

**SWG I GROWTH FUND**  
*(Incorporated in the Cayman Islands)*

**Annual Report**  
**For the year ended 31 December 2009**

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**SWGJ GROWTH FUND**

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## SWG I GROWTH FUND

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### DIRECTORS, INVESTMENT MANAGER AND ADVISERS

#### Directors of the Fund

**Dr Gerd Jakob (Chairman)** (German)  
Rhoenstrasse, 88  
63571 Geinhausen  
Germany

**Mr Igor Ryaskov** (Russian)  
7 Verginas  
Zavos Cypress Gardens, Flat/Office F17  
P.O. 4532  
Limassol, Cyprus

**Mr Allan Cooper** (British)  
Neugustrasse 9  
8002 Kilchberg  
Switzerland

#### Investment Manager

SWG I Asset Management Limited  
Third Floor, Withfield Towers,  
4792 Coney Drive  
Belize City  
Belize

#### Administrator

Millennium Wealth Management AG  
Claridenstr. 36  
P.O. Box 8027  
Zurich  
Switzerland

#### Custodians

ING Bank (Eurasia) ZAO  
31 Krasnoproletarskaya  
127473 Moscow  
Russia

#### Auditors

Lubbock Fine  
Chartered Accountants  
Russell Bedford House  
City Forum  
250 City Road  
London  
EC1V 2QQ

RBS Coutts Bank AG  
Stauffacherstrasse 1  
CH-8022 Zurich

#### Sponsoring Broker

First Bermuda Group  
PO Box HM 3216  
Hamilton HM NX  
Bermuda

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## SWGI GROWTH FUND

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### DIRECTORS, INVESTMENT MANAGER AND ADVISERS *(continued)*

#### Legal Advisers to the Fund

##### In the Cayman Islands

Maples and Calder  
PO Box 309  
Ugland House  
South Church Street  
George Town, Grand Cayman  
Cayman Islands  
British West Indies

##### In Russia

Vinson & Elkins LLP  
Novinsky Boulevard 31  
Moscow 123242  
Russia

##### In Cyprus

Antis Triantafyllides & Sons, Advocates  
Capital Centre, 9th Floor  
2-4 Arch. Makarios III Avenue  
Nicosia  
Cyprus

##### Registered Office of the Fund

PO Box 309  
Ugland House  
South Church Street  
George Town, Grand Cayman  
Cayman Islands  
British West Indies

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## SWG1 GROWTH FUND

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### REPORT OF THE DIRECTORS

The Directors are pleased to present the Annual Report (including the Audited Consolidated Financial Statements) of SWGI Growth Fund ("the Fund") for the year ended 31 December 2009.

#### Organisation

The Fund is an exempt closed-ended company incorporated and registered on 17 September 1997 under the Companies Law (revised) Chapter 22 of the Cayman Islands. The shares of the Fund have been admitted to the Official List of the Bermuda Stock Exchange.

On 22 November 2000, an Extraordinary Resolution was passed in order to convert the Fund into an open-ended investment company as contemplated by Article 11 of the Articles of Association of the Fund in order to permit redemption of the issued shares of the Fund at that date. On 23 May 2001 new shares in the Fund were issued and it was proposed to close-end the Fund again for a further four years. By a Special Resolution dated 20 June 2001, Article 11 of the Articles of Association of the Fund was changed and the Fund was closed-ended for four years from that date.

On 6 February 2006, an Extraordinary Resolution was passed authorising the directors to open-end the Fund for a period of 30 days in the 2006 calendar year by written notice to each shareholder in advance of such period so that shareholders may redeem their shares in accordance with Article 43 of the Fund's Articles of Association. Following this period the Fund would again become close-ended.

On the 30 June 2006 the Directors open-ended the fund for the period from the 30 June 2006 to 7 July 2006. On the 7 July 2006 3,515,037 of the ordinary shares were redeemed at a Net Asset Value of US\$ 488.6649 per share and the Fund reverted to a close-ended fund.

#### Investment Objective

The investment objective of the Fund is to provide capital appreciation through investments in medium sized companies or projects with the potential to experience rapid and consistent growth.

Other than the investment in OAO Novatek, the Directors' believe that the time between making the initial investment and creating an exit from the investment will be between 24 and 48 months.

On the 19 August 2004 the Directors amended the Investments Restriction section of the SWGI Growth Fund Continuing Offer letter dated 5 March 2003 to allow the Fund and its subsidiary SWGI Growth Fund Cyprus Limited to invest in "non-marketable" securities for periods in excess of 18 months.

Further details of the Fund's Investment Objectives are set out in the Investment Report.

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## SWGI GROWTH FUND

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### REPORT OF THE DIRECTORS *(continued)*

#### Results and Dividends

The results for the year ended 31 December 2009 are set out in the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position and the Statement of Changes in Equity included in the Financial Statements. No dividends have been declared for the year ended 31 December 2009 (2008 – US\$ 41,177,638).

#### Directors

The following Directors held office during the period:

Dr Gerd Jakob  
Mr Igor Ryaskov (appointed 11 August 2009)  
Mr Allan Cooper

#### Substantial Interests

As at 31 December 2009 the Directors were aware of the following shareholders who held more than 3% of the share capital of the Fund:

Registered Name	Total Shareholding	Percentage
SWGI Asset Management Limited	100 Founder Shares	100.00%
SWGI Asset Management Limited	3,860,198 Shares	100.00%

As at 31 December 2009, none of the Directors had any interests in the shares of the Fund.

#### Share Capital

The details of the issued share capital of the Fund are set out in note 15 to the financial statements.

#### Independent Auditors

The Independent Auditors, Lubbock Fine, have expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting

On behalf of the Board

  
Dr Gerd Jakob  
Director

29 June 2010

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## SWG1 GROWTH FUND

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### INVESTMENT REPORT 2009

Dear Shareholder of SWGI Growth Fund

As we reflect on the shifting fortunes of 2009 and consider the year ahead we find the steadily unfolding global economic recovery reassuring but incomplete. Europe's debt crisis is increasing the risk of a downturn in the global economic economy and lower prices for oil and gas, Russia's biggest export, and SWGI Growth Fund's ("SWGI") major sphere of interests. Nevertheless, our baseline forecast for the global economy assumes further revival and we enter 2010 with a cautiously optimistic stance,

Our share price increase over the past year was robust, growing with the NOVATEK share price performance and the overall benchmark Russian index. By the end of 2009 our Net Asset Value was US\$ 2.6 billion, representing a growth of around 374%.

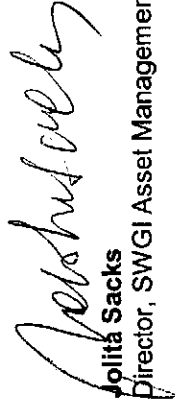
We believe most major emerging market economies will continue to outpace economic growth in the developed world. We anticipate that this will translate into faster earnings growth and ultimately higher equity market returns. Although valuations of emerging market equities are less attractive than at the beginning of 2009, we do not regard current prices as expensive given the improving economic fundamentals.

Among the markets of the largest emerging nations or so called BRIC (Brazil, Russia, India and China) countries, the Moscow Interbank Currency Exchange (MICEX) has the highest earnings yield and it is almost double the 6.1% yield on Standard & Poor's 500 index, the benchmark measure for U.S equities. When the global economy stabilises, the strengths of Russia will come to the fore, and the market will be seen as cheap given Russia's higher earnings growth prospects, lower debt levels and smaller government budget deficit.

Looking forward to 2010, we expect that SWGI's activities will focus on seeking new investments in Russian real estate projects as well as on increasing its shareholdings in the Russian crude oil and natural gas production sectors, mainly reflected by growth of our share in the capital of OJSC NOVATEK.



Igor Ryaskov  
Director, SWGI Asset Management Ltd., Belize



Jolita Sacks  
Director, SWGI Asset Management Ltd., Belize

Date: 29 June 2010

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## SWGI GROWTH FUND

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### SWGI GROWTH FUND AND ITS SUBSIDIARY UNDERTAKINGS

#### INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2009

#### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of SWGI Growth Fund ("the Fund") and its subsidiary Undertakings (collectively referred to as "the Group") which comprise the consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 December 2009, and a summary of significant accounting policies and other explanatory notes.

This report is made solely to the Fund's shareholders as a body. Our audit work has been undertaken so that we might state to the Fund's shareholders those matters that we are required to state to them in an auditor's 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 Fund's shareholders as a body, for our audit work, for this report or for the opinions 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. This responsibility includes; designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



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**SWG1 GROWTH FUND**

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**SWG1 GROWTH FUND AND ITS SUBSIDIARIES**

**INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)**

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2009 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

*Lubbock Fine*

**Lubbock Fine**  
Chartered Accountants

Russell Bedford House  
City Forum, 250 City Road  
London EC1V 2QQ  
England

Date: 30 June 2010

## SWG I GROWTH FUND

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2009 (Expressed in United States Dollars)

	Note	31-Dec 2009 US\$		31-Dec 2008 US\$
<b>Non-Current Assets</b>				
Aircraft, furniture and equipment	7	74,154,594		42,204,561
Loans due from related party	24 (a)	-		6,450,000
Loans due from third parties	8	11,198,579		38,857,874
Promissory notes receivable	24 (b)	-		75,000,000
		<u>85,353,173</u>		<u>162,512,435</u>
<b>Current Assets</b>				
<b>Investments Held for Trading</b>				
Securities at cost		1,037,761,561		1,434,419,043
Unrealised appreciation/(depreciation)		1,876,874,845		(518,279,415)
		<u>2,914,636,406</u>		<u>916,139,628</u>
<b>Directors Valuation</b>	2.5 and 5 (c)			
				<u>916,139,628</u>
<b>Other Current Assets</b>				
Loans due from related parties	24(a)	-		3,246,643
Loans due from third parties	8	28,342,282		30,000,000
Promissory notes receivable	24 (b)	92,235,445		112,000,000
Proceeds due for sale of investments		-		84,463,078
Prepayments and accrued income receivable	9	10,455,133		8,271,084
Dual currency deposits	10	88,365,773		-
Cash and cash equivalents	11	56,810,030		122,184,822
		<u>276,208,663</u>		<u>360,165,627</u>
<b>Total Assets</b>		<u>3,276,198,242</u>		<u>1,438,817,690</u>
<b>Non-Current Liabilities</b>				
Bank loans	12	-		75,000,000
		<u>-</u>		<u>(75,000,000)</u>
<b>Current Liabilities</b>				
Consideration payable for acquisition of investments		-		244,806,107
Loans due to related parties	24 (a)	492,152,428		411,017,144
Bank loans	12	75,000,000		100,000,000
Unpaid dividends	24 (d)	21,546,393		33,460,992
Current tax payable	13	-		37,667
Accrued expenses and other payables	14	49,213,625		18,017,282
		<u>(637,912,446)</u>		<u>(807,339,192)</u>
<b>Total Liabilities</b>		<u>(637,912,446)</u>		<u>(882,339,192)</u>
<b>Net Assets</b>		<u>2,638,285,796</u>		<u>556,478,498</u>

The notes on pages 13 to 47 are an integral part of these consolidated financial statements

## SWG I GROWTH FUND

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2009 (Continued)**  
(Expressed in United States Dollars)

	31-Dec 2009	31-Dec 2008
Note	US\$	US\$
<b>SHAREHOLDERS' EQUITY REPRESENTED BY :</b>		
Share capital	38,702	38,702
Excess of redemptions over subscriptions	(1,649,996,775)	(1,649,996,775)
Retained profit brought forward	2,724,715,986	2,677,254,807
Retained (loss) / profit for the year (including net realised (losses)/gains on investments)	(313,346,962)	47,461,179
Accumulated net unrealised appreciation/(depreciation) on investments	1,876,874,845	(518,279,415)
	<u>2,638,285,796</u>	<u>556,478,498</u>

Weighted average number of ordinary shares in issue  
Weighted average number of founder shares in issue

3,860,198  
100


3,860,198  
100


Net Asset Value per Share - Ordinary Share  
- Founder Share

US\$ 683.46  
US\$ 1.00

US\$ 144.16  
US\$ 1.00

Approved by the directors on 29 June 2010 and signed on their behalf:

  
**Dr Gerd Jakob**  
 Director

  
**Allan Cooper**  
 Director

## SWGJ GROWTH FUND

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 December 2009

(Expressed in United States Dollars)

	Year Ended 31/12/2009 US\$	Note	Year Ended 31/12/2008 US\$
<b>Income</b>			
Dividend income	42,209,547	24 (e)	44,951,151
Deposit interest	3,894,477		9,550,422
Loan interest	2,364,616		10,392,310
Interest on promissory notes	12,557,033	24 (b)	13,869,743
Sale of share options	3,893,500		-
Other income	-		1,106,246
Foreign exchange gains	21,717,962		31,631,949
	<u>86,637,136</u>		<u>111,501,821</u>
<b>Expenses</b>			
Bank overdraft interest	-		(73)
Loan interest	(25,121,832)		(20,540,998)
Interest payable on Promissory Notes	(2,861)		-
Audit, legal & professional fees	(945,196)		(522,973)
Salaries and related costs	(179,728)	4	(246,793)
Administration fees	(86,667)	19.4	(106,000)
Depreciation	(2,597,114)	7	(2,631,923)
Aircraft running costs	(4,184,236)		(5,028,468)
Custody fees	(1,671,699)	19.5	(1,569,573)
Loan waived	-		(3,390,021)
Provision against loan receivable and accrued interest thereto	(30,976,438)		-
Commission	-		(196,306)
Operating lease rentals	-		(29,648)
Directors' fees	(199,889)	4 and 22	(143,167)
Directors' expenses	(301,040)	22	(374,160)
Other operating expenses	(1,666,441)		(1,331,918)
Interest on overdue taxation	(1,053)		(1,165)
Loss on liquidation of investee companies	(31,442)		(51,023)
	<u>(67,965,636)</u>		<u>(36,164,209)</u>
<b>Net Profit for the Year Before Tax and Investment Result</b>	18,671,500		75,337,612
Tax on income	(1,984,587)	6 and 20	(2,619,683)
<b>Net Profit for the Year After Tax and Before Investment Result</b>	16,686,913		72,717,929
Net realised/(loss) gain on investments in securities	(330,033,875)		15,920,888
Movement in net unrealised appreciation/(depreciation) on investment in securities	2,395,154,260		(2,633,551,051)
<b>Total Comprehensive Income/(Loss) for the Year</b>	<u>2,081,807,298</u>		<u>(2,544,912,234)</u>
Weighted average number of ordinary shares in issue	3,860,198		3,860,198
Weighted average number of founder shares in issue	100		100
Increase/(decrease) in net assets per share	US\$ 539.30	- Ordinary Share	US\$ (659.27)
	US\$ Nil	- Founder share	US\$ Nil

The results from the current year and prior period are derived from continuing operations.

The notes on pages 13 to 47 are an integral part of these consolidated financial statements

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## SWG I GROWTH FUND

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the Year Ended 31 December 2009**  
(Expressed in United States Dollars)

	Year Ended 31/12/2009 US\$	Note	Year Ended 31/12/2008 US\$
Net assets attributable to shareholders at 1 January 2009	556,478,498		3,142,568,370
Total Comprehensive Profit/(Loss) for the Year	2,081,807,298		(2,544,912,234)
Dividend payable	-	21	(41,177,638)
<b>Net assets attributable to shareholders at 31 December 2009</b>	<b><u>2,638,285,796</u></b>		<b><u>556,478,498</u></b>

The notes on pages 13 to 47 are an integral part of these consolidated financial statements

## SWG I GROWTH FUND

### CONSOLIDATED STATEMENT OF CASH FLOWS For the Year Ended 31 December 2009 (Expressed in United States Dollars)

	Year Ended 31/12/2009	Year Ended 31/12/2009	Year Ended 31/12/2008	Year Ended 31/12/2008
Notes	US\$	US\$	US\$	US\$
<b>Cash Inflow/(Outflow) from Operating Activities</b>	26	1,889,302		(32,276,444)
Tax paid		(86,476)		(439,464)
<b>Net Cash Inflow/(Outflow) from Operating Activities</b>		<u>1,802,826</u>		<u>(32,715,908)</u>
<b>Investing Activities</b>				
Loan interest received - related parties		787,579	1,614,945	
Sale of share options		3,893,500	-	
Interest income received on bonds		-	318,112	
Interest income received on asset management		-	788,134	
Interest income received on Promissory Notes		11,655,157	10,434,707	
Deposit interest received		3,771,257	9,680,747	
Dividends received (net of withholding tax)		40,300,014	42,729,480	
Issue of loans to related parties - Non-current assets		-	(12,721,266)	
Issue of loans to related parties - Current assets		(8,500,000)	(131,000,000)	
Issue of other loans - Non-current assets		(1,665,333)	(52,736,485)	
Repayment of loans by related parties		18,111,368	15,683,089	
Purchase of aircraft, furniture and equipment	7	(34,547,150)	(7,005,789)	
Purchase of investments held for trading		(227,339,730)	(732,567,173)	
Proceeds from sale of investments held for trading		118,207,284	5,462	
Purchase of Promissory Notes		(192,360,103)	(187,000,000)	
Receipts from Promissory Notes		287,124,658	-	
Investment in dual currency deposits		(416,819,440)	-	
Proceeds from dual currency deposits		329,683,640	-	
<b>Net Cash (Outflow)/Inflow From Investing Activities</b>		<u>(67,697,299)</u>		<u>(1,041,776,037)</u>
<b>Financing Activities</b>				
Loan from related parties		120,000,000	304,000,000	
Repayment of loans from related parties		-	(21,000,000)	
Receipt of bank loans		-	175,000,000	
Repayment of bank loans		(100,000,000)	(80,000,000)	
Interest paid on bank borrowings		(7,727,417)	(4,698,943)	
Dividend's paid to the Fund's shareholders	21	(11,752,902)	(7,716,646)	
<b>Net Cash Inflow From Financing Activities</b>		<u>519,681</u>		<u>365,584,411</u>
<b>Decrease in Cash and Cash Equivalents</b>		<u>(65,374,792)</u>		<u>(708,907,534)</u>
<b>Cash and Cash Equivalents at Beginning of Year</b>		122,184,822		831,092,356
<b>Cash and Cash Equivalents at End of Year</b>	11	<u>56,810,030</u>		<u>122,184,822</u>

The notes on pages 13 to 47 are an integral part of these consolidated financial statements

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## SWG I GROWTH FUND

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the Year Ended 31 December 2009

#### 1. General

The Fund is an exempt closed-ended company incorporated and registered on 17 September 1997 under the Companies Law (revised) Chapter 22 of the Cayman Islands.

The Fund was incorporated as a closed-ended investment company designed to provide capital appreciation through its ultimate investments in Russian securities and, where appropriate CIS securities.

Other than the investment in OAO Novatek, the Fund seeks to identify promising investment opportunities in quoted and privately-held companies and will generally focus on small to medium-sized companies which are experiencing, or are on the brink of experiencing, earnings growth which has yet to be fully reflected in the company's share price or value.

#### 2. Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with International Financial Reporting Standards (**IFRS**), which comprise standards and interpretations approved by the International Accounting Standards Board (**IASB**), and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee (**IASC**) that remain in effect.

Items included in the Fund's Financial Statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Financial Statements are presented in United States Dollars (**US\$**), which is the Fund's functional and presentation currency.

#### 2.1 Basis of Accounting

The financial statements have been prepared using the historical cost basis, except for the revaluation of investments and assets and liabilities at fair value through profit or loss. The principal accounting policies adopted are set out below. These policies have been consistently applied to all years presented in these Financial Statements unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgement in the process of applying the Fund's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate was revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The most critical judgments, apart from those involving estimates, that management has made in the process of applying the Fund's accounting policies and that have the most significant effect on the amounts recognised in the Financial Statements are the functional currency of the Fund (see above) and the fair value of investments held for trading (see Note 2.5).

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## SWG1 GROWTH FUND

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the Year Ended 31 December 2009

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

##### 2.2 Changes in Accounting Policies and Disclosures

###### a) *New and amended standards adopted by the Company*

During the current year the Fund adopted all the new and revised IFRSs that are relevant to its operations and are effective for accounting periods beginning on 1 January 2009. The adoption of the following new and amended IFRSs have resulted in changes to the accounting policies and/or disclosures in the financial statements.

- IAS 1 (revised) "Presentation of financial statements". The revised standard prohibits the presentation of items of income and expenses (that is, "non-owner changes in equity") in the statement of changes in equity. It requires non-owner changes in equity to be presented separately from owner changes in equity. Any non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they are required to present a restated statement of financial position as at the beginning of comparative period, in addition to the current period and comparative period. The Fund has applied IAS 1 (revised) from 1 January 2009, and has elected to present solely a statement of comprehensive income. The adoption of this revised standard has not resulted in a significant change to the presentation of the Company's performance statement, as the Fund has no elements of other comprehensive income.
- IFRS 7 (amendment) "Financial instruments: Recognition and measurement". The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of this amendment results in additional disclosures but does not have an impact on the Fund's financial position or performance.
- IFRS 8 "Operating segments". The Fund has adopted IFRS 8 as of 1 January 2009, which requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes.  

The key measure of performance used by the Board in its capacity of Chief Operating Decision Maker ("CODM"), is to assess the Fund's performance and to allocate resources based on the total return of each individual investment within the Fund's portfolio, as opposed to geographic regions or industrial sector. As a result, the Board is of the view that the Fund is engaged in a single segment of business, being investments in medium sized companies or projects with the potential to experience rapid and consistent growth within a short term time horizon. Therefore, no reconciliation is required between the measure of gains or losses used by the Board and that contained in these financial statements.



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## SWG1 GROWTH FUND

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the Year Ended 31 December 2009

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

*b) Standards amendments and interpretations that are not yet effective and not relevant for the Fund's operations*

The following interpretations are mandatory for accounting periods beginning on or after 1 July 2009 or later periods, but the Fund has not adopted them early.

- IAS 27 (revised) "Consolidate and separate financial statements" (effective from 1 July 2009);
- IAS 39 (amendment) "Financial instruments: Recognition and measurement" (effective from 1 July 2009);
- IFRS1 (amendments) "Additional exemptions for first-time adopters" (effective from 1 January 2010);
- IFRS 2 (amendments) "Group cash-settled share-based payments transactions" (effective from 1 January 2010);
- IFRS 3 (revised) "Business combinations" (effective from 1 July 2009);
- IFRIC 17 "Distributions of non-cash assets to owners" (effective from 1 July 2009);
- IFRIC 18 "Transfers of assets from customers" (effective from 1 July 2009).

"Improvements to IFRS" were issued in May 2008 and April 2009 respectively and contain numerous amendments to IFRS, which the International Accounting Standards Board (IASB) consider non-urgent but necessary. "Improvements to IFRS" comprise amendments that result in accounting changes for presentation, recognition or measurement purposes as well as terminology or editorial amendments related to a variety of individual standards. Most of the amendments are effective for actual periods beginning on or after 1 January 2009 and 1 January 2010 respectively, with earlier application permitted. No material changes to accounting policies are expected as a result of these amendments.

#### 2.3 Basis of Consolidation

The investment objective of the Fund is to provide capital appreciation through investments in medium sized companies or projects with the potential to experience rapid and consistent growth.

Other than the investment in OAO Novatek, the Directors believe that the time between making the initial investment and creating an exit from the investment will be between 24 and 48 months.

On the 19 August 2004 the Directors amended the Investments Restriction section of the SWGI Growth Fund Continuing Offer letter dated 5 March 2003 to allow the Fund and its subsidiary SWGI Growth Fund Cyprus Limited to invest in "non-marketable" securities for periods in excess of 18 months.

Investments acquired in accordance with the above mentioned investment objectives are included in the Financial Statements as investments available for trading and excluded from consolidation.

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## SWG1 GROWTH FUND

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the Year Ended 31 December 2009

#### 2.3 Basis of consolidation *(continued)*

Where investments are not held for trading and the Fund has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities the investee enterprise is treated as a subsidiary undertaking of the Fund. The Consolidated Financial Statements incorporate the Financial Statements of the Fund and its subsidiary undertakings SWGI Growth Fund (Cyprus) Limited, Kerden Trading Limited, Londers Property S.A., Lancister Enterprises Corp. and Leitrim Management S.A. (**the Group**) made up to 31 December each year. Companies in the process of being liquidated are excluded from consolidation.

On acquisition, the identifiable assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the identifiable assets, liabilities and contingent liabilities recognised.

The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of Comprehensive Income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

All significant intercompany transactions and balances between Group enterprises are eliminated on consolidation.

#### 2.4 Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary at the date of acquisition. Goodwill is recognised as an asset and is tested for impairment annually, or on such other occasions that events or changes in circumstances indicate that it might be impaired.

Where the fair value of the separable net assets exceeds the fair value of the consideration for an acquired enterprise, the difference is treated as negative goodwill and is capitalised. This negative goodwill is written back to the profit and loss account in the periods in which the non-monetary assets acquired are recovered, whether through depreciation or sale.

Goodwill arising in the acquisition of subsidiaries is presented separately in the Consolidated Statement of Financial Position. On disposal of a subsidiary the attributable amount of unamortised goodwill which has not been subject to impairment is included in the determination of profit or loss on disposal.

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## SWGFI GROWTH FUND

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the Year Ended 31 December 2009

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

##### 2.5 Investments

###### a) Recognition/Derecognition of Investments

All regular way purchases and sales of investments held for trading are recognised on trade date – the date on which the Group commits to purchase or sell the investment. Such investments are derecognised when the rights to receive cash flows from the investments have expired or the Group has transferred substantially all risks and rewards of ownership.

###### b) Classification of fair value measurements

The Fund has adopted the amendment to IFRS 7, effective 1 January 2009. This requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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 adjustment based on unobservable inputs, the 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.

The determination of what constitutes “observable” requires significant judgement by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provide by independent sources that are actively involved in the relevant market.

###### c) Valuation of Investments

###### *Quoted Investments*

The value of securities which are quoted or dealt in on any stock exchange or other regulated market (including any securities traded on an “over the counter market”) is based on the latest available prices on the relevant stock exchange or market, or if there is more than one stock exchange on which the securities are traded or admitted for trading, that which is normally the principal stock exchange for such security, provided that any such securities which are not freely transferable, or which are not regularly traded, or which for any other reason are subject to limited marketability, shall be valued at a discount (the amount of such discount being determined by the Directors in their absolute discretion or in a manner so approved by the Directors).

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## SWG1 GROWTH FUND

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the Year Ended 31 December 2009

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

##### 2.5 Investments *(continued)*

The investment in OAO Novatek ordinary shares has been valued at the bid price quoted on the Moscow Interbank Currency Exchange at 31 December 2009 of US\$ 5.622 (2008 – US\$ 1.645) per share. One OAO Novatek Global Depository Receipt represents a holding of 10 ordinary shares and the investment in OAO Novatek Global Depository Receipts have been valued at the bid price quoted by the London Stock Exchange for one GDR of US\$ 66.00 at 31 December 2009 (2008 – US\$ 19.15).

##### *Unquoted Investments*

Unquoted investments are valued at their respective fair values as determined in good faith by the Directors and in accordance with generally accepted valuation principles and procedures.

##### 2.6 Foreign Currency Translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

##### 2.7 Financial Instruments

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Group becomes a party in the contractual provisions of the instrument.

##### *(i) Financial assets*

The classification of financial assets at initial recognition depends on the purpose for which the financial assets was acquired and its characteristics.

All financial assets are initially recognised at fair value. All purchases of financial assets are recorded at trade date, being the date on which the Group became party to the contractual requirement of the financial asset.

The Group's financial assets are categorised as investments held for trading, loans, promissory notes, dual currency deposits and receivables. Unless otherwise indicated the carrying amounts of the Group's financial assets are approximate to their fair values. Gains and losses arising from changes in the fair value of financial assets are recognised in the Statement of Comprehensive Income.

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## SWGI GROWTH FUND

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the Year Ended 31 December 2009

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

##### 2.7 Financial Instruments *(continued)*

Loans, promissory notes and receivable assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value plus transactions costs that are directly attributable to the acquisition and subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. The effect of discounting on these financial instruments is not considered to be material.

A financial asset (in whole or in part) is derecognised either:

- when the Group has transferred substantially all the risks and rewards of ownership;
- when it has not retained substantially all the risks and rewards and when it no longer has control over the asset or a portion of the asset; or
- when the contractual right to receive cash flows has expired.

##### *(ii) Impairment of financial assets*

Financial assets are assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impaired loss in respect of a financial asset measured at amortised costs is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the Statement of Comprehensive Income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. The reversal is recognised in the Statement of Comprehensive Income.

##### *(iii) Financial liabilities*

The classification of financial liabilities at initial recognition depends on the purpose for which the financial liability was issued and its characteristics.

All financial liabilities are initially recognised at fair value net of transaction costs incurred. All purchases of financial liabilities are recorded on trade date, being the date on which the Group becomes party to the contractual requirements of the financial liability. Unless otherwise indicated the carrying amounts of the Group's financial liabilities approximate to their fair values.

Financial liabilities are measured at cost and have not been amortised. These include loans, payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at cost. The affect of amortising these liabilities using the effective interest rate method is not considered to be material.

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## SWG I GROWTH FUND

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the Year Ended 31 December 2009

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

##### 2.7 Financial Instruments *(continued)*

A financial liability (in whole or in part) is derecognised when the Group has extinguished its contractual obligations, it expires or is cancelled. Any gain or loss on derecognition is taken to the Statement of Comprehensive Income.

##### 2.8 Revenue Recognition

- a) Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.
- b) Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.
- c) The purchase and sale of investments are recognised on the trade-date - the date on which the Group commits to purchase or sell the asset.

##### 2.9 Expenses

All expenses are accounted for on an accruals basis.

##### 2.10 Tax

Current tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid or recovered from the taxation authorities using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the year end date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The Fund also incurs withholding taxes imposed by certain countries on investment income. Such income is recorded gross of withholding taxes in the Statement of Comprehensive Income. Withholding taxes are included in the tax charge for the year.

##### 2.11 Dividend Distribution

Dividend distribution to the Fund's shareholders is recognised as a liability in the Fund's Financial Statements in the period in which the dividends are declared.

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## SWGI GROWTH FUND

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the Year Ended 31 December 2009

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

##### 2.12 Aircraft, Furniture and Equipment

All aircraft, furniture and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the aircraft, furniture and equipment.

Depreciation on aircraft, furniture and equipment is calculated using the straight-line method to allocate their cost to their residual values, over their estimated useful lives. The annual depreciation rates are as follows:

	%
Aircraft	6.67
Motor vehicles	20.00
Furniture and fixtures	10.00
Computer hardware	20.00

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Payments on account for the acquisition of fixed assets are not depreciated.

Expenditure for repairs and maintenance of aircraft and equipment is charged to the Statement of Comprehensive Income for the year in which they are incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

Gains and losses on disposal of aircraft, furniture and equipment are determined by comparing proceeds with carrying amount and are included in the Statement of Comprehensive Income.

##### 2.13 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

##### 2.14 Share Capital

Founder and Ordinary Shares are classified as equity.

##### 2.15 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

## SWGI GROWTH FUND

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the Year Ended 31 December 2009

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

##### 2.16 Cash and Cash Equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits having a maturity of less than 3 months and highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value. For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash in hand, deposits in bank which have a maturity of less than 3 months and overdrafts.

#### 3. Subsidiaries

Details of the Fund's subsidiaries which have been consolidated at 31 December 2009 are as follows:

Name of subsidiary	Place of incorporation or registration	Proportion of voting rights held and shares held	Principal activity
SWGI Growth Fund (Cyprus) Limited	Cyprus	100%	Investment company
Kerden Trading Limited	Cyprus	100%	Investment company
Londers Property S.A.	British Virgin Islands	100%	Operation of Aircraft
Lancaster Enterprises Corp	British Virgin Islands	100%	Operation of Aircraft
Leitrim Management S.A	Panama	100%	Operation of Aircraft

#### 4. Staff Costs

	2009 US\$	2008 US\$
Wages and salaries	179,728	246,793
Directors' salaries and fees (see Note 22)	199,889	143,167
	<u>379,617</u>	<u>389,960</u>
Average number of employees		
Directors	3	2
Full time	11	6
	<u>14</u>	<u>8</u>



## SWG I GROWTH FUND

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the Year Ended 31 December 2009

#### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2009

#### 5. Schedule of Investments Held for Trading as at 31 December 2009 (Expressed in United States Dollars)

##### Investments Held for Trading

Number of Shares Held	Description	Country of Incorporation	Cost US\$	Directors' Valuation US\$	Percentage Holding %
<b>a) Direct Holdings</b>					
171,803,583	OAO Novatek Ordinary Shares	Russia	654,441,594	965,893,947	5.66%
29,185,573	OAO Novatek Global Depository Receipts	Russia	376,143,153	1,926,247,818	9.61%
1,000	Warnerfield Investments Limited	Cyprus	10,338	10,338	100.00%
9,999	OAO Northern Energy Company	Russia	379,655	126,761	2.17%
	OOO Novafininvest (Note 1)	Russia	6,786,821	6,786,821	46.24%
			<u>1,037,761,561</u>	<u>2,899,065,685</u>	

##### b) Indirect Holdings

The following interests are held through the Fund's direct holdings

OOO NovaEnerg (Note 2)	Russia	-	3,500,000	92.72%
OOO Profill (Note 2)	Russia	-	3,000,000	99.26%
OOO Nova (Note 2)	Russia	-	9,000,000	25.51%
TNG Power GmbH (Note 2,3)	Germany	-	70,721	100.00%
			<u>15,570,721</u>	
<b>Total Investments</b>		<b>1,037,761,561</b>	<b>2,914,636,406</b>	

##### Note 1

The cost of investment in OOO Novafininvest represents the capital contributions made by the Fund in the company.

##### Note 2

The indirect holdings in OOO NovaEnerg, OOO Profill, OOO Nova and TNG Power GmbH are held through Kerden Trading Limited.

##### c) Movements

##### At Valuation:

##### Opening valuation at 1 January 2009

Purchases

Disposals

Increase in unrealised appreciation

Closing valuation at 31 December 2009

	2009 US\$
916,139,628	
272,459,886	
(869,117,363)	
2,395,154,255	
<u>2,914,636,406</u>	

**SWG I GROWTH FUND**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the Year Ended 31 December 2009

**6. Income Tax Expense**

	2009 US\$	2008 US\$
Withholding tax on dividends received	1,950,584	2,221,684
Cypriot taxation on profits	253	-
Charge for the year	<u>33,750</u>	<u>397,999</u>
Underprovision for previous years	<u>1,984,587</u>	<u>2,619,683</u>

The withholding tax is in respect of dividends received from the Fund's investments in Russia. Cypriot taxation is payable in respect of the profits of Kerden Trading Limited and SWGI Growth Fund (Cyprus) Limited (see Note 20).

No provision has been made for deferred taxation as there were no material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

**7. Aircraft, Furniture and Equipment**

	Aircraft US\$	Aircraft Payments Account US\$	Furniture, fixtures and office equipment US\$	Motor vehicles US\$	Total US\$
<b>2009</b>					
<b>Cost</b>					
At 1 January 2009	38,589,674	7,000,000	22,849	279,213	45,894,736
Additions	-	34,547,150	-	-	34,547,150
At 31 December 2009	<u>38,589,674</u>	<u>41,547,150</u>	<u>22,849</u>	<u>279,213</u>	<u>80,438,886</u>
<b>Depreciation</b>					
At 1 January 2009	3,430,193	-	13,481	243,501	3,687,175
For the year	2,572,645	-	1,987	22,485	2,597,114
At 31 December 2009	<u>6,002,838</u>	<u>-</u>	<u>15,468</u>	<u>265,986</u>	<u>6,284,292</u>
<b>Net Book Value 31 December 2009</b>	<u>32,586,836</u>	<u>41,547,150</u>	<u>7,381</u>	<u>13,227</u>	<u>74,154,594</u>

<b>2008</b>					
<b>Cost</b>					
At 1 January 2008	38,589,674	-	17,060	279,213	38,885,947
Additions	-	7,000,000	5,789	-	7,005,789
At 31 December 2008	<u>38,589,674</u>	<u>7,000,000</u>	<u>22,849</u>	<u>279,213</u>	<u>45,891,736</u>

<b>Depreciation</b>					
At 1 January 2008	857,548	-	10,045	187,659	1,055,252
For the year	2,572,193	-	3,436	55,842	2,631,923
At 31 December 2008	<u>3,430,193</u>	<u>-</u>	<u>13,481</u>	<u>243,501</u>	<u>3,687,175</u>

<b>Net Book Value 31 December 2008</b>	<u>35,159,481</u>	<u>7,000,000</u>	<u>9,368</u>	<u>35,712</u>	<u>42,204,561</u>
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**SWG I GROWTH FUND**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the Year Ended 31 December 2009**

**8. Loans Due From Third Parties**

Loans due from third parties are receivable as follows:

<b>Receivable</b>	<b>2009 Balance Due</b>	<b>2008 Balance Due</b>	<b>2009 Fixed interest rate</b>	<b>2008 Fixed interest rate</b>
	<b>US\$</b>	<b>US\$</b>	<b>%</b>	<b>%</b>
2 to 3 years	-	11,188,909	-	6.0% per annum
1 to 2 years	11,198,579	27,668,965	6.0% per annum	5.0% per annum
	<u>11,198,579</u>	<u>38,857,874</u>		
Within 1 year	27,542,282	30,000,000	5.0% per annum	9.0% per annum
Within 1 year	800,000	-	1.85% per annum	-
	<u>28,342,282</u>	<u>30,000,000</u>		
	<u>39,540,861</u>	<u>68,657,874</u>		

**9. Prepayments and Accrued Income Receivable**

As at 31 December 2009 and 31 December 2008 prepayment and accrued income receivable were as follows:

	<b>2009 US\$</b>	<b>2008 US\$</b>
Accrued bank interest receivable	316,510	190,759
Accrued loan interest receivable	5,164,978	4,587,315
Accrued interest on Promissory Notes	4,336,912	3,435,036
Other prepaid expenses and receivables	636,733	57,974
	<u>10,455,133</u>	<u>8,271,084</u>

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## SWG1 GROWTH FUND

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the Year Ended 31 December 2009

#### 10. Derivative Financial Instruments

The Group holds the following derivative financial instruments:

##### *Dual Currency Deposits*

Dual Currency Deposits are deposits in which the principal may be repaid after being converted into the alternative currency at the strike rate (not at the spot foreign exchange rate) upon the maturity date, depending on the spot foreign exchange rate on the date to which the strike rate is applied.

At 31 December 2009, the Group held dual currency deposits expressed in US\$/Euro and Euro/US\$ totalling US\$ 88,365,773 (2008 – Nil).

##### *Options*

An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or a financial instrument at a pre-determined price. The seller receives a premium from the purchaser in consideration for the assumption of future securities prices.

At the 31 December 2009, the Group had written call options outstanding in respect of 250,000 GDRs in OAO Novatek with a total strike price of US\$ 18,100,000 (2008 – Nil). The Group did not have any written put options outstanding at 31 December 2009 (2008 – Nil).

The strike price provides a basis for comparison with instruments recognised on the statement of financial position, but they do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and do not therefore indicate the Group's exposure to credit or market price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

#### 11. Cash and Cash Equivalents

Cash and cash equivalents include the following for the purposes of the Cash Flow Statement.

	2009 US\$	2008 US\$
Cash at bank	47,758,672	11,163,449
Short term bank deposits	<u>9,051,358</u>	<u>111,021,373</u>
	<u>56,810,030</u>	<u>122,184,822</u>

The effective interest rate on short-term bank deposits was 5.12% (2008 – 3.44%).

**SWG I GROWTH FUND**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the Year Ended 31 December 2009**

**12. Bank Loans**

Bank loans include fixed term loans repayable as follows:

<b>Payable</b>	<b>2009 Balance Due US\$</b>	<b>2008 Balance Due US\$</b>	<b>2009 Effective interest rate %</b>	<b>2008 Effective interest rate %</b>
1 to 2 years	-	75,000,000	-	4.49% per annum
Within 1 year	75,000,000	100,000,000	4.49% per annum	4.25% per annum
	<u>75,000,000</u>	<u>175,000,000</u>		

The bank loans are secured on certain of the Global Depository Receipts issued by OAO Novatek and held by the Group.

**13. Current Tax Payable**

As at 31 December 2009 and 31 December 2008, current tax payable was as follows:

	<b>2009 US\$</b>	<b>2008 US\$</b>
Corporation tax	-	37,667
	<u>-</u>	<u>37,667</u>

**14. Accrued Expenses and Other Payables**

As at 31 December 2009 and 2008, creditors and accrued expenses payable were as follows:

	<b>2009 US\$</b>	<b>2008 US\$</b>
Loan interest payable	34,923,301	17,521,361
Audit fees	132,000	120,000
Legal and professional fees	93,452	8,907
Administration fees	-	40,000
Directors' fees accrued	-	12,000
Other payables	14,064,872	315,014
	<u>49,213,625</u>	<u>18,017,282</u>

## SWGI GROWTH FUND

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the Year Ended 31 December 2009

#### 15. Share Capital

Authorised	2009 US\$	2008 US\$
100 Founder Shares of US\$ 1.00 each	100	100
19,990,000 Shares of US\$ 0.01 each	199,900	199,900
	<u>200,000</u>	<u>200,000</u>

#### Actual, Called Up and Fully Paid Founder Shares

At 1 January 2009 and 31 December 2009  
100 Founder shares of US\$ 1.00 each

	100	100
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#### Shares

At 1 January 2009 and 31 December 2009  
3,860,198 shares of US\$ 0.01 each

	38,602	38,602
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#### Total Shares Issued

At 31 December 2009

	38,702	38,702
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At 31 December 2008

	38,702	38,702
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The voting rights, dividend rights, amounts receivable on a winding up and redemption rights attached to the Founder Shares and Shares are as follows:

#### Voting Rights

The Founder Shares and Shares carry one vote per share.

#### Dividend Rights

The holders of the Shares are only entitled to dividends to the extent that the Directors' of the Fund authorise payment of dividends out of the funds of the Fund.

No dividend is payable to the holders of the Founder Shares.

#### Amounts Receivable on a Winding Up

The holders of the Shares have a right to a return of the nominal amount paid up in respect of such Shares and an exclusive right to share, *pari passu inter se*, in surplus assets remaining after the return of the nominal amount paid up on the Shares and Founder Shares.

The Founder Shares rank *pari passu inter se* for return of the nominal amount paid up on the shares but have no rights in respect of surplus assets remaining after the return of the nominal amount paid up on the Shares and Founder Shares.

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## SWG1 GROWTH FUND

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the Year Ended 31 December 2009

#### 15. Share Capital *(continued)*

##### Redemption

Shares may be redeemed on any Dealing Day following 21 June 2005, provided an Open Ending Extraordinary Resolution has been passed and the redemption has been approved. On 6 February 2006, an Extraordinary Resolution was passed authorising the directors to open-end the Fund for a period of 30 days in the 2006 calendar year by written notice to each shareholder in advance of such period so that shareholders may redeem their shares in accordance with Article 43 of the Fund's Articles of Association. Following this period the Fund would again become closed-ended. On the 30 June 2006 the Directors open-ended the fund for the period from the 30 June 2006 to 7 July 2006. The redemption price of the Shares was to be the Net Asset Value per Share on the Relevant Dealing Day.

During the period 30 June 2006 to 7 July 2006 the Fund redeemed 3,515,037 Ordinary Shares at a value of US\$488.66 per share. The redemption price for the shares totalled US\$ 1,717,675,098.

On the 7 July 2006 the Fund reverted to a close-ended fund.

The Founder Shares cannot be redeemed.

#### 16. Excess of Redemptions Over Subscriptions

	2009 US\$	2008 US\$
At 1 January 2009 and 31 December 2009	<u>(1,649,996,775)</u>	<u>(1,649,996,775)</u>

#### 17. Net Unrealised Appreciation/(Depreciation) in Investments

	2009 US\$
At 1 January 2008	(518,279,415)
Net increase in unrealised appreciation	2,395,154,260
At 31 December 2008	<u>1,876,874,845</u>

## SWG I GROWTH FUND

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the Year Ended 31 December 2009

#### 18. Financial Instruments

##### a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of its financial assets and liabilities are disclosed in Note 2 to the financial statements.

##### b) Categories of financial instruments

<i>Financial assets</i>	2009 US\$	2008 US\$
Investments held for trading	2,914,636,406	916,139,628
Loans and receivables (excluding cash and cash equivalents)	142,231,439	358,288,679
Dual currency deposits	<u>88,365,773</u>	-
Total financial assets	<u>3,145,233,618</u>	<u>1,274,428,307</u>
 <i>Financial liabilities</i>		
Creditors and other payables	70,760,020	296,322,048
Loans	567,152,428	586,017,144
Total financial liabilities	<u>637,912,448</u>	<u>882,339,192</u>
Net financial instruments	<u>2,507,321,170</u>	<u>392,089,115</u>
Net financial instruments as a percentage of net assets attributable to equity shareholders	<u>95.11%</u>	<u>70.45%</u>

##### c) Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk, and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on the Group's financial performance.

The Group's investment objective is to provide capital appreciation through investments in medium sized companies or projects with the potential to experience rapid and consistent growth. The Group is mainly seeking lower risk investments in East European real estate and oil and gas production. Other than the investment in OAO Novatek, the Directors' believe that the time limit between making the initial investment and creating an exit from the investment will be between 24 and 48 months.



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## SWG I GROWTH FUND

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the Year Ended 31 December 2009

#### 18. Financial Instruments (Continued)

##### d) *Market price risk*

All securities investments present a risk of loss of capital. The Investment Adviser moderates this risk through a careful selection of securities and other financial instruments within specified limits. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The Group's portfolio and investment strategy is reviewed continuously by the Investment Adviser and on a regular basis by the Board.

The Group's exposure to market price risk arises from uncertainties about future prices of its investments. This risk is managed by careful selection of the Group's investment portfolio. Currently over 99% of the investments held for resale are in OAO Novatek, a company listed on both the Moscow Interbank Currency Exchange and the London Stock Exchange markets and engaged in oil and gas production. The Directors monitor the performance of OAO Novatek and will seek to optimise the returns from these securities.

At 31 December 2009, the Group's market risk is affected by three main components: changes in actual market prices, interest rate change and foreign currency movements. Interest rate and foreign currency movements are covered below.

A 5% increase in the market price of listed investments, with all other variables held constant, would bring about a US\$ 144,607,089 or 5.48% (2008 – US\$ 42,887,038 or 7.71%) increase in the net assets attributable to equity shareholders. If the market price of listed investments had been 5% lower, with all other variables held constant, net assets attributable to equity shareholders would have fallen by US\$ 144,607,089 or 5.48% (2008 – US\$ 42,887,038 or 7.71%).

##### e) *Interest rate risk*

The Group is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial instruments and future cash flows. Other than bank loans and deposits all interest bearing financial assets and liabilities have fixed interest rates. Accordingly, the Directors believe that the Group does not have a significant interest rate risk. For floating rate assets and liabilities, the calculation is prepared assuming the amounts outstanding at the year end date were outstanding for the whole year.

If interest rates had been 50 basis points higher, for financial assets and liabilities as at 31 December 2009 that are subject to changing interest rates, and all other variables were held constant, the Group's increase in net assets attributable to equity shareholders for the period ended 31 December 2009 would have been an increase of US\$ 112,086 (2008 – a decrease of US\$ 319,893).

If interest rates had been 50 basis points lower, for financial assets and liabilities as at 31 December 2009 that are subject to changing interest rates, and all other variables were held constant, the Group's decrease in net assets attributable to equity shareholders for the period ended 31 December 2009 would have been a decrease of US\$ 112,086 (2008 – an increase of US\$ 319,893).

The Fund's sensitivity to interest rates has decreased during the current period due mainly to the reduction in bank loans.

## SWG I GROWTH FUND

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the Year Ended 31 December 2009

#### 18. Financial Instruments (Continued)

##### f) Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group's financial assets may be invested in securities and other investments that are denominated in currencies different to the reporting currency. Alternatively the Group may have financial liabilities that are denominated in currencies different to the reporting currency. Accordingly, the value of financial assets and liabilities may be affected favourably or unfavourably by fluctuations in exchange rates. The Group may through forward foreign exchange contracts hedge its exposure back to US\$ but has not done so during the financial period.

##### g) Currency exposure

A proportion of the net assets of the Group are denominated in currencies other than US\$. The carrying amounts of these assets and liabilities are as follows:

		At 31 December 2009				At 31 December 2008							
	Investments	Loans receivable and accrued interest	Dual currency deposits	Purchase consideration payable for investments	Cash at Bank	Total		Investments	Loans receivable and accrued interest	Dual currency deposits	Purchase consideration payable for investments	Cash at Bank	Total
	US\$	US\$		US\$	US\$	US\$		US\$	US\$		US\$	US\$	US\$
Russian Roubles	2,914,555,347	43,870,099	-	-	9,083,874	2,967,509,320	Russian Roubles	916,129,290	45,643,143	-	(169,590,178)	819,104	793,001,359
Euro	70,714	-	88,365,773	-	22,315,096	110,751,583	Euro	10,338	-	-	36,455,453	36,465,791	
	<u>2,914,626,061</u>	<u>43,870,099</u>	<u>88,365,773</u>	<u>-</u>	<u>31,398,970</u>	<u>3,078,260,903</u>		<u>916,139,628</u>	<u>45,643,143</u>	<u>-</u>	<u>(169,590,178)</u>	<u>37,274,557</u>	<u>829,467,150</u>

At the year end the relevant exchange rate were 1US\$ = RUR 30.2717 (2008 1US\$ = RUR 29.4766) and 1 US\$ = € 0.6977 (2008 1US\$ = € 0.7095).

The Group is mainly exposed to the currency of Russia (RUR).

On the 14 January 2010 loans denominated in Russian Roubles totalling RUR 1,145,587,000 were converted into US\$ denominated loans totalling US\$ 45,001,734. At 31 December 2009 these loans were included in the Statement of Financial Position at a value of US\$ 38,140,805.

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## SWG I GROWTH FUND

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the Year Ended 31 December 2009

#### 18. Financial Instruments (Continued)

##### *g) Currency exposure (Continued)*

The following note details the Group's sensitivity to a 10% increase and decrease in the US\$ against the relevant currency. 10% is the sensitivity rate usually used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary financial assets and liabilities and adjusts their translation at the period end for a 10% change in foreign currency rate.

As at 31 December 2008 if the US\$ had strengthened by 10% against the Russian Rouble and the Euro, with all other variables held constant, the net assets attributable to the equity shareholders would have been lower by US\$ 10,852,440 or 0.41% (2008 – increased by US\$ 11,100,583 or 1.99%). Conversely, if the US\$ had weakened by 10% against the Russian Rouble, with all other variables held constant, the net assets attributable to equity shareholders would have been increased by US\$ 10,852,440 or 0.41% (2008 – decreased by US\$ 11,100,583 or 1.99%).

##### *h) Credit and liquidity risk*

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Group. The maximum exposure to credit risk that the Group faces is equal to the fair value of the loans and Promissory Notes due to the Group at 31 December 2009.

The Group manages the credit risk of third party borrowers by regularly reviewing their underlying performance.

Included in the loans due from third parties at 31 December 2008 was a loan totalling US\$ 30,000,000 which was due for repayment on 25 December 2008. During the year ended 31 December 2009 the Group instigated legal proceedings for the recovery of the loan together with accrued interest totalling US\$ 976,438. On the 10 January 2010 the International Commercial Arbitration Court at the Chamber of Commerce and Industry of the Russian Federation ruled in favour of the Company for the recovery of the loan. However, the Group was still unable to recover the outstanding loan and on the 10 May 2010 liquidators acting on behalf of the Group were appointed to enforce recovery of the loan subject to sufficient assets being available. Due to the uncertainty of recovery of the loan full provision totalling US\$ 30,976,438 has been made in the Statement of Comprehensive Income.

Liquidity risk is the risk that the Group will encounter in realising assets or otherwise raising funds to meet financial commitments.

In the opinion of the Directors, and in line with the Group's investment objectives and policies, the Group has invested and will continue to invest in companies which are likely to achieve a listing or realisation within 24 to 48 months, however actual listing or realisation may occur outside of this estimated timeframe. In addition, the Group will wish to invest in businesses which will achieve an acceptable level of market capitalisation if they list on the public market. Therefore, the Group will not invest in early stage or start up situations and will seek to invest in companies which have achieved a suitable level of revenues and are profitable, or are close to achieving profitability at the time of investment.

**SWG I GROWTH FUND**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the Year Ended 31 December 2009**

**18. Financial Instruments (Continued)**

**h) Credit and liquidity risk (Continued)**

The following table details the Group's expected maturity for its loans and other receivables (including short term bank deposits).

<b>At 31 December 2009</b>					
	<b>Less than 1 month US\$</b>	<b>2 -3 months US\$</b>	<b>3 months to 1 year</b>	<b>1 to 5 years US\$</b>	<b>Total US\$</b>
Non interest bearing loans and receivables	10,303,161	64,444	87,526	-	10,455,131
Interest bearing loans and receivables	106,554,518	-	14,023,209	11,198,579	131,776,306
Dual currency deposits	34,000,000	54,365,773	-	-	88,365,773
Interest bearing bank deposits	9,051,358	-	-	-	9,051,358
	<b>159,909,037</b>	<b>54,430,217</b>	<b>14,110,735</b>	<b>11,198,579</b>	<b>239,648,568</b>

<b>At 31 December 2008</b>					
	<b>Less than 1 month US\$</b>	<b>2 -3 months US\$</b>	<b>3 months to 1 year</b>	<b>1 to 5 years US\$</b>	<b>Total US\$</b>
Non interest bearing loans and receivables	85,688,249	-	2,590,299	4,455,614	92,734,162
Interest bearing loans and receivables	30,000,000	-	115,246,643	120,307,874	265,554,517
Dual currency deposits	-	-	-	-	-
Interest bearing bank deposits	5,573,480	105,447,893	-	-	111,021,373
	<b>121,261,729</b>	<b>105,447,893</b>	<b>117,836,942</b>	<b>124,763,488</b>	<b>469,310,052</b>

**SWG I GROWTH FUND**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the Year Ended 31 December 2009**

**18. Financial Instruments (Continued)**

***h) Credit and liquidity risk (Continued)***

The following table details the Groups expected maturity for its creditors, other payables and loans.

<b>At 31 December 2009</b>		<b>Less than 1 month US\$</b>	<b>2 -3 months US\$</b>	<b>4 - 12 months</b>	<b>Over 12 months</b>	<b>Total US\$</b>
Non interest bearing creditors and other payables	69,496,054	1,263,966	-	-	-	70,760,020
Interest bearing loans	492,152,428	75,000,000	-	-	-	567,152,428
	<b>561,648,482</b>	<b>76,263,966</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>637,912,448</b>
<b>At 31 December 2008</b>		<b>Less than 1 month US\$</b>	<b>2 -3 months US\$</b>	<b>4 - 12 months</b>	<b>Over 12 months</b>	<b>Total US\$</b>
Non interest bearing creditors and other payables	119,573,406	101,069,203	74,369,855	1,309,583	296,322,047	
Interest bearing loans	107,017,145	100,000,000	304,000,000	75,000,000	586,017,145	
	<b>226,590,551</b>	<b>201,069,203</b>	<b>378,369,855</b>	<b>76,309,583</b>	<b>882,339,192</b>	

## SWGI GROWTH FUND

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the Year Ended 31 December 2009

#### 18. Financial Instruments (Continued)

##### i) Classification of fair value measurements

The following table analyses within the fair value hierarchy the Company's financial assets (by class) measured at fair value at 31 December 2009.

	Fair Value at 31 December 2009			Total US\$
	Level 1 US\$	Level 2 US\$	Level 3 US\$	
Investments held for trading	2,892,141,765	-	22,494,641	2,914,636,406
Loans receivable	-	-	39,540,861	39,540,861
Promissory notes receivable	-	-	92,235,445	92,235,445
Dual currency deposits	88,365,773	-	-	88,365,773
	2,980,507,538	-	154,270,947	3,134,778,485

Investments whose values are based on quoted market prices in active markets, and are therefore classified within level 1, include active listed Ordinary Shares and Global Depository Receipts and Dual currency deposits. The Company does not adjust the quoted price for these instruments.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. As level 2 investments may include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. None of the Company's investments are categorised as level 2 financial assets.

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently. Level 3 instruments include unquoted equity instruments, loans and Promissory Notes receivable which the Company values in accordance with generally accepted valuation principles and procedures.

#### 19.1 Management Fees

The Investment Manager is entitled to a fee equivalent to 1.5% per annum of the average monthly Net Asset Value of the Fund. This fee accrues monthly on each valuation date and is payable quarterly in arrears. During the year ended 31 December 2009 the fees due to the Investment Manager amounted to US\$ 23,960,732. Subsequent to the year end, the Investment Manager waived their right to these fees in full (2008 – Management fees totalled US\$ 28,238,701 which were waived in full).

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## SWG1 GROWTH FUND

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the Year Ended 31 December 2009

#### 19.2 Performance Fees

The Investment Manager is entitled to a performance fee, accrued monthly and calculated and payable after the end of each financial year of the Fund, at the rate of 10% of any excess of the Net Asset Value per share as at the last dealing day in the relevant financial year, multiplied by the average number of Shares in issue during this period by reference to which the performance fee is payable. For the purpose of calculating the performance fee, the Net Asset Value per share will be calculated after deducting the management fee referred to above but without accounting for the performance fee then payable.

These management and performance fees will be paid by the Fund or its Subsidiary SWGI Growth Fund (Cyprus) Limited.

During the year ended 31 December 2009 the performance fees due to the Investment manager totalled US\$ 208,608,526. Subsequent to the year end, the Investment Manager waived their right to these fees in full (2008 –US\$ Nil).

#### 19.3 Subscription Charge

The Placing Agent is entitled to receive an initial charge of up to US\$ 0.50 in respect of each Share issued under the Initial Offer and up to 5% of the Net Asset Value per share of each Share issued thereafter; such charge will be added to the price payable in respect of each such Share. No Shares have been issued during the year.

#### 19.4 Administration Fees

The Administrators shall be paid remuneration for their services at the same rates as may be agreed from time to time between the Fund and the Administrators. In addition the Administrators shall be entitled to receive from the Fund an amount equal to all reasonable out of pocket expenses incurred by them in carrying out their duties.

#### 19.5 Custodian Fees

The Group has the following agreements with its Custodians:

##### **RBS Coutts Bank Ltd**

Up to the 30 September 2008 the Custodian was paid a flat fee of US\$ 20,000. Commencing on 1 October 2008 the amount of the custody fee is a flat fee of CHF 75,000. Commencing on 1 January 2010 the amount of the custody fee is a flat rate of CHF 150,000.

##### **ING Bank (Eurasia) ZAO**

The Custodian shall be entitled to remuneration for its services and expenses of US\$1,000 per month (excluding VAT at 18%), the amount of which may be further additionally agreed upon from time to time between the Company and the Custodian.

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## SWG I GROWTH FUND

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the Year Ended 31 December 2009

#### 20. Taxation

##### *Cayman Islands*

As an exempted company, the Fund has received from the Governor-in-Council of the Cayman Islands an undertaking that, in accordance with section 6 of the Tax Concessions Law (1995 revision), for a period of 20 years from the date of incorporation, no laws of the Cayman Islands imposing any tax on profits, income, gains or appreciation shall apply to the Fund and that no such tax or any tax in the nature of estate duty or inheritance tax shall be payable on the shares, debentures or other obligations of the Fund.

Under current Cayman Islands law, no tax is charged on profits or gains of the Fund and dividends of the Fund can be paid to Shareholders resident in or outside the Cayman Islands without deduction of tax. No stamp duty is levied in the Cayman Islands on the transfer or redemption of shares. An annual registration fee will be payable by the Fund in the Cayman Islands which will be calculated by reference to the nominal amount of its authorised share capital; at current rates, the fee will be approximately US\$ 700 per annum. In addition, upon open-ending the Fund must pay an annual mutual fund fee of approximately US\$ 600.

##### *Cyprus*

The Fund's subsidiary companies SWGI Growth Fund Cyprus Limited and Kerden Trading Limited ("the Cyprus Subsidiaries") are subject to corporation tax on taxable profits at the rate of 10%.

Under certain conditions interest may be subject to defence contribution at the rate of 10%. In certain cases dividends received from abroad may be subject to withholding tax at the rate of 15%.

The Cyprus Subsidiaries profits after tax may be distributed to its holding company without the deduction of withholding tax.

Profits from the sale of investments by SWGI Growth Fund (Cyprus) Limited are exempt from taxation in Cyprus.

The Cyprus Subsidiaries are subject to Central Bank of Cyprus exchange control.

##### *Russia*

In general, Russian-sourced interest and dividend income received by the Fund will be taxed at a rate of 20% and 15% respectively, which may be reduced by a double tax treaty. Capital gains of a permanent establishment in the Russian Federation are treated as part of the business profits and are taxed at 20%. Otherwise a 20% withholding tax should be withheld from the capital gains earned by a non-resident company from the disposal of Russian assets. It is not intended that the Fund itself will have a permanent establishment in Russia. Income (other than interest and dividends) received by foreign entities without a permanent establishment in Russia will be subject to 20% withholding tax at source. Commencing on 1 January 2009 all business profits in Russia is taxed at 20%



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## SWG I GROWTH FUND

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the Year Ended 31 December 2009

#### 20. Taxation *(continued)*

The Republic of Cyprus has signed a double tax treaty with Russia on 5 December 1998, which came into effect on 1 January 2000. Under this treaty there is no withholding tax on interest. Dividends can be taxed in both the country of source and the country of residence. The country of source can impose withholding taxes on dividends remitted but these must not exceed:

- i) 5% of the gross dividend where the investment in the capital of the paying company is not less than EUR 100,000; and
- ii) 10% of the gross dividends in all other cases.

#### 21. Dividends

All earnings of the Fund will normally be reinvested. During the year ended 31 December 2009 the Directors' have not declared any dividends (2008 - US\$ 41,177,638). At the 31 December 2009 there were unpaid dividends totalling US\$ 21,546,393 (2008 - US\$ 33,460,992).

#### 22. Directors' Remuneration

The remuneration of the Directors will be determined by the Directors and will not in aggregate exceed US\$ 52,000 per annum or such other sum as may from time to time be determined by the Fund in General meeting and shall be divided amongst the Directors in such proportions and in such manner as the Directors may agree or, in default of agreement, equally. Such remuneration will accrue on a daily basis. The Directors may also be paid all travelling, hotel and other expenses properly incurred by them in connection with the business of the Fund. Commencing on 1 January 2008 the amount of the remuneration paid to Allan Cooper is US\$ 12,000 per month (US\$ 144,000 per annum).

During the period Directors' fees of US\$ 144,000 (2008 - US\$ 143,167) were paid to Millennium Wealth Management AG for the services of Allan Cooper and Directors' remuneration totalling US\$ 55,889 (2008 - Nil) was paid by Kerden Trading Limited, a wholly owned subsidiary undertaking, to Igor Ryaskov.

Additionally, directors' expenses totalling US\$ 301,041 (2008 - US\$ 374,160) have been paid by the Fund.

#### 23. Directors' Interests in Shares

At 31 December 2009 the Directors had no beneficial interests in the shares of the Fund (2008 - Nil). The Directors had no other interests in the share capital of the Fund or in any option with respect to such share capital although this does not preclude the Directors from subscribing for shares.

**SWG I GROWTH FUND**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the Year Ended 31 December 2009

**24. Related Party Transactions**

a) During the year the Group had the following loan transactions with the following companies:

	Total Advances US\$	Total Repay- ments US\$	Balance Outstanding 2009 US\$	Balance Outstanding 2008 US\$	Interest Income/Expense 2009 US\$	Interest Income/Expense 2008 US\$
<b>Loans Advanced</b>						
<b>Non-current Assets</b>						
OOO EkropromStroy	8,500,000	(14,950,000)	-	6,450,000	237,450	511,761
	<u>8,500,000</u>	<u>(14,950,000)</u>		<u>6,450,000</u>	<u>237,450</u>	<u>511,761</u>
<b>Current Assets</b>						
OOO Premier Real Estate SWGI Asset Management Limited Kanwal Trading Limited	-	(3,246,643)	-	3,246,643	189,095	195,868
	-	-	-	-	-	422,041
	-	-	-	-	-	161,384
	<u>-</u>	<u>(3,246,643)</u>	<u>-</u>	<u>3,246,643</u>	<u>189,095</u>	<u>779,293</u>
<b>Total</b>	<b>8,500,000</b>	<b>(18,196,643)</b>	<b>-</b>	<b>9,696,643</b>	<b>426,545</b>	<b>1,291,054</b>
<b>Loans Received</b>						
SWG I Asset Management Limited	120,000,000	(38,864,716)	492,152,428	411,017,144	19,008,092	14,417,590
<b>Total</b>	<b>120,000,000</b>	<b>(38,864,716)</b>	<b>492,152,428</b>	<b>411,017,144</b>	<b>19,008,092</b>	<b>14,417,590</b>

## SWG I GROWTH FUND

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the Year Ended 31 December 2009

#### 24. Related Party Transactions *(continued)*

i) At 1 January 2009 the Group had entered into a loan agreement with OOO EkropromStroy, an investee company, to advance a loan up to a total of US\$ 25,000,000. The repayment date for the loan was 10 September 2010 and interest was payable at 5.2% per annum. At the 1 January 2008 the Company had advanced US\$ 6,450,000. During the year ended 31 December 2009 four additional advances were made totalling US\$ 8,500,000 and the loan was repaid in full on 15 July 2009.

During the year ended 31 December 2009 interest receivable on this loan totalled US\$ 237,450 (2008 - US\$ 511,761). At 31 December 2009 the value of the loans due from OOO EkropromStroy was US\$ nil (2008 - US\$ 6,450,000) and accrued interest receivable was US\$ nil (2007 - US\$ 72,252).

ii) At 1 January 2009 the Group had entered into two agreements with OOO Premier Real Estate, a company under common control, to advance loans of RUR 92,000,000 and RUR 3,700,000. The loans carried interest at 5.3% per annum and were repayable on 18 December 2009. During the year ended 31 December 2009 the two loans were repaid in full.

During the year ended 31 December 2009 interest receivable on these loans totalled US\$ 189,095 (2008 - US\$ 195,868). At 31 December 2009 the value of the loans due from OOO Premier Real Estate was US\$ nil (2008 - US\$ 3,246,643) and accrued interest receivable was US\$ nil (2008 - US\$ 333,941) after taking into account changes in the year-end exchange rate.

iii) At the 1 January 2009 the Company had entered into three loan agreements for loans totalling US\$ 107,017,143, US\$ 100,000,000 and US\$ 350,000,000 with SWGI Asset Management Limited, its parent undertaking. The amounts drawn and repaid on these loans and the respective interest rates during the year ended 31 December 2009 were as follows:

Balance brought forward	Total amount drawn during year	Total amount repaid during year	Balance carried forward	Interest Rate per Annum %
US\$ 107,017,144	US\$ -	US\$ -	US\$ 107,017,144	5.0%
100,000,000	-	-	100,000,000	4.5%
204,000,000	120,000,000	(38,864,716)	285,135,284	3.5%
411,017,144	120,000,000	(38,864,716)	492,152,428	

The loans are repayable 12 months after the date of the loan agreement.

During the year ended 31 December 2009 interest payable on these loans totalled US\$ 19,008,092 (2008 - US\$ 14,417,590). At 31 December 2009, the value of the loans due to SWGI Growth Fund was US\$ 492,152,428 (2008 - US\$ 411,017,144) and accrued interest payable was US\$ 33,659,335 (2008 - US\$ 14,651,243).

The loan repayments during the year ended 31 December 2009 totalling US\$ 38,864,716 were paid by way of assignments of Promissory Notes (see note 27).

## SWG1 GROWTH FUND

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the Year Ended 31 December 2009

#### 24. Related Party Transactions *(continued)*

- b) During the year ended 31 December 2009 the Group had the following transactions with OAO Pervobank (First United Bank), a company over which a related party has a significant influence.

	Total		Balance Outstanding		Interest received /	
	Deposits	Withdrawals	2009	2008	2009	2008
	US\$	US\$	US\$	US\$	US\$	US\$
Cash at bank	496,851,532	(496,764,134)	152,578	65,180	-	-
Short term bank deposits	-	-	-	-	-	3,256,558
Promissory Notes	192,360,103	(287,124,658)	92,235,445	187,000,000	12,557,033	13,869,743
Bonds Asset management	-	-	-	-	-	318,112
					-	788,134
	<b>689,211,635</b>	<b>(783,888,792)</b>	<b>92,388,023</b>	<b>187,065,180</b>	<b>12,557,033</b>	<b>18,232,547</b>

All Promissory Notes fall due for repayment in less than 12 months and have an effective interest rate of 7.5%.

- c) During the year ended 31 December 2009 the Group purchased 10,930,702 ordinary shares in OAO Novatek from Energy Production Improvement Fund (SPV) Limited, an investee company for US\$ 21,861,404. The total consideration due was settled by assignment of a Promissory Note (see note 27).

- d) During the year ended 31 December 2009 SWGI Asset Management Limited earned management fees totalling US\$ 23,960,732. Subsequent to the year end they waived their right to these fees in full (2008 – Management fees totalled US\$ 28,238,701 which were waived in full).

During the year ended 31 December 2009 performance fees due to SWGI Asset Management Limited totalled US\$ 208,608,526. Subsequent to the year end, the Investment Manager waived their right to these fees in full (2008 –US\$ Nil).

At 31 December 2009 there were unpaid dividends due to SWGI Asset Management Limited totalling US\$ 21,546,393 (2008 – US\$ 33,460,992).

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## SWG I GROWTH FUND

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the Year Ended 31 December 2009

#### 24. Related Party Transactions (continued)

e) During the year the following dividends, including withholding tax, were receivable from investee companies:

	2009 US\$	2008 US\$
OAO Novatek	38,190,656	44,221,196
Energy Improvement Fund (SPV) Limited	3,744,605	
OOO Nova	274,286	
OOO Kopitek	-	212,226
Kanwal Trading Limited	-	517,729
	<u>42,209,547</u>	<u>44,951,151</u>

During the year the Group received dividends totalling US\$ 41,935,261 and at 31 December 2009 there were dividends receivable from OOO Nova totalling US\$ 295,131 after taking into account changes in the year-end exchange rate.

f) During the year ended 31 December 2009, TNG Power GmbH an investee company charged the Group Euro 48,000 (US\$ 68,243) (2008 – Nil) for consultancy services. At the 31 December 2009 this amount was included in accrued expenses and other payables.

#### 25. Directors' Responsibilities

International Financial Reporting Standards, the Bermuda Stock Exchange and the Fund's Charter require the Directors to produce financial statements for each financial year which give a true and fair view of the state of affairs of the Fund and of the profit or loss of the Fund for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Fund will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Fund. They are also responsible for safeguarding the assets of the Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**SWG I GROWTH FUND**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the Year Ended 31 December 2009**

**26. Cash Generated From Operations**

	<b>2009</b>	<b>2008</b>
	<b>US\$</b>	<b>US\$</b>
<b>Cash flows from operating activities</b>		
Trading and net investment profit for the year before tax	18,761,500	75,337,612
Adjustments for:		
Depreciation of aircraft, furniture and equipment (Note 7)	2,597,119	2,631,923
Loan interest income - related parties (Note 24(a))	(426,545)	(1,291,056)
Loan interest income – other	(1,938,071)	(9,101,254)
Interest income on bonds	-	(318,112)
Interest income on asset management	-	(788,134)
Interest income on Promissory Notes	(12,557,033)	(13,869,743)
Sale of share	(3,893,500)	-
Loan interest expense - related parties (Note 24(a))	19,008,092	14,417,590
Loan interest expense – other	6,113,740	6,123,408
Bank overdraft interest expense	-	73
Deposit interest income	(3,894,477)	(9,550,422)
Dividend income (Note 24(e))	(42,209,547)	(44,951,151)
Provision against loan and accrued interest	30,976,438	-
Exchange gain on loans	(23,775,594)	(51,589,729)
<b>Operating loss before working capital changes</b>	<b>(11,327,878)</b>	<b>(32,948,995)</b>
(Increase) / Decrease in trade and other receivables	(573,224)	363,955
Increase / (Decrease) in trade and other payables	13,794,404	308,596
<b>Cash inflow / (outflow) from operating activities</b>	<b>1,889,302</b>	<b>(32,276,444)</b>

## SWGI GROWTH FUND

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the Year Ended 31 December 2009

#### 27. Significant Non-cash transactions

- a) On the 30 March 2009 the Group purchased 10,930,702 ordinary shares in OAO Novatek from Energy Production Improvement (SPV) Limited, an investee company, for a total consideration of US\$ 21,861,404. The consideration was paid by the issue of a Promissory Note No. 1 bearing interest at 3.0% per annum.
- b) On the 30 March 2009 the Group repaid US\$ 38,864,716 of its loan due to SWGI Asset Management Limited by the issue of two Promissory Notes as follows.

Promissory Note 2	US\$
Promissory Note 3	24,290,448
	<u>14,574,268</u>
	<u>38,864,716</u>

The two Promissory Notes bore interest at 1% per annum.

- c) On the 6 November 2009 Energy Production Improvement Fund (SPV) Limited, an investee company, was dissolved under Voluntary Liquidation. Prior to the liquidation of the Company, there was, on the 31 March 2009, a reduction in the share capital of the Company amounting to US\$ 60,728,981. The capital reduction was settled by the reassignment of the three Promissory Notes by Energy Production Improvement Fund (SPV) Limited to the Group as follows on 1 April 2009:

	Principal US\$	Accrued interest US\$	Capital Reduction US\$
Promissory Note 1	21,861,404	1,797	21,863,201
Promissory Note 2	24,290,448	665	24,291,113
Promissory Note 3	14,574,268	399	14,574,667
	<u>60,726,120</u>	<u>2,861</u>	<u>60,728,981</u>

- d) On the 11 January 2009 the Group entered into an agreement for the withdrawal of its participating interest of 64.9988% in OOO Kopitek. The value of the Group's interest in OOO Kopitek at that date was RUR 2,601,689,476 (US\$ 88,306,450) which was settled as follows:

Cash	US\$
Transfer of 53,648,710 Ordinary Shares in OAO Novatek	52,515
	<u>88,253,935</u>
	<u>88,306,450</u>

- e) During the year ended 31 December 2009 the Group sold 57,350,000 Ordinary Shares in OAO Novatek for a total consideration of US\$ 125,078,361 and purchased GDRs in OAO Novatek for a total price of US\$ 120,722,361. The purchase consideration due for the GDRs was offset against the sale consideration due resulting in a net cash receipt by the Group of US\$ 4,356,000.

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## SWGI GROWTH FUND

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the Year Ended 31 December 2009

#### 27. Significant Non-cash transactions *(continued)*

- f) On the 10 April 2009 the Group entered into an agreement for the sale of the entire issued share capital of Londers Property S.A. for US\$ 30,000,000. The ownership of the shares is to be transferred on 18 January 2010. During the year ended 31 December 2009 the Group received the following advance payments under the sale agreement:

Cash	US\$
By set-off against purchase agreement for aircraft (see Note 28 (b))	5,000,000
Total	<u>9,000,000</u>
	<u>14,000,000</u>

The balance due under the sale agreement of US\$ 16,000,000 is receivable during the first quarter of 2010. At the date that the ownership of the shares will be transferred the only asset held by Londers Property S.A. will be the aircraft currently owned by the Group.

#### 28. Commitments

- a) On the 4 December 2008, Lancister Enterprises Corp, a subsidiary undertaking, entered into a Share Purchase Agreement to acquire the entire issued share capital of Golden Star Aviation S.A. for US\$ 9,000,000. During the year ended 31 December 2008 the first payment due for the shares totalling US\$ 7,000,000 was paid and the balance due of US\$ 2,000,000 was paid on 25 June 2009 when ownership of the shares in Golden Star Aviation S.A. passed to Lancister Enterprises Corp.

On the 25 June 2009, the sole asset of Golden Star Aviation S.A. was an agreement to purchase an aeroplane for a consideration of US\$ 66,000,000 of which US\$ 9,000,000 had been paid. The balance due under the purchase agreement of US\$ 57,000,000 is payable as follows:

	US\$
1 to 2 years	6,000,000
2 to 3 years	10,200,000
3 to 4 years	40,800,000
Total	<u>57,000,000</u>

- b) On the 23 April 2009, the Group entered into a Share Purchase Agreement to acquire the entire issued share capital of Leitrim Management S.A. for US\$ 2,500,000. The consideration was paid on 15 April 2009 when ownership of the shares in Leitrim Management S.A. passed to the Group.

On the 23 April 2009, the sole asset of Leitrim Management S.A. was an agreement to purchase an aeroplane for a consideration of US\$ 43,000,000 of which US\$ 2,500,000 had been paid. During the year ended 31 December 2009 the Group made the following additional payments:

	US\$
Cash	20,500,000
By set-off against sale agreement for aircraft (see Note 27)	<u>9,000,000</u>
Total	<u>29,500,000</u>

The balance due under the purchase agreement of US\$ 11,000,000 is payable during the first quarter of 2010.



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**SWG I GROWTH FUND**

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the Year Ended 31 December 2009**

**29. Events After the Balance Sheet Date**

There were no material events which occurred after the end of the financial year.

**30. Controlling Party**

The ultimate parent undertaking of the Fund is SWGI Asset Management Limited, a company incorporated in Belize.

## SWG1 GROWTH FUND

### GROUP FINANCIAL SUMMARY

#### 1. Summary of Statement of Income, Operations and Changes in Net Assets

	Year Ended 31 Dec 2009 US\$	Year Ended 31 Dec 2008 US\$	Year Ended 31 Dec 2007 US\$	Year Ended 31 Dec 2006 US\$	Year Ended 31 Dec 2005 US\$
Gross Profit	-	-	-	3,632,549	9,873,362
Income	64,919,174	79,869,872	65,407,664	50,919,797	26,097,196
Expenses	(46,247,669)	(4,532,260)	(160,391,016)	(315,186,615)	(224,120,402)
<b>Trading and Net Investment Profit/(Loss) for the Period Before Tax</b>	<b>18,671,505</b>	<b>75,337,612</b>	<b>(94,832,352)</b>	<b>(260,634,269)</b>	<b>(188,149,844)</b>
Income tax expense	(1,984,587)	(2,619,683)	(2,882,977)	(2,107,070)	(1,354,092)
<b>Trading and Net Investment Profit/(Loss) for the Period After Tax</b>	<b>16,686,918</b>	<b>72,717,929</b>	<b>(97,866,329)</b>	<b>(262,741,339)</b>	<b>(189,503,936)</b>
Net Realised (Losses)/Gains on: - Investments in securities	(330,033,875)	15,920,888	933,324,063	1,253,252,986	1,037,115,291
Dividend payable	-	(41,177,638)	-	(130,000,000)	(82,400,057)
Changes in Net Unrealised Appreciation/(Depreciation on: - Investments in securities	2,395,154,253	(2,633,551,051)	(489,013,223)	1,561,917,129	56,739,061
<b>Increase/(Decrease) in Net Assets as a Result of Operations</b>	<b>2,081,807,296</b>	<b>(2,586,089,872)</b>	<b>346,444,511</b>	<b>2,422,428,776</b>	<b>821,950,359</b>
Net Assets at Beginning of Period	556,478,498	3,142,568,370	2,697,789,109	2,056,509,408	1,234,559,049
Redemption of Shares	-	-	-	(1,717,675,098)	-
Treasury shares sold	-	-	98,334,750	-	-
Treasury shares purchased	-	-	-	(63,473,977)	-
<b>Net Assets at End of Period</b>	<b>2,638,285,794</b>	<b>556,478,498</b>	<b>3,142,568,370</b>	<b>2,697,789,109</b>	<b>2,056,509,408</b>

## SWG I GROWTH FUND

### GROUP FINANCIAL SUMMARY (continued)

#### 2. Summary of Net Assets

Net Assets as at	31 Dec 2009 US\$	31 Dec 2008 US\$	31 Dec 2007 US\$	31 Dec 2006 US\$	31 Dec 2005 US\$
<b>Non-current Assets</b>					
Aircraft, plant and equipment	74,154,594	42,204,561	37,830,695	157,005	167,997
Promissory notes	-	75,000,000	-	-	-
Loans due	11,198,579	45,307,874	189,148,183	89,139,110	132,949,161
Available for sale investments	-	-	-	-	-
	<b>85,353,173</b>	<b>162,512,435</b>	<b>226,978,878</b>	<b>89,296,115</b>	<b>133,117,178</b>
<b>Current Assets</b>					
<b>Investments</b>					
Securities at cost	1,037,761,568	1,434,419,043	1,096,737,630	1,337,334,053	680,427,526
Unrealised appreciation/(depreciation)	1,876,874,838	(518,279,415)	2,115,271,636	2,604,284,858	1,042,367,730
	<b>2,914,636,406</b>	<b>916,139,628</b>	<b>3,212,009,266</b>	<b>3,941,618,911</b>	<b>1,722,795,256</b>
<b>Directors' Valuation</b>					
<b>Other Current Assets</b>					
Inventories	-	-	-	-	67,013,002
Sale consideration for investments	-	84,463,078	-	-	-
Trade receivables	-	-	-	20,399	4,261,523
Loans (due within one year)	28,342,282	33,246,643	79,000,000	6,512,464	20,809,667
Promissory notes	92,235,445	112,000,000	-	-	-
Prepayments and accrued income	10,455,133	8,271,084	4,856,993	5,097,858	3,702,909
Dual currency deposits	88,365,773	-	-	-	-
Cash at bank	56,810,030	122,184,822	831,092,356	198,744,271	186,247,288
	<b>276,208,663</b>	<b>360,165,627</b>	<b>914,949,349</b>	<b>210,374,992</b>	<b>282,034,389</b>
<b>Liabilities (amounts falling due after one year)</b>					
Bank loans	-	75,000,000	-	-	-
	<b>-</b>	<b>(75,000,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Liabilities (amounts falling due within one year)</b>					
Purchase consideration for investments	-	244,806,107	651,830,733	730,825,713	51,738,417
Trade payables	-	-	-	-	-
Loans due to related parties	492,152,428	411,017,144	426,416,417	-	-
Bank loans and overdrafts	75,000,000	100,000,000	80,000,000	-	4,762,258
Unpaid dividends	25,546,393	33,460,992	-	-	-
Other loans	-	-	-	23,400	2,278,232
Current tax payable	-	37,667	79,132	124,989	454,341
Creditors and accrued expenses	49,213,627	18,017,282	53,042,841	812,516,807	19,204,167
	<b>(637,912,448)</b>	<b>(807,339,192)</b>	<b>(1,211,369,123)</b>	<b>(1,543,490,909)</b>	<b>(78,437,415)</b>
<b>Total Liabilities</b>	<b>(637,912,448)</b>	<b>(882,339,192)</b>	<b>(1,211,369,123)</b>	<b>(1,543,490,909)</b>	<b>(78,437,415)</b>
<b>Net Assets</b>	<b>2,638,285,794</b>	<b>556,478,498</b>	<b>3,142,568,370</b>	<b>2,697,799,109</b>	<b>2,059,509,408</b>