RENFIN II LIMITED

Consolidated Financial Statements

For the year ended December 31, 2008

Contents

Company Information ... 1
Investment Manager's Report ... 3
Independent Auditors' Report ... 4
Consolidated Balance Sheet ... 5
Consolidated Statement of Operations ... 6
Consolidated Statement of Changes in Net Assets Attributable to Shareholders ... 7
Consolidated Cash Flow Statement ... 8

Notes to the Consolidated Financial Statements

1. Principal Activities ... 9
2. Basis of Preparation ... 9
3. Summary of Accounting Policies ... 10
4. Significant Accounting Judgments and Estimates ... 18
5. Financial Assets Designated at Fair Value through Profit or Loss ... 18
6. Deposits with Banks ... 19
7. Loans Granted ... 19
8. Loans Granted under Reverse Repurchase Agreements ... 20
9. Debt Securities at Amortized Cost ... 20
10. Performance and Management Fees ... 20
11. Net Assets Attributable to Shareholders ... 20
12. Income Tax Expense ... 21
13. Commitments and Contingencies ... 22
14. Financial Risk Management ... 22
15. Fair Values of Financial Instruments ... 27
16. Maturity Analysis of Assets and Liabilities ... 29
17. Related Party Transactions ... 29
18. Events after the Balance Sheet Date ... 30

Company information

Directors	David Blair Sarah Moule Alex Kotchubey (resigned on June 27, 2008) Ives Gyuntern (appointed on June 27, 2008, resigned on May 8, 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 Spurling Bailhache Canon's Court 22 Victoria Street P.O. Box HM 1179 Hamilton HM EX Bermuda
British Virgin Islands Law	Appleby Hunter Bailhache 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 II Limited (the "Fund") raised USD 154 million in July 2007 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 and financial institutions of different sizes with sound strategies, strong management teams and with varied profiles looking for ways to strengthen their performance and market share ahead of an IPO or private sale.

As of 31 December 2008 the Fund had in its portfolio nine equity investments with total cost of USD 137.7 million (89.8% of the Fund's initial capital). Seven investments are in Russian companies, i.e. Chelindbank, Kamabank, Bank "Levoberezhniy", Vostochny Express Bank, Rosevrobank, First Republic Bank and First Collection Agency; one is in Ukraine, Universalna Insurance Company, and one in Latvia, Latvijas Krajbanka.

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 companies in Fund'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 of 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 138 billion (growth of 16.8% from 2007 year-end), total equity amounted to RUR 19.1 billion (increase of 46.7%), and overall net profit decreased to RUR 3.2 billion (remained unchanged). Weighted average ROAA and ROAE of the investee banks were 1.9% and 18.2% respectively.

During the first five months of 2009 liquidity pressure for Fund's investees substantially eased (as a matter of fact most Fund's investees accumulated a sizeable liquidity cushion and reduced or totally extinguished their short-term borrowings from the Central Bank of Russia). 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 Fund's investees' face, the fund manager expects that the portfolio of investments will remain profitable or breakeven in 2009, thus the equity base should not deteriorate.

Kashtan Limited

Investment manager of RenFin II Limited

ERNST & YOUNG

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 II LIMITED -

We have audited the accompanying consolidated financial statements of RENFIN II 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 30, 2009

Consolidated Balance Sheet
as at December 31, 2008

(in thousands of US Dollars)

	Notes	2008	2007
Assets			
Cash and cash equivalents		694	3.553
Financial assets designated at fair value through profit or loss	5	97,846	42.963
Deposits with banks	6	4,491	-
Loans granted	7	20,100	12,854
Amounts due from broker		-	64,182
Loan granted under reverse repurchase agreement	8	-	5,462
Debt securities at amortized cost	9	-	30.846
Prepayment for securities		-	1,800
Other assets		93	132
Total assets		123,224	161,792
Liabilities			
Performance fee payable	10	-	1.288
Management fee payable	10	779	792
Current tax liabilities		231	154
Accounts payable and accrued expenses		114	237
Total liabilities excluding net assets attributable to shareholders		1,124	2,471
Net assets attributable to shareholders	11	122,100	159,321
Number of redeemable shares in issue	11	1,532,154	1,532,154
Net asset value per redeemable share (in US dollars)	11	79.69	103.99

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

David Blair
Director

Sarah Moule
Director

June 30, 2009

The accompanying notes on pages 9 to 30 are an integral part of these consolidated financial statements

Consolidated Statement of Operations
for the year ended December 31, 2008
and for the period from June 4 to December 31, 2007

(in thousands of US Dollars)

	Notes	2008	2007
Interest income		6,577	3,871
Dividend income		502	-
Net gain/(loss) on financial assets at fair value through profit or loss	5	(36,851)	5,459
Net foreign exchange loss		(3,423)	36
Total operating (expense)/income		**(33,195)**	**9,366**
Impairment of loans granted	7	(1,533)	-
Performance fee reversal/(expense)	10	1,288	(1,288)
Management fee	10	(3,038)	(1,379)
Administration fee		(264)	(116)
Other operating expenses		(402)	(323)
Total expenses		**(3,949)**	**(3,106)**
Increase/(decrease) in net assets attributable to shareholders from operations before income tax		**(37,144)**	**6,260**
Income tax expense	12	(77)	(154)
Increase/(decrease) in net assets attributable to shareholders from operations		**(37,221)**	**6,106**

The accompanying notes on pages 9 to 30 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
and for the period from June 4 to December 31, 2007

(in thousands of US Dollars)

	Number of redeemable shares	Net assets attributable to shareholders (calculated in accordance with IFRS)
June 4, 2007, the date of incorporation	-	-
Share capital	1,532,154	15
Share premium	-	153,200
	1,532,154	153,215
Increase in net assets attributable to shareholders from operations	-	6,106
Total income and expense for the year	1,532,154	159,321
December 31, 2007	1,532,154	159,321
Decrease in net assets attributable to shareholders from operations	-	(37,221)
Total income and expense for the year	-	(37,221)
December 31, 2008	1,532,154	122,100

The accompanying notes on pages 9 to 30 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement
for the year ended December 31, 2008
and for the period from June 4 to December 31, 2007

(in thousands of US Dollars)

	2008	2007
Cash flows from operating activities		
Increase/(decrease) in net assets attributable to shareholders from operations	**(37,221)**	**6,106**
Adjustments to reconcile net profit/(loss) from operations to net cash used in operating activities		
Non-cash:		
Impairment of loans granted	1,533	-
	(35,688)	6,106
Net changes in operating assets and liabilities:		
Increase in financial assets designated at fair value through profit or loss	(54,883)	(37,504)
Increase in deposits with banks	(4,491)	-
Increase in loans granted	(8,779)	(12,854)
Decrease/(increase) in amounts due from broker	64,182	(64,182)
Decrease/(increase) in loan granted under reverse repurchase agreement	5,462	(5,462)
Decrease/(Increase) in debt securities at amortized cost	30,846	(30,846)
Decrease/(Increase) in prepayment for securities	1,800	(1,800)
Decrease/(Increase) in other assets	39	(132)
Increase/(decrease) in performance fee payable	(1,288)	1,288
Increase/(decrease) in management fee payable	(13)	792
Increase in current tax liabilities	77	154
Increase/(decrease) in accounts payable and accrued expenses	(123)	237
Cash used in operating activities	**(2,859)**	**(149,662)**
Cash flows from financing activity		
Share capital issue	-	153,215
Net cash from financing activity	**-**	**153,215**
Net decrease in cash and cash equivalents	**(2,859)**	**3,553**
Cash and cash equivalents at the beginning of the year	3,553	-
Cash and cash equivalents at the end of the year	**694**	**3,553**

Supplementary information:		
Interest received	5,395	5,392
Dividend received	502	-

The accompanying notes on pages 9 to 30 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 II LIMITED and its 100% owned subsidiary Ratto Holdings Limited ("the Subsidiary"), together referred to as the "Fund".

RENFIN II LIMITED was incorporated under the laws of the British Virgin Islands on June 4, 2007, 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 majority of its investments through its subsidiary, Ratto Holdings Limited.

Ratto Holdings Limited was incorporated under Cyprus Companies Law, CAP.113 on April 28, 2007, 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 matures on June 18, 2011.

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.

Certain reclassifications were made to 2007 balances to conform to the 2008 presentation.

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.

Held to maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Company has the positive intention and ability to hold them to maturity. Investments intended to be held for an undefined period are not included in this classification. 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 amortisation process.

(in thousands of US Dollars)

3. Summary of Accounting Policies (continued)

(A) Financial instruments (continued)

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.

(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.

(in thousands of US Dollars)

3. Summary of Accounting Policies (continued)

(A) Financial instruments (continued)

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".

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.

(in thousands of US Dollars)

3. Summary of Accounting Policies (continued)

(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".

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.

(in thousands of US Dollars)

3. Summary of Accounting Policies (continued)

(E) Foreign currency translations (continued)

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.

(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.

(in thousands of US Dollars)

3. Summary of Accounting Policies (continued)

(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.

(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.

(in thousands of US Dollars)

3. Summary of Accounting Policies (continued)

(O) Future changes in accounting policies (continued)

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.

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.

(in thousands of US Dollars)

3. Summary of Accounting Policies (continued)

(O) Future changes in accounting policies (continued)

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.

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.

(in thousands of US Dollars)

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.

Impairment of loans and receivables

The Fund reviews its individually significant loans and receivables at each balance sheet date to assess whether an impairment loss should be recorded in the consolidated statement of operations. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining impairment loss. In estimating these cash flows, the Fund makes judgments about the borrower's financial situation and the net realizable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

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 Assets Designated at Fair Value through Profit or Loss

At December 31, 2008 and 2007, financial assets designated at fair value through profit or loss comprised of the following non-traded ordinary shares:

	2008		*2007*	
	Cost	*Fair value*	*Cost*	*Fair value*
Vostochny Express Bank	25,515	26,595	-	-
First Republican Bank JSC	18,064	15,478	-	-
Levoberezhny	12,275	11,091	-	-
First collection bureau	1,800	9,201	-	-
Kamabank CB OJSC	17,380	8,561	8,367	13,672
Latvijas Krajbanka JSC	12,923	8,269	12,923	13,316
Chelindbank OJSC	15,975	7,732	15,975	15,975
Rosevrobank	10,067	6,839	-	-
Insurance company Universalna	15,000	4,080	-	-
	128,999	97,846	37,265	42,963

As of December 31, 2008 and 2007 the Fund has entered into a number of put option agreements related to financial assets designated at fair value through profit or loss. In accordance with terms of these contracts, the Fund has a right to dispose the shares at a fixed or determinable price 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 approximates zero as of December 31, 2008 and 2007.

Refer to Note 15 for detailed disclosures on fair value of financial assets designated at fair value through profit or loss.

(in thousands of US Dollars)

6. Deposits with Banks

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

2008	*Principal amount in currency (thousand)*	*Maturity*	*Interest rate*	*2008*
Rouble deposit	110,000	February 1, 2010	11.50%	3,781
USD deposit	710	February 13, 2009	12.00%	710
				4,491

7. Loans Granted

As of December 31, 2008 the Fund granted the following loans:

	2008	*2007*
Secured loan	9,360	-
Unsecured loans	12,273	12,854
Gross loans granted	21,633	12,854
Less – Allowance for impairment	(1,533)	-
Loans granted	**20,100**	**12,854**

As of December 31, 2008 the Fund granted a loan secured by real estate (office building located in Moscow). In accordance with terms of the respective collateral agreement, the Fund is not permitted to sell or repledge the collateral in the absence of default by the owner of the collateral. The loan matures on January 1, 2009 and bears interest at effective interest rate of 35% per annum.

As of December 31, 2008 the Fund identified that there is objective evidence that the loan is impaired. Refer also to Note 18.

Included within unsecured loans is impaired loan, with principal amount outstanding as of December 31, 2008 of USD 850 (2007: USD 425), for which amortized cost comprised nil. (2007: USD 426).

Allowance for impairment of loans granted

A reconciliation of the allowance for impairment of loans granted is as follows:

	Secured loans 2008	*Unsecured loans 2008*	*Total 2008*
At 1 January 2008	-	-	-
Charge for the year	683	850	1,533
At 31 December 2008	**683**	**850**	**1,533**
Individual impairment	683	850	1,533
Collective impairment	-	-	-
	683	**850**	**1,533**
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	**9,360**	**850**	**10,210**

No impairment has been recognized as of December 31, 2007 and during the year then ended.

No loans were determined to be individually impaired as of December 31, 2007.

As of December 31, 2008 interest income accrued on loans and receivables, for which individual impairment allowances have been recognized, comprised USD 1,860 (2007: nill).

(in thousands of US Dollars)

8. Loans Granted under Reverse Repurchase Agreements

As at December 31, 2007 the Fund had entered into two short-term reverse repurchase agreements amounting to USD 5,462 bearing interest of 8.75% per annum and 9,875% per annum with a related party. The underlying assets for these agreements were bonds of Russian issuers with a fair value of USD 5,096 as at December 31, 2007.

9. Debt Securities at Amortized Cost

As at December 31, 2007 the Fund acquired certain loan participation note, which was accounted for at amortized cost of USD 30,846. The note was redeemed in full in 2008.

10. 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 37,221 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.

11. 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 1,532,154 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 pay 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.

(in thousands of US Dollars)

11. Net Assets Attributable to Shareholders (continued)

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;
- A reversal of performance fee has been recognised; and
- Other adjustments have been recorded.

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

	2008	2007
Net assets as reported to shareholders	**173,704**	**155,365**
Unrealized gain/(loss) on financial assets designated at fair value	(55,648)	5,459
Impairment of loans	(1,533)	-
Income tax accrual	(77)	(154)
Reversal/(accrual) of performance fee	5,122	(750)
Other adjustments	532	(599)
Adjusted net assets per consolidated financial statements	**122,100**	**159,321**
Net asset value per Ordinary Share as reported to shareholders (in US dollars)	**113.37**	**101.40**
Adjustments per Ordinary Share (in US dollars)	(33.68)	2.59
Net asset value per Ordinary Share per these consolidated financial statements (in US dollars)	**79.69**	**103.99**

12. 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).

(in thousands of US Dollars)

12. Income Tax Expense (continued)

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 (loss)/income before tax	(37,221)	6,106
Tax benefit calculated at domestic rate applicable to the Fund's subsidiary	4,132	(629)
Tax effect of non deductible expense less tax exempt income	-	475
Income tax benefit/(expense)	**4,132**	**(154)**
Special defense contribution	(62)	-
Adjustment of current tax of prior periods	(15)	-
Unrecognized deferred tax asset	(4,132)	-
Income tax expense	**(77)**	**(154)**

13. 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.

14. 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.

(in thousands of US Dollars)

14. Financial Risk Management (continued)

Credit risk

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

The 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	694	3,553
Deposits with banks	4,491	-
Loans granted	20,100	12,854
Amounts due from broker	-	64,182
Loan granted under reverse repurchase agreements	-	5,462
Debt securities at amortized cost	-	30,846
Prepayment for securities	-	1,800
Other assets	93	132
Total credit risk exposure	25,378	118,829

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.

		Neither past due nor impaired			*Past due or individually*	*Total*
As at December 31, 2008	***Notes***	***AA-***	***Aaa.ru***	***Not rated***	***impaired 2008***	***2008***
Cash and cash equivalents		75	532	87	-	694
Deposits with banks	6	-	-	4,491	-	4,491
Loans granted:	7					
Secured loans		-	-	-	9,360	9,360
Unsecured loans		-	-	11,423	850	12,273
		-	-	11,423	10,210	21,633
Other assets		-	-	93	-	93
Total		75	532	16,094	10,210	26,911

		Neither past due nor impaired			*Past due or individually*	*Total*
As at December 31, 2007	***Notes***	***AA-***	***Aaa.ru***	***Not rated***	***impaired 2007***	***2007***
Cash and cash equivalents		3,469	84	-	-	3,553
Unsecured loans granted	7	-	-	12,854	-	12,854
Amounts due from broker		-	-	64,182	-	64,182
Loan granted under reverse repurchase agreement	8	-	-	5,462	-	5,462
Debt securities at amortized cost	9	-	-	30,846	-	30,846
Prepayment for securities		-	-	1,800	-	1,800
Other assets		-	-	132	-	132
Total		3,469	84	115,276	-	118,829

(in thousands of US Dollars)

14. Financial Risk Management (continued)

Credit risk (continued)

As of December 31, 2008, all past due financial assets were individually impaired.

As of December 31, 2007 the Fund had neither impaired nor overdue assets.

As of December 31, 2008 and 2007 the carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated comprised USD 10,210 (2007: nil).

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 (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 and US Dollars. The Fund also established a bank account with JP Morgan 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.

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

	2008				*2007*			
	CIS and Baltics	*Cyprus*	*Other*	*Total*	*CIS and Baltics*	*Cyprus*	*Other*	*Total*
Assets:								
Cash and cash equivalents	619	-	75	694	84	-	3,469	3,553
Financial assets designated at fair value through profit or loss	97,846	-	-	97,846	42,963	-	-	42,963
Deposits with banks	4,491	-	-	4,491	-	-	-	-
Loans granted	20,100	-	-	20,100	12,854	-	-	12,854
Amounts due from broker	-	-	-	-	-	-	64,182	64,182
Loan granted under reverse repurchase agreement	-	-	-	-	-	-	5,462	5,462
Debt securities at amortized cost	-	-	-	-	-	30,846	-	30,846
Prepayment for securities	-	-	-	-	1,800	-	-	1,800
Other assets	-	93	-	93	-	132	-	132
	123,056	93	75	123,224	57,701	30,978	73,113	161,792
Liabilities:								
Performance fee payable	-	-	-	-	-	-	1,288	1,288
Management fee payable	-	-	779	779	-	-	792	792
Accounts payable and accrued expenses	-	114	-	114	-	237	-	237
	-	114	779	893	-	237	2,080	2,317
Net balance sheet position	123,056	(21)	(704)	122,331	57,701	30,741	71,033	159,475

Liquidity risk and funding management

The Fund has a term of four years and may extend the term for a successive one-year period. Prior to the expiration of the Fund's term, the shareholders may not redeem their shares.

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.

(in thousands of US Dollars)

14. Financial Risk Management (continued)

Liquidity risk and funding management (continued)

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*
Performance fee payable	-	-	-	-	1,288	1,288
Management fee payable	779	-	779	792	-	792
Accounts payable and accrued expenses	114	-	114	237	-	237
Total undiscounted financial liabilities	**893**	**-**	**893**	**1,029**	**1,288**	**2,317**

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 22% and 10% respectively for the Fund's investment in OJSC Vostochny Express Bank and Chelindbank OJSC.

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.

(in thousands of US Dollars)

14. Financial Risk Management (continued)

Market risk (continued)

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.

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, USD	29,354	13,110
VaR/NAV ratio, %	24.04%	8.23%

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.

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

(in thousands of US Dollars)

14. Financial Risk Management (continued)

Market risk (continued)

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%*
UAH	*-13%*	*-85%*

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	(1,565)	2,873
Maximum Scenario	(4,696)	(2,873)

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.

15. Fair Values of Financial Instruments

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

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 to their fair value. This assumption is also applied to demand deposits, savings accounts without a specific maturity and variable rate financial instruments.

(in thousands of US Dollars)

15. Fair Value of Financial Instruments (continued)

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 the 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 financial assets designated at fair value through profit or loss were:

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

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 14,874 (2007: USD 1,143). In case the investments are measured based on price to book multiplies respective fair value would increase by USD 14,874 (2007: USD 1,143).

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

In addition to the general assumptions described above, the Fund applied specific judgment in valuation of its investment in Latvijas Krajbanka as of December 31, 2008 and 2007. On December 17, 2007 the Fund entered into a shareholders agreement with major shareholder of Latvijas Krajbanka, according to which the Fund should transfer all dividends received from the Investee to the major shareholder. As of December 31, 2008 and 2007 the Fund's investment in the Latvijas Krajbanka was recognized at its fair value net of value of dividend pass-through arrangement.

The total amount of net change in fair value of financial assets designated at fair value through profit or loss for the years ended December 31, 2008 and 2007 is attributable to financial instruments whose fair values are estimated using valuation techniques with composition of market observable and non-market observable inputs.

(in thousands of US Dollars)

16. 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 15 "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	694	-	694	3,553	-	3,553
Financial assets designated at fair value through profit or loss	-	97,846	97,846	-	42,963	42,963
Deposits with banks	710	3,781	4,491	-	-	-
Loans granted	20,100	-	20,100	12,854	-	12,854
Amounts due from broker	-	-	-	64,182	-	64,182
Loan granted under reverse repurchase agreement	-	-	-	5,462	-	5,462
Debt securities at amortized cost	-	-	-	30,846	-	30,846
Prepayment for securities	-	-	-	1,800	-	1,800
Other assets	93	-	93	132	-	132
Total	**21,597**	**101,627**	**123,224**	**118,829**	**42,963**	**161,792**
Performance fee payable	-	-	-	-	1,288	1,288
Management fee payable	779	-	779	792	-	792
Current tax liabilities	231	-	231	154	-	154
Accounts payable and accrued expenses	114	-	114	237	-	237
Total	**1,124**	**-**	**1,124**	**1,183**	**1,288**	**2,471**
Net	**20,473**	**101,627**	**122,100**	**117,646**	**41,675**	**159,321**

17. 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.

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	792	-	-	-
Management fee accrued	3,038	-	1,379	-
Management fee paid	(3,051)	-	(587)	-
Management fee payable at December 31	779	-	792	-
Performance fee payable at January1	1,288	-	-	-
Performance fee accrued /(reversed)	(1,288)	-	1,288	-
Performance fee payable at December 31	-	-	1,288	-
Amounts due from broker	-	-	-	64,182
Loan granted under reverse repurchase agreement	-	-	-	5,462
Debt securities at amortized cost	-	-	-	30,846

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

(in thousands of US Dollars)

18. Events after the Balance Sheet Date

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 31.2904, which constitutes a 7% reduction in the value of the Russian Rouble to the US Dollar since December 31, 2008.

On January 2, 2009 the secured loan granted by the Fund became overdue. On February 1, 2009 the Fund foreclosed on the real estate pledged under this loan. The Fund plans to dispose the real estate and use the respective proceeds to recover the outstanding claim. It is the Fund's policy to dispose of seized properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Fund does not occupy seized properties for business use.

On May 13, 2009 the Fund purchased a note issued by a third party with sole purpose to acquire 1,129,049 of issued ordinary voting shares representing approximately 9.33% of the ordinary voting shares of OJSC Hlynov CB. On the same date the Bank's shares acquired by a third party were pledged to the Fund.