Renaissance

Russia Infrastructure Equities Limited

Consolidated Financial Statements 2010
International Financial Reporting Standards
Consolidated Financial Statements and Report of the Independent Auditors for the year ended 31 December 2010

Contents

Directors and other information

Directors	David PM Blair John S Elder (appointed 22 September 2010) James Keyes Igor Stychinsky (resigned on 24 August 2010)
Registered office	*(From 12 January 2010)* Jayla Place Wickhams Cay 1 Road Town Tortola VG1110 British Virgin Islands
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Investment Manager	Renaissance Capital Investment Management Limited Jayla Place Wickhams Cay I Road Town, Tortola VG1110 British Virgin Islands
Prime broker and custodian	Renaissance Advisory Services Limited Canon's Court 22 Victoria Street Hamilton, HM 12 Bermuda
Administrator, registrar, transfer agent and company secretary	Custom House Fund Services (Ireland) Limited 25 Eden Quay Dublin 1 Ireland
Independent auditors	Ernst & Young LLC Sadovnicheskaya Nab., 77, bld. 1 Moscow 115035 Russia

Bankers	JP Morgan Chase Bank N.A. 125 London Wall London United Kingdom
	Raiffeisen Bank Triotskaya str., 17, bld. 1 Moscow 1290090 Russia
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Bermuda law	Appleby Corporate Services Limited Canon's Court 22 Victoria Street P.O. Box HM 1179 Hamilton HM EX Bermuda
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Investment manager's report

The Russian Infrastructure sector has enjoyed great performance over the past twelve months. This was a result of significant increases in both private companies' investments, in industries traditionally classified as infrastructure, and public expenditure on improving and building out key infrastructure areas of the economy. The "Modernisation of Russia", a process initiated by the Kremlin a few years ago, is firmly gathering pace and we saw many positive consequences for our sectors during 2010. What is much more exciting, plans for the next three to five years suggest a four-fold increase in spending, which should offer unparalleled investment opportunities for Renaissance Infrastructure Equities Limited (the "Fund").

Economic growth in Russia averaged 7% per annum between 2000 and 2008, supported by strong demand for and rising prices of oil and other commodities, improvements in productivity and large inflows of foreign direct investment. The financial crisis, which started in 2008, hit the country hard and Gross Domestic Product ("GDP") declined by 7.9% in 2009. This forced the Government of the Russian Federation ("Government") to re-direct spending from investment projects in Infrastructure to social spending to offset the impact of falling incomes and rising unemployment. With the return of positive GDP growth in 2010, fixed asset investment (a proxy for Infrastructure spending) grew by 2.9%, having declined significantly in 2009. We estimate conservatively that such investment will grow further to over 8% p.a. in 2011 and beyond, rising faster than GDP and leading to superior earnings growth for the Infrastructure sector. In addition, special global events taking place over the next seven years provide additional impetus for expanding and improving the country's infrastructure. These include:

1. The Asia-Pacific Economic Cooperation ("APEC") Russia 2012 summit.
2. Universiade 2013 in Kazan.
3. The Winter Sochi Olympics 2014.
4. The World Cup 2018 across 16 Russian locations.

For Renaissance Infrastructure Equities Limited this presents opportunities in sectors including transportation and freight (railways, ports and air travel), construction, the production of equipment and machinery as well as production and distribution of power (gas and electricity).

Spending on Russian infrastructure construction from the Federal budget alone accounted for US$21Billion in 2010, representing a small increase of 4.5% on 2009. For 2011, the number is expected to grow by 22.2% to circa US$26Billion. In addition, starting January 2011 the Government announced the creation of a new Federal Roads Fund, which will be financed predominantly from excise duties on petrol, i.e. by consumers. The Federal Roads Fund will be used exclusively for the building and repair of roads. The size of the Federal Roads Fund is expected to start at US$11Billion in 2011, gradually rising to US$15Billion by 2013. Russia's acute need for more and better roads was highlighted by the findings of a World Bank report in 2010*, which ranked the country 111th out of 125 countries by the quality of its highway infrastructure. Establishment of the Federal Roads Fund is a manifestation of the Kremlin's realisation the problem needs to be and is being addressed urgently.

Another exciting development during 2010 was the start of a series of privatisation programs in the sector announced by the Government. A subsidiary of Russian Railways – Transcontainer, was the first daughter company of the state monopoly to list on both Moscow and London stock exchanges. This is expected to be followed by Freight I and Freight II companies, also currently part of Russian Railways. There is more talk of rationalising ownership and further privatisation of airports. Currently six out of the ten largest airports are privately owned or operated by a concessionaire. Public-Private Partnerships ("PPP") schemes are also growing in importance, introducing more opportunities for investors, raising standards and introducing the need to improve corporate governance in the country, all of which further improve the investment climate in Russia.

Perhaps the biggest potential risk for infrastructure we see in the current environment is a sudden reversal in commodity price appreciation trends. This would result in a sudden drop in government revenues and hence could delay some of the projects discussed earlier. While there is some probability of this happening, we believe the current economic climate makes it highly unlikely.

In terms of other large opportunities, we would also like to highlight initiatives in the energy generation and transmission infrastructure. The outdated equipment operated by power stations and transmission companies' results in 40% loss of energy at present. The World Bank estimates that in ten years with the right investment, Russia could save up to 45% of its total energy costs, a figure not to be ignored. This would require a US$300Billion investment over time. We have been greatly encouraged by investment programs seen at both private and public companies, benefiting equipment manufacturers, in which the Fund invests.

On 2 July 2010 the Fund distributed US$25million of cash to holders of non-voting participating shares, or US$0.125 per share. The investment manager raised cash by realising value from some of the Fund's largest holdings. While we continue to see considerable upside in all of these holdings, we recognised that holders of non-voting participating shares would welcome the liquidity provision.

In summary, we expect the investment opportunities we saw in the infrastructure space during 2010 to grow further in 2011 and beyond. With significant amount of money pouring into the sector, earnings growth should pick up and returns should become even more attractive. Furthermore, the diversity and sophistication of our investment universe is developing at a pace faster than ever before. Hence, we remain very positive about the prospects for future growth of the Fund.

Renaissance Capital Investment Management Limited

17 May 2011

*The Global Enabling Trade Report 2010, prepared by the World Bank

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Independent auditors' report

To the Holders of participating shares and Directors of Russia Infrastructure Equities Limited

We have audited the accompanying consolidated financial statements of Russia Infrastructure Equities Limited (the "Fund"), which comprise the consolidated statement of financial position as at 31 December 2010, the consolidated statement of comprehensive income, consolidated statement of changes in net assets attributable to holders of participating shares and consolidated statement of cash flows for the year ended 31 December 2010, 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 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 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 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 financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2010, and its financial performance and its cash flows for the year ended 31 December 2010 in accordance with International Financial Reporting Standards.

Ernst & Young LLC

17 May 2011

Consolidated statement of comprehensive income

(stated in United States dollars)

	Notes	For the year ended 31 December 2010	2009
Results from operations			
Dividend income		2,149,735	941,043
Interest income	*7*	211,462	49,417
Net gain on financial assets at fair value through profit or loss	*13*	50,626,106	111,485,742
Total results from operations		**52,987,303**	**112,476,202**
Expenses			
Performance fees	*9*	(7,759,095)	-
Management fees	*9*	(2,959,426)	(2,164,914)
Administration fees	*10*	(318,861)	(241,494)
Other operating expenses	*8*	(290,345)	(491,418)
Interest expense		(1,923)	(34,711)
Total expenses, excluding finance costs		**(11,329,650)**	**(2,932,537)**
Operating profit, before finance costs		**41,657,653**	**109,543,665**
Finance costs			
Distributions to holders of non-voting participating shares		(25,000,000)	-
Operating profit for the year		**16,657,653**	**109,543,665**
Income tax expense	*15*	(212,230)	-
Increase in net assets attributable to holders of non-voting participating shares from operations		**16,445,423**	**109,543,665**

There was no other comprehensive income during the year ended 31 December 2010 and 31 December 2009.

Consolidated statement of financial position

(stated in United States dollars)

	Notes	At 31 December 2010	2009
Assets			
Cash and cash equivalents	5	23,315	715,041
Due from brokers	6	11,355,552	7,399,570
Financial assets at fair value through profit or loss	13	226,238,405	199,160,901
Other assets		-	4,999
Total assets		**237,617,272**	**207,280,511**
Liabilities			
Trade payables		(6,000,000)	-
Other accounts payable and accrued expenses	11	(145,980)	(110,764)
Current income tax payable		(98,028)	(46,265)
Management fees payable	9	(735,552)	(690,288)
Performance fees payable	9	(7,759,095)	-
Total liabilities, excluding net assets attributable to holders of non-voting participating shares		**(14,738,655)**	**(847,317)**
Net assets attributable to holders of non-voting participating shares	16	**222,878,617**	**206,433,194**
Represented by: Net asset value per non-voting participating share based on 199,882,986 (2009: 199,882,986) shares outstanding	12,16	**US$1.12**	**US$1.03**

The consolidated financial statements were signed and authorised for release by the Board of Directors on 17 May 2011.

David PM Blair

Director

John S Elder

Director

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

(stated in United States dollars)

	Notes	**Number of non-voting participating shares**	**Net assets attributable to holders of non-voting participating shares (calculated in accordance with IFRS)**
Balance at 1 January 2009		199,882,986	96,889,529
Increase in net assets attributable to holders of non-voting participating shares from operations	*12*	-	109,543,665
Balance at 31 December 2009		**199,882,986**	**206,433,194**
Increase in net assets attributable to holders of non-voting participating shares from operations		-	16,445,423
Balance at 31 December 2010	*12*	**199,882,986**	**222,878,617**

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

Consolidated statement of cash flows

(stated in United States dollars)

	For the year ended 31 December 2010	2009
Cash flows from operating activities		
Increase in net assets attributable to holders of non-voting participating shares from operations	16,445,423	109,543,665
Adjustments to reconcile increase in net assets attributable to holders of non-voting participating shares from operations to net cash from operating activities		
Distributions to holders of non-voting participating shares	25,000,000	-
	41,445,423	**109,543,665**
Net changes in operating assets and liabilities		
Increase in financial assets at fair value through profit or loss	(27,077,504)	(137,987,132)
Increase in due from broker	(3,955,982)	(7,399,570)
Decrease in other assets	4,999	154
Increase in trade payables	6,000,000	-
Decrease in due to brokers	-	(313,563)
Increase in performance fees payable	7,759,095	-
Increase in management fees payable	45,264	182,110
Increase in current income tax payable	51,763	-
Increase in other accounts payable and accrued expenses	35,216	16,567
Net cash provided by/(used in) operating activities	**24,308,274**	**(35,957,769)**
Cash flows from financing activities		
Distributions to holders of non-voting participating shares	(25,000,000)	-
Net cash flows used in financing activities	**(25,000,000)**	**-**
Net decrease in cash and cash equivalents	**(691,726)**	**(35,957,769)**
Cash and cash equivalents at the beginning of the year	715,041	36,672,810
Cash and cash equivalents at the end of the year	**23,315**	**715,041**
Supplementary information:		
Interest received	211,462	49,417
Interest paid	(1,923)	(34,711)
Dividends received (net of withholding tax)	1,989,265	941,043

Notes to the consolidated financial statements

1. Corporate information

These consolidated financial statements include the financial statements of Russia Infrastructure Equities Limited (the “Company”) and its 100% owned subsidiary, Moxham Enterprises Limited (the “Subsidiary”), together referred to as the “Fund”.

The Company is an investment company incorporated with limited liability on 21 August 2007 under the laws of the British Virgin Islands, which commenced its operations on 28 November 2007. It is a closed-end investment vehicle under British Virgin Islands law and as such is not a regulated entity under the Mutual Funds Act of 1996 (as amended) of the British Virgin Islands.

The Fund’s shares are listed on the Bermuda Stock Exchange.

The overall investment objective of the Fund is to achieve medium-term capital appreciation through investment in equity and equity-related instruments of companies involved in the infrastructure sector of Russia and other states within the Commonwealth of Independent States (the “CIS”).

The Fund may also invest in forward contracts, futures, options, and other types of derivatives, may purchase securities on margin, may sell securities short and may engage in repurchase transactions, stock borrowing, lending and other similar transactions. The Fund may also invest in government and corporate debt instruments for investment purposes and as a substitute for cash positions. Depending on market conditions, the Fund may engage in hedging strategies, including buying put options and selling futures contracts on the underlying stocks, indexes or commodities, in order to limit the downside risk of the investments.

The CIS has been experiencing political and economic change which has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the CIS involve risks, which do not typically exist in other markets. The accompanying financial statements reflect management’s assessment of the impact of the CIS business environment on the operations and the financial position of the Fund. The future business environment may differ from management’s assessment.

With effect from 30 November 2010, the Company’s term has been extended until 1 January 2015.

The Fund offers one class of shares and invests, via the Subsidiary, a company incorporated in Cyprus as limited liability company in accordance with the provisions of the Companies Law, Cap.113, on 28 June 2007. The Fund’s registered office is Jayla Place, Wickhams Cay I, Road Town, Tortola, VG1110, British Virgin Islands. The Fund has no employees.

The Fund’s investment activities are managed by Renaissance Capital Investment Management Limited (BVI) (the “Investment Manager”). The Fund’s prime broker and custodian is Renaissance Advisory Services Limited (the “Prime Broker”; the “Custodian”). The Fund’s administrator is Custom House Fund Services (Ireland) Limited (the “Administrator”).

The consolidated financial statements of the Fund for year ended 31 December 2010 were authorised for issue by the Fund’s Directors on 17 May 2011.

2.1. Basis of preparation

(a) General

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets and financial liabilities that have been measured at fair value.

The consolidated financial statements are presented in United States dollars (“US$”), which is the functional and presentation currency of the Fund. The non-voting participating shares of the Fund are issued in United States dollars and the Fund’s investing activities are primarily conducted in United States dollars.

The consolidated financial statements are presented in US$.

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 judgement in the process of applying the Fund’s accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are detailed in note 3.

(b) Statement of compliance

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

(c) Basis of consolidation

(i) Subsidiaries

Subsidiaries are those enterprises controlled by the Fund. The Fund had one subsidiary during the year and as at the reporting date, Moxham Enterprises Limited. Separate financial statements are prepared for the Subsidiary. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control over the operating and financial decisions are obtained and cease to be consolidated when control is transferred out of the Company.

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The functional and presentation currency of the Subsidiary is the same as the Company. These consolidated financial statements comprise the financial results of the Company and Subsidiary. The Company owned 100% of the issued share capital of the Subsidiary during 2010 and 2009.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

2.2. Summary of significant accounting policies

(a) Financial instruments

(i) Classification

The Fund classifies its financial assets and financial liabilities into the categories below in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

Financial assets and liabilities at fair value through profit or loss

The category of financial assets and liabilities at fair value through profit or loss is sub-divided into:

- *Financial assets and liabilities held for trading*

  Financial assets and liabilities at fair value are classified as held for trading if they are acquired or incurred for the purpose of selling or repurchasing in the near term. Derivatives are always classified as held for trading. The financial assets and liabilities held for trading are measured at fair value. Gains or losses on financial assets and liabilities at fair value held for trading are recognised in the consolidated statement of comprehensive income.

  Derivative financial instruments entered into by the Fund do not meet the hedge accounting criteria as defined by IAS 39. Consequently, hedge accounting is not applied by the Fund.

- *Financial assets and liabilities designated as at fair value through profit or loss upon initial recognition*

  These include equity securities and debt instruments that are not held for trading. These financial assets and liabilities are initially designated on the basis that they are part of a group of financial assets and liabilities which are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's Offering Memorandum. The vast majority of these financial assets and liabilities are expected to be realised within 12 months of the reporting date.

  The Fund held no financial liabilities at fair value through profit or loss as at 31 December 2010 and 2009.

- *Financial assets at amortised cost*

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Fund includes in this category amounts relating to short-term receivables such as, due from broker, redemptions pending and other assets.

- *Financial liabilities at amortised cost*

  Trade payables include investment purchases not yet settled. Other payables include: performance fees, management fees and other accounts payable and accrued expenses.

(ii) Recognition

The Fund recognises financial assets and liabilities on the date it becomes party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognised on the trade date, i.e. the date that the Fund commits to purchase or sell the asset.

(iii) Derecognition

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

- The rights to receive cash flows from the asset have expired; or

- The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and

- Either (a) the Fund has transferred substantially all the risks and rewards of the asset, or (b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Fund’s continuing involvement in the asset.

The Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expires.

(iv) Initial measurement

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

Financial assets and financials liabilities not at fair value through profit or loss are measured initially at fair value plus transaction costs that are directly attributable to the acquisition or issue.

(v) Subsequent measurement

After initial measurement, the Fund measures financial instruments which are classified as at fair value through profit or loss at fair value.

Subsequent changes in the fair value of those financial instruments are recorded in “Net gain on financial assets at fair value through profit or loss”. Interest earned and dividend revenue elements of such instruments are recorded separately in “Interest income” and “Dividend income”, respectively.

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instruments but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

(b) Determination of fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price or binding dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

Where the Fund has assets and liabilities with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies the bid or ask price to the net open position as appropriate.

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 14.

(c) Impairment of financial assets

At each reporting date the Fund assesses whether a financial asset or group of financial assets classified as loans and receivables is impaired. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted using the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated statement of comprehensive income as a separate line.

Impaired debts together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Fund. If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a previous write-off is later recovered, the recovery is credited to the consolidated statement of comprehensive income as a separate line.

Interest revenue on impaired financial asset is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

There were no impaired assets held by the Fund as at 31 December 2010 and 2009.

(d) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is generally not the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

(e) Foreign currency translations

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

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at each period end using currency rate established by the Central Bank of the Russian Federation.

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

Foreign currency transaction gains and losses on financial instruments classified as at fair value through profit or loss are included in the consolidated statement of comprehensive income as part of the "Net gain on financial assets at fair value through profit or loss". Exchange differences, if any, on other financial instruments are included in the consolidated statement of comprehensive income as "Other operating expenses".

(f) Due to and due from brokers

Amounts due to brokers are negative balances on brokerage accounts and amounts payable for securities purchased (in regular way transactions) that have been contracted for but not yet delivered on the reporting date. Interest on negative brokerage account balances is recognised as interest expense in the consolidated statement of comprehensive income as it is accrued.

Amounts due from brokers include positive balances on brokerage accounts and margin accounts. Margin accounts represent cash deposits held with broker as collateral against open futures contracts. Interest on positive brokerage account balances is recognised as interest income in the consolidated statement of comprehensive income as it is accrued.

(g) Non-voting participating shares

The Fund's shares are not redeemable at the option of the holders of non-voting participating shares but may be repurchased at the option of the Fund. In case of winding-up of the Fund the 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 Founder shares. The Founder shares are subordinate to all other classes of instruments and as such the non-voting participating shares do not meet the criteria of an equity instrument under IAS 32 and are classified as a financial liability.

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

For the purpose of calculating the net assets attributable to holders of non-voting participating shares in accordance with the Fund's Offering Memorandum, the value of securities which are quoted or dealt in on any stock exchange is based on the mid price.

This valuation of net assets value is different from the IFRS valuation requirements. The difference between the two valuations is reported in note 16.

The Fund's net asset value per share is calculated by dividing the net assets attributable to holders of non-voting participating shares (calculated in accordance with redemption requirements) by the number of shares in issue.

(h) Dividends to holders of non-voting participating shares

Dividends of holders of non-voting participating shares are recognised in consolidated statement of comprehensive income as finance costs when they are authorised and no longer at the discretion of the Fund.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, current accounts, short-term deposits in banks and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Short-term investments that are not held for the purpose of meeting short-term cash commitments and restricted margin accounts are not considered "cash and cash equivalents".

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(j) Interest income and interest expense

Interest income and expense are recognised in the consolidated statement of comprehensive income for all interest-bearing financial instruments using the effective interest method. Interest income and expense include interest on bank and broker balances.

(k) Dividend income and expense

Dividend income is recognised when the Fund's right to receive the payment is established. Dividend income is presented gross of any non-recoverable withholding taxes.

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

(l) Fees and commissions

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

(m) Futures

A futures contract is an agreement between two parties to buy or sell a security, index or currency at a specific price or rate at a future date. Upon entering into a futures contract, the Fund is required to deposit with the broker an amount of cash or cash equivalents equal to a certain percentage of the contract amount. This is known as "initial cash margin". Subsequent payments ("variation margin") are made or received by the Fund each day, depending upon the daily fluctuation in the value of a contract.

The daily changes in contract value are recorded as unrealised gains or losses and the sub-fund recognises a realised gain or loss when the contract is closed. Unrealised gains and losses on futures contracts are recognised in the consolidated statement of comprehensive income.

(n) Net gain on financial assets at fair value through profit or loss

This item includes changes in the fair value of financial assets and liabilities held for trading or designated upon initial recognition as "held at fair value through profit or loss" and exclude interest and dividend income and expenses. Unrealised gains and losses comprise changes in the fair value of financial instruments for the period and from reversal of prior period's unrealised gains and losses for financial instruments which were realised in the reporting period.

Realised gains and losses on disposals of financial instruments classified as "at fair value through profit or loss" are calculated using the First-In, First-Out (FIFO) method. They represent the difference between an instrument's initial carrying amount and disposal amount, or cash payments or receipts made on derivative contracts (excluding payments or receipts on collateral margin accounts for such instruments).

(o) Income taxes

There are no taxes on income, profits or capital gains in the British Virgin Islands. Income tax expense may arise on a level of the Subsidiary registered in Cyprus.

(p) Standards, amendments and interpretations effective in the current period

The application of the following new and revised standards shown below has not had any material impact on the Fund's amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements:

- IFRS 2 Share-based Payment: Group Cash-settled Share-based Payment Transactions, effective 1 January 2010.
- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) effective 1 July 2009 including consequential amendments to IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39.
- IAS 39 Financial Instruments: Recognition and Measurement — Eligible Hedged Items effective 1 July 2009.
- IFRIC 17 Distributions of Non-cash Assets to Owners.
- Improvements to IFRS (May 2008).
- Improvements to IFRS (April 2009).

All significant operating decisions are based upon analysis of the Fund as one segment. The financial results from this segment are equivalent to the consolidated statements of the Fund as a whole.

3. Significant accounting judgments, estimates and assumptions

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

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

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.

Functional currency

The primary objective of the Fund is to generate returns in US$, its capital-raising currency. The Fund's performance is evaluated in US$. Therefore, the management considers the US$ as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions (see note 2.1(a)).

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 and model inputs such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The models are calibrated regularly and tested for validity using prices from any observable current market transactions in the same instrument (without modification or repackaging) or based on any available observable market data.

Further information on the risks related to the investments is included in note 18.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and changes in tax laws on foreign withholding tax. Given the wide range of international investments, differences arising between the actual investment income and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax expense already recorded.

The Fund establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it invests. The amounts of such provisions are based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective investment's domicile. As the Fund assesses the probability for litigation and subsequent cash outflow with respect to taxes as remote, no contingent liability has been recognised.

4. Standards, Interpretations and amendments issued but not yet effective

The following standards and amendments to existing standards have been issued to date and are not yet effective for the financial statements of the Fund for the year ended December 31, 2010 and have not been applied or early adopted in preparing these consolidated financial statements:

Standard:	Summary:	Effective Date
IAS 12 (amendment), Income Taxes	Measurement of deferred tax on recovery of underlying assets	1 January 2012
IAS 24 (revised), Related Party Disclosures	Simplification of related party disclosures; clarification of definition	1 January 2011
IAS 32 (amendment), Financial Instruments: Presentation	Amendments relating to accounting for rights issues	1 February 2010
IFRS 1 (amendment), First time adoption of International Financial Reporting Standards	Limited exemption from comparative IFRS 7 disclosures for first time adopters	1 July 2010
IFRS 7 (amendment), Financial Instrument: Disclosures	Amendments relating to enhancing disclosures about transfer of financial assets	1 July 2011
IFRS 9 Financial Instruments	Impact is described below	1 January 2013
IFRIC 14 (amendment), The Limited on a Defined Benefit Asset, Minimum Funding Requirements and their interaction	Amendments to pension accounting	1 January 2011
IFRIC 19 Extinguishing financial liabilities with equity instruments	Treatment of issued equity instruments to extinguish all or part of a financial liability	1 July 2010
Improvements to IFRS (May 2010)	*Ammendments to IFRS 3, IFRS 7, IAS 34, IFRS 1, IAS 1, IAS 27, IFRIC 13*	1 January 2011

Management of the Fund anticipates that the adoption of IFRSs that were in issue at the date of authorisation of these financial statements, but not yet effective will have no material impact on the financial statements of the Fund in the period of initial application.

IFRS 9 Financial Instruments was issued in November 2009 and represents the first part of a three-part project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 Financial Instruments introduced new requirements for the classification and measurement of financial assets.

The standard is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted. IFRS 9 is required to be applied retrospectively. If the standard is adopted prior to 1 January 2012, an entity will be exempt from the requirement to restate prior period comparative information.

IFRS 9 uses business model and contractual cash flow characteristics to determine whether a financial asset is measured at amortised cost or fair value, replacing the four category classification in IAS 39. The approach is also based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. Requirements for financial liabilities were added to IFRS 9 in October 2010. Most of the requirements for financial liabilities were carried forward unchanged from IAS 39. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk. The next steps in the International Accounting Standard Board's (IASB's) project will address the impairment of financial assets measured at amortised cost and hedge accounting.

The IASB has indicated that it aims to finalise the replacement of IAS 39 by the second quarter of 2011. In addition, the IASB is working with the US Financial Accounting Standards Board to reduce inconsistencies between the generally accepted accounting principles in the US and IFRS in accounting for financial instruments. The impact of IFRS 9 may change as a consequence of further developments resulting from the IASB's financial instruments project. As a result, it is impracticable to quantify the impact of IFRS 9 as at the date of publication of these financial statements.

5. Cash and cash equivalents

	31 December 2010	31 December 2009
	US$	US$
Cash on current bank account	23,315	715,041

Cash is held with a bank based in the United Kingdom. For details of currency and counterparty risk exposure refer to note 18.

6. Due to/from brokers

	31 December 2010	31 December 2009
	US$	US$
Brokers - positive balance	11,355,552	7,399,570

Balances due from/to brokers comprise cash and cash collateral balances with the Fund's brokers, Renaissance Advisory Services Limited and Renaissance Securities (Cyprus) Limited and amounts receivable or payable for securities transactions that have not settled at 31 December 2010. Brokers charge interest on positive account balance at 2% p.a. (see note 7).

7. Interest income

	For the year ended 31 December	
	2010	2009
	US$	US$
Interest on positive brokerage account balance	211,462	49,417
Total interest income	**211,462**	**49,417**

8. Other operating expenses

	For the year ended 31 December	
	2010	2009
	US$	US$
Professional fees	(213,134)	(116,883)
Commissions and other charges	(35,738)	(305,196)
Listing fees	(18,121)	(5,140)
Directors fees	(11,915)	(23,462)
Other expenses	(10,989)	(11,681)
Custodian fees	(448)	-
Legal fees	-	(29,056)
Total other operating expenses	**(290,345)**	**(491,418)**

9. Management and performance fees

Under the terms of the investment management agreement, the Investment Manager is paid a management fee equal to 1.5% p.a. of the net asset value as at the close of business on each business day. The fees are accrued daily and are payable quarterly in arrears. During the year management fees of US$2,959,426 (2009: US$2,164,914) were incurred of which US$735,552 (2009: US$690,288) was outstanding as at 31 December 2010.

The Fund will also pay to the Investment Manager a performance fee equal to 20% of the total increase in the net asset value per participating share over the initial offering price of US$0.87427 (up to July 2010: US$1.05) per non-voting participating share. The performance fee is calculated and accrued on a daily basis. The performance fee is payable on the redemption or repurchase of the non-voting participating shares. It is payable on, or in anticipation of, winding up of the Fund, at the Directors' discretion. For the year ending 31 December 2010 performance fees of US$7,759,095 (2009: US$Nil) were incurred of which US$7,759,095 (2009: US$Nil) were outstanding at year end.

10. Administration fees

Under the terms of the administration agreement, an administration fee is paid quarterly in arrears to the Administrator. The administration fee is equal to:

- 0.2% of the net asset value of the Fund if such net asset value is below US$ 50 million;

- 0.15% if such asset value is between US$ 50 million and US$ 200 million;
- 0.10% if between US$ 200 million and US$ 400 million; and
- 0.075% if the net asset value exceeds US$ 400 million.

During the year ended 31 December 2010, fees of US$ 318,861 (2009: US$ 241,494) were incurred of which US$55,428 (2009: US$ 25,637) was outstanding at year end (see note 11).

11. Other accounts payable and accrued expenses

	31 December 2010	31 December 2009
	US$	**US$**
Professional fees	(80,397)	(75,732)
Administration fee payable	(55,428)	(25,637)
Other fees and expenses	(10,155)	(9,395)
Total other accounts payable and accrued expenses	**(145,980)**	**(110,764)**

12. Non-voting participating shares

Incorporation and share capital

The Company is authorised to issue 100 non-participating voting founder shares of US$ 0.01 each and 500,000,000 profit participating, non-voting participating shares of US$ 0.01 each.

The Investment Manager owns 100% of the founder shares.

As of 31 December 2010 and 2009 100 founder shares have been issued at US$ 0.01 each and 199,882,986 profit participating, non-voting participating shares have been issued at US$ 0.01 each. During the year 2010 and 2009 there were no movements in number of participation shares. The Company does not have any externally imposed capital requirements.

Rights of the founder shares

The founder shares carry no right to any dividend and on liquidation they will rank equally for return of the subscription price paid up on them after the return of the subscription price paid up on the non-voting participating shares. Founder shares carry the right to one vote each. Founder shares may not be redeemed.

Rights of the non-voting participating shares

The non-voting participating shares do not carry a right to vote except in relation to separate class rights upon any variation of rights attaching to the shares in which case, each share carries the right to one vote. The non-voting participating shares are entitled to dividends.

The non-voting participating shares are not redeemable at the option of the holders of non-voting participating shares but may be repurchased at the option of the Company. At their absolute discretion, the Directors may repurchase shares pursuant to request from a shareholder, in accordance with applicable law and resolutions which have been adopted by the Company.

Winding up

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

Distributions

The Directors have the absolute discretion as to the payment of dividends. On 2 July 2010, US$ 25Million of dividends was distributed to the holders of non-voting participating shares, equivalent to US$ 0.125 per non-voting participating share in issue.

Capital management

As a result of the ability to issue and redeem non-voting participating shares, the capital of the Company can vary depending on the demand for subscriptions to and redemptions from the Company. The Company is not subject to externally imposed capital requirements and has no restrictions on the issue and redemption of non-voting participating shares.

The Company's objectives for managing capital are:

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

Refer to note 18 for the policies and processes applied by the Company in managing its capital.

13. Financial assets at fair value through profit or loss

The Fund maintains positions in a variety of financial instruments as dictated by its investment management strategy detailed in the Offering Memorandum and disclosed in note 1.

As of 31 December 2010 and 2009, and shown in the table below, the Fund's investment portfolio comprises quoted and unquoted equity securities, investments in other investment funds and exhange traded notes.

	31 December 2010	31 December 2009
	US$	US$
Financial assets held for trading		
Equity securities	212,209,655	184,548,418
Futures contract	655,815	-
Total financial assets held for trading	**212,865,470**	**184,548,418**
Financial assets designated at fair value through profit or loss		
Investment funds	11,203,349	799,533
Equity securities	2,169,586	12,296,835
Exchange traded notes	-	1,516,115
Total financial assets designated at fair value through profit or loss	**13,372,935**	**14,612,483**
Financial assets at fair value through profit or loss	**226,238,405**	**199,160,901**

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

For the years ended:	31 December 2010	31 December 2009
	US$	US$
Net gain/(loss) on financial assets at fair value through profit or loss		
Financial assets held for trading	53,530,147	110,454,815
Financial assets designated at fair value through profit or loss	(2,923,741)	1,030,927
Derivative financial assets	19,700	-
Total gain	**50,626,106**	**111,485,742**

As of 31 December 2010 and 2009 the Fund exercised significant influence over Granit JSC. The Fund designated the investments in securities in which it holds more than 20 percent and less than 50 percent upon initial recognition, as at fair value through profit or loss in accordance with the exemption provided by IAS 28 *Investments in Associates* for investment companies and venture capital organisations.

During the 2009 financial year the Fund acquired iPath Exchange Traded Notes ("ETNs") – senior, unsubordinated, unsecured debt securities issued by Barclays Bank PLC that are linked to the total return of a market index. The ETNs were classified as financial assets at fair value through profit and loss upon initial recognition based on their fair value analysis in accordance with the Fund's investment strategy and the information on these investments available to the Fund's Management. The ETNs were disposed of during 2010.

14. Fair value of financial instruments

The Fund's financial instruments are carried at fair value in the consolidated statement of financial position. Usually the fair value of the financial instruments can be reliably determined within a reasonable range of estimates. In relation to certain other financial instruments, including receivables and payables, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

Fair value estimates are made at a 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 judgement and therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The following table shows financial instruments recognised at fair value, analysed between those whose fair value is based on:

- Quoted prices in active markets for identical assets or liabilities (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

All amounts in US$	31 December 2010			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets held for trading				
Equity securities	157,581,145	-	54,628,510	212,209,655
Futures contract	655,815	-	-	655,815
Financial assets designated at fair value through profit or loss				
Investment funds	11,203,349	-	-	11,203,349
Equity securities	-	-	2,169,586	2,169,586
	169,440,309	**-**	**56,798,096**	**226,238,405**

All amounts in US$	31 December 2009			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets held for trading				
Equity securities	127,218,576	11,499,192	45,830,650	184,548,418
Financial assets designated at fair value through profit or loss				
Investment funds	-	799,533	-	799,533
Equity securities	-	-	12,296,835	12,296,835
Exchange traded notes	1,516,115	-	-	1,516,115
	128,734,691	**12,298,725**	**58,127,485**	**199,160,901**

When fair values of quoted equity and debt securities as well as publicly traded derivatives at the reporting date are based on quoted market prices or binding dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs, the instruments are included within Level 1 of the hierarchy. When the Fund has assets and liabilities with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the off-setting risk positions and applies the bid or ask price to the net open position as appropriate.

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

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

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

Transfers between Level 1 and 2

The following table shows all transfers between Level 1 and Level 2 of the fair value hierarchy for financial assets recognised at fair value:

	31 December 2010	31 December 2009
	US$	US$
Financial assets held for trading		
Equity securities	-	908,848

Financial assets were transferred from Level 1 to Level 2 as they ceased to be traded in an active market during 2010 and 2009. Fair values at the reporting date were obtained using valuation techniques based on observable market inputs.

Level 3 reconciliation

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

		31 December 2010	
All amounts stated in US$.	Financial assets held for trading	Financial assets designated at fair value through profit or loss	Total
As at 1 January 2010	45,830,650	12,296,835	58,127,485
Total net losses recognised in consolidated statement of comprehensive income	(7,405,000)	(3,127,258)	(10,532,258)
Sales	(670,747)	(6,999,991)	(7,670,738)
Transfers into Level 3	16,873,607	-	16,873,607
As at 31 December 2010	**54,628,510**	**2,169,586**	**56,798,096**
Total net losses for the year included in profit or loss for assets held at the end of the reporting year	(2,132,780)	(3,400,386)	(5,533,166)

		31 December 2009	
All amounts stated in US$.	Financial assets held for trading	Financial assets designated at fair value through profit or loss	Total
As at 1 January 2009	23,799,759	10,306,745	34,106,504
Total net gains recognised in consolidated statement of comprehensive income	23,675,274	1,990,090	25,665,364
Purchases	2,676,262	-	2,676,262
Transfers out of Level 3	(8,590,273)	-	(8,590,273)
Transfers into Level 3	4,269,628	-	4,269,628
As at 31 December 2009	**45,830,650**	**12,296,835**	**58,127,485**
Total net gains for the year included in profit or loss for assets held at the end of the reporting year	24,843,514	1,990,090	26,833,604

Transfers into/out of Level 3

Transfers into Level 3 from Level 1 in the years 2010 and 2009 related to equity securities which ceased to be actively traded during the year and their fair values were consequently obtained using guidance companies method, a valuation technique based on unobservable market inputs. The reason for transfers from Level 2 to Level 3 in 2010 is that inputs to valuation techniques ceased to be observable. The reason for transfers from Level 3 to Level 2 in 2009 is that inputs to valuation techniques had become observable.

Level 3 assumptions used and sensitivity disclosure

As of 31 December 2010 and 2009 fair value of the financial assets held for trading and financial assets designated at fair value through profit and loss which are traded on a non-active market are valued using pricing models. Inputs are based on the composition of market observable and non-observable inputs which may vary according to the specific industry that the investee operates in at the reporting date.

As of 31 December 2010 and 2009 the Fund has investments in shares of Russian companies engaged in bridge and road construction, cement and concrete production, distribution and production of machinery and equipment for construction industry, production and installation of thermal and sound isolation products, production of integrated circuits and related electronic products, production of switches and spare parts for railway sector and some others, those fair value was calculated using guideline companies method, i.e. multiples method. Besides as of 31 December 2009 the Fund had an investment in IT outsourcing provider rendering software development, maintenance and support. Fair value of these investments as of 31 December 2010 amounted to US$ 35,641,778 (2009: US$ 39,369,843).

Key assumptions used were EV/Sale multiple, EV/EBITDA multiple, and preferred shares discount.

The Fund estimates fair value of these investments based on average price to EV/Sale and EV/EBITDA multiples. The potential effect of measuring the fair value of these investments based on only EV/Sales multiple, which is considered a reasonable possible alternative assumption, would have increased the fair value by US$ 13,557,765 (2009: US$ 6,846,134). In case these investments are measured based on only EV/EBITDA respective fair value would have been reduced by US$ 12,472,084 (2009: US$ 8,352,777).

As of 31 December 2010 and 2009 the Fund has investment in shares of Russian companies engaged in gas production and transmission those fair value was calculated using multiples method. Fair value of these investments as of 31 December 2010 amounted to US$ 18,986,732 (2009: US$ 13,187,671).

Key assumptions used are EV/Pipeline in ownership length multiple and preferred shares discount.

The Fund estimates fair value of these investments based on EV/Pipeline in ownership length multiple calculated as an average for companies of gas production and distribution sector. The potential effect of measuring fair value of these investments in case of change of this multiple by 10%, which is considered a reasonable possible alterative assumption, would have following effect on fair value of these investments:

- Increase of EV/Pipeline in ownership length multiple by 10% would have increase fair value of these investments by US$ 2,143,688 (2009: US$ 1,385,643);

- Decrease of EV/Pipeline in ownership length multiple by 10% would have reduced the fair value of these investments by US$ 2,143,688 (2009: US$ 1,385,643).

As of 31 December 2010 and 2009 the Fund has investments in companies engaged in exploration and development of mineral resources – granite and coal. Fair value of these investments as of 31 December 2010 amounted to US$ 2,169,586 (2009: US$ 5,569,972).

For the purposes of valuation of these investments the Fund applied a combination of cost approach and income approach, based on projected prices of these mineral resources. Key assumptions used are discount rate and projected prices of mineral resources.

The potential effect of measuring the fair value of these investments in case of change of discount rate by 10%, which is considered a reasonable possible alternative assumption, would have following effect on fair value of these investments:

- Increase of discount rate by 10% would have reduced the fair value by US$ 346,243 (2009: US$ 733,780).

- Decrease of discount rate by 10% would have increase fair value by US$ 428,364 (2009: US$ 881,484).

15. Taxation

The operations of the Fund are subject to multiple taxation jurisdictions, as follows:

BVI

At present, the BVI imposes no taxes on income, profits, capital gains or appreciation of the Fund. There are also no taxes currently imposed in the BVI on income, profits, capital gains or appreciation in the non-voting participating shares, nor any taxes on the holders of non-voting participating shares in the nature of estate duty, inheritance or capital transfers tax.

Russia Infrastructure Equities Limited is registered in the BVI as tax exempt company.

Cyprus

The Subsidiary is subject to corporation tax under the laws of Cyprus on its taxable profits at the rate of 10%. Capital gains derived on sale of securities are tax exempted (except for capital gains realised in connection with sale of shares in companies deriving their fair value or the greater part of their value from immovable property located in Cyprus.

Under certain conditions interest may be subject to defense contributions at the rate of 10%. In such cases 50% of the same interest will be exempt from corporation tax thus having an effective tax burden of 15%. Dividends received from abroad are subject to defence contributions at the rate of 15% if the interest of shareholding in the company from which dividends are received is less than 1%.

A reconciliation of income tax applicable to profit from operating activities before income tax at the statutory income tax rates to income tax expenses at the Fund's effective income tax rate is presented in the table below:

	For the year ended 31 December	
	2010	**2009**
	US$	**US$**
Accounting income before tax	16,657,653	109,543,665
Theoretical tax expense calculated at the Fund's statutory tax rate (0%)	-	-
Tax effect of income of subsidiaried taxed at other rates	(3,571,626)	(9,357,933)
Tax effect of tax exempt income	5,275,526	11,242,679
Tax effect of non-deductible expenses for tax purposes	(1,707,594)	(1,889,677)
Losses brought forward from previous years	154,280	157,892
Unrecognised loss brought forward	(138,348)	(154,280)
Effect of translation	(12,238)	1,319
Withholding tax	(212,230)	-
Income tax expense	**(212,230)**	**-**

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

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

	31 December 2010	31 December 2009
	US$	US$
Net assets as reported to holders of non-voting participating shares	205,919,373	191,991,545
Adjustment to fair value of financial assets at fair value through profit or loss	16,663,866	14,456,840
Dividends receivable	274,569	-
Other adjustments	20,809	(15,191)
Adjusted net assets as per the IFRS consolidated financial statements	**222,878,617**	**206,433,194**
Total number of non-voting participating shares in issue	199,882,986	199,882,986
Net asset value per non-voting participating share as reported to holders of non-voting participating shares	1.03	0.96
Effect of adjustments per non-voting participating share	0.09	0.07
Adjusted net asset value per non-voting participating share per the consolidated financial statements	**1.12**	**1.03**

Adjustment to fair value of financial assets at fair value through profit or loss

For the purpose of calculating the net assets attributable to holders of non-voting participating shares in accordance with the Fund's Offering Memorandum, the Fund's assets are valued on the basis of mid-market prices, which is different from the IFRS valuation requirements. The respective adjustment to bid prices was recognised in these consolidated financial statements.

Additionally, in the course of preparation of these consolidated financial statements the Fund revalued its unquoted and illiquid investments. The respective change in fair value was recognised within the consolidated statement of comprehensive income.

17. Related parties

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

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

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

During the year the Fund was involved in transactions with related parties which are classified as follows:

- Directors – the list of the Fund's Directors is shown on page 1.

- Investment Manager - Renaissance Capital Investment Management Limited.

During the year ended 31 December 2010 and 31 December 2009 the Company was involved in transactions with related parties under common control which is also the ultimate parent company of Renaissance Investment Capital Management Limited, the Investment Manager.

The table below presents the transactions and balances with the related parties identified above.

Consolidated statement of financial position	Nature of related party	31 December 2010	31 December 2009
		US$	US$
Assets			
Due from broker	Other entities under common control with the Investment Manager	11,355,552	7,399,570
Financial assets at fair value through profit or loss	Other entities under common control with the Investment Manager	11,203,349	799,533
Liabilities			
Incentive fees payable	Investment Manager	(7,759,095)	-
Management fees payable	Investment Manager	(735,552)	(690,288)

Consolidated statement of comprehensive income	Nature of related party	2010	2009
		US$	US$
Income			
Interest income	Other entities under common control with the Investment Manager	211,462	49,417
Expense			
Interest expense	Other entities under common control with the Investment Manager	(1,923)	(34,711)
Incentive fees	Investment Manager	(7,759,095)	-
Management fees	Investment Manager	(2,959,426)	(2,164,914)
Other operating expenses	Directors	(11,915)	(23,462)

In addition to the transactions above, the Investment Manager holds the founder shares issued by the Company (see note 12).

18. Financial risk management

General

The Fund maintains positions in a variety of derivative and non-derivative financial instruments as dictated by its investment management strategy. According to its investment strategy the Fund aims to achieve medium-term capital appreciation through investment in equity and equity-related instruments of companies involved in the development of the infrastructure sector.

The Fund invests in equity and equity-related instruments, quoted and unquoted, issued by the companies in the Russian infrastructure sector. The Fund has a long-only strategy and may use hedging strategies when deemed appropriate.

In 2010 and 2009 the Fund's investment portfolio comprised quoted and unquoted equities, investments in other investment funds, exchange traded notes and derivative financial instruments.

Asset allocation is determined by the Fund's Investment Manager who manages the distribution of the assets to achieve the investment objectives. Divergence from target asset allocations and the composition of the portfolio is monitored by the Investment Manager's Compliance Controller. In instances where the portfolio has diverged from target asset allocations, the Investment Manager will rebalance the portfolio to fall in line with the target asset allocations.

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

The nature and extent of the financial instruments outstanding at the reporting date and the risk management policies employed by the Fund are discussed below.

Credit risk

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

The carrying amounts of financial assets best represent the maximum credit risk exposure at the reporting date. This relates also to financial assets carried at amortised cost, as they have a short-term to maturity.

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

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

Maximum exposure	**31 December 2010**	**31 December 2009**
	US$	**US$**
Cash and cash equivalents	23,315	715,041
Financial assets at fair value through profit or loss	655,815	2,315,648
Due from brokers	11,355,552	7,399,570
Total credit risk exposure	**12,034,682**	**10,430,259**

Amounts in the above table are based on the carrying value of all accounts.

The credit quality of financial assets is managed based on international credit ratings of counterparties, determined by Standard and Poor's, Moody's or Fitch. The table below shows the credit quality by class of asset for loan-related lines of consolidated statement of financial position, based on the Fund's credit risk monitoring approach.

31 December 2010	**High rated***	**Not rated**	**Total**
	US$	**US$**	**US$**
Cash and cash equivalents	23,315	-	23,315
Due from brokers	-	11,355,552	11,355,552
Financial assets at fair value through profit or loss	655,815	-	655,815
Total	**679,130**	**11,355,552**	**12,034,682**

31 December 2009	**High rated***	**Not rated**	**Total**
	US$	**US$**	**US$**
Cash and cash equivalents	715,041	-	715,041
Due from brokers	-	7,399,570	7,399,570
Financial assets at fair value through profit or loss	-	2,315,648	2,315,648
Total	**715,041**	**9,715,218**	**10,430,259**

*Equivalent to a rating of "AA-" with Standard & Poors at 31 December 2010.

Transactions involving derivative financial instruments are usually with counterparties with whom the Fund signed master netting agreements. Master netting agreements provide for the net settlement of contracts with the same counterparty in the event of default. The impact of the master netting agreements is to reduce credit risk. The credit risk associated with derivative financial assets subject to a master netting arrangement is eliminated only to the extent that financial liabilities due to the same counterparty will be settled after the assets are realised.

The exposure to counterparty credit risk reduced by master netting arrangements may change significantly within short period of time as a result of transactions subject to the arrangement, Master netting agreements are used for all type the transactions except pre-IPO and buy-out deals. The corresponding assets and liabilities have not been offset on the consolidated statement of financial position.

The 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. Counterparty limits bound the maximum amount of all unsettled trades (exposure) for all products with each respective counterparty.

Credit risk arising on transactions with brokers relates to transactions awaiting settlement. Non-delivery risk, prepayment risk and pre-settlement risk, incurred in non-exchange-settled transaction, are subject to monitoring. The risks are aggregated and utilised against counterparty limit. Risk relating to unsettled transactions is considered small due to the short settlement period involved and the high credit quality of the brokers used. The prime broker of the Fund is Renaissance Advisory Services Limited (Bermuda). The Fund monitors the credit ratings and financial positions of the brokers used to further mitigate this risk. As of 31 December 2010 the Fund purchased shares in Renaissance Emerging Europe Fund; these shares were purchased but not delivered at the year end.

The majority of the Fund's assets are held by Renaissance Advisory Services Limited (Bermuda). 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 with JP Morgan Chase, N.A. to facilitate redemption and other payments. The Fund also established a bank account with Raiffeisen Bank to facilitate any payments or proceeds received in Russian Rubles. Bankruptcy or insolvency of these banks may cause the Fund's rights in respect of the cash held by the banks to be delayed or limited. The Fund manages its risk by monitoring the credit quality and financial position of the banks.

Geographical concentration

The geographical concentration of asset and liabilities is presented in the tables below:

	31 December 2010			
All amounts stated in US$	**Russia and CIS**	**USA**	**Other**	**Total**
Assets:				
Cash and cash equivalents	-	23,315	-	23,315
Due from brokers	-	-	11,355,552	11,355,552
Financial assets at fair value through profit or loss	225,582,590	-	655,815	226,238,405
	225,582,590	**23,315**	**12,011,367**	**237,617,272**
Liabilities:				
Performance fees payable	-	-	(7,759,095)	(7,759,095)
Trade payables			(6,000,000)	(6,000,000)
Management fee payable	-	-	(735,552)	(735,552)
Other accounts payable and accrued expenses	(80,407)	-	(65,573)	(145,980)
Current income tax payable	-	-	(98,028)	(98,028)
	(80,407)		**(14,658,248)**	**(14,738,655)**
Net consolidated financial position	**225,502,183**	**23,315**	**(2,646,881)**	**222,878,617**

	31 December 2009			
All amounts stated in US$	**Russia and CIS**	**USA**	**Other**	**Total**
Assets:				
Cash and cash equivalents	-	715,041	-	715,041
Due from brokers	-	-	7,399,570	7,399,570
Financial assets at fair value through profit or loss	197,644,786	-	1,516,115	199,160,901
Other assets	-	-	4,999	4,999
	197,644,786	**715,041**	**8,920,684**	**207,280,511**
Liabilities:				
Management fee payable	-	-	690,288	690,288
Other accounts payable and accrued expenses	75,732	-	35,032	110,764
Current income tax payable	-	-	46,265	46,265
	75,732	**-**	**771,585**	**847,317**
Net consolidated financial position	**197,569,054**	**715,041**	**8,149,099**	**206,433,194**

The majority of the Fund's counterparties are financial institutions.

None of the Fund's financial assets were considered to be past due or impaired in both 2010 and 2009.

Liquidity risk

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 had an original term of three years. At each annual general meeting of the Fund falling after 1 January 2011 and the term of the Fund may be extended. Prior to the expiration of the Fund's term, the net assets will not be distributed to holders of non-voting participating shares. With effect from 30 November 2010, the Company's term has been extended until 1 January 2015.

The Fund's Offering Memorandum does not provide for the redemption of the non-voting participating shares at the option of the holders of non-voting participating shares and the Fund is therefore not exposed to the liquidity risk of meeting redemptions for holders of non-voting participating shares upon the cancellation time.

Part of the Fund's investments are unquoted and can be illiquid, thereby making it difficult to acquire or dispose of investments at values stated in the current consolidated financial statements. The Fund intends to hold its unquoted investments until disposed of via a private transaction with one or more investors or in or following an initial private offering ("IPO"). There is no assurance that the Fund will be able to dispose of any investments by way of an IPO. If no IPO takes place in relation to a particular investment, the Fund will seek to dispose of such investment by means of a sale on a secondary market, if any exists, or otherwise. However, there is no assurance that the Fund will be able to dispose of any investment at a price or on terms that the Fund finds acceptable.

The current liquidity requirements including payments of operating expenses and fees are managed in accordance with policies and procedures in place. The Fund uses detailed cash flow forecasting, carried out by the Treasury department, which allows to control and manage its liquidity and undertake proper measures if liquidity shortages or excessive liquidity are anticipated.

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2010 based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately.

31 December 2010	**Less than 3 months**	**3 to 12 months**	**No stated maturity**	**Total**
	US$	**US$**	**US$**	**US$**
Trade payables	6,000,000	-	-	6,000,000
Management fee payable	-	735,552	-	735,552
Performance fee payable*	-	-	7,759,095	7,759,095
Other accounts payable and accrued expenses	55,428	90,542	-	145,970
Total undiscounted financial liabilities	**6,055,428**	**826,094**	**7,759,095**	**14,640,617**

31 December 2009	**Less than 3 months**	**3 to 12 months**	**No stated maturity**	**Total**
	US$	**US$**	**US$**	**US$**
Management fee payable	–	690,288	-	690,288
Other accounts payable and accrued expenses	25,637	85,128	-	110,765
Total undiscounted financial liabilities	**25,637**	**775,416**	**-**	**801,053**

* The performance fee is payable on the redemption or repurchase of the Shares on, or in anticipation of, the winding up of the Company or in the case of a redemption or repurchase of Shares, at the Directors' discretion during the life of the Company.

The net assets attributable to holders of non-voting redeemable participating shares is excluded from the table above as it is not subject to liquidity risk.

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The maximum risk resulting from financial instruments, except for written options and securities sold short, equals their fair value.

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

The Fund's strategy on the management of market risk is driven by the Fund's investment objective. The investment objective of the Fund is disclosed in note 1.

The Fund's market risk is managed on a daily basis by the Investment Manager in accordance with policies and procedures in place. The following guidelines and policies are established:

- The total amount of leverage will not exceed 50% of the Fund's net assets value.

- The Fund may invest up to 50% of its net assets value into one company.

Accordingly, the Fund's portfolio may be highly concentrated and its performance may be materially and adversely affected by the performance (either positive or negative) of a single investment.

The exposure to market risk of the Fund's financial asset and liability positions is measured using Value-at-Risk ("VaR") analysis. The details of the method including its main assumptions and limitations are disclosed below.

Details of the nature of the Fund's investment portfolio at 31 December 2010 and 2009 are disclosed in notes 13 and 14.

Currency risk

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

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

The securities in which the Fund invests may be denominated in Russian Rubles or other currencies. At the year end, the major part of investments was denominated mainly in Russian Rubles. However, those securities are priced and traded in US$. All settlements on securities trading are performed in US$. Therefore the Fund is not exposed to currency risk and does have any specific policies for managing the currency risk in what relates to active operations of the Fund.

The Fund operates with instruments denominated in Russian Rubles, EUR, US$. Majority of the Fund's trades and settlements are performed in US$. The Fund has limited exposure to currency risk as 100% of its monetary assets and liabilities in 2010 and 2009 were denominated in US$.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

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

The Fund primarily invests in equity securities, which are not exposed to interest rate risk.

As at 31 December 2010 and 2009 the Fund has no interest-bearing financial assets and liabilities at floating rates. The Fund's placements and borrowings are within related parties at fixed rates, the expectation of re-pricing is low. Therefore, the Fund has limited exposure to interest rate fluctuations and does not have specific policies and procedures for managing interest rate risk.

Other price risk

Other price risk is the risk that value of the instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

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

Price risk is managed and measured by the Fund's Investment Manager using VaR analysis. The Fund's overall price risk exposure is monitored by the Investment Manager on a daily basis.

Value-at-risk (VaR)

The market risk of the Fund's financial asset and liability positions is monitored by the Investment Manager using VaR analysis. VaR analysis reflects the interdependencies between risk variables, unlike a traditional sensitivity analysis. VaR represents the potential losses from adverse changes in market factors for a specified time period and confidence level.

VaR is derived using standard deviation of the fund share return calculated using 2-year history. Thus fund share daily VaR is calculated using 99% confidence interval. Then VaR figure is interpolated to the fund portfolio which allows calculating value at risk in US$.

VaR exposure is reported to the management and the Directors of the Fund on the daily basis.

Limitations of the used VaR calculation approach are the following:

- Historical data usage does not cover all possible scenarios in future, especially those which are extraordinary by nature;
- Usage of the 99% confidence level does not take into account potential loss which can occur out of that interval. Real loss can exceed calculated VaR value with the probability of 1%;
- As soon as VaR is calculated after the trade date, it does not consider risks that concern with positions opened during the trade date.

The table below indicates the VaR of the Fund's financial instruments, measured as the potential loss in value during 1 day from adverse changes in equity prices with a 99% confidence level.

	31 December 2010	31 December 2009
VaR of the portfolio (in US$)	5,864,338	5,634,237
VaR/NAV ratio, %	2.59%	2.73%

19. Maturity analysis of assets and liabilities

As at 31 December 2010 and 2009 the Fund has no assets and liabilities which were expected to be recovered during a period of more than one year, except for the following investments:

	31 December 2010	31 December 2009
	US$	**US$**
EPAM Systems Inc	-	6,726,863
Granit JSC	1,812,586	5,370,793
Renshare Utilities Limited	-	799,533
Lubel Coal Company Limited	357,000	199,178
	2,169,586	**13,096,367**

20. Commitments and contingencies

Operating environment

As previously noted the Fund's activity is mainly focused on investments in equities of Russian issuers.

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

The Russian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. In 2010 the Russian Government continued to take measures to support the economy in order to overcome the consequences of the global financial crisis. Despite some indications of recovery there continues to be uncertainty regarding further economic growth, access to capital and cost of capital, which could negatively affect the Fund's future consolidated financial position, results of operations and business prospects.

Also, factors including increased unemployment in Russia, reduced corporate liquidity and profitability, and increased corporate and personal insolvencies, have affected the Fund's debtors' ability to repay the amounts due to the Fund.

To the extent that information is available, the Fund has reflected revised estimates of expected future cash flows in its impairment assessment.

While the Management believes it is taking appropriate measures to support the sustainability of the Fund's business in the current circumstances, unexpected further deterioration in the areas described above could negatively affect the Fund's results and financial position in a manner not currently determinable.

Legal

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

21. Events after the reporting date

During the year between the end of the reporting year and the date of authorisation of these consolidated financial statements, apart from the matter detailed below, there were no other material events.

In connection with the extension of the Fund at an extraordinary meeting of holders of non-voting participating shares in December 2010, the Investment Manager made an undertaking to list the Fund on a regulated stock exchange. It has been decided to list the Fund on the London Stock Exchange, which will also involve the redomiciliation of the Fund to Guernsey. The listing process has commenced and is anticipated to be completed by the end of the second quarter of 2011.

22. Approval of the consolidated financial statements

The consolidated financial statements were approved by the Directors on 17 May 2011.

Consolidated schedule of investments

as at 31 December 2010

(stated in United States dollars)

	Fair Value US$	% of net asset value
Russian Long Equities		
Financial assets - held for trading		
Aeroflot-Russian Airlines	11,163,336	5.01%
AFI Development - GDR REGS WI	2,652,915	1.19%
Bamtonnelstroy-BRD	880,904	0.40%
Bamtonnelstroy-BRD-PFD	344,343	0.15%
Centrenergogaz-BRD	204,769	0.09%
Centrenergogaz-BRD-PFD	223,912	0.10%
Dalmostostroy	278,926	0.13%
Energospecmontazh - BRD	1,459,283	0.65%
Energozashchita Pic-BRD	3,195,912	1.43%
Federal Grid Co Unified	3,121,315	1.40%
Gazavtomatika	281,445	0.13%
GLOBALTRA-SPONS GDR REGS-W/I	27,528,355	12.35%
Gornozavodskcement	198,338	0.09%
Iskitimtsement	333,083	0.15%
Kombinat Mosingbeton-BRD	5,642,847	2.53%
Korshunovsky GOK	2,280,416	1.02%
Lebedyan Plant of Building-Finishing Machines	656,606	0.29%
Metrostroy	409,618	0.18%
Mikron-BRD	196,707	0.09%
Mosgorgidrostro-BRD	368,490	0.17%
Mostostroy-11	5,078,546	2.28%
Mostotrest	27,581,484	12.38%
MOSTOTRJAD-BRD	391,871	0.18%
MRK Urals	1,102,802	0.49%
MRSK HOLDING	4,846,832	2.17%
Murom Switch Works-BRD	3,913,166	1.76%
Murom Switch Works-BRD-PFD	2,879,021	1.29%
Nizhegorodoblgaz	3,796,504	1.70%
Novorossiisk Trade Port GDR REG S	14,785,649	6.63%
Novorossiysk Trade Port	910,361	0.41%
Novotroitsk Cement Plant	568,641	0.26%
OGK 1	1,684,660	0.76%
OGK 2	2,060,249	0.92%
OGK 3	737,567	0.33%
OGK 4	2,410,022	1.08%
OJSC LSR GROUP - GDR REGS	12,567,395	5.64%
Orenburgoblgaz-BRD	6,790,917	3.05%
PIK GROUP-GDR REG S	5,913,000	2.65%
Power Machines - ZTL, LMZ, Electrosila, Energomash	7,347,413	3.30%
Priargunsky Industrial-BRD	958,071	0.43%

RAVEN RUSSIA LTD	7,395,206	3.32%
ROSTELECOM	1,704,931	0.76%
Saratovoblgaz	1,727,458	0.78%
Saturn Research & Production	297,178	0.13%
Severtruboprovodstroy	487,832	0.22%
Sollers	7,665,479	3.44%
Spetsgazremstroy	81,951	0.04%
Stavropolskaygaz	4,334,316	1.94%
Stavropolskraygaz-BRD-PFD	1,145,842	0.51%
Transcontainer - GDR RegS	6,304,951	2.83%
TRANSNEFT PREF	2,504,454	1.12%
Transstroy Corporation	403,638	0.18%
Trest Gidromontag-BRD	5,081,569	2.28%
Trest Gidromontag-BRD-PFD	825,111	0.37%
TUIMAZY CONCRETE DELIV-BRD	2,544,584	1.14%
United Aircraft Building Corporation	523,645	0.23%
Voronezhoblgaz-BRD	1,191,696	0.53%
Vyksa Metallurgical Plant	244,123	0.11%
	212,209,655	**95.21%**
Russian - Derivative financial instrument		
Futures contract - held for trading		
FORTS RTS-3.11 15/03/11 NDF	**655,815**	**0.29%**
Russian - Long Equities		
Financial assets - designated at fair value through profit or loss		
Granit	1,812,586	0.81%
Lubel Coal Company Ltd	357,000	0.16%
	2,169,586	**0.97%**
Luxembourg - Long Equities		
Financial assets - designated at fair value through profit or loss		
Renaissance Emerging Europe Equity Fund Class C US	10,026,882	4.50%
Renaissance RUS Power UTIL -A UCITS Fund	1,176,467	0.53%
	11,203,349	**5.03%**
Total	**226,238,405**	**101.51%**

Consolidated schedule of investments

as at 31 December 2009

(stated in United States dollars)

	Fair Value US$	% of net asset value
Russian Long Equities		
Financial assets - held for trading		
Aeroflot-Russian Airlines	1,699,516	0.82%
Bamtonnelstroy-BRD	1,905,000	0.92%
Bamtonnelstroy-BRD-PFD	648,524	0.31%
Centrenergogaz-BRD	252,800	0.12%
Centrenergogaz-BRD-PFD	291,628	0.14%
Dalmostostroy	2,119,900	1.03%
Energospecmontazh - BRD	1,494,169	0.72%
Energozashchita Pic-BRD	3,978,000	1.93%
Gazavtomatika	90,000	0.04%
GLOBALTRA-SPONS GDR REGS-W/I	36,507,880	17.69%
Gornozavodskcement	129,951	0.06%
Iskitimtsement	849,983	0.41%
JSC Sitronics GDS CMN	86,002	0.04%
Kombinat Mosingbeton-BRD	6,568,678	3.18%
Korshunovsky GOK	2,129,486	1.03%
Lebedyan Plant of Building-Finishing Machines	218,730	0.11%
Lengassspetsstroy	542,767	0.26%
Metrostroy	140,000	0.07%
Mikron-BRD	262,276	0.13%
Mosgorgidrostro-BRD	883,041	0.43%
Mostostroy-11	2,546,476	1.23%
Mostotrest	16,605,435	8.04%
MOSTOTRJAD-BRD	1,924,400	0.93%
Murom Switch Works-BRD	2,186,625	1.06%
Murom Switch Works-BRD-PFD	1,608,758	0.78%
Nizhegorodoblgaz	421,225	0.20%
Novorossiisk Trade Port GDR REG S	18,974,983	9.19%
Novorossiysk Trade Port	1,060,399	0.51%
Novotroitsk Cement Plant	731,214	0.35%
OGK 6	2,091,000	1.01%
OJSC LSR GROUP - GDR REGS	28,947,100	14.02%
Orenburgoblgaz-BRD	6,877,125	3.33%
Power Machines - ZTL, LMZ, Electrosila, Energomash	4,661,275	2.26%
Priargunsky Industrial-BRD	75,670	0.04%

Saratovoblgaz	156,285	0.08%
Saturn Research & Production	426,048	0.21%
Severtruboprovodstroy	8,999,546	4.36%
Sollers	5,944,870	2.88%
Spetsgazremstroy	21,000	0.01%
Stalnaya Gruppa Mechal ADR	1,951,642	0.95%
Stavropolskaygaz	4,758,672	2.31%
Stavropolskraygaz-BRD-PFD	1,058,277	0.51%
TMK-GDR REG S	935,000	0.45%
TNK-BP Holding pref	750,000	0.36%
Transstroy Corporation	1,219,494	0.59%
Trest Gidromontag-BRD	1,727,500	0.84%
Trest Gidromontag-BRD-PFD	314,500	0.15%
TUIMAZY CONCRETE DELIV-BRD	2,928,221	1.42%
Tveroblgas	493,597	0.24%
Utair Airlines	19,767	0.01%
Volgogaz-BRD	1,893,904	0.92%
Voronezhoblgaz-BRD	1,440,079	0.70%
	184,548,418	**89.40%**
BVI - Quoted Equities		
Financial assets - designated at fair value through profit or loss		
Rengen shares	**799,533**	**0.39%**
Russian - Long Equities		
Financial assets - designated at fair value through profit or loss		
EPAM Systems Inc.	6,726,864	3.26%
Granit	5,370,793	2.60%
Lubel Coal Company Ltd	199,178	0.10%
	12,296,835	**5.97%**
Russian - Exchange traded equities		
Financial assets - designated at fair value through profit or loss		
Ipath S&P 500 VIX S/T Futures ETN	**1,516,115**	**0.73%**
Total	**199,160,901**	**96.48%**