Renaissance

RenShares Utilities Limited

Consolidated Financial Statements for the period 1 January 2010 to 31 March 2011
Consolidated Financial Statements and
Independent Auditors' Report for the period ended 31 March 2011

Contents

Directors and other information

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Investment manager	Renaissance Capital Investment Management Limited Jayla Place Wickhams Cay I Road Town Tortola VG1110 British Virgin Islands
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Administrator, registrar, transfer agent and company secretary	Custom House Fund Services (Ireland) Limited 25 Eden Quay Dublin 1 Ireland

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Independent auditors' report

To the Board of Directors of RenShares Utilities Limited

We have audited the accompanying consolidated financial statements of RenShares Utilities Limited (the "Fund") which comprise the consolidated statement of financial position as at 31 March 2011 and the consolidated statement of comprehensive income, consolidated statement of changes in net assets and consolidated statement of cash flows for the period from 1 January 2010 to 31 March 2011, and a summary of significant accounting policies and other explanatory information.

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

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.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Fund and its subsidiary as of 31 March 2011, and their financial performance and its cash flows for the for the period from 1 January 2010 to 31 March 2011 in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw your attention to Note 2 to the consolidated financial statements which indicate that the Fund's management have made a decision to wind up the operations of the Fund. Accordingly, the Fund changed its basis of accounting from a going concern basis to a liquidation basis as of 31 March 2011.

Ernst & Young LLC

26 April 2012

Consolidated statement of comprehensive income

(stated in United States dollars)

	Notes	For the period from 1 January 2010 to 31 March 2011	For the year ended 31 December 2009
Results from operations			
Interest income	*6*	101,021	4,072,257
Dividend income, gross		275,568	335,654
Net foreign exchange (loss)/gain		(168,816)	167,186
Net gain on financial assets and liabilities at fair value through profit or loss	*10*	37,941,863	64,531,737
Other income		5,534	-
Total results from operating income		**38,155,170**	**69,106,834**
Expense			
Management fee	*8*	(1,719,927)	(1,908,951)
Performance fees	*8*	(2,686,209)	(1,477,437)
Administration fees		(200,944)	(216,002)
Interest expense	*7*	(180,284)	(70,553)
Professional fees		-	(240,618)
Directors fees		-	(20,959)
Other operating expenses		(466,581)	(199,354)
Total expenses		**(5,253,945)**	**(4,133,874)**
Operating profit		**32,901,225**	**64,972,960**
Income tax expense	*12*	(47,910)	(827,526)
Increase in net assets attributable to holders of non-voting participating shares from operations		**32,853,315**	**64,145,434**

The accompanying notes form an integral part of the consolidated financial statements.

Consolidated statement of financial position

(stated in United States dollars)

	Notes	As at 31 March 2011	As at 31 December 2009
Assets			
Cash and cash equivalents	4	42,054	151,128
Due from brokers	5	1,411,233	9,718,672
Financial assets at fair value through profit or loss	10	-	97,005,537
Other assets		-	2,916
Total assets		**1,453,287**	**106,878,253**
Liabilities			
Current income tax payable		(1,053,144)	(901,753)
Other accounts payable and accrued expenses		(76,113)	(87,514)
Due to broker	5	-	(2,899,481)
Management and performance fees payable	8	-	(1,883,292)
Financial liabilities at fair value through profit or loss	10	-	(3,120,653)
Total liabilities excluding net assets attributable to holders of non-voting participating shares		**(1,129,257)**	**(8,892,693)**
Net assets attributable to holders of non-voting participating shares		**324,030**	**97,985,560**
Non-voting participating shares in issue	9	-	**43,606,596**
Net asset value per non-voting participating share	13	-	**2.25**

The consolidated financial statements were signed and authorised for release by the Board of Directors on 26 April 2012.

Director

Director

Consolidated statement of changes in net assets attributable to holders of non-voting participating shares

(stated in United States dollars)

	Notes	Number of non-voting non-voting participating shares shares	Net assets attributable to holders of non-voting participating shares
Balance at 1 January 2009		**105,955,205**	**123,840,079**
Redemption of non-voting participating shares shares		(62,348,609)	(89,999,953)
Increase in net assets attributable to holders of non-voting participating shares from operations		-	64,145,434
Balance at 31 December 2009	*9*	**43,606,596**	**97,985,560**
Redemption of non-voting participating shares shares		(43,606,596)	(130,514,845)
Increase in net assets attributed to holders of non-voting participating shares from operations		-	32,853,315
Balance at 31 March 2011		**-**	**324,030**

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Consolidated statement of cash flows

(stated in United States dollars)

	For the period from 1 January 2010 to 31 March 2011	For the year ended 31 December 2009
Cash flows from operating activities		
Increase in net assets attributable to holders of non-voting participating shares from operations	32,853,315	64,145,434
Non-cash adjustment to reconcile increase in net assets attributable to holders of non-voting participating shares from operations		
Non-cash payment on redemption of non-voting participating shares	(130,514,845)	-
Adjustment to reconcile change in net assets attributable to holders of non-voting participating shares to net cash provided by operating activities		
Net changes in operating assets and liabilities		
Decrease/(increase) in financial assets at fair value through profit or loss	97,005,537	(39,680,783)
Decrease in loans receivable	-	51,184,134
Decrease in amounts due from brokers	8,307,439	2,459,159
Decrease/(increase) in other assets	2,916	(1,351)
(Decrease)/increase in financial liabilities at fair value through profit or loss	(3,120,653)	3,120,653
(Decrease)/increase in accounts payable	(1,743,302)	1,739,398
(Decrease)/increase in amounts due to broker	(2,899,481)	2,899,481
Net cash provided by operating activities	**(109,074)**	**85,866,125**
Cash flows from financing activities		
Payments on redemption of non-voting participating shares*	-	(89,999,953)
Net cash flows used in financing activities	**-**	**(89,999,953)**
Net decrease in cash and cash equivalents	**(109,074)**	**(4,133,828)**
Cash and cash equivalents at beginning of period/year	151,128	4,284,956
Cash and cash equivalents at the end of the period/year	**42,054**	**151,128**
Supplementary information:		
Interest received	101,021	4,072,257
Interest paid	(180,284)	(70,553)
Dividends received net of withholding tax	275,568	335,654
Income tax paid	-	(312,291)

1. Corporate 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 were held through the wholly owned subsidiary – RenGen Limited, a Cyprus limited liability company (further the "Subsidiary").

On December 15, 2010 holders of non-voting participating shares of the Fund approved its restructuring into the UCITS sub-fund by subscription into the Renaissance Russian Power Utilities Fund of Renaissance Asset Managers Global Funds, an open-ended investment company organised under the laws of the Grand Duchy of Luxemburg. Consideration for subscription in amount of US$130,229,528 was paid in-kind of the Fund's assets - financial assets at fair value through profit or loss (US$126,456,244) and cash held with broker (US$3,773,284). As a result of restructuring the Fund did not hold any financial assets at fair value through profit or loss and ceased to trade on 31 March 2011.

On December 21, 2010 Directors of the Fund approved redemption of total number of its non-voting participating shares. Consideration for the redemption was paid to the holders of non-voting participating shares in-kind of total number of shares of Renaissance Russian Power Utilities Fund. Subsequent to the restructuring of the Fund, its subsidiary will be wound down.

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. At 31 March 2011, the Fund held no investments. At 31 December 2009, most of the Fund's investments were listed and traded on stock exchange markets in Russia.

The consolidated financial statements of the Fund for the period from 1 January 2010 to 31 March 2011 (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. As at 31 March 2011 all non-voting participating shares of the Fund were redeemed and the Fund ceased to trade. As at 31 March 2011 the Fund had no employees (2009: nil).

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.

The Fund's administrator is Custom House Fund Services (Ireland) Limited (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, P.O. Box 3190, Road Town, Tortola, British Virgin Islands.

The consolidated financial statements of the Fund were authorised for issue in accordance with a resolution of the Board of Directors on 26 April 2012.

2.1. Basis of preparation

(a) General

The consolidated financial statements have been prepared on a historical cost basis as of 31 December 2009, except for financial assets and financial liabilities that have been measured at fair value. As of 31 March 2011 the consolidated financial statements have been prepared on a liquidation basis (see *Liquidation basis* below). The functional and presentation currency of the Fund is United States dollars ("US$"), reflecting the fact that the non-voting participating 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 3.

Liquidation basis
These consolidated financial statements at 31 March 2011 have been prepared on a liquidation basis and the fair value of the financials assets and the financial liabilities are stated at net realisable value which is deemed not significantly different from fair value. The consolidated financial statements have been prepared for the fifteen month period to 31 March 2011; a period greater than 12 months has been used as the current period is the final trading period of the Fund. The comparative period relates to the year ended 31 December 2009. The periods are broadly comparable as the activities from 1 January 2011 to 31 March 2011 relating mainly to the wind-up of the Fund.

(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 March 2011 and 31 December 2009.

The 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. All intra-group balances, income and expenses, unrealised gains and losses and dividends resulting from intra-group transactions are eliminated in full.

2.2. Summary of significant accounting policies

(a) 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 always classified as held for trading. The financial assets and liabilities held for trading are measured at fair value. Gains or losses on financial assets and liabilities at fair value held for trading are recognised in the consolidated statement of comprehensive income. Derivative financial instruments, if any, 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 assets and liabilities 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 and liabilities are initially designated on the basis that they are part of a group of financial assets and liabilities 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 and liabilities are expected to be realised within 12 months of the reporting date.

- *Financial assets at amortised cost*

  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 debt securities, classified as loans and receivables, loans and amounts relating to short-term receivables and other assets.

- *Financial liabilities at amortised cost*

  The Fund includes in this category other payables including management fees and other accounts payable and accrued expenses.

(ii) Recognition

The Fund recognises 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.

(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 recognised initially on the trade date at which the Fund becomes a party to the contractual provisions of the instrument. Other financial assets and liabilities are recognised on the date they are originated. Financial assets and financial liabilities at fair value through profit or loss are measured initially at fair value, with transaction costs recognised in the consolidated statement of comprehensive income.

Loans and receivables and other financial liabilities are measured initially at fair value plus transaction costs that are directly attributable to the 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.

Subsequent changes in the fair value of those financial instruments are recorded in "Net gain or loss on debt securities designated 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.

Loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in the consolidated statement of comprehensive income when the loans and receivables are derecognised or impaired 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 ask price to the net open position as appropriate.

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

(c) Impairment of financial assets

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 item.

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 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.

(d) 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.

(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.

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 the 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 on financial assets and liabilities at fair value through profit or loss". Exchange differences, if any, on other financial instruments are included in the consolidated statement of comprehensive income as "Net foreign exchange gain/(loss)".

(f) Due to and due from broker

Amounts due to broker are negative balances on brokerage accounts and amounts payable for securities purchased (in regular way transactions) that have been contracted for but not yet delivered on the reporting date. 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 broker include positive balances on brokerage accounts and margin accounts. Margin accounts represent cash deposits held with broker as collateral against open futures contracts. Interest on positive brokerage account balances is recognised as interest income in the consolidated statement of comprehensive income as it is accrued.

(g) Non-voting participating shares

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

The Fund issued one class of non-voting participating shares and one class of founder shares. The founder shares are subordinate to all other classes of instruments and as such the non-voting participating shares do not meet the criteria of an equity instrument under IAS 32 and have been classified as financial liabilities.

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

This valuation of net assets value was different from the IFRS valuation requirements. The difference between the two valuations is reported in note 13.

(h) 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.

(i) 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.

Interest income and expense include interest on bank and broker balances, interest from loans and receivables.

(j) 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.

Dividend expense relating to equity securities sold short is recognised when the Fund’s obligation to make the payment is established.

(k) 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”.

(l) Net gain or loss on debt securities designated 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 excludes interest and dividend income and expense. 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.

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).

(m) 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 Subsidiary registered in Cyprus. There is no deferred tax as taxable income is similar to accounting income.

The accounting policies adopted are consistent with those of the previous financial year except as follows.

(n) Change in accounting policies and disclosures

As from 1 January 2010, the Fund has adopted the following new and amended IFRSs and IFRIC Interpretations:

- *IFRS 2 Group Cash-settled Share-based Payment Arrangements (Amended)*
  This amendment clarifies the accounting for group cash-settled share-based payment transactions and how such transactions should be arranged in the individual financial statements of the subsidiary.

- *IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)*
  The revised IFRS 3 introduces a number of changes in the accounting for business combinations which will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. Such changes include the expensing of acquisition-related costs and recognising subsequent changes in fair value of contingent consideration in the profit or loss (rather than by adjusting goodwill). The amended IAS 27 requires that a change in ownership interest of a subsidiary is accounted for as an equity transaction. Therefore such a change will have no impact on goodwill, nor will it give raise to a gain or loss. Furthermore the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

- *IAS 39 Financial Instruments: Recognition and Measurement (Amended) – eligible hedged items*
  The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations.

- *IFRIC 17 Distributions of Non-cash Assets to Owners*
  The interpretation provides guidance on how to account for non-cash distributions to owners. The interpretation clarifies when to recognize a liability, how to measure it and the associated assets, and when to derecognize the asset and liability.

- *IFRS 1 First-time Adoption of International Financial Reporting Standards — Additional Exemptions for First-time Adopters (Amended)*
  According to this amendment, entities which adopt IFRS for the first time are able: a) Not to reconsider if an existing agreement contains a lease (in accordance with IFRIC 4) in case such evaluation has been already performed in accordance with their previous GAAP, b) To measure, upon conversion to IFRS, the deemed cost of oil products and natural gas at each carrying value in accordance with previous GAAP (affects companies which operate in oil and natural gas industry).

Amendments resulting from improvements to IFRSs (April 2008) to the following standards which had an impact on the accounting policies, financial position or performance of the Fund:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Amendments resulting from improvements to IFRSs (April 2009) to the following standards which had an impact on the accounting policies, financial position or performance of the Fund:

- IFRS 2 Share-based Payment
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IFRS 8 Operating Segment Information
- IAS 1 Presentation of Financial Statements
- IAS 7 Statement of Cash Flows
- IAS 17 Leases
- IAS 36 Impairment of Assets
- IAS 38 Intangible Assets
- IAS 39 Financial Instruments: Recognition and Measurement
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation

3. Significant accounting judgments, 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:

Functional currency

The primary objective of the Fund is to generate returns in US Dollar, its capital-raising currency. The Fund's performance is evaluated in US Dollar. Therefore, the management considers the US Dollar as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

4. Cash and cash equivalents

	31 March 2011	31 December 2009
	US$	US$
Cash at bank	42,054	151,128
	42,054	**151,128**

Cash is held with JP Morgan Chase and Raiffeisen Zentralbank Osterreich AG. For details of currency and counterparty risk exposure refer to 15.

5. Due to/from brokers

	31 March 2011	31 December 2009
	US$	US$
Cash on brokerage accounts - positive	1,411,233	8,487,472
Margin accounts	-	1,231,200
Total due from brokers	**1,411,233**	**9,718,672**
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. (2009: 2% p.a.). Brokers charge interest on negative brokerage balances at 10% p.a. (2009: 11% to 20% p.a.).

6. Interest income

	For the period from 1 January 2010 to 31 March 2011	For the year ended 31 December 2009
	US$	US$
Interest on current bank accounts	101,021	16,018
Interest on loans receivable	-	3,966,535
Interest on positive brokerage account balances	-	89,704
	101,021	**4,072,257**

7. Interest expense

	For the period from 1 January 2010 to 31 March 2011	For the year ended 31 December 2009
	US$	US$
Interest on negative brokerage account balances	(180,284)	(70,553)
	(180,284)	**(70,553)**

8. Management and performance fees payable

	31 March 2011	31 December 2009
	US$	US$
Management fees payable	-	(405,855)
Performance fees payable	-	(1,477,437)
	-	**(1,883,292)**

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 period from 1 January 2010 to 31 March 2011, fees of US$1,719,927 (year ended 31 December 2009: US$1,908,951) were incurred out of which US$ Nil (2009: US$405,855) were payable at period/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 the period ended 31 March 2011 performance fees of US$2,686,209 (year ended 31 December 2009: US$1,477,437) were incurred out of which US$ Nil (year ended 31 December 2009: US$1,477,437) were payable at period/year end.

9. Non-voting participating shares

The authorised share capital of the Fund is as follows:

	31 March 2011	31 December 2009
	Shares	Shares
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

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 non-voting participating shares.

All non-voting participating 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 non-voting participating shares in issue. The movement in non-voting participating shares for the period, including the impact of treasury shares, is detailed in the table below.

	Issued and fully paid	Treasury Shares	Total outstanding
Balance at 1 January 2009	**107,902,809**	**(1,947,604)**	**105,955,205**
Redemption of non-voting participating shares	(62,348,609)	-	(62,348,609)
Cancellation of repurchased non-voting participating shares (treasury shares)	(1,947,604)	1,947,604	-
Balance at 31 December 2009	**43,606,596**	-	**43,606,596**
Redemption of non-voting participating shares	(43,606,596)	-	(43,606,596)
Balance at 31 March 2011	**-**	**-**	**-**

Capital management

As a result of the ability to issue and redeem non-voting participating 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 non-voting participating 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 March 2011 and 31 December 2009 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.

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

At 31 March 2011, the Fund held no investments and at 31 December 2009, as shown in the table below, the Fund's investment portfolio comprised quoted and unquoted equity securities and derivatives.

	31 March 2011	31 December 2009
	US$	US$
Financial assets held for trading		
Equities		
Equity securities	-	95,872,728
Derivatives		
Options on equity	-	1,132,809
Total financial assets held for trading	**-**	**97,005,537**
Financial assets at fair value through profit or loss	**-**	**97,005,537**

The Fund had not designated any loan or receivable as at fair value through profit or loss.

	31 March 2011	31 December 2009
	US$	US$
Financial liabilities held for trading		
Equities		
Equity securities	-	1,284,064
Derivatives		
Options on equity	-	1,530,139
Equity forwards	-	306,450
Financial liabilities held for trading	**-**	**3,120,653**

For the year ended:	31 March 2011	31 December 2009
	US$	US$
Net gain/(loss) on financial assets at fair value through profit or loss		
Financial assets held for trading	(836,417)	66,532,951
Financial assets designated at fair value through profit or loss	38,778,280	(2,001,214)
Total gain on financial assets at fair value through profit or loss	**37,941,863**	**64,531,737**

The table below shows the fair value of derivative financial instruments as at 31 December 2009, recorded as assets or liabilites, 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**

11. Fair value of financial instruments

The following table shows financial instruments recognised at fair value as at 31 December 2009, 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).

All amounts in US$	31 December 2009			
	Level 1	**Level 2**	**Level 3**	**Total**
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 held for trading				
Equities				
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**

When fair values of quoted 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.

Fair values for investment securities that do not have quoted prices in an active market are derived using pricing models. Pricing models take into account the contract terms (including maturity) as well as multiple inputs, including, where applicable, time value, implied volatility, equity prices, interest rate yield curves, prepayment speeds, interest rates, loss severities, credit risks, credit curves, default rates and currency rates.

Investments whose values are based on pricing models are therefore categorised in either Level 2 or 3 of the fair value hierarchy depending on the extent of observable data inputs used in the pricing models.

Derivate instruments can be exchange-traded or privately negotiated over-the-counter (“OTC”). Exchange-traded derivatives, such as futures contracts and exchange traded option contracts, are typically classified within Level 1 as they are deemed to be actively traded.

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 period.

	31 March 2011		
All amounts stated in US$	**Financial assets held for trading**	**Financial assets designated at fair value through profit or loss**	**Total**
As at 1 January 2010	1,085,041	-	1,085,041
Total net losses recognised in statement of comprehensive income			
Sales	(1,085,041)		(1,085,041)
Transfers into Level 3			
As at 31 March 2011	**-**	**-**	**-**
Total net losses for the period included in profit or loss for assets held at the end of the reporting period	-	-	-

	31 December 2009		
All amounts stated in US$	**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 net losses recognised in statement of comprehensive income	-	(2,001,214)	(2,001,214)
Sales	-	-	-
Transfers into Level 3	1,085,041	-	1,085,041
As at 31 December 2009	**1,085,041**	**-**	**1,085,041**
Total net 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)

12. 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.

Cyprus

The Subsidiary is subject to corporation tax under the laws of Cyprus on its taxable profits at the rate of 10%.

Interest income is subject to income tax at the standard rate of 10% of the income is considered to be generated in the ordinary carrying on of a business or closely connected to it. If the interest income is neither generated in the ordinary carrying on of a business nor closely connected to it, it is subject to Defence Tax at a rate of 15%.

Dividend received from a non resident (foreign) company are subject to 20% Defence Tax. However, these dividends are exempt from Defence Tax if the dividend paying company derives more than 50% of its income directly or indirectly from activities which do not lead to investment income or the foreign tax burden on the profit to be distributed as dividend has not been substantially lower than the Cypriot tax rate at the level of the dividend paying company.

	For the period from 1 January 2010 to 31 March 2011	For the year ended 31 December 2009
	US$	US$
Accounting income before tax	32,901,225	64,792,960
Tax charge/(benefit) calculated at domestic rates applicable to Fund's Subsidiary	3,290,122	6,030,375
Tax effect to tax exempt income	(3,360,606)	23,501
Tax effect of non-deductible expenses for tax purposes	83,857	(5,649,309)
Income tax charge	**13,373**	**404,567**
Penalties for non provisional payments (10% of tax payable)	-	40,457
Special defence contributions	-	40,913
Dividend withholding tax	34,537	-
Tax charge for the period/year	**47,910**	**485,937**
Tax accrual for the prior period	-	341,589
Taxation charge	**47,910**	**827,526**

13. Reconciliation of audited net asset value as per IFRS to net asset value as reported to holders of non-voting participating shares

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:

All amounts stated in US$	31 March 2011	31 December 2009
Net assets as reported to holders of non-voting participating shares	**324,030**	**98,455,186**
Accrual adjustment	-	(61,531)
Change in fair value of financial assets and liabilities	-	(408,095)
Adjustment on treasury shares	-	-
Adjusted net assets as per the IFRS consolidated financial statements	**324,030**	**97,985,560**
Total number of non-voting participating shares in issue	-	43,606,596
Number of non-voting participating shares excluding treasury shares held by the Fund	-	43,606,596
Net assets value per non-voting participating share as reported to holders of non-voting participating shares, US$	-	2.26
Effect of adjustments per non-voting participating share, US$	-	(0.01)
Adjusted net asset value per non-voting participating share, as per IFRS consolidated financial statements, US$	**-**	**2.25**

After repayment of all liabilities the Fund will distribute outstanding cash to former Shareholders.

14. 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 for the period from 1 January 2010 to 31 March 2011 and for the year ended 31 December 2009.

During the period/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 part of to 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 2010 and 2009 are as follows:

- Renaissance Advisory Services Limited (Bermuda);
- Renaissance Securities Trading Limited (Bermuda);
- 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 March 2011 and 31 December 2009 are detailed below.

Statement of financial position	Nature of related party	As of 31 March 2011	As of 31 December 2009
		US$	US$
Assets			
Due from brokers	Other entities under common control	1,411,233	9,718,672
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)
Financial liabilities at fair value through profit or loss	Other entities under common control	-	(1,836,589)

Statement of comprehensive income	**Nature of related party**	**For the period from 1 January 2010 to 31 March 2011**	**For the year ended 31 December 2009**
		US$	**US$**
Income			
Interest income	Other entities under common control	101,021	4,056,240
Expenses			
Interest expense	Other entities under common control	(180,284)	(70,553)
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	Other entities under common control	37,941,863	(992,694)
Management fees	Investment Manager	(1,719,927)	(1,908,951)
Performance fees	Investment Manager	(2,686,209)	(1,477,437)
Directors fees	Directors	-	(20,959)

15. Financial risk management

General

As at 31 March 2011, the Fund held no positions in its portfolio. As at 31 December 2009, 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 the Fund's investment portfolio comprised listed and unlisted equities and 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 Compliance Controller of the Investment Manager. In instances where the portfolio has diverged from target asset allocations, the 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.

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

Maximum exposure	31 March 2011	31 December 2009
	US$	US$
Cash and cash equivalents	42,054	151,128
Due from brokers	1,411,233	9,718,672
Derivative financial instruments	-	1,132,809
Total credit risk exposure	**1,453,287**	**11,002,609**

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 March 2011	High rated	Not rated	Total
	US$	US$	US$
Cash and cash equivalents	42,054	-	42,054
Due from brokers	-	1,411,233	1,411,233
Total	**42,054**	**1,411,233**	**1,453,287**

31 December 2009	High rated	Not rated	Total
	US$	US$	US$
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**

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 realised.

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 statement of consolidated financial position.

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 geographical concentration of assets is presented in the table below:

	31 March 2011					
All amounts stated in US$	**Russia and CIS**	**Cyprus**	**BVI**	**USA**	**Other**	**Total**
Cash and cash equivalents	4,675	-	-	-	37,379	42,054
Due from broker	-	-	1,411,233	-	-	1,411,233
	4,675	**-**	**1,411,233**	**-**	**37,379**	**1,453,287**
Total credit risk exposure, %	**0.3%**	**0.0%**	**97.1%**	**0.0%**	**2.6%**	**100.0%**

	31 December 2009					
All amounts stated in US$	**Russia and CIS**	**Cyprus**	**BVI**	**USA**	**Other**	**Total**
Cash and cash equivalents	-	-	-	129	150,999	151,128
Due from broker	-	9,713,970	4,702	-	-	9,718,672
Derivative financial instruments	-	-	1,132,809	-	-	1,132,809
	-	**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%

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 the period ended 31 March 2011 and the year ended 31 December 2009.

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 non-voting participating shares are not redeemable at the option of holders of non-voting participating shares but may be repurchased and redeemed at the option of the Fund. Therefore it has limited exposure to the liquidity risk. As at 31 March 2011, all of the Funds non-voting participating shares have been redeemed.

As at 31 March 2011 the Fund held no securities. At 31 December 2009, the majority of the Fund's investments were considered to be realisable as the majority of them were listed on major Russian stock exchanges like RTS and MICEX.

However part of investments were 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 summarises the maturity profile of the Fund's financial liabilities at 31 March 2011 and 31 December 2009 based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately.

Financial liabilities	Less than 3 months	3 to 12 months	Total
	31 March 2011		
	US$	US$	US$
Other accounts payable and accrued expenses	5,000	71,113	76,113
Total undiscounted financial liabilities	**5,000**	**71,113**	**76,113**

Financial liabilities	Less than 3 months	3 to 12 months	Total
	31 December 2009		
	US$	US$	US$
Due to broker	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 undiscounted financial liabilities	**5,505,737**	**2,485,203**	**7,990,940**

Market risk

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 disclosed in note 1.

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 below.

Details of the nature of the Fund's investment portfolio at the 31 December 2009 are disclosed in note 10. As at 31 March 2011, the Fund holds no securities.

Currency risk

The Fund may invest in financial instruments denominated in currencies other than its functional currency – US$. According to the Fund's investment policy, it may invest in securities and other instruments that are principally denominated in Russian Rubles. Consequently, the Fund may be exposed to risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse affect on the value of that portion of the Fund's assets or liabilities denominated in currencies other than US$, but the Investment Manager does not intend to seek to hedge the Fund's currency risks. If the Investment Manager were to seek to hedge against such risks there can be no assurance that such hedging transactions would be effective or beneficial.

Normally, any cash balances or proceeds in Russian Rubles and other non-US dollar currencies are immediately converted into US$.

The securities in which the Fund invests may be denominated in Russian Rubles or other currencies. As at 31 March 2011, the Fund holds no securities. At the 31 December 2009, the major part of investments were denominated mainly in Russian Rubles. However, those securities were 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 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 holders of non-voting participating shares and on the “decrease in net assets attributable to holders of non-voting participating shares 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 %**	**Effect of change in net assets attributable to holders of non-voting participating shares (before tax)**	**Change in currency rate in %**	**Effect of change in net assets attributable to holders of non-voting participating shares (before tax)**
	2011	**2011**	**2009**	**2009**
Russian Ruble (upper border)	15%	701	15%	(405,862)
Russian Ruble (lower border)	-15%	(701)	-15%	405,862
Euro (upper border)	12%	-	12%	(1,239)
Euro (lower border)	-12%	-	-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.

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

As at 31 March 2011, the Fund held no securities. As at 31 December 2009, the Fund primarily invests in equity securities, which are not exposed to interest rate risk.

As at 31 March 2011 and 31 December 2009 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 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 value at risk (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 Executive Director 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 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 as at 31 December 2009, measured as the potential loss in value during 1 day from adverse changes in equity prices with a 99% confidence level.

	31 December 2009
VaR of the portfolio, US$	4,172,034
VaR/NAV ratio, (%)	4.26%

VaR is not presented as at 31 March 2011 as no investments were held by the Fund.

16. Maturity analysis of assets and liabilities

As at 31 March 2011 and 31 December 2009 all assets and liabilities were expected to be recovered or settled within a period of one year. See note 15 for the Fund's contractual undiscounted repayment obligations.

17. 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 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.

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.

18. Events after the reporting date

Subsequent to the period end, the Fund will be restructured and the Subsidiary will be wound down.

19. Approval of the consolidated financial statements

The consolidated financial statements were approved by the Directors on 26 April 2012.