjustments	580	(56)
Adjusted net assets per consolidated financial statements	**34,402**	**43,324**
Net asset value per participating share as reported to shareholders (in US Dollars)	**34.28**	**37.86**
Adjustments per participating share (in US Dollars)	(8.31)	(5.16)
Net asset value per participating share per these consolidated financial statements (in US Dollars)	**25.97**	**32.70**

11. 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).

(in thousands of US Dollars)

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	**2012**	**2011**
Accounting loss before tax	**(9,960)**	**(31,501)**
Theoretical income tax expense at the statutory rate (0%)	–	–
Tax benefit calculated at domestic rate applicable to the Subsidiary	(1,512)	(393)
Tax effect of non deductible expenses	1,560	896
Tax effect of income exempt from tax	(32)	(498)
Withholding tax	6	–
Tax charge for the year	**22**	**5**
Adjustment of income tax for prior periods	–	–
Income tax expense	**22**	**5**

12. 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.

The 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 in the financial sector of the Russian Federation.

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

The Russian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The global financial crisis has resulted in uncertainty regarding further economic growth, availability of financing and cost of capital, which could negatively affect the Fund's future financial position, results of operations and business prospects. Management believes it is taking appropriate measures to support the sustainability of the Fund's business in the current circumstances.

To the extent that information is available, the Fund has reflected revised estimates of expected future cash flows in its impairment assessment.

The Fund executes the majority of its investments through its subsidiary which is a Cypriot based company. The Cyprus economy has been adversely affected over the last few years by the Eurozone credit crisis, especially with respect to Greece and the instability in the global financial markets.

During 2012, there was a considerable tightening of financing availability from the major Cypriot financial institutions. In addition, following its credit downgrades, the ability of the Republic of Cyprus to borrow from international markets has been significantly affected. As a result, the Cyprus government entered into negotiations with the EU, the European Central Bank and the International Monetary Fund, in order to receive financial assistance.

In 2013 the Eurogroup has reached an agreement with the Cypriot government on the key elements necessary for a future macroeconomic adjustment programme. The programme aims to address the exceptional economic challenges that Cyprus is facing and restore the viability of the financial sector, with the view of restoring sustainable growth and sound public finances over the coming years.

The Board of Directors and management have assessed the current economic conditions in Cyprus with respect to any possible effects the above developments could have on its operations. Given the fact that all of the Fund's operations and business inflows are generated abroad management does not anticipate any significant adverse effects on its operating environment such as the unavailability of financing or negative economic growth.

(in thousands of US Dollars)

However, management is currently unable to predict any future developments which could have an impact on the Cyprus economy and consequently, what effect, if any, they could have on the future financial performance, cash flows and financial position of the Fund.

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.

13. 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 2012 and 2011 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, 2012	**December 31, 2011**
	USD	**USD**
Cash and cash equivalents	56	671
Amounts due from broker	32	44
Loans and receivables	19	204
Other accounts receivable	15,227	20,753
Total credit risk exposure	**15,334**	**21,672**

(in thousands of US Dollars)

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

The credit quality of financial assets is managed based on international credit ratings of counterparties, determined by Standard and Poor's, Moody's or Fitch. The table below shows the credit quality by class of asset for consolidated statement of financial position lines, based on the Fund's credit risk monitoring approach.

As at December 31, 2012	High rated*	Low rated	Not rated	Total
Cash and cash equivalents	56	–	–	56
Amounts due from broker	–	–	32	32
Loans and receivables	–	–	19	19
Other accounts receivable	–	–	15,227	15,227
Total	**56**	**–**	**15,278**	**15,334**

As at December 31, 2011	High rated*	Low rated	Not rated	Total
Cash and cash equivalents	671	–	–	671
Amount 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**

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

As of December 31, 2012 and 2011 the Fund 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 Raiffeisen 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 and is tied to country of incorporation of bank or counterparty:

	December 31, 2012				December 31, 2011			
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	2	–	54	56	516	–	155	671
Amounts due from broker	–	–	32	32	–	–	44	44
Financial assets designated at fair value through profit or loss	662	–	–	662	482	–	–	482
Loans and receivables	–	–	19	19	204	–	–	204
Other accounts receivable	15,227	–	–	15,227	20,753	–	–	20,753
Investment securities available for sale	17,489	–	2,300	19,789	19,482	–	2,113	21,595
Other assets	–	–	7	7	–	–	29	29
Total assets	**33,380**	**–**	**2,412**	**35,792**	**41,437**	**–**	**2,341**	**43,778**
Liabilities								
Dividends payable	–	–	–	–	–	–	95	95
Management fee payable	–	–	943	943	–	–	267	267
Accounts payable and accrued expenses	42	11	394	447	87	–	–	87
Current tax liabilities	–	–	–	–	–	5	–	5
	42	**11**	**1,337**	**1,390**	**87**	**5**	**362**	**454**
Net position	**33,338**	**(11)**	**1,075**	**34,402**	**41,350**	**(5)**	**1,979**	**43,324**

Liquidity Risk and Funding Management

In 2013 the Fund's term was extended to 2014. 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, 2012 and 2011 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 regular 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 sensitivity 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.

As of December 31, 2012 and 2011 the monetary assets and liabilities, subject to currency risk, were not significant.

Interest Rate Risk

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

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.

At December 31, 2012 and 2011 no investments in any single instrument exceeded the set limits.

Sensitivity analysis

Equity price risk is the risk of unfavorable changes in the fair values of equities. The equity price risk exposure arises from the Fund's investments in equity securities. The Fund manages this risk by investing in a variety of entities.

(in thousands of US Dollars)

The Fund holds both – financial instruments designated through profit or loss and financial assets available for sale. Management's best estimate of the effect on the profit or loss for a year and "Other comprehensive income" due to a reasonably possible change in equity securities, with all other variables held constant is indicated in the table below. In practice, the actual results may differ from the sensitivity analysis below and the difference could be material.

	Effect on net assets attributable to shareholders and on the change in net assets attributable to shareholders from operations for the year		***Effect on other comprehensive income for the year***	
	2012	***2011***	***2012***	***2011***
Increase in fair value of investments by 10%	120	48	1,925	2,636
Decrease in fair value of investments by 10%	(211)	(1,286)	(1,695)	(1,182)

14. 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, 2012 and 2011 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, 2012 and 2011 the Fund did not estimate fair value of its investments based on the assumption that the respective put options would not be exercised as there is significant uncertainty that those obligations of the counterparties under these contracts would be fulfilled.

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, 2012
	Level 1	**Level 2**	**Level 3**	**Total**
	USD	**USD**	**USD**	**USD**
Financial assets designated at fair value through profit or loss	**662**	**–**	**–**	**662**
Quoted equity securities	662	–	–	662
Investment securities available for sale	**–**	**–**	**19,789**	**19,789**
Ordinary unquoted shares	–	–	2,842	2,842
Unquoted equity participation note	–	–	16,947	16,947
	662	**–**	**19,789**	**20,451**

(in thousands of US Dollars)

				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**

During the year 2012 financial asset with fair value of USD 662 as of December 31, 2012 (2011: USD 378) were transferred from Level 2 to Level 1 as market for these securities become active.

During 2011 financial assets with fair value of USD 378 as of December 31, 2011 were transferred from Level 1 into Level 2 as it ceased to be traded in an active market.

As of December 31, 2012 and 2011 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, 2012	**21,595**	**–**	**21,595**
Total loss recognised in profit or loss	(2,866)	–	(2,866)
Total loss recognised directly in net assets	1,060	–	1,060
As at December 31, 2012	**19,789**	**–**	**19,789**
Total losses for the year included in profit or loss for assets held at the end of the reporting year	**2,866**	**–**	**2,866**

	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 loss in profit or loss	4,630	(1,336)	3,294
Total gain 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)**

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.

(in thousands of US Dollars)

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:

	2012	**2011**
Lack of liquidity discount	15%-50%	15%-25%
Lack of control discount	0%-20%	0%-30%
EV/Sales	n/a	1.43-5.25
Price/Net assets	0.95	1.20
EV/Resources	14.74	n/a

As of December 31, 2012 and 2011 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 liquidity 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 95 (2011: USD 59).
- ► Decrease of discount rate by 10% would have increase fair value by USD 95 (2011: USD 59).

Fair value of shares of Lubel Coal Company Ltd. used in estimation of recoverable amount of other accounts receivable was calculated applying pricing model based on discounted cashflow method. Key assumption used in fair value calculated was weighted average cost of capital: 16.29% as of December 31, 2012 (2011: 18.38%). Increase or decrease of weighted average cost of capital, which is considered a reasonably possible alternative assumption, will cause respective change in fair value amounting to loss of USD 4,542 and gain USD 5,681 (Note 8).

The total amount of net unrealised gain/(loss) recorded in the net assets attributable to shareholders for the years ended December 31, 2012 and 2011 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.

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 2012 and 2011.

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

- ► Investment Manager – Renaissance Asset Managers (Guernsey) Limited;
- ► Other entities under common control;
- ► Directors – the list of the Fund's Directors in shown on page 3.

During the years ended 31 December 2012 and 2011 the Fund was involved in transactions with related parties under common control of Renaissance Investments Holdings Limited (Bermuda), which is also the parent company of the Investment Manager.

(in thousands of US Dollars)

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

	2012			2011		
	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	**267**		**–**	**521**	**–**	**–**
Management fee accrued	943	–	–	1,521	–	–
Management fee paid	(267)	–	–	(1,775)	–	–
Management fee payable at December 31	**943**	**–**	**–**	**267**	**–**	**–**
Amounts due from broker	–	–	32	–	–	44
Interest income	–	–	–	–	–	69
Investment securities available for sale	–	–	16,947	–	–	16,767
Other operating expenses		31	31	–	30	77

16. Events after the Reporting Date

On March 22, 2013 Kazimir Partners Limited, a privately owned investment manager, committed to acquire the Parent company of the Investment manager. The completion of the transaction is subject to regulatory approvals.