RenFin Limited

Annual Report and Audited Financial Statements

For the year ended 31 December 2019

RenFin Limited

Annual report and audited financial statements for the year ended 31 December 2019

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RenFin Limited

Directors, officers and other information

Directors of the Fund	David Blair John Elder James Keyes
Subsidiary	Rekha Holdings Limited
Registered office	Jayla Place Wickhams Cay 1 Road Town, Tortola VG1110 British Virgin Islands
Investment manager	Renasset Investment Management Limited *(formerly Kashtan Limited, until 19 July 2019)* Walkers Corporate Limited Cayman Corporate Centre 27 Hospital Road, George Town Grand Cayman KY1 9008 Cayman Islands
Investment advisor	Renasset Managers Limited *(formerly Petrarca Management Limited, until 19 July 2019)* Walkers Corporate Limited Cayman Corporate Center 27 Hospital Road, George Town Grand Cayman KY1-9008 Cayman Islands
Administrator, registrar and transfer agent	Apex Group Limited *(formerly Custom House Global Fund Services Limited)* Central North Business Centre Level 1 Sqaq il - Fawwara Sliema SLM 1670 Malta
Corporate secretary	Ocorian Limited *(formerly Estera Corporate Services (BVI) Limited)* Jayla Place Wickhams Cay 1 Road Town, Tortola VG1110 British Virgin Islands
Payment bank	Barclays Bank PLC Barclays House Victoria Street Isle of Man

Auditor's	Cohen & Co. Chartered Accountants Limited 4th Floor, 59/60 O'Connell Street Limerick Ireland
Custodian of the Subsidiary	AO Raiffeisenbank *(from 31 May 2019)* bld. 1 Troitskaya str. 17 129090 Moscow Russia
	Citibank JSC *(until 24 July 2019)* 8-10 bld. 1 Gasheka Street Moscow 125047 Russia
Legal advisers *(on matters of Bermuda law)*	Appleby Canon's Court 22 Victoria Street P.O. Box HM 1179 Hamilton HM EX Bermuda
(on matters of British Virgin Islands law)	Appleby Jayla Place, Wickham's Cay I P.O. Box 3190 Road Town, Tortola VG1110 British Virgin Islands
Listing sponsor	Ocorian Securities (Bermuda) Ltd. *(formerly Estera Securities (Bermuda) Ltd.)* Victoria Court, 5th Floor 31 Victoria Street P.O. Box HM 1624 Hamilton Bermuda HM 10

RenFin Limited

Directors' report

The Directors present their report and the audited financial statements of RenFin Limited (the "Fund") for the year ended 31 December 2019.

The investment objective of the Fund and Rekha Holdings Limited (the "Subsidiary") is to achieve medium term capital growth through investments in financial institutions whose principal operations are carried out in Russia or other states of Commonwealth of Independent States ("CIS") and who are planning to undertake an initial public offering of a private placement of their shares. Investments might also be made in companies that derive a substantial portion of their revenue from, of have substantial assets in Russia or other states of CIS.

The financial statements have been prepared in accordance with International Financial Reporting Standards and interpretations adopted by the International Accounting Standard Board.

Summary financial information *(USD 000's)*	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Profit/(loss)	(3,861)	828	1,532	(2,732)	(9,453)	(71,261)
Assets	2,313	6,154	5,348	7,847	10,562	40,008
Liabilities	(215)	(195)	(217)	(248)	(231)	(6,424)

(USD 000's)	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Total equity	2,098	5,959	5,131	7,599	10,331	33,584
Distribution	-	-	4,000	-	13,800	-
Total	2,098	5,959	9,131	7,599	24,131	33,584

Investment portfolio

The Fund makes all its investments through the Subsidiary, a company incorporated in Cyprus. The table below provides a breakdown of the investment that makes up more than 5% of the Subsidiary's investment portfolio:

Investment	**Industry**	**% of portfolio**	**Cost** *(USD 000's)*	**Fair value** *(USD 000's)*
PJSC Centre Invest CB	Financial services	100%	27,957	2,060

In 2019 the Fund has made a provision of 3,792 thousand US dollars (2018: Nil) in relation to the investment portfolio. Note 6 provides a breakdown of the investment held by the Fund, through the Subsidiary, against which historical provisions have been made.

Connected parties

Transactions carried out with the Fund by the administrator, investment manager, investment advisor, custodian, Directors and other connected parties must be carried out as if negotiated at arm's length. Transactions must be in the best interests of the shareholders of the Fund. Details of related parties and related party transactions are disclosed in notes 5, 8 and 17 to the financial statements.

Disclosure of information to Auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Fund's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Fund's auditor is aware of that information.

This report was approved by the Board of Directors on 26 August 2020 and signed on behalf of the board by:

John Elder
Director

David Blair
Director

Cohen & Co

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF RENFIN LIMITED

Opinion

We have audited the financial statements of RenFin Limited (the "Fund"), which comprise the statement of financial position as at 31 December 2019, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters *(continued)*

Key Audit Matter	Our Audit Approach	Our Observations
Valuation of level 3 investments The investments measured at fair value using level 3 inputs make up approximately 98% of total equity and are considered to be the key driver of the Fund's financial performance. We consider the fair value of level 3 investments to be an audit risk. Fair market values for level 3 investments cannot be derived directly from quoted prices in active markets. Fair market values for level 3 investments are derived from valuation techniques that include unobservable inputs which, by their nature, may contain an element of judgement or estimation uncertainty. In light of materiality, and in the context of the financial statements as a whole, level 3 investments are considered to be the area which had the greatest impact on our audit. Reference is made to note 13 and note 14 for further details on the level 3 investments held at year end.	Our audit procedures with respect to the fair value of level 3 investments included assessing the appropriateness of the valuation techniques used to value level 3 investments, obtaining supporting evidence with respect to the level 3 investments from the investment manager of the Fund and reconciling the fair value input factors of level 3 investments to independent sources.	The procedures performed did not yield significant findings relating to the fair value of level 3 investments. No issues noted.

Other Information

The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS, and for 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.

In preparing the financial statements, the Directors are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit.

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Auditor's Responsibilities for the Audit of the Financial Statements *(continued)*

We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit 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 Fund's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
4. Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ian Doran.

Cohen & Co (Chartered Accountants Limited)

Cohen & Co. Chartered Accountants Limited
26 August 2020

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RenFin Limited

Statement of financial position
as at 31 December 2019

(in thousands of US dollars)

	Note	**31 December 2019** ***(000's)***	31 December 2018 *(000's)*
Assets			
Cash and cash equivalents	*4*	**107**	302
Financial assets at fair value through profit or loss	*6*	**2,055**	5,847
Loan receivable	*5*	**147**	-
Other assets		**4**	5
Total assets		**2,313**	6,154
Total equity		**2,098**	5,959
Liabilities			
Management fees payable	*8*	**142**	140
Accounts payable and accruals		**73**	55
Total liabilities		**215**	195
Total equity and liabilities		**2,313**	6,154

The financial statements set out on pages 8 to 35 were approved by the Board of Directors of the Fund on 26 August 2020 and signed on its behalf by:

John Elder
Director

David Blair
Director

The attached notes form an integral part of these financial statements.

RenFin Limited

Statement of comprehensive income
for the year ended 31 December 2019

(in thousands of US dollars)

	Note	**2019** **(000's)**	2018 (000's)
Investment income			
Net realised and change in unrealised (loss)/gain on financial assets recognised at fair value through profit or loss	*7*	**(3,191)**	1,478
Loan interest income	*5*	**7**	-
Other income		**-**	14
Net investment (loss)/income		**(3,184)**	1,492
Operating expenses			
Management fees	*8*	**561**	559
Other operating expenses		**116**	105
Total operating expenses		**677**	664
(Loss)/profit for the year		**(3,861)**	828

The attached notes form an integral part of these financial statements.

RenFin Limited

Statement of changes in equity
for the year ended 31 December 2019

(in thousands of US dollars)

	Share capital ***(000's)***	**Share premium** ***(000's)***	**Retained deficit** ***(000's)***	**Total** ***(000's)***
Balance at 1 January 2018	11	112,186	(107,066)	5,131
Profit for the year	-	-	828	828
Balance at 31 December 2018	11	112,186	(106,238)	5,959
Balance at 1 January 2019	**11**	**112,186**	**(106,238)**	**5,959**
Loss for the year	**-**	**-**	**(3,861)**	**(3,861)**
Balance at 31 December 2019	**11**	**112,186**	**(110,099)**	**2,098**

The attached notes form an integral part of these financial statements.

Statement of cash flows
for the year ended 31 December 2019

(in thousands of US dollars)

	2019 ***(000's)***	2018 *(000's)*
Cash flows from operating activities		
(Loss)/profit for the year	**(3,861)**	828
Changes in operating assets and liabilities		
Change in financial assets at fair value through profit or loss	**3,792**	(881)
Increase in loan receivable	**(287)***	-
Decrease in other assets	**1**	6
Increase/(decrease) in management fee payable	**142***	(26)
Increase in accounts payable and accruals	**18**	4
Net cash used in operating activities	**(195)**	(69)
Net decrease in cash and cash equivalents for the year	**(195)**	(69)
Cash and cash equivalents at the beginning of the year	**302**	371
Cash and cash equivalents at the end of the year	**107**	302

**During the year ended 31 December 2019 management fees payable to the Investment Manager amounting to 140 thousand US dollars were offset against the loan receivable from Kazimir Treasury Services Limited (see notes 5 and 8).*

The attached notes form an integral part of these financial statements.

1 Fund information

RenFin Limited (the "Fund") was incorporated in the British Virgin Islands under the British Virgin Islands Business Companies Act, 2004 (as amended) on 14 September 2006 as a closed-ended investment company with limited liability. The registered address of the Fund is Jayla Place, Wickhams Cay 1, Road Town, Tortola VG 1110, British Virgin Islands.

As at 31 December 2019 and 2018, the Fund makes all its investments through its wholly owned subsidiary Rekha Holdings Limited (the "Subsidiary"). The Subsidiary was incorporated under Cyprus Companies Law, CAP. 113 on 13 July 2006 as a private limited liability company. The Fund's investment in the Subsidiary is by means of an equity interest and intercompany loans ("Investment in the Subsidiary").

The objective of the Fund is to achieve medium term capital growth through investments in financial institutions whose principal operations are performed in Russia or other states of the Commonwealth of Independent States ("CIS") region and are planning to undertake an initial public offering ("IPO") or a private placement of their shares. Investments may also be made in companies that derive a substantial portion of their revenue from, or have substantial assets, in Russia or other states of the CIS region.

The Fund has been recognised as a professional fund under the Securities and Investment Business Act, 2010 ("SIBA") of the British Virgin Islands and the shares may therefore only be offered to professional investors and the minimum investment of each of such investors must not be less than 100 thousand US dollars.

The Fund commenced its operations on 27 November 2006. At 31 December 2019 and 2018, the Fund had no employees. The Funds shares are listed on the Bermuda Stock Exchange.

Renasset Investment Management Limited (formerly Kashtan Limited) (the "Investment Manager") has been appointed as Investment Manager to implement the investment strategy of the Fund. Renasset Managers Limited (formerly Petrarca Management Limited) (the "Investment Advisor") have been appointed as Investment Advisor to manage the investment activities of the Fund. The administration of the Fund has been delegated to Apex Group Limited (formerly Custom House Global Fund Services Limited) (the "Administrator").

In accordance with the Offering Memorandum, the Fund had a term of three years from the commencement date of 27 November 2006, provided that the Directors may extend the term for up to two successive one-year periods.

On 12 June 2018, the Fund's term was extended to 31 December 2020.

The latest extension was made in August 2020, amending the Fund's term to 31 December 2027.

2 Basis of preparation

(a) Statement of compliance
These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations adopted by the International Accounting Standard Board ("IASB").

(b) Basis of measurement
The financial statements are prepared on a historical cost basis except for financial instruments held at fair value through profit or loss, which have been measured at fair value.

The financial statements are presented in United States dollars ("US dollar" or "US$") unless otherwise stated. This is the functional and presentation currency of the Fund, as this is the Fund's capital raising currency and its performance is evaluated and its liquidity is managed in US dollars. Financial information presented in US dollars has been rounded to the nearest thousand ("thousand US dollars" or US$'000), unless otherwise stated.

These financial statements have been prepared on a going concern basis.

(c) Judgements in applying accounting policies and key sources of estimation uncertainty
The preparation of these financial statements in conformity with IFRS requires the Directors to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Judgements
Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

- Note 3(a) – Classification of financial assets and liabilities
- Note 3(b) – Subsidiary

Assumptions and estimation uncertainties
Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2019, is included in note 13 and note 14 and relates to the determination of the fair value of financial instruments.

Going concern
These financial statements have been prepared on a going concern basis as the Directors anticipate that the Fund will continue in business for the foreseeable future. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Fund's ability to continue as a going concern.

3 Significant accounting policies

(a) Financial instruments

(i) Classification
In accordance with IFRS 9, *Financial Instruments* ("IFRS 9"), the Fund classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below.

In applying that classification, a financial asset or financial liability is considered to be held for trading if:

(a) It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or
(b) On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which, there is evidence of a recent actual pattern of short-term profit-taking; or
(c) It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Financial assets
The Fund classifies its financial assets as subsequently measured at amortised cost or measured at fair value through profit or loss on the basis of both:

(1) The entity's business model for managing the financial asset; and
(2) The contractual cash flow characteristics of the financial asset.

Business model assessment
In making an assessment of the objective of the business model in which a financial asset is held, the Fund considers all of the relevant information about how the business is managed. This includes the investment strategy, how the performance of the assets is evaluated, the risks associated with the financial assets and sales activity.

The Fund has determined that it has two business models.
– Held-to-collect business model: this includes cash and cash equivalents, loan receivable and other short-term receivables. These financial assets are held to collect contractual cash flows.
– Other business model: this includes the Fund's investment in its Subsidiary. The Fund's investment in the Subsidiary is by means of an equity interest and intercompany loans. The Fund's equity interest in the Subsidiary is required to be classified at fair value through profit or loss, however, the intercompany loans made to the Subsidiary are subject to judgements and the classification is dependent on how the intercompany loans are managed. The Fund manages the equity and debt component of the investment as part of a single business model. As such the intercompany loans are evaluated and managed on a fair value basis.

Assessment whether contractual cash flows are SPPI
For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

3 Significant accounting policies *(continued)*

(a) Financial instruments *(continued)*

(i) Classification (continued)

Financial assets *(continued)*

Assessment whether contractual cash flows are SPPI (continued)
The Fund's financial assets are assessed as to whether the contractual cash flows are SPPI. The Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

- *Financial assets measured at amortised cost*
  A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

  The Fund includes in this category short-term non-financing receivables, including cash and cash equivalents, loan receivable and other receivables.

- *Financial assets measured at fair value through profit or loss ("FVPL")*
  A financial asset is measured at fair value through profit or loss if:

  (a) Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest ("SPPI") on the principal outstanding; or
  (b) It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
  (c) At initial recognition, it is irrevocably designated as measured at fair value through profit or loss when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

  The Fund includes in this category the investment in its Subsidiary, both the equity and loan components. The Fund's investment in the Subsidiary is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Fund has not taken the option to irrevocably designate the investment at fair value through other comprehensive income. Consequently, the investment in the Subsidiary is measured at fair value through profit or loss.

Financial liabilities

- *Financial liabilities measured at fair value through profit or loss*
  A financial liability is measured at fair value through profit or loss if it meets the definition of held for trading. The Fund does not hold any financial liabilities that meet the definition of held for trading.

3 Significant accounting policies *(continued)*

(a) Financial instruments *(continued)*

(i) Classification (continued)

Financial liabilities (continued)

- *Financial liabilities measured at amortised cost*
  This category includes all financial liabilities, other than those measured at fair value through profit or loss. The Fund includes short-term payables in this category.

(ii) Recognition
The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

A regular way purchase or sale of financial assets is recognised using trade date accounting. From this date any gains or losses arising from changes in fair value of the financial assets or financial liabilities are recorded in the statement of comprehensive income.

(iii) Measurement and fair value measurement principles

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

Financial assets and financial liabilities (other than those classified at fair value through profit or loss) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

Subsequent measurement
Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are re-measured at fair value. Subsequent changes in the fair value of those financial instruments are recorded in the "net realised and change in unrealised (loss)/gain on financial assets measured at fair value through profit or loss" in the statement of comprehensive income.

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

Determination of fair value measurement principles
'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Fund's investment in the Subsidiary is valued based on the audited net asset value ("NAV") of the Subsidiary.

The Directors consider the unit of account of the investment held to be the investment as a whole (i.e. both the equity and loan components), based on the premise that fair value measurement should be consistent with how market participants would transact in their economic best interest.

3 Significant accounting policies *(continued)*

(a) Financial instruments *(continued)*

(iii) Measurement and fair value measurement principles (continued)

Determination of fair value measurement principles (continued)
The Directors, in their discretion, may also permit some other method of valuation to be used if they consider that such valuation reflects fair value.

The Investment Manager believes the fair value of the investment in the Subsidiary is reliably measurable. However, because of the inherent uncertainty of these valuations, the value of the investment estimated may differ significantly from the value that would have been used had a ready market for the investment existed and such differences could be material to the financial statements. Actual results could differ from those estimates.

All changes in fair value are recognised in the statement of comprehensive income as part of movement in investments at fair value through profit or loss.

Further details on the fair value measurement is included in note 14.

(iv) Derecognition
A financial asset (or, where applicable, a part of a financial asset or a 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 the Fund has:

(a) Transferred substantially all of the risks and rewards of the asset; or
(b) 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 right to receive cash flows from an asset (or has entered into a pass-through arrangement) and has neither transferred nor retained substantially all of 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. In that case, the Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained.

The Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid is recognised in the statement of comprehensive income.

3 Significant accounting policies *(continued)*

(a) Financial instruments *(continued)*

(v) Impairment
Financial assets that are measured at amortised cost are reviewed at each reporting date. The Fund applies the general approach in accordance with IFRS 9.

The Fund measures the loss allowance at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses.

The Fund's approach to expected credit losses ("ECL") reflects a probability-weighted outcome, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required.

If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 45 days past due or if the credit rating of the counterparty deteriorates to below investment grade. Any contractual payment which is more than 90 days past due is considered credit impaired. The Fund has no significant increase in credit risk and therefore no credit impairment.

(b) Subsidiary

Subsidiaries are entities controlled by the Fund. The Fund controls an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 contains a special exemption for investment entities. Entities that meet the definition of an investment entity within IFRS 10 are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them.

In determining whether the Fund meets the definition of an investment entity, the Directors and the Investment Manager considered the business purpose and structure of the Fund as a whole. The business purpose of the Fund is to generate profit from the further disposal and investment income from its investments, through the Subsidiary, in entities in the financial sector in Russia or other states of the CIS Region.

The Fund has been deemed to meet the definition of an investment entity as the Fund obtains funds for the purpose of providing investors with professional investment management services, and manages the investment portfolio on a fair value basis as the Fund seeks to invest for capital appreciation and investment income.

3 Significant accounting policies *(continued)*

(b) Subsidiary *(continued)*
IFRS 10 also describes certain typical characteristics of an investment entity that should be taken into consideration as part of the assessment of whether an entity should be considered an investment entity. These are as follows:

(a) It has more than one investment;
(b) It has more than one investor;
(c) It has investors that are not related parties of the entity; and
(d) It has ownership interest in the form of equity or similar interests.

The absence of any of these typical characteristics does not necessarily disqualify an entity from being classified as an investment entity. As of 31 December 2019, the Fund has all the above characteristics with the exception of (a). The absence of this characteristic has been considered and it has been determined that its absence is not sufficient to disqualify the Fund from being classified as an investment entity.

Consequently, the Directors concluded that the Fund should not consolidate its investment in the Subsidiary but measure the investment at fair value through profit or loss.

(c) Offsetting
Financial assets and financial liabilities are offset and the net amounts reported in the statement of financial position, when a currently exercisable legally enforceable right to offset the recognised amounts exists and there is intent to settle on a net basis or to settle the asset and the liability simultaneously.

(d) Cash and cash equivalents
Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments, with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant changes in value and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(e) Share capital
The Fund classifies financial instruments issued as equity instruments in accordance with the substance of the contractual terms of the instruments.

The Fund has one class of non-voting participating shares in issue. On liquidation, the holders of the non-voting participating shares rank first in the repayment of the nominal value paid up thereon and, will have the right to share, pro rata to their respective holdings in the Fund’s surplus assets available for distribution, after the repayment of the nominal value paid up on the Management shares.

The non-voting participating shares issued by the Fund provide investors with the right to require redemption for cash at the value proportionate to the investor’s share in the Fund’s total equity at the redemption date and also in the event of the Fund’s liquidation (after the repayment of the par value of the management shares). In accordance with IAS 32, *Financial Instruments, Presentation* (“IAS 32”) such instruments meet the definition of puttable instruments. The participating shares are only redeemable at the option of the Fund during the initial term. On 12 June 2018, the Fund’s term was extended to 31 December 2020. The latest extension was made in August 2020, amending the Fund’s term to 31 December 2027.

3 Significant accounting policies *(continued)*

(e) Share capital *(continued)*
A puttable financial instrument is classified as equity if it meets the following conditions:

- It entitles the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation;
- It is in the class of instruments that is subordinate to all other classes of instruments;
- All financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;
- Apart from the contractual obligation for the Fund to redeem the instrument for cash or another financial asset, the instrument does not include any other features that would require classification as a liability; and
- The total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund over the life of the instrument.

The Fund's participating shares meet these conditions and are classified as equity.

(f) Taxation
Under the current system of taxation in British Virgin Islands, the Fund is exempt from paying taxes on income, profits or capital gains. Accordingly, no provisions have been made for these taxes in the financial statements.

Interest and dividend income received by the Fund may be subject to withholding tax imposed in the country of origin. This income is recorded gross of such taxes and the corresponding withholding tax is recognised as a separate line item in the statement of comprehensive income.

(g) Dividend income
Dividend income is recognised when the Fund's right to receive the payment is established. Dividend income is presented gross of any non-recoverable withholding taxes, which are disclosed separately in the statement of comprehensive income.

(h) Expenses
All expenses are recognised in the statement of comprehensive income on an accruals basis.

(i) Adoption of new and amended accounting standards and interpretations
There are no new standards, interpretations or amendments to existing standards that are effective for the year beginning on or after 1 January 2019, that would have had a material impact on the financial statements of the Fund.

(j) Standards, interpretations and amendments issued but not yet effective
A number of new standards, interpretations and amendments to published standards have been issued to date and are not yet effective for the financial statements of the Fund for the year ended 31 December 2019, and have not been applied nor early adopted in preparing these financial statements.

Standard:	**Narrative:**	**Effective Date:***
Amendments to IFRS 3	Definition of a Business	1 January 2020
Amendments to IAS 1 and IAS 8	Definition of Material	1 January 2020
Amendments to IFRS 7/IFRS 9	Financial instruments – pre replacement issues in the context of IBOR reform	1 January 2020
IFRS 17	Insurance Contracts	1 January 2023

3 Significant accounting policies *(continued)*

The Directors anticipates that the adoption of new standards, interpretations and amendments that were in issue at the date of authorisation of these financial statements, but not yet effective, will have no material impact on the financial statements in the year of initial application.

4 Cash and cash equivalents

At 31 December 2019, the Fund held cash and cash equivalents of 107 thousand US dollars (2018: 302 thousand US dollars) with the Fund's payment bank Barclays Bank. As at 31 December 2019 and 2018, no restrictions in the use of cash and cash equivalents exist.

5 Loan receivable

On 26 June 2019, the Fund entered into a loan facility agreement with Kazimir Treasury Services Limited, a related entity. The maximum amount of the loan facility is 20,000 thousand US dollars. A corporate guarantee is provided by Kazimir Africa fund, L.P., the parent company of Kazimir Treasury Services Limited, as security for the loan receivable. Interest is charged on the outstanding balance on the loan facility at a rate of 8% per annum. Interest is accrued daily and compounded at the end of each month. The maturity date of the loan facility is 31 December 2027.

During the year ended 31 December 2019 the Fund advanced 365 thousand US dollars to Kazimir Treasury Services Limited under the terms of the loan facility agreement.

Interest of 7 thousand dollars was charged with respect to the loan for the year ended 31 December 2019. There are no amounts outstanding with respect to loan interest at the reporting date.

During the year ended 31 December 2019 Kazimir Treasury Services Limited made loan repayments amounting to 225 thousand US dollars. This amount includes the repayment of interest amounting to 7 thousand US dollars. This amount also includes the offset of management fees payable to the Investment Manager of 140 thousand US dollars against the loan balance receivable from Kazimir Treasury Services Limited. This offset of management fees payable to the Investment Manager against the loan balance receivable from Kazimir Treasury Services Limited was agreed in writing between the Investment Manager, the Fund and Kazimir Treasury Services Limited (see note 8 and note 17).

At 31 December 2019 the amount outstanding with respect to the loan receivable from Kazimir Treasury Services amounts to 147 thousand US dollars.

During the period 1 January 2020 to the date of signing of these financial statements Kazimir Treasury Services Limited has made loan and loan interest repayments amounting to 149 thousand US dollars.

6 Financial assets measured at fair value through profit or loss

The fair value of the Fund's investment in the Subsidiary consists of an equity interest and loan financing provided by the Fund to the Subsidiary. The maximum risk of loss in the Fund's investment in the Subsidiary is equal to its fair value as outlined in the table below:

(in thousand US dollars)	**31 December 2019**	31 December 2018
Financial assets measured at fair value through profit or loss		
Investment in the Subsidiary	2,055	5,847
Total financial assets measured at fair value through profit or loss	**2,055**	5,847

6 Financial assets measured at fair value through profit or loss *(continued)*

The following table presents additional information that is relevant to the Funds' investment in the Subsidiary at 31 December 2019 and 2018:

Underlying company *(in thousand US dollars)*	**Country of establishment and principal place of business**	**Ownership interest**	**Carrying amount included in investments in the Statement of Financial Position**
2019			
Rekha Holdings Limited	Cyprus	100%	2,055
2018			
Rekha Holdings Limited	Cyprus	100%	5,847

Restrictions
There are no significant restrictions on the transfer of funds from the Subsidiary to the Fund.

During the year, the Fund received loan repayments in the amount of 600 thousand US dollars from the Subsidiary (2018: 597 thousand US dollars).

Support
In 2019 and 2018, the Fund did not provide support in the form of additional contributions to the equity of the Subsidiary or further intercompany loans to the Subsidiary (see note 18).

The Fund has no contractual commitments to provide any financial or other support to the Subsidiary.

Analysis of the Subsidiary's investments
The table below details the underlying investments of the Subsidiary at 31 December 2019 and 2018:

31 December 2019 *(in thousand US dollars)*	**% of ownership**	**Cost**	**Fair value**
PJSC Centre Invest CB	7.49%	27,957	2,060
JCS InvestBank*	12.23%	26,982	-
JSCB Probusinessbank**	3.61%	14,727	-
		69,666	**2,060**

31 December 2018 *(in thousand US dollars)*	**% of ownership**	**Cost**	**Fair value**
PJSC Centre Invest CB	7.49%	27,957	5,812
JCS InvestBank*	12.23%	26,982	-
JSCB Probusinessbank**	3.61%	14,727	-
JSC Granit***	16.23%	-	-
		69,666	5,812

**In December 2013 the Central Bank of the Russian Federation revoked the banking license of JCS InvestBank. As a result, the Directors assess that the fair value of the investment at 31 December 2019 and 31 December 2018 is Nil.*
*** In August 2015 the Central Bank of the Russian Federation revoked the banking license of JSCB Probusinessbank. As a result, the Directors assess that the fair value of the investment at 31 December 2019 and 31 December 2018 is Nil.*
**** On 10 June 2019 JSC Granit was formally dissolved.*

7 Net realised and change in unrealised (loss)/gain on financial assets measured at fair value through profit or loss

(in thousand US dollars)	**2019**	2018
Net realised gain on investment in the Subsidiary	601	-
Net change in unrealised (loss)/gain on investment in the Subsidiary	(3,792)	1,478
Net realised and change in unrealised (loss)/gain on financial assets measured at fair value through profit or loss	**(3,191)**	1,478

8 Management fees and performance fees

Management fees
Renasset Investment Management Limited (formerly Kashtan Limited) has been appointed as Investment Manager to implement the investment strategy of the Fund. The Investment Manager provides certain investment management services to the Fund. The Fund pays the Investment Manager a management fee equal to 2% per annum of the cost of the investments which have a positive fair value plus the carrying amount of the loan receivable from Kazimir Treasury Services, payable quarterly in arrears.

During the year ended 31 December 2019, total management fees of 561 thousand US dollars (2018: 559 thousand US dollars) were charged by the Investment Manager, with an amount outstanding at the reporting date of 142 thousand US dollars (2018: 140 thousand US dollars). During the year ended 31 December 2019 the Investment Manager agreed to offset management fees amounting to 140 thousand US dollars against the loan balance receivable from Kazimir Treasury Services Limited (see note 5 and note 17).

Performance fees
The Investment Manager will also be entitled to a performance fee equal to 20% of the realised net profits from investments, but only after non-voting participating shareholders have received a return of the aggregate issue price for their shares. There were no performance fees charged to the Fund for the years ending 31 December 2019 and 31 December 2018.

The Investment Manager has agreed that effective 31 December 2019 there will be no management or performance fees charged in relation to investments made prior to 31 December 2013. At 31 December 2019 all of the investments held by the Fund were made prior to 31 December 2013.

Investment Advisor
Renasset Managers Limited (formerly Petrarca Management Limited) have been appointed as Investment Advisor to manage the investment activities of the Fund. The Investment Advisor is entitled to 100% of the management and performance fees paid to the Investment Manager.

9 Administration fees

The Fund appointed Apex Group Limited (formerly Custom House Global Fund Services Limited), a fund administration company incorporated in Malta, to provide administrative services to the Fund. The Fund pays the Administrator, from the net assets of the Fund, an annual administration fee equal to:

- 0.065% per annum of net assets up to USD 100 million;
- 0.05% per annum of net assets between USD 100 million and USD 200 million;
- 0.04% per annum of net assets between USD 200 million and USD 300 million; and
- 0.02% per annum of net assets in excess of USD 300 million.

The fee is calculated on each valuation day, being 31 December, and is payable annually in arrears and is subject to a minimum annual fee of 16 thousand US dollars (or currency equivalent).

9 Administration fees *(continued)*

An administration fee of 16 thousand US dollars (2018: 16 thousand US dollars) was charged for the year by the administrator. The amount outstanding at the reporting date in respect of administration fees is 16 thousand US dollars (2018: 32 thousand US dollars).

10 Directors' fees

The Fund pays directors fees of 15 thousand US dollars to James Keyes, 10 thousand British Pounds to John Elder and 10 thousand Euros to David Blair. The Fund will also reimburse the Directors for any travel, accommodation or other expenses incurred in carrying out their duties as Directors. Directors' fees charged to the Fund during the year totalled 42 thousand US dollars (2018: 44 thousand US dollars). There were no amounts outstanding at 31 December 2019 and 2018.

11 Audit fees

Audit fees charged to the Fund in the year were 22 thousand US dollars (2018: 21 thousand US dollars). The amount outstanding at the reporting date in respect of audit fees was 40 thousand US dollars (2018: 21 thousand US dollars).

12 Share capital

Authorised share capital
The Fund is authorized to issue 100 Management shares of USD 0.01 par value each (all of which have been issued to the Investment Manager) and 4,999,900 non-voting participating shares.

As at 31 December 2019 and 2018, 100 Management shares have been issued at USD 0.01 each and 1,099,974 non-voting participating shares have been issued at USD 0.01 each.

Management shares
The Management shares are held and fully paid for by the Investment Manager and are voting shares. Each Management share confers the right to one vote at each annual and general meeting of the Fund. The Management shares confer no right to participate in the profits or assets of the Fund.

Non-voting participating shares
Non-voting participating shares rank pari passu for all purposes. The non-voting participating shares do not confer any right to vote at annual and general meetings of the Fund.

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

Capital management
The Fund is not subject to externally imposed capital requirements and has no restrictions on the issue and redemption of shares.

The Fund's objectives for managing capital are:

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

12 Share capital *(continued)*

Capital management (continued)
At 31 December 2019 and 2018, the Fund's operations were funded by previously issued non-voting participating shares.

Distributions
The Fund's Directors may declare and pay dividends on the non-voting participating shares, at their sole discretion.

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

All distributions will be paid out to the non-voting participating shareholders pro rata in proportion to their shareholding. The Directors may determine whether and to what extent a distribution will be made in the form of dividends, capital distribution or as a partial voluntary redemption of shares.

Movement in non-voting participating shares during the year ended 31 December 2019 was as follows:

Shares	**Shares at the beginning of the year**	**Shares issued**	**Shares redeemed**	**Shares at the end of the year**
Non-voting participating shares	1,099,974	-	-	1,099,974

Movement in non-voting participating shares during the year ended 31 December 2018 was as follows:

Shares	**Shares at the beginning of the year**	**Shares issued**	**Shares redeemed**	**Shares at the end of the year**
Non-voting participating shares	1,099,974	-	-	1,099,974

The table below outlines the NAV per non-voting participating share at the reporting date:

	31 December 2019 USD	31 December 2018 USD
NAV per non-voting participating share	**1.91**	5.42

13 Financial instrument disclosures and associated risks

The objective of the Fund is to achieve medium term capital growth through investments in financial institutions whose principal operations are performed in Russia or other states of the Commonwealth of Independent States ("CIS") region and are planning to undertake an IPO or a private placement of their shares. Investments may also be made in companies that derive a substantial portion of their revenue from, or have substantial assets, in Russia or other states of the CIS region.

According to its initial investment strategy the Fund invested through the Subsidiary in financial institutions (banks, and other companies) providing financial services that are located in Russia or other states of the CIS, and which were planning to undertake an initial public offering or a private placement of their shares within two to three years.

13 Financial instrument disclosures and associated risks *(continued)*

The Fund initially pursued the following strategies:

- Investment in financial institutions planning an IPO;
- Investment in banks and financial institutions in preparation for a private sale; and
- Mergers and acquisitions, start-ups and asset buyouts.

Investments in financial institutions may take the form of unlisted equity and equity-related securities and other instruments issued by financial institutions. Investments may also be made in companies that derive a substantial portion of their revenue from, or have substantial assets in, Russia or other states of the CIS.

Initially the Fund intended to hold such investments until disposed of via a private transaction with one or more investors or in or following an IPO. Currently the Fund is in process of negotiation with possible investors to dispose of its investment portfolio. The Fund does not currently intend to make any new investments.

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

At 31 December 2019 and 2018, the underlying investments are held through the Fund's investment in the Subsidiary.

The Fund is subject to all risk management policies and procedures implemented by the Investment Manager and other parties and bodies involved in managing the Fund's risk.

Risk is inherent in the Fund's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls.

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

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

The nature and extent of the financial instruments outstanding at the reporting date are discussed below and overleaf.

(a) Market risk

Market risk is the risk that changes in interest rates, foreign exchange rates or other prices will affect the assets held by the Fund. All financial assets and financial liabilities at fair value through profit or loss are measured at fair value and all changes in market conditions directly affect investment income. The Fund is susceptible to market price risk arising from uncertainties about future prices. Market risk embodies the potential for both losses and gains and includes currency risk, interest rate risk and price risk.

13 Financial instrument disclosures and associated risks *(continued)*

(a) Market risk *(continued)*

(i) Currency risk
Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Fund may invest in financial instruments and enter into transactions denominated in currencies other than its functional currency. Consequently, the Fund is exposed to risks that the exchange rate of its currency 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 US dollars.

At 31 December 2019 and 2018, the Fund is not directly exposed to any material currency risk. The Fund is however indirectly exposed to currency risk through the investments held by the Subsidiary. The investments held by the Subsidiary as at 31 December 2019 and 31 December 2018 are denominated in Russian Rouble ("RUB").

The Subsidiary's exposure to foreign exchange movements as at 31 December 2019 and 31 December 2018 is as follows:

	2019		**2018**	
Currency	**Fair value**	**% of total equity**	**Fair value**	**% of total equity**
Russian Rouble	2,060	98.19%	5,812	97.53%

At 31 December 2019 and 31 December 2018, had the USD strengthened/weakened by 5% in relation to RUB, with all other variables held constant, the total equity of the Fund would have decreased/increased by 103 thousand US dollars (2018: 291 thousand US dollars).

(ii) Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The majority of the Fund's financial assets are non-interest bearing.

The Funds primary investment consists of an interest in the Subsidiary. The loan component of the interest in the Subsidiary has been non-interest bearing since 1 October 2009. The Subsidiary's assets and liabilities are non-interest bearing and as such the Fund is not indirectly exposed to interest rate risk.

At 31 December 2019 the Fund has a loan receivable from a related entity (see note 5). The loan carries a fixed rate of interest of 8% per annum. The Fund is therefore not materially exposed to changes in market interest rates.

The potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the reporting date is deemed immaterial.

(iii) Price risk
Price risk is the risk that the 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.

13 Financial instrument disclosures and associated risks *(continued)*

(a) Market risk *(continued)*

(iii) Price risk (continued)
The Fund's investment in the Subsidiary, which represents 98% of the Fund's total equity at the reporting date (2018: 98%), is carried at fair value with fair value changes recognised in the statement of comprehensive income, all changes in market conditions will directly affect net investment income. The fair value of the Subsidiary is directly impacted by the fair value of the underlying investments held by the Subsidiary.

Indirect exposure through Subsidiary
The Subsidiary's underlying investments consist of equity investments in financial institutions operating in Russia and the CIS region. These investments are exposed to price risk. Increases and fluctuations may arise due to general market conditions, economic changes or other events which are outside the control of the Subsidiary.

The Investment Manager continually monitors the investment portfolio to try maximise returns and minimise adverse price changes.

As at 31 December 2019 and 2018, no investment in any single instrument exceeded the set limits.

Price risk sensitivity
At 31 December 2019, a 20% (2018: 20%) increase in the value of the Fund's investment in the Subsidiary would have increased the total equity by 411 thousand US dollars (2018: 1,169 thousand US dollars). A 20% (2018: 20%) decrease would have an equal and opposite effect.

(b) 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 Fund. Credit risk to the Fund may arise through the placing of deposits with other entities.

The maximum credit risk exposure is best represented by the carrying amounts of financial assets per the statement of financial position at the reporting date.

At 31 December 2019 and 2018, the Fund's financial assets exposed to credit risk amounted to the following:

(in thousand US dollars)	**31 December 2019**	31 December 2018
Cash and cash equivalents	107	302
Financial assets at fair value through profit or loss	2,055	5,847
Loan receivable	147	-
Other assets	4	5
	2,313	6,154

At 31 December 2019 and 2018 the Fund had neither past due financial assets nor credit impaired financial assets.

At 31 December 2019, the Fund held cash of 107 thousand US dollars (2018: 302 thousand US dollars) in a current account at Barclays Bank. Bankruptcy or insolvency of this bank may cause the Fund's rights with respect to cash to be delayed or limited. The Fund regularly monitors its risk by monitoring the credit quality of the bank on a regular basis. The current credit rating of Barclays Bank is A (2018: A) as determined by Standard & Poor's.

13 Financial instrument disclosures and associated risks *(continued)*

(b) Credit risk *(continued)*

Indirect exposure through Subsidiary
The Fund, through its investment in the Subsidiary, is exposed to the credit risk of the Subsidiary. At 31 December 2019 the Subsidiary's assets substantially consist of investments in private companies. At 31 December 2019, substantially all of the Subsidiary's investments were held by the custodian, AO Raiffeisenbank. Bankruptcy or insolvency of the custodian may cause the Subsidiary's rights with respect to the securities to be delayed or limited. The Investment Manager regularly monitors its risk by monitoring the credit quality of the custodian on a regular basis. The current credit rating of the custodian is BBB- as determined by Fitch Ratings.

Loan receivable
The loan receivable is from Kazimir Treasury Services Limited, a related entity. A corporate guarantee is provided by the Kazimir Africa Fund, L.P., the parent company of Kazimir Treasury Services Limited, as security over the loan receivable (see note 5). At 31 December the loan receivable amounted to 147 thousand US dollars. During the period 1 January 2020 to the date of signing of these financial statements Kazimir Treasury Services Limited has made loan and loan interest repayments amounting to 149 thousand US dollars.

ECL
The Fund measures credit risk and ECLs on financial assets measured at amortised cost using probability of default, exposure at default and loss given default. The Investment Manager considers both historical analysis and forward-looking information in determining any ECL. Cash and cash equivalents are held with a counterparty with a high credit rating and the amounts outstanding can be settled within a short period. No increase in credit risk has been detected during the period from the reporting date to the date of signing of the financial statements. The loan receivable is guaranteed by the parent company of the borrower and has been substantially repaid during the post year end period. The probability of default is therefore close to zero. As a result of the above, no loss allowance has been recognised based on 12 months ECLs and as such, impairment would be wholly insignificant to the Fund.

Other than outlined above, there were no significant concentrations of credit risk to counterparties at 31 December 2019 and 2018.

(c) Liquidity risk
Liquidity risk is the risk that the entity will encounter difficulty in meeting obligations with its financial liabilities.

The table below shows the contractual, undiscounted cash flows of the Fund's financial liabilities at 31 December 2019:

(in thousand US dollars)	**Less than 1 month**	**1-3 months**	**3 months to 1 year**	**More than 1 year**	**No stated maturity**
Financial liabilities:					
Management fee payable	**142**	-	-	-	-
Accounts payable and accruals	**73**	-	-	-	-

13 Financial instrument disclosures and associated risks *(continued)*

(c) Liquidity risk *(continued)*

The table below shows the contractual, undiscounted cash flows of the Fund's financial liabilities at 31 December 2018:

(in thousand US dollars)	**Less than 1 month**	**1-3 months**	**3 months to 1 year**	**More than 1 year**	**No stated maturity**
Financial liabilities:					
Management fee payable	140	-	-	-	-
Accounts payable and accruals	55	-	-	-	-

The Fund's shares cannot be redeemed at the will of non-voting participating shareholders before the end of the Fund's term and it is therefore not exposed to the liquidity risk of meeting non-voting participating shareholder redemptions.

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

The Fund's ability to meet its obligations is directly affected by the liquidity risk of the Subsidiary. The majority of the Subsidiary's investments are unlisted and illiquid, thereby making it difficult to acquire or dispose of investments. The Investment Manager intends to hold its investments until disposed of via a private transaction with one or more investors or following an IPO.

As of 31 December 2019, the Fund has cash and cash equivalents amounting to 107 thousand US dollars (2018: 302 thousand US dollars) and short-term payable amounting to 215 thousand US dollars (2018: 195 thousand US dollars).

During the period 1 January 2020 to the date of signing of these financial statements Kazimir Treasury Services Limited has made loan and loan interest repayments amounting to 149 thousand US dollars.

14 Fair value measurements recognised in the statement of financial position

The tables below provide an analysis of the investment in the Subsidiary that is measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable at 31 December 2019 and 2018:

Level 1 Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 Fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

14 Fair value measurements recognised in the statement of financial position *(continued)*

31 December 2019 *(in thousand US dollars)*	**Total**	**Level 1**	**Level 2**	**Level 3**
Financial assets measured at fair value through profit or loss:				
Investment in the Subsidiary	2,055	-	-	2,055
	2,055	-	-	**2,055**

31 December 2018 *(in thousand US dollars)*	**Total**	**Level 1**	**Level 2**	**Level 3**
Financial assets measured at fair value through profit or loss:				
Investment in the Subsidiary	5,847	-	-	5,847
	5,847	-	-	**5,847**

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Management's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgement and considers factors specific to the investment.

Level 3 reconciliation

The following table shows the change in level 3 investments during the years ended 31 December 2019 and 2018.

(in thousand US dollars)	**2019**	2018
Balance at 1 January	5,847	4,966
Net (loss)/gain on financial assets measured at fair value through profit or loss	(3,792)	881
Balance at 31 December	**2,055**	**5,847**

Included in movements in financial assets at fair value through profit or loss in the level 3 reconciliation above is a change in unrealised loss amounting to 3,792 thousand US dollars (2018: unrealised gain of 881 thousand US dollars) which have been classified as level 3 investments in the fair value hierarchy.

Transfers
During the years ended 31 December 2019 and 2018, there were no transfers into or out of level 3 of the fair value hierarchy.

Valuation methods
The Fund invests in the Subsidiary which is also an investment entity. The net asset value of the Subsidiary is used as an input into measuring its fair value. The primary components of the Subsidiary's net asset value is the carrying value of the Subsidiary's investments. The investments of the Subsidiary are not quoted in an active market. In the absence of observable market prices, the fair value of the investment in the Subsidiary is deemed to approximate its net assets, which are predominantly carried at fair value.

14 Fair value measurements recognised in the statement of financial position *(continued)*

Valuation methods (continued)
The Fund determines the fair value of the Subsidiary's investments using industry accepted valuation methodologies applied on a consistent basis. The fair value of investments, held by the Subsidiary, were estimated using valuation models or based on over-the-counter ("OTC") transaction information. Management's estimation of fair value is then based on the best information available in the circumstances and may incorporate management's own assumptions and involves a significant degree of judgment, taking into consideration a combination of internal and external factors, including the appropriate discounts for lack of control, lack of liquidity and relative points of difference.

Valuation process
The valuation of financial instruments is performed at least annually by the Investment Manager and reviewed by the Directors of the Fund. The valuations are subject to quality assurance procedures. The Investment Manager verifies the major inputs applied in the valuation by agreeing the information in the valuation computation to relevant documents and market information, reviews inputs for significant changes, and may consult with external appraisers if considered appropriate. In addition, the accuracy of the computation is tested. The latest valuation is also compared with the valuations in the preceding periods, if fair value changes (positive or negative) are significant, reasons for the changes are further considered. After the checks above have been performed the Investment Manager presents the valuation results to the Directors of the Fund for their review and approval.

The fair value of the Subsidiary's investments in financial institutions are calculated using the guideline companies method under the market approach based on price to book multiples (2018: price to book multiples).

Significant unobservable inputs
At 31 December 2019 and 2018, the most significant key assumptions used in estimating the fair value of the Subsidiary's investments in financial institutions using pricing models were the following:

	2019	2018
Discount for relative points of difference	60.0%	0.0%
Discount for lack of liquidity	27.5%	27.5%
Discount for size	22.5%	0.0%
Price to net assets multiple*	0.12x	0.41x

**Net asset multiple after discounts application*

At 31 December 2019, a 20% (2018: 0%) increase in the discount for relative points of difference, which the Directors consider to be a reasonably possible alternative assumption, would have increased total equity by 620 thousand US dollars (2018: Nil). A 20% (2018: 0%) decrease would have an equal and opposite effect.

At 31 December 2019, a 20% (2018: 20%) increase in the discount for lack of liquidity, which the Directors consider to be a reasonably possible alternative assumption, would have increased total equity by 157 thousand US dollars (2018: 441 thousand US dollars). A 20% (2018: 20%) decrease would have an equal and opposite effect.

14 Fair value measurements recognised in the statement of financial position *(continued)*

Significant unobservable inputs (continued)
At 31 December 2019, a 20% (2018: 0%) increase in the discount for size, which the Directors consider to be a reasonably possible alternative assumption, would have increased total equity by 120 thousand US dollars (2018: Nil). A 20% (2018: 0%) decrease would have an equal and opposite effect.

15 Assets and liabilities not carried at fair value but for which fair value is disclosed

For all of the Fund's financial assets and financial liabilities not carried at fair value through profit and loss, disclosure of fair value is not required as their carrying values are a reasonable approximation of fair value.

16 Reconciliation of valuation

There was no difference between the valuation previously reported and the valuation determined in accordance with IFRS for the year ended 31 December 2019.

The following schedule shows the reconciliation between the valuation previously reported and the valuation determined in accordance with IFRS for the year ended 31 December 2018.

Certain adjustments were recorded to the valuation as previously reported for the year ended 31 December 2018 in order to comply with IFRS.

These differences were:

- Net gain on financial assets measured at fair value through profit or loss

The following table shows the reconciliation of the Fund's valuation as previously reported for the year ended 31 December 2018 to the Fund's valuation under IFRS:

	31 December 2018
Valuation as previously reported *(in thousands of US dollars)*	**5,082**
Adjustments	
Net gain on financial instruments measured at fair value through profit or loss *(in thousands of US dollars)*	877
Valuation in accordance with IFRS *(in thousands of US dollars)*	**5,959**
Net asset value per non-voting participating share as previously reported *(in USD)*	4.62
Adjustments per non-voting participating share *(in USD)*	0.8
Net asset value per non-voting participating share in accordance with IFRS *(in USD)*	**5.42**

17 Related parties

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.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be affected 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 at arm's length transactions in 2019 and 2018.

Investment Manager
The Investment Manager held 100 Management shares in the Fund at 31 December 2019 and 2018. Transactions with the Investment Manager are disclosed in note 8.

Parties connected to the Investment Manager held 308,832 non-voting participating shares in the Fund at 31 December 2019 and 2018, representing a 28.08% shareholding in the Fund.

At 31 December 2019 the Fund has a loan receivable from Kazimir Treasury Services, a related entity, amounting to 147 thousand US dollars (see note 8 and note 18).

Directors' remuneration
The listing of the members of the Directors of the Fund is shown on page 1 and remuneration is detailed in note 10.

18 Subsequent events

In December 2019, an outbreak of a novel coronavirus emerged globally which continues to adversely impact global commercial activity and has contributed to significant volatility in financial markets. The global impact of the outbreak has been rapidly evolving and many countries have reacted by instituting quarantines and restrictions on travel. Such actions are creating disruption in global supply chains and adversely impacting a number of industries, such as transportation, hospitality and entertainment. In addition, other factors resulting from the outbreak may adversely affect market, economic and geopolitical conditions. These include, without limitation, changes in interest rates and/or a lack of availability of credit internationally, commodity price volatility, changes in law and/or regulation and uncertainty regarding government and regulatory policy. This has created and continues to present material uncertainty and risk with respect to the Fund's future performance and financial results. However, the rapid development and fluidity of this situation precludes any prediction as to the ultimate impact to the Fund.

During the period 1 January 2020 to the date of signing of these financial statements Kazimir Treasury Services Limited has made loan and loan interest repayments amounting to 149 thousand US dollars.

On 3 February 2020 the Fund advanced a further 25 thousand US dollars to the Subsidiary under the terms of the intercompany loan in place between the Fund and the Subsidiary.

On 19 May 2020 parties connected to the Investment Manager (see note 17) purchased 50,547 non-voting participating shares in the Fund from an existing non-voting participating shareholder. The purchase price for the shares was based on the net asset value of the Fund as at 31 December 2018, being 5.42 per share (see note 12).

18 Subsequent events *(continued)*

In August 2020 the Fund's term was amended from 31 December 2020 to 31 December 2027.

There were no additional material subsequent events which necessitate revision of the figures or additional disclosures to be included in the financial statements.

19 Approval of financial statements

The financial statements were approved by the Directors of the Fund on 26 August 2020.