RENFIN II LIMITED

Consolidated Financial Statements 2015
International Financial Reporting Standards

Consolidated Financial Statements and Report of the Independent Auditor’s for the year ended December 31, 2015

Contents

Company information

Directors	David Blair (appointed on June 13, 2007) John Elder (appointed on September 22, 2010) James Keyes (appointed on January 1, 2014)
Registered office	Jayla Place Wickhams Cay 1 Road Town Tortola VG1110 British Virgin Islands
Investment manager	Kashtan Limited Clifton House 75 Fort Street PO Box 1350 Grand Cayman KY1-1108
Advisor to Investment manager	Renasset Managers Limited 190 Elgin Avenue George Town Grand Cayman KY1-9005 Cayman Islands
Administrator, registrar, transfer agent	TMF Custom House Global Fund Services Limited Smartcity Malta, SCM 01, Floor 4, Ricasoli, SCM 1001, Malta
Secretary	Appleby Corporate Services (BVI) Limited Palm Grove House PO Box 3190 Road Town Tortola British Virgin Islands
Custodian	Citibank JSC 8-10 bld. 1 Gasheka Street Moscow 125047 Russia
Independent auditors	Ernst & Young LLC Sadovnicheskaya nab.77, bld.1 Moscow 115035 Russia

Company information (continued)

General legal advisors

Bermuda Law	Appleby Spurling Bailhache Canon's Court 22 Victoria Street P.O. Box HM 1179 Hamilton HM EX Bermuda
British Virgin Islands Law	Appleby Hunter Bailhache Palm Grove House P.O. Box 3190 Road Town Tortola British Virgin Islands
Listing sponsor	Appleby Securities (Bermuda) Ltd. Canon's Court 22 Victoria Street PO Box HM 1179 Hamilton HM EX Bermuda

Investment Manager's Report

RenFin Fund II Limited (the "Fund") raised USD 154 million in July 2007 to capitalize on the growth opportunities in the financial sector in Russia and the Commonwealth of Independent States ("CIS"). The Fund's strategy at inception was to build a diversified portfolio comprising fast-growing banks and non-banking financial institutions with sound strategies and strong management teams looking for ways to strengthen their performance and market share ahead of an IPO or a private sale. Currently the Fund is in divestment stage. As of December 31, 2015, the Fund had five equity investments in its portfolio representing minority stakes in 3 Russian banks, a stake in a Ukrainian insurance company and in a Russian debt collection agency.

Economic Update

The Russian economy performed poorly in 2015 reflecting lower commodity prices exacerbated by the impact of Western sanctions.

The oil price averaged $52.46 per barrel in 2015 compared with $98.95 in 2014, a drop of 47.0%. The average RUB/USD exchange rate was RUB 60.95 in 2015 compared with RUB 38.42 in 2014, a drop of 37.0%.

Russian GDP contracted by 3.7% in 2015. Current Bloomberg consensus calls for a GDP decline of 1.0% in 2016. However, this decline could be more pronounced should the price of oil remain depressed.

Consumers were hit especially hard in 2015 as real wages fell by approximately 10%. Industrial production declined as well, but certain sectors benefitted from rouble devaluation and import substitution.

In the fourth quarter of 2015, consumer demand fell by 9.4% year-on-year while industrial output dropped by approximately 3.4%.

Banking Sector

2015 was a very challenging year for the Russian banking sector as worsening macroeconomic trends hampered credit growth and resulted in a higher share of non-performing loans (NPLs).

According to the CBR, lending to consumers contracted by 6.3% in 2015 while corporate sector loan growth was just 2.5%.

Compared with 2014, the share of NPLs increased from 5.9% to 8.1% in the consumer segment, and from 4.2% to 6.2% in the corporate segment. Provisions for bad loans increased by 33%.

Consolidated sector earnings declined by approximately 67% in 2015 based on CBR data.

The CBR revoked 74 banking licenses in 2015. Many banks still appear at risk.

The outlook for 2016 remains muted. Sberbank, Russia's largest bank, projects that consumer lending in Russia will contract by 3%-5% while lending to corporates may rise by 6%-8%. In January 2016, sector NPLs continued to rise, according to CBR data.

Khlynov Bank (IFRS data)

- Khlynov Bank is a regional bank focusing on medium and small businesses.
- The key competition has been larger state owned banks that have slowed their push into these areas.
- 72% of liabilities are retail deposits.
- Retail and corporate loans make up 63% of total assets.
- Net income fell by 7% from US$ 3.6 million to US$ 3.3 million.
- Equity decreased by 14% from US$ 40.5 million to US$ 34.5 million.
- CAR stayed flat at 13.0% in 2014 and 12.9% in 2015.
- ROAA (Return on Average Assets) in RUB was 1.5% as at 2015 end (vs. 1.3% in 2014).
- ROAE (Return on Average Equity) in RUB was 10.1% as at 2015 end (vs. 9.2% in 2014).

Investment Manager's Report (continued)

Levoberezhny (IFRS data)

- Levoberezhny is a Siberian based bank focusing on retail and small businesses.
- Retail loans make up 50% of the loan portfolio.
- 66.8% of liabilities are retail deposits and 25.7% are corporate deposits.
- Net income grew by 31% from US$ 5.2 million in 2014 to US$ 6.8 million in 2015.
- Equity decreased by 14% from US$ 72.4 million in 2014 to US$ 61.4 in 2015.
- The CAR decreased from 16.8% in 2014 to 15.9% in 2015.
- The bank is expected to pay dividends in the region of US$ 166 thousand.

Chelindbank (IFRS data)

- Chelindbank is a regional bank focusing on retail and small businesses.
- Retail deposits and account make up 79.5% of the liabilities.
- 47.7% of the total loan portfolio are corporate loans.
- Net income rose by 48% from US$ 6.6 million in 2014 to US$ 9.7 million in 2015.
- Equity decreased by 17% from US$ 136.0 million in 2014 to $113.6 in 2015.
- The CAR decreased from 20.3% in 2014 to 18.4% in 2015.
- The bank is expected to pay dividends in the region of US$ 61 thousand.

First Collection Bureau (IFRS data)

- FCB merged with National Recovery Service (NRS) to create the largest manager of non-performing loans in Russia.
- FCB mostly manages its own portfolio, whereas NRS has previously managed portfolios on behalf of other entities.
- Net consolidated income/(loss) was US$ 0.88 million in 2015 and US$ (0.75) in 2014 (not taking into account FX translation differences).
- The consolidated equity was US$ 68.6 million in 2015 and US$ 88.8 million in 2014.

Universalna (IFRS data)

- Universalna is a Ukraine based insurance company providing services to both individuals and corporates, including motor, property, personal and liability insurance.
- Net earned premiums decreased by 23.6% from US$ 14.6 million in 2014 to US$ 11.2 million in 2015.
- Net income in 2015 was US$ 1.5 million compared to US$ -0.29 million in 2014.
- Equity rose by 2.0% in 2015 to US$ 7.5 million vs. US$ 7.4 million in 2014.

Kashtan Limited

Investment manager of RenFin II Limited

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Independent auditors' report

To the Shareholders and Board of Directors of RENFIN II LIMITED

Introduction

We have audited the accompanying consolidated financial statements of RENFIN II LIMITED (the "Fund"), which comprise the consolidated statement of financial position as at December 31, 2015, and the consolidated statement of comprehensive income, consolidated statement of changes in net assets attributable to shareholders and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the fairness of these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

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

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

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2015, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLC

November 10, 2016

Moscow, Russia

Consolidated Statement of Comprehensive Income for the year ended December 31, 2015

(in thousands of US dollars)

	Notes	**2015**	**2014**
Income/(Loss) from operations			
Dividend income		382	633
Interest income		–	12
Net loss on financial instruments at fair value through profit or loss	7	(3,065)	(36,338)
Net foreign exchange loss		(72)	(240)
Total loss from operations		**(2,755)**	**(35,933)**
Expenses			
Management fee	8	(1,216)	(1,309)
Administration fee		(28)	(32)
Other operating expenses		(98)	(215)
Total expenses		**(1,342)**	**(1,556)**
Net loss before tax		**(4,097)**	**(37,489)**
Income tax expense	10	(22)	(32)
Net loss after tax		**(4,119)**	**(37,521)**
Other comprehensive income for the year		–	–
(Decrease) in net assets from operations attributable to shareholders		**(4,119)**	**(37,521)**

The accompanying notes on pages 11 to 32 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position
As at December 31, 2015

(in thousands of US Dollars)

	Notes	December 31, 2015	December 31, 2014
Assets			
Cash and cash equivalents	5	1,573	1,355
Financial assets at fair value through profit or loss	6,7	9,385	14,908
Other assets		7	6
Total assets		**10,965**	**16,269**
Liabilities			
Management fee payable	8	294	381
Accounts payable and accrued expenses		78	128
Current tax liabilities		–	16
Deferred income		97	129
Total liabilities excluding net assets attributable to shareholders		**469**	**654**
Net assets attributable to shareholders	9	**10,496**	**15,615**
Number of participating shares in issue	9	**1,033,521**	**1,033,521**
Net asset value per participating share (US Dollar)		**10.16**	**15.11**

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

John Elder

Director

David Blair

Director

November 10, 2016

The accompanying notes on pages 11 to 32 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Net Assets Attributable to Shareholders for the year ended December 31, 2015

(in thousands of US dollars)

	Notes	**Number of participating shares**	**Net assets attributable to shareholders**
January 1, 2014		**1,033,521**	**53,136**
Decrease in net assets attributable to shareholders from operations		–	(37,521)
December 31, 2014	9	**1,033,521**	**15,615**
Decrease in net assets attributable to shareholders from operations		–	(4,119)
Dividends paid		–	(1,000)
December 31, 2015	9	**1,033,521**	**10,496**

The accompanying notes on pages 11 to 32 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows
For the year ended December 31, 2015

(in thousands of US dollars)

	2015	2014
Cash flows from operating activities		
(Decrease) in net assets from operations attributable to shareholders	(4,119)	(37,521)
Adjustments to reconcile net loss for the year before income tax to net cash from operating activities		
Non-cash:		
Net loss on financial instruments at fair value through profit or loss	3,065	36,338
Foreign exchange loss	72	240
Net changes in operating assets and liabilities		
Decrease of loans receivable	–	3,200
(Increase)/decrease in other assets	(1)	8
(Decrease)/increase of current tax liabilities	(16)	16
(Decrease)/increase of accounts payable and accrued expenses	(50)	56
Decrease in management fee payable	(87)	–
Net cash (used in) / generated by operating activities	**(1,136)**	**2,337**
Cash flows from investing activity		
Proceeds from sale of financial instruments at fair value through profit or loss	2,426	–
Purchase of financial instruments at fair value through profit or loss	–	(1,524)
Net cash generated by / (used in) investing activity	**2,426**	**(1,524)**
Cash flows used in financing activity		
Distributions to shareholders	(995)	–
Net cash flows used in financing activities	**(995)**	**–**
Effect of exchange rates changes on cash and cash equivalents	(77)	(240)
Net increase in cash and cash equivalents	**218**	**573**
Cash and cash equivalents at the beginning of the year	**1,355**	**782**
Cash and cash equivalents at the end of the year	**1,573**	**1,355**

Supplementary information to operating activities:		
Dividend income, net of withholding tax	360	601
Interest received	–	504

The accompanying notes on pages 11 to 32 are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

(in thousands of US dollars)

1. Corporate Information

The consolidated financial statements include the financial statements of RENFIN II LIMITED (the “Fund”) and its wholly owned subsidiary Ratto Holdings Limited (the “Subsidiary”).

RENFIN II LIMITED was incorporated under the laws of the British Virgin Islands on June 4, 2007, as a closed-end limited liability exempted company. The Fund is listed on the Bermuda Stock Exchange. Its registered office is at Jayla Place, VG1110, Wickhams Cay 1, Tortola, the British Virgin Islands.

The Fund makes the majority of its investments through the Subsidiary.

Ratto Holdings Limited was incorporated under Cyprus Companies Law, CAP.113 on April 28, 2007, as a private limited liability company.

In accordance with the Offering Memorandum the initial investment 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”) and are planning to undertake an initial public offering or a private placement of their shares. Investments might 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.

The Fund appointed Kashtan Limited (the “Investment Manager”), an investment management company incorporated on Cayman Islands, to implement the investment strategy of the Fund. Up to November 12, 2013 the Advisor to Investment Manager was Renaissance Asset Managers (Guernsey) Limited. On that date a new investment manager was appointed by the Fund –Renaissance Managers Limited (Cayman Islands).

As at December 31, 2015 the Fund had no employees (December 31, 2014: nil).

In accordance with the Offering Memorandum the Fund has a term of four years from the commencement date of June 18, 2007, provided that the Directors might extend the term of the Fund for one year. On October 28, 2010 the maturity of the Fund has been extended for one year till June 18, 2012.

All succeeding extensions were made by amendments of the Offering Memorandum and Articles of Association in accordance with resolutions of the Board of Directors, and dated:

- September 19, 2011, establishing a new term of July 18, 2013;
- June 17, 2013, establishing a new term of July 18, 2014.

The latest extension was made on July 18, 2014 amending the Fund’s term to December 31, 2018.

The consolidated financial statements of the Fund as at and for the year ended December 31, 2015 (the “consolidated financial statements”) were authorized for issue on November 10, 2016.

2. Basis of Preparation

2.1 General

The consolidated financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below. For example, financial instruments at fair value through profit or loss have been measured at fair value.

The consolidated financial statements are presented in United States dollars (“US dollar”) 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”), unless otherwise stated.

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

Notes to Consolidated Financial Statements (continued)

(in thousands of US dollars)

2. Basis of Preparation (continued)

2.2 Statement of Compliance

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

2.3 Basis of Consolidation

As the Fund meets the definition of investment entity in accordance with IFRS 10, it consolidates only subsidiaries that provide services that relate to the Fund's investment activities, and measures all other subsidiaries at fair value through profit or loss. All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in full; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies for subsidiaries are changed to ensure consistency with the policies adopted by the Fund.

3. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below.

(A) Fair Value Measurement Principles

The Fund measures financial instruments, such as financial assets at fair value through profit or loss at each balance sheet date. 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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Fund. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 − Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 − Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 − Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

An analysis of fair values of financial instruments and further details how they are measured are provided in Note 7.

(B) Financial Assets

Initial recognition

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. The Fund determines the classification of its financial assets upon initial recognition, and subsequently can reclassify financial assets in certain cases as described below.

Notes to Consolidated Financial Statements (continued)

(in thousands of US dollars)

3. Summary of Significant Accounting Policies (continued)

Date of recognition

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Fund commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

These include equity securities and debt instruments designated at fair value at initial recognition on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund. The financial information about these financial assets is provided internally on that basis to the Fund's Directors. Gains or losses on financial assets held for trading are recognised in profit or loss.

Financial assets at fair value through profit or loss are initially recorded at fair value. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

Financial assets at fair value through profit or loss are subsequently carried at fair value. The changes in the fair value and gains or losses on derecognition are recorded in the statement of comprehensive income as "Net gain/(loss) on financial instruments at fair value through profit or loss" in the period in which they arise.

Reclassification of financial assets

If a non-derivative financial asset classified as held for trading is no longer held for the purpose of selling in the near term, it may be reclassified out of the fair value through profit or loss category in one of the following cases:

- a financial asset that would have met the definition of loans and receivables may be reclassified to loans and receivables category if the Fund has the intention and ability to hold it for the foreseeable future or until maturity;
- other financial assets may be reclassified to available for sale or held to maturity categories only in rare circumstances.

Financial assets are reclassified at their fair value on the date of reclassification. Any gain or loss already recognized in profit or loss is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable.

(C) Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise current accounts, demand deposits, short-term deposits in banks with original maturities of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts when applicable.

(D) Borrowings and Payables

Financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Fund having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to other entities and subordinated loans. Borrowings are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the borrowings are derecognised as well as through the amortisation process.

(E) Measurement of Financial Instruments at Initial Recognition

When financial instruments are recognised initially, they are measured at fair value, adjusted, in the case of instruments not at fair value through profit or loss, for directly attributable fees and costs.

Notes to Consolidated Financial Statements (continued)

(in thousands of US dollars)

3. Summary of Significant Accounting Policies (continued)

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price. If the Fund determines that the fair value at initial recognition differs from the transaction price, then:

- if the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e., a Level 1 input) or based on a valuation technique that uses only data from observable markets, the Fund recognises the difference between the fair value at initial recognition and the transaction price as a gain or loss;
- in all other cases, the initial measurement of the financial instrument is adjusted to defer the difference between the fair value at initial recognition and the transaction price. After initial recognition, the Fund recognises that deferred difference as a gain or loss only when the inputs become observable, or when the instrument is derecognized.

(F) Offsetting of Financial Instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The right of set-off must not be contingent on a future event and must be legally enforceable in all of the following circumstances:

- the normal course of business;
- the event of default; and
- the event of insolvency or bankruptcy of the entity and all of the counterparties.

These conditions are not generally met in master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

(G) Impairment of Financial Assets

The Fund assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(H) Derecognition of Financial Assets and Liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Fund has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; and
- the Fund either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Fund has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Fund's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Fund could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Fund's continuing involvement is the amount of the transferred asset that the Fund may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Fund's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Notes to Consolidated Financial Statements (continued)

(in thousands of US dollars)

3. Summary of Significant Accounting Policies (continued)

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(I) Income Taxes

The Fund is exempt from all forms of taxation as there are no taxes on income, profits or capital gains in the British Virgin Islands. However, the Subsidiary is liable for income tax in Cyprus on its taxable income (which excludes capital gains on trading of securities either of a revenue or capital nature) at a flat rate of 12.5% (2014: 12.5%). All expenses wholly and exclusively incurred in the production of taxable income are deductible for Cypriot tax purposes (expenses relating to the trading of securities will not be allowed for tax purposes).

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those enacted or substantively enacted at the reporting date.

(J) Share Capital

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

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

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

Net assets attributable to shareholders are calculated in accordance with the Fund's Offering Memorandum. Valuation of net assets attributable to shareholders as reported to shareholders is different from the IFRS valuation requirements. The difference between the two valuations is reported in Note 9.

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

(K) Recognition of Income and Expenses

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

Interest and similar income and expense

For all financial instruments measured at amortised cost interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Fund revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense

Once the value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the original effective interest rate applied to the new carrying amount.

Notes to Consolidated Financial Statements (continued)

(in thousands of US dollars)

3. Summary of Significant Accounting Policies (continued)

Fee and commission income

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

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 consolidated statement of comprehensive income.

(L) Foreign Currency Translation

Transactions during the period, including purchases and sales of securities, income and expenses, are translated at the rate of exchange prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date.

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

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

(M) Segment Information

For management purposes, the Fund is organised into one main operating segment, which invests in equity securities and debt instruments. All of the Fund’s activities are interrelated, and each activity is dependent on the others. Accordingly, all significant operating decisions are based upon analysis of the Fund as one segment. The financial results from this segment are equivalent to the financial statements of the Fund as a whole.

(N) Changes in Accounting Policies and Disclosures

New and amended standards and interpretations

The Fund has adopted the following amended IFRS which are effective for annual periods beginning on or after January 1, 2015:

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is not relevant to the Fund, since the Fund does not have defined benefit plans with contributions from employees or third parties.

Annual improvements 2010-2012 Cycle

These improvements are effective from July 1, 2014 and the Fund has applied these amendments for the first time in these consolidated financial statements. They include:

Notes to Consolidated Financial Statements (continued)

(in thousands of US dollars)

3. Summary of Significant Accounting Policies (continued)

IFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable). This is consistent with the Fund's current accounting policy, and thus this amendment does not impact the Fund s accounting policy.

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarifies that:

- An entity must disclose the judgments made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The Fund has not applied the aggregation criteria in IFRS 8.12.

IFRS 13 Short-term Receivables and Payables – Amendments to IFRS 13

This amendment to IFRS 13 clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This is consistent with the Fund's current accounting policy, and thus this amendment does not impact the Fund's accounting policy.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. The Fund did not record any revaluation adjustments during the current period.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This is consistent with the Fund's current accounting policy, and thus this amendment does not impact the Fund's accounting policy.

Annual improvements 2011-2013 Cycle

These improvements are effective from July 1, 2014 and the Fund' has applied these amendments for the first time in these consolidated financial statements. They include:

Notes to Consolidated Financial Statements (continued)

(in thousands of US dollars)

3. Summary of Significant Accounting Policies (continued)

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself

Fund is not a joint arrangement, and thus this amendment is not relevant for the Fund and its subsidiaries.

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable). The Fund does not apply the portfolio exception in IFRS 13.

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination. This amendment does not impact the accounting policy of the Fund.

Meaning of effective IFRSs – Amendments to IFRS 1

The amendment clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment to IFRS 1 had no impact on the Fund, since the Fund is an existing IFRS preparer.

Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Fund's financial statements are listed below. The Fund intends to adopt applicable standards when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Fund financial assets, but no impact on the classification and measurement of the Fund`s financial liabilities.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Revenue arising from lease contracts within the scope of IAS 17 *Leases*, insurance contracts within the scope of IFRS 4 I*nsurance Contracts* and financial instruments and other contractual rights and obligations within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* (or IFRS 9 *Financial Instruments*, if early adopted) is out of IFRS 15 scope and is dealt by respective standards.

Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Fund is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

Notes to Consolidated Financial Statements (continued)

(in thousands of US dollars)

3. Summary of Significant Accounting Policies (continued)

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Fund is an existing IFRS preparer, this standard would not apply.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Fund.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Fund.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Fund as the Fund does not have any bearer plants.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Fund's consolidated financial statements.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. The amendments clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture. The amendments are applied prospectively to transactions occurring in annual periods beginning on or after January 1, 2016. Earlier application is permitted.

Notes to Consolidated Financial Statements (continued)

(in thousands of US dollars)

3. Summary of Significant Accounting Policies (continued)

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact on the Fund.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments must be applied retrospectively and are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

The Fund is currently assessing the impact of the amendments and plans to adopt the new standard on the required effective date.

Annual improvements 2012-2014 Cycle

These improvements are effective on or after January 1, 2016 and are not expected to have a material impact on the Fund. They include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – changes in methods of disposal

Assets (or disposal groups) are generally disposed of either through sale or through distribution to owners. The amendment to IFRS 5 clarifies that changing from one of these disposal methods to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification. The amendment must be applied prospectively to changes in methods of disposal that occur in annual periods beginning on or after January 1, 2016, with earlier application permitted.

IFRS 7 Financial Instruments: Disclosures – servicing contracts

IFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety. The Board was asked whether servicing contracts constitute continuing involvement for the purposes of applying these disclosure requirements. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in paragraphs IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required. The amendment must be applied for annual periods beginning on or after January 1, 2016, with earlier application permitted. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

Notes to Consolidated Financial Statements (continued)

(in thousands of US dollars)

3. Summary of Significant Accounting Policies (continued)

IFRS 7 Financial Instruments: Disclosures – applicability of the offsetting disclosures to condensed interim financial statements

In December 2011, IFRS 7 was amended to add guidance on offsetting of financial assets and financial liabilities. In the effective date and transition for that amendment IFRS 7 states that "An entity shall apply those amendments for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods". The interim disclosure standard, IAS 34, does not reflect this requirement, however, and it is not clear whether those disclosures are required in the condensed interim financial report.

The amendment removes the phrase 'and interim periods within those annual periods', clarifying that these IFRS 7 disclosures are not required in the condensed interim financial report. The amendment must be applied retrospectively for annual periods beginning on or after January 1, 2016, with earlier application permitted.

IAS 19 Employee Benefits – regional market issue regarding discount rate

The amendment to IAS 19 clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

The amendment must be applied for annual periods beginning on or after January 1, 2016, with earlier application permitted.

IAS 34 Interim Financial Reporting – disclosure of information 'elsewhere in the interim financial report'

The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The Board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete. The amendment should be applied retrospectively for annual periods beginning on or after January 1, 2016, with earlier application permitted.

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Fund's consolidated financial statements requires Management to make judgments, estimates and assumptions that affect the amounts recognised in the consolidated financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

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

4.1 Assessment as Investment entity

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. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services.
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both.
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Fund's activity is mainly focused on investments in entities in the financial sector of the Russian Federation with the purpose of profit from further disposal and investment income. During the term the Fund had several investors.

The Fund monthly prepares Net asset value (hereinafter the "NAV") reports. All investments are reported in NAV at fair value to the extent allowed by IFRS in the Fund's consolidated financial statements. The Fund has a clearly documented exit strategy for all of its investments.

The Fund's Management has also concluded that the Fund meets the additional characteristics of an investment entity: it has more than one investment and investor; it has investors that are not related parties of the Fund; the investments are predominantly in the form of equities or similar interests.

Notes to Consolidated Financial Statements (continued)

(in thousands of US dollars)

4. Significant Accounting Judgments, Estimates and Assumptions (continued)

Thus, the Management has concluded that the Fund meets the definition of an investment entity.

However, the Fund's only Subsidiary provides services that relate to the Fund's investment activities. According IFRS 10 it requires the Subsidiary to be consolidated by Fund rather than measured at fair value through profit or loss.

These conclusions will be reassessed on an annual basis, if any of these criteria or characteristics changes.

4.2 Going Concern

The Fund's Management has made an assessment of the Fund's ability to continue as a going concern and is satisfied that the Fund has the resources to continue in business for the foreseeable future. Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt upon the Fund's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

4.3 Functional Currency

The primary objective of the Fund is to generate returns in US dollar, its capital-raising currency. The term of the Fund is limited and thus its liquidity is managed on a regular basis in US dollar in order to handle the acquisition of its shares at the end of the Fund's term. The Fund's performance is evaluated in US dollar. Therefore, the management considers the US dollar as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

4.4 Fair Value of Financial Instruments

When the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity, selection of peer companies and appropriate valuation multiples and model inputs, such as control premium and other adjustments. Changes in these assumptions could affect the reported fair value of financial instruments.

5. Cash and Cash Equivalents

At December 31, 2015 and 2014 outstanding balances of cash and cash equivalents are represented by current bank accounts in large European and Russian banks in the total amount of 1,573 thousand US dollars (December 31, 2014: 1,355 thousand US dollars). There are no amounts of restricted cash as at December 31, 2015 and 2014.

6. Financial Assets at Fair Value through Profit or Loss

At December 31, 2015 and 2014 financial assets at fair value through profit or loss comprised of the following non-traded ordinary shares:

in thousands of US dollars	December 31, 2015			December 31, 2014		
	Percentage of ownership, %	**Cost**	**Fair value**	**Percentage of ownership, %**	**Cost**	**Fair value**
Chelindbank PJSC	5.59%	15,975	3,299	5.59%	15,975	3,808
Levoberezhny Bank PJSC	10.00%	12,275	3,194	10.00%	12,275	3,615
CB Hlynov JSC (Unquoted equity participation note)	–	1,919	1,676	–	1,919	1,888
FCB Holding Cooperatief U.A.	6.18%	3,323	1,014	6.18%	3,323	2,573
Insurance Company Universalna JSC	3.57%	15,000	202	4.20%	15,000	400
First Republic Bank OJSC	20.00%	18,064	–	20.00%	18,064	–
Latvijas Kraibanka JSC	4.70%	12,923	–	4.70%	12,923	–
Rosevrobank JSC	–	–	–	1.40%	10,067	2,624
Total		**79,479**	**9,385**		**89,546**	**14,908**

Notes to Consolidated Financial Statements (continued)

(in thousands of US dollars)

6. Financial instruments at Fair Value through Profit or Loss (continued)

In May 2009 the Fund purchased a note issued by Quest Advisory Restructuring Limited with the sole purpose to acquire 1,129,049 ordinary shares representing approximately a 9.33% stake in CB Hlynov OJSC. On the same date the shares of CB Hlynov OJSC acquired by Quest Advisory Restructuring Limited were pledged to the Fund. Under the note's terms, the Fund retains the right to receive any dividends and other distributions arising from the shares of CB Hlynov OJSC and the right to receive any proceeds resulting from the disposal of those shares by Quest Advisory Restructuring Limited. In the financial statements the equity participation note was recognized at fair value of the underlying asset.

In November 2011 Lithuanian based Snoras banking group – the main shareholder of Latvijas Krajbanka JSC – initiated bankruptcy procedures, which was in process during 2012, and Latvijas Krajbanka JSC was taken under the control of the Latvian government. As a result, the fair value of the Fund's share in Latvijas Krajbanka JSC was USD nil as at December 31, 2013 and did not change as at December 31, 2014 and 2015.

In May 2013 the Central Bank of the Russian Federation revoked the banking license of First Republic Bank OJSC. As a result, the fair value of the Fund's share decreased to USD nil as at December 31, 2013 and did not change as at December 31, 2014 and 2015.

The decrease of percentage of ownership in Insurance Company Universalna JSC from 4.20% as at December 31, 2014 to 3.57% as at December 31, 2015 was due to an issue of ordinary shares in 2015 by Insurance Company Universalna JSC. The Fund didn't participate in the issue.

In August 2015 the Fund sold 4,109,043 shares of JCS Rosevrobank ACB for 2,426 thousand US dollars and recognized loss in the amount of 198 thousand US dollars in the consolidated statement of comprehensive income as "Net loss on financial instruments at fair value through profit and loss".

Refer to Note 7 for detailed disclosures on fair value of investment securities at fair value through profit or loss.

7. Fair Values of Financial Instruments

Financial Instruments Recorded at Fair Value

As at December 31, 2015 and 2014 the fair value of the financial assets designated as fair value through profit and loss which are non-traded on an active market was estimated using valuation models or based on the over-the-counter ("OTC") transactions information. The combinations of observable and non-observable inputs, were used for fair value determination. Therefore, as at December 31, 2015 and 2014 all the investments are classified as Level 3 investments. During years 2015 and 2014 there were no transfers between the levels.

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

	2015	2014
At January 1	**14,908**	**49,755**
Total loss recognised in statement of comprehensive income	(3,065)	(36,338)
Share purchase	–	1,524
Sale of investment securities (Note 6)	(2,426)	–
Deferred income	(32)	(33)
At December 31	**9,385**	**14,908**

Investments in Banks

In 2015 and 2014 the fair value of investments in financial institutions was calculated using guideline companies method under market approach based on transaction multiples.

In 2015 and 2014 the most significant key assumptions used in fair value estimating of investments in banks were the following:

	2015	2014
Net asset multiple*	0.52	0.50
Discount for lack of control	23%	23%
Discount for lack of liquidity	23%	23%

* *Net asset multiple after discounts application*

Notes to Consolidated Financial Statements (continued)

(in thousands of US dollars)

7. Fair Values of Financial Instruments (continued)

As at December 31, 2015 an increase or decrease in the discount for lack of control embedded in the price to net assets multiple by 15%, which was considered a reasonably possible alternative assumption, would have caused a respective decrease or increase in fair value by 1,506 thousand US dollars or 723 thousand US dollars, respectively (December 31, 2014: 1,847 thousand US dollars or 2,558 thousand US dollars).

Investment in Insurance Company

In 2015 and 2014 the fair value of the investment in Insurance Company Universalna JSC was determined based on guideline companies method under market approach based on trading multiples. The most significant assumptions used in fair value estimating of investments in Insurance Company Universalna JSC were the following:

	2015	**2014**
Gross written premium multiple*	0.35	0.43
Discount for lack of liquidity	23%	23%
Country specific discount	30%	30%

* *Gross written premium multiple after discounts application*

As at December 31, 2015 an increase or decrease in the discount for lack of liquidity (23%) applied to gross written premium multiple by 15%, which is considered a reasonably possible alternative assumption, would have caused a respective decrease or increase in fair value by 39 thousand US dollars (2014: 78 thousand US dollars).

Investment in First Collection Bureau

In 2015 the fair value of the investment in FCB Holding Cooperatief U.A. was calculated using guideline companies method based on transaction sales multiples and market exchange sales multiples. In 2014 the fair value of the investment in FCB Holding Cooperatief U.A. was calculated using guideline companies method under market approach based on market exchange sales multiples. In 2015 and 2014 the most significant key assumptions used in fair value estimating of investments in FCB Holding Cooperatief U.A. were the following:

	2015	***2014***
Transaction sales multiple*	2.18	–
Market exchange sales multiple*	1.41	1.11
Discount for lack of control	23%	–
Discount for lack of liquidity	23%	23%

* *Sales multiples after discounts application*

As at December 31, 2015 an increase or decrease in the discount for lack of liquidity (23%) applied to gross written premium multiple by 15%, which is considered a reasonably possible alternative assumption, would have caused a respective decrease or increase in fair value by 350 thousand US dollars and 269 thousand US dollars respectively (2014: 937 thousand US dollars).

Financial Assets and Liabilities Not Carried at Fair Value

Cash in banks and accounts payable are liquid or have a short term maturity (less than three months), therefore it is assumed that the carrying amounts of these financial assets and liabilities approximate to their fair value.

8. Performance and Management Fees

In accordance with the Investment Management Agreement the Fund pays the Investment Manager a performance fee equal to 20% of all amounts otherwise distributable to the holders of participating shares (whether as dividends, distributions or upon liquidation) in excess of the aggregate issue price for the participating shares. Pursuant to a resolution of the Board of Directors of the Fund dated June 9, 2011 the basis of the performance fee calculation was changed and hurdle amount of US dollar 75.82 (the “revised reference value”) was to be applied in calculations instead of the aggregate issue price for the participating shares. Such performance fee, if owed, will be payable within 30 days of the date of any distribution.

As at December 31, 2015 and 2014 the Fund’s net assets value per share (before deduction of management and performance fees) were below revised reference value, thus no performance fees were accrued.

As at December 31, 2015 the amount of performance fee payable amounted to US dollars nil (2014: nil).

Notes to Consolidated Financial Statements (continued)

(in thousands of US dollars)

8. Performance and Management Fees (continued)

From the 4th quarter of 2015 the Fund pays the Investment Manager a management fee equal to 2% per annum of the cost of assets remaining in the Fund that have a positive value. Before this date the Fund paid the Investment Manager a management fee equal to 2% per annum of the total capital invested, provided that such fees wouldn't exceed 2% of the aggregate issue price for the participating shares. Aggregate issued price was lower than total capital invested and was used as a basis for Management Fees accrual during 9 monthes of 2015 and in 2014.

Management fees are generally paid quarterly in arrears or at such other times as the Directors, with the consent of the Investment Manager, may determine.

For the year ended December 31, 2015 the amount of Management fee expense amounted to 1,216 thousand US dollars (2014: 1,309 thousand US dollars). The amount of management fee payable at the year end was 294 thousand US dollars as at (December 31, 2014: 381 thousand US dollars).

9. Net Assets Attributable to Shareholders

The Fund is authorized to issue 100 non-participating voting Management shares of US dollar 0.01 each and 4,999,900 profit participating non-voting shares of US dollar 0.01 each.

The Investment Manager owns 100% of the Management shares.

As at December 31, 2015 and 2014, 100 Management shares have been issued at US dollar 0.01 each and 1,033,521 profit participating, non-voting shares have been issued at US dollar 0.01 each.

Quantitative information about the Fund's capital is also provided in the statement of changes in net assets attributable to shareholders.

Rights of the Management Shares

The Management shares carry one vote each at annual and general meetings of the Fund and have no rights to any dividends. On liquidation of the Fund the nominal amount paid up on them will be returned after the return of the nominal amount paid up on the Management shares.

Rights of the Participating Shares

The participating shares have no voting rights, are not redeemable at the option of the shareholder.

Winding up

The 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 participating shares and Management shares

Distributions

The Fund's Directors may declare and pay distributions on the 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 reinvest all or a part of such net proceeds in new investments. The Fund will be entitled to withhold from any distributions amounts necessary to create, in its discretion, appropriate reserves for expenses and liabilities of the Fund as well as for any required tax withholdings.

All distributions will be paid out to the 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.

The Fund declared and paid distributions of 1 million US dollars in 2015 (no distributions in 2014).

Notes to Consolidated Financial Statements (continued)

(in thousands of US dollars)

9. Net Assets Attributable to Shareholders (continued)

Capital Management

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

As at December 31, 2015 and 2014, the Fund's operations were funded by issued non-voting participating shares.

The Fund's objectives for managing capital are:

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

Refer to Financial risk management objectives and policies for the policies and processes applied by the Fund in managing its capital (Note 12).

Reconciliation between Audited Net Assets and Net Assets as Reported to the Shareholders

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

- A net unrealized loss on unquoted financial assets at fair value resulted from the revaluation of the fair value of these financial assets;
- Other adjustments for expense accruals have been recorded.

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

in thousands of US dollars	**2015**	**2014**
Net assets attributable to shareholders as reported to shareholders	**13,534**	**50,558**
Unrealised loss on financial assets at fair value	(2,882)	(35,128)
Accrual of deferred income	(97)	(129)
Cash correction	21	447
Adjustment of audit fee payable	(14)	(35)
Adjustment of management fee payable	(51)	(51)
Other adjustments	(15)	(47)
Adjusted net assets attributable to shareholders per consolidated financial statements	**10,496**	**15,615**
Net asset value per participating share as reported to shareholders (in US dollars)	13.10	48.92
Adjustments per participating share (in US dollars)	(2.94)	(33.81)
Net asset value per participating share per consolidated financial statements (in US dollars)	**10.16**	**15.11**

Notes to Consolidated Financial Statements (continued)

(in thousands of US dollars)

10. Income Tax Expense

British Virgin Islands

At present the British Virgin Islands impose no taxes on income, profits, capital gains or appreciations in value of the Fund. There are also no taxes currently imposed in the British Virgin Islands on income, profits, capital gains or appreciation in the value of the participating shares, nor any taxes on the shareholders in the nature of estate duty, inheritance or capital transfer tax.

Cyprus

Income tax is provided for in accordance with Cyprus income tax regulations. The Fund is liable for income tax in Cyprus on its taxable income, which excludes capital gains on trading of securities either of a revenue or capital nature, at a flat rate of 12.5% (2014: 12.5%). All expenses wholly and exclusively incurred in the production of taxable income are deductible for Cypriot tax purposes (expenses relating to the trading of securities will not be allowed for tax purposes).

The law is amended with a retroactive effect so that as at January 1, 2015, any foreign exchange (FOREX) gains or losses should be neither taxable nor deductible for tax purposes regardless whether they are realized or unrealized in nature.

Generally interest income may be subject to defence contributions at the rate of 30%. However, a tax ruling was obtained from the Cypriot tax authorities for the Fund. As per this ruling, any interest income (including, inter-alia, interest earned on bank deposit accounts whether short-term or long-term) is exempt from Defence Tax.

Dividends received from abroad are subject to defence contribution at the rate of 17% for 2014 and 2015 and thereafter, if the interest of shareholding in the company from which dividends are received is less than 1%.

Investment income is subject to withholding tax in Russian Federation at an average applicable withholding tax rate of 5%.

A reconciliation of income tax expense applicable to profit from operating activities before income tax at the statutory income tax rate, to income tax expense at the Fund's effective income tax rate is as follows:

	2015	2014
Accounting profit/(loss) before tax	**(4,097)**	**(37,489)**
Tax effect of the Subsidiary's result calculated at other tax rates	(352)	(4,499)
Tax effect of non-deductible expense	400	4,551
Tax effect of tax exempt income	(48)	(79)
Tax effect for loss carried forward	–	27
Withholding tax	22	32
Income tax expense	**22**	**32**

As at December 31, 2015 the amount of accumulated tax losses to be carried forward comprised 247 thousand US dollars (2014: 275 thousand US dollars). Tax losses available to be carried forward are accounted in euro. The decrease in amount of cumulative tax losses available to be carried forward was due to appreciation of US dollar.

As at December 31, 2015 there are no current tax liabilities (2014: 16 thousand US dollars).

11. Commitments and Contingencies

Operating Environment

The Fund's activity is mainly focused on investments in entities in the financial sector of the Russian Federation.

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

Notes to Consolidated Financial Statements (continued)

(in thousands of US dollars)

11. Commitments and Contingencies (continued)

In 2015, the Russian economy continued to be negatively impacted by a significant drop in crude oil prices and a significant devaluation of the Russian rouble, as well as sanctions imposed on Russia by several countries in 2014. The rouble interest rates remained high after the Central Bank of Russia raised its key rate in December 2014, with subsequent gradual decrease in 2015. The combination of the above resulted in reduced access to capital, a higher cost of capital, increased inflation and uncertainty regarding economic growth, which could negatively affect the Fund's future financial position, results of operations and business prospects. Management believes it is taking appropriate measures to support the sustainability of the Fund's business in the current circumstances.

Legal

In the ordinary course of business, the Fund might be subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Fund.

12. Financial Risk Management

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 risk to which the Fund is exposed are market risk, credit risk and liquidity risk.

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

According to its initial investment strategy the Fund invested in financial institutions (banks, insurance companies, 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 in the next two or three years.

Investments in financial institutions may take the form of unlisted equity, equity-related securities or other instruments of 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.

The Fund initially pursued the following strategies:

- Investment in Financial Institutions Planning an Initial Public Offer;
- Investment in Banks and Financial Institutions in Preparation for a Private Sale;
- Mergers and Acquisitions, Start-ups and Assets Buyouts.

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 initial public offering. However, considering the short term of its maturity, the Fund will not make any new investments. Currently the Fund is in process of negotiation with possible investors to dispose of its investment portfolio.

The Fund may also be engaged in repurchase transactions, stock borrowing, lending and other similar transactions. The Fund may also occasionally invest in government and corporate debt instruments, when deemed appropriate and as a substitute for cash positions.

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

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.

Notes to Consolidated Financial Statements (continued)

(in thousands of US dollars)

12. Financial Risk Management (continued)

12.1 Credit Risk

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

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

	Maximum exposure 2015	**Maximum exposure 2014**
Cash and cash equivalents	1,573	1,355
Financial assets at fair value through profit or loss (Unquoted equity participation note)	1,676	1,888
Total credit risk exposure	**3,249**	**3,243**

Credit Quality per Class of Financial Assets

The credit quality of financial assets is managed based on international credit ratings of counterparties, determined by Standard and Poor's, Moody's or Fitch. The table below shows the credit quality by class of assets based on the Fund's credit risk monitoring approach.

As at December 31, 2015	**A-**	**BBB-**	**Total**
Cash and cash equivalent	1,551	22	1,573
Total	**1,551**	**22**	**1,573**

As at December 31, 2014	**A-**	**BBB-**	**Total**
Cash and cash equivalent	907	448	1,355
Total	**907**	**448**	**1,355**

As at December 31, 2015 and 2014 the Fund had neither past due financial assets, nor individually impaired assets.

Counterparty credit risk is managed through the internally developed system of counterparty limits. The counterparty limits are established by the Investment Manager. Adherence to those limits is monitored by the Investment Manager on a daily basis.

Non-delivery risk, prepayment risk and pre-settlement risk, incurred in non-exchange-settled transaction, are subject to monitoring. The risks are aggregated and utilised against counterparty limit. At the reporting date no unsettled transactions were in place.

In January 2014 the Fund transferred substantially all of its investments to Citibank JSC. Bankruptcy or insolvency of the custodian may cause the Fund's rights with respect to securities held by the custodian to be delayed or limited. The Fund monitors its risk by monitoring the credit quality and financial position of the custodian the Fund uses.

Substantially all of the cash held by the Fund is held by Barclays Bank (Isle of Man) and Raiffeisenbank JSC (Russia) to facilitate any payments or proceeds received in US dollars and Russian roubles, respectively. Bankruptcy or insolvency of the bank may cause the Fund's rights with respect to the cash held by the bank to be delayed or limited. The Fund monitors its risk by monitoring the credit quality and financial position of the bank.

12.2 Liquidity Risk and Funding Management

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

The Fund's shares could not be redeemed at the will of shareholders before the Fund's liquidation date and it is therefore not exposed to the liquidity risk of meeting shareholder redemptions upon the expiration of the Funds' term.

Notes to Consolidated Financial Statements (continued)

(in thousands of US dollars)

12. Financial Risk Management (continued)

The majority of the Fund's investments are unlisted and can be illiquid, thereby making it difficult to acquire or dispose of investments at values stated in the current financial statements. The Fund intends to hold its investments until disposed of via a private transaction with one or more investors or in or following an IPO.

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

The maturity profile of the Fund`s financial liabilities at December 31, based on contractual undiscounted repayment obligations is approximated by the carrying values of respective liabilities disclosed in Note 13.

12.3 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 strategy on the management of investment risk is driven by the Fund's investment objective. The investment objective of the Fund is to achieve medium term capital growth through investments in listed and unlisted equity and equity-related securities and other instruments of, primarily, banks but also insurance companies and other companies providing financial services that are located in Russia or other states of the CIS and which are planning to undertake an initial public offering or a private placement of their shares in the next two to three years. Investments may also be made in companies that derive a substantial portion of their revenue from, or have substantial assets in Russia or other states of the CIS.

12.4 Other Price Risk

Other price risk is the risk that value of the instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

As the majority of the Fund's financial instruments are carried at fair value with fair value changes recognised in the consolidated statement of comprehensive income, all changes in market conditions will directly affect "Net gain/(loss) on financial instruments at fair value through profit or loss".

Price risk is managed by the Fund's Investment Manager by diversifying the portfolio. The Fund's overall price risk exposure is monitored by Investment Manager on a regular basis.

12.5 Sensitivity Analysis

Equity price risk is the risk of unfavorable changes in the fair values of equities. The equity price risk exposure arises from the Fund's investments in equity securities. The Fund manages this risk by investing in a variety of entities.

The majority of the Fund's investment portfolio comprises investments in banks operating in the Russian Federation and companies in the Russian Federation and Ukraine. Fair value of the investments is determined by the Fund in US dollars, and is dependent on the financial performance of the individual investee banks and companies, level of market prices for similar investments, and the currency fluctuations of Russian Rouble and Ukraine's hryvnia against US dollar. The following table purports to illustrate the combined effect of those factors on the financial position and performance of the Fund.

The Fund holds financial instruments designated through profit or loss. Management's best estimate of the effect on the profit or loss for a year due to a reasonably possible change in equity securities, with all other variables held constant is indicated in the table below. In practice, the actual results may differ from the sensitivity analysis below and the difference could be material.

	Effect on the net assets attributable to shareholders and on the change in net assets attributable to shareholders from operations for the year	
	2015	**2014**
Increase in fair value of investments by 13% (2014: 15%)	1,220	2,236
Decrease in fair value of investments by 29% (2014: 15%)	(2,722)	(2,236)

12.6 Currency Risk

As at December 31, 2015 and 2014 the monetary assets and liabilities, subject to currency risk, were not significant.

Notes to Consolidated Financial Statements (continued)

(in thousands of US dollars)

12. Financial Risk Management (continued)

12.7 Interest Rate Risk

The Fund primarily invests in equity securities, which are not exposed to interest rate risk. Cash and cash equivalents of the Fund are represented by the current bank accounts not exposed to interest rate risk.

As at December 31, 2015 and 2014 the Fund had no loans and receivables at floating interest rates, and therefore is not exposed to interest rate risk.

12.8 Geographical concentration

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

				2015				2014
	Russia and CIS	Cyprus	Other	Total	Russia and CIS	Cyprus	Other	Total
Assets:								
Cash and cash equivalents	22	–	1,551	1,573	448	–	907	1,355
Financial assets designated at fair value through profit or loss	9,385	–	–	9,385	14,908	–	–	14,908
Other assets	–	–	7	7	–	–	6	6
Total assets	**9,407**	**–**	**1,558**	**10,965**	**15,356**	**–**	**913**	**16,269**
Liabilities:								
Management fee payable	–	–	294	294	–	–	381	381
Accounts payable and accrued expenses	34	39	5	78	84	36	8	128
Current tax liabilities	–	–	–	–	16	–	–	16
Deferred income	97	–	–	97	129	–	–	129
Total liabilities	**131**	**39**	**299**	**469**	**229**	**36**	**389**	**654**
Net position	**9,276**	**(39)**	**1,259**	**10,496**	**15,127**	**(36)**	**524**	**15,615**

Geographic classification of the Fund's assets and liabilities is tied to country of incorporation of banks, investee or counterparty.

13. Maturity analysis of assets and liabilities

The table below shows an analysis of financial assets and liabilities according to when they are expected to be recovered or settled. The Fund's contractual undiscounted repayment obligations are approximated by the carrying values of respective liabilities.

				2015				2014
	Less than 1 year	More than 1 year	No stated maturity	Total	Less than 1 year	More than 1 year	No stated maturity	Total
Assets:								
Cash and cash equivalents	1,573	–	–	1,573	1,355	–	–	1,355
Financial assets designated at fair value through profit or loss	–	–	9,385	9,385	–	–	14,908	14,908
Other assets	7	–	–	7	6	–	–	6
	1,580		**9,385**	**10,965**	**1,361**		**14,908**	**16,269**
Liabilities:								
Management fee payable	294	–	–	294	381	–	–	381
Accounts payable and accrued expenses	78	–	–	78	128	–	–	128
Current tax liabilities	–	–	–	–	–	–	16	16
Deferred income	32	65	–	97	32	97	–	129
	404	**65**	**–**	**469**	**541**	**97**	**16**	**654**

Notes to Consolidated Financial Statements (continued)

(in thousands of US dollars)

14. Related Party Transactions

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The Fund's related party transactions were made on terms equivalent to those that prevail in arm's length transactions in 2015 and 2014.

The volumes of related party transactions, outstanding balances at the year end, and related expense and income for the year are as follows:

	2015		2014	
	Investment Manager	**Entities under common control**	**Investment Manager**	**Entities under common control**
Management fee payable at January 1	381	–	381	–
Management fee accrued	1,216	–	1,309	–
Management fee paid	(1,303)	–	(1,309)	–
Management fee payable at December 31	**294**	–	**381**	–

In 2015 and 2014 the Fund had no significant transactions with its Directors, except for directors fees accrued during the year 2015 in amount of 38 thousand US dollars (2014: 42 thousand US dollars).

15. Events after the Reporting Date

The Company had no events after the reporting period that have a bearing on the financial statements.