

Russian Federation First Mercantile Fund Limited

Audited Consolidated Financial Statements

For the year ended 31 March 2018

Russian Federation First Mercantile Fund Limited

Contents

	Page
Management and Administration	1
Directors' Report	2
Statement of Directors' Responsibilities in respect of Directors' Report and the Financial Statements	3
Independent Auditor's Report	4-5
Condensed Geographic Portfolio of Investments	6-7
Consolidated Statement of Comprehensive Income	8
Consolidated Statement of Financial Position	9
Consolidated Statement of Changes in net assets attributable to holders of redeemable preference shares	10-11
Consolidated Cash Flow Statement	12
Notes to the Financial Statements	13-28

Russian Federation First Mercantile Fund Limited Management and Administration

Registered Office	Apex Fund Services Ltd. 20 Reid Street Williams House PO Box 2460 HM JX Hamilton HM 11 Bermuda
Company Secretary	Apex Corporate Services Ltd. 20 Reid Street Williams House Hamilton HM 11 Bermuda
Directors	John Bohan James Keyes Vladimir Khrulev
Investment Advisor & Manager	AP Asset Management Limited Canon's Court 22 Victoria Street Hamilton HM 12 Bermuda
Administrator	Apex Fund Services Ltd 20 Reid Street Williams House PO Box 2460 HM JX Hamilton HM 11 Bermuda
Prime Broker and Custodian	Credit Suisse (UK) Ltd Five Cabot Square London, E14 4QR United Kingdom
Auditor	Grant Thornton Limited 3 rd Floor, Exchange House 54 - 62 Athol Street Douglas Isle of Man IM1 1JD

Russian Federation First Mercantile Fund Limited

Directors' Report

The directors present the annual report and the audited financial statements of the Fund for the year ended 31 March 2018. Russian Federation First Mercantile Fund Limited (the "Fund"), formerly First Mercantile Emerging Russia Fund Limited, was incorporated in Guernsey, Channel Islands, on 4 November 1997 and re-domiciled in Bermuda on 10 July 2000. The Fund is an open-ended mutual fund company and can therefore issue, redeem and reissue its own shares at prices based on their net asset value.

Principal activity

The principal investment objective of the Fund is to achieve long-term capital appreciation by investing in securities and other instruments issued by companies or other entities established in, or which have their primary business in one or more countries or regions of the former Soviet Union (the "Russian Federation"). The Fund's portfolio consists of shares of major Russian companies which are traded regularly and less liquid or illiquid second and third-tier companies that AP Asset Management Limited (the "Advisor") believes are undervalued relative to other companies in the region. The Fund will, therefore, invest in both quoted and unquoted equity and debt securities. Debt securities in which the Fund invests may not be rated.

Listing

The shares of the fund are listed on the Bermuda Stock Exchange.

Results and dividends

The group and company profit for the year amounted to US\$8,514,725 (2017 - US\$9,593,349) which has been taken to the reserves. The directors do not propose the payment of a dividend (2017 - Nil).

Directors

The directors of the Company during the year and thereafter were: -

John Bohan
James Michael Keyes
Vladimir Khrulev

Administrator

The Directors appointed Apex Fund Services Ltd to act as administrators to the fund with effect from 01 August 2001.

Auditor

The Auditor, Grant Thornton Limited, was reappointed as auditor during the year under section 89 of the Bermuda Companies Act 1981.

On behalf of the board



28 September 2018

Russian Federation First Mercantile Fund Limited

Statement of Directors' Responsibilities in respect of the Directors' Report and the Financial Statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

The directors have elected to prepare financial statements in accordance with International Financial Reporting Standards ("IFRS's").

In preparing those financial statements it is the directors' responsibility to:

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

The directors confirm that they have complied with the above in preparing the financial statements.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the Fund's transactions and 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.

In so far as the directors are aware:

- there is no relevant information of which the Fund's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

By order of the Board



Director
28 September 2018

Independent Auditor's Report to the members of Russian Federation First Mercantile Fund Limited

Opinion

We have audited the financial statements of Russian Federation First Mercantile Fund Limited (the 'company') for the year ended 31 March 2018 which comprise the condensed geographic portfolio of investments, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in net assets attributable to holders of redeemable preference shares, the consolidated cash flow statements and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit for the year then ended; and
- have been prepared in accordance with IFRS as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the company's members, as a body, in accordance our engagement letter with them. Our audit work has been undertaken so that we might state to the company's members those matters 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the director's report set out on page 2, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair

Independent Auditor's Report to the members of Russian Federation First Mercantile Fund Limited

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

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Grant Thornton Limited

Grant Thornton Limited
Douglas
Isle of Man

Date: 19.11.2018

Russian Federation First Mercantile Fund Limited

Condensed Geographical Portfolio of Investments

As at 31 March 2018

<u>Description</u>	<u>No. of Shares</u>	<u>Cost US\$</u>	<u>Fair Value US\$</u>	<u>% of Net Assets</u>
Common Equities				
Acron JSC ADR	170,310	476,868	1,260,294	3.40%
AFK Sistema Regs	3,230,000	4,195,950	658,629	1.78%
Aurado Energy Inc	1,100,000	143,000	-	0.00%
Gazprom ADR REG S	715,000	13,958,301	3,480,620	9.39%
LSR Group OJSC REG GDR	80,000	905,338	255,200	0.69%
Lukoil Holdings ADR	160,000	8,052,141	11,025,600	29.75%
Mirland Development Corp	2,000	452,376	1,179	0.00%
MMC Norlisk Nickel JSC ADR	25,000	369,204	463,563	1.25%
Rosneft oil CO Pjsc-rREG GDR	1,000,000	7,862,639	5,484,000	14.80%
Sberbank	760,000	5,843,546	14,126,500	38.12%
Sistema Hals-GDR	250,000	2,180,350	171,199	0.46%
Ukrproduct Group Ltd.	35,000	13,564	2,330	0.01%
XXI Century Investments Ltd.	194,350	1,928,483	-	0.00%
Total investment in securities		46,381,760	36,929,114	99.65%

The notes on pages 13 to 28 form an integral part of these financial statements.

Russian Federation First Mercantile Fund Limited

Condensed Geographical Portfolio of Investments

As at 31 March 2017

<u>Description</u>	<u>No. of Shares</u>	<u>Cost US\$</u>	<u>Fair Value US\$</u>	<u>% of Net Assets</u>
Common Equities				
Acron JSC ADR	170,310	476,868	975,025	3.08%
AFK Sistema Regs	3,230,000	4,195,950	1,281,519	4.05%
Aurado Energy Inc	1,100,000	143,000	-	0.00%
Gazprom ADR REG S	715,000	13,958,301	3,196,229	10.10%
Kazmunaigas	85,000	1,452,740	849,575	2.68%
Kyiv Donbas Development Group	125,000	410,639	-	0.00%
LSR Group OJSC REG GDR	80,000	905,338	293,400	0.93%
Lukoil Holdings-ADR	160,000	8,052,141	8,472,800	26.76%
Mirland Development Corp	2,000	452,376	1,963	0.01%
MMC Norlisk Nickel JSC ADR	25,000	369,204	392,938	1.24%
Rosneft ADR	1,000,000	7,862,639	5,695,000	17.99%
Sberbank	800,000	6,175,699	9,242,000	29.19%
Sistema Hals-GDR	250,000	2,180,350	245,625	0.78%
Ukrproduct Group Ltd.	35,000	13,564	1,421	0.00%
XXI Century Investments Ltd.	194,350	1,928,483	-	0.00%
Total investment in securities		48,577,292	30,647,495	96.81%

The notes on pages 13 to 28 form an integral part of these financial statements.

Russian Federation First Mercantile Fund Limited

Consolidated Statement of Comprehensive Income for the year ended 31 March 2018

	Note	Year ended 31 March 2018 US\$	Year ended 31 March 2017 US\$
Revenue			
Dividend income		1,500,304	1,168,008
Other income		-	173
Net changes in fair value on financial assets and liabilities at fair value through profit or loss	4	8,093,370	9,446,488
Total investment revenue		9,593,674	10,614,669
Expenses			
Management fees	8	429,738	406,786
Administration fees	6	142,606	146,761
Audit fees		31,596	50,926
Directors' fees	5	9,998	7,762
Custodian, security transaction & safekeeping fees	7	136,138	160,417
General expenses		99,595	71,305
Other expenses		9,617	1,824
Total operating expenses		859,288	845,781
Operating profit		8,734,386	9,768,888
Finance costs			
Interest payable		-	(339)
Withholding tax		(219,661)	(175,200)
Profit before taxation		8,514,725	9,593,349
Taxation	2(f)	-	-
Increase in net assets attributable to holders of ordinary shares from operations		8,514,725	9,593,349

All items in the above statement of comprehensive income relate to continuing operations.

The notes on pages 13 to 28 form an integral part of these financial statements.

Russian Federation First Mercantile Fund Limited

Consolidated Statement of Financial Position as at 31 March 2018

	Note	Year ended 31 March 2018 US\$	Year ended 31 March 2017 US\$
Current Assets			
Cash at bank and broker		405,998	1,262,687
Financial assets held at fair value through profit or loss		36,929,114	30,647,495
Debtors and other receivables	9	65,208	90,934
Total assets		37,400,320	32,001,116
Equity			
Common shares	13	100	100
Current Liabilities			
Forward exchange contracts	10&15	15,673	8,428
Redemptions payable	12	91,416	79,249
Subscriptions in advance	12	-	56,633
Accrued expenses	11	231,371	195,991
Total equity and liabilities (excluding net assets attributable to holders of redeemable preference shares)		338,560	340,401
Net assets attributable to holders of redeemable preference shares	13	37,061,760	31,660,715
Unit-holder Capital			
Share Capital	13	666	760
Share Premium		(37,179,976)	(34,042,980)
Accumulated Reserves		74,241,070	65,702,935
Total Unit-holder Capital		37,061,760	31,660,715

The financial statements on pages 6 to 28 were approved and authorised for issue by the Directors on, 28 September 2018 and signed on their behalf by:

Director

Director

The notes on pages 13 to 28 form an integral part of these financial statements.

Russian Federation First Mercantile Fund Limited

Consolidated Statement of Changes in Net Assets Attributable to Holders of redeemable preference Shares for the year ended 31 March 2018

	Year ended 31 March 2018 US\$	Year ended 31 March 2017 US\$
From operations		
Net investment income	421,355	146,861
Net realised (loss)/gain on sale of securities	(497,581)	833,395
Net realised gain/(loss) on foreign exchange and forward exchange contracts	103,571	(63,534)
Net change in unrealised gain on securities	8,477,151	8,695,870
Net change in unrealised gain/(loss) on foreign exchange and forward exchange contracts	10,229	(19,243)
Net increase in net assets resulting from operations	8,514,725	9,593,349
From capital transactions (Note 13)		
Proceeds from sale of class A Euro redeemable preference shares	-	8,371
Proceeds from sale of class C redeemable preference shares	-	71,127
Proceeds from sale of class D redeemable preference shares	-	7
Proceeds from sale of class E redeemable preference shares	1,290,000	671,780
Proceeds from sale of class E Euro redeemable preference shares	-	11,040
Proceeds from sale of class F redeemable preference shares	30,000	260,592
Proceeds from sale of class F Euro redeemable preference shares	82,298	61,015
Proceeds from sale of class F GBP redeemable preference shares	160,860	327,083
Payments on redemption of Class A redeemable preference shares	(1,174,076)	(567,743)
Payments on redemption of Class A Euro redeemable preference shares	(10,743)	(27,084)
Payments on redemption of Class B redeemable preference shares	(214,842)	(23,255)
Payments on redemption of Class C redeemable preference shares	(1,029,203)	(840,936)
Payments on redemption of Class D redeemable preference shares	(53,345)	(73,238)
Payments on redemption of Class E redeemable preference shares	(1,732,396)	(452,381)
Payments on redemption of Class E Euro redeemable preference shares	(31,599)	(5,754)
Payments on redemption of Class F redeemable preference shares	(347,018)	(97,822)
Payments on redemption of Class F Euro redeemable preference shares	-	(49,968)
Payments on redemption of Class F GBP redeemable preference shares	(83,616)	(8,883)
Net decrease in net assets resulting from capital transactions	(3,113,680)	(736,049)
Net increase in net assets attributable to redeemable preference shares	5,401,045	8,857,300
Net assets attributable to redeemable preference shares at the beginning of the year	31,660,715	22,803,415
Net Assets attributable to redeemable preference shares at the end of the year	37,061,760	31,660,715

The notes on pages 13 to 28 form an integral part of these financial statements.

Russian Federation First Mercantile Fund Limited

Consolidated Statement of Changes in Net Assets Attributable to Holders of redeemable preference Shares for the year ended 31 March 2018

	Number of Shares	Total US\$
Net assets attributable to holders of redeemable participating preference shares at 25 March 2016	709,330	22,803,415
Proceeds from shares issued	140,709	1,411,015
Redemption of shares	(89,743)	(2,147,064)
Increase in net assets attributable to holders of redeemable participating preference shares from operations	-	9,593,349
Net assets attributable to holders of redeemable participating preference shares at 31 March 2017	760,296	31,660,715
Net assets attributable to holders of redeemable participating preference shares at 31 March 2017	760,296	31,660,715
Proceeds from shares issued	128,182	1,563,158
Redemption of shares	(222,410)	(4,676,838)
Increase in net assets attributable to holders of redeemable participating preference shares from operations	-	8,514,725
Net assets attributable to holders of redeemable participating preference shares at 31 March 2018	666,068	37,061,760

The notes on pages 13 to 28 form an integral part of these financial statements.

Russian Federation First Mercantile Fund Limited

Consolidated Cash Flow Statement for the year ended 31 March 2018

	2018 US\$	2017 US\$
Cash flows from operating activities		
Increase in net assets attributable to holders of ordinary shares from operations	8,514,725	9,593,349
Net (increase) in investments and derivatives	(6,274,374)	(7,950,721)
Net (decrease)/increase in creditors and other payables	(65,673)	107,609
Net decrease/(increase) in debtors and other receivables	25,726	(14,755)
Net increase in due to investment manager	44,420	13,262
Net cash inflow from operating activities	2,244,824	1,748,744
Cash flows from financing activities		
Proceeds from issue of ordinary shares	1,563,158	1,411,015
Redemption of ordinary shares	(4,664,671)	(2,107,211)
Net cash (outflow) from financing activities	(3,101,513)	(696,196)
Net (decrease)/increase in cash and cash equivalents	(856,689)	1,052,548
Cash and cash equivalents brought forward	1,262,687	210,139
Cash and cash equivalents carried forward	405,998	1,262,687
Cash and cash equivalents consist of:		
Cash at bank and broker	405,998	1,262,687
Net cash and cash equivalents	405,998	1,262,687
Operating cash flows include		
Dividends received	1,468,782	1,168,008

The notes on pages 13 to 28 form an integral part of these financial statements.

Russian Federation First Mercantile Fund Limited

Notes to the Financial Statements for the year ended 31 March 2018

1 General Information

Russian Federation First Mercantile Fund Limited (the “Fund”), formerly First Mercantile Emerging Russia Fund Limited, was incorporated in Guernsey, Channel Islands, on 4 November 1997 and re-domiciled in Bermuda on 10 July 2000. The Fund is an open-ended mutual fund company and can therefore issue, redeem and reissue its own shares at prices based on their net asset value.

On 27 April 2001, the shareholders of the Fund resolved to amalgamate with The Russian Federation Fund Limited (“RFF”). Pursuant to an amalgamation agreement dated 30 April 2001, the amalgamation became effective on 1 May 2001. The Fund was the surviving legal entity as a result of the amalgamation and thus assumed the assets and liabilities of RFF and its subsidiary, CER Investments Limited, in exchange for shares in the amalgamated entity on a one-for-one basis.

The principal investment objective of the Fund is to achieve long-term capital appreciation. By investing in securities and other instruments issued by companies or other entities established in, or which have their primary business in one or more countries or regions of the former Soviet Union (the “Russian Federation”). The Fund’s portfolio consists of shares of major Russian companies which are traded regularly and less liquid or illiquid second and third-tier companies that AP Asset Management Limited (“the Advisor”) believes are undervalued relative to other companies in the region. The Fund will, therefore invest in both quoted and unquoted equity and debt securities. Debt securities in which the Fund invests may not be rated.

2 Principal accounting policies

The principal accounting policies which have been applied are set out below. These financial statements were prepared in accordance with and comply with International Financial Reporting Standards (“IFRS”). The financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

The functional currency of the Fund is US Dollars reflecting the fact that the Fund invests principally in US Dollars denominated assets, and all of the subscriptions and redemptions are in US Dollars. The presentation currency is US Dollars.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgement in the process of applying the Fund’s accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

(a) Consolidation

The consolidated financial statements include the results of the Fund and its wholly-owned subsidiary, CER Investments Limited. CER Investments Limited has remained dormant during the current and prior year and has no assets and liabilities. Consequently all the equity, assets and liabilities reported in the consolidated financial statements are Russian Federation First Mercantile Fund Limited. All intercompany transactions and balances have been eliminated on consolidation.

(b) Financial assets and financial liabilities

(i) Classification

The Company classifies its financial assets and financial liabilities in the following categories: at fair value through profit or loss, loans and receivables or financial liabilities measured at amortised cost. The classification depends on the purpose for which the financial assets and financial liabilities were acquired. The directors determine the classification of its financial assets and financial liabilities at initial recognition.

Russian Federation First Mercantile Fund Limited

Notes to the Financial Statements for the year ended 31 March 2018

2 Principal accounting policies (continued)

(i) Classification (continued)

The Fund classifies its investments in debt and equity securities and derivatives as financial assets or financial liabilities at fair value through profit or loss. These financial assets and financial liabilities are classified as held for trading.

Financial assets and financial liabilities held for trading are those acquired or incurred principally for the purposes of selling or repurchasing in the short term. Derivatives are also classified as financial assets or financial liabilities held for trading. The Fund does not classify any derivatives as hedges in a hedging relationship.

Loans and receivables and financial liabilities measured at amortised cost are non-derivative financial assets or financial liabilities with fixed or determinable payments that are not quoted in an active market.

The Fund's loans and receivables comprise cash at bank and broker, due from broker and debtors and other receivables. Financial liabilities measured at amortised cost comprise of accrued expenses.

(ii) Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the statements of financial position date. The Fund values its investments at mid-market prices for the purpose of valuation and reporting of NAVs in accordance with the Fund's valuation policy. The Fund has valued its investments at mid-market prices for the purpose of presentation in the financial statements. A portion of the securities owned by the Fund are traded on Russian exchanges. Reduced secondary market liquidity may mean that market quotations may only be available from a limited number of sources and may not represent firm bids for actual sales. This may affect the Fund's ability to obtain accurate market quotations for the purposes of valuing its portfolio and calculating its net asset value.

(iii) Measurement

Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed in the statement of comprehensive income. Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the financial assets and financial liabilities at fair value through profit or loss are included in the statement of comprehensive income in the year in which they arise. Interest income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income within interest income using the effective interest method. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income within dividend income.

(iv) Forward currency contracts

The Fund purchases forward foreign exchange contracts in amounts approximating the net assets attributable to the Euro class and GBP class of redeemable preference shares to manage its exposure against changes in the US Dollar/Euro exchange rate and US Dollar/GBP exchange rate. Forward foreign exchange contracts are recorded at their fair value at the reporting date. The unrealised gain or loss on open forward foreign exchange contracts on each valuation date is the difference between the contract exchange rate and the forward exchange rate at the valuation date, as reported by published sources, applied to the face amount of the contract. The unrealised gain or loss at the reporting date is included in the consolidated statement of financial position. Realised and unrealised changes in the fair value of the contracts are included in the consolidated statement of comprehensive income in the year in which the change occurs and are attributed entirely to the Euro class of redeemable preference shares (Notes 2 and 13).

Russian Federation First Mercantile Fund Limited

Notes to the Financial Statements for the year ended 31 March 2018

2 Principal accounting policies (continued)

(c) Allocation of profits and losses

The profit or loss of the Fund for each week, before management and performance fees and excluding realised and unrealised gains and losses on forward foreign exchange contracts used for hedging (Note 15) is allocated at the end of each week to the US Dollar and Euro class of redeemable preference shares (Note 13). All of the realised and unrealised gains and losses on forward foreign exchange contracts are allocated to the Euro redeemable preference shares. Management and performance fees are calculated separately for each class of redeemable preference shares (Note 8).

(d) Investment and Interest income

Dividend income is recorded on an accruals basis and is disclosed gross of withholding taxes. Withholding taxes are disclosed as a separate line item in the statement of comprehensive income. Interest income is accounted for on an accruals basis. Interest income and expenses are recognised on a time proportionate basis using the effective interest method.

(e) Cash at bank and broker

Cash at bank and broker comprises cash balances held at banks and money lodged at the prime broker to support derivative trading and shorts.

(f) Taxation

Under current Bermuda laws, the Fund is not required to pay any taxes in Bermuda on either income or capital gains.

It is management's belief that the Fund is not engaged in a United States trade or business and will not be subject to United States income or withholding taxes in respect of the profits and losses of the Fund other than the withholding tax on US source dividends.

As a result management has made no provision for income taxes in these consolidated financial statements.

As at the date of approval of these consolidated financial statements, the potential tax liability (if any) pertaining to the year under review has not been quantified. Based on the circumstances of the Fund, management does not anticipate any significant tax impact on the Fund's consolidated financial statements for the reasons stated above.

(g) Accrued expenses

Accrued expenses are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method.

Russian Federation First Mercantile Fund Limited

Notes to the Financial Statements for the year ended 31 March 2018

2 Principal accounting policies (continued)

(h) Translation of foreign currencies

The Fund has adopted the US Dollar as its functional currency as the majority of the Fund's investments are denominated in US Dollars. The Fund's presentation currency is US Dollars. Monetary assets and liabilities denominated in foreign currencies are translated into US Dollars at exchange rates in effect at the date of the statement of financial position. Realised and unrealised gains and losses on foreign currency transactions are charged or credited to the statement of comprehensive income as foreign currency gains and losses except where they relate to investments where such amounts are included within net gain or loss on financial assets and liabilities at fair value through profit or loss. The cost of investments, and income and expenses are translated into US Dollars based on exchange rates on the date of the transaction.

(i) Adoption of new and revised IFRS's

In the current year, the Fund has adopted all the new and revised International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (IASB) that are relevant to its operations and effective for accounting periods beginning on or after 31 March 2018. The adoption of these new and revised IFRSs did not result in substantial changes to the Fund's accounting policies and amounts reported for the current year and prior years.

(ii) New standards, amendments and interpretations are not yet effective and have not been early adopted

IFRS 9, 'Financial instruments', effective for annual periods beginning on or after 1 January 2018, specifies how an entity should classify and measure financial assets and liabilities, including some hybrid contracts. The standard improves and simplifies the approach for classification and measurement of financial assets compared with the requirements of IAS 39. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged. The standard applies a consistent approach to classifying financial assets and replaces the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. The standard is not expected to have a significant impact on the Fund's financial position or performance, as it is expected that the Fund will continue to classify its financial assets and financial liabilities (both long and short) at fair value through profit or loss.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the Fund.

3 Critical accounting estimates and judgements

Critical accounting estimates and assumptions

The directors make estimates and assumptions concerning future accounting periods. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustments to the carrying amount of assets and liabilities within the next financial year are outlined below.

Fair value of derivative financial instruments

The Fund may, from time to time, hold financial instruments that are not quoted in active markets, such as over the counter derivatives. Fair values of such instruments are determined by using valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by experienced personnel at the Investment Manager, independent of the party that created them. Models are calibrated by back-testing to actual transactions to ensure that inputs are reliable.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty); volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

All the Fund's financial assets and financial liabilities are held for the purpose of being traded.

Functional currency

The Board of Directors considers the US Dollar the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The US Dollar is the currency in which the Fund measures its performance and reports its results, as well as the currency in which it receives subscriptions for its investors.

Russian Federation First Mercantile Fund Limited

Notes to the Financial Statements for the year ended 31 March 2018

4 Net changes in fair value on financial assets and liabilities at fair value through profit or loss

	2018 US\$	2017 US\$
Net realised (loss)/gain on sale of securities	(497,581)	833,395
Net change in unrealised gain on securities	8,477,151	8,695,870
Net realised gain/(loss) on foreign exchange and forward exchange contracts	103,571	(63,534)
Unrealised gain/(loss) on foreign exchange and forward exchange contracts	10,229	(19,243)
Net changes in fair value on financial assets and liabilities at fair value through profit or loss	8,093,370	9,446,488

5 Directors' fees

	2018 US\$	2017 US\$
Charge for the year	9,998	7,762

6 Administration fee

Apex Fund Services Limited (the "Administrator") acts as the administrator, registrar and transfer agent for the Fund. For services provided, the fund pays fees at the higher of \$11,000 per month or fifteen basis points of the Fund's net assets per annum. For the year ended 31 March 2018, administration fees were \$142,606 (2017 - \$146,761), of which \$12,996 (2017 - \$32,247) was payable at 31 March 2018, and is included in accounts payable and accrued expenses in the consolidated statement of financial position.

7 Custodian fees, security transaction and safekeeping fees

Credit Suisse (UK) Ltd has been appointed as the custodian of assets held directly in the Russian Federation. Fees for custody services are charged on a sliding scale of 0.025% to 0.115% per annum based on the market value of the custodial investments. Other fees are fixed.

	2018 US\$	2017 US\$
Charge for the year	73,816	160,417

8 Management & Performance fees and load fees

Management fees

The Advisor receives a management fee at a rate of 2.0% per annum of net assets attributable to each of Class A, A Euro, B, C, E and E Euro redeemable preference shares of the Fund and 0.5% per annum of the net assets attributable to Class D redeemable preference shares of the Fund. The management fee is calculated weekly and payable quarterly. For the year ended 31 March 2018, the fee was \$429,738 (2017 - \$406,786) of which \$123,529 (2017 - \$79,109) was payable at 31 March 2018.

Russian Federation First Mercantile Fund Limited

Notes to the Financial Statements for the year ended 31 March 2018

8 Management & Performance fees and load fees (continued)

Performance fees

The Advisor also receives a performance fee equal to 20% of the net profits attributable to each class of redeemable preference share except for Class D. The performance fee is calculated weekly and payable quarterly. Net Profits are defined as the cumulative profits for the fiscal year before the performance fee, after deduction of all transaction costs, management fees, expenses over the amount that would have been earned in that fiscal year had the assets of the Fund been invested at a rate of 8% per annum. Net profits include both realised and unrealised gains less losses on investments. If the net profit for a week is negative, it will be carried forward ("carry forward losses"). No performance fee will be payable until the net profits in subsequent week(s) exceed carry forward losses and the performance as discussed above, together with any cumulative actual losses incurred in previous fiscal years, adjusted for redemptions. However, the net profit amount, upon which performance fees are calculated, is not offset by actual losses incurred in previous fiscal years at the time the performance fee becomes payable. Once earned, the performance fees will be retained by the Advisor regardless of the Fund's future results.

There were no performance fees incurred and payable for the year ended 31 March 2018 and 31 March 2017.

Load fees

The Advisor may charge load fees of up to 5% of the amount subscribed. When charged, these load fees will reduce the amount available to the shareholders for the purchase of redeemable preference shares in the Fund. For the year ended 31 March 2018 load fees of \$25,035 (2017 - \$22,036) were included in other expenses. As at 31 March 2018, \$35,831 (2017 - \$28,765) of load fees were included within accounts payable and accrued expenses.

9 Debtors and other receivables

	2018 US\$	2017 US\$
Other debtors and prepayments	65,208	90,934
Total	65,208	90,934

10 Unrealised loss on forward exchange contracts

	2018 US\$	2017 US\$
Loss on open GBP forward foreign exchange contract	(8,980)	(1,863)
Loss on open EUR forward foreign exchange contract	(6,693)	(6,565)
Total	(15,673)	(8,428)

Russian Federation First Mercantile Fund Limited

Notes to the Financial Statements for the year ended 31 March 2018

11 Accrued expenses

	2018 US\$	2017 US\$
Audit fees	13,815	21,425
Administration fee	12,996	34,947
Management & performance fee	123,529	79,109
Other creditors and accruals	81,031	60,510
Total	231,371	195,991

12 Other payables

	2018 US\$	2017 US\$
Subscription in advance	-	56,633
Redemptions payable	91,416	79,249
Total	91,416	135,882

13 Share capital

The Fund has an authorized share capital of \$12,000 divided into 100 Common Shares of par value US\$1.00 each and 11,900,000 participating, redeemable preference shares (the "Shares") of par value US\$0.001 each. The Common Shares are non-participating shares that are entitled to one vote per share. The Common Shares have been issued to the Investment Manager but no amount has been called or paid. The holder of the Common Shares is not entitled to receive dividends, may not redeem their holding and is only entitled to be repaid the par value of the common shares that has been paid up upon a winding up or distribution of capital.

Each of the redeemable preference shares carries no preferential or pre-emptive rights upon the issue of new redeemable preference shares. Redeemable preference shares may be purchased and redeemed on a Dealing Day, which is every Monday that is a business day. Shares may be purchased at the net asset value per share calculated at the immediately preceding Valuation Day, which is generally the business day immediately preceding the Dealing Day. Shares may be redeemed with 5 business day's written notice at their net asset value per share, subject to certain restrictions.

The Fund has issued ten classes of participating redeemable preference shares at 31 March 2018 (31 March 2017 - ten). Effective 31 December 2008 Class A redeemable preference shares and Class A Euro redeemable preference shares (non-voting) were closed for subscriptions into the Fund and Class E and Class E Euro redeemable preference shares (non-voting) were issued from 1 December 2008. Class B redeemable preference shares (voting) were created by the transfer of the existing shares of the Fund upon amalgamation (Note 1), Class C redeemable preference shares (voting) were created by the transfer of RFF Class A redeemable preference shares, and Class D redeemable preference shares (voting) were created by the transfer of RFF Class B redeemable preference shares into the Fund. Class A Euro redeemable preference shares were issued from 1 January 2005. Class F, Class F Euro redeemable preference shares (non-voting) and Class F GBP redeemable preference shares were issued from 19 August 2013. Classes A, A Euro, B, C, D, E, E Euro, F, F Euro and F GBP redeemable preference shares all participate in profits in proportion to their net asset value.

Russian Federation First Mercantile Fund Limited

Notes to the Financial Statements for the year ended 31 March 2018

13 Share capital (continued)

The net asset value per share of each class of redeemable preference shares as at 31 March 2018 is as follows:

Class	No of shares	NAV per Share US\$	NAV of shares at 31 March US\$
2018			
Class A	105,267	53.09	5,588,479
Class A Euro	14,664	15.30	224,386
Class B	2,692	32.32	86,999
Class C	86,925	102.28	8,890,477
Class D	82,445	209.20	17,247,143
Class E	98,845	18.66	1,844,391
Class E Euro	2,573	19.35	49,784
Class F	173,440	10.72	1,860,087
Class F Euro	31,861	11.32	360,620
Class F GBP	67,356	13.50	909,394
	<u>666,068</u>		<u>37,061,760</u>
Class A Euro		€12.44	€182,420
Class E Euro		€15.73	€40,473
Class F Euro		€9.20	€293,121
Class F GBP		£9.63	£648,638

The net asset value per share of each class of redeemable preference shares as at 31 March 2017 is as follows:

Class	No of shares	NAV per Share US\$	NAV of shares at 31 March US\$
2017			
Class A	132,214	41.66	5,508,515
Class A Euro	15,643	10.98	171,775
Class B	10,985	25.37	278,641
Class C	98,710	80.27	7,923,226
Class D	82,737	161.74	13,382,211
Class E	121,650	14.64	1,781,435
Class E Euro	4,597	13.89	63,840
Class F	211,394	8.42	1,779,245
Class F Euro	23,024	8.12	187,021
Class F GBP	59,342	9.85	584,806
	<u>760,296</u>		<u>31,660,715</u>
Class A Euro		€10.27	€160,654
Class E Euro		€12.98	€59,669
Class F Euro		€7.59	€174,752
Class F GBP		£7.86	£466,428

Russian Federation First Mercantile Fund Limited

Notes to the Financial Statements for the year ended 31 March 2018

13 Share capital (continued)

Details of the number of shares of each class issued and redeemed by the Fund for the year ended 31 March 2018 are as follows:

Class	Opening No of shares	No. of shares issued	No. of shares redeemed	Closing No of shares
Class A	132,216	4,082	(31,029)	105,269
Class A Euro	15,643	-	(979)	14,664
Class B	10,985	-	(8,293)	2,692
Class C	98,709	2,147	(13,933)	86,923
Class D	82,737	-	(292)	82,445
Class E	121,650	90,803	(113,608)	98,845
Class E Euro	4,597	-	(2,024)	2,573
Class F	211,394	6,862	(44,816)	173,440
Class F Euro	23,024	8,837	-	31,861
Class F GBP	59,341	15,451	(7,436)	67,356
	<u>760,296</u>	<u>128,182</u>	<u>(222,410)</u>	<u>666,068</u>

Details of the number of shares of each class issued and redeemed by the Fund for the year ended 31 March 2017 are as follows:

Class	Opening No of shares	No. of shares issued	No. of shares redeemed	Closing No of shares
Class A	147,985	-	(15,769)	132,216
Class A Euro	17,581	823	(2,761)	15,643
Class B	12,011	-	(1,026)	10,985
Class C	109,251	940	(11,482)	98,709
Class D	83,270	-	(533)	82,737
Class E	96,658	59,061	(34,069)	121,650
Class E Euro	4,142	6,013	(5,558)	4,597
Class F	190,287	32,464	(11,357)	211,394
Class F Euro	20,838	8,364	(6,178)	23,024
Class F GBP	27,307	33,044	(1,010)	59,341
	<u>709,330</u>	<u>140,709</u>	<u>(89,743)</u>	<u>760,296</u>

Russian Federation First Mercantile Fund Limited

Notes to the Financial Statements for the year ended 31 March 2018

14 Related parties

The Company and the Investment Manager are related by significant influence and provide investment management and related administration services.

The Directors have not entered into any contract for the provision of any other professional services to the company. For the year ended 31 March 2018, the directors fees were \$9,998 (2017 - \$7,762) Prepaid director \$7,291 (2017 - \$6,985) at 31 March 2018.

For the year ended 31 March 2018, the management fee was \$429,738 (2017 - \$406,786) of which \$123,529 (2017 - \$79,109) was payable at 31 March 2018.

For the year ended 31 March 2018 administration fees totalling \$142,606 (2017 - \$146,761) were payable during the year, of which \$12,996 (2017 - \$34,947) was outstanding at the year end.

15 Financial instruments and risk exposure

(a) Russian business environment

The Fund invests in companies which are mainly located in the Russian Federation. The Russian Federation continues to experience significant political and economic change which has affected, and may continue to affect, the activities of enterprises operating in this environment. The prospects for future economic stability in the Russian Federation are largely dependent upon the effectiveness of economic measures undertaken by the applicable governments, together with legal, regulatory and political developments, which are beyond the Fund's control. Consequently, operations in the Russian Federation involve risks, which do not typically exist in other markets. Such risks include, but are not limited to, the Fund's investments in companies in the Russian Federation which may prove difficult to sell in times of forced liquidity, risks involved estimating the valuation of the underlying businesses, potential adverse changes to the legal, regulatory and taxation environments that could adversely affect the underlying businesses, currency fluctuations, change in interest rates, institutional, settlement and custodial risks, and other risks generally associated with investing in emerging markets.

(b) Interest rate risk

Interest rate risk arises when a fund invests in interest-bearing financial instruments. The Fund does not hold securities which are sensitive to interest rates and does not hold, in the course of normal business, significant balances of cash and cash equivalents.

(c) Credit risk

Credit risk arises from the potential inability of counterparties to perform under the terms of the contract. The Fund has cash and cash equivalents, derivative transactions and securities held with a major bank with a long term credit rating of Baa3 issued by Moody's.

Local custody services remain undeveloped and although the Advisor endeavours to put in place controls mechanisms, there is a transaction, settlement and custody risk of dealing in regional securities. The maximum amount of credit exposure is \$37,337,021 (2017 - \$31,912,091). The Fund does not have any collateral or credit enhancements. These financial assets are not deemed to be impaired or past due.

Bankruptcy or insolvency of the bank or custodians may cause the Fund's rights to be delayed with respect to the cash and cash equivalents and securities held in the custodial relationship. The Advisor monitors the credit quality and financial position of the bank and custodians and should it decline significantly, the Advisor will move cash holdings and custodial relationships to another institution.

Russian Federation First Mercantile Fund Limited

Notes to the Financial Statements for the year ended 31 March 2018

15 Financial instruments and risk exposure (continued)

(d) Market risk

Market risk is the risk that the changes in interest rates, foreign exchange rates or securities prices will affect the fair value of the financial instruments held by the Fund. The Fund is exposed to the market risk of the securities and derivative financial instruments held. The Fund's risk is limited to the fair value of the investment in securities.

At 31 March 2018, if the price of the investments increased by 5%, this would have increased the net assets resulting from operations and the net assets attributable to holders of redeemable preference shares by \$1,846,456 (2017 - \$1,532,375); an equal change in the opposite direction would have decreased the net assets resulting from operations and the net assets attributable to holders of redeemable preference shares by an equal amount. Actual results will differ from this sensitivity analysis and the differences could be material.

(e) Currency risk

The Fund may invest in financial instruments denominated in currencies other than US dollar. Consequently, the Fund is exposed to risks that the exchange rate of the US dollar relative to other foreign currencies may change in a manner that has an adverse effect on the value of that portion of the Fund's assets or liabilities denominated in currencies other than the US dollar. The Fund's investment portfolio is comprised of securities that are American Depository Receipts ("ADRs") and Global Depository Receipts ("GDRs") which trade in United States dollars and British pounds sterling. Furthermore, the value of the rouble may impact the US dollar value of these securities.

The following table sets out the Fund's total exposure to foreign currency risk split between monetary assets and liabilities, net assets attributable to non-USD denominated share classes, forward foreign exchange contracts and the resulting net exposure to foreign currencies.

The amounts in the below table are based on the carrying value of monetary assets and liabilities, net assets attributable to non-USD denominated share classes and the underlying notional amounts of forward foreign exchange contracts.

Forward foreign exchange contracts are entered in to by the Fund to hedge exposure to monetary assets and liabilities denominated in currencies other than USD and to hedge the exposure of certain share classes denominated in currencies other than USD.

Class	Net Assets attributable to Non USD				
	Monetary Assets US\$	Monetary Liabilities US\$	denominated Share Classes US\$	Forward contracts US\$	FX Net Exposure US\$
31 March 2018					
EUR	81,353	-	(634,790)	634,320	80,883
GBP	125,646	-	(909,394)	912,000	128,252
	206,999	-	(1,544,184)	1,546,320	209,135

Russian Federation First Mercantile Fund Limited

Notes to the Financial Statements for the year ended 31 March 2018

15 Financial instruments and risk exposure (continued)

(e) Currency risk (continued)

Class	Monetary Assets US\$	Monetary Liabilities US\$	Net Assets attributable to Non USD denominated Share Classes US\$	Forward contracts US\$	FX Net Exposure US\$
31 March 2017					
EUR	44,711	-	(422,636)	430,083	52,158
GBP	184,886	-	(584,806)	586,939	187,019
	229,597	-	(1,007,442)	1,017,022	239,177

The gains and losses on forward foreign exchange contracts entered into for the purpose of hedging the exposure to monetary assets and liabilities are recorded in gains and losses on forward foreign exchange contracts in the consolidated statement of comprehensive income. The gains and losses on contracts entered into for the purpose of hedging the exposure of share classes denominated in currencies other than USD are also recorded in gains and losses on forward foreign exchange contracts in the consolidated Statement of comprehensive income, but are allocated specifically to the non-USD denominated share classes to which the hedging activities, and resultant gains and losses, relate.

At 31 March 2018 the Fund had the following open forward exchange contract:

Currency to be sold	Currency to be bought	Contract due date	Fair Value
USD 634,320	EUR 510,266	3 April 2018	(USD 6,693)
USD 912,000	GBP 644,140	3 April 2018	(USD 8,980)

At 31 March 2017 the Fund had the following open forward exchange contract:

Currency to be sold	Currency to be bought	Contract due date	Fair Value
USD 430,083	EUR 395,923	4 April 2017	(USD 6,565)
USD 586,939	GBP 466,493	4 April 2017	(USD 1,863)

(f) Capital management

The Fund's objectives in managing the redeemable preference shares are to ensure a stable base to maximize returns to all investors, and to manage liquidity risk arising from redemptions. The Fund's management of the liquidity risk arising from redeemable preference shares is discussed in Note 13.

The Fund is not subject to any externally imposed capital requirements.

Russian Federation First Mercantile Fund Limited

Notes to the Financial Statements for the year ended 31 March 2018

15 Financial instruments and risk exposure (continued)

(g) Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. A portion of the securities owned by the Fund are traded on Russian exchanges and may be subject to reduced secondary market liquidity and market quotations may only be available from a limited number of sources and may not represent firm bids for actual sales. As a result, the Fund may not be able to quickly liquidate its securities at their stated fair value in order to meet its liquidity requirements. The Fund's portfolio consists primarily of ADR's and GDR's which are traded on a primary exchange. The Fund's exposure to liquidity risk is managed by the Advisor.

The liabilities of the Fund are comprised of redemptions payable, management and performance fees payable and accounts payable and accrued expenses and these fall due within 3 months of the balance sheet date.

Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

At 31 March 2018	Less than 1 month US\$	1-3 Months US\$	3-12 Months US\$	No Stated maturity US\$
Redemption payable	91,416	-	-	-
Accrued expenses	231,371	-	-	-
Net assets attributable to holders of redeemable preference shares	-	37,061,760	-	-
Total financial liabilities	322,787	37,061,760	-	-
At 31 March 2017	Less than 1 month US\$	1-3 Months US\$	3-12 Months US\$	No Stated maturity US\$
Redemption payable	79,249	-	-	-
Subscriptions in advance	56,633	-	-	-
Accrued expenses	195,991	-	-	-
Net assets attributable to holders of redeemable preference shares	-	31,660,715	-	-
Total financial liabilities	331,873	31,660,715	-	-

Russian Federation First Mercantile Fund Limited

Notes to the Financial Statements for the year ended 31 March 2018

15 Financial instruments and risk exposure (continued)

(h) Financial assets and financial liabilities: Disclosures:

The Fund 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:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - 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 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

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

The following tables analyse within the fair value hierarchy the Company's financial assets at fair value through profit and loss measured at fair value at 31 March 2018. All assets are classified as Level 1 on the basis that they are traded on highly liquid markets:

As at March 31, 2018	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
Common Equities	36,929,114	-	-	36,929,114
Total investments	36,929,114	-	-	36,929,114
Unrealised loss on forward exchange contracts	-	(15,673)	-	(15,673)

A breakdown of the level one asset's are summarized below.

Financial assets and liabilities at fair value through profit or loss - held for trading:

Investment securities – equities	US\$ 36,929,114
Total financial assets and liabilities	US\$ 36,929,114

Russian Federation First Mercantile Fund Limited

Notes to the Financial Statements for the year ended 31 March 2018

15 Financial instruments and risk exposure (continued)

As at March 31, 2017	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
Common Equities	30,647,495	-	-	30,647,495
Total investments	30,647,495	-	-	30,647,495
Unrealised loss on forward exchange contracts	-	(8,428)	-	(8,428)

A breakdown of the level one asset's are summarized below.

Financial assets and liabilities at fair value through profit or loss - held for trading:

Investment securities – equities	US\$ 30,647,495
Total financial assets and liabilities	US\$ 30,647,495

Financial assets and financial liabilities at fair value through profit or loss, whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities. The Company does not adjust the quoted price for these instruments.

There were no movements of financial assets and financial liabilities at fair value through profit loss between levels 1 and 2 during the current year or prior year.

The financial instruments not measured at fair value through profit or loss are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

The following table sets out the fair values of financial assets and liabilities not measured at fair value and analyses it by the level in the fair value hierarchy into which each fair value measurement is categorised.

As at March 31, 2018	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
Cash at bank and broker	405,998	-	-	405,998
Debtors and other receivables	-	65,208	-	65,208
	405,998	65,208	-	471,206
Redemptions payable	-	91,416	-	91,416
Accrued expenses	-	231,371	-	231,371
Net assets attributable to holders of redeemable preference shares	-	37,061,760	-	37,061,760
	-	37,384,547	-	37,384,547

Russian Federation First Mercantile Fund Limited

Notes to the Financial Statements for the year ended 31 March 2018

15 Financial instruments and risk exposure (continued)

As at March 31, 2017	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
Cash at bank and broker	1,262,687	-	-	1,262,687
Debtors and other receivables	-	90,934	-	90,934
	1,262,687	90,934	-	1,353,621
Redemptions payable	-	79,249	-	79,249
Subscriptions in advance	-	56,633	-	56,633
Accrued expenses	-	195,991	-	195,991
Net assets attributable to holders of redeemable preference shares	-	31,660,715	-	31,660,715
	-	31,992,588	-	31,992,588

The carrying value of financial assets and liabilities measured at amortised cost in the Company's balance sheet is a reasonable approximation of the fair value.

Cash and cash equivalents include deposits held with banks. Other receivables include obligations due to the Company.

The other payable and accruals represent the contractual amounts and obligations due by the Company for settlement of expenses.

The puttable value of redeemable shares is calculated based on the net difference between total assets and all other liabilities of the Company in accordance with the Company's prospectus.

16 Post balance sheet events & subsequent events

There are no post balance sheet events.

17 Ultimate controlling party

AP Asset Management Limited (the Investment Advisor) is the ultimate controlling party.

18 Accounting period

In accordance with the funds prospectus, the funds financial statements are prepared to 31 March each year or the closest weekly valuation date to this day. Accordingly the financial statements have been prepared using the valuation date of 31 March 2018 and as a consequence present the results of the fund for the year ended 31 March 2018.