RenShares Utilities Limited

Consolidated financial statements

For the year ended 31 December 2009

Contents

Directors and other information

Directors	Yves Guntern (resigned on 8 May 2009) David Blair James Keyes Igor Stychinsky (appointed on 9 June 2009)
Registered office	Appleby Corporate Services (BVI) Limited Jayla Place Wickhams Cay I Road Town Tortola VG1110 British Virgin Islands
Investment manager	Renaissance Capital Investment Management Limited Jayla Place Wickhams Cay I Road Town Tortola VG1110 British Virgin Islands
Custodians	LLC Renaissance Broker Naberezhnaya Tower, Block C 10, Presnenskaya Naberezhnaya Moscow 123317 Russia Renaissance Advisory Services Limited Canon's Court 22 Victoria Street Hamilton HM 12 Bermuda
Administrator, registrar, transfer agent and company secretary	Custom House Administration & Corporate Services Limited (Ireland) 25 Eden Quay Dublin 1 Ireland

Directors and other information (continued)

Independent auditors	Ernst & Young Ltd. 77, bld. 1, Sadovnicheskaya Naberezhnaya Moscow 115035 Russia
Prime brokers	Renaissance Advisory Services Limited Canon's Court 22 Victoria Street Hamilton HM 12 Bermuda
	Renaissance Securities (Cyprus) Limited Capital Center, 9th Floor 2-4 Arch Makarious II Ave, Nicosia Cyprus
General legal counsel	Akin Gump Strauss Hauer & Feld City Point, Level 32 1 Ropemaker Street London EC 2Y 9AW United Kingdom
British Virgin Islands counsel	Appleby Spurling Hunter Jayla Place Wickhams Cay I PO 3190 Road Town Tortola VG1110 British Virgin Islands

Investment Manager's report

2009 saw the continuation of the Russian power sector reform. In particular, as far as the networks are concerned the process of their transition to Regulated Asset Base ("RAB") tariffication, a state of the art tariffication methodology used for natural monopolies throughout the world, has advanced significantly. Notably, at the end of 2009 the Russian government ratified a law which set 1 January 2011 as the deadline for the introduction of RAB for the Russian power network companies.

In addition, during the year, nine pilot regions transferred to RAB and yet more regions switched to RAB from 1 January 2010. Levels of RAB confirmed for the regions in 2010 were significantly above the implied market capitalisation of the companies operating in those regions, suggesting substantial upside for stocks as, in other countries, natural monopolies regulated to RAB usually trade at or above their RAB levels. The fund manager views transition to RAB as one of the key valuation drivers of the Russian power sector and more particularly the network companies, as it should lead to greater profitability of the distribution companies ("discos") as well as more accurate cash-flow forecasting. As the network companies transfer to RAB, we expect their market value to appreciate. On the basis of this, in 2009 a significant proportion of the funds were invested in discos.

As far as generation companies ("gencos") are concerned, last year the sub-sector continued its transition to liberalised power pricing. In particular, the proportion of wholesale power traded on the liberalised market increased from 25% in 2008 to 30% as at 1 January 2009 and then to 50% as at mid year 2009. Liberalisation of the wholesale power price is one of the key elements of power sector reform and one of the main valuation drivers for the generation sub-sector. Historically, in Russia, liberalised power prices have been and still are, substantially higher than regulated prices. This means that ongoing transition to liberalised power pricing results in increased returns for generation companies. As this process continues we expect the generation companies to carry on appreciating in price.

In accordance with Offering memorandum of RenShares Utilities Limited, each year starting in 2008, the Fund's future is decided at an Annual general meeting (the "AGM") of the shareholders of the company. To that end, last year the fund held an AGM at which the majority of shareholders voted to extend the life of the Fund for one more year. Following that decision, the Fund undertook three voluntary redemptions of US$30,000 each, which allowed investors who wished to exit the Fund to do so.

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

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 Board of Directors of RenShares Utilities Limited

We have audited the accompanying consolidated financial statements of RenShares Utilities Limited, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, consolidated statement of changes in net assets attributable to shareholders and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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

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

ERNST & YOUNG

Opinion

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

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 21 of the consolidated financial statements which indicates that the Fund's term may end in 2010. Continuation of operations of the Fund depends upon the decisions of the shareholders of the Fund. These outstanding decisions indicate the existence of a material uncertainty which may cast significant doubt about the Fund's ability to continue as a going concern.

Ernst & Young LLC

28 June 2010

Consolidated statement of comprehensive income

for the year ended 31 December 2009

(stated in United States dollars)

	Notes	2009	2008
Results from operations			
Interest income	9	4,072,257	1,578,772
Dividend income		335,654	897,090
Net foreign exchange gain/ (loss)		167,186	(75,907)
Net gain/ (loss) on financial assets and liabilities at fair value through profit or loss	13	64,531,737	(321,667,589)
		69,106,834	**(319,267,634)**
Expenses			
Management fees	11	(1,908,951)	(5,539,682)
Performance fees (charge)/ reversal	11	(1,477,437)	25,210,576
Professional fees		(240,618)	(6,236)
Administration fees		(216,002)	(477,738)
Interest expense	10	(70,553)	(2,908,595)
Directors fees (charge)/ reversal		(20,959)	15,415
Custodian fees reversal		-	531,644
Other operating expenses		(199,354)	(193,367)
		(4,133,874)	**16,632,017**
Operating profit/ (loss)		**64,972,960**	**(302,635,617)**
Income tax expense	15	(827,526)	(482,242)
Increase/ (decrease) in net assets attributable to shareholders from operations		**64,145,434**	**(303,117,859)**

The accompanying notes form part of the consolidated financial statements.

Consolidated statement of financial position

as at 31 December 2009

(stated in United States dollars)

	Notes	2009	2008
Assets			
Cash and cash equivalents	6	151,128	4,284,956
Due from brokers	7	9,718,672	12,177,831
Loans receivable	8	-	51,184,134
Financial assets at fair value through profit or loss	13	97,005,537	57,324,754
Other assets		2,916	1,565
Total assets		**106,878,253**	**124,973,240**
Liabilities			
Due to brokers	7	(2,899,481)	-
Management and performance fees payable	11	(1,883,292)	(614,553)
Financial liabilities at fair value through profit or loss	13	(3,120,653)	-
Current income tax payable		(901,753)	(386,518)
Other accounts payable and accrued expenses		(87,514)	(132,090)
Total liabilities excluding net assets attributable to shareholders		**(8,892,693)**	**(1,133,161)**
Net assets attributable to shareholders		**97,985,560**	**123,840,079**
Shares in issue	12	**43,606,596**	**105,955,205**
Net asset value per share		**2.25**	**1.17**

The consolidated financial statements were signed and authorised for release by the Board of Directors on 28 June 2010.

David Blair	Igor Stychinsky	James Keyes
Director	Director	Director

The accompanying notes form part of the consolidated financial statements.

Consolidated statement of changes in net assets attributable to shareholders

for the year ended 31 December 2009

(stated in United States dollars)

	Notes	Number of redeemable shares	Net assets attributable to shareholders
Balance at 1 January 2008		**132,125,899**	**500,536,714**
Redemption of redeemable shares		(26,170,694)	(73,578,776)
Decrease in net assets attributable to shareholders from operations		-	(303,117,859)
Balance at 31 December 2008	12	**105,955,205**	**123,840,079**
Redemption of redeemable shares		(62,348,609)	(89,999,953)
Increase in net assets attributable to shareholders from operations		-	64,145,434
Balance at 31 December 2009	12	**43,606,596**	**97,985,560**

The accompanying notes form part of the consolidated financial statements.

Consolidated statement of cash flows

for the year ended 31 December 2009

(stated in United States dollars)

	2009	2008
Cash flows from operating activities		
Increase/ (decrease) in net assets attributed to shareholders from operations	64,145,434	(303,117,859)
Adjustment to reconcile change in net assets attributable to shareholders to net cash provided by operating activities		
Interest expense	-	2,908,595
Net changes in operating assets and liabilities		
(Increase)/ decrease in financial assets at fair value through profit or loss	(39,680,783)	545,031,874
Decrease/ (increase) in loans receivable	51,184,134	(51,184,134)
Decrease in interest receivable on securities lending	-	1,947,373
Decrease/ (increase) in due from brokers	2,459,159	(12,177,831)
(Increase)/ decrease in other assets	(1,351)	5,935
Increase in financial liabilities at fair value through profit or loss	3,120,653	-
Increase/ (decrease) in accounts payable	1,739,398	(28,935,475)
Increase/ (decrease) in due to brokers	2,899,481	(50,095,993)
Net cash provided by operating activities	**85,866,125**	**104,382,485**
Cash flows from financing activities		
Proceeds from borrowings	-	19,000,000
Repayment of borrowings	-	(43,000,000)
Interest paid	-	(2,988,595)
Payments on redemption of redeemable shares	(89,999,953)	(73,578,776)
Net cash flows used in financing activities	**(89,999,953)**	**(100,567,371)**
Net (decrease)/ increase in cash and cash equivalents	(4,133,828)	3,815,114
Cash and cash equivalents at beginning of year	4,284,956	469,842
Cash and cash equivalents at end of year	**151,128**	**4,284,956**
Operating cash flows from interest, dividends and tax		
Interest received	4,072,257	3,526,146
Interest paid	(70,553)	(2,988,595)
Dividends received net of withholding tax	335,654	897,090
Income tax paid	(312,291)	(415,303)

The accompanying notes form part of the consolidated financial statements.

1. Incorporation and background information

RenShares Utilities Limited (further the "Fund") is a closed-end fund that was incorporated as a limited liability company under the laws of the British Virgin Islands on 30 November 2004.

The investment objective of the Fund is to achieve medium-term capital appreciation through investment in companies engaged in electricity generation, transmission, distribution and related businesses in Russia.

The investments of the Fund are held through the wholly owned subsidiary – RenGen Limited, a Cyprus limited liability company (further the "Subsidiary").

In accordance with the investment strategy of the Fund stated in its Offering memorandum the Fund may invest in equity or equity related securities, including unlisted securities, and debt instruments.

Most of the Fund's investments are listed and traded on stock exchange markets in Russia.

The consolidated financial statements of the Fund as at and for the year ended 31 December 2009 (the "consolidated financial statements") reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Fund. The future business environment may differ from management's assessment.

The Fund's investment activities are managed by Renaissance Capital Investment Management Limited, a company organised under the laws of the British Virgin Islands (the "Investment Manager"). The Investment Manager is solely responsible for the selection, execution, monitoring and disposition of investments.

Shares of the Fund are listed on the Bermuda Stock Exchange (2008: Bermuda Stock Exchange and Russian Trading System Stock Exchange).

The Fund's administrator is Custom House Administration & Corporate Services Limited (Ireland) (the "Administrator").

The Fund's custodians are LLC Renaissance Broker (Russian Federation) and Renaissance Advisory Services Limited (Bermuda).

The Fund's registered office is Appleby Corporate Services (BVI) Limited, Palm Grove House, PO Box 3190, Road Town, Tortola, British Virgin Islands.

As at 31 December 2009 the Fund had no employees (2008: nil).

The consolidated financial statements of the Fund were authorised for issue in accordance with a resolution of the Board of Directors on 28 June 2010.

2. Basis of preparation

(a) General

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets and financial liabilities that have been measured at fair value.

The functional and presentation currency of the Fund is United States dollars ("US$"), reflecting the fact that the redeemable shares of the Fund are issued in United States dollars and the Fund's investing activities are primarily conducted in United States dollars.

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

(b) Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB ("IFRIC"). The accounting policies applied in preparation of the consolidated financial statements and detailed below have been applied consistently to the years presented.

(c) Basis of consolidation

The consolidated financial statements comprise financial statements of RenShares Utilities Limited and its subsidiary – RenGen Limited (Cyprus). The Fund owns 100% of the Subsidiary at 31 December 2009 and 2008.

Subsidiary is fully consolidated from the date of acquisition, being the date on which the Fund obtains control, and continues to be consolidated until the date that such control ceases. The financial statements of the subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, income and expenses, unrealised gains and losses and dividends resulting from intra-group transactions are eliminated in full.

3. Summary of significant accounting policies

(a) Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except the Fund has adopted the following standards and amendments as at 1 January 2009:

as at 31 December 2009

(stated in United States dollars)

3. Summary of significant accounting policies (continued)

(a) Changes in accounting policies and disclosures (continued)

- IFRS 8 *Operating Segments;*
- IAS 1 (Revised 2007) *Presentation of Financial Statements;*
- Amendments to IFRS 7 *Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments*.

The principal effect of these changes is as follows:

IFRS 8 Operating Segments
This standard is effective for accounting periods beginning on or after 1 January 2009, it requires disclosure of information about the Fund's operating segments and replaced the requirement to determine primary (business) and secondary (geographical) reporting segments of the Fund. For management purposes, the Fund is organised into one business unit. The Fund determined that this operating segment was the same as the business segment previously identified under IAS 14 Segment Reporting.

IAS 1 (Revised 2007) Presentation of Financial Statements
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 1 January 2009.

The standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. The Fund has no instruments classified as equity and therefore a statement of changes in equity is not presented. 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.

Adoption of the revised standard did not have a material effect on the financial performance or position of the Fund as the Fund has no instruments classified as equity and therefore, has neither "profit or loss" nor "total comprehensive income" as defined by the revised standard.

Amendments to IFRS 7 Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments
The amendments to IFRS 7 were issued in March 2009 and become effective for annual periods beginning on or after 1 January 2009. The Fund has adopted these amendments with effect from 1 January 2009.

The amendments to IFRS 7 require fair value measurements to be disclosed by the source of inputs, using a three-level hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2);

3. Summary of significant accounting policies (continued)

(a) Changes in accounting policies and disclosures (continued)

- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

In addition, the amendments revise the specified minimum liquidity risk disclosures including: the contractual maturity of non derivative and derivative financial liabilities, and a description of how this is managed.

In the first year of application, comparative information is not required. However, the Fund has voluntarily disclosed comparative information.

The following standards, amendments and interpretations are effective for 2009 were adopted, but had no impact on the financial position or performance of the Fund:

Amendment to IFRS 2 Share-based Payments – Vesting Conditions and Cancellations
This amendment to IFRS 2 Share-based Payments was published in January 2008 and became effective for financial years beginning on or after 1 January 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.

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 became effective for annual periods beginning on or after 1 January 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's shares do not meet the definition of puttable instruments classified as equity instruments under the amendments. Hence, the amendments to IAS 32 and IAS 1 had no material impact on the financial performance or position of the Fund.

Amendment to IAS 23 Borrowing Costs
IAS 23 Borrowing Costs issued in March 2007 supersedes IAS 23 Borrowing Costs (revised in 2003). 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.

3. Summary of significant accounting policies (continued)

(a) Changes in accounting policies and disclosures (continued)

IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement
These amendments to IFRIC 9 require an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. IAS 39 now states that if an embedded derivative cannot be reliably measured, the entire hybrid instrument must remain classified as at fair value through profit or loss.
IFRIC 13 Customer Loyalty Programmes
IFRIC 13 Customer Loyalty Programmes addresses accounting by the entity that grants loyalty award credits to its customers.

IFRIC 15 Agreements for the Construction of Real Estate
IFRIC 15 Agreements for the Construction of Real Estate provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of IAS 11 Construction Contracts or IAS 18 Revenue and when revenue from the construction should be recognised.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation
IFRIC 16 Hedges of a Net Investment in a Foreign Operation applies to an entity that hedges the foreign currency risk arising from its net investments in foreign operations and wishes to qualify for hedge accounting in accordance with IAS 39.

IFRIC 18 Transfer of Assets from Customers
The IFRIC issued IFRIC Interpretation 18 in January 2009. IFRIC 18 provides guidance on accounting for transfers of assets, where cash is used to purchase those items of plant, property and equipment, which an entity receives from a customer, which is either used to connect the customer to a network, or provide the customer ongoing access to a supply of goods and services. The Interpretation is effective prospectively to transfers of assets from customers received on or after 1 July 2009.

Improvements to IFRSs

In May 2008 the IASB has issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The amendments to the following standards did not have any impact on the accounting policies, financial position or performance of the Fund.

as at 31 December 2009

(stated in United States dollars)

3. Summary of significant accounting policies (continued)

(a) Changes in accounting policies and disclosures (continued)

The following standards, amendments and interpretations are not effective and are not expected to have material impact on the financial position or performance of the Fund:

IFRS 3 (Revised 2008) Business Combinations and IAS 27 (Revised 2008) Consolidated and Separate Financial Statements
The revised standards were issued in January 2008 and became effective for financial years beginning on or after 1 July 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 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 31 July 2008 and is applicable for annual periods beginning on or after 1 July 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.

IFRS 1 First Time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters
The revised standard was issued in July 2009 and becomes effective for financial years beginning on or after 1 January 2010. The amendment provides relief from the full retrospective application of IFRS in certain circumstances.

IFRS 2 Share–based Payments – Group cash-settled share-based payment transactions
The revised standard was issued in July 2009 and is effective for annual periods beginning on or after 1 January 2010. It provides guidance on that to be in the scope of IFRS 2, an award must be a "share-based payment transaction", and part of a "share-based payment arrangement".

IFRIC Interpretation 17 Distributions of Non-Cash Assets to Owners
The IFRIC issued IFRIC Interpretation 17 in November 2008. IFRIC 17 provides guidance on how to account for distributions of non-cash assets to its owners and distributions that give owners a choice of receiving either non-cash assets or a cash alternative. An entity shall apply this Interpretation prospectively for annual periods beginning on or after 1 July 2009.

Improvements to IFRSs

In April 2009 the IASB has issued a second omnibus of amendments to its standards and interpretations. The following amendments are not expected to have any impact on the accounting policies, financial position or performance of the Fund.

as at 31 December 2009

(stated in United States dollars)

3. Summary of significant accounting policies (continued)

(b) Significant accounting policies

Financial instruments

(i) Classification

The Fund classifies its financial assets and financial liabilities into the categories below in accordance with IAS 39 Financial Instruments: Recognition and Measurement.
Financial assets and liabilities at fair value through profit or loss

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

- *Financial assets and liabilities held for trading*

Financial assets and liabilities at fair value are classified as held for trading if they are acquired or incurred for the purpose of selling or repurchasing in the near term. Derivatives are also classified as held for trading. The financial assets and liabilities at fair value held for trading are measured at fair value. Gains or losses on financial assets and liabilities at fair value held for trading are recognized in the consolidated statement of comprehensive income.

Derivative financial instruments entered into by the Fund do not meet the hedge accounting criteria as defined by IAS 39. Consequently, hedge accounting is not applied by the Fund.

- *Financial instruments designated as at fair value through profit or loss upon initial recognition*

These include equity securities and debt instruments that are not held for trading. These financial assets are designated on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's Offering memorandum. The vast majority of these financial assets are expected to be realised within 12 months of the reporting date.

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 short-term receivables.

(ii) Recognition

The Fund recognizes financial assets and liabilities on the date it becomes 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.

3. Summary of significant accounting policies (continued)

(b) Significant accounting policies (continued)

(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.

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

(iv) Initial measurement

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

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

(v) Subsequent measurement

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

as at 31 December 2009

(stated in United States dollars)

3. Summary of significant accounting policies (continued)

(b) Significant accounting policies (continued)

Subsequent changes in the fair value of those financial instruments are recorded in "Net gain/(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 repurchased".

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 the consolidated statement of comprehensive income 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.

Determination of fair value

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

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

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

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 14.

as at 31 December 2009

(stated in United States dollars)

3. Summary of significant accounting policies (continued)

Impairment of financial assets

At each reporting date the Fund assesses 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 reorganisation 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 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 the consolidated statement of comprehensive income as a separate line.

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 consolidated statement of comprehensive income as a separate line.

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.

Offsetting financial instruments

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

Functional and presentation currency

The functional currency of the Fund and the Subsidiary is US$.

The consolidated financial statements are presented in US$.

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.

as at 31 December 2009

(stated in United States dollars)

3. Summary of significant accounting policies (continued)

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 using currency rate established by the Central Bank of Russian Federation.

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

Foreign currency transaction gains and losses on financial instruments classified as at fair value through profit or loss are included in the consolidated statement of comprehensive income as part of the "Net gain/ (loss) on financial assets and liabilities at fair value through profit or loss". Exchange differences on other financial instruments are included in the consolidated statement of comprehensive income as "Net foreign exchange gain/ (loss)".

Due to and due from brokers

Amounts due to brokers are negative balances on brokerage accounts. Interest on negative brokerage account balances is recognised as interest expense in the consolidated statement of comprehensive income as it is accrued.

Amounts due from brokers include positive balances on brokerage accounts and margin accounts. Margin accounts represent cash deposits held with broker as collateral against open forwards contracts. Interest on positive brokerage account balances is recognised as interest income in the consolidated statement of comprehensive income as it is accrued.

Redeemable shares

The shares are not redeemable at the option of the shareholders but may be repurchased at the option of the Fund. In case of winding-up of the Fund the shares carry a right to a return of the nominal amount paid up in respect of such shares and surplus assets remaining.

Shares are classified as financial liabilities according to IAS 32.

The liabilities arising from the redeemable shares are carried at the redemption amount being the net asset value calculated in accordance with IFRS.

For the purpose of calculating the net assets attributable to shareholders in accordance with the Fund's Offering memorandum, the value of securities which are quoted or dealt in on any stock exchange is based on the last trade price.

This valuation of net assets value is different from the IFRS valuation requirements. The difference between the two valuations is reported in Note 16.

as at 31 December 2009

(stated in United States dollars)

3. Summary of significant accounting policies (continued)

Redeemable shares (continued)

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, current accounts, short-term deposits in banks 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 "cash and cash equivalents".

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Interest income and interest expense

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

Dividend income and expense

Dividend income is recognised when the Fund's right to receive the payment is established. Dividend income is presented net of any non-recoverable withholding taxes.

Dividend expense relating to equity securities sold short is recognised when the shareholders' right to receive the payment is established.

Fees and commissions

Unless included in the effective interest calculation, fees and commissions are recognised on an accrual basis. Legal and audit fees are included within "Other operating expenses".

Net gain/ (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 as "held at fair value through profit or loss" and excludes interest and dividend income and expenses.

Unrealised gains and losses comprise changes in the fair value of financial instruments for the period and from reversal of prior period's unrealised gains and losses for financial instruments which were realised in the reporting period.

as at 31 December 2009

(stated in United States dollars)

3. Summary of significant accounting policies (continued)

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

Realised gains and losses on disposals of financial instruments classified as "at fair value through profit or loss" are calculated using the First-In, First-Out (FIFO) method. They represent the difference between an instrument's initial carrying amount and disposal amount, or cash payments or receipts made on derivative contracts (excluding payments or receipts on collateral margin accounts for such instruments).

Income taxes

There are no taxes on income, profits or capital gains in the British Virgin Islands. Income tax expense may arise on a level of the Fund's Subsidiary registered in Cyprus.

4. Significant accounting judgements, estimates and assumptions

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.

In the process of applying the Fund's accounting policies, Management has made the following judgements and estimates, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Fair value of financial instruments

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

Further information on the risks related to the investments is included in Note 18.

Functional currency

The primary objective of the Fund is to generate returns in United States Dollars ("US$"), its capital-raising currency. The liquidity of the Fund is managed on a day-to-day basis in US$ in order to handle the issue, acquisition and resale of the Fund's redeemable shares. The Fund's performance is evaluated in US$.

as at 31 December 2009

(stated in United States dollars)

4. Significant accounting judgements, estimates and assumptions (continued)

Functional currency (continued)

Therefore, the management considers US$ as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

5. Opening balances reclassifications

The following reclassifications have been made to the 2008 balances to conform to the 2009 presentation:

	As previously reported	Reclassification	As reclassified
Consolidated statement of comprehensive income for the year ended 31 December 2008			
Income/ (losses) from operations			
Net foreign exchange gain/ (loss)	-	(75,907)	(75,907)
Net gain/ (loss) on financial assets and liabilities at fair value through profit or loss	(321,743,496)	75,907	(321,667,589)
Expenses			
Professional fees	-	(40,690)	(40,690)
Other operating expenses	(193,367)	40,690	(152,677)

Consolidated statement of financial position at 31 December 2008	As previously reported	Reclassification	As reclassified
Liabilities			
Other accounts payable and accrued expenses	(518,608)	386,518	(132,090)
Current income tax payable	-	(386,518)	(386,518)

6. Cash and cash equivalents

	31 December 2009	31 December 2008
Cash on current bank accounts	151,128	4,284,956
Total cash and cash equivalents	**151,128**	**4,284,956**

Cash is held in highly reliable banks. For details of currency and counterparty risk exposure refer to Note 18.

as at 31 December 2009

(stated in United States dollars)

7. Due to/ from brokers

	31 December 2009	31 December 2008
Cash on brokerage accounts - positive balance	8,487,472	12,177,831
Margin accounts	1,231,200	-
Total due from brokers	**9,718,672**	**12,177,831**
Cash on brokerage accounts - negative balance	(2,899,481)	-
Total due to brokers	**(2,899,481)**	**-**

Cash on brokerage account is represented by cash balances held with the Fund's prime brokers - Renaissance Advisory Services Limited (Bermuda) and Renaissance Securities (Cyprus) Limited. Brokers charge interest on positive account balances at 2% p.a. (2008: 2% p.a.). Interest payable on negative balances was from 11% to 20% p.a. in 2009 (2008: 8% to 20% p.a.).

8. Loans receivable

	31 December 2009	31 December 2008
Renaissance Advisory Services Limited	-	50,966,667
Renaissance Capital Investment Management Limited	-	217,467
	-	**51,184,134**

A loan to Renaissance Advisory Services Limited (Bermuda) was granted in 2008 in the amount of US$50,000,000 at the interest rate of 8% p.a., maturing on 2 March 2009. During 2009 interest income in amount of US$1,016,667 (2008: US$966,667) was accrued and fully repaid on maturity together with loan principal.

During the year 2009 the Fund granted loans to Renaissance Advisory Services Limited (Bermuda) for varying periods up to 5 months and earned interest from 8% to 10%. Interest income earned in 2009 amounted to US$2,940,685. All these loans were repaid in 2009.

As at 31 December 2008 the outstanding principal amount of loan granted to Renaissance Capital Investment Management Limited (BVI) at the interest rate of 16 % p.a. was US$158,776. The loan was fully repaid at maturity in July 2009 together with interest accrued in 2009 in amount of US$9,183.

9. Interest income

	2009	2008
Interest on loans receivable (Note 8)	3,966,535	1,031,217
Interest on positive brokerage account balance	89,704	511,310
Interest on current bank accounts	16,018	36,245
	4,072,257	**1,578,772**

as at 31 December 2009

(stated in United States dollars)

10. Interest expense

	2009	2008
Interest on negative brokerage account balances	(70,553)	(2,576,315)
Interest on borrowings	-	(332,280)
	(70,553)	**(2,908,595)**

11. Management and performance fees payable

	31 December 2009	31 December 2008
Management fees payable	(405,855)	(614,553)
Performance fees payable	(1,477,437)	-
	(1,883,292)	**(614,553)**

Under the terms of the investment management agreement between the Fund and the Investment Manager, management fees are paid at a rate equal to 1.5% p.a. of the net asset value as at close of business on each business day. The fee is accrued daily and payable quarterly in arrears. During the year ended 31 December 2009, fees of US$1,908,951 (2008: US$5,539,682) were incurred out of which US$405,855 (2008: US$614,553) were payable at year end.

The Fund also pays to the Investment Manager performance fees equal to 10% of the increase in the net asset value per share over and above the hurdle amount. The hurdle amount is equal to the original offer price per share plus 15% per annum (cumulative and compounded annually).

The performance fees are calculated and accrued for on a daily basis. During 2009 performance fees of US$1,477,437 were incurred and remained unpaid as at the reporting date.

Performance fees are payable on redemption or repurchase of redeemable shares. In 2009 the Fund redeemed 62,348,609 (2008: 26,170,694) redeemable shares, and no performance fees were paid to the Investment Manager on redemption as the criteria for performance fees repayment was not met.

At the end of 2008 the criteria for performance fees repayment to the Investment Manager was not met, and the outstanding performance fees accrual amounting to US$25,210,576 was reversed and payable as at 31 December 2008 was nil.

(stated in United States dollars)

12. Redeemable shares

The authorised share capital of the Fund is as follows:

	2009	2008
Authorised		
100 Founder shares (US$ 0.01 each)	1	1
200,000,000 Class RenGen shares (US$ 0.01 each)	2,000,000	2,000,000
	2,000,001	2,000,001

The Founder shares have been issued to the Investment Manager. The Founder shares carry no right to any dividend and on liquidation they will rank equally for return of the nominal amount paid up on them after the return of the nominal amount paid up on the redeemable shares.

All redeemable participation shares participate equally in such net assets of the Fund as are represented by the Fund on liquidation and in any dividends and other distributions attributable to the Fund as may be declared. There is currently only one series of shares in issue.

The movement in redeemable participation shares for the year, including the impact of treasury shares, is detailed in the table below.

	Issued and fully paid	Treasury shares	Outstanding shares
Balance at 1 January 2008	134,570,071	(2,444,172)	132,125,899
Redemption of redeemable shares	(26,170,694)	-	(26,170,694)
Cancellation of repurchased redeemable shares (treasury shares)	(496,568)	496,568	-
Balance at 31 December 2008	**107,902,809**	**(1,947,604)**	**105,955,205**
Redemption of redeemable shares	(62,348,609)	-	(62,348,609)
Cancellation of repurchased redeemable shares (treasury shares)	(1,947,604)	1,947,604	-
Balance at 31 December 2009	**43,606,596**	**-**	**43,606,596**

Capital management

As a result of the ability to issue and redeem shares, the capital of the Fund can vary depending on the demand for redemptions and subscriptions to the Fund. The Fund is not subject to externally imposed capital requirements and has no restrictions on the issue and redemption of shares.

The Fund's objectives for managing capital are:

- To invest the capital in investments meeting the description, risk exposure and expected return indicated in its Offering memorandum;
- To achieve consistent returns while safeguarding capital by investing in diversified portfolio;
- To maintain sufficient liquidity to meet the expenses of the Fund as they arise;
- To maintain sufficient size to make the operation of the Fund cost-efficient.

as at 31 December 2009

(stated in United States dollars)

12. Redeemable shares (continued)

As at 31 December 2009 and 2008 the Fund did not have any loan capital (including term loans) outstanding or created but unissued, and no outstanding mortgages, charges, debentures or other borrowings, or indebtedness in the nature of borrowings, including bank overdrafts, liabilities under acceptances or acceptance credits, obligations under finance leases, hire purchase commitments, guarantees or other contingent liabilities.

Refer to Note 18 for the policies and processes applied by the Fund in managing its capital.

13. Financial assets and liabilities at fair value through profit or loss

The Fund maintains positions in a variety of financial instruments as dictated by its investment management strategy. According to its investment strategy the Fund intends to take advantage of investment opportunities in companies which are engaged in electricity generation, transmission, distribution and related businesses in Russia.

In 2009 and 2008 the Fund's investment portfolio comprised listed and unlisted equity securities and derivatives.

	31 December 2009	31 December 2008
Financial assets held for trading		
Equities		
Equity securities	95,872,728	55,323,540
	95,872,728	**55,323,540**
Derivatives		
Options on equity	1,132,809	-
	1,132,809	**-**
Total financial assets held for trading	**97,005,537**	**55,323,540**
Financial assets designated at fair value through profit or loss		
Equity securities	-	2,001,214
Total financial assets designated at fair value through profit or loss	**-**	**2,001,214**
Financial assets at fair value through profit or loss	**97,005,537**	**57,324,754**

The Fund has not designated any loans or receivables as at fair value through profit or loss.

(stated in United States dollars)

13. Financial assets and liabilities at fair value through profit or loss (continued)

Financial liabilities held for trading	**31 December 2009**	**31 December 2008**
Equity securities	1,284,064	-
Derivatives		
Options on equity	1,530,139	-
Equity forwards	306,450	-
	1,836,589	-
Financial liabilities held for trading	**3,120,653**	**-**

	2009	**2008**
Net gain/ (loss) on financial assets and liabilities at fair value through profit or loss		
Held for trading	66,532,951	(318,168,803)
Designated at fair value through profit or loss	(2,001,214)	(3,498,786)
Total	**64,531,737**	**(321,667,589)**

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are indicative of neither the market risk nor the credit risk.

	31 December 2009			
	Assets	**Notional amount of assets**	**Liabilities**	**Notional amount of liabilities**
Derivatives				
Options on equity	1,132,809	18,310,853	1,530,139	27,852,284
Equity forwards	-	-	306,450	4,410,450
Total derivatives	**1,132,809**	**18,310,853**	**1,836,589**	**32,262,734**

14. Fair value of financial instruments

The following table shows financial instruments recognised at fair value, analysed between those whose fair value is based on:

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

as at 31 December 2009

(stated in United States dollars)

14. Fair value of financial instruments (continued)

	31 December 2009			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Financial assets held for trading				
Equities				
Equity securities	94,759,526	28,161	1,085,041	95,872,728
Derivatives				
Options on equity	-	1,132,809	-	1,132,809
	94,759,526	1,160,970	1,085,041	97,005,537
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading				
Equity securities	1,284,064	-	-	1,284,064
Derivatives				
Options on equity	-	1,530,139	-	1,530,139
Equity forwards	306,450	-	-	306,450
	1,590,514	1,530,139	-	3,120,653

	31 December 2008			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Financial assets held for trading				
Equities				
Equity securities	55,323,540	-	-	55,323,540
Financial assets designated at fair value through profit or loss				
Equity securities	-	-	2,001,214	2,001,214
	55,323,540	-	2,001,214	57,324,754

When fair values of listed equity and debt securities as well as publicly traded derivatives at the reporting date are based on quoted market prices or binding dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs, the instruments are included within Level 1 of the hierarchy. When the Fund has assets and liabilities with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the off-setting risk positions and applies the bid or ask price to the net open position as appropriate.

Transfers between Level 1and 2

The following table shows all transfers between Level 1 and Level 2 of the fair value hierarchy for financial assets recognized at fair value:

as at 31 December 2009

(stated in United States dollars)

14. Fair value of financial instruments (continued)

	Transfers from Level 1 to Level 2	
	2009	2008
Financial assets held for trading		
Equities		
Equity securities	28,161	-

Financial assets were transferred from Level 1 to Level 2 as they ceased to be traded in an active market during the year. Fair values at the reporting date were obtained using valuation techniques based on observable market inputs.

Level 3 reconciliation

The following table shows a reconciliation of all movements in the fair value of financial instruments categorised within Level 3 between beginning and the end of the reporting year.

	2009		
	Financial assets held for trading	Financial assets designated at fair value through profit or loss	Total
As at 1 January 2009	-	2,001,214	2,001,214
Total gains and losses in consolidated statement of comprehensive income	-	(2,001,214)	(2,001,214)
Transfers into Level 3	1,085,041	-	1,085,041
As at 31 December 2009	**1,085,041**	**-**	**1,085,041**
Total gains/(losses) for the year included in profit or loss for assets held at the end of the reporting year	437,628	(2,001,214)	(1,563,586)

	2008		
	Financial assets held for trading	Financial assets designated at fair value through profit or loss	Total
As at 1 January 2008	-	5,500,000	5,500,000
Total gains and losses in consolidated statement of comprehensive income	-	(3,498,786)	(3,498,786)
As at 31 December 2008	**-**	**2,001,214**	**2,001,214**

15. Taxation

The business activity of the Fund is subject to taxation in multiple jurisdictions, including:

British Virgin Islands

The Fund is incorporated in the British Virgin Islands and is exempted from all taxes under the respective laws.

as at 31 December 2009

(stated in United States dollars)

15. Taxation (continued)

Cyprus

The Subsidiary is subject to a 10% corporate income tax applied to its worldwide income. Capital gains derived on sale of securities are tax exempted (except for capital gains realized in connection with sale of shares in companies deriving their fair value or the greater part of their value from immovable property located in Cyprus.

Under certain conditions interest income may be subject to defense contributions at the rate of 10%. In such cases 50% of the same interest will be exempt from corporation tax thus having an effective tax burden of 15%. Dividends received from abroad are subject to defense contributions at the rate of 15% if the interest of shareholding in the company from which dividends are received is less than 1%.

	2009	2008
Accounting profit/ (loss) before tax	64,972,960	(302,635,617)
Tax charge/ (benefit) calculated at domestic rates applicable to the Fund's Subsidiary	6,030,375	(32,783,205)
Tax effect of expenses not deductible for tax purposes	23,501	45,737,686
Tax effect of income exempt for tax purposes	(5,649,309)	(12,960,451)
Tax effect of 50% of interest on loans - exempt	-	(47,500)
Unrecognised income tax asset	-	53,470
Income tax charge	**404,567**	**-**
Penalties for non provisional payments (10% of tax payable)	40,457	-
Special defense contribution	40,913	130,427
Tax charge for the year	**485,937**	**130,427**
Tax accrual for the prior periods	341,589	351,815
Taxation charge	**827,526**	**482,242**

16. Reconciliation of audited net asset value as per IFRS to net asset value as reported to shareholders

In accordance with the terms of its Offering memorandum the Fund reports its net assets on a monthly basis. As a result of the preparation of these consolidated financial statements certain adjustments have been recorded to the net assets as previously reported in order to comply with IFRS. These differences are presented and described below:

as at 31 December 2009

(stated in United States dollars)

16. Reconciliation of audited net asset value as per IFRS to net asset value as reported to shareholders (continued)

	2009	2008
Net assets as reported to shareholders	**98,455,186**	**134,350,953**
Accrual adjustment	(61,531)	(351,211)
Change in fair value of financial assets and liabilities	(408,095)	(7,744,566)
Adjustment on treasury shares	-	(2,415,097)
Adjusted net assets as per the IFRS consolidated financial statements	**97,985,560**	**123,840,079**

	2009	2008
Total number of redeemable shares in issue	43,606,596	107,902,809
Number of redeemable shares excluding treasury shares held by the Fund	43,606,596	105,955,205
Net assets value per redeemable share as reported to shareholders, US$	2.26	1.25
Effect of adjustments per redeemable share, US$	(0.01)	(0.08)
Adjusted net asset value per redeemable share, as per IFRS consolidated financial statements, US$	**2.25**	**1.17**

17. Related parties

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 2009 and 2008.

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

- Investment Manager - Renaissance Capital Investment Management Limited (BVI);
- Other entities under common control;
- Directors - the list of the Fund's Directors is shown on page 1.

Renaissance Capital Investment Management Limited is a part of Renaissance Investment Management Group ("RIM Group") and is under common control of Renaissance Group Holdings Limited (Bermuda) ("RGHL"). Entities under common control of RGHL Group which had operations with the Fund in 2009 and 2008 are as follows:

as at 31 December 2009

(stated in United States dollars)

17. Related parties (continued)

- Renaissance Advisory Services Limited (Bermuda);
- Renaissance Investment Management (Cyprus) Limited;
- Renaissance Securities (Cyprus) Limited.

The nature of the related party transactions for those related parties with whom the Fund entered into significant transactions or had significant outstanding balance as at 31 December 2009 and 2008 are detailed below.

Consolidated statement of financial position	Nature of related party	31 December 2009	31 December 2008
Assets			
Due from brokers	Other entities under common control	9,718,672	12,177,831
Loans receivable	Other entities under common control	-	50,966,667
Loans receivable	Investment Manager	-	217,467
Financial assets at fair value through profit or loss	Other entities under common control	1,132,809	-
Liabilities			
Due to brokers	Other entities under common control	(2,899,481)	-
Management and performance fees payable	Investment Manager	(1,883,292)	(614,553)
Financial liabilities at fair value through profit or loss	Other entities under common control	(1,836,589)	-

Consolidated statement of comprehensive income	Nature of related party	2009	2008
Income			
Interest income	Other entities under common control	4,056,240	1,477,963
Interest income	Investment Manager	-	64,564
Expense			
Interest expense	Other entities under common control	(70,553)	(2,908,595)
Net gain/ (loss) on financial assets and liabilities at fair value through profit or loss	Other entities under common control	(992,694)	-
Management fees	Investment Manager	(1,908,951)	(5,539,682)
Performance fees (charge)/ reversal	Investment Manager	(1,477,437)	25,210,576
Directors fees (charge)/ reversal	Directors	(20,959)	15,415

as at 31 December 2009

(stated in United States dollars)

18. Financial risk management

General

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

According to its investment strategy the Fund intends to take advantage of investment opportunities in companies which are engaged in electricity generation, transmission, distribution and related businesses in Russia.

The Fund may invest in equity or equity related securities, including unlisted securities. Although the Fund generally invests in equity or equity related securities, it may, where the Investment Manager deems it suitable, reduce or maintain its holdings of equity and/or equity related securities and invest in debt instruments.

In 2009 and 2008 the Fund's investment portfolio comprised listed and unlisted equities. Besides as at 31 December 2009 the Fund's investment portfolio included derivative financial instruments.

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. In instances where the portfolio has diverged from target asset allocations, the Fund's Investment Manager will rebalance the portfolio to fall in line with the target asset allocations.

The Fund's investing activities expose it to various types of risk that are associated with the financial instruments and markets in which it invests. The most important types of financial risk to which the Fund is exposed are market risk, credit risk and liquidity risk.

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

Credit risk

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

The carrying amounts of financial assets best represent the maximum credit risk exposure at the reporting date. This relates also to financial assets carried at amortised cost, as they have a short-term maturity.

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

as at 31 December 2009

(stated in United States dollars)

18. Financial risk management (continued)

Credit risk (continued)

At the reporting date, the Fund's financial assets exposed to credit risk amounted to the following:

Maximum exposure	2009	2008
Cash and cash equivalents	151,128	4,284,956
Due from brokers	9,718,672	12,177,831
Loans receivable	-	51,184,134
Derivative financial instruments	1,132,809	-
Total credit risk exposure	**11,002,609**	**67,646,921**

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

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

31 December 2009	High rated banks	Not rated	Total
Cash and cash equivalents	151,128	-	151,128
Due from brokers	-	9,718,672	9,718,672
Derivative financial instruments	-	1,132,809	1,132,809
Total	**151,128**	**10,851,481**	**11,002,609**

31 December 2008	High rated banks	Not rated	Total
Cash and cash equivalents	4,284,956	-	4,284,956
Due from brokers	-	12,177,831	12,177,831
Loans receivable	-	51,184,134	51,184,134
Total	**4,284,956**	**63,361,965**	**67,646,921**

Transactions involving derivative financial instruments are usually with counterparties with whom the Fund signed master netting agreements. Master netting agreements provide for the net settlement of contracts with the same counterparty in the event of default. The impact of the master netting agreements is to reduce credit risk. The credit risk associated with derivative financial assets subject to a master netting arrangement is eliminated only to the extent that financial liabilities due to the same counterparty will be settled after the assets are realized.

The exposure to counterparty credit risk reduced by master netting arrangements may change significantly within a short period of time as a result of transactions subject to the arrangement. Master netting agreements are used for all type of transactions. The corresponding assets and liabilities have not been offset on the consolidated statement of financial position.

as at 31 December 2009

(stated in United States dollars)

18. Financial risk management (continued)

Credit risk (continued)

The counterparty credit risk is managed through the internal developed system of counterparty limits. The counterparty limits are established by the Investment Manager; adherence to those limits is monitored by Investment Manager 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 brokers of the Fund are Renaissance Advisory Services Limited (Bermuda) and Renaissance Securities (Cyprus) 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 assets of the Fund held by Prime brokers are placed with LLC Renaissance Broker, which acts as custodian of the assets that have not been delivered to any of the Prime Brokers. All of the cash held by the Fund and placed with the Prime Brokers is held to facilitate redemption payments. Bankruptcy or insolvency of the custodians 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.

Geographical concentration

The table below summaries the Fund's concentration of credit risk by geographical distribution (based on counterparties' country of domicile):

31 December 2009	**Russia and CIS**	**Cyprus**	**BVI**	**USA**	**Other**	**Total**
Cash and cash equivalents	-	-	-	129	150,999	151,128
Due from brokers	-	9,713,970	4,702	-		9,718,672
Derivative financial instruments	-	-	1,132,809	-	-	1,132,809
Total credit risk exposure	**-**	**9,713,970**	**1,137,511**	**129**	**150,999**	**11,002,609**
Total credit risk exposure, %	**0.0%**	**88.3%**	**10.3%**	**0.0%**	**1.4%**	**100.0%**

31 December 2008	**Russia and CIS**	**Cyprus**	**BVI**	**USA**	**Other**	**Total**
Cash and cash equivalents	377,556	-	-	3,842,754	64,646	4,284,956
Due from brokers	-	12,177,831	-	-	-	12,177,831
Loans receivable	-	50,966,667	217,467	-	-	51,184,134
Total credit risk exposure	**377,556**	**63,144,498**	**217,467**	**3,842,754**	**64,646**	**67,646,921**
Total credit risk exposure, %	**0.6%**	**93.3%**	**0.3%**	**5.7%**	**0.1%**	**100%**

as at 31 December 2009

(stated in United States dollars)

18. Financial risk management (continued)

Credit risk (continued)

Industry concentration

The majority of the Fund's counterparties are financial institutions.

None of the Fund's financial assets were considered to be past due or impaired in both 2009 and 2008.

Liquidity risk and funding management

Liquidity risk is defined as the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities earlier than expected.

Being a closed-end investment fund, the Fund's shares are not redeemable at the option of shareholders but may be repurchased and redeemed at the option of the Fund. Therefore it has limited exposure to the liquidity risk.

At each annual general meeting of the Fund an ordinary resolution shall be proposed for the continuation of each Class of redeemable shares. If such resolution is not passed by a Class, the Directors are required to formulate proposals to be put to the Shareholders for the winding-up or other reorganisation or reconstruction of the relevant Class. Transfer of shares is limited.

At the reporting date the majority of the Fund's investments are considered to be realisable as the majority of them are listed on major Russian stock exchanges like RTS and MICEX.

However part of investments are illiquid, being traded on non-active market, thereby making it difficult to acquire or dispose of investments at values stated in the consolidated financial statements.

The current liquidity requirements including payments of operating expenses and fees are managed in accordance with policies and procedures in place. The Fund uses detailed cash flow forecasting, carried out by the Treasury department, which allows to control and manage its liquidity and undertake proper measures if liquidity shortages or excessive liquidity are anticipated.

The table below summarizes the maturity profile of the Fund's financial liabilities at 31 December 2009 and 2008 based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately.

31 December 2009	**Less than 3 months**	**3 to 12 months**	**Total**
Due to brokers	2,899,481	-	2,899,481
Financial liabilities at fair value through profit or loss	2,590,576	530,077	3,120,653
Management and performance fees payable	-	1,883,292	1,883,292
Other accounts payable and accrued expenses	15,680	71,834	87,514
Total financial liabilities	**5,505,737**	**2,485,203**	**7,990,940**

as at 31 December 2009

(stated in United States dollars)

18. Financial risk management (continued)

Liquidity risk and funding management (continued)

31 December 2008	Less than 3 months	3 to 12 months	Total
Management and performance fees payable	-	614,553	614,553
Other accounts payable and accrued expenses	20,998	111,092	132,090
Total financial liabilities	**20,998**	**725,645**	**746,643**

Market risk

General

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The maximum risk resulting from financial instruments, except for written options and securities sold short, equals their fair value.

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

The Fund's strategy on the management of investment risk is driven by the Fund's investment objective. The investment objective of the Fund is to achieve medium-term capital appreciation from investments in electricity generating companies, namely companies which have a significant interest in the generation of electricity in Russia and in electricity network companies, namely companies which have a significant interest in the distribution and/or transmission of electricity via the Russian electricity networks.

The Investment Manager is not required to maintain a balanced portfolio or to diversify risk. Accordingly, the Fund's portfolio may be highly concentrated and its performance may be materially and adversely affected by the performance (either positive or negative) of a single investment.

The Fund may borrow on a temporary basis an aggregate amount of up to 10% of its net asset value.

The exposure to market risk of the Fund's financial asset and liability positions is measured using value-at-risk (VaR) analysis. The details of the method including its main assumptions and limitations are disclosed further in the current note.

Details of the nature of the Fund's investment portfolio at the year end are disclosed in Note 13.

as at 31 December 2009

(stated in United States dollars)

18. Financial risk management (continued)

Market risk (continued)

Currency risk

The Fund may invest in financial instruments denominated in currencies other than its functional currency – US Dollars. According to the Fund's investment policy, it may invest in securities and other instruments that are principally denominated in Russian Roubles. Consequently, the Fund may be exposed to risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse affect on the value of that portion of the Fund's assets or liabilities denominated in currencies other than US$, notwithstanding any efforts made to hedge such fluctuations. Normally, any cash balances or proceeds in Russian Roubles and other non-US$ currencies are converted into US$.

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 US$. All settlements on securities trading are predominantly performed in US$. Therefore the Fund is not exposed to currency risk and does not have any specific policies for managing the currency risk in what relates to active operations of the Fund.

Sensitivity Analysis

Sensitivity analysis calculates the effect of a reasonably possible movement of the currency rate against the US$ on the net assets attributable to shareholders and on the "decrease in net assets attributable to shareholders from operations", with all other variables held constant.

Sensitivity analysis is based on consideration of up and down scenario according to parameters stated in the following table.

Currency	Change in currency rate in % 2009	Effect on Change of Net Assets Attributable to shareholders (before tax) 2009	Change in currency rate in % 2008	Effect on Change of Net Assets Attributable to shareholders (before tax) 2008
Russian Ruble (upper border)	15%	(405,862)	-10%	(37,756)
Russian Ruble (lower border)	-15%	405,862	-30%	(113,267)
Euro (upper border)	12%	(1,239)	-	-
Euro (lower border)	-12%	1,239	-	-

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

18. Financial risk management (continued)

Market risk (continued)

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

The Fund primarily invests in equity securities, which are not exposed to interest rate risk.

As at 31 December 2009 and 2008 the Fund has no interest-bearing financial assets and liabilities at floating rates. The Fund's placements and borrowings are within related parties at fixed rates, the expectation of re-pricing is low. Therefore, the Fund has limited 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 comprehensive income, all changes in market conditions will directly affect Net gain/ (loss) on financial assets and liabilities at fair value through profit or loss.

Price risk is managed and measured by the Fund's Investment Manager using value-at-risk ("VAR") analysis. The Fund's overall price risk exposure is monitored by the Investment Manager on a daily basis.

Value-at-risk (VAR)

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 is derived using standard deviation of the fund share return calculated using 2-year history. Thus fund share daily VAR is calculated using 99% confidence interval. Then VAR figure is interpolated to the fund portfolio which allows calculating value at risk in US$.

VAR exposure is reported to top management and the Directors of the Fund on the daily basis.

Limitations of the used VAR calculation approach are the following:

- Historical data usage does not cover all possible scenarios in 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. Real loss can exceed calculated VAR value with the probability of 1%.

as at 31 December 2009

(stated in United States dollars)

18. Financial risk management (continued)

Market risk (continued)

- As soon as VAR is calculated after the trade date, it does not consider risks that concern with positions opened during trade date.

The table below indicates the VAR of the Fund's financial instruments, measured as the potential loss in value during 1 day from adverse changes in equity prices with a 99% confidence level.

	31 December 2009	31 December 2008
VAR of the portfolio, US$	4,172,034	2,007,308
VAR/ NAV ratio, %	4.26	1.62

19. Maturity analysis of assets and liabilities

As at 31 December 2009 and 2008 all assets and liabilities were expected to be recovered or settled within a period of one year. See Note 18 for the Fund's contractual undiscounted repayment obligations.

20. Commitments and contingencies

Operating environment

As previously noted the Fund's activity is mainly focused on investments in equities of Russian issuers.

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

The Russian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The global financial crisis has resulted in a decline in the gross domestic product, 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 to Russian banks and companies, there continues to be uncertainty regarding the access to capital and cost of capital for the Fund's counterparties, which could affect the Fund's consolidated financial position, results of operations and business prospects.

Also, factors including increased unemployment in Russia, reduced corporate liquidity and profitability, and increased corporate and personal insolvencies, have affected the Fund's debtors' ability to repay the amounts due to the Fund. To the extent that information is available, the Fund has reflected revised estimates of expected future cash flows in its impairment assessment.

as at 31 December 2009

(stated in United States dollars)

20. Commitments and contingencies (continued)

Operating environment (continued)

While the 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.

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.

21. Going concern

In accordance with the Offering memorandum of the Fund at each annual general meeting of the Fund falling after 1 January 2008 an ordinary resolution shall be proposed for the continuance of each existing class of redeemable shares. If such resolution is not passed, the Directors are required to formulate proposals to be put to the shareholders for the winding-up or other reorganisation or reconstruction.

As of the date these consolidated financial statements were authorised for issue the decisions on whether to extend the term of the Fund have not been taken and therefore the termination dates of the Fund and its Subsidiary are currently uncertain. Therefore, there is a material uncertainty, which may cast significant doubt on the Fund's ability to continue as a going concern. Therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business for the period of at least twelve months from the reporting date.

These consolidated financial statements have been prepared on a going concern basis and as such the investments are stated at fair value as at the date of the consolidated financial statements. If the Fund would be terminated during 2010, the investments will be sold in an urgent sale and such sales value less cost to sell may differ from the fair value reported in the consolidated financial statements. Continuation of operations of the Fund depends upon the decision of the shareholders of the Fund to extend the term of the Fund.

22. Events after the reporting date

After 31 December 2009 there were no subsequent events which may influence these consolidated financial statements.