

**FMG RUSSIA FUND LTD.**

**Annual Report and Audited Non-Statutory Financial Statements**

For the year ended March 31, 2013

## Contents

---

DIRECTORS, OFFICERS AND OTHER INFORMATION	1
COMPARATIVE TABLE	2
DIRECTORS' REPORT	3
DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS	4
STATEMENT OF FINANCIAL POSITION	5
STATEMENT OF COMPREHENSIVE INCOME	6
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PREFERENCE SHARES	7
STATEMENT OF CASH FLOWS	8
NOTES TO THE FINANCIAL STATEMENTS	9
1. Reporting entity	9
2. Basis of preparation	9
3. Summary of significant accounting policies	10
4. Classification and fair values of financial assets and liabilities	15
5. Receivables	16
6. Accounts payable and accrued expenses	16
7. Net asset value	16
8. Custodian fees	17
9. Taxation	17
10. Share capital	17
11. Related party transactions	19
12. Fair values of financial assets and financial liabilities	20
13. Financial risk management	22
INDEPENDENT AUDITOR'S REPORT	26

**FMG RUSSIA FUND LTD.**

**Directors, officers and other information**

---

<b>Directors:</b>	Anthony O'Driscoll James Keyes William Woods
<b>Investment manager:</b>	FMG Fund Managers Bermuda Ltd, 20 Reid Street, 3rd Floor, Williams House, P.O. Box 2460 HMJX, Hamilton HM11, Bermuda.
<b>Company secretary:</b>	Sharon Ward
<b>Registered office:</b>	20 Reid Street, 3rd Floor, Williams House, P.O. Box 2460 HMJX, Hamilton HM11, Bermuda.
<b>Administrator, registrar and transfer agent:</b>	Apex Fund Services Ltd, 20 Reid Street, 3rd Floor, Williams House, P.O. Box 2460 HMJX, Hamilton HM11, Bermuda.
<b>Sub-administrator:</b>	Apex Fund Services (Malta) Ltd, 6th Floor, Airways House, Gaiety Lane, Sliema, Malta.
<b>Custodian / bankers:</b>	Credit Suisse AG, Paradeplatz 8, 8001 Zurich, Switzerland.
<b>Legal advisers:</b>	Appleby, Canon's Court, 22 Victoria Street, Hamilton, Bermuda.
<b>Auditor:</b>	Deloitte Audit Limited, Deloitte Place, Mriehel Bypass, Mriehel, Malta.

FMG RUSSIA FUND LTD.

Comparative table

	As at 31 March 2013			As at 31 March 2012		
	NAV per unit*	Units in circulation	Total NAV	NAV per unit*	Units in circulation	Total NAV
FMG Russia Fund Class A (USD)	102.71	3,269	335,758	106.92	3,351	358,330
FMG Russia Fund Class A09 (USD)	256.83	992	254,762	267.35	992	265,202
FMG Russia Fund Class B (USD)	11.84	6,399	75,789	12.27	6,399	78,500
FMG Russia Fund Class B09 (USD)	27.04	5,000	135,177	28.00	5,000	140,012
FMG Russia Fund Class A (EUR)	85.59	2,009	171,918	90.58	2,009	181,953
FMG Russia Fund Class A09 (EUR)	287.67	204	58,616	304.46	204	62,037
FMG Russia Fund Class B (EUR)	7.42	45,030	334,084	7.81	45,030	351,806
FMG Russia Fund Class B09 (EUR)	30.57	11,156	341,023	32.18	13,096	421,542

\* The NAV per unit is presented to the nearest two decimal places.

## FMG RUSSIA FUND LTD.

### Directors' report

For the year ended March 31, 2013

---

The directors present the annual report and the audited non-statutory financial statements of FMG Russia Fund Ltd., ('the Company' or 'the Fund') for the year ended March 31, 2013.

#### Principal activities

The Company is an open-ended investment fund, incorporated in Bermuda empowered by its bye-laws to issue redeem and reissue its own shares at prices based on their net asset value.

The principle strategy of the Fund is to invest the Fund's assets primarily in FMG (EU) Russia Fund a sub-fund of FMG Funds SICAV plc a company registered in Malta, which will give investors access to a portfolio of managed accounts and other funds that have a good performance record.

#### Performance review and financial position

During the period under review, the directors of the Fund resolved to suspend the determination of the Net Asset Value with effect from May 1, 2012 as well as the issuance and redemption of shares due to liquidity issues being experienced by the Fund as a result of the pending redemptions in Hudson River Fund.

During the year under review, the Fund generated a loss amounting to \$145,098 (2012 - \$731,842). Furthermore, \$92,111 (2012 - \$1,735,362) were redeemed whilst \$Nil (2012 - \$61,331) were attracted to the Fund. Shareholders' funds as at March 31, 2013 amounted to \$1,962,267 (2012 - \$2,199,476).

#### Directors

The directors who served during the period were:  
Peter Hughes (resigned on 30 November 2013)  
Anthony O'Driscoll (appointed on 1 December 2013)  
William Woods  
James Keyes

In accordance with the Fund's articles of association the directors are to remain in office.

#### Auditors

A resolution to reappoint Deloitte Audit Limited as auditor of the Fund will be proposed at the forthcoming annual general meeting.

Approved by the board of directors and signed on its behalf on 31 January 2014.

Anthony O'Driscoll  
Director

James Keyes  
Director

**Directors' responsibility for the financial statements**

For the year ended March 31, 2013

---

The directors acknowledge their responsibility to prepare financial statements in accordance with International Financial Reporting Standards which give a true and fair view of the state of affairs of the Company at the end of each financial year and of the profit or loss of the Company for the year then ended. In preparing the financial statements, the directors should:

- select suitable accounting policies and apply them consistently;
- make judgments and estimates that are reasonable; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Company will continue in business as a going concern.

The directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company. This responsibility includes designing, implementing and maintaining such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The directors are also responsible for safeguarding the assets of the Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

FMG RUSSIA FUND LTD.

Statement of financial position

March 31, 2013

(Expressed in United States Dollars)

---

	Notes	<u>2013</u>	<u>2012</u>
<b>Assets</b>			
Financial assets at fair value through profit or loss	4	42,625	79,794
Receivables	5	1,684,642	1,784,423
Prepayments		4,569	7,118
Cash and cash equivalents		<u>275,838</u>	<u>376,551</u>
<b>Total assets</b>		<u>2,007,674</u>	<u>2,247,886</u>
<b>Liabilities</b>			
Financial liabilities at fair value through profit or loss	4	20,966	-
Accounts payable and accrued expenses	6	<u>24,441</u>	<u>48,410</u>
<b>Total liabilities (excluding net assets attributable to holders of redeemable preference shares)</b>		<u>45,407</u>	<u>48,410</u>
<b>Net assets attributable to redeemable preference shares</b>		\$ <u>1,962,267</u>	\$ <u>2,199,476</u>

These financial statements were approved by the board of directors, authorised for issue on 31 January 2014 and signed on its behalf by:



\_\_\_\_\_  
Anthony O'Driscoll  
Director



\_\_\_\_\_  
James Keyes  
Director

The notes on pages 9 to 25 form an integral part of the financial statements.

**FMG RUSSIA FUND LTD.****Statement of comprehensive income**

Year ended March 31, 2013

*(Expressed in United States Dollars)*

	Notes	<u>2013</u>	<u>2012</u>
<b>Investment loss</b>			
Net loss on investments		(74,523)	(599,633)
Rebate income		662	6,770
Other income		<u>21,038</u>	<u>-</u>
<b>Total investment loss</b>		<u>(52,823)</u>	<u>(592,863)</u>
<b>Operating expenses</b>			
Management fees	11	34,945	53,877
Administration fees	11	33,099	31,470
Audit fees		1,935	2,439
Directors' and secretarial fees		13,500	13,500
Other operating fees		<u>8,796</u>	<u>37,401</u>
<b>Total operating expenses</b>		<u>92,275</u>	<u>138,687</u>
<b>Finance cost</b>			
Interest expense		<u>-</u>	<u>292</u>
<b>Net investment loss</b>		<u>(145,098)</u>	<u>(731,842)</u>
<b>Decrease in net assets attributable to holders of redeemable preference shares</b>		<u>\$ (145,098)</u>	<u>\$ (731,842)</u>

*The notes on pages 9 to 25 form an integral part of the financial statements.*



FMG RUSSIA FUND LTD.

Statement of changes in net assets attributable to holders of redeemable preference shares

Year Ended March 31, 2013

(Expressed in United States Dollars)

	<u>2013</u>	<u>2012</u>
<b>Decrease in net assets attributable to holders of redeemable preference shares</b>	<b>(145,098)</b>	<b>(731,842)</b>
<b>From capital share transactions</b>		
Proceeds from the subscription of redeemable preference shares	-	61,331
Payments on redemption of redeemable preference shares	<u>(92,111)</u>	<u>(1,735,362)</u>
<b>Net decrease in net assets attributable to redeemable preference shares</b>	<b>(237,209)</b>	<b>(2,405,873)</b>
<b>Net assets attributable to redeemable preference shares at the beginning of the year</b>	<u><b>2,199,476</b></u>	<u><b>4,605,349</b></u>
<b>Net assets attributable to redeemable preference shares at the end of the year</b>	<u><b>\$ 1,962,267</b></u>	<u><b>\$ 2,199,476</b></u>

The notes on pages 9 to 25 form an integral part of the financial statements.

**FMG RUSSIA FUND LTD.**

**Statement of cash flows**

Year ended March 31, 2013

*(Expressed in United States Dollars)*

	<u>2013</u>	<u>2012</u>
<b>Cash flows used in operating activities</b>		
Decrease in net assets attributable to holders of redeemable preference shares	\$ (145,098)	\$ (731,842)
Adjustments to reconcile net decrease in net assets resulting from operations to net cash (used in)/provided by operating activities:		
Change in assets and liabilities:		
Net change in investments and derivative financial instruments	58,135	624,458
Receivables and prepayments	102,330	2,059,439
Accounts payable and accrued expenses	<u>(23,969)</u>	<u>(405,271)</u>
Net cash (used in)/provided by operating activities	<u>(8,602)</u>	<u>1,546,784</u>
<b>Cash flows used in financing activities</b>		
Proceeds from issue of redeemable preference shares	-	61,331
Payments on redemptions of redeemable preference shares	<u>(92,111)</u>	<u>(1,735,362)</u>
Net cash used in financing activities	<u>(92,111)</u>	<u>(1,674,031)</u>
<b>Net decrease in cash and cash equivalents</b>	<b>(100,713)</b>	<b>(127,247)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<u>376,551</u>	<u>503,798</u>
<b>Cash and cash equivalents at the end of the year</b>	<u>\$ 275,838</u>	<u>\$ 376,551</u>
<b>Supplementary cash flow information</b>		
Interest paid	<u>\$ -</u>	<u>\$ 292</u>

*The notes on pages 9 to 25 form an integral part of the financial statements.*

March 31, 2013

---

**1. Reporting entity**

FMG Russia Fund Ltd. (the "Company" or the "Fund") was incorporated in Bermuda on September 20, 2006 as an open-ended investment fund, empowered by its bye-laws to issue, redeem and reissue its own shares at prices based on their net asset value.

The Fund invests directly or indirectly in other investment companies, limited partnerships and managed accounts managed by fund managers with focus on Russia and the commonwealth of Independent States (CIS). Effective April 1, 2010, the fund achieves this investment strategy by investing in FMG (EU) Russia Fund, a sub-fund of FMG Funds SICAV plc which is a regulated Malta entity managed by FMG Malta Ltd. and related to the FMG Group.

During the period under review, the directors of the Fund resolved to suspend the determination of the Net Asset Value with effect from May 1, 2012 as well as the issuance and redemption of shares due to liquidity issues being experienced by the Fund as a result of the pending redemptions in Hudson River Fund.

**2. Basis of preparation**

**2.1 Statement of compliance**

These non-statutory financial statements represent the annual financial statements of the Company prepared in accordance with International Financial Reporting Standards ("IFRS") and issued by the International Accounting Standards Board ("IASB").

During the prior year the Company adopted IFRS in accordance with IFRS 1 and presented their first annual financial statements in accordance with IFRS. The financial statements were authorised for issue by the board of directors on 31 January 2014.

**2.2 Basis of measurement**

The financial statements have been prepared using the historical cost convention except that the following are measured at fair value:

- derivative financial instruments; and
- financial instruments designated at fair value through profit or loss.

**2.3 Functional and presentation currency**

The financial statements are presented in the United States Dollars (USD), which is also the functional currency of the Company, rounded to the nearest unit.

**2.4 Use of estimates and judgements**

The preparation of financial statements in conformity with IFRSs requires the use of certain accounting estimates. It also requires directors to exercise judgements in the process of applying accounting estimates. Estimates and judgements are continually evaluated and are based on experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

All investments have been classified at fair value through profit or loss, in line with note 3.2(ii) and are measured at fair value. Further information on the risks related to the investments is included in note 13. Other key judgements made by the directors are disclosed below:

Notes to the financial statements

March 31, 2013

---

**2. Basis of preparation** (continued)

**2.4 Use of estimates and judgements** (continued)

- The financial statements include a receivable of \$1,684,308 for amounts still pending from redemption requests lodged in prior years for Hudson River Russia Fund Ltd. (the “underlying fund”), a collective investment scheme, which is facing financial difficulties. Given the failure by the underlying fund to make a full payment of the pending redemption, in the opinion of the directors, it is not reasonably practicable to dispose of the Fund’s investment nor is it reasonably practicable for the Fund to reliably determine the carrying value of this receivable and consequently the Fund’s NAV as at 31 March 2013. Accordingly the directors had no equitable alternative other than to suspend the determination of the NAV of the Fund, as well as to suspend all subscriptions and redemptions in the Fund until sufficient clarification of the underlying fund’s position is secured, and the Fund’s liquidity position is remediated.
- During the prior year, the directors resolved to write down the value of \$103,136 in the Fund’s investment in the Diamond Age Russia Fund Limited - Illiquid share class due to the lack of readily ascertainable fair values. Furthermore there is a significant amount of uncertainty as to the Fund’s ability to redeem its investment in this position as it is illiquid in nature. There could be material differences between the realizable value of the investment upon its eventual sale and the fair value amounts estimated by FMG Fund Managers Bermuda Ltd (the “investment manager”) and such differences could be material to the Fund’s financial statements. On this basis the directors maintain their decision to adjust the value of this investment to \$nil for the year ending March 31, 2013.

**3. Summary of significant accounting policies**

**3.1 Foreign currency**

Transactions denominated in currencies other than the functional currency are translated at the exchange rates ruling on the date of transaction. Monetary assets and liabilities denominated in currencies other than the functional currency are re-translated to the functional currency at the exchange rate ruling at year-end. Exchange differences arising on the settlement and on the re-translation of monetary items are dealt within the statement of comprehensive income.

**3.2 Financial assets and liabilities**

*Financial instruments*

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially recognised at their fair value plus directly attributable transaction costs for all financial assets or financial liabilities not classified at fair value through profit or loss.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Company has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or when the entity transfers the financial asset and the transfer qualifies for derecognition.

Financial liabilities are derecognised when they are extinguished. This occurs when the obligation specified in the contract is discharged, cancelled or expires.

March 31, 2013

---

**3. Summary of significant accounting policies (continued)**

**3.2 Financial assets and liabilities (continued)**

*Financial instruments (continued)*

(i) Trade and other receivables

Trade and other receivables are classified with assets and are stated at their nominal value unless the effect of discounting is material. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of comprehensive income when there is objective evidence that the asset is impaired.

(ii) Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities as at fair value through profit or loss are those that are held for trading purposes or those that are so designated by the Company upon initial recognition. The Company uses this designation when doing so results in more relevant information because a group of financial assets, liabilities or both are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy and information about the group is provided internally on that basis to the entity's key management personnel or when a contract contains one or more embedded derivatives and the entity elects to designate the entire hybrid contract as a financial asset or liability as at fair value through profit or loss. After initial recognition, financial assets at fair value through profit or loss are measured at their fair value from those quoted market prices.

Financial instruments which are unquoted or otherwise not traded in an active market are valued using a methodology designed to assess the value after acquisition, having regard to market terms at the measurement date, including interest rates and liquidity and other factors. The basis of valuation on each valuation date will be determined on the most appropriate basis to use, having regard to a) any relevant information generally available in the market at the time; and b) any other relevant information.

Gains and losses arising from a change in fair value are recognised in profit or loss in the period in which they arise. Where applicable, dividend income and interest income on financial assets at fair value through profit or loss is disclosed separately in profit or loss. Fair value gains and losses are recognised within net gain on financial instruments at fair value through profit or loss.

• Valuation of investments in collective investment schemes

Investments in collective investment schemes (private investment funds) are designated at fair value through profit or loss, in accordance with *IAS 39 Financial Instruments: Recognition and Measurement* and are valued at fair value as determined by the administrator of the private investment fund. In determining fair value the administrator utilises the valuations of the underlying private investment funds to determine the fair value of its interest. The underlying private investment funds value securities and other financial instruments on a mark-to-market fair value basis of accounting.

Investments in private investment funds are valued based on the independently audited net asset values of the private investments funds. Given the likelihood that the year-end of the underlying private investment funds is not co-terminous with that of the Company or audited financial statements are not readily available, investments in private investment funds cannot be valued based on independently audited net asset values and therefore the board of directors bases its valuation on the private investment funds' net asset values as calculated by the independent administrator of such private investment funds as at the reporting date. It is possible that the underlying private investment funds' results may subsequently be adjusted when such results are subjected to an audit, and the adjustments may be material.

March 31, 2013

---

**3. Summary of significant accounting policies (continued)**

**3.2 Financial assets and liabilities (continued)**

*Financial instruments (continued)*

- **Derivative financial instruments**

Derivative financial assets and derivative financial liabilities are classified as held for trading unless they are designated as effective hedging instruments. During the year under review, the Company did not designate any of its derivative financial instruments in a hedging relationship for accounting purposes.

A forward currency contract involves an obligation to purchase or sell a specific currency at a future date, at a price set at the time the contract is made. Forward foreign exchange contracts are valued by reference to the forward price at which a new forward contract of the same size and maturity could be undertaken at the valuation date. The unrealised gain or loss on open forward currency contracts is calculated as the difference between the contract rate and this forward price, and is recognised in the statement of comprehensive income.

(iii) **Trade and other payables**

Trade and other payables are stated at their nominal value unless the effect of discounting is material.

(iv) **Realised and unrealised gains and losses**

Investment transactions are recorded on a trade date basis. Realised gains or losses on investments are calculated on a weighted average cost and are disclosed within net gain on financial assets at fair value through profit or loss in the statement of comprehensive income.

**3.3 Cash and cash equivalents**

Cash and cash equivalents comprise current deposits held with banks. Cash and cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

**3.4 Revenue recognition**

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the Company and these can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised:

**(i) Rebate income**

Rebate income represents reimbursements receivable from the Company's investment manager in accordance with the terms set out in the Fund's supplement.

**(ii) Interest**

Interest income and expense, including interest from non-derivative financial assets at fair value through profit or loss, are recognised as they accrue in profit or loss, where applicable, gross of withholding tax. For financial assets and liabilities not classified at fair value through profit or loss, such interest income and expense is recognized using the effective interest method.

March 31, 2013

---

**3. Summary of significant accounting policies (continued)**

**3.5 Expenses**

All expenses, including management, administrator and custodian fees, are recognised in profit or loss on an accruals basis.

**3.6 Units redeemed**

All units issued by the Company provide the right to require redemption for cash on each dealing date in accordance with the terms set out in the Company's prospectus. Such instruments give rise to a financial liability for the present value of the redemption amount and are presented in the statement of financial position as 'Net assets attributable to redeemable preference shares'.

**3.7 Impairment**

All assets are tested for impairment except for financial assets measured at fair value through profit or loss.

At the end of each reporting period, the carrying amount of assets is reviewed to determine whether there is any indication or objective evidence of impairment, as appropriate, and if any such indication or objective evidence exists, the recoverable amount of the asset is estimated.

In the case of financial assets that are either carried at amortised cost, objective evidence of impairment includes observable data about the following loss events - significant financial difficulty of the issuer, a breach of contract, it becoming probable that the borrower will enter bankruptcy or other financial reorganisation, the disappearance of an active market for that financial asset because of financial difficulties and observable data indicating that there is a measurable decrease in the estimated future cash flows since the initial recognition of those assets.

An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

For loans and receivables, if there is objective evidence that an impairment loss has been incurred, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced directly.

Impairment losses are recognised immediately in profit or loss.

For loans and receivables, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly.

Impairment reversals are recognised immediately in profit or loss.

**3.8 Standards, amendments and interpretations in issue but not yet effective**

The directors are currently evaluating the impact on the financial statements of the Company in the period of initial application of the following International Financial Reporting Standards that were in issue at the date of authorisation of these financial statements, but not yet effective.

*IFRS 9 - Financial Assets*

IFRS 9 issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities.

March 31, 2013

---

**3. Summary of significant accounting policies (continued)**

**3.8 Standards, amendments and interpretations in issue but not yet effective (continued)**

IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Under IFRS 9, financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost unless the entity applies the fair value option. All other financial assets, including equity investments are measured at their fair values at the end of subsequent accounting periods. Under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or increase an accounting mismatch in profit or loss. Changes in the fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. IFRS 9 will be effective for financial periods beginning on, or after, January 1, 2015 with earlier application permitted.

*IFRS 13 – Fair Value Measurements*

On 12 May 2011, the IASB issued IFRS 13 *Fair Value Measurement*. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances.

IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

*IFRS 12 - Disclosure of Interests in Other Entities*

IFRS 12 addresses disclosure requirements for certain interests in other entities, including joint arrangements, associates, subsidiaries and unconsolidated structured entities. The objective of IFRS 12 is to require an entity to disclose information that enables users of its financial statements to evaluate (a) the nature of, and risks associated with, its interests in other entities; and (b) the effects of those interests on its financial position, financial performance and cash flows.

IFRS 12 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

*IAS 32 & IFRS 7 Amendment - Offsetting Financial Assets and Financial Liabilities*

These Amendments are intended to help investors and other financial statement users to better assess the effect or potential effect of offsetting arrangements on a company's financial position. The disclosure requirements also improve transparency in the reporting of how companies mitigate credit risk, including disclosure of related collateral pledged or received.

IAS 32 is effective for annual periods beginning on or after January 1, 2014, whilst IFRS 7 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

The Company is considering the implications of these standards and their impact on the Company's financial results and position.



March 31, 2013

**4. Classification and fair values of financial assets and liabilities**

The table below provides a reconciliation of the Company's financial assets and liabilities at fair value through profit or loss.

	2013	2012
	\$	\$
<b>Assets</b>		
<b>Designated as at fair value through profit or loss</b>		
Collective investment schemes	42,625	68,414
<b>Held for trading</b>		
Forward contracts	-	11,380
<b>Total financial assets at fair value through profit or loss</b>	<u>42,625</u>	<u>79,794</u>
<b>Liabilities</b>		
<b>Held for trading</b>		
Forward contracts	<u>(20,966)</u>	-
<b>Total financial liabilities at fair value through profit or loss</b>	<u>(20,966)</u>	-

As part of the Company's capital appreciation strategy, the Company invests primarily in a sub-fund of the FMG Funds SICAV plc, namely the FMG (EU) Russia Fund. As at 31 March 2013, the Company's investment in collective investment schemes amounting to \$42,625 (2012 - \$68,414) was all held in FMG (EU) Russia Fund. In turn the investment objective of FMG (EU) Russia Fund is to invest in the Russia region. This gives investors access to a portfolio of managed accounts and other Funds that have a good performance record.

As at 31 March 2013 FMG (EU) Russia Fund held 94% (2012 - 96%) of its net asset value in certain underlying collective investment schemes (the "investee funds") whose financial year end is not co-terminous with that of FMG (EU) Russia Fund or audited financial statements are not readily available as at the reporting date. As a result, the valuation of these investee funds could not be corroborated against independently audited net asset values as at 31 March 2013 and have been based on net asset values as calculated by the administrators of these investee funds.

Derivative instruments are classified as held for trading. All other assets measured at fair value have been designated at fair value through profit or loss. Further information about the derivative financial instruments (forward contracts) is disclosed in note 13.1.1.

**FMG RUSSIA FUND LTD.**

**Notes to the financial statements**

March 31, 2013

**5. Receivables**

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Receivable for investment sold	<b>1,684,308</b>	1,784,307
Rebates receivable	<b>334</b>	116
	<b><u>1,684,642</u></b>	<b><u>1,784,423</u></b>

Receivables for investment sold represent unsettled trades with Hudson River Russia Fund Ltd. on investments sold. As discussed in note 2.4 to these financial statements and following an assessment of the recoverability of these receivables, the board of directors together with the investment manager determined that, although delays for settlement are expected to continue, the amount in question is recoverable in full.

**6. Accounts payable and accrued expenses**

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Audit fees payable	<b>2,269</b>	2,439
Management fees payable	<b>8,723</b>	9,473
Administration fees payable	<b>8,326</b>	7,740
Other payables	<b>5,123</b>	28,758
	<b><u>24,441</u></b>	<b><u>48,410</u></b>

Management and incentive fees payable are due to related parties. The terms and conditions of the amounts owed to related parties are disclosed in note 11. These amounts are unsecured, interest free and repayable on demand.

**7. Net asset value**

In accordance with the Offering Memorandum, the net asset value of each class of shares in a Fund is determined by reference to the market prices of the underlying assets in the Fund attributable to such class at the close of business on the valuation date. The last dealing date in the 2013 financial year of the Fund, was on March 25, and the last official valuation date in the 2013 financial year, was on March 29.

In accordance with the Offering Memorandum, the net assets of the Company are computed at the latest available dealing price or the latest available middle market quotation. However, for financial reporting purposes under IFRSs, the net are required to be valued at bid prices and liabilities at ask prices.

The Offering Memorandum stipulates the amortisation of formation expenses over a period of 5 years. In accordance with International Financial Reporting Standards, formation expenses are written off to profit or loss in the period when they are incurred.

Notes to the financial statements

March 31, 2013

---

**8. Custodian fees**

Effective August 14, 2009, Credit Suisse AG (the 'Custodian') was appointed as custodian to the Fund.

Fees for custody services are charged at 0.075% per annum of the value of the net assets of the Fund under custody up to \$500 million and 0.065% per annum of the value of the net assets of the Fund under custody in excess of \$500 million.

**9. Taxation**

Under current Bermuda laws, the Fund is not required to pay any taxes in Bermuda on either income or capital gains. The Fund has received an undertaking from the Minister of Finance in Bermuda exempting it from any such taxes at least until the year 2016.

It is management's belief that the Fund is not engaged in a United States trade or business and will not be subject to United States income or withholding taxes in respect of the profits and losses of the Fund, other than the 30% withholding tax on U.S. source dividends.

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

**10. Share capital**

The authorized share capital of the Fund is \$11,000, which is divided into 100 common shares of \$1.00 par value of each and 10,900,000 non-voting redeemable preference shares (the "Shares"), issued in US Dollars and Euro with a par value of \$0.001 each. Redeemable preference shares are issued as Class A and Class A09 shares (collectively, the "Class A Shares") and Class B and Class B09 shares (collectively, the "Class B Shares"). Effective February 2, 2009 Class A09 and Class B09 shares are offered for sale. Effective March 2, 2009, the existing Class A and Class B shares were closed for new subscriptions, except in situations where approved by the Board of Directors and the investment manager.

The holder of the common shares is not entitled to receive dividends, may not redeem their holding and is only entitled to be repaid the par value of the common shares upon a winding-up or distribution of capital. The common shares are entitled to one vote per share at a general meeting. All the common shares are owned by the investment manager. The redeemable preference shares carry no preferential or pre-emptive rights upon the issue of new shares and have no voting rights at general meetings of the Fund.

FMG RUSSIA FUND LTD.

Notes to the financial statements

March 31, 2013

10. Share capital (continued)

Shares may be purchased and redeemed on a dealing day, which is generally the first business day of each calendar month. Shares may be purchased at the net asset value per share calculated at the immediately preceding valuation day, generally the last business day of the preceding month. Class A and Class B shareholders must provide redemption notice by at least the 20th day of the month prior to the dealing day, subject to certain restrictions as described in the Prospectus.

If on any valuation day, any shareholder wishes to redeem shares totalling more than 5% of the issued capital of the Fund or several shareholders wish to redeem shares totalling more than 15% of the issued capital of the Fund, the directors may defer redemption of such shares, and the calculation of the redemption price, to a subsequent dealing day being not later than the fifth dealing day following receipt of the application for redemption. In such cases, suspended subscription and redemption requests shall be carried out on the basis of the next Net Asset Value.

As discussed in note 1 to these non-statutory financial statements, the directors of the Fund resolved to suspend the determination of the Net Asset Value with effect from May 1, 2012 as well as the issuance and redemption of shares due to liquidity issues being experienced by the Fund as a result of the pending redemptions in Hudson River Russia Fund Ltd.

2013

	USD Class A	USD Class A09	EUR Class A	EUR Class A09
Number of shares at beginning of the year	3,351	992	2,009	204
Redemptions during the year	(82)	-	-	-
<b>Number of shares at end of the year</b>	<b>3,269</b>	<b>992</b>	<b>2,009</b>	<b>204</b>

	USD Class B	USD Class B09	EUR Class B	EUR Class B09
Number of shares at beginning of the year	6,399	5,000	45,030	13,096
Redemptions during the year	-	-	-	(1,940)
<b>Number of shares at end of the year</b>	<b>6,399</b>	<b>5,000</b>	<b>45,030</b>	<b>11,156</b>

2012

	USD Class A	USD Class A09	EUR Class A	EUR Class A09
Number of shares at beginning of the year	6,568	1,069	2,373	389
Subscriptions during the year	-	201	-	-
Redemptions during the year	(3,217)	(278)	(364)	(185)
<b>Number of shares at end of the year</b>	<b>3,351</b>	<b>992</b>	<b>2,009</b>	<b>204</b>

	USD Class B	USD Class B09	EUR Class B	EUR Class B09
Number of shares at beginning of the year	57,388	8,336	55,600	16,825
Subscriptions during the year	-	-	-	-
Redemptions during the year	(50,989)	(3,336)	(10,570)	(3,729)
<b>Number of shares at end of the year</b>	<b>6,399</b>	<b>5,000</b>	<b>45,030</b>	<b>13,096</b>

Notes to the financial statements

March 31, 2013

---

**11. Related party transactions**

*(a) Management fees*

The Fund pays FMG Fund Managers Bermuda Ltd ("the investment manager") a management fee at a rate of 2.0% per annum of the net assets attributable to the Class A Shares of the Fund and 1.5% per annum of the net assets attributable to the Class B Shares of the Fund, calculated on a monthly basis and payable quarterly. For the year ended March 31, 2013, the management fee was \$34,945 (2012 - \$53,877), of which \$8,723 (2012 - \$9,473) was payable at March 31, 2013.

*(b) Incentive fees*

The Class A Shares pay a quarterly incentive fee equal to 20% of the net profits of the Fund, if any, during each calendar quarter (each a "performance period"), accrued with respect to each Class A Share of the Fund. The net profits are computed in a manner consistent with the principles applicable to the computation of the net assets of the Fund. If a Class A share has a loss chargeable to it during any performance period, and during a subsequent performance period there is a profit allocable to such Class A Share, there will be no incentive fee payable until the amount of the net loss previously allocated to such redeemable preference share has been recouped. Incentive fees are only paid when the net asset value of the redeemable preference share increase above a previously established "high water mark" net asset value for those Class A Shares.

In the event of either a redemption being made at a date other than the end of a performance period or the Management Agreement is terminated at any time prior to the last day of a performance period, the incentive fee will be computed as though the termination date or redemption date, as applicable, was the last day of such performance period. Once earned, the incentive fee will be retained by the investment manager regardless of the Fund's future results.

The Class B Shares also pay to the investment manager an incentive fee of 10% of the net profits attributable to the Class B Shares, calculated monthly and payable quarterly. Net profits are defined as the amount by which cumulative profits attributable to the Class B Shares before the incentive fee but after deduction of all transaction costs, management fees and expenses and the amount that would have been earned in that fiscal period had the assets of the Fund been invested at the USD 12-month LIBOR rate at the beginning of the fiscal period. Net profits include both realized and unrealized gains less losses on investments. If net profit for a month is negative, it will be carried forward ("carry forward losses"). No incentive fee will be payable until net profits in subsequent month(s) exceed carry forward losses together with any cumulative actual losses incurred previous fiscal years, adjusted for redemptions. However, the net profit amount, upon which performance fees are calculated, is not offset by actual losses incurred in previous fiscal years at the time the performance fees become payable. Once earned, the incentive fee will be retained by the investment manager regardless of the Fund's future results.

For the year ended March 31, 2013, the incentive fee was \$nil (2012 - \$nil), of which \$nil (2012 - \$nil) was payable at March 31, 2013.

The Fund is charged management and incentive fees by the investment manager as described above on its net assets and its performance. However, some of the other investment companies and limited partnership in which the Fund invests are also managed by the investment manager or entities related to investment manager. To ensure that the Fund is not double charged for such management and incentive fees, the investment manager or its entities related to the investment manager rebate to the Fund its proportionate share of such fees. Management and incentive fees rebate to the Fund during the year amounted to \$662 (2012 - \$6,770) of which \$334 (2012 - \$116) is receivable at March 31, 2013.

Notes to the financial statements

March 31, 2013

---

**11. Related party transactions (continued)**

*(c) Administration fees*

For administration services provided, the minimum fee charged is of \$2,500 per month for net assets up to \$10 million and \$3,500 per month for net assets exceeding \$10 million or 15 basis points of the net assets per annum. For the year ended March 31, 2013, administration fees were \$33,099 (2012 - \$31,470), of which \$8,326 (2012 - \$7,740) was payable at March 31, 2013. The administrator delegated its duties to Apex Fund Services (Malta) Ltd (“the sub-administrator”).

One of the directors of the Company is also the managing director of the administrator.

*(d) Key management personnel*

The directors of the Company are paid an annual fee of \$2,500 each for acting as directors of the Company. The total directors' fee charged for the year under review is \$7,500 (2012: \$7,500).

**12. Fair values of financial assets and financial liabilities**

At March 31, 2013 and March 31, 2012, the fair value of listed investments is based on quoted prices in an active market at the end of the reporting period. The fair values of derivative contracts are valued by reference to the price at which a new contract of the same size and maturity could be undertaken at valuation date. The fair value of collective investment schemes was primarily based on valuations issued by the administrators of the underlying private investment funds which ultimately are verified via independently audited net asset values as at the end of the reporting date. The fair values of other financial assets and financial liabilities are not materially different from their carrying amounts.

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) 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).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

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

Notes to the financial statements

March 31, 2013

**12. Fair values of financial assets and financial liabilities** (continued)

The following is a summary of the inputs used as of March 31, 2013 and 2012 in valuing the Fund's investments and derivatives carried at fair value:

<u>2013</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments in other investment fund	\$ -	\$ 42,625	\$ -	\$ 42,625
Total investments	<u>\$ -</u>	<u>\$ 42,625</u>	<u>\$ -</u>	<u>\$ 42,625</u>
Derivative liabilities	<u>\$ -</u>	<u>\$ 20,966</u>	<u>\$ -</u>	<u>\$ 20,966</u>
<u>2012</u>				
Investments in other investment fund	\$ -	\$ 68,414	\$ -	\$ 68,414
Total investments	<u>\$ -</u>	<u>\$ 68,414</u>	<u>\$ -</u>	<u>\$ 68,414</u>
Derivative assets	<u>\$ -</u>	<u>\$ 11,380</u>	<u>\$ -</u>	<u>\$ 11,380</u>

During the year ended March 31, 2012, the reconciliation of the change in investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

	<u>2012</u>
Beginning balance	\$ 103,136
Change in unrealized depreciation	<u>(103,136)</u>
Ending balance	<u>\$ -</u>

For investment in other investment companies, the investment manager has estimated fair values by using the reported net asset value per share as provided by the administrator of the investment companies, if available, or bid prices and recent comparable sales activity to arrive at fair value. The Fund has not identified any other reasonable possible alternatives for valuing its Level 3 financial instruments.

*Investment in Diamond Age Russia Fund Limited.*

The Fund holds an investment in Diamond Age Russia Fund Limited - Illiquid share class, which at 31 March 2013 was carried at \$nil (2012 - \$nil).

There is a significant amount of uncertainty as to the fair value of this investment as at the above mentioned dates due to the Fund's inability to redeem its holding and due to the illiquid nature of the investment. On this basis the directors took the decision to adjust the value of this investment to \$nil.

*Investment in Hudson River Russia Fund Ltd.*

The Fund held an investment in Hudson River Russia Fund Ltd. ("Hudson River") which had an estimated fair value of \$nil (2011 - \$nil) at March, 2013. The underlying investment was redeemed in full on 31 December 2010 for \$4,334,307 of which \$1,684,308 (2012 - \$1,784,307) is receivable as at 31 March 2013.

While the investment manager of Hudson River continued to provide monthly net asset value, since October 2008 the investment manager has not permitted investors to redeem out of the Hudson River Russia Fund Ltd. at those reported net asset values. The investment manager of the Fund has estimated the fair value of the Fund's investment in Hudson River at March 31, 2010 by applying a discount to the reported net asset value to reflect the lack of liquidity of the Fund's investment, and to reflect the type and location of the underlying investment held.

Notes to the financial statements

March 31, 2013

**13. Financial risk management**

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.

**13.1 Market risk**

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

The Fund's investment strategy to manage the market risk is outlined in the Fund's offering supplement under the heading 'Investment Strategy'. The Fund's market risk is managed on a daily basis by the investment manager using different investment techniques as outlined in the supplement of the Fund. The Fund's overall market positions are monitored on a monthly basis by the board of directors.

The Company's exposure to the different types of investments is summarised in note 4 to the financial statements.

**13.1.1 Currency risk**

The Fund may invest in securities and other investment companies and enter into transactions denominated in currencies other than the US Dollar. Consequently, the Fund is exposed to risks that the exchange rate of the US Dollar relative to other foreign currencies may change in a manner that has an adverse effect on the value of that portion of the Fund's assets or liabilities denominated in currencies other than the US Dollar.

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

	<u>Monetary assets</u>	<u>Monetary liabilities</u>	<u>Net assets attributable to non-USD denominated share classes</u>	<u>Forward FX contracts</u>	<u>Net exposure</u>
<b>March 31, 2013</b>					
EUR	\$ -	\$ (2,263)	\$ (1,160,781)	\$ 1,190,548	\$ 27,504
<b>March 31, 2012</b>					
EUR	\$ -	\$ -	\$ (1,357,433)	\$ 1,367,667	\$ 10,234

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

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



Notes to the financial statements

March 31, 2013

13. Financial risk management (continued)

13.1.1 Currency risk (continued)

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

At March 31, 2013, the Fund had the following open forward foreign exchange contract disclosed at the notional values:

<u>Currency to be bought</u>	<u>Currency to be sold</u>	<u>Contract due date</u>	<u>Fair value</u>
EUR 912,507	USD 1,190,548	April 4, 2013	\$ (20,966)
<b>Net unrealized loss on open forward foreign exchange contract</b>			<b>\$ (20,966)</b>

At March 31, 2012, the Fund had the following open forward foreign exchange contract disclosed at the notional values:

<u>Currency to be bought</u>	<u>Currency to be sold</u>	<u>Contract due date</u>	<u>Fair value</u>
EUR 1,033,527	USD 1,367,667	April 5, 2012	\$ 11,380
Net unrealized gain on open forward foreign exchange contract			\$ 11,380

13.1.2 Interest rate risk

Interest rate risk arises when an entity invests in or issues interest-bearing financial instruments. The Fund does not hold significant investments which are sensitive to interest rates but is indirectly exposed to the interest rate risk of the investments held by the other investment companies in which the Fund invests. However, the Fund's risk is limited to the net asset value of its investments in those other investment funds and this risk is therefore captured in the price risk below.

13.1.3 Price risk

The Company's equity instruments and trading derivative financial instruments are susceptible to price risk arising from uncertainties about future prices of the instruments.

Price risk is mitigated by the Company's investment manager by constructing a portfolio of instruments traded on various markets. The Company may employ various techniques and enter into hedging transactions to attempt to mitigate a portion of the risks inherent to its investment strategies.

The Company did not use derivative financial instruments for speculative purposes and had not designated any of its derivative financial instruments in a hedging relationship for accounting purposes.

March 31, 2013

**13. Financial risk management** (continued)

**13.1.3 Price risk** (continued)

As all of the Company's financial instruments are carried at fair value with fair value changes recognised in the statement of comprehensive income, all changes in market price will directly affect net investment income.

As discussed in note 4, the Company's investment strategy is to invest primarily in FMG (EU) Russia Fund, a sub-fund of the FMG Funds SICAV plc, being a professional investor fund registered under the laws of Malta. The following is an analysis of the Company's industry diversification as at the reporting date:

	2013	2012
Other investment company	100%	100%

*Price risk sensitivity analysis*

Price risk is mitigated by the investment manager by investing in the above mentioned investment company which in turn holds a diversified portfolio of investments. At March 31, 2013, if the price of the investments increased by 5%, this would have increased the net assets attributable to holders of redeemable preference shares by \$2,131 (2012 -\$3,421); an equal change in the opposite direction would have decreased the net assets attributable to holders of redeemable preference shares by an equal but opposite amount. Actual results will differ from this sensitivity analysis and the difference could be material.

**13.2 Credit risk**

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Company has policies that limit the amount of credit exposure to any single issuer. Accordingly, the investment manager monitors the Company's credit position on a regular basis. Financial assets, which potentially subject the Company to credit risk, consist principally of trade and other receivables, cash and cash equivalents and derivative assets classified at fair value through profit or loss.

Bank balances and receivables are all short term, and are not considered to represent a significant credit risk. Bank balances are held with Credit Suisse AG whose rating is A at the reporting date according to Fitch Ratings (2012: rating of A according to Fitch).

Trade receivables represent partial redemptions in Hudson River Russia Fund Ltd, an underlying investment, sold in the previous years. Due to liquidity restrictions of such underlying investment, the redemption monies were still showing as receivable on the date of the financial statements. The directors together with the investment manager of the Company have assessed that the amount is recoverable although delays in settlement are expected to continue. Upon signing these financial statements the balance was still outstanding.

Transactions involving derivative financial instruments are effected with Credit Suisse AG, 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 and therefore reducing the credit risk to both parties.

*Guarantees provided to third parties*

Effective August 26, 2009 the Fund granted the Custodian a right of lien against all currency accounts and investments in other investment companies held by the Custodian on the Fund's behalf. The purpose of the right of lien is to secure any and all claims of the Custodian against the Fund arising from any current or future agreements or contracts as well as claims on other legal grounds resulting from business operations with the Fund.

FMG RUSSIA FUND LTD.

Notes to the financial statements

March 31, 2013

13. Financial risk management (continued)

13.3 Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's investments in other investment companies are not traded in an organized public market. As a result, the Fund may not be able to quickly redeem its investments in other investment companies at their stated fair value in order to meet its liquidity requirements, including redemption requests from its shareholders. The Fund's exposure to liquidity risk is managed by the investment manager.

As discussed in note 1 to these non-statutory financial statements, the directors of the Fund resolved to suspend the determination of the Net Asset Value with effect from May 1, 2012 as well as the issuance and redemption of shares due to liquidity issues being experienced by the Fund as a result of the pending redemptions in Hudson River Russia Fund Ltd.

The following table shows the contractual, undisclosed cash flows of the Company's financial liabilities as at March 31, 2013 and March 31, 2012.

March 2013

All amounts in \$	<u>Less than 1 month</u>	<u>1-3 months</u>	<u>3 months to 1 year</u>
<u>Financial liabilities</u>			
Financial liabilities at fair value through profit or loss	20,966	-	-
Accounts payable and accrued expenses	-	24,441	-
Net assets attributable to redeemable preference shares	-	1,962,267	-

March 2012

All amounts in \$	<u>Less than 1 month</u>	<u>1-3 months</u>	<u>3 months to 1 year</u>
<u>Financial liabilities</u>			
Accounts payable and accrued expenses	-	48,410	-
Net assets attributable to redeemable preference shares	-	2,199,476	-

13.4 Capital management

The Company's capital is represented by redeemable preference shares with no par value and with no voting rights. They are entitled for payment of a proportionate share based on the Company's net asset value per share on the redemption date.

The Company has the option to limit the number of investor shares repurchased on any redemption day to 10% of the total net asset value of the Company on that redemption day. The relevant movements are shown in the statement of changes in net assets attributable to holders of redeemable preference shares.

As at the end of the reporting period, the level of redemption requests made by the redeemable preference shareholders were not significant and resulted as part of the normal course of business of the Fund.

## Independent auditor's report to the members of

### FMG Russia Fund Ltd.

---

We were engaged to audit the accompanying non-statutory financial statements of FMG Russia Fund Ltd. (the "Company") set out on pages 5 to 25, which comprise the statement of financial position as at 31 March 2013, and the statement of comprehensive income, statement of changes in net assets attributable to holders of redeemable preference shares and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Directors' responsibility for the non-statutory financial statements*

As explained more fully in the statement of directors' responsibilities on page 4, the directors of the Company are responsible for the preparation of the non-statutory financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of these non-statutory financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these non-statutory financial statements based on conducting the audit in accordance with International Standards on Auditing. Because of the matters described in the Basis for disclaimer of opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

#### *Basis for disclaimer of opinion*

The Company has a receivable from Hudson River Russia Fund Ltd (the "underlying fund") which at 31 March 2013 amounted to \$1,684,308 representing 86% of the net assets of the Company. As disclosed in note 2.4 to the non-statutory financial statements, the underlying fund is facing financial difficulties and is unable to make full payment on the Company's redemption of its units in the underlying fund. Consequently, in the opinion of the directors of the Company, it is not reasonably practicable to dispose of this investment nor is it reasonably practicable to reliably determine the recoverable amount of this receivable and subsequently the net asset value of the Company. No impairment loss has been recognised on the receivable at year-end.

We have been unable to obtain sufficient appropriate audit evidence to assess whether the directors' basis of measuring the recoverable amount of the receivable from the underlying fund is appropriate and the related disclosures included in the financial statements. As a result, we have also been unable to verify whether the related management fee expense which is derived from the net asset value of the Company and amounting to \$34,945 during the year ended 31 March 2013, is appropriately stated in the statement of comprehensive income of the Company.

## Independent auditor's report (continued)

to the members of

### FMG Russia Fund Ltd.

---

#### *Disclaimer of opinion*

Because of the significance of the matters described in the Basis of disclaimer of opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide the basis for an audit opinion as to whether the non-statutory financial statements give a true and fair view of the financial position of FMG Russia Fund Ltd. as at 31 March 2013, and of its financial performance and its cash flows then ended in accordance with International Financial Reporting Standards. Accordingly, we do not express an opinion on the non-statutory financial statements.



Sarah Curmi as Director  
in the name and on behalf of  
**Deloitte Audit Limited**  
Registered auditor

31 January 2014