RENFIN LIMITED

Consolidated Financial Statements

For the year ended December 31, 2008

Contents

Notes to the Consolidated Financial Statements

Company information

Directors	David Blair Sarah Moule Andrey Movchan (resigned on March 26, 2009) Rod Barker (appointed on March 26, 2009 resigned on May 31, 2009) Igor Stychinsky (appointed on June 9, 2009)
Registered office	Palm Grove House P.O. Box 3190 Road Town Tortola British Virgin Islands
Investment manager	Kashtan Limited Clifton House 75 Fort Street PO Box 1350 Grand Cayman KY1-1108
Advisor to Investment manager	Renaissance Capital Investment Management Limited 56 Administration Drive Whickhams Cay I P.O. Box 3190 Road Town, Tortola British Virgin Islands
Prime broker	Renaissance Advisory Services Limited Canon's Court 22 Victoria Street Hamilton, HM 12 Bermuda
Administrator, registrar, transfer agent	Custom House Administration and Corporate Services Ltd 25 Eden Quay Dublin 1 Ireland
Secretary	Appleby Corporate Services (BVI) Limited Palm Grove House PO Box 3190 Road Town Tortola British Virgin Islands
Custodian	ING Bank (Eurasia) ZAO 36 Krasnoproletarskaya Moscow 127473 Russian Federation
Auditor	Ernst & Young Sadovnicheskaya nab.77, bld.1 Moscow 115035 Russia

Company information

General legal advisors	Akin Gump Strauss Hauer & Feld
United States Law	City Point, Level 32 One Ropemaker Street London EC 2Y 9AW United Kingdom
Bermuda Law	Appleby Canon's Court 22 Victoria Street P.O. Box HM 1179 Hamilton HM EX Bermuda
British Virgin Islands Law	Appleby Palm Grove House P.O. Box 3190 Road Town Tortola British Virgin Islands
Listing Sponsor	Reid Services Limited 41a Cedar Avenue PO Box HM 1179 Hamilton HM EX Bemuda

Investment Manager's Report

RenFin Limited (the "Fund") raised USD 200 million in November 2006 to capitalize on the growth opportunities in the financial sector in Russia and the CIS. The Fund's strategy is to build a diversified portfolio comprising fast-growing banks of different sizes with sound strategies and strong management teams looking for ways to strengthen their performance and market share ahead of an IPO or private sale.

As of December 31, 2008 the Fund had in its portfolio eight equity investments with total cost of USD 193.6 million (96.8% of the Fund's initial capital) into Probusinessbank, Orient Express Bank, Center Invest Bank, Investbank (the bank merged with Konversbank, Grancombank, Voronezhprombank in April 2008), Rosevrobank, Bank "Khlynov", SKB Bank and Petersburg Social Commercial Bank.

In spite of the turbulence in international financial markets and shrinking economic activity that were affecting banking business in terms of constraining lending operations, discouraging savings and growing number of defaults in autumn 2008, as of the end of 2008 the overall assets of the Russian banking sector grew by 39.0% compared to 2007 and totalled RUR 28 022 billion. Loan portfolio increased by 34.5% year-on-year reaching RUR 16 527 billion. The total volume of deposits increased by only 20% to RUR 14 681 billion, approximately 40.2% of which came from individuals. The banking industry total equity grew by 42.6% to RUR 3 811 billion. However, the overall net profit of Russian banks decreased by 19.4% to RUR 409 billion and resulted in a substantial reduction of average industry ROAA (from 3% to 1.7%) and ROAE (from 23% to 12.6%).

Overall, all banks in Renfin's portfolio asserted their financial soundness and viability during the crisis in autumn 2008. The retail deposits outflow experienced by many Russian banks in September and October 2008 stabilised by end-November 2008. All banks in the portfolio were operationally profitable in 2008 and did not suffer any material adverse effect from the stock market slump in the second half of 2008, or asset write downs. Performance of all the Fund's investee banks throughout 2008 was basically in line with average market performance and as of end-2008 their total assets equalled to RUR 280 billion (growth of 29% from 2007 year-end), total equity amounted to RUR 32.5 billion (increase of 35.2%), and overall net profit decreased to RUR 3.3 billion (down by 17%). Weighted average ROAA and ROAE of the investee banks were 1.3% and 13.2% respectively.

During the first five months of 2009 liquidity pressure for Renfin's banks substantially eased (as a matter of fact most Renfin banks accumulated a sizeable liquidity cushion and reduced or totally extinguished their short-term borrowings from the CBR). Longer term funding is a key for the growth of banking sector in the medium-term perspective. However, with the wholesale debt capital markets completely shut for the next 12 months at least and severe competition for local deposits, banks are unlikely to build up their loan books and expand operations sizeably in 2009. Instead, in the current market situation banks take an opportunity to increase efficiency of their existing operations by streamlining organisational structures, optimising their branch network and staffing, and maintaining quality of loan books through overall enhancement of their risk management and operational controls. In spite of all the challenges Renfin's banks face, the fund manager expects that the portfolio banks will remain profitable or breakeven in 2009, thus their equity base should not deteriorate.

Kashtan Limited
Investment manager of RenFin Limited

Ernst & Young LLC
Sadovnicheskaya Nab., 77, bld. 1
Moscow, 115035, Russia
Tel: +7 (495) 705 9700
+7 (495) 755 9700
Fax: +7 (495) 755 9701
www.ey.com/russia

ООО «Эрнст энд Янг»
Россия, 115035, Москва
Садовническая наб., 77, стр. 1
Тел.: +7 (495) 705 9700
+7 (495) 755 9700
Факс: +7 (495) 755 9701
ОКПО: 59002827

Independent Auditors' Report

To the Shareholders and Directors of RENFIN LIMITED -

We have audited the accompanying consolidated financial statements of RENFIN LIMITED ("the Fund"), which comprise the consolidated balance sheet as at December 31, 2008 and the consolidated statement of operations, consolidated statement of changes in net assets attributable to shareholders and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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 consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Fund as at December 31, 2008, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLC

June 29, 2009

Consolidated Balance Sheet

as at December 31, 2008

(in thousands of US Dollars)

	Notes	2008	2007
Assets			
Cash and cash equivalents		376	25,871
Financial assets held for trading		-	257
Financial assets designated at fair value through profit or loss	5	19,630	20,937
Deposits with banks	6	5,956	16,257
Amounts due from broker		-	5
Investment securities available for sale	7	217,009	266,311
Other assets		10	-
Total assets		242,981	329,638
Liabilities			
Financial liabilities designated at fair value through profit or loss	5	19,630	20,937
Performance fee payable	8	4,326	21,346
Management fee payable	8	1,017	1,033
Current tax liabilities		551	739
Accounts payable and accrued expenses		156	201
Total liabilities excluding net assets attributable to shareholders		25,680	44,256
Net assets attributable to shareholders	9	217,301	285,382
Number of redeemable shares in issue	9	1,999,970	1,999,970
Net asset value per redeemable share (in US dollars)	9	108.65	142.69

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

David Blair
Director

Sarah Moule
Director

June 29, 2009 SM. DB

The accompanying notes on pages 9 to 29 are an integral part of these consolidated financial statements.

Consolidated Statement of Operations

for the year ended December 31, 2008

(in thousands of US Dollars)

	Notes	2008	2007
Dividend income		453	558
Interest income		1,122	5,202
Net gain/(loss) on financial assets at fair value through profit or loss		152	(691)
Net realized loss on investment securities available for sale	7	-	(10)
Net foreign exchange loss		(1,225)	(59)
Total operating income		**502**	**5,000**
Impairment of investment securities available for sale	7	(12,202)	-
Performance fee reversal/(expense)	8	17,020	(20,757)
Management fee	8	(4,001)	(3,967)
Administration fee		(391)	(331)
Other operating expenses		(588)	(501)
Total reversal/(expenses)		**(162)**	**(25,556)**
Increase/(decrease) in net assets attributable to shareholders from operations before income tax		**340**	**(20,556)**
Income tax benefit/(expense)	10	188	(727)
Increase/(decrease) in net assets attributable to shareholders from operations		**528**	**(21,283)**

The accompanying notes on pages 9 to 29 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Net Assets Attributable to Shareholders
for the year ended December 31, 2008

(in thousands of US Dollars)

	Number of redeemable shares	Net assets attributable to shareholders (calculated in accordance with IFRS)
January 1, 2007	**1,990,970**	**206,167**
Net unrealised gain on investment securities available for sale (Note 7)	-	100,488
Realised loss on investment securities available for sale reclassified to change in net assets attributable to shareholders from operations (Note 7)	-	10
Decrease in net assets attributable to shareholders from operations	-	(21,283)
Total income and expense for the year	**-**	**79,215**
December 31, 2007	**1,990,970**	**285,382**
Net unrealised loss on investment securities available for sale (Note 7)	-	(68,609)
Increase in net assets attributable to shareholders from operations	-	528
Total income and expense for the year	**-**	**(68,081)**
December 31, 2008	**1,990,970**	**217,301**

The accompanying notes on pages 9 to 29 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

for the year ended December 31, 2008

(in thousands of US Dollars)

	2008	2007
Cash flows from operating activities		
Increase/(decrease) in net assets attributable to shareholders from operations	**528**	**(21,283)**
Net changes in operating assets and liabilities:		
Decrease/(increase) in financial assets held for trading	257	35,257
Decrease/(increase) in financial assets designated at fair value through profit or loss	1,307	(20,937)
Decrease/(increase) in deposits with banks	10,301	83,673
Decrease in amounts due from broker	5	4,879
Increase in investment securities available for sale	(19,360)	(99,818)
Decrease/(Increase) in other assets	(10)	-
Increase/(decrease) in financial liabilities designated at fair value through profit or loss	(1,307)	20,937
Increase/(decrease) in performance fee payable	(16,965)	20,757
Increase/(decrease) in management fee payable	(16)	700
Increase/(decrease) in current tax liabilities	(188)	727
Increase/(decrease) in accounts payable and accrued expenses	(47)	99
Cash generated from/(used in) operating activities	**(25,495)**	**24,991**
Net decrease in cash and cash equivalents	**(25,495)**	**24,991**
Cash and cash equivalents at the beginning of the year	25,871	880
Cash and cash equivalents at the end of the year	**376**	**25,871**
Supplementary information:		
Interest received	1,237	5,392
Dividend received	453	558

The accompanying notes on pages 9 to 29 are an integral part of these consolidated financial statements.

(in thousands of US Dollars)

1. Principal Activities

These consolidated financial statements include the financial statements of RENFIN LIMITED and its 100% owned subsidiary Rekha Holdings Limited ("the Subsidiary"), together referred to as the "Fund".

RENFIN LIMITED was incorporated under the laws of the British Virgin Islands on September 14, 2006, as a closed-ended limited liability exempted company. The Fund is listed on the Bermuda Stock Exchange. Its registered office is Palm Grove House, P.O. Box 3190, Road Town, Tortola, British Virgin Islands.

The Fund makes all investments through its subsidiary, Rekha Holdings Limited.

Rekha Holdings Limited was incorporated under Cyprus Companies Law, CAP.113 on July 13, 2006, as a private limited liability company.

The investment objective of the Fund is to achieve medium term capital growth through investments in financial institutions whose principal operations are located in Russia or other states of the former Soviet Union and are planning to undertake an initial public offering or a private placement of their shares. Investments may also be made in companies that derive a substantial portion of their revenue from, or have substantial assets in Russia or other states of the former Soviet Union.

The Fund appointed Kashtan Limited ("the Investment Manager"), an investment management company incorporated on Cayman Islands, to implement the investment strategy of the Fund. The Fund has also appointed an Advisor to Investment Manager, Renaissance Capital Investment Management Limited, to advise the Investment Manager on implementation of the Fund's investment strategy.

The Fund's custodian and administrator is ING Bank (Eurasia) ZAO and Custom House Administration & Corporate Services Limited, respectively.

In accordance with the Offering Memorandum, the Fund has a term of three years from the commencement date of November 27, 2006, provided that the Directors may extend the term for up to two successive one-year periods. On May 27, 2009 by the decision of Directors the maturity of the Fund has been extended for the first time for one year till November 27, 2010 (refer to Note 16).

2. Basis of Preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The consolidated financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

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

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

Operating environment

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

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

The Russian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The ongoing global financial crisis has resulted in capital markets instability, significant deterioration of liquidity in the banking sector, and tighter credit conditions within Russia. While the Russian Government has introduced a range of stabilization measures aimed at providing liquidity and supporting refinancing of foreign debt for Russian banks and companies, there continues to be uncertainty regarding the access to capital and cost of capital for the Fund's investees, which could affect the fair value of the Fund's financial position, results of operations and business prospects of the Fund's investees and, consequently, affect the fair value of the Fund's investments.

(in thousands of US Dollars)

2. Basis of Preparation (continued)

Operating environment (continued)

Also, the investees of the Fund may have been affected by the deterioration in liquidity, which could in turn impact their ability to repay the amounts due. Due to the fall in prices in global and Russian securities markets, the Fund experienced a significant decrease in the fair value of investments. To the extent that information is available, the Fund has reflected revised estimates of expected future cash flows in its fair value assessments.

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

3. Summary of Accounting Policies

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

(A) Financial instruments

(i) Classification

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

Financial assets and liabilities at fair value through profit or loss

The category of financial assets and liabilities at fair value through the profit or loss is sub-divided into:

Financial instruments held for trading: Financial assets held for trading include equity securities, investments in managed funds and debt instruments. These assets are acquired principally for the purpose of generating a profit from short-term fluctuations in price. All derivatives and liabilities from short sales of financial instruments are classified as held for trading.

Financial instruments designated as at fair value through profit or loss: These include equity securities, debt instruments and investments in associates that are not held for trading. These financial assets are designated on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund. The financial information about these financial assets is provided internally on that basis to the Directors.

The Fund designates the investments in equities in which it holds more than 20 per cent and less than 50 per cent upon initial recognition, as at fair value through profit or loss in accordance with the exemption provided by IAS 28 "Investments in Associates" for investment companies and venture capital organizations.

Available for sale financial assets

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Fund includes in this category amounts relating to reverse repurchase agreements, cash collateral on securities borrowed and other short-term receivables.

Other financial liabilities

This category includes all financial liabilities, other than those classified as at fair value through profit or loss. The Fund includes in this category amounts relating to repurchase agreements, cash collateral on securities lent and other short-term payables.

(in thousands of US Dollars)

3. Summary of Accounting Policies (continued)

(A) Financial instruments (continued)

(ii) Recognition

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

(iii) Derecognition

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

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

When the Fund has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Fund's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Fund could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Fund's continuing involvement is the amount of the transferred asset that the Fund may repurchase, except that, in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Fund's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

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

(iv) Initial measurement

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

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

Derivatives embedded in other financial instruments are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself classified as held for trading or designated as at fair value through profit or loss. Embedded derivatives separated from the host are carried at fair value with changes in fair value recognised in profit or loss.

(v) Subsequent measurement

After initial measurement, the Fund measures financial instruments which are classified as at fair value through profit or loss at fair value (see B below). Subsequent changes in the fair value of those financial instruments are recorded in "Net gain or loss on financial assets and liabilities at fair value through profit or loss". Interest earned and dividend revenue elements of such instruments are recorded separately in "Interest income" and "Dividend income" respectively. Dividend expenses related to short positions are recognised in "Dividends on securities sold not yet purchased".

(in thousands of US Dollars)

3. Summary of Accounting Policies (continued)

(A) Financial instruments (continued)

Held-to-maturity investments are subsequently measured at amortised cost. Gains and losses are recognised in the consolidated statement of operations when the investments are impaired, as well as through the amortization process.

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

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

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

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

(B) Determination of fair value

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

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

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

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible.

(C) Impairment of financial assets

The Fund assesses at each reporting date whether a financial asset or group of financial assets classified as loans and receivables is impaired. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted using the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss as "Impairment of interest bearing assets".

(in thousands of US Dollars)

3. Summary of Accounting Policies (continued)

(C) Impairment of financial assets

Impaired debts together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Fund. If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a previous write-off is later recovered, the recovery is credited to the "Impairment of interest bearing assets".

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

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

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

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

(D) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is generally not the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated balance sheet.

(E) Foreign currency translations

Transactions during the period, including purchases and sales of securities, income and expenses, are translated at the rate of exchange prevailing on the date of the transaction.

Differences between the contractual exchange rate of a transaction in a foreign currency and the exchange rate prevailing on the date of the transaction are included in net gains less losses from dealing in foreign currencies. The official CBR exchange rates at December 31, 2008 and December 31, 2007 were 29.3804 Rubles and 24.5462 Rubles to 1 USD, respectively.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at each period end.

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

Foreign currency transaction gains and losses on financial instruments classified as at fair value through profit or loss are included in the consolidated statement of operations as part of the "Net gain or loss on financial assets and liabilities at fair value through profit or loss". Foreign exchange differences on other financial instruments are included in the consolidated statement of operations as "Net foreign exchange gain/(loss)". Foreign exchange difference on non-monetary items, such as investments securities available for sale are included in the unrealized gains/(losses) on investment securities available for sale within the consolidated statement of changes in net assets attributable to shareholders.

(in thousands of US Dollars)

3. Summary of Accounting Policies (continued)

(F) Due to and due from brokers

Amounts due to brokers are short-term loans taken from the broker to execute payments.

Amounts due from brokers include short-term deposits placed with the broker and balance on settlement account with the broker.

(G) Cash and cash equivalents

Cash and cash equivalents in the consolidated balance sheet comprise cash on hand, demand deposits, short-term deposits in banks with original maturities of three months or less and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(H) Interest income and expense

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

(I) Dividend income and expense

Dividend income is recognised when the Fund's right to receive the payment is established. Dividend income is presented gross of any non-recoverable withholding taxes, which are disclosed separately in the consolidated statement of operations. Dividend expense relating to equity securities sold short is recognised when the shareholders' right to receive the payment is established.

(J) Net gain or loss on financial assets and liabilities at fair value through profit or loss

This item includes changes in the fair value of financial assets and liabilities held for trading or designated upon initial recognition at fair value through profit or loss and exclude interest and dividend income and expense.

Realised gains and losses on disposals of financial instruments classified as "at fair value through profit or loss" are calculated using the First-In, First Out (FIFO) method. Unrealised gains and losses comprise changes in the fair value of financial instruments for the period and from reversal of prior period's unrealised gains and losses for financial instruments which were realised in the reporting period.

(K) Fees and commissions

Unless included in the effective interest calculation, fees and commissions are recognised on an accrual basis.

(L) Income taxes

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

(M) Profit participating non-voting redeemable shares

Profit participating non-voting redeemable shares are not redeemable at the shareholders' option and are classified as financial liabilities. The liabilities arising from the redeemable shares are carried at the redemption amount being the net asset value calculated in accordance with IFRS.

The Fund's net asset value per share is calculated by dividing the net assets attributable to shareholders by the number of shares in issue.

(in thousands of US Dollars)

3. Summary of Accounting Policies (continued)

(N) Distributions to shareholders

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

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

(O) Future changes in accounting policies

Improvements to IFRS
In May 2008, the IASB issued amendments to IFRS, which resulted from the IASB's annual improvements project. They 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 IFRS standards. Most of the amendments are effective for annual periods beginning on or after January 1, 2009, with earlier application permitted. The Fund is currently evaluating the potential impact that the adoption of the amendments will have on its consolidated financial statements.

IAS 1 Presentation of Financial Statements (Revised)
The standard replaces IAS 1 Presentation of Financial Statements (revised in 2003) as amended in 2005. The revised IAS 1 Presentation of Financial Statements was issued in September 2007 and is effective for accounting periods beginning on or after January 1, 2009 with early application permitted.

The standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Fund has not decided yet whether a single statement or two linked statements will be presented.

IAS 23 "Borrowing Costs" (Revised)
IAS 23 Borrowing Costs issued in March 2007 will supersede IAS 23 Borrowing Costs (revised in 2003). IAS 23 is effective for accounting periods beginning on or after January 1, 2009, with early application permitted. The main change from the previous version is the removal of the option to immediately recognise as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. The Fund expects that this revision will have no impact on the Fund's consolidated financial statements.

Amendments to IAS 32 "Financial Instruments: Presentation" and IAS 1 "Presentation of Financial Statements" – Puttable Financial Instruments and Obligations Arising on Liquidation
Amendments to IAS 32 and IAS 1 were issued by the IASB in February 2008 and become effective for annual periods beginning on or after January 1, 2009 with early application permitted. The amendment to IAS 32 requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. The amendments to IAS 1 require disclosure of certain information relating to puttable instruments classified as equity. The Fund is till evaluating effect of these amendments to its financial statements.

Amendment to IAS 39 "Financial Instruments: recognition and measurement" - Eligible Hedged Items.
This amendment to IAS 39 Financial Instruments: Recognition and Measurement was issued on July 31, 2008 and is applicable for annual periods beginning on or after July 1, 2009 with early application permitted. The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. The Fund expects that these amendments will have no impact on the Fund's consolidated financial statements.

(in thousands of US Dollars)

3. Summary of Accounting Policies (continued)

(O) Future changes in accounting policies (continued)

Amendments to IFRS 1 "First-time Adoption of IFRSs" and IAS 27 "Consolidated and Separate Financial Statements" - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
These amendments were issued in May 2008, and become effective for annual periods beginning on or after January 1, 2009. The revision to IAS 27 will have to be applied prospectively. The amendments to IFRS 1 allow an entity to determine the cost of investments in a subsidiary, jointly controlled entity or associate in its opening IFRS financial statements in accordance with IAS 27 or using a deemed cost. The amendment to IAS 27 requires all dividends from a subsidiary, jointly controlled entity or associate to be recognised in the statement of operations in the separate financial statements. The new requirements affect only the parent's separate financial statements and do not have an impact on the consolidated financial statements of the Fund.

Amendments to IFRS 2 "Share-based Payment"- Vesting Conditions and Cancellations
This amendment to IFRS 2 Share-based payments was published in January 2008 and becomes effective for financial years beginning on or after January 1, 2009. The standard restricts the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as the result of a failure to meet a nonvesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation. The Fund expects that these amendments will have no impact on the Fund's consolidated financial statements as no such payment schemes currently exist.

IFRS 3 "Business Combinations" (revised in January 2008) and IAS 27 "Consolidated and Separate Financial Statements" (revised in January 2008).
The revised standards were issued in January 2008 and become effective for financial years beginning on or after July 1, 2009. IFRS 3 (Revised 2008) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27 (Revised 2008) requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Application of the revised standards will become mandatory for the Fund's 2010 consolidated financial statements.

IFRS 8 "Operating Segments"
IFRS 8 becomes effective for annual periods beginning on or after January 1, 2009. This Standard requires disclosure of information about the Fund's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Fund.

For management purposes, the Fund is organized into one main operating segment, which invests in equity securities. All of the Fund's activities are interrelated, and each activity is dependent on the others. All significant operating decisions are based upon analysis of the Fund as one segment. The financial results from this segment are equivalent to the consolidated financial statements of the Fund as a whole. Accordingly, adoption of this Standard will not have any impact on the financial position or performance of the Fund.

IFRIC 13 "Customer Loyalty Programmes"
IFRIC Interpretation 13 was issued in June 2007 and becomes effective for annual periods beginning on or after July 1, 2008. This Interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. The Fund expects that this interpretation will have no impact on the Fund's consolidated financial statements as no such schemes currently exist.

IFRIC 15 "Agreements for the Construction of Real Estate"
IFRIC Interpretation 15 was issued in July 2008 and is applicable retrospectively for annual periods beginning on or after January 1, 2009. IFRIC 15 clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. The interpretation also provides guidance on how to determine whether an agreement is within the scope of IAS 11 "Construction Contracts" or IAS 18 "Revenue" and supersedes the current guidance for real estate in the Appendix to IAS 18. The Fund expects that this interpretation will have no impact on the Fund's consolidated financial statements.

(in thousands of US Dollars)

3. Summary of Accounting Policies (continued)

(O) Future changes in accounting policies (continued)

IFRIC 16 "Hedges of a Net Investment in a Foreign Operation"
IFRIC Interpretation 16 was issued in July 2008 and is applicable for annual periods beginning on or after October 1, 2008. This Interpretation provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of net investment, where within the group the hedging instrument can be held and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. The Fund expects that this interpretation will have no impact on the Fund's consolidated financial statements.

IFRIC 17 "Distribution of Non-Cash Assets to Owners"
IFRIC Interpretation 17 was issued on November 27, 2008 and is effective for annual periods beginning on or after July 1, 2009. IFRIC 17 applies to pro rata distributions of non-cash assets except for common control transactions and requires that a dividend payable should be recognised when the dividend is appropriately authorized and is no longer at the discretion of the entity; an entity should measure the dividend payable at the fair value of the net assets to be distributed; an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. The Interpretation also requires an entity to provide additional disclosures if the net assets being held for distribution to owners meet the definition of a discontinued operation. The Fund expects that this interpretation will have no impact on the Fund's consolidated financial statements.

IFRIC 18 Transfers of Assets from Customers
IFRIC 18 was issued in January 2009 and becomes effective for financial years beginning on or after July 1, 2009 with early application permitted, provided valuations were obtained at the date those transfers occurred. This interpretation should be applied prospectively. IFRIC 18 provides guidance on accounting for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services or to do both. The interpretation clarifies the circumstances, in which the definition of an asset is met, the recognition of the asset and its measurement on initial recognition, the identification of the separately identifiable services, the recognition of revenue and the accounting for transfers of cash from customers. IFRIC 18 will have no impact on the financial position or performance of the Fund, as the Fund does not receive assets from customers.

Amendments to IFRS 7 "Improving Disclosures about Financial Instruments"
Amendments to IFRS 7 "Improving Disclosures about Financial Instruments" were issued in March 2009 and become effective for periods beginning on or after January 1, 2009 with early application permitted. These Amendments introduce a three-level fair value disclosure hierarchy that distinguishes fair value measurements by the significance of the inputs used. In addition, the amendments enhance disclosure requirements on the nature and extent of liquidity risk arising from financial instruments to which an entity is exposed. These amendments will have no impact on the financial position or performance of the Fund but will result in more detailed disclosures regarding measurement of the fair value of financial instruments.

4. Significant Accounting Judgments and Estimates

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

Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the consolidated balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The models are calibrated regularly and tested for validity using prices from any observable current market transactions in the same instrument (without modification or repackaging) or based on any available observable market data.

(in thousands of US Dollars)

4. Significant Accounting Judgments and Estimates (continued)

Impairment of investments

The Fund regularly reviews its investments to determine if there have been any indicators that the value may be impaired.

As of December 31, 2008, based on the results of regular impairment assessment, the Fund estimates certain investments available for sale as impaired. Respective impairment charge amounted to USD 12,202 was removed from securities available for sale revaluation reserve included in the net assets attributable to shareholders and recognized within the Fund's statement of operations. Please refer to Note 7.

Deferred tax assets

Deferred tax assets are recognized in respect of tax losses to the extent that it is probable that taxable profit will be available, against which the losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits.

As of December 31, 2008 the Fund did not recognize deferred tax asset in respect of tax losses.

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

	2008	*2007*
Assets		
JSCB Probusinessbank ordinary shares	19,630	20,937
Total	**19,630**	**20,937**
Liabilities		
Equity Linked Note Issued (Unlisted)	19,630	20,937
Total	**19,630**	**20,937**

In 2007 the Fund acquired 124 151 ordinary shares of JSCB Probusinessbank for USD 23 281 from Agrera Investments Ltd., a related party. On the same date the Fund issued an Equity Linked Note for USD 23 281, purchased by the same related party. The Equity Linked Note gives Agrera Investments Ltd. the right to receive any dividends or other distributions arising from the JSCB Probusinessbank shares, and the right to receive any proceeds resulting from the disposal of those shares.

A decrease of fair value of the assets designated at fair value through profit or loss amounting to USD 1,307 in 2008 was recognized within "Net gain/(loss) on financial assets at fair value through profit or loss". A correspondent decrease of respective financial liabilities' fair value was included within the same item of statement of operations. Consequently, the net effect of changes in fair value of the financial instruments designated at fair value through profit or loss comprised nil in 2008 (2007: nil).

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

6. Deposits with Banks

As at December 31, 2008 and 2007 the Fund placed following deposits with Russian banks:

2008	*Principal amount in currency (thousand)*	*Maturity*	*Interest rate*	*2008*
Rouble deposit	175,000	February 12, 2009	12.00%	5,956
				5,956

2007	*Principal amount in currency (thousand)*	*Maturity*	*Interest rate*	*2007*
Rouble deposit	200,000	February 7, 2008	10.00%	8,150
USD deposit	8,000	January 15, 2008	10.60%	8,107
				16,257

(in thousands of US Dollars)

7. Investment Securities Available for Sale

At December 31, 2008 and 2007, assets available for sale comprised of the following non-traded ordinary shares:

	2008		*2007*	
	Cost	*Fair value*	*Cost*	*Fair value*
OJSC Vostochny Express Bank	50,392	79,767	37,135	93,434
OJSC Rosevrobank ACB	43,082	38,746	26,303	41,316
OJSC Invest Bank	35,976	29,708	6,999	7,392
OJSC Centre Invest CB	27,957	15,755	27,957	33,530
JSCB Probusinessbank	15,230	19,630	15,230	20,937
OJSC Petersburg Social Commercial Bank	11,147	13,834	11,147	21,080
OJSC Hlynov CB	8,101	18,136	7,080	16,892
OJSC SKB Bank	1,697	1,433	1,245	1,812
CJSC Conversbank	-	-	12,808	12,842
OJSC Grankombank	-	-	11,453	12,096
OJSC Voronezhprombank	-	-	4,716	4,980
	193,582	217,009	162,073	266,311

In April 2008 the CBR approved the merger of CJSC Conversbank, OJSC Grankombank, OJSC Voronezhprombank and OJSC Investbank under the name of OJSC Investbank. As a result, the Fund's shares in merged banks were converted in common shares of OJSC Investbank.

In 2008 the Fund has realized its' pre-emptive right and participated in additional share issues of OJSC Vostochny Express Bank, OJSC Rosevrobank ACB, OJSC Hlynov CB and OJSC SKB Bank for total amount of USD 31,509.

As a result of these share issues, the Fund's share in OJSC Vostochny Express Bank, OJSC Hlynov CB and OJSC SKB Bank did not change as shares were purchased by the Fund based on pre-emptive right for the equivalent shares of initial holdings. As a result of the share issue of OJSC Rosevrobank ACB, the Fund has increased its' share by 2.50%. JSCB Probusinessbank has also performed share issue in 2008; however, the Fund did not participate in this issue, which resulted in the decrease of the Fund's share in JSCB Probusinessbank equity.

As of December 31, 2008 and 2007 the Fund has entered into a number of put option agreements related to investments available for sale. In accordance with terms of these contracts, the Fund has a right to dispose the shares at a fixed or determinable price in case of certain financial or non-financial conditions are not met either by the Investee or by other shareholders of the Investee. The fair value of these options approximated zero as of December 31, 2008 and 2007.

As at December 31, 2008 the Fund identified an objective evidence of impairment of certain investment securities available for sale and recognized respective impairment charge amounted to USD 12,202 within the consolidated statement of operations (2007: nil).

At December 31, 2008 there was a cumulative net unrealised gain of USD 35,629 (2007: USD 104,238) on available for sale assets as compared to the cost of investment. However the value of investments in 2008 has decreased by USD 68,609 as compared to 2007 that has been recognised within net assets attributable to shareholders (2007: increased by USD 100,488). There have been no realised gains or losses recognised from investment securities available for sale in the statement of operations in 2008 (2007: USD 10).

Refer to Note 13 for detailed disclosures on fair value of investment securities available for sale.

8. Performance and Management Fees

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

As of December 31, 2008 the Fund's net assets decreased by USD 68,081 as compared to December 31, 2007. Correspondent reversal of the performance fee liability, previously recognized as expense, was recognized in these consolidated financial statements within the respective item of the consolidated statement of operations.

The Fund pays the Investment Manager a management fee equal to 2% per annum of the total capital invested, provided that such fees will not exceed 2% of the aggregate issue price for the redeemable shares. Management fees are generally paid quarterly in arrears or at such other times as the Directors, with the consent of the Investment Manager, may determine.

(in thousands of US Dollars)

9. Net Assets Attributable to Shareholders

Incorporation and share capital

The Fund is authorised to issue 100 non-participating voting Management Shares of US Dollar 0.01 each and 4,999,900 profit participating non-voting Redeemable Shares of US Dollar 0.01 each.

The Investment Manager owns 100% of the Management Shares.

As of December 31, 2008 and 2007, 100 Management Shares have been issued at US Dollar 0.01 each and 1,999,970 profit participating, non-voting Redeemable Shares have been issued at US Dollar 0.01 each.

The Fund does not have any externally imposed capital requirements.

Rights of the Management Shares

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

Rights of the Redeemable shares

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

Winding Up

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

Distributions

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

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

During the 2008 and 2007 the Fund did not declare any dividends; neither did it make any distribution.

Reconciliation of audited net assets to net assets as reported to the shareholders

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

- A net unrealized loss on investment securities available for sale has been recognized;
- An impairment of certain investment securities available for sale has been recognized;
- A reversal of performance fee has been recognised; and
- Other adjustments have been recorded.

(in thousands of US Dollars)

9. Net Assets Attributable to Shareholders (continued)

Reconciliation of audited net assets to net assets as reported to the shareholders (continued)

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

	2008	*2007*
Net assets as reported to shareholders	**319,260**	**205,930**
Unrealized loss on investment securities available for sale	(119,586)	92,357
Impairment of investment securities available for sale	(12,202)	-
Reversal/(accrual) of performance fee	25,489	(14,483)
Other adjustments	4,340	1,578
Adjusted net assets per consolidated financial statements	**217,301**	**285,382**
Net asset value per Ordinary Share as reported to shareholders (in US dollars)	**159.63**	**102.97**
Adjustments per Ordinary Share (in US dollars)	(50.98)	39.72
Net asset value per Ordinary Share per these consolidated financial statements (in US dollars)	**108.65**	**142.69**

10. Income Tax Expense

British Virgin Islands

At present the British Virgin Islands impose no taxes on income, profits, capital gains or appreciations in value of the Fund. There are also no taxes currently imposed in the British Virgin Islands on income, profits, capital gains or appreciation in the value of the redeemable shares, nor any taxes on the shareholders in the nature of estate duty, inheritance or capital transfer tax.

Cyprus

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

A reconciliation of income tax expense applicable to profit from operating activities before income tax at the statutory income tax rate, to income tax expense at the subsidiary's effective income tax rate is as follows:

	2008	*2007*
Accounting income/(loss) before tax	340	(20,556)
Tax benefit calculated at domestic rate applicable to the Fund's subsidiary	861	518
Tax effect of non deductible expense less tax exempt income	-	(1,245)
Income tax benefit	861	(727)
Special defense contribution	(95)	-
Adjustment of current tax of prior periods	283	-
Unrecognised deferred tax asset	(861)	-
Income tax benefit/(expense)	188	(727)

(in thousands of US Dollars)

11. Commitments and Contingencies

Legal

In the ordinary course of business, the Fund is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Fund.

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

12. Financial Risk Management

Risk is inherent in the Fund's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The Fund's investing activities expose it to various types of risk that are associated with the financial instruments and markets in which it invests. The most important types of financial risk to which the Fund is exposed are market risk, credit risk and liquidity risk.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Fund's strategic planning process.

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

According to its investment strategy the Fund intends to invest in financial institutions (banks, insurance companies, and other companies) providing financial services that are located in Russia or other states of the former Soviet Union, and which are planning to undertake an initial public offering or a private placement of their shares in the next two to three years.

The Fund intends to pursue the following strategies:

- Investment in Financial Institutions Planning an Initial Public Offer.
- Investment in Financial Institutions in Preparation for a Private Sale.
- Mergers and Acquisitions, Start-ups and Assets Buyouts.

The Fund intends to hold such investments until disposed of via a private transaction with one or more investors or in or following an IPO.

The Fund may also engage in repurchase transactions, stock borrowing, lending and other similar transactions. The Fund may also occasionally invest in government and corporate debt instruments, when deemed appropriate and as a substitute for cash positions.

Asset allocation is determined by the Fund's Investment Manager who manages the distribution of the assets to achieve the investment objectives. Divergence from target asset allocations and the composition of the portfolio is monitored by the Fund's Compliance Controller.

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

Credit risk

Credit risk represents the potential loss that the Fund would incur if a counterparty to a financial instrument failed to perform pursuant to the terms of their obligations to the Fund. Credit risk is generally higher when a non-exchange-traded financial instrument is involved, because the counterparty is not backed by an exchange clearing house.

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

	Maximum exposure 2008	*Maximum exposure 2007*
Cash and cash equivalents	376	25,871
Deposits with banks	5,956	16,257
Amounts due from brokers	-	5
Other assets	10	-
Total credit risk exposure	6,342	42,133

(in thousands of US Dollars)

12. Financial Risk Management (continued)

Credit risk (continued)

The carrying amounts of financial assets best represent the maximum credit risk exposure at the balance sheet date. This relates also to financial assets carried at amortised cost, as they have a short-term to maturity. Where financial instruments are recorded at fair value, the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

Credit quality per class of financial asset

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

As at December 31, 2008	*Notes*	*A+/A-1*	*Aaa.ru*	*Not rated*	*Total*
Cash and cash equivalent		69	307	-	376
Deposits with banks	6	-	-	5,956	5,956
Other assets		-	-	10	10
Total		69	307	5,966	6,342

As at December 31, 2007	*Notes*	*A+/A-1*	*Aaa.ru, B1/B-*	*Not rated*	*Total*
Cash and cash equivalents		22,995	2,876	-	25,871
Deposits with banks	6	-	8,107	8,150	16,257
Amounts due from broker		-	-	5	5
Total		22,995	10,983	8,155	42,133

As of December 31, 2008 and 2007 the Fund had neither past due financial assets, nor individually impaired assets, nor any assets, that would otherwise be past due or impaired if not renegotiatied.

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

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

Substantially all of the investments of the Fund are held by ING Bank (Eurasia) ZAO ("the Custodian"). Bankruptcy or insolvency of the custodian may cause the Fund's rights with respect to securities held by the custodian to be delayed or limited. The Fund monitors its risk by monitoring the credit quality and financial position of the custodian the Fund uses.

Substantially all of the cash held by the Fund is held by Raiffeisenbank Moscow to facilitate any payments or proceeds received in Russian Rubles. The Fund also established a bank account with Royal Bank of Scotland Man to facilitate redemption and other payments in US dollars. Bankruptcy or insolvency of the Banks may cause the Fund's rights with respect to the cash held by the Banks to be delayed or limited. The Fund monitors its risk by monitoring the credit quality and financial position of the Banks.

(in thousands of US Dollars)

12. Financial Risk Management (continued)

Credit risk (continued)

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

	2008				2007			
	Russia and CIS	Cyprus	Other	Total	Russia and CIS	Cyprus	Other	Total
Assets:								
Cash and cash equivalents	307	-	69	376	2,876	-	22,995	25,871
Financial assets held for trading	-	-	-	-	257	-	-	257
Financial assets designated at fair value through profit or loss	19,630	-	-	19,630	20,937	-	-	20,937
Deposits with banks	5,956	-	-	5,956	16,257	-	-	16,257
Amounts due from broker	-	-	-	-	-	-	16,257	16,257
Investment securities available for sale	217,009	-	-	217,009	266,311	-	-	266,311
	242,902	-	69	242,971	306,638	-	39,252	345,890
Liabilities:								
Financial liabilities designated at fair value through profit or loss	-	19,630	-	19,630	-	20,937	-	20,937
Performance fee payable	-	-	4,326	4,326	-	-	21,346	21,346
Management fee payable	-	-	1,017	1,017	-	-	1,033	1,033
Accounts payable and accrued expenses	12	141	3	156	-	201	-	201
	12	19,771	5,346	25,129	-	21,138	22,379	43,517
Net balance sheet position	242,890	(19,771)	(5,277)	217,842	306,638	(21,138)	16,873	302,373

Liquidity risk and funding management

The Fund has a term of three years and may extend the term for up to two successive one-year periods. Prior to the expiration of the Fund's term, the net assets will not be distributed to shareholders.

The Fund's constitution does not provide for the cancellation of shares and it is therefore not exposed to the liquidity risk of meeting shareholder redemptions upon their cancellation.

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

The current liquidity requirements including payments of operating expenses and fees are managed in accordance with policies and procedures in place. The Fund uses detailed cash flow forecasting, which allows controlling and managing its liquidity and undertaking proper measures if liquidity shortages or excessive liquidity are anticipated.

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Fund's financial liabilities at December 31, 2008 and 2007 based on contractual undiscounted repayment obligations.

	December 31, 2008			December 31, 2007		
	Less than 3 months	Over 1 year	Total	Less than 3 months	Over 1 year	Total
Financial liabilities designated at fair value through profit or loss	-	19,630	19,630	-	20,937	20,937
Performance fee payable	-	4,326	4,326	-	21,346	21,346
Management fee payable	1,017	-	1,017	1,033	-	1,033
Accounts payable and accrued expenses	156	-	156	201	-	201
Total undiscounted financial liabilities	**1,173**	**23,956**	**25,129**	**1,234**	**42,283**	**43,517**

(in thousands of US Dollars)

12. Financial Risk Management (continued)

Market risk

Market risk embodies the potential for both loss and gains and includes currency risk, interest rate risk and other price risk.

The Fund's strategy on the management of investment risk is driven by the Fund's investment objective, which is to achieve medium term capital growth through investments in listed and unlisted equity and equity-related securities and other instruments of, primarily, banks but also insurance companies and other companies providing financial services that are located in Russia or other states of the former Soviet Union and which are planning to undertake an initial public offering or a private placement of their shares in the next two to three years. Investments may also be made in companies that derive a substantial portion of their revenue from, or have substantial assets in Russia or other states of the former Soviet Union.

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

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

As of December 31, 2008 and 2007 there was no investment exceeding 50% of the capital. Maximum investment to net capital ratio comprised 37% and 33% respectively for the Fund's investment in OJSC Vostochny Express Bank.

The exposure to market risk of the Fund's financial asset and liability positions is measured using Value-at-Risk (VaR) analysis.

Value at risk

The market risk of the Fund's financial asset and liability positions is monitored by the Investment Manager using VaR analysis. VaR analysis reflects the interdependencies between risk variables, unlike a traditional sensitivity analysis. VaR represents the potential losses from adverse changes in market factors for a specified time period and confidence level.

VaR exposure is reported to top management and the Executive Director of the Fund on the daily basis.

To monitor value at risk effectively, securities are categorised in tiers:

- Tier 1
- Tier 2
- Tier 3

Breakdown is made on the basis of 3 parameters: liquidity (average daily trading volume for the last 6 months), average bid/ask spread (for 2 years), and volatility (with 2-year horizon).

Approach to the VaR calculation is the following: VaR of the portfolio is calculated as a sum of VaR of liquid equities (Tier 1 and Tier 2 instruments and equity, equity index derivatives), VaR of liquid bonds (Tier 1 and Tier 2 bonds and bond derivatives), and VaR of illiquid instruments (Tier 3).

VaR of the liquid instruments is calculated as follows:

- Variance-Covariance method is used for liquid equities and equity, equity index derivatives.
- The confidence level used is 99% and volatility is calculated based on historical daily close prices and yields for last 2 years. This implies that returns are assumed to be normally distributed.
- For various classes of instruments it's assumed that its correlation with other classes of instruments is equal to 100%.
- Calculation is based on the values of VaR of each individual instrument.
- For fixed income instruments modified duration is used in calculation of the VaR of each individual instrument.
- VaR of derivative instruments is calculated together with underlying equity through both delta and gamma approaches.

(in thousands of US Dollars)

12. Financial Risk Management (continued)

Market risk (continued)

For each illiquid instrument (Tier 3) the Risk Management Committee determines at their discretion whether its individual VaR should be calculated in compliance with the VaR computation method for liquid instruments or set equal to 30% of the market value of equities and 10% of the market value of bonds. In the latter case, it's assumed that its correlation with other instruments is equal to 100%.

Limitations of the used VaR calculation approach are the following:

- Historical data usage does not cover all possible scenarios if future, especially those which are extraordinary by nature.
- Usage of the 99% confidence level does not take into account potential loss which can occur out of that interval. A real loss can exceed the calculated VaR value with the probability of 1%.

The table below indicates the VaR of the Fund's financial instruments, measured as the potential loss in value from adverse changes in equity prices with a 99 percent confidence level, indicating that the net value of the Fund's financial assets and liabilities could be expected to change by more than the stated amount on only one day out of 100.

	December 31, 2008	*December 31, 2007*
VAR of the portfolio	62,159	76,814
VAR/NAV ratio, %	28.61%	26.92%

Currency risk

The Fund may invest in financial instruments denominated in currencies other than its functional currency – US dollars. According to the Fund's investment policy, it may invest in securities and other instruments that are principally denominated in Russian roubles. Consequently, the Fund may be exposed to risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse affect on the value of that portion of the Fund's assets or liabilities denominated in currencies other than United States dollar, notwithstanding any efforts made to hedge such fluctuations.

Any cash balances or proceeds in Russian roubles and other non-USD currencies are immediately converted into USD.

The securities in which the Fund invests may be denominated in Russian roubles or other currencies. At the year end, the major part of investments was denominated mainly in Russian roubles. However, those securities are priced and traded in USD. All settlements on securities trading are predominantly performed in US dollars. Therefore the Fund is not exposed to currency risk and does have any specific policies for managing the currency risk.

Sensitivity analysis is based on consideration of minimum and maximum scenarios according to parameters stated in the following table.

Currency	*Minimum Scenario*	*Maximum Scenario*
RUR	-10%	-30%

Currency risk for equity investments is measured using VaR, therefore it is not included in the sensitivity analysis.

At December 31, 2008, had the foreign currencies changed their exchange rates in accordance with reasonable possible changes provided in the table above, with all other variables held constant, net assets attributable to shareholders and statement of operations of the Fund would have changed by the amounts shown below:

	December 31, 2008	*December 31, 2007*
Minimum Scenario	(1)	(147)
Maximum Scenario	(3)	147

(in thousands of US Dollars)

12. Financial Risk Management (continued)

Market risk (continued)

Interest rate risk

The Fund primarily invests in equity securities, which are not exposed to interest rate risk. Nevertheless, any excess cash of the Fund is invested in current deposits which earn interest at market rates.

On December 31, 2008 and 2007 the Fund has no interest-bearing financial liabilities. Therefore, the Fund has no exposure to interest rate fluctuations and does not have specific policies and procedures for managing interest rate risk.

Other price risk

Other price risk is the risk that value of the instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

As the majority of the Fund's financial instruments are carried at fair value with fair value changes recognised in the consolidated statement of operations or net assets attributable to shareholders, all changes in market conditions will directly affect the Fund's consolidated statement of operations or net assets attributable to shareholders.

Price risk is managed by the Fund's Investment Manager by diversifying the portfolio and is measured using value-at-risk (VaR) analysis on a daily basis.

13. Fair Values of Financial Instruments

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

Assets for which fair value approximates carrying value

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

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates offered for similar financial instruments.

Financial instruments recorded at fair value

As at December 31, 2008 and 2007 the Fund's assets recorded at fair value were estimated using pricing models or discounted cash flow techniques. The estimated future cash flows are based on management's best estimates which are discounted to arrive at the present value of the cash flows at the balance sheet date and the discount rate is calculated using either the Capital Asset Pricing Model or Weighted Average Cost of Capital method. Where pricing models are used, inputs are based on composition of market observable and non-observable inputs which may vary according to the specific industry that the company operates in, at the balance sheet date. The most significant key assumptions used in estimating the fair value of investment securities available for sale assets were:

	2008	*2007*
Price to earnings multiple	13.34	18.92
Price to book multiple	2.21	3.11
Control discount	0% - 23%	0% - 23%

(in thousands of US Dollars)

13. Fair Values of Financial Instruments (continued)

The Fund estimated fair value of its investments based on the average of price to book and price to earnings multiplies. The potential effect of measuring fair value of the Fund's investments only based on price to earnings multiplies, which is considered a reasonable possible alternative assumption, would have reduced the fair value by USD 27,650 thousand (2007: USD 17,750 thousand). In case the investments are measured based on price to book multiplies respective fair value would increase by USD 27,650 thousand (2007: USD 17,750 thousand).

Profit calculated when such financial instruments are first recorded ('Day 1' profit) comprises zero.

Total amount of net unrealised gain/(loss) recorded in the net assets attributable to shareholders for the years ended December 31, 2008 and 2007 is attributable to financial instruments whose fair value is estimated using valuation techniques with a composition of market observable and non-market observable inputs.

14. Maturity Analysis of Assets and Liabilities

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

	2008			*2007*		
	Within one year	*More than one year*	*Total*	*Within one year*	*More than one year*	*Total*
Cash and cash equivalents	376	-	376	25,871	-	25,871
Financial assets held for trading	-	-	-	257	-	257
Financial assets designated at fair value through profit or loss	-	19,630	19,630	-	20,937	20,937
Deposits with banks	5,956	-	5,956	16,257	-	16,257
Amounts due from broker	-	-	-	5	-	5
Investment securities available for sale	-	217,009	217,009	-	266,311	266,311
Other assets	10	-	10	-	-	-
Total	6,342	236,639	242,981	42,390	287,248	329,638
Financial liabilities designated at fair value through profit or loss	-	19,630	19,630	-	20,937	20,937
Performance fee payable	-	4,326	4,326	-	21,346	21,346
Management fee payable	1,017	-	1,017	1,033	-	1,033
Current income tax liabilities	551	-	551	739	-	739
Accounts payable and accrued expenses	156	-	156	201	-	201
Total	1,724	23,956	25,680	1,973	42,283	44,256
Net	4,618	212,683	217,301	40,417	244,965	285,382

15. Related Party Transactions

In accordance with IAS 24 "Related Party Disclosures", parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The Fund's related party transactions were made on terms equivalent to those that prevail in arm's length transactions in 2008 and 2007.

(in thousands of US Dollars)

15. Related Party Transactions (continued)

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

	2008		2007	
	Investment manager	*Entities under common control*	*Investment manager*	*Entities under common control*
Management fee payable at January1	1,033	-	333	-
Management fee accrued	4,001	-	3,967	-
Management fee paid	(4,017)	-	(3,267)	-
Management fee payable at December 31	1,017	-	1,033	-
Performance fee payable at January1	21,346	-	589	-
Performance fee accrued /(reversed)	(17,020)	-	20,757	-
Performance fee payable at December 31	4,326	-	21,346	-
Deposits with banks outstanding at January 1	-	8,000	-	89,623
Deposits placed during the year	-	-	-	8,000
Deposits repaid during the year	-	(8,000)	-	(89,623)
Deposits with banks outstanding at December 31	-	-	-	8,000
Interest income on deposits with banks	-	35	-	4,004
Amounts due from broker	-	-	-	5
Financial liabilities designated at fair value through profit or loss	-	19,630	-	20,937

In 2008 and 2007 the Fund had no significant transactions with its Directors.

16. Events after the Balance Sheet Date

On May 27, 2009 Directors of RenFin Limited extended term of the Fund for one-year period ending November 27, 2010. In accordance with the Offering Memorandum, the Directors have power to extend the term for another year.

Operations of the Fund's investees are mostly concentrated in Russia, the national currency of which is Russian rouble. As a result the rouble foreign exchange rate fluctuations have significant influence on fair value of the Fund's investments. In the beginning of 2009 the Russian Rouble was devalued to major currencies. At the date these consolidated financial statements have been authorized for issue, the official exchange rate of the Russian Rouble to US Dollar as set by the Central Bank of Russia comprised 31.12, which constitutes a 6% reduction in the value of the Russian Rouble to the US Dollar since December 31, 2008.

On June 9, 2008 Moscow-based Etalonbank has completed its merger into OJSC Vostochny Express Bank, based in the city of Blagoveshchensk in the Amur Region. The united bank will continue operating under the Vostochny Express Bank brand. This merger is part of Vostochny Express Bank's strategy to create a large private bank.