GFM COSSACK BOND COMPANY LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

For the period from 29 June 2012 to 27 June 2013

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C O N T E N T S

GFM COSSACK BOND COMPANY LIMITED

Directory

Board of Directors	Roberts Idelsons Gleb Shestakov Richard Oliver Bernays Harry E. Fitzgibbons (deceased on 21/9/2013)
Secretarial Agent and Secretary	Stravin Investment Services Limited 12 Esperidon Street 4th Floor 1087 Nicosia, Cyprus
Registered office	Walkers Corporate Services Limited 190 Elgin Avenue George Town, Grand Cayman KY1-9001 Cayman Islands
Administrator	Cyproman Services Limited 12 Esperidon Street 4th Floor 1087 Nicosia, Cyprus
Independent Auditors in Cyprus	KPMG Limited 14 Esperidon Street 1087, Nicosia, Cyprus
Independent Auditors in Cayman Islands	KPMG P.O. Box 493, Century Yard, Grand Cayman, Cayman Islands KY1-1106
Custodian	Falcon Private Bank Ltd Pelikanstrasse 37, P.O. Box 1376 8021 Zurich Switzerland
Investment Manager	Global Fund Management S.A. 8 Calle Aquilino de la Guardia Panama Republic of Panama
Investment Advisors	Rye, Man & Gor Securities OAO Posledny per.17 Moscow 107045 Russia
Legal Advisors	Walkers Global 190 Elgin Avenue George Town, Grand Cayman KY1-9001 Cayman Islands Apostolou & Co. LLC 10-12 Grigoris Afxentiou Avenue Office 401 2360 Nicosia, Cyprus
Listing Agent	Appleby Management (Bermuda) Ltd 22 Victoria Street PO Box HM 1179 Bermuda

GFM COSSACK BOND COMPANY LIMITED

BOARD OF DIRECTORS' REPORT

The Board of Directors of GFM Cossack Bond Company Limited (the "Company") presents to the members of the Company its report together with the audited financial statements of the Company for the period from 29 June 2012 to 27 June 2013.

INVESTMENT OBJECTIVES AND PRINCIPAL ACTIVITIES

The principal activity of the Company is investment in CIS (Commonwealth of Independent States) securities. The Company invests in debt instruments either directly or through the subsidiary, as determined by the Investment Manager from time to time.

The investment objective is to achieve capital appreciation in US dollar terms. The Company will seek to achieve its investment objective by investing in both US dollar denominated and local currency denominated obligations of sovereign, regional and local governments and to a lesser extent, corporate borrowers in the CIS states.

RESULTS

Over the financial period ended 27 June 2013, the Company returned a total return of 8.97%, our highest return for three years. We have continued to achieve our main objective to avoid negative months and this is our fourth consecutive year with positive returns in every month.

Current portfolio duration increased during the financial year from nine months to sixteen months. We have reduced exposure to local currencies, reducing the Ukrainian Hyrvna to zero and also reducing the unhedged positions in Rubles to zero and Kazakh Tenge to 1.86% from 6.54%. Our open unhedged currency position in Azeri Manat remained mainly unchanged.

By the end of the financial year we had increased our exposure to Russia by 11.5 percent. We increased our exposure to Azerbaijan from 35% to 52% and reduced our substantial cash reserves in US dollars from 25% at the start of the year to 3% at the year end.

As far as risk characteristics are concerned our Sharpe Ratio has further improved from 5.4 to 6. However the annualized Standard Deviation deteriorated from 0.008 to 0.013 reflecting much increased market volatility and the extended duration of the portfolio.

Globally, the environment remains difficult. The unorthodox monetary policy pursued by the Central Banks, namely quantitative easing, is great while it lasts, but staying with it too long could be disastrous. There seem to be no easy exit from QE and the Fed is in a Catch 22 situation of its own making in the sense that stronger data will trigger renewed concerns over tapering which will lead to a tightening in financial conditions and a resulting reluctance on the part of the Central Bank to taper. In this environment, we can see increased volatility in the near term which would justify our "short duration" strategy.

The Company is currently outperforming the indices on a one year and three years basis. We believe that the Company can continue to deliver substantial risk adjusted returns in this challenging market environment.

Individual investments exceeded 5% of the net assets attributable to the holders of redeemable shares as at 27 June 2013 and 28 June 2012 are disclosed below:

GFM COSSACK BOND COMPANY LIMITED

BOARD OF DIRECTORS' REPORT (Cont.)

RESULTS (Cont.)

Name	Industry	27/6/2013 %	28/6/2012 %	Cost USD	Market Value USD
International Bank of Azerbaijan Republic; IBAR-030 Loan	Banking	8.60%	-	2,910,000	2,959,701
International Bank of Azerbaijan Republic; IBAR-019 Loan	Banking	5.80%	-	1,950,000	1,993,501
Bank of Baku; BOB 01 Loan	Banking	7.40%	-	2,500,000	2,558,829
Unibank; Uni 008 Loan	Banking	7.40%	-	2,481,250	2,535,795
Bank Technique; Tekhn 01 Loan	Banking	7.40%	-	2,500,000	2,534,096
Kazkommertsbank; XS0234488236	Banking	6.20%	-	2,139,167	2,125,200
Joint Leasing Company; JLC-002 Loan	Leasing	5.90%	-	1,990,000	2,020,933
Russian Standard Bank; XS0802648955	Banking	5.10%	-	1,631,425	1,735,924
International Bank of Azerbaijan Republic; IBAR-018 Loan	Banking	-	15.50%	4,410,000	4,554,222
Bank Standard (Azerbaijan); Standard 010 Loan	Banking	-	6.70%	1,940,000	1,970,325
AZERFON; PN #06/1-1-00890 (12,14)	Telecommunications	-	8.70%	2,542,912	2,548,116

The following table discloses the financial results of the Group for the last five (5) financial periods:

Period	Increase/(Decrease) in net assets attributable to holders of redeemable shares USD	Total assets USD	Total liabilities USD
29/6/12 – 27/6/13	2,800,277	34,877,456	527,004
1/7/11 – 28/6/12	1,380,664	29,705,589	298,339
25/6/10 – 30/6/11	2,187,451	30,821,330	600,581
26/6/09 – 24/6/10	4,890,033	31,949,098	502,031
27/6/08 – 25/6/09	(5,479,697)	36,267,935	771,952

STATEMENT OF COMPLIANCE

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs).

EVENTS AFTER THE REPORTING PERIOD

There were no material events after the reporting period date, which affect the consolidated financial statements as at 27 June 2013.

GFM COSSACK BOND COMPANY LIMITED

BOARD OF DIRECTORS

The members of the Company's Board of Directors as at 27 June 2013 and at the date of this report are presented on page 1. All of them were members of the Board of Directors throughout the period from 29 June 2012 to 27 June 2013. Mr. Harry E. Fitzgibbons who was appointed director on 30 May 1997 deceased on 21 September 2013.

With great sadness Directors have to report to you that Harry Fitzgibbons, director of the Company since its inception sixteen years ago, died peacefully on 21st September. We will greatly miss his wise counsel and his experience, and as his friends we will miss him so even more.

In accordance with the Company's Articles of Association all Directors presently members of the Board continue in office.

There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

INDEPENDENT AUDITORS

The independent auditors, KPMG, have expressed their willingness to continue in office. A resolution for their reappointment and giving authority to the Board of Directors to fix their remuneration will be submitted at the Annual General Meeting.

By order of the Board

Secretary
12 February, 2014

STRAVIN INVESTMENT SERVICES LIMITED

KPMG
PO Box 493
Century Yard
Grand Cayman KY1-1106
CAYMAN ISLANDS

Telephone: +1 345 949-4800
Fax: +1 345 949-7164
Internet: www.kpmg.ky

Independent Auditors' Report to the Directors

We have audited the accompanying financial statements of GFM Cossack Bond Company Limited ("the Company") and its subsidiary (together "the Group"), which comprise the consolidated statement of financial position as at 27 June 2013, the consolidated statements of comprehensive income, changes in equity and cash flows for the period from 29 June 2012 to 27 June 2013, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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 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 about 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 our 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, we consider internal control relevant to the Group'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 Group'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.

Independent Auditors' Report to the Directors (continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 27 June 2013, and of its consolidated financial performance and its consolidated cash flows for the period from 29 June 2012 to 27 June 2013 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 7(e) in the consolidated financial statements which discloses the Groups' fair value hierarchy. The comparative disclosures in relation to the fair value hierarchy have been represented including additional disclosures in relation to level 3 investments. Previously all financial assets at fair value through the profit or loss as at 28 June 2012 had been classified in Level 1 in the amount US$19,809,087. A reclassification was made to allocate US$12,213,222 to Level 2 and US$7,527,367 to Level 3.

KPMG

12 February, 2014

GFM COSSACK BOND COMPANY LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period from 29 June 2012 to 27 June 2013

	Notes	29/06/2012-27/06/2013 US$	01/07/2011-28/06/2012 US$
Investment income			
Interest income		3,427,681	2,332,458
Dividend income		7,111	14,610
Net gain/(loss) on trading in financial instruments		673,301	(48,994)
Net foreign exchange gain/(loss)		23,601	(16,244)
Total investment income		4,131,694	2,281,830
Operating expenses			
Performance fees	11	491,042	232,849
Investment management fees	11	488,190	448,535
Custodian fees		9,722	8,096
Administration fees		35,000	35,034
Directors' fees	11	26,000	30,000
Transaction costs		7,281	14,174
Audit and legal fees		53,937	23,299
Interest expense		5,214	-
Other operating expenses		149,299	90,757
Bank charges		44,975	19,537
General expenses		20,736	635
Total operating expenses		1,331,396	902,916
Operating profit before finance costs		2,800,298	1,378,914
Finance income		2,054	2,316
Finance expenses		(1,514)	-
Net finance income		540	2,316
Comprehensive income before tax		2,800,838	1,381,230
Tax	4	(561)	(566)
Comprehensive income after tax		2,800,277	1,380,664

The notes on pages 11 to 35 form an integral part of the consolidated financial statements.

GFM COSSACK BOND COMPANY LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 27 June 2013

	Note	27/06/2013 US$	28/06/2012 US$
Assets			
Cash and cash equivalents	5	2,612,722	9,862,752
Financial assets at fair value through profit or loss	3,6,7	32,264,734	19,809,087
Other receivables	8	-	33,750
Total assets		34,877,456	29,705,589
Liabilities			
Financial liabilities at fair value through profit or loss	3,6,7	51,700	-
Other payables	7(b),9	475,304	298,339
Total liabilities		527,004	298,339
Equity			
Permanent Shares		1	1
Net assets attributable to holders of redeemable shares		34,350,451	29,407,249
Total equity		34,350,452	29,407,250
Number of participating shares in issue	10	1,663,565	1,552,049
NAV per share (US$)		20.65	18.95

The consolidated financial statements were approved by the Board of Directors on 12 February, 2014.

ROBERTS IDELSONS
Director

GLEB SHESHTAKOV
Director

The notes on pages 11 to 35 form an integral part of the consolidated financial statements.

GFM COSSACK BOND COMPANY LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period from 29 June 2012 to 27 June 2013

	27/06/2013 US$	28/06/2012 US$
Balance at the beginning of the period	29,407,250	30,220,749
Comprehensive income after tax	2,800,277	1,380,664
Subscriptions and redemptions by holders of redeemable shares:		
Issue of redeemable shares during the period	15,886,238	5,157,332
Redemption of redeemable shares during the period	(13,743,313)	(7,251,495)
Subscriptions not yet issued	-	(100,000)
Net subscriptions by holders of redeemable shares	2,142,925	(2,194,163)
Balance at the end of the period	34,350,452	29,407,250
Represented by:		
Net assets attributable to holders of permanent shares	1	1
Net assets attributable to holders of redeemable shares	34,350,451	29,407,249

The notes on pages 11 to 35 form an integral part of the consolidated financial statements.

GFM COSSACK BOND COMPANY LIMITED

CONSOLIDATED STATEMENT OF CASHFLOW

For the period from 29 June 2012 to 27 June 2013

	29/06/2012-27/06/2013 US$	01/07/2011-28/06/2012 US$
Operating activities		
Comprehensive income after tax	2,800,277	1,380,664
Changes in operating assets and liabilities		
Change in other payables	176,965	(287,242)
Change in other receivables	33,750	(28,027)
Sales	27,438,547	29,872,194
Purchases	(39,169,193)	(20,892,665)
Realized (profit)/loss	(673,301)	48,994
Net cash (used in) / generated from operating activities	(9,392,955)	10,093,918
Cash flows from financing activities		
Redemption of redeemable shares during the period	(13,743,313)	(7,251,495)
(Decrease) in advance subscriptions	-	(100,000)
Issue of redeemable shares during the period	15,886,238	5,157,332
Net cash from/(used in) financing activities	2,142,925	(2,194,163)
Movement in cash and cash equivalents during the period	(7,250,030)	7,899,755
Cash and cash equivalents at the beginning of the period	9,862,752	1,962,997
Cash and cash equivalents at the end of the period	2,612,722	9,862,752

The notes on pages 11 to 35 form an integral part of the consolidated financial statements.

GFM COSSACK BOND COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 29 June 2012 to 27 June 2013

1. INCORPORATION AND PRINCIPAL ACTIVITIES

GFM Cossack Bond Company Limited (the "Company") was incorporated in the Cayman Islands on 15 May 1997 as an exempted limited liability company under the Companies Law of the Cayman Islands and registered as an open ended investment company under the Mutual Funds Law on 9 July 1997 and accordingly is registered as a regulated mutual fund under Sec. 4(3) of the Mutual Funds Law. The registered office of the Company is located at Walker House, Mary Street, George Town, Grand Cayman, Cayman Islands. The Company's redeemable participating shares are listed on the Bermuda Stock Exchange for informational purposes and are not traded on this exchange.

The principal activity of the Company is investment in CIS (Commonwealth of Independent States) securities. The Company invests in debt instruments either directly or through its subsidiary, as determined by the Investment Manager from time to time.

The investment objective is to achieve capital appreciation in US dollar terms. The Company will seek to achieve its investment objective by investing in both US dollar denominated and local currency denominated obligations of sovereign, regional and local governments and to a lesser extent, corporate borrowers in the CIS states.

These financial statements consolidate the financial statements of the Company and the following wholly owned subsidiary (collectively herein referred to as "the Group"):

Name of Company	**Nature of business**	**Country of incorporation**
Diaghilev Investments Limited	Nominee Services	Cyprus

The consolidated financial statements were authorised for issue by the Directors on 12 February 2014. Capitalized terms not defined within these consolidated financial statements, are defined in the Prospectus of the Company.

2. BASIS OF PRESENTATION

Statement of compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs).

Functional and presentation currency

The measurement and presentation currency of the Group is the United States Dollar and not the local currency of the Cayman Islands, reflecting the fact that the shares of the Company are issued and redeemed in United States Dollars.

Use of judgments and estimates

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amount of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may vary from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

GFM COSSACK BOND COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 29 June 2012 to 27 June 2013

2. BASIS OF PRESENTATION (cont.)

Use of judgments and estimates (cont.)
Judgments made by management in the application of IFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next period are discussed in Note 7.

Basis of measurement
These consolidated financial statements are prepared on a fair value basis for financial assets and liabilities at fair value through profit or loss. All other financial assets and liabilities are measured at amortised cost which is considered to approximate fair value due to the short term nature of these assets and liabilities. The accounting policies have been consistently applied by the Group and are consistent with those used in the previous period.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by the Group are as follows:
Basis of consolidation
The consolidated financial statements include the financial statements of the Company and its subsidiary, Diaghilev Investments Limited. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-company balances are eliminated in preparing consolidated financial statements.

Adoption of new and revised IFRSs

The following Standards and Amendments to Standards have been issued but are not yet effective for the period ended 27 June 2013.

- IFRS 7 (Amendments) "Financial Instruments: Disclosures" - "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 9 "Financial Instruments'' (currently no effective date).
- IFRS 10 "Consolidated Financial Statements" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 12 "Disclosure of Interests in Other Entities" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 13 "Fair Value Measurement" (effective for annual periods beginning on or after 1 January 2013).
- IAS 32 " Financial Instruments: Presentation" (Amendments) "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2014).
- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) (2012) (effective for annual periods beginning on or after 1 January 2014).

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

Adoption of new and revised IFRSs (cont.)

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 (2010) introduces additional disclosures relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

The IFRS 9 (2009) requirements represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value.

The standard eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale and loans and receivables.

The standard requires derivatives embedded in contracts with a host that is a financial asset in the scope of the standard not to be separated; instead, the hybrid financial instrument is assessed in its entirety for whether it should be measured at amortised cost or fair value.

IFRS 9 (2010) introduces a new requirement in respect of financial liabilities designated under the fair value option to generally present fair value changes that are attributable to the liability's credit risk in OCI rather than in profit or loss. Apart from this change, IFRS 9 (2010) largely carries forward without substantive amendment the guidance on classification and measurement of financial liabilities from IAS 39.

The mandatory effective date of IFRS 9 is not specified but will be determined when the outstanding phases are finalised. However, application of IFRS 9 is permitted.

Based on initial assessment, the Directors believe that these standards are not expected to have a material impact on the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

Financial instruments

(i) Classification

The Group designates its investments into the financial assets at fair value through profit or loss category. The category of financial assets and financial liabilities at fair value through profit or loss comprises:

- Financial instruments held for trading. These include CIS exchange traded debt instruments, corporate bonds, equity instruments and futures. All derivatives in a net receivable position (positive fair value) are reported as financial assets held for trading. All derivatives in a net payable position (negative fair value), are reported as financial liabilities held for trading.
- Financial instruments designated at fair value through profit or loss upon initial recognition which include private unsecured loans.

Financial assets and liabilities that are not classified at fair value through profit and loss and which are measured at amortised cost include other receivables and payables.

(ii) Recognition

The Group recognises financial assets and financial liabilities on the date it becomes party to the contractual provisions of the instrument. A regular way purchase of financial assets is recognised using trade date accounting. From this date any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded. Financial liabilities are not recognised unless one of the parties has performed or the contract is a derivative contract not exempt from the scope of IAS 39.

(iii) Measurement

Financial instruments are initially measured at fair value (transaction price) plus, in case of a financial asset or financial liability, transaction costs that are directly attributable to the acquisition. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments classified at fair value through profit and loss are measured at fair value with changes in their fair value recognised in the consolidated statement of comprehensive income.

GFM COSSACK BOND COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 29 June 2012 to 27 June 2013

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

Financial instruments (cont)

(iv) Fair value measurement principles

The fair value of financial instruments is based on their quoted market prices at the consolidated statement of financial position date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices.

If there are no quoted prices in an active market or the securities are not listed, the Investment Manager and Directors establish fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity specific inputs.

(v) Valuation of investments

As of 27 June 2013 the Group's investments include investments in equity, debt securities, private unsecured loans and derivative liabilities comprising futures contracts.

Equity investments

Securities traded on a recognised exchange are stated at last traded price on the day of valuation. To the extent these securities are actively traded and valuation adjustments are not applied, they are categorised in Level 1 of the fair value hierarchy. The cost of investments is determined on a first in first out basis. Where equity investments are valued based on market quotations that are observable, they are classified as Level 2 of the fair value hierarchy.

Debt investments

Investments in debt securities are initially recognised at fair value, including transaction costs. Subsequent to initial recognition, debt investments, particularly traded bond positions, are recorded based on their last traded price on a recognised exchange. For debt securities which are not priced on a recognised exchange, the price is sourced from the respective broker/counterparty with whom the trade was executed. The fair value of certain corporate bonds, including private unsecured loans are estimated using recently executed transactions, market price quotations (where observable) and by reference to other instruments which are substantially the same. When quotations are unobservable, proprietary valuation models and default recovery analysis methods are employed.

Realised gains and losses resulting from the investment transactions and movements in unrealised gains or losses at the date of the consolidated statement of assets and liabilities are recognised in the consolidated statement of operations. To the extent debt securities are actively traded and valuation adjustments are not applied, they are categorised in Level 1 of the fair value hierarchy. Corporate bonds are classified within Level 2 of the fair value hierarchy. Private unsecured loans are classified within Level 3.

Futures contracts

Futures contracts are contracts for the delayed delivery of specific commodities, currencies indices, at a specific date and at a specific price. Upon entering into a contract, the Group deposits and maintains, at the clearing broker, cash as collateral for such initial margin as required by the exchange on which the transaction is effected.

GFM COSSACK BOND COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 29 June 2012 to 27 June 2013

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

Financial instruments (cont)

(v) Valuation of investments (cont.)
Futures contracts (cont.)
Pursuant to the contract, the Group agrees to receive from or pay to the broker an amount of cash equal to the daily fluctuation in the value of the contract. Such receipts or payments are known as variation margin and are recorded by the Group in the consolidated statement of comprehensive income as within the net gain/(loss) on trading in the financial instruments line item. When the contract is closed, the Group records in the consolidated statement of operations a realised gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed. Futures contracts are classified in Level 1 of the fair value hierarchy.

(vi) Gains and losses on subsequent measurement
Gains and losses arising from a change in the fair value of debt and equity instruments are recognised in the consolidated statement of comprehensive income.

(vii) Derecognition
The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with IAS 39. A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expired.

(viii) Offsetting financial assets and liabilities
Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position, when, and only when, the Group has legal right to offset the recognised amounts and it intends to either settle on a net basis or realise the asset and settle the liability simultaneously.

Interest income and expenses
Interest income and expense is recognised in the consolidated statement of comprehensive income using the effective interest method and on an accrual basis.

Dividend income
Dividend income is recognised as gross in the consolidated statement of comprehensive income on the ex-dividend date.

Expenses
All expenses are recognised in the consolidated statement of comprehensive income on the accrual basis.

Financing expense
Financing expenses comprise of bank charges and bank interest. Financial expenses are recognized as expenses in the consolidated statement of comprehensive income as they accrue.

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

Foreign currency transactions

Transactions in foreign currencies are translated to United States Dollars (US$) at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the consolidated statement of financial position date are translated to US$ at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the consolidated statement of comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the reporting currency at the foreign exchange rates ruling at the dates that the values are determined.

Cash and cash equivalents

Cash and cash equivalents represent balances with banks/brokers and margin accounts with various brokers, which fall due within 3 months or less. The Group considers all cash and short-term deposits with maturities of three months or less to be cash and cash equivalents. Cash held in broker accounts are included in cash and cash equivalents for the purpose of the consolidated statement of cash flows.

Taxation

There are no taxes on income or gains in the Cayman Islands and the Company has received an undertaking from the Governor in Cabinet of the Cayman Islands exempting it from all local income, profits and capital taxes until June 2017. Accordingly, no provision for income taxes is made in these consolidated financial statements. The corporation tax rate in Cyprus is 10%. The Cyprus House of Representatives voted on 18 April 2013 legislation regarding the increase of the corporate income tax rate from 10% to 12.5% with effect from 1 January 2013. The Group has assessed that no corporate income tax is due as a result of transactions carried out in Cyprus via the subsidiary.

Share capital

The Company issued Permanent and Participating Shares. The Permanent Shares were issued solely to comply with Cayman Islands Law. The Participating Shares are redeemable and represent the only instrument with a residual interest in the net assets of the Company. The participating shares provide the investors with the right to require redemption for cash at the value proportionate to the investor's share in the Company's net assets (see Net asset value per share below) as determined on each valuation day (Note 10).

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

Redeemable participating shares

The Company classifies financial instruments issued as equity instruments in accordance with the substance of the contractual terms of the instruments.

The redeemable participating shares are the most subordinate class of financial instruments issued by the Company and, on liquidation of the Company they entitle the holders to the residual net assets, after payments of the nominal amount of equity shares. They rank pari passu in all material respects and have identical terms and conditions.

The redeemable participating shares provide investors with the right to require redemption for cash at a value proportionate to the investor's share in the Company's net assets at each monthly redemption date and also in the event of the Company's liquidation.

A puttable financial instrument that includes a contractual obligation for the Company to redeem that instrument for cash or another financial asset is classified as equity if it meets all of the following conditions:

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

The Company's redeemable participating shares meet these conditions and are classified as equity on the consolidated statement of financial position.

GFM COSSACK BOND COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 29 June 2012 to 27 June 2013

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

Net asset value per share

The net asset value per share disclosed on the consolidated statement of financial position is calculated in accordance with the Articles of Association by dividing the net assets included in the consolidated statement of financial position by the number of participating shares outstanding at period end.

Permanent shares are non-redeemable and do not have a residual interest in the net assets of the Company and therefore do not affect the calculation of the Company's net asset value per share.

Comparative figures

Wherever needed, the comparative figures have been restated according to the changes in the current period's presentation.

4. TAXATION

	27/06/2013 US$	28/06/2012 US$
Overseas withholding tax	561	566

5. CASH AND CASH EQUIVALENTS

	27/06/2013 US$	28/06/2012 US$
Cash at bank and margin accounts (1) with various brokers	2,612,722	9,862,752

(1) Margin accounts represent cash deposits with brokers transferred as collateral against open futures contracts.

Analysis of cash at banks and margin accounts:	**27/06/2013** US$	**28/06/2012** US$
HELLENIC USD	216	4,360
HELLENIC EUR	671	52
BASELAND USD	1,974,873	3,747,865
BASELAND RUR	1,008	101
BASELAND UAH	220	1,389
FALCON USD	553,116	5,452,556
LATVIJAS PASTA BANKA USD	313	4
FALCON – MARGIN ACCOUNT	82,305	656,425
	2,612,722	9,862,752

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6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss consist of the following:

	27/06/2013 US$	28/06/2012 US$
Equity instruments:		
Preferred shares in Russian corporations	15,805	16,893
Debt instruments:		
Local currency denominated debt instruments	7,164,683	7,488,889
Foreign currency denominated debt instruments	25,084,246	12,251,700
	32,264,734	19,757,482
Derivative instruments:		
Currency futures	(51,700)	51,605
	32,213,034	19,809,087

Geographical spread of investments	27/06/2013 US$	28/06/2012 US$
Azerbaijan	17,702,773	10,075,483
Kazakhstan	9,227,615	3,025,036
Russia	3,338,875	4,500,335
Ukraine	1,893,950	1,766,436
Belarus	101,521	390,192
	32,264,734	19,757,482

7. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

The Group's investment activities expose it to various types of risk that are associated with the financial instruments and markets in which it invests. The most significant types of financial risk to which the Group is exposed are market risk, credit risk and liquidity risk. Market risk includes other price risk, interest rate risk and currency risk.

The nature and extent of the financial instruments outstanding at the consolidated statement of financial position date and the risk management policies employed by the Group are discussed below:

7. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (cont.)

(a) Market risk

Market risk is the risk that changes in interest rates, foreign exchange rates or equity prices will make an instrument less valuable. All trading instruments are recognised at fair value, and all changes in market conditions directly affect net income. The Group is exposed to market risk on financial instruments that are valued at market prices. Market movements can be volatile and are difficult to predict. The markets for some securities have limited liquidity and depth and may include restrictions on convertibility of currencies. This could limit realisation of prices which are quoted and execution of orders at desired prices.

The Group will seek to achieve its investment objective by investing in both US dollar denominated and local currency denominated obligations of sovereign, regional and local governments and to a lesser extent, corporate borrowers in the CIS states.

The Group will ensure that a reasonable spread of investments will normally be made and any purchase and will adhere to the general principle of risk diversification with regard to the use of derivatives. Furthermore, any investment by the Group in the securities of a corporate issuer will be limited to not more than 20 per cent of the securities or particular class of securities of that issuer at the time the investment is made for which purpose any existing holding in the securities will be aggregated with the proposed new investment.

(i) Interest rate risk

The majority of the Group's assets and liabilities are interest bearing and as a result the Group is subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

The effective interest rates which correspond to the debt securities are as follows:

	27/06/2013	28/06/2012
YTM	9.98%	10.51%
Duration (years)	1.37	0.78

At the reporting date the interest rate profile of the Group's interest bearing financial instruments was:

	Carrying Amount	
	27/06/2013 US$	28/06/2012 US$
Variable rate instruments		
Financial assets at fair value through profit or loss	32,248,929	19,740,589

GFM COSSACK BOND COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 29 June 2012 to 27 June 2013

7. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (cont.)

(i) **Interest rate risk** (cont.)

Sensitivity analysis
A decrease of 100 basis points in interest rates at the reporting date would have affected equity and profit or loss by the amounts shown below. This analysis assumes that all variables, in particular foreign currency rates, remain constant.

	Net assets/ Profit or loss Decrease US$
27/06/2013	
Variable rate financial instruments	322,489
28/06/2012	
Variable rate financial instruments	197,406

An increase in interest rates of the same amount would have resulted in equal but opposite effect to the amounts shown above.

Exposure to interest rate risk
The following are the contractual maturities of financial assets from the consolidated statement of financial position date:

	Note	Carrying amount US$	Contractual Cash flows US$	Within 1 year US$	2-5 years US$	More than 5 years US$
27/06/2013						
Debt instruments	6	32,248,929	32,248,929	13,278,918	18,970,011	-
28/06/2012						
Debt instruments	6	19,740,589	19,740,589	13,983,078	5,757,511	-

(ii) **Currency risk**

The Group may invest in financial instruments denominated in currencies other than its measurement currency. Consequently, the Group is exposed to risks that the exchange rate of its functional currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of that portion of the Group's assets or liabilities denominated in currencies other that the United States Dollar.

The Group's total net exposure to fluctuations in foreign currency exchange rates at the consolidated statement of financial position date was as follows:

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For the period from 29 June 2012 to 27 June 2013

7. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (cont.)

(ii) **Currency risk** (cont.)

	27/06/2013 US$	**28/06/2012 US$**
Euro	(603,258)	1,554,500
Rouble	112,123	313,482
Ukrainian Grivnya	-	122,694
Azerbaijan Manat	2,888,010	2,548,116
Kazakh Tenge	631,158	1,862,782

The Group may seek to protect the value of some portion or all of its portfolio holdings against currency risks by engaging in hedging transactions, if available, cost effective, and practicable. The Group may enter into forward contracts on currencies as well as purchase put and call options on currencies. The currency futures are used to hedge the foreign currency exposure of the Group.

Sensitivity analysis
The table below sets out the effect on the Group's changes in net assets attributable to holders of redeemable shares of a reasonably possible weakening of the US dollar against Euro by 4% (2012: 4%), Rouble by 4% (2012: 4%), Ukrainian Grivnya by 4% (2012: 4%), Azerbaijan Manat by 4% (2012: 4%) and Kazakh Tenge by 4% (2012: 4%). This analysis assumes that all variables, in particular interest rates, remain constant.

	27/06/2013 Net assets Decrease US$	**28/06/2012 Net assets Decrease** US$
Euro	8,500	62,180
Rouble	4,485	12,539
Ukrainian Grivnya	-	4,908
Azerbaijan Manat	115,520	101,925
Kazakh Tenge	25,246	74,511

A strengthening of the US dollar against the above currencies would have resulted in an equal but opposite effect to the amounts shown above.

(b) **Credit risk**

Credit risk is the risk that counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Group. Credit risk is generally higher when a non-exchange traded financial instrument is involved because the counterparty for non-exchange traded financial instruments is not backed by an exchange clearing house.

7. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (cont.)

(b) Credit risk (cont.)

Financial instruments which potentially expose the Group to credit risk consist primarily of debt investments including unsecured private loans. The amount of credit exposure is represented by the carrying amount of these assets on the consolidated statement of financial position. Investment in debt investments expose the Group to the risk that the issuers of those debt investments and borrowers of private loans, who also act as counterparties of the Group, will not be in a position to make timely payments of principal and interest as and when they fall due. The Group seeks to minimise its credit risk through continuous monitoring of the credit rating of the different issuers and borrowers. The Group will seek to minimise downside risk and protect principal by maintaining a diversified portfolio with respect to industry and the size of individual holdings, performing intensive credit research and actively monitoring the risk of each investment and the risk of portfolio correlation among assets. Managing portfolio risk is a key part of the Group's investment process. The Group endeavours to adhere to monitoring and risk management procedures. Throughout the life of each investment, the Group will monitor and track the issuer's and borrower's performance, trading levels and activity on an ongoing basis.
The Group may invest in lower quality and non-rated debt investments and as such at any time, substantially all of the investments held in the Group's portfolio may consist of instruments that are rated below investment grade or not rated at all. Non-investment grade securities (that is those rated Ba 1 or lower by Moody's or BB+ or lower by S&P) are regarded as predominantly speculative with respect the issuers' capacity to pay interest and repay principal in accordance with the terms of the obligations and involve significant risk exposure to adverse conditions. To the extent that any issuers or borrowers default upon their obligations, the rate of return on investment realized by the Group will be adversely affected. Such investments could present greater risk of loss than investments in higher quality debt investments.

Cash balances are held with Falcon Private Bank, Baseland Limited, Hellenic Bank, Latvijas Pasta Banka. Credit risk is considered to be low due to the credit quality and ratings of the counterparties. The Group monitors the credit rating and financial position of each counterparty to further mitigate this risk.

At the consolidated statement of financial position date, the Moody's credit ratings of counterparties with which the Group held debt instruments and for which the private loans had not been fully repaid at the date of this report were as follows:

- Bank of Baku: B1
- Unibank Commercial OJSC: B2
- International Bank of Azerbaijan: Ba3
- CJSC Joint Leasing Company: Ba3 (Loan is guaranteed by International Bank of Azerbaijan and hence credit rating of International Bank of Azerbaijan is used)

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7. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (cont.)

(b) **Credit risk** (cont.)

As at the consolidated statement of financial position date, the Group's debt securities exposures were concentrated in the following industries:

	27/06/2013	**28/06/2012**
	%	%
Banks/financial services	82.23	68.04
Telecommunications	7.04	18.49
Transportation	3.68	1.09
Other	7.05	12.38
	100.0	100.0

Individual investments which exceeded 5% of the net assets attributable to the holders of redeemable shares as at 27 June 2013 and 28 June 2012 are disclosed below:

Name	**Industry**	**27/06/2013** %	**28/06/2012** %
International Bank of Azerbaijan Republic; IBAR-030 Loan	Banking	8.6%	-
International Bank of Azerbaijan Republic; IBAR-019 Loan	Banking	5.8%	-
Bank of Baku; BOB 01 Loan	Banking	7.4%	-
Unibank; Uni 008 Loan	Banking	7.4%	-
Bank Technique; Tekhn 01 Loan	Banking	7.4%	-
Kazkommertsbank; XS0234488236	Banking	6.2%	-
Joint Leasing Company; JLC-002 Loan	Leasing	5.9%	-
Russian Standard Bank; XS0802648955	Banking	5.1%	-
International Bank of Azerbaijan Republic; IBAR-018 Loan	Banking	-	15.5%
Bank Standard (Azerbaijan); Standard 010 Loan	Banking	-	6.7%
AZERFON; PN #06/1-1-00890 (12,14)	Telecommunications	-	8.7%

(i) **Offsetting financial assets and liabilities**

Financial assets and financial liabilities are offset in the consolidated statement of financial position and are included within other payables. The disclosure set out in the table below includes financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, including borrowing agreements.

The borrowing arrangements outlined below meet the criteria for offsetting in the consolidated statement of financial position. This is because they create a right of set-off of recognised amounts that is enforceable either on an ongoing basis or following an event of default, insolvency or bankruptcy of the Group or the counterparties. In addition, the Group and its counterparties intend to realise the assets and settle the liabilities simultaneously.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 29 June 2012 to 27 June 2013

7. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (cont.)

(b) **Credit risk** (cont.)

(i) **Offsetting financial assets and liabilities** (cont.)

Financial assets subject to offsetting
As at 27 June 2013

Pursuant to a loan agreement dated 26 September 2012, International Bank of Azerbaijan ("IBAR") loaned the Company the sum of USD$100,630,000 ("First loan agreement"). The Company agreed to pay interest on the loan at a rate of 4.5% per annum with an original Maturity Date of 26 September 2013 or in the case of a renewal the Extended Maturity date. On the 28th June 2013, a Letter of Notification was duly signed by the Company and IBAR, where notification was given that the facility would be repaid by the Company in several tranches for final value 1 August 2013. This loan was fully repaid on the 27 September 2013.
Pursuant to a Funding Agreement, dated 26 September 2012, the Company lent its subsidiary the sum of USD$100,000,000 ("the Second Loan"). The subsidiary agreed to pay interest on the loan at a rate of 4.6% - 5.65%. On the 28th June 2013, a Letter of Notification was duly signed where notification was given that the Subsidiary would repay the loan in several tranches for final value 1 August 2013. This loan was fully repaid on the 27 September 2013.
Pursuant to a third loan agreement, dated 26th September ("the Subordinated Facility") the Subsidiary lent IBAR the sum of USD$100,000,000. IBAR agreed to pay interest on the loan at a rate of 4.7%-5.75% per annum on the loan with an original Maturity Date of 26 September 2013. On the 28th June 2013, a Letter of Notification was duly signed where notification was given that IBAR would repay the loan in several tranches for final value 1 August 2013. This loan was fully repaid on the 27 September 2013.

Description of types of financial assets	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position
Loan receivable	US$	US$	US$
IBAR	102,012,500	102,012,500	0

Financial liabilities subject to offsetting
As at 26 June 2013

Description of types of financial liabilities	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets offset in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position (Other Payables)
Loan payable	US$	US$	US$
IBAR	102,214,923	102,012,500	(202,423)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 29 June 2012 to 27 June 2013

7. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (cont.)

(c) Liquidity risk

The Company's constitution provides for the monthly creation and cancellation of redeemable participating shares and is exposed to the liquidity risk of meeting shareholders' redemptions.

Furthermore, certain debt instruments and private loans in which the Group invests might be traded in small volumes or might not be listed on an exchange, in which case the Group might be exposed to liquidity risk in the event of default of these debt instruments.

Although the Group's Investment Manager will seek to select investments that offer the opportunity to have their investments redeemed within a reasonable timeframe, there can be no assurance that the liquidity of the investments will always be sufficient to meet redemption requests as, and when, made. Any lack of liquidity may affect the liquidity of the Group and its ability to meet its redemption requests.

Directors can suspend or defer redemption payments in certain circumstances until the Group's portfolio is sufficiently liquid to undertake share redemptions.

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Group has procedures with the object of minimizing such losses such as maintaining sufficient cash and other highly liquid current assets and by attempting to match timing of debt instrument coupon payments and maturities in any given period.

Liabilities	Carrying amount US$	Contractual Cash flows US$	Within 3 months US$	4-6 months US$	7-12 months US$
27/06/2013					
Net assets attributable to holders of redeemable shares	34,350,451	34,350,451	34,350,451	-	-
Derivative Instruments	51,700	51,700	51,700	-	-
Other payables	475,304	475,304	202,423	272,881	-
	34,887,455	34,887,455	34,604,574	272,881	-
28/06/2012					
Net assets attributable to holders of redeemable shares	29,407,250	29,407,250	29,407,250	-	-
Derivative Instruments	-	-	-	-	-
Other payables	298,339	298,339	100,000	198,339	-
	29,705,589	29,705,589	29,507,250	198,339	-

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 29 June 2012 to 27 June 2013

7. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (cont.)

(d) **Futures contracts**

Futures contracts are commitments to either purchase or sell a designated financial instrument, currency, commodity or index at a specified future date for a specified price and may be settled in cash or another financial asset. Futures are standardized exchange traded contracts. Initial margin requirements for futures are met in cash or other instruments, and changes in the future contract values are settled daily. Futures contracts have little credit risk because the counterparty is CME (Chicago Mercantile Exchange).

Futures contracts result in exposure to market risk based on changes in market prices to contracted amounts. Market risks arise due to the possible movement in foreign currency exchange rates, indices and securities' values underlying these instruments. In addition, because of the low margin deposits normally required in relation to notional contract sizes, a high degree of leverage may be typical of a futures account. As a result, a relatively small price movement in an underlying of futures contract may result in substantial losses to the G. All futures contracts are used to hedge currency risk. As a result any loss in futures contract is offset against a gain in underlying currency.

The following futures currency contracts were unsettled at the reporting date:

Number of Contracts	Notional Amount	Description	Expiration Date	Position	Counter-party	Fair Value
27/06/2013						
47	117,500,000 RUB	2,500,000 RUB	15/09/2013	Short	CME	(51,700)
5	625,000 EUR	125,000 EUR	15/09/2013	Short	CME	-
						(51,700)
28/06/2012						
35	87,000,500 RUB	2,500,000 RUB	15/09/2012	Short	CME	79,500
10	1,250,000 EUR	1,250,000 EUR	15/09/2012	Short	CME	9,375
2	200 XAU	100 XAU GOLD	15/08/2012	Long	CME	(37,500)
1	100 XAU	100 XAU GOLD	15/12/2012	Long	CME	230
						51,605

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7. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (cont.)

(e) **Fair value hierarchy**

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 - inputs for the asset or liability that are not based on observable market data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

27 June 2013	Note	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss		**US$**	**US$**	**US$**	**US$**
Equity instruments	6,7	15,805	-	-	15,805
Debt instruments	6,7	-	14,546,155	17,702,774	32,248,929
Total		15,805	14,546,155	17,702,774	32,254,734
Financial liabilities at fair value through profit or loss					
Derivative instruments	6	(51,700)	-	-	(51,700)

There have been no transfers between levels during the period.

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For the period from 29 June 2012 to 27 June 2013

7. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (cont.)

(e) **Fair value hierarchy** (cont.)

28 June 2012 **Financial assets at fair value through profit or loss**	Note	**Level 1** **US$**	**Level 2** **US$**	**Level 3** **US$**	**Total** **US$**
Equity instruments	6,7	16,893		-	16,893
Debt instruments	6,7	-	12,213,222	7,527,367	19,740,589
Derivative instruments	6	51,605	-	-	51,605
Total		68,498	12,213,222	7,527,367	19,809,087

The comparative disclosures in relation to the fair value hierarchy have been represented including additional disclosures in relation to level 3 investments. Previously all financial assets at fair value through the profit or loss as at 28 June 2012 had been classified in Level 1 in the amount US$19,809,087. A reclassification was made to allocate US$12,213,222 to Level 2 and US$7,527,367 to Level 3.

The following table presents additional information about Level 3 assets measured at fair value. Both observable and unobservable inputs may be used to determine fair values of positions that the Group has classified within the Level 3 category. As a result, the unrealised gain and loss for assets and liabilities within the Level 3 category may include changes in fair value that were attributable to both observable and unobservable inputs. Changes in Level 3 assets measured at fair value for the period ended 27 June, 2013 were as follows:

	Unlisted debt instruments	**Total**
Balance at 1 July 2011	16,644,288	16,644,288
Total gains or losses recognized in profit or loss	27,367	27,367
Purchases	7,500,000	7,500,000
Sales/settlements	(16,644,288)	(16,644,288)
Balance at 28 June 2012	7,527,367	7,527,367
Balance at 29 June 2012	7,527,367	7,527,367
Total gains or losses recognized in profit or loss	716,664	716,664
Purchases	16,986,110	16,986,110
Sales/settlements	(7,527,367)	(7,527,367)
Balance at 27 June 2013	17,702,774	17,702,774

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For the period from 29 June 2012 to 27 June 2013

8. OTHER RECEIVABLES

	27/06/2013 US$	28/06/2012 US$
Loan fees receivable	-	33,750
	-	33,750

9. OTHER PAYABLES AND ACCRUALS

Other payables consist of the following:

	Note	27/06/2013 US$	28/06/2012 US$
Secretarial fees		17,157	15,071
Audit and accounting fees		17,414	22,400
Management fees		128,684	113,031
Nominee expenses		5,000	-
Directors' fees		13,000	26,875
Performance fees		91,626	20,962
Other financial liabilities	7(b)(i)	202,423	-
Subscriptions received not yet issued		-	100,000
		475,304	298,339

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For the period from 29 June 2012 to 27 June 2013

10. SHARE CAPITAL

Authorised
US$1 divided into 100 Permanent shares of US$0,01 each
US$500,000 divided into 50,000,000 Participating shares of US$0.01 each

	27/06/2013 US$	28/06/2012 US$
Issued share capital		
Nominal value		
100 Permanent Shares of US$0.01 each	1	1
1,663,565 (2012: 1,552,049) Participating Shares of US$0.01 each	16,636	15,520
	16,637	15,521

	27/06/2013	28/06/2012
Issued share capital		
Number of shares		
Balance at the beginning of the period	1,552,049	1,670,727
Issue of redeemable shares during the period	795,071	302,416
Redemption of shares during the period	(683,555)	(421,094)
Balance at the end of the period	1,663,565	1,552,049

The rights attached to the Participating shares are as follows:

- Voting rights: One vote for every share registered.
- Dividends: The shares carry rights to dividends.
- Winding up: Right to a return of the nominal amount in priority to the nominal amount paid up in respect of Permanent Shares.
- Redemption: The shares may be redeemed at the discretion of the investor at every NAV date with 20 calendar days advance notice. The Company has monthly redemption terms.
- Transfers: The shares may be transferred.
- Subscriptions: Shares are subscribed at the prevailing Net Asset Value at the time of subscription

There are no externally imposed capital requirements.

11. RELATED PARTY TRANSACTIONS

Related party transactions and balances not disclosed elsewhere in the consolidated financial statements are described below.

(i) Directors' remuneration

The remuneration of Directors and other members of key management was as follows:

	29/06/2012- 27/06/2013 US$	30/06/2011- 28/06/2012 US$
Directors' fees	26,000	30,000

(ii) Transactions with key management personnel

The directors hold redeemable shares in the Company as at the end of the financial period as follows:

Mr. Roberts Idelsons hold 10,577 redeemable shares (28/06/2012: 5,411 redeemable shares). Mr. Richard Oliver Bernays hold 8,842 redeemable shares (28/06/2012: 8,842 redeemable shares). Mr. Gleb Shestakov indirectly holds 387,859 redeemable shares (28/06/2012: 390,052 redeemable shares). Mr. Harry E. Fitzgibbons (who was appointed director on 30 May 1997 and deceased on 21 September 2013) held 29,087 redeemable shares (28/06/2012: 29,087 redeemable shares).

(iii) Brokerage services

Baseland Holdings Limited, a company incorporated in Cyprus, acts as a broker for the Company. The ultimate beneficial owner of Baseland Holdings Limited is Mr. Gleb Shestakov who is a member of the Company's Board of Directors. Broker fees are paid to Baseland Holdings Limited on an arm's length basis.

On 27 June 2013, Baseland Holdings Limited as custodian to the Group, held securities with a fair value US$6,025,163 (2012: US$ 19,619,284).

At 27 June 2013, 153,984 redeemable shares (28/06/2012: 52,978 redeemable shares) were held by Baseland Holdings Limited.

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11. RELATED PARTY TRANSACTIONS (cont.)

(iv) Investment manager

The Investment Manager has been appointed by the Company to manage the investments of the Company is accordance with the Investment Management Agreement.

The Investment Manager will be paid a management fee equivalent to 1.5 per cent per annum of the average Net Asset Value determined on each Valuation Day. This fee is payable quarterly in arrears. The investment management fees incurred during the period amounted to $488,190 thousand (2012: $448,535). Performance fees incurred during the period amounted to $491,042 (2012: $232,849)

The Investment Manager is entitled to receive a performance fee calculated and accrued monthly and payable quarterly re-adjusted after the end of each financial year of the Company, provided that there has been an appreciation in the Net Asset Value per share in excess of the "Benchmark Net Asset Value per share". The Benchmark Net Asset Value per Share in each financial year shall be calculated in the following way:

Z = X + X.Y/100 . (Te - Tb)/365
Z = Benchmark Net Asset Value per Share.
X = Net Asset Value per share as at the last Dealing Day in the immediately preceding financial year after deduction of the performance fee (if any) attributable to such year;
Y = One Year LIBOR at the last Dealing Day in the immediately preceding financial year.
Te = Date of the last Dealing Day in the relevant financial year.
Tb = Date of the last Dealing Day in the immediately preceding financial year.

The Performance Fee will be paid at the rate of 20 per cent of any excess of the Net Asset Value per Share expressed in US dollars over the Benchmark Net Asset Value per Share (as defined above) as at the last Dealing Day in the relevant financial year over that as at the last Dealing Day in the immediately preceding financial year in each case multiplied by the average number of Shares in issue during the period by reference to which the fee is payable (such average calculated by dividing the sum of the number of Shares in issue on each Dealing Day within such period including Shares to be redeemed but excluding Shares to be subscribed as of each such Dealing Day by the number of such Dealing Days).

For the purposes of calculating the performance fee, the Net Asset Value per Share is calculated after deducting the management fee referred to above but without accounting for the performance fee then payable.

At 27 June 2013, 100 permanent shares (28/06/2012: 100 permanent shares) and 381,343 redeemable shares (28/06/2012: 544,000 redeemable shares) were held by the Investment Manager.

GFM COSSACK BOND COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 29 June 2012 to 27 June 2013

12. OTHER KEY CONTRACTS

Administrator

The Company appointed Cyproman Services Ltd, a fiduciary services company incorporated in Cyprus, to provide share issue, redemption and transfer services and certain other administration services to the Company, including calculating the Net Asset Value per Share. The Administrator is entitled to an annual fee of US$35,000 being payable in equal half annual installments. In addition, the Administrator is entitled to reimbursement of all out-of-pocket expenses incurred by it in the performance of its duties under the Administration Agreement.

13. ACCOUNTING ESTIMATES AND JUDGEMENTS

The majority of the Group's financial instruments are measured at fair value on the consolidated statement of financial position.

For certain of the Group's financial instruments, quoted market prices are readily available. However, certain financial instruments, for example unlisted debt securities including private loans are fair valued using valuation techniques, including reference to the current fair values of other instruments that are substantially the same (subject to appropriate adjustments), or by applying valuation techniques approved by the Investment Manager and the Directors..

Fair value estimates are made at specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision.

14. EVENTS AFTER THE REPORTING PERIOD

There were no material events after the reporting period, which affect the consolidated financial statements as at 27 June 2013.

15. CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 27 June 2013.