AURORA

RUSSIA LIMITED

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

For the year ended 31 March 2013

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Company Summary

The Company	Aurora Russia Limited ('the Company') is a Guernsey registered closed-ended investment company and its shares are traded on the Alternative Investment Market of the London Stock Exchange ('AIM'). It was incorporated on 22 February 2006 and dealings commenced on AIM on 20 March 2006.
Investing policy	The Company's investing policy is to make equity or equity-related investments in small and mid-sized private Russian companies focused on the financial, business and consumer services sectors, where the Directors believe there is potential for growth together with viable exit opportunities.
The Manager	The Company has appointed Aurora Investment Advisors Limited (the 'Manager') to provide investment advisory and management services. The Manager is responsible for identifying and developing investment opportunities for the Company.
Registered address	Dorey Court Admiral Park St Peter Port Guernsey GY1 2HT
Website details	www.aurorarussia.com
Company registration no	44388

Introduction

I am pleased to present the audited results of Aurora Russia Limited (the “Company” or “Aurora Russia”) for the year ended 31 March 2013.

In the year to 31 March 2013 the Company has sold OSG Records Management (Europe) Limited (“OSG”) to Elbrus Capital and has had substantial changes at Board level. After year end the company entered into a successful tender for 38,237,383 shares of Aurora Russia’s stock at 52.3048p per share. Discussions are underway in respect of the disposal of the Company’s other investments.

The Company will keep shareholders informed on the operations of its investee companies and the progress being made in relation to the realisation strategy.

Although the world economy appears to be improving, the Russian economy grew more slowly in 2012 than the growth expectations from the IMF of GDP growth of 4% a year ago. Current forecasts suggest that Russian GDP will grow by approximately 3.3% in 2013.

The Sale of OSG

On 8 March 2013 we sold our largest investment, OSG to Elbrus Capital Limited, a Russian private equity fund at an enterprise value of up to $60.8 million. With net debt of $13 million the Company has the potential to receive $47.8 million for its equity stake in the Company. The payments of this amount are as follows:

- US$34.1 million (£22.8 million) was paid at closing to the Company free and clear of any warranties, except as to title;
- a further US$8.5 million (£5.8 million) was settled to an escrow account with Deutsche Bank in London. 50% of this amount (US$4.25 million or GBP2.7 million) is payable 30 days following signing of the 31 March 2013 year end accounts of OSG should they reflect management's expectations of EBITDA, net debt and working capital which were provided to Elbrus Capital during due diligence; the remaining US$4.25 million is payable 12 months following Closing subject to any warranty claim under the general commercial and tax warranties; and
- a final US$5.2 million (GBP3.3 million) of the purchase price to be paid as long as OSG achieves EBITDA of over US$10.0 million (GBP6.3 million) for the year ending 31 March 2014. The amount payable under this earn-out arrangement will be reduced to zero in the event the EBITDA for the year ending 31 March 2014 is less than US$ 9.0 million. Elbrus Capital has a binding obligation to run OSG and account for the EBITDA in the same way as Aurora Russia has over the last several years.

The Board of Directors

On 25 February I took on the role of Chairman following Geoff Miller’s resignation. Geoff Miller remained on the Board until 12 April 2013 when he and John Whittle were replaced by Peregrine Moncreiffe and Jon Bridel. On 1 May 2013 Grant Cameron also left the Board and was replaced by Lyndon Trott. I am very happy with the make-up of the new Board and believe that it will continue to represent shareholders and their interests.

I would like to thank all the departed members of the Board for their considerable contributions to the Company. In the case of Grant Cameron this has been since the Company was first formed and admitted to trading on AIM in 2006. Geoff Miller helped focus the Company on achieving realisations and the sale of OSG should be seen in this context. Despite the significant changes to the Board, the focus on delivering shareholder value continues.

The Tender Offer - event after reporting date

In consultation with its advisors the Board decided to distribute the majority of the first tranche of proceeds from the sale of OSG to Aurora Russia’s shareholders through a tender offer. The tender offer was successful and the basic entitlement of all shareholders who validly tendered their shares was accepted in full at a price of 52.3048 pence per share. Qualifying excess tenders were satisfied to the extent of approximately 4.38% of the excess shares tendered. Therefore, 38,237,308 shares were repurchased at 52.3048 pence per share, for a total consideration of £20 million, by the Company under the tender offer and subsequently cancelled.

Following the implementation of the tender offer and the cancellation, the Company has 74,262,692 shares in issue.

The Manager

The Manager concluded the sale OSG in early March, the largest of the Company's investments. With the support of the Board, the Manager continues to manage the investments and is working to find exit opportunities for the Company's remaining investments. The Board and the Manager believe it is in shareholders' best interests to look for exits in a timely manner for the best price achievable in the current market environment. We realise that investors want to see realisations as soon as possible and we are committed to realising value as soon as offers in line with the underlying value of investments are obtained.

At the end of April 2012, the Manager agreed with the Board to an amendment to the management agreement regarding its notice period. The notice period was reduced from a rolling two year notice period to a rolling six month notice period with notice able to be given no earlier than 31 October 2013. The board is in negotiations with the Manager on the possible revised terms of its on-going engagement and will announce the results of these discussions in due course.

Results

For the 12 months to 31 March 2013, Aurora Russia recorded a loss of £13.9 million or 12.4p per share, calculated based on the audited statement of comprehensive income. The net asset value ("NAV") of the Company as at 31 March 2013 was £61.2 million or 54.4p per share. This decline in value, which is detailed further below, derives mainly from a fall in the value of investments disclosed in the accounts. Cash and cash equivalents at 31 March 2013 were £23.1 million.

Administration and operating expenses of £2.6 million is 4% of the current NAV. Operating costs are expected to decline further in the current year.

Following the tender offer the NAV of the company was reduced by £20.2m (including related costs) which was paid out in cash to shareholders resulting in a post tender NAV of £41.0m or 55.26p per share.

The difference in the NAV in the accounts and that stated in the tender circular is £1.9 million. This represents mainly an additional provision for deferred consideration relating to OSG and the revaluation of one investment in these accounts.

Investment Review

The Company has three remaining investments:

- 24.3% of Superstroy, one of the leading DIY retailers in Russia;
- 26.0% of Unistream Bank, a leading Russian money transfer company; and
- 100.0% of Flexinvest Bank which provides retail banking services.

Due to the sale of OSG on 8 March 2013 the Company had additional assets of cash of £23.1 million from the sale and the deferred amounts relating to the sale of up to approximately £8.7 million.

Portfolio Valuation

A valuation of the investment portfolio was performed at 31 March 2013, resulting in a decrease in value from £46.4 million to £32.8 million on a like for like basis. This valuation is based upon a valuation prepared by the Manager and formally adopted by the Board on 12 July 2013. These valuations are prepared for accounting purposes only and comply with International Private Equity and Venture Capital Board ("IPEV") valuation guidelines. The resulting valuations of investments included in the Company's financial statements will not necessarily reflect the market value that a third party would be prepared to pay for these businesses.

The current valuation of Aurora Russia's investments reflects changes to the previous year valuation performed for 31 March 2012. The valuations are as follows:

• 24.3% of Superstroy is valued at £10.4 million, down 30.7%
• 26% of Unistream is valued at £12.0 million, down 26.4%
• 100.0% of Flexinvest Bank and Kreditmart are valued at £10.4 million, down 31.1%

The total value of the investments is £32.8 million, equal to a 29.3% write-down on the values in the Aurora Russia 31 March 2012 year-end accounts and a 20.2% write-down on the values in the interim accounts as of 30 September 2012.

In addition the RTS (Russian Trading System, denominated in US Dollars) Index comprising 15 of the largest most liquid stocks dropped 10.8% and the broader MICEX (which is measured in Roubles) comprising over 230 stocks dropped 4.1%. Therefore, the movement of values may be distorted by currency translation effects and the drop in listed comparable companies both in Russia and abroad and may not be the best reflection of the performance of an underlying asset during the reporting period.

Outlook

The Board will continue to pursue all options for enhancing shareholder value in an optimal fashion and returning further capital to shareholders as soon as appropriate. Whilst the Russian economy has shown signs of some slowdown it remains buoyant compared to many of its OECD peers and provides a relatively stable backdrop for the Board to continue to seek to sell assets at realistic valuations. We will continue to consult with shareholders on the best means and time frame in which to seek further returns to shareholders.

Gilbert Chalk
Chairman of the Board
Aurora Russia Limited

12 July 2013

Overview

According to the World Bank, Russia's economy grew 3.4% in 2012 down from 4.3% in 2011. Monthly indicators confirm that the economy slowed in the second half of 2012 and the first quarter of 2013. The slowdown can be attributed somewhat to the state of the global economy, but mostly due to the problems that occurred in the Eurozone which is Russia's most important economic partner. The Eurozone is only expected to return to growth in 2014 and we think that Russia's growth will begin to accelerate when this happens. The World Bank estimates Russian GDP growth to be 3.3% in 2013 and 3.6% in 2014.

Russia is growing, and we see a number of other positive developments; a reduction in net capital outflows to 2% of GDP in 2012 from 4% of GDP in 2011, a decline in unemployment from 6.6% in 2011 to 5.7% in 2012 and a decrease in the number of people in Russia living below the poverty line from 14.3% in 2011 to 12.1% by the last quarter of 2012, the lowest number for 20 years.

Given the economic backdrop, we are cautious about the economic outlook for the rest of 2013. We believe that the growth in all of our remaining investee companies as well as the earn-out on the sale of OSG will be directly affected by corporate and consumer sentiment in Russia and the growth of the Russian economy.

The Company's remaining investments are valued at 31 March 2013 at £32.8 million down 29.3% compared to 31 March 2012 on a like for like basis. Although the methodology has remained the same as in previous reporting periods, the application of higher discounts for liquidity and marketability and a move towards using higher weightings for EBITDA multiples rather than revenue multiples have resulted in further write downs of the value of each investment. Each company in the portfolio continues to invest heavily, leading in some cases to lower EBITDA margins relative to their larger peers and consequently lower valuations.

We remain committed to delivering value to shareholders in line with the strategy of the Company. We are actively involved in discussing exits but are of the opinion, like the Board, that while there is a desire from shareholders to sell the assets as quickly as possible, they are also keen to achieve good realisations for the assets. We believe that the investment market in Russia is improving as a number of private equity funds are raising new capital and are looking for transactions. Our investee companies are ideal targets for both strategic and private equity funds, as evidenced by our sale of OSG, due to the fact that they follow good corporate governance practices and are run essentially as public companies.

Over the period, the Manager has focussed on building value in the underlying investments so that they make more attractive targets for buyers or have the potential for the IPO market.

OSG

OSG was sold to Elbrus Capital, a Russian private equity fund in March this year for a total enterprise value of up to $60.8 million. The purchase price was based on projected 31 March 2013 year-end EBITDA of $6.3 million and net debt of $13.0 million. The transaction was structured with an upfront payment of $34.1 million, $8.5 million held back to cover shortfalls in the projected financials to the year ending 31 March 2013 and an earn-out of up to $5.2 million linked to EBITDA for the year ending 31 March 2014. The full purchase price represented an historical multiple of 17.5x EBITDA for the year ended 31 March 2012, and net of the earn-out amount an historical multiple of 16.0x EBITDA. The purchase price represented a prospective multiple of 9.8x EBITDA, for the year ended 31 March 2013 and net of the earn-out a prospective multiple of 9.0x EBITDA. There is a practical cap on the warranties of less than 30% of the sale proceeds.

The announcement that OSG was going to be floated on AIM created a certain amount of interest in the Company and a number of buyers showed real interest in a transaction. However, Elbrus Capital provided us with the best realistic and executable offer with a total purchase price up to 101.3% of the net asset value attributed to OSG in our latest valuation dated 30 September 2012.

The following are trading updates for our remaining portfolio companies:

Superstroy

Superstroy was affected by the slowdown in the market in the second half of 2012 and into 2013. We therefore experienced lower sales in the last quarter of 2012 and the first quarter of 2013 than budgeted. Sentiment in the Urals has been affected by the lack in growth of the oil price and the concerns the population has regarding the future of the Russian economy.

Management accounts show Q1 sales to the end of March 2013 of RUR1.9 billion (approximately £39.4 million), 1.3% below sales for the same period in 2012. Like-for-like sales showed a modest growth of 2.2% over the same period in 2012. We understand that retailers in the Urals in general are facing similar lacklustre performances with the region generally having a difficult time.

For the year ended 31 December 2012, Superstroy's unaudited management accounts showed sales of RUR9.5 billion (approximately £197 million), up 8% from RUR8.8 billion (approximately £183 million) in 2011, and EBITDA of RUR376 million (approximately £7.8 million), up 128% from RUR165 million (approximately £3.4 million) in 2011.

The equity valuation of the Company's 24.3% stake in Superstroy at 31 March 2013 was marked down to £10.4 million, a decrease of 30.7% on the valuation at 31 March 2012 of £15 million.

Unistream Bank

Unistream is still faced with a very competitive market. However, we maintain that the Unistream model of having its own points of presence as well as its agency agreements is a much more stable model than its competitors who rely on the agent model entirely.

Unistream has continued to show growth, with management accounts showing Q1 year to date volumes to the end of March 2013 of RUR32.6 billion (approximately £677 million), up 13% on the same period in 2012. Revenues grew 5.3% to RUR501 million (approximately £10.4 million) for the same period.

For the year ended 31 December 2012, Unistream's unaudited accounts showed volumes of RUR155 billion (approximately £3.2 billion), up 13% from RUR137.7 billion (approximately £2.9 billion) in 2011 and sales of RUR2.5 billion (approximately £52 million), up 8% from RUR2.3 billion (approximately £48 million) in 2011. EBITDA was RUR189 million (approximately £3.9 million), up 9% from RUR173 million (approximately £3.6 million) in 2011.

The equity valuation of Aurora Russia's 26% stake in Unistream at 31 March 2013 was marked down to £12.0 million, a decrease of 26.4% on the valuation at 31 March 2012 of £16.3 million.

Flexinvest Bank

Flex Bank has further developed its retail model and its understanding of the credit card market in Russia. The main challenge for the bank is to fund the growth of its portfolio from sources other than retail deposits so that it can grow its assets more aggressively than is currently the case.

Flex Bank does however continue to grow, attracting retail deposits and issuing credit cards to its customers. At 31 March 2013 Flex Bank and Kreditmart Finance combined had assets of approximately £25.3 million, up from approximately £19 million at 31 March 2012. Total revenue for Q1 2013 was £1.2 million, up from £0.4 million for the same period in 2012. As of 1 April 2013, Flex Bank and Kreditmart Finance combined had a total of £3.6 million in cash. This amount consisted of £0.6 million of cash in the vault, £1.7 million in current accounts with banks and £1.3 million on 30 days interbank deposits.

For the year ended 31 December 2012 unaudited management accounts show total revenue of £3.4 million, up 254% from £0.95 million in 2011, with a loss before foreign exchange revaluation and income tax of £1.3 million compared to a loss of £0.9 million in 2011.

The equity valuation of Aurora Russia's stake in Flex Bank and Kreditmart Finance at 31 March 2013 was marked down to £10.4 million, a decrease of 31.1% on the valuation at 31 March 2012 of £15.1 million.

Conclusion

The economy in Russia has improved following the crisis, but the recent slowdown in growth in Russia due to the factors outlined above has dampened the growth that each company had expected to achieve. However, the sale of OSG at a good valuation shows that there is demand for good assets and we expect our investee companies to continue to grow and to continue to deliver value to shareholders.

Aurora Investment Advisors
July 2013

Gilbert Chalk - Non-executive Director

Mr Chalk is Chairman of Castle Private Equity AG a leading Private Equity and Venture Capital Fund of Funds that is managed by LGT Capital Partners and listed on the Zurich Stock Exchange. In addition he is a Director of Vantage Goldfields Limited, a South African Gold producing company, listed on the ASX. From 2000 to 2010 he was Chairman of the Baring English Growth Fund and its Investment Committee. The Fund invested in small and mid cap buy-outs in the UK. Previously he was the Founder and Managing Director of Hambro European Ventures, subsequently named Duke Street Capital. He has served as a Council Member of the British Venture Capital Association and as Chairman of its Taxation Committee conceived and formulated Venture Capital Trusts. He has also worked as Head of Corporate Finance at ABSA Bank (UK) and as a Corporate Finance executive at Hill Samuel Bank and Brandts Limited. He holds an M.B.A. from Columbia University, New York.

Timothy Slesinger - Non-executive Director

Mr Slesinger is a British citizen, resident in the UK. He founded OSG Records Management ZAO in Moscow in 1998. During the 12 years he was CEO and then Director, the Company grew to become a market leader in both physical document and on-line data management in Central & Eastern Europe. OSG’s clients range from international Fortune 500 companies, highly regarded businesses local to the region and governments. He sold OSG to Aurora Russia in 2009. Mr Slesinger sits on Aurora Russia's Management Engagement Committee and is Chairman of the Remuneration Committee.

Jonathan Bridel - Non Executive Director

Mr Jonathan Bridel, aged 48, is a British Citizen, resident in Guernsey. He has a number of directorships including Alcentra European Floating Rate Income Fund Limited and Starwood European Real Estate Finance Limited which are listed on the London Stock Exchange. He was previously Managing Director of Royal Bank of Canada's Investment businesses in the Channel Islands. He has over 28 years international experience in the finance and investment industry and private business. He was for a period Chief Financial Officer of a group with operations in Eastern Europe and the CIS. He is a Chartered Accountant, a Chartered Marketer, a Chartered Fellow of the Chartered Institute for Securities & Investment and holds an MBA from Durham University and qualifications from the Australian Institute of Company Directors.

Peregrine Moncreiffe - Non Executive Director

Mr Peregrine Moncreiffe, aged 62, is a British Citizen, resident in Jersey and advises a number of International Investment companies. He is Chairman of North Atlantic Smaller Companies Investment Trust. His other Directorships include funds managed by Metage Capital. Funds managed by Metage Capital hold 1,665,219 shares in the Company, representing 2.24% of the Company’s issued share capital. Combined with other economic interests in 1,549,107 shares in the Company, those funds have a total interest in 3,214,326 shares, representing 4.33% of the Company’s issued share capital. He holds an MA from Oxford University.

Lyndon Trott - Non Executive Director

Mr Lyndon Trott, aged 48, is a British Citizen, resident in Guernsey. He is currently a non-executive director of a leading Guernsey-based fiduciary company and of the world's largest independent private equity and real estate fund administrator. He served a four year term as Guernsey's Treasury and Resources Minister and progressed to become the jurisdiction's longest serving Chief Minister. He has held several senior positions with a strong focus on corporate governance, oversight, financial regulation and risk management. His experience includes an extensive knowledge of capital markets from a variety of environments, including bank treasury management and the chairmanship of the board of trustees of a circa £1 billion pension fund. He also delivers wide ranging experience of the commercial property market and is a graduate of the Institute of Directors' company direction programme.

Directors' Report

The Directors of Aurora Russia Limited ('the Company') present the annual report and audited financial statements of the Company for the year ended 31 March 2013.

Background
The Company was incorporated in Guernsey on 22 February 2006 and commenced activities on 20 March 2006. The Company is a closed-ended investment company and is registered in Guernsey.

Principal activity
The principal activity of the Company is private equity investment in Russia in the financial, business and consumer services sectors. The Company is now seeking to dispose of its residual investments at a level which reflects their underlying value.

Listing
The Company is traded on the Alternative Investment Market of the London Stock Exchange ('AIM'), and has complied with the relevant provisions of the rules governing the admission to and operation of a company traded on the AIM. In the prior year the Company also became a member of the Association of Investment Companies ('AIC'). On 10 October 2012 the Company decided not to renew its membership with the AIC and is therefore no longer a member.

Business review
The Company's risk exposure, management objectives and policies are disclosed in note 18 to these financial statements.

A review of the business during the year is contained in the Chairman's Statement.

Results and dividends
The results for the year are set out in the attached financial statements.

The Board has decided to early adopt IFRS 10,11 & 12 as well as the revised IAS 27 & 28. The effect being that the Company is exempt from presenting consolidated accounts due to the Company falling within the definition of an Investment Entity as defined. Refer to note 2.3 for further detail on the early adoption of the standards.

The Company has not proposed or declared a dividend for the year ended 31 March 2013 (2012: £nil).

Incorporation
The Company was registered in Guernsey, Channel Islands on 22 February 2006, with registered number 44388.

Directors
The Directors during the year and to date were as follows:

	Date of Appointment	Date of resignation
Grant Cameron	24 February 2006	1 May 2013
John Whittle	17 January 2008	12 April 2013
Geoffrey Miller	22 June 2011	12 April 2013
Gilbert Chalk - Chairman from 25 February 2013	22 June 2011	
Timothy Slesinger	22 August 2011	
Jonathan Bridel	12 April 2013	
Peregrine Moncreiffe	12 April 2013	
Lyndon Trott	1 May 2013	

Directors' and other interests

Directors of the Company or its Manager who held office during the year had the following interests in the shares of the Company as at 31 March 2013:

	Number of ordinary shares
Micheal Hough (Director of Aurora Investment Advisors Limited)	100,000
Gilbert Chalk	50,000
Timothy Slesinger	14,310,977

The Directors who held office during the year have interests in the contracts with the Company as follows:

Directors' remuneration

The Directors received the following emoluments during the year:

	2013 Fees	2012 Fees
Dan Koch	-	29,167
Grant Cameron	26,000	20,000
Gilbert Chalk	34,306	15,495
Timothy Slesinger	20,583	12,174
Geoffrey Miller	47,667	35,467
Alexandr Dumnov	-	11,667
John Whittle	36,000	30,000
Ben Morgan	-	10,000
Total	**£164,556**	**£163,970**

As from 1 April 2012 Grant Cameron and Gilbert Chalk's fees had been increased to £26,000 per annum. As from 1 April 2012 John Whittle's fees had been increased to £36,000 per annum. As from 25 February 2013 Geoff Miller resigned as Chairman and his salary was reduced from £50,000 to £26,000 per annum. Gilbert Chalk was appointed as Chairman from this date and his salary was increased to £65,000 per annum; £5,000 is for being chairman of the Valuation Committee. A one-off fee of £5,000 will also be paid to Gilbert Chalk for his involvement in managing the relationship with the Manager and service providers. Tim Slesinger's salary was also increased to £26,000 per annum from this date. Geoffrey Miller and John Whittle resigned from the board on 12 April 2013 and Jonathan Bridel and Peregrine Moncreiffe were appointed as replacements on 12 April 2013. Jonathan Bridel's remuneration was agreed at £31,000 per annum; £5,000 is for being chairman of the Audit Committee. Peregrine Moncreiffe's remuneration was agreed at £26,000 per annum. On 1 May 2013 Grant Cameron resigned from the board and Lyndon Trott was appointed as a replacement on 1 May 2013 and his remuneration was agreed at £26,000 per annum.

There are no service contracts in existence between the Company and any Director but each of the Directors was appointed by letter of appointment which sets out the main terms of his appointment.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

The Companies (Guernsey) Law, 2008, (the "Law") requires the Directors to prepare financial statements for each financial year. Under the Law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and applicable law.

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Disclosure of information to the auditor

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

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement on pages 4 to 6 as well as the Statement of financial position of the Company and its Statement of cash flows. In addition, note 18 to the financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Company relies on the current cash resources and the ability to add to the cash reserves as and when further disposals are made. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

Having made appropriate enquiries, the Directors have reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the Company financial statements.

Auditor

A resolution for the re-appointment of KPMG Channel Islands Limited will be proposed at the forthcoming annual general meeting.

By order of the Board,

Director   Director

AIC Code and UK Corporate Governance Code

During the year under review until 10 October 2012, the Company complied with the Association of Investment Companies' (the "AIC") Code of Corporate Governance (the "AIC Code"). However, on 10 October 2012 the Company's initial year of free membership of the AIC expired and the Company decided not to renew its membership of the AIC. Therefore, from that date the Company resolved to voluntarily adopt the principles and recommendations of the UK Corporate Governance Code published by the Financial Reporting Council (the "UK CG Code"). The Board has therefore complied in so far as it deems appropriate with the recommendations of the UK CG Code since that date and is reporting against the UK CG Code in this report.

The Board and Board Committees

All the Directors of the Company are non-executive Directors. The Board does not feel it is appropriate to appoint a chief executive or senior independent Director as day-to-day management of the Company's assets is delegated to the Manager, subject to the overall supervision of the Board.

The Chairman is Gilbert Chalk. The Directors consider that the Chairman is independent for the purposes of the UK CG Code. The Board considers that the Directors who held office during the year and up to the date of this report are independent of the Manager.

Messrs Miller and Whittle resigned as Directors on 12 April 2013 and Mr Cameron resigned as a Director on 1 May 2013. Following an extensive search for appropriate candidates and having regard both to the Company's needs and the benefits of diversity on the Board, Messrs Bridel and Moncreiffe were appointed to the Board on 12 April 2013 and Mr Trott was appointed on 1 May 2013. As all of the directors are independent non-executives, the Board has not considered it to be necessary to establish a separate nomination committee and the appointments were considered and approved by the full Board. The Board did not consider it necessary to incur the expense of using the services of an external search consultancy nor open advertising, as the Board with its advisors was able to identify suitable candidates from their own lists of contacts.

On joining the Board, each Director was given a full tailored induction with the support of the retiring Directors and Directors receive regular relevant training on matters relating to the Company's business.

The full Board meets at least four times a year to consider, as appropriate, such matters as overall strategy, investment performance, share price performance, the shareholder profile of the Company, communications with shareholders, transactional and other general matters affecting the Company. The Board considers that it meets sufficiently regularly to discharge its duties effectively. All Directors are considered to have sufficient time to devote to their duties and none of them is a Director of a FTSE 100 company.

At the start of the year the Audit Committee comprised Grant Cameron, Gilbert Chalk and John Whittle. John Whittle was the Chairman of the Audit Committee for the year under review. After year end on 12 April 2013 John Whittle resigned as a director and retired from the Audit Committee at which date Jonathan Bridel was appointed as Chairman of the Audit Committee. Grant Cameron resigned from the Audit Committee on 1 May 2013. Lyndon Trott was appointed to the Audit Committee on 1 May 2013.

The Audit Committee is responsible for ensuring that the financial performance of the Company is properly reported on and monitored. The Audit Committee reviews the annual and half-yearly accounts, results, announcements, internal control systems and procedures and accounting policies of the Company. The Audit Committee also monitors the auditor's independence and objectivity and the effectiveness of the audit process. Furthermore, the Audit Committee makes recommendations to the Board, for it to put to shareholders for their approval in the annual general meeting, in relation to the re-appointment of the external auditor. Finally, the Audit Committee considers and makes recommendations to the Board on any non-audit services to be provided by the auditor. During the year under review, the auditor performed an Interim Review of Financial Information in respect of interim report and accounts for the period ended 30 September 2012 and an Agreed Upon Procedures Review in respect of the calculations used for the tender offer made to all shareholders following the disposal of OSG Records Management (Europe) Limited. These proposed services were considered by both the Audit Committee and the Board before the auditor was engaged. In the opinion of the Audit Committee the provision of these services has not compromised the independence and objectivity of the auditor. There were no matters in respect of those services which it considered needed action or improvement. The Audit Committee meets a minimum of twice a year but where appropriate the meetings shall coincide with key dates in the Company's financial reporting cycle. The terms of reference of the Audit Committee are available from the Secretary upon written request.

As all of the Directors are non-executive and as day-to-day management and administration of the Company has been delegated to the Manager and the Administrator, the Board on the recommendation of the Audit Committee has agreed that it is not necessary to create an internal audit function. This position is reviewed annually.

At the start of the year the Valuation Committee comprised Grant Cameron, Timothy Slesinger, Gilbert Chalk and John Whittle. John Whittle was the Chairman of the Valuation Committee for the year under review. After year end on 12 April 2013 John Whittle resigned as a director and retired from the Valuation Committee. Jonathan Bridel and Peregrine Moncreiffe were appointed to the Valuation Committee on 12 April 2013. Grant Cameron resigned from the Valuation Committee on 1 May 2013. Lyndon Trott was appointed to the Valuation Committee on 1 May 2013. Timothy Slesinger retired from the Valuation Committee on 1 May 2012. The Valuation Committee is responsible for valuing proposed investments and revaluing investments on an ongoing basis and it meets at least twice a year. The terms of reference of the Valuation Committee are available from the Secretary upon written request.

At the start of the year the Remuneration Committee comprised Tim Slesinger, John Whittle, Grant Cameron, Gilbert Chalk and Geoffrey Miller. After year end John Whittle and Geoffrey Miller resigned as directors on 12 April 2013 and retired from the Remuneration Committee. Jonathan Bridel and Peregrine Moncreiffe were appointed to the Remuneration Committee on 12 April 2013. Grant Cameron resigned from the Remuneration Committee on 1 May 2013. Lyndon Trott was appointed to the Remuneration Committee on 1 May 2013. The Remuneration Committee is responsible for reviewing the performance of Directors, the scale and structure of remuneration and Directors' letters of appointment and it meets a minimum of twice a year. The terms of reference of the Remuneration Committee are available from the Secretary upon written request.

As all of the Directors are non-executives, they receive a flat rate of remuneration with no performance related bonuses. Details of the remuneration paid to the Directors in the year under review and their current fees are set out on page 11. None of the Directors has a contract of service with the Company and they are all appointed in accordance with the Company's articles of association. The terms and conditions of appointment of the directors are available at the Company's registered office during normal business hours and will be available for the 15 minutes before and for the duration of the forthcoming annual general meeting.

At the start of the year the Management Engagement Committee comprised Gilbert Chalk, Grant Cameron, Timothy Slesinger, Geoffrey Miller and John Whittle. On 1 May 2012 Geoffrey Miller and John Whittle were appointed to the Management Engagement Committee. After year end Geoffrey Miller and John Whittle resigned as directors on 12 April 2013 and retired from the Management Engagement Committee. Jonathan Bridel was appointed to the Management Engagement Committee on 12 April 2013. Grant Cameron resigned from the Management Engagement Committee on 1 May 2013. Lyndon Trott was appointed to the Management Engagement Committee on 1 May 2013. The Management Engagement Committee is responsible for reviewing the terms of agreements with the Company's service providers, including the provisions relating to the applicable service provider's remuneration, and satisfy itself that they are market standard and comparable with those charged to peer group companies and ensure that the Service Agreements' terms are in accordance with industry norms and in the Company's and shareholders' best interests. The Management Engagement Committee meets at least once per year. The terms of reference of the Management Engagement Committee are available from the Secretary upon written request.

The Board receives from the Secretary and its other advisors information that it considers to be appropriate to enable it to discharge its duties. Directors usually receive Board papers several days in advance of Board meetings and are able to consider in detail any issues to be discussed at the relevant meeting.

All the Directors are entitled to have access to independent professional advice at the Company's expense where they deem it necessary to discharge their responsibilities as Directors and have access to the advice and services of the Secretary. The Company has purchased appropriate directors' and officers' liability insurance in respect of legal action against its directors.

The Board has delegated day-to-day management of the Company's assets to the Manager. All decisions relating to the Company's investment policy, investment objectives, investment decisions, dividend policy, gearing, corporate governance procedures and strategy in general are, however, reserved for the Board. The Board evaluates the Manager's performance on an annual basis and monitors the Manager at each quarterly Board meeting to ensure that the Company's assets are being managed in accordance with the guidelines set out by the Board.

The number of meetings of the full Board and those committees attended by each Director from 1 April 2012 up to 31 March 2013 is set out below:

	Audit Committee		Valuation Committee		Remuneration Committee		Management Engagement Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Gilbert Chalk	3	3	2	2	2	1	2	2
Geoffrey Miller	N/A	N/A	N/A	N/A	2	2	2	2
Tim Slesinger	N/A	N/A	N/A	N/A	2	1	2	2
Grant Cameron	3	3	2	2	2	1	2	2
John Whittle	3	3	2	2	2	2	2	2

	Quarterly		Ad hoc	
	Held	Attended	Held	Attended
Gilbert Chalk	4	3	6	2
Geoffrey Miller	4	4	6	6
Tim Slesinger	4	4	6	2
Grant Cameron	4	3	6	5
John Whittle	4	4	6	6

Performance of Board and proposal for re-election

The performance of each Director is appraised by the full Board prior to the convening of the annual general meeting for each year with support from the Secretary and by reference to a tailored set of criteria against which performance is measured. The performance of each Board committee is appraised by the Board as a whole. In accordance with the UK CG Code and the Company's articles of incorporation (the "Articles"), one third, or the number nearest to but not fewer than one third, of the Directors will retire and stand for re-election at the annual general meeting each year, provided that each Director shall retire and stand for re-election at intervals of no more than three years. Mr Chalk was re-elected at the 2012 annual general meeting and Mr Slesinger at the 2011 annual general meeting. In accordance with the Company's articles of association and the UK CG Code, all three directors appointed by the Board since the last annual general meeting are required to retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

The Directors believe that the Board has a balance of skills and experience which enables it to provide effective strategic leadership and proper governance of the Company. The Board believes that each Director's performance continues to be effective and to demonstrate commitment to the role and therefore supports the re-election of Messrs Moncreiffe, Bridel and Trott. Information on the Directors, including their relevant experience, is set out on page 9.

Audit and internal controls

The Audit Committee and the Board reviewed the effectiveness of the Company's system of internal controls, including financial, operational and compliance controls and risk management systems and has put in place procedures for the review of such controls on an annual basis. Risk is managed by the Directors rather than eliminated and can only provide reasonable assurance against material misstatement or loss.

The Audit Committee meets at least twice a year and considers reports from the independent Auditors, the Manager and the Administrator. The main responsibilities of the Audit Committee include monitoring the integrity of the Company's financial statements and appropriateness of its accounting policies, reviewing the effectiveness of the internal control systems and making recommendations to the Board regarding the appointment and independence of the external auditor and the objectivity and effectiveness of the audit process, with particular regard to the level of non-audit fees, if any. Shareholders have the opportunity at each annual general meeting to vote on the election of the independent auditors for the forthcoming year.

In view of the small number of transactions to date the Company has not yet considered it necessary to establish an internal audit function. The Board considers that the systems and procedures put in place by the Manager and the Administrator have been adequate to safeguard shareholders' interests. The Board at least annually reviews an internal controls and risks monitoring report both for the Company and its subsidiaries. The Board will continue to keep this matter under review.

Relations with shareholders

The Board welcomes correspondence from shareholders, addressed to the Company's registered office. All shareholders have the opportunity to put questions to the Board at the annual general meeting. In addition to the Chairman, all other non-executive Directors, including the Chairmen of the Audit and Remuneration Committees, will be available to answer questions at the forthcoming annual general meeting.

The Board believes that sustainable financial performance and delivering on the objectives of the Company are indispensable measures in order to build trust with the Company's shareholders. In order to promote a clear understanding of the Company, its objectives and financial results, the Board aims to ensure that information relating to the Company is disclosed in a timely manner and in a format suitable to the shareholders of the Company.

The Board has also encouraged the Manager to identify a sample of investors for periodic meetings to encourage communication and to ensure the concerns of shareholders are addressed.

The Articles of Incorporation state that a continuation vote via an ordinary resolution will be held proposing the extension of the life of the Company at the 2015 annual general meeting and every 5 years thereafter. The last such continuation vote was passed at the 2010 annual general meeting.

Independent auditor's report to the members of Aurora Russia Limited

We have audited the Company financial statements (the "financial statements") of Aurora Russia Limited (the "Company") for the year ended 31 March 2013 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

This report is made solely to the Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Directors and Auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 12, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion

In our opinion the financial statements:

• give a true and fair view of the state of the Company's affairs as at 31 March 2013 and of its loss for the year then ended;

• are in conformity with International Financial Reporting Standards as issued by the IASB; and

• comply with the Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

• the Company has not kept proper accounting records; or

• the financial statements are not in agreement with the accounting records; or

• we have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.

KPMG Channel Islands Limited
Chartered Accountants
PO Box 20
20 New Street
St Peter Port
Guernsey
GY1 4AN

AURORA RUSSIA LIMITED

Statement of Comprehensive Income

For the year ended 31 March 2013

	Notes	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £'000
Profit on disposal of investments	11	766	-
Revenue			
- Interest income		6	5
Administration and operating expenses	4	(2,617)	(3,067)
Fair value movements on revaluation of investments	7	(11,937)	(15,900)
Foreign exchange (loss)/gain		(157)	9
Operating loss		**(13,939)**	**(18,953)**
Interest expense		(1)	(3)
Loss before tax		**(13,940)**	**(18,956)**
Income tax expense		-	-
Total comprehensive loss for the year	16	**(13,940)**	**(18,956)**
Basic and diluted loss per share	5	**(12.39p)**	**(16.85p)**

All items in the above statement derive from continuing operations.

The accompanying notes on pages 21 to 37 form an integral part of these financial statements.

AURORA RUSSIA LIMITED

Statement of Financial Position
As at 31 March 2013

	Notes	31 March 2013 £'000	31 March 2012 £'000
Non-current assets			
Investment in subsidiaries	6	10,400	43,300
Investments	7	22,400	31,300
Other receivables	8	1,105	-
		33,905	74,600
Current assets			
Other receivables	8	5,584	494
Cash and cash equivalents	9	23,134	873
		28,718	1,367
Total assets		**62,623**	**75,967**
Non-current liabilities			
Loans payable to investee companies	10	496	491
Provisions	13	115	-
		611	491
Current liabilities			
Other payables		456	344
Provisions	13	364	-
		820	344
Total liabilities		**1,431**	**835**
Equity			
Share capital	14	1,125	1,125
Special reserve	15	84,073	84,073
Accumulated loss	16	(24,006)	(10,066)
Total equity		**61,192**	**75,132**
Total equity and liabilities		**62,623**	**75,967**
Net asset value per share - Basic and Diluted	17	**54.4p**	**66.8p**

The financial statements on pages 17 to 37 were approved by the Board of Directors on   2013 and signed on its behalf by:

Director   Director

The accompanying notes on pages 21 to 37 form an integral part of these financial statements.

AURORA RUSSIA LIMITED

Statement of Changes in Equity

For the year ended 31 March 2013

	Share Capital £'000	Special Reserve £'000	Retained Earnings/ (Accumulated loss) £'000	Total £'000
Balance as at 1 April 2011	1,125	84,073	8,890	94,088
Total comprehensive loss for the year				
Loss for the year	-	-	(18,956)	(18,956)
At 31 March 2012	**1,125**	**84,073**	**(10,066)**	**75,132**
Balance as at 1 April 2012	1,125	84,073	(10,066)	75,132
Total comprehensive loss for the year				
Loss for the year	-	-	(13,940)	(13,940)
At 31 March 2013	**1,125**	**84,073**	**(24,006)**	**61,192**

The accompanying notes on pages 21 to 37 form an integral part of these financial statements.

AURORA RUSSIA LIMITED

Statement of Cash Flows

For the year ended 31 March 2013

	Note	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £'000
Cash flows from operating activities			
Total comprehensive loss		(13,940)	(18,953)
Adjustments for movements in working capital:			
Decrease/(Increase) in other receivables		588	(466)
Increase in other payables		196	108
Adjust for:			
Interest expense		1	-
Interest income		(6)	(5)
Revaluation of investments	7	11,937	15,900
Profit on sale of investment		(766)	-
Exchange losses/(gains)		157	(9)
Interest paid		-	(3)
Interest received		3	7
Net cash outflow from operating activities		(1,830)	(3,421)
Cash flows from investing activities			
Proceeds on disposal of Flexinvest		1,400	-
Proceeds on disposal of OSG		22,843	-
Net cash inflow from investing activities		24,243	-
Cash flows from financing activities			
Increase in loans		5	491
Net cash inflow from financing activities		5	491
Net increase/(decrease) in cash and cash equivalents		22,418	(2,930)
Opening cash and cash equivalents		873	3,794
Effect of foreign exchange movements		(157)	9
Closing cash and cash equivalents	9	**23,134**	**873**

The accompanying notes on pages 21 to 37 form an integral part of these financial statements.

1. Reporting entity

Aurora Russia Limited (the 'Company') is a closed-ended investment fund that was incorporated in Guernsey on 22 February 2006, and was admitted to the Alternative Investment Market of the London Stock Exchange ('AIM') on 20 March 2006. The Company was established to acquire interests in small and mid-sized private companies in Russia, focusing on the financial, business and consumer services sectors.

2. Basis of preparation

2.1 *Statement of compliance*

The financial statements give a true and fair view and are prepared in accordance with International Financial Reporting Standards (IFRS) which comprise standards and interpretations approved by the International Accounting Standards Board and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect. These financial statements comply with The Companies (Guernsey) Law, 2008, as amended.

2.2 *Basis of Measurement*

The financial statements have been prepared on the historical cost basis except for the following:
● financial instruments at fair value through profit or loss are measured at fair value

The significant accounting policies adopted are set out in note 3.

2.3 *New standards and interpretations adopted during the year*

The following standards, amendments and interpretations were early adopted in the current year:

● IFRS 10 Consolidated financial statements

IFRS 10 Consolidated Financial Statements provides an exception to the consolidation requirement for entities that meet the definition of an investment entity.

An investment entity is an entity that:
a) Obtains funds from one or more investors for the purpose of providing those investor(s) with professional investment management services;
b) Commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
c) Measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Company meets all three these requirements on the basis that it provides professional investment services; its business purpose is to invest funds solely for returns of capital appreciation or investment income and the performance of its investments are measured on a fair value basis.

IFRS 10 supersedes IAS 27 Consolidated and Separate Financial Statements (IAS 27) and SIC 12 Consolidation – Special Purpose Entities. It revised the definition of control together with accompanying guidance to identify an interest in a subsidiary. It also provides for the exemption of consolidation if the entity qualifies as an 'Investment entity" as defined. The Company presented both consolidated and company financial statements in the prior year. The Company has met the transitional provisions and requirements of IFRS 10 for the presentation of comparative information through the company financial information from the prior year financial statements. Hence, there is no impact from the adoption of IFRS 10 on the prior year comparative information presented in the financial statements.

● IFRS 12 Disclosure of Interests in Other Entities

This standard combines, in a single standard, the disclosure requirements for subsidiaries, associates and joint arrangements, as well as unconsolidated structured entities. The required disclosures aim to provide information to enable users to evaluate the nature of, and risks associated with, an entity's interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows. The adoption of the new standard will increase the level of disclosure provided for the entity's interests in subsidiaries, joint arrangements, associates and structured entities.

The following standards, amendments and interpretations are effective for the period but had no impact on the financial position or performance of the Company:

IFRS 11 Joint arrangements
IAS 12: Income taxes
IFRS 7: Financial Instruments: Disclosures
IFRS 1: First time adoption (on fixed dates and hyperinflation)

2. Basis of preparation (continued)

2.4 *New standards and interpretations not yet adopted*

There are a number of new standards, amendments to standards and interpretations that are not yet effective for the year ended 31 March 2013, and have not been applied in preparing these financial statements.

● IFRS 9 Financial Instruments (effective for periods commencing on or after 1 January 2015)

IFRS 9 deals with classification and measurement of financial assets and its requirements represent a significant change from the existing requirements in IAS 39 in respect of financial assets: amortised cost and fair value. Financial assets are measured at amortised cost when the business model is to hold assets in order to collect contractual cash flows. All other financial assets are measured at fair value with changes recognised in profit or loss. For an investment in an equity instrument that is not held for trading, an entity may on initial recognition elect to present all fair value changes from the investment in other comprehensive income. IFRS 9 will be adopted for the first time for the year ending 31 March 2016 and will be applied retrospectively, subject to certain transitional provisions. The company is currently in the process of evaluating the potential effect of this standard. The standard is not expected to have a significant impact on the financial statements since all of the Company's financial assets are designated at fair value through profit and loss.

● IFRS 13: Fair Value Measurement (effective for periods commencing on or after 1 January 2013)

IFRS 13 explains how to measure fair value and aims to enhance fair value disclosures. The guidance includes enhanced disclosure requirements that could result in additional disclosure for reporting entities. These requirements are similar to those in IFRS 7, 'Financial instruments: Disclosures', but apply to all assets and liabilities measured at fair value, not just financial ones. IFRS 13 will be adopted for the first time for the year ending 31 March 2014 and will be applied prospectively, subject to certain transitional provisions. The Company is currently in the process of evaluating the potential effect of this standard. The standard is not expected to have a material impact on the financial statements of the Company.

Revised and amended standards:

● IAS 1 Presentation of Items of Other Comprehensive Income (effective for periods commencing on or after 1 July 2012)

This amendment requires that an entity present separately the items of other comprehensive income (OCI) that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss; and change the title of the statement of comprehensive income to the statement of profit or loss and other comprehensive income. However, an entity is still allowed to use other titles. IAS 1 will be adopted for the first time for the year ending 31 March 2014. There will be no significant impact on the financial statements as this amendment will only require additional disclosure.

● Amendment to IFRS 7: Financial instruments: Disclosures (effective for periods beginning on or after 1 January 2013)

This amendment relates to offsetting financial assets and financial liabilities.This amendment reflects the joint IASB and FASB requirements to enhance current offsetting disclosures. These new disclosures are intended to facilitate comparison between those entities that prepare IFRS financial statements and those that prepare US GAAP financial statements. The standard is not expected to have a material impact on the financial statements of the Company.

● Amendment to IAS 32 Financial instruments: Presentation', on offsetting financial assets and financial liabilities (Effective for periods beginning on or after 1 January 2014)

This amendment updates the application guidance in IAS 32, 'Financial instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The standard is not expected to have a material impact on the financial statements of the Company.

2.5 *Critical accounting judgements and key sources of estimation uncertainty*

The preparation of Financial Statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

In the preparation of the Financial Statements critical accounting judgements were made regarding the ealy adoption of IFRS 10-12 and determination that the Company met the requirements of the consolidation exemption. The early adoption is discussed in detail in note 2.3.

2.5 *Critical accounting judgements and key sources of estimation uncertainty (continued)*

The following areas are a key source of estimation uncertainty for the Company and are included within the relevant accounting policy note:

● Valuation of Investments

Significant estimates in the Company's financial statements include the amounts recorded for the fair value of the investments. By their nature, these estimates and assumptions are subject to measurement uncertainty and the effect on the Company's financial statements of changes in estimates in future periods could be significant.

● Proceeds on sale of OSG

The total proceeds on the disposal of OSG are variable and dependant on certain warranties, including the future profitability of OSG. The Directors have estimated the proceeds to be received based on the current budgets for OSG. The Directors have also had undertakings received from the Investment Manager regarding OSG estimates for both profitability and warranties.

2.6 *Functional and presentation currencies*

All information presented in Sterling has been rounded to the nearest thousand unless otherwise stated. While the functional currency of the investments are in Roubles, the Company's operations are in Sterling which is why the presentation currency is Sterling.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Company, except for the change in accounting policy as explained in Note 2.3.

3.1 *Determination and presentation of operating segments*

The Company has determined and presented operating segments based on the information that internally is provided to the Board of Directors of the Company, who is the Company's chief operating decision maker.

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the Board of Directors of the Company to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Chief Operating Decision Maker, who is responsible for allocating resources, assessing performance of the operating segments and making strategic decisions, has been identified as the Board of Directors of the Company.

3.2 *Foreign currency transactions*

Transactions in currencies other than Sterling are translated at the foreign exchange rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into sterling at the exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into Sterling at foreign exchange rates ruling at the dates the fair value was determined.

3. Significant Accounting Policies (continued)

3.3 *Revenue*

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the Company's right to receive payment has been established, which is the last date of registration of shareholders.

3.4 *Expenses*
All expenses are accounted for on an accruals basis through profit or loss.

3.5 *Set up expenses*
The preliminary expenses directly attributable to the issuance and listing of equity instruments of the Company that would otherwise have been avoided were deducted from the share capital account.

3.6 *Taxation*

The Company is exempt from Guernsey taxation on income derived outside Guernsey and bank interest earned in Guernsey under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989, for which it pays an annual fee of £600.

3.7 *Financial Instruments*

Financial assets and financial liabilities are recognised on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument, including unconditional commitments to make investments. The Company offsets financial assets and liabilities if the Company has a legally enforceable right to set off the recognised amounts and interests and intends to settle on a net basis.

3.7.1 Investments
Recognition and Measurement
Unquoted investments, including investments in subsidiaries are designated as fair value through profit or loss. Investments are initially recognised at cost on a trade date basis. The investments are subsequently re-measured at fair value, which is determined by the Directors on the recommendation of the Valuation Committee; all the Directors are currently on the Valuation Comittee. currently Unrealised gains and losses arising from the revaluation of investments are taken directly to profit or loss. Investments deemed to be denominated in a foreign currency are revalued in Pounds Sterling even if there is no revaluation of the investment in its currency of denomination. Acquisition of investments is recorded on the trade date or when substantially all the risks and rewards of ownership transfer to the Company.

Investments are denominated in Russian Roubles, which the Directors believe best reflect the underlying nature of the currency exposure of the investee companies. The investments are translated into Sterling at period end, which is the functional and presentational currency of the Company. Unrealised gains and losses arising from the revaluation of investments are taken directly to profit or loss.

The fair value of the investments is arrived at on the basis of the recommendation of the Company's Valuation Committee, based on valuations that were performed by Aurora Investment Advisors Limited. Fair value is determined as follows:

Unquoted securities are valued based on the realisation value which is estimated by the Valuation Committee with prudence and good faith. The Valuation Committee will take into account the guidelines and principles for valuation of Portfolio Companies set out by the International Private Equity and Venture Capital Board (IPEV), with particular consideration of the following factors:

- Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.
- The valuation methodology applied uses reasonable assumptions and estimations and takes account of the nature, facts and circumstances of the investment and its materiality in the context of the total portfolio.
- An appropriate methodology incorporates available information about all factors that are likely material to affect the fair value of the investment. The valuation methodologies are applied consistently from period to period, except where a change would result in a better estimate of fair value. Any changes in valuation methodologies will be clearly disclosed in the financial statements.

3. Significant Accounting Policies (continued)

3.7 *Financial Instruments (continued)*
3.7.1 Investments (continued)

The most widely used methodologies are listed below (discussed further in note 6). In assessing which methodology is appropriate, the Valuation Committee is predisposed towards those methodologies that draw upon market-based measures of risk and return.

- Market Approach
- Income Approach
- Net Assets Approach

Investments made by the Company are generally considered to be long term investments and are not intended to be disposed of on a short term basis. Accordingly valuations do not necessarily represent the amounts which may eventually be realised from sales or other disposals of investments. Values of unlisted investments may differ significantly from the values that would have been used had a ready market for these assets existed.

Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control of the financial asset. Any interest in such transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset de-recognised), and consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss. In determining the consideration received the proceeds received are decreased by any payables that are directly linked to the sale.

The Company enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all the risks and rewards of the transferred asset or a portion of them. If all or substantially all risk and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of substantially all risks and rewards include securities lending and repurchase transactions.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

3.7.2 Cash and cash equivalents

Cash held with banks and short term deposits that are held to maturity are carried at amortised cost. Cash and cash equivalents consist of cash on hand and short term deposits in banks with an original maturity of three months or less. Cash is measured at amortised cost which approximates fair value.

3.7.3 Receivables

Receivables do not carry any interest. Where the time value of money is material, receivables are discounted to their present values. Allowance is made when there is objective evidence that the Company will not be able to recover balances in full.

3. Significant Accounting Policies (continued)

Financial Instruments (continued)
3.7.4 Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangement entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Financial liabilities and equity instruments are recorded at the proceeds received, net of issue costs.

The Company initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

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

The Company has the following non-derivative financial liabilities: loans and borrowings, and other payables.

Other payables do not carry any interest. Where the time value of money is material, payables are discounted to their present values. Allowance is made when there is objective evidence that the Company will not be able to pay balances in full.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

3.8 *Earnings per share*

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

3.9 *Provisions*

A provision is recognised in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation, and the obligation can be reliably measured. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3.10 *Share capital and equity*

Ordinary shares are classified as equity.

If the Company reacquires its own equity instruments, the consideration paid, including any directly attributable incremental costs (net of income taxes) on those instruments are deducted from equity until the shares are cancelled or reissued. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Consideration paid or received is recognised directly in equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.11 *Finance costs*

Finance costs comprise interest expense on borrowings.

3.12 *Fair Value*

The Directors consider the carrying value of all financial assets and liabilities to approximate their fair value. Where the difference is significant, note disclosure is provided.

4. Administration and operating expenses

The operating loss for the year has been arrived at after charging the following items of expenditure:

	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £'000
Investment management fee	1,013	1,589
Auditors' remuneration	75	326
Directors' remuneration	165	164
Performance fees	471	-
Other operating and administrative expenses:		
- Administration fees	70	70
- Marketing costs	60	81
- Professional fees	484	285
- Other	279	552
	2,617	3,067

5. Loss per share

	31 March 2013 £'000	31 March 2012 £'000
The calculation of the basic and diluted loss per share is based on the following data:		
Loss for the purposes of basic and diluted loss per share being net loss attributable to equity holders of the parent	(13,940)	(18,956)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share (in thousands):	112,500	112,500
Loss per share - Basic and Diluted	(12.39p)	(16.85p)

6. Investment in subsidiaries

Company	31 March 2013 £'000	31 March 2012 £'000
OSG Records Management (Europe) Limited		
At 1 April 2012, and 1 April 2011	28,200	28,800
Fair value revaluation	1,029	(600)
Sale of OSG	(29,229)	-
At 31 March 2013, and 31 March 2012	-	28,200
Kreditmart & Flexinvest Limited		
At 1 April 2012, and 1 April 2011	15,100	18,500
Fair value revaluation	(4,066)	(3,400)
Sale of Flexinvest	(634)	-
At 31 March 2013, and 31 March 2012	10,400	15,100
	10,400	43,300

* The revaluation calculations performed on Kreditmart included the value of Flexinvest as at 31 March 2013, and as such, no revaluation was performed on the individual subsidiary companies.

The valuation of the subsidiaries and investments at 31 March 2013 as well as the valuation at 31 March 2012 was performed by Aurora Investment Advisors Limited; the final valuations were approved by the Valuation Committee.

Methodologies and assumptions used in valuing investments and investments in subsidiaries:

1) Market Approach:

The market comparable method indicates the market value of the ordinary shares of a business by comparing it to publicly traded companies in similar lines of business. The conditions and prospects of companies in similar lines of business depend on common factors such as overall demand for their products and services. An analysis of the market multiples of companies engaged in similar businesses yields insight into investor perceptions and, therefore, the value of the subject company.

In the market approach, recent sales, listings of comparable assets and such other factors as the Board deems relevant are gathered and analysed. After identifying and selecting the comparable publicly traded companies, their business and financial profiles are analysed for relative similarity. Price or EV multiples of the publicly traded companies are calculated and then adjusted for factors such as relative size, growth, profitability, risk, and return on investment. The adjusted multiples are then applied to the relevant element of the subject company's business.

All valuations of unquoted investments and investments in subsidiaries (collectively referred to as the “portfolio”) were performed using weighted combination of revenue and EBITDA multiples (except for Kreditmart and Flexinvest where a Net Assets approach i.e. a price/book value approach was used). 32% (2012: 21%), by value at year-end, of the portfolio was valued using a price/book valuation approach discounted by 20% in the current year with the remaining 68% (2012: 79%) of the portfolio being valued using an enterprise value/revenue multiple and enterprise value/EBITDA multiple approach.

The key assumptions in the valuations were as follows:
- Liquidity adjustment: 30% (31 March 2012: 15%-30%)

2) Income Approach:

The income approach methodology is used as a cross-check for the Market Approach and indicates the market value of a business enterprise based on the present value of the cash flows that the business can be expected to generate in the future. Such cash flows are discounted at a discount rate that reflects the time value of money and the risks associated with the cash flows.

6. Investment in subsidiaries (continued)

Set out below is a list of the unconsolidated subsidiaries of the Company (the Company sold its entire holding of OSG on 8 March 2013, refer to note 12):

Name of subsidiary undertaking	Country of incorporation/ Principal place of business	Class of share	% of class held at 31 March 2013	% of class held at 31 March 2012	Principal activity
OSG Records Management (Europe) Limited	Cyprus	Ordinary	0.0%	92.8%	Financing
OSG Records Management Center Limited Liability Company*	Russia	Ordinary	0.0%	100.0%	Document storage, data security and records management services
OSG Polska Limited Liability Company*	Poland	Ordinary	0.0%	100.0%	
OSG Records Management Limited Liability Company*	Ukraine	Ordinary	0.0%	100.0%	
OSG Records Management Limited Liability Company*	Kazakhstan	Ordinary	0.0%	100.0%	
OSG Records Management Limited Liability Company*	Armenia	Ordinary	0.0%	100.0%	
OSG Records Management Limited Liability Company*	Bulgaria	Ordinary	0.0%	100.0%	
Kreditmart Finance Limited	Cyprus	Ordinary	100.0%	100.0%	Consumer finance
Flexinvest Limited	Cyprus	Ordinary	100.0%	100.0%	Investment holding
Flexinvest Bank Limited** ("FIB")	Russia	Ordinary	100.0%	100.0%	Banking and finance

* Direct subsidiaries of OSG Records Management (Europe) Limited and indirect subsidiaries of the Company.
**FIB is held directly by Kreditmart and Flexinvest and is an indirectly held subsidiary of the Company.

7. Investments

	2013 £'000	2012 £'000
Unistream Bank	12,000	16,300
Grindelia Holdings*	10,400	15,000
Total investments at fair value through profit or loss	22,400	31,300

The Company holds 26% (2012: 26%) in Unistream and 24.3% (2012: 24.3%) in Grindelia respectively; the shareholding and voting rights are the same in both cases. Unistream is a Russian company with the principal place of business in Russia, Grindelia is a Cyprus holding company with its principal place of business in Russia.

Change in fair value of investments

	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £'000
OSG Records Management (Europe) Limited	1,029	(600)
Unistream Bank	(4,300)	(2,400)
Grindelia Holdings*	(4,600)	(9,500)
Kreditmart and Flexinvest	(4,066)	(3,400)
Total unrealised losses	(11,937)	(15,900)

* Holding company for Superstroy.

8. Other receivables

	31 March 2013 £'000	31 March 2012 £'000
Prepayments	18	494
Accrued income	3	-
Deferred consideration on sale of OSG (refer Note 12)	6,668	-
	6,689	**494**
This balance is comprised of:		
Non-current assets	1,105	-
Current assets	5,584	494
	6,689	**494**

9. Cash and cash equivalents

	31 March 2013 £'000	31 March 2012 £'000
Bank balances	354	797
Fixed deposits	22,780	76
	23,134	873

10. Loans payable to investees

	31 March 2013 £'000	31 March 2012 £'000
Loans payable to Grindelia Holdings	496	491

Loans are repayable with interest no later than 20 February 2015 and 37% of the loan balance attracts interest at a rate of 0.1% per annum and the remaining 63% is repayable with interest at a rate of 0.01% per annum.

11. Sale of Flexinvest shares to Kreditmart

	31 March 2013 £'000	31 March 2012 £'000
Proceeds on sale	1,400	-
Less: Cost of Investment	634	-
Profit on sale	766	-

Aurora Russia Limited sold 6,158 shares of its investment in Flexinvest Limited to Kreditmart Finance Limited for a consideration of GBP 1,000,059 on 6 June 2012.

Aurora Russia Limited sold 2,463 shares of its investment in Flexinvest Limited to Kreditmart Finance Limited for a consideration of GBP 399,991 on 30 September 2012.

12. Sale of OSG

	31 March 2013 £'000	31 March 2012 £'000
Gross proceeds	29,625	-
Proceeds on sale - received	22,843	-
Proceeds on sale - deferred	6,782	-
Less: Provision for payment to OSG employees	396	-
Fair value of investment at date of sale	29,229	-

Aurora Russia Limited transferred its entire holding (70,796 shares) of OSG Records Management (Europe) Limited to Octala Services Limited.

12. Sale of OSG (continued)

On 8 March 2013 the Company sold OSG for a cash consideration of up to US$47.8 million (£32.6 million). US$34.1 million (£22.8 million) was paid to the Company on the date of sale and the remaining US$8.5 million (£5.7 million) was delivered to an escrow account in London, of which:

(a) US$4.25 million (£2.9 million) is payable 30 days following the signing of the accounts of OSG for the financial year ended 31 March 2013, should they reflect management's expectations of the EBITDA (as defined), net debt and working capital of the business; and

(b) the balance of US$4.25 million (£2.9 million) is payable 12 months following completion of the sale subject to any warranty claim under certain commercial or tax warranties.

The Directors are of the view that the entire amount in the escrow account will be received.

In terms of accounting for the transaction deferred revenue linked to the sale (£6.8 million - see previous page) was determined by deducting the payables related to the sale.

The Company will receive up to US$5.2 million (£3.3 million) in additional consideration if the OSG business achieves EBITDA of over US$10.0 million (£6.3 million) for the year ending 31 March 2014; this will be proportionately reduced depending on the EBITDA. The directors have estimated that EBITDA of US$ 9 million is probable. Based on the sales contract, the expected value of the additional consideration has been determined to be US$ 1.7 million (£1.1 million). The entire deferred consideration recognised has been discounted for the effect of the time value of money.

Bonus payments are due to OSG staff members upon payment of the US$ 34.1 million (£150,000), US$ 8.5 million (£150,000) and US$ 5.2 million (£300,000) (pro rata reduction proportionate to the amount (if any)) respectively. These bonus payments have been provided for and been discounted for the effect of the time value of money.

13. Provisions

	31 March 2013 £'000	31 March 2012 £'000
Aurora Investment Advisors bonus payment on OSG sale	108	-
Bonus payment on OSG sale	371	-
	479	-
This balance is comprised of:		
Non-current liabilities	115	-
Current liabilities	364	-
	479	-

14. Share capital

	31 March 2013 £'000	31 March 2012 £'000
Authorised share capital:		
200,000,000 Ordinary Shares of 1p each:	2,000	2,000
Issued share capital:		
112,500,000 fully paid Ordinary Shares of 1p each:	1,125	1,125

15. Special reserve

The Special reserve is a distributable reserve to be used for all purposes permitted under Guernsey company law, including the buy back of shares and the payment of dividends.

	31 March 2013 £'000	31 March 2012 £'000
On conversion from share premium	84,073	84,073

16. Accumulated Loss

	31 March 2013 £'000	31 March 2012 £'000
Balance as at 1 April 2012, and 1 April 2011	(10,066)	8,890
Total comprehensive loss for the year	(13,940)	(18,956)
Balance as at 31 March 2013, and 31 March 2012	(24,006)	(10,066)

17. Net asset value per share

	31 March 2013 £'000	31 March 2012 £'000
Net assets for the purposes of basic and diluted net asset value per share	61,192	75,132
Number of ordinary shares for the purpose of net asset value per share	112,500	112,500
Net asset value per share	54.4p	66.8p

18. Financial risk factors

The investment strategy of the Company is to make equity or equity-related investments in small and mid-sized private Russian companies focused on the financial, business and consumer services sectors with the objective to provide investors with an attractive level of capital growth from investing in a diversified private equity portfolio. Consistent with that objective, the Company's financial instruments mainly comprise of investments in private equity companies. In addition the Company holds cash and liquid resources as well as having debtors and creditors that arise directly from its operations. The main risks arising from the Company's financial instruments are credit risk, foreign currency risk, market price risk and interest rate risk.

18.1 *Capital Management*

The capital structure of the Company at year end consists of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, reserves and accumulated loss. The Company has no return on capital benchmark, but the Board continues to monitor the balance of the overall capital structure so as to maintain investor and market confidence. The Company is not subject to any external capital requirements.

18.2 *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Refer to the interest rate risk table in note 18.7 for the maturity analysis of the Company's liabilities.

18.3 *Credit risk*

The Company is exposed to credit risk in respect of its cash and cash equivalents, arising from possible default of the relevant counterparty, with a maximum exposure equal to the carrying value of those assets. The credit risk on liquid funds is limited because the counterparties are banks with credit-ratings assigned by international credit-rating agencies. Credit ratings for the banks are as follows: Investec Baa3; Royal Bank of Scotland A3 and Lloyds A3. The Company monitors the placement of cash balances on an ongoing basis.

The maximum exposure to credit risk for the Company at the end of the reporting period without taking into account any collateral held or credit

	31 March 2013 £'000	31 March 2012 £'000
Cash and cash equivalents	23,134	873
Other receivables	6,689	494
	29,823	1,367

No balances are past due or impaired at year end.

18.4 *Geographical risk*

The geographical concentration of the assets and liabilities of the Company are set out below:

31 March 2013

ASSETS	Russian Federation %	United Kingdom %	Other %	Total %
Investments	100	-	-	100
Other receivables	99	1	-	100
Cash and cash equivalents	-	99	1	100

18. Financial risk factors (continued)

18.4 *Geographical risk (continued)*

ASSETS	31 March 2012 Russian Federation %	United Kingdom %	Other %	Total %
Investments	100	-	-	100
Other receivables	-	100	-	100
Cash and cash equivalents	2	95	3	100

18.5 *Currency risk*

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's reporting currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to Russian Roubles and US Dollars. All of the Company's equity investments are denominated in Russian Roubles. The Company does not hedge its currency exposure on equity investments.

Currency Risk Table

An analysis of the Company's net currency exposure is as follows:

As at 31 March 2013:

Currency of denomination	Sterling £'000	US Dollars £'000	Russian Roubles £'000	Total £'000
Total assets	23,133	6,690	32,800	62,623
Total liabilities	(935)	-	(496)	(1,431)
Net currency exposure	22,198	6,690	32,304	61,192

18. Financial risk factors (continued)

18.5 *Currency risk (continued)*
As at 31 March 2012:

Currency of denomination	Sterling £'000	US Dollars £'000	Russian £'000	Total £'000
Total assets	1,320	30	74,617	75,967
Total liabilities	(344)	-	(491)	(835)
Net currency exposure	976	30	74,126	75,132

Foreign Currency Sensitivity

The following table details the Company's sensitivity to a 20% (2012: 20%) strengthening of Sterling against each of the relevant foreign exchange currencies. 20% (2012: 20%) is the sensitivity rate used when reporting foreign currency risk internally to management and represents management's assessment of the possible change in foreign exchange rates. This analysis assumes that all variables, in particular interest rates remain constant. The analysis is performed on the same basis for the prior period.

Increase/(decrease) in profit /loss and equity:

	31 March 2013 £'000	31 March 2012 £'000
Russian Rouble	(6,461)	(14,923)
US Dollar	(1,338)	(6)

A 20% (2012: 20%) weakening of the Sterling against each of the relevant foreign exchange currencies at the year end would have had the equal but opposite effect, on the basis that all other variables remain the same.

18.6 *Market price risk*
Market price risk arises principally from uncertainty concerning future values of financial instruments used in the Company's operations. It represents the potential loss the Company might suffer through holding interests in unquoted private companies whose value may fluctuate and which may be difficult to value and/or to realise. The Company seeks to mitigate such risk by assessing such risks as part of the due diligence process related to all potential investments, and by establishing a clear exit strategy for all potential investments. There is a rigorous due diligence process before an investment can be approved which will cover financial, legal and market risks. Following investment the Company/Manager will always have Board representation, the investee company is required to submit regular management information to an agreed standard and timeliness and the Manager undertakes regular monitoring. The Board receives and considers the most recent monitoring report prepared by the Manager at every Board meeting.

Pricing Risk Table

All security investments present a risk of loss of capital, the maximum risk resulting from instruments is determined by the fair value of the financial instrument. The following represents the Company's market pricing exposure at year end:

At 31 March 2013:

	Note	Fair Value £'000	% of Net Assets
Investments at fair value through profit or loss:			
- Unlisted Equities	6 & 7	32,800	53.60

At 31 March 2012:

	Note	Fair Value £'000	% of Net Assets
Investments at fair value through profit or loss:			
- Unlisted Equities	6 & 7	74,600	99.29

18. Financial risk factors (continued)

18.6 *Market price risk (continued)*
Valuation of financial instruments

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

> Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
> Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
> Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

At 31 March 2013:	**Level 3 £'000**	**Total £'000**
Investments at fair value through profit or loss:		
-Unlisted Equities	32,800	32,800
	32,800	32,800

At 31 March 2012:	**Level 3 £'000**	**Total £'000**
Investments at fair value through profit or loss:		
-Unlisted Equities	74,600	74,600
	74,600	74,600

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy of the Company:

	Level 3	
	£'000	**£'000**
	2013	**2012**
Opening balance	74,600	90,500
Disposal of investments	(29,863)	-
Total fair value gains or losses in profit or loss	(11,937)	(15,900)
Closing balance	32,800	74,600

Although the Company believes that its estimates of fair values are appropriate, the use of different methodolgies or assumptions could lead to different measurements of fair value. Investments classified with level 3 have significant unobservable inputs, as they trade infrequently. As observable prices are not available for these securities, the Company has used valuation techniques to derive the fair value.

Level 3 investments have been valued in accordance with the methodologies in Note 6. The value of the investments and the fair value movements are disclosed in note 7.

Unrealised loss on fair value movements from revaluation of level 3 investments still held at year end and recognised in the Statement of Comprehensive Income amounted to £12.97 million (2012: unrealised loss of £15.9 million).

18. Financial risk factors (continued)

Price sensitivity

The sensitivity analysis below has been determined based on the exposure to equity price risks as at the reporting date.

At the reporting date, if the valuations had been 20% higher while all other variables were held constant net profit would increase by £6,560,000 (2012: £14,920,000) for the Company. This sensitivity rate was determined by the Directors as reasonable taking market conditions into account.

If the valuation of investments had been 20% (2012: 20%) lower it would have had the equal but opposite effect, on the basis that all other variables remain the same.

18.7 *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
The Company is exposed to interest rate risk as a result of the cash and bank balances that are invested at floating interest rates. The Company monitors its interest rate exposure regularly and allocates its cash resources to an appropriate mix of floating and fixed rate instruments of varying maturities.

The following table details the Company's exposure to interest rate risk as at period end by the earlier of contractual maturities or re-pricing:

At 31 March 2013:	**No contractual terms of repayment**	**Less than 1 month**	**1 months to 1 year**	**1 to 2 years**	**2 to 5 years**	**Greater than 5 years**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Assets							
Non-interest bearing	32,800	-	5,584	1,105	-	-	39,489
Floating interest rate instruments	277	-	-	-	-	-	277
Fixed interest rate instruments	-	-	22,857	-	-	-	22,857
Total	33,077	-	28,440	1,105	-	-	62,623
Liabilities							
Non-interest bearing	-	(456)	(364)	(611)		-	(1,431)
Total	-	(456)	(364)	(611)	-	-	(1,431)
Net Exposure	**33,077**	**(456)**	**28,077**	**494**	**-**	**-**	**61,192**

At 31 March 2012:	**No contractual terms of repayment**	**Less than 1 month**	**3 months to 1 year**	**1 to 2 years**	**2 to 5 years**	**Greater than 5 years**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Assets							
Non-interest bearing	74,617	-	494	-	-	-	75,111
Floating interest rate instruments	780	-	-	-	-	-	780
Fixed interest rate instruments	-	-	76	-	-	-	76
Total	75,397	-	570	-	-	-	75,967
Liabilities							
Non-interest bearing	-	(344)		(491)	-	-	(835)
Total	-	(344)	-	(491)	-	-	(835)
Net Exposure	**75,397**	**(344)**	**570**	**(491)**	-	**-**	**75,132**

* The Company's fixed interest rate instruments represents cash accounts placed on deposit. The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Sensitivity analysis

The sensitivity analysis below has been determined based on the Company's exposure to interest rates for interest bearing assets and liabilities at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates.

If interest rates had been 50 basis points higher and all other variables were held constant, the Company's net profit and equity for the year ended 31 March 2013 would have increased by £1,387 (2012: £3,899).

If interest rates had been 50 basis points lower it would have had the equal but opposite effect, on the basis that all other variables remain the same.

19. Segmental information

The Board of Directors of the Company decides on the strategic resource allocations of the Company. The operating segments of the Company are the business activities that earn revenue or incur expenses, whose operating results are regularly reviewed by the Board of Directors of the Company, and for which discrete financial information is available. The Board of Directors considers the Company to be made up of 1 segment, which is reflective of the business activities of the Company and the information used for internal decision-making which includes the monthly reporting to management of investment holdings on a fair value basis:

- Aurora Russia Limited

The Investment Manager's Report provides more information on the Company's business and the operations of each investment.

The Company derives its revenues from its investments primarily through fair value gains or losses.

The Company regards the holders of its ordinary shares as its customers, as it relies on their funding for continuing operations and meeting its objectives. The Company's shareholding structure is not exposed to a significant shareholder concentration.

The Company is engaged in investment in small and mid-sized companies in Russia and in one principal geographical area, being Russia.

20. Related party transactions

The Company has 3 direct subsidiaries, Kreditmart Finance Limited, Flexinvest Limited and Flexinvest Bank Limited (see note 6 and 7). Details of the investments in Unistream Bank and Grindelia Holdings are presented in note 7.

Michael Hough, who is a director of Aurora Investment Advisors Limited, holds 100,000 (2012: 100,000) of the shares in Aurora Russia Limited as at 31 March 2013.

Aurora Investment Advisors Limited, holds 2,576,534 (2012: 3,970,841) of the shares in Aurora Russia Limited as at 31 March 2013.

The management fees paid to Aurora Investment Advisors Limited were £1,103,705 (2012: 1,589,140); at year end there was no prepayment of management fees.

Per the Amended and Restated Management Agreement, the management fee and performance fee payable to Aurora Investment Advisors Limited ('AIAL') are as follows:

(a) Management fee of an amount equal to I) for all Valuation Dates up to and including 31 March 2011, 1% of the net asset value of the Company; and ii) for all Valuation Dates after 31 March 2011, 0.75% of net asset value of the Company;

(b) Performance fee is calculated as follows:
- 2.5% of the value of any disposals realised by the Company would be payable to the Manager, calculated on the value of assets of the Company realised up to £45 million, i.e. £0.40 per share (the "2.5% Tranche");
- 7.5% of the value of any disposals realised by the Company would be payable to the Manager, calculated on the value of assets of the Company realised between £45 million and £99 million, i.e. £0.40 per share to £0.88 per share (NAV) (the "7.5% Tranche"); and
- 20% of the value of any disposals realised by the Company would be payable to the Manager, calculated on the value of assets of the Company realised over £99 million, i.e. over £0.88 per share (the "20% Tranche").

Performance fees to decline by 20% per annum from 1 January 2012 in respect of the 2.5% Tranche, and by 20% per annum from 1 January 2013 in respect of each of the 7.5% Tranche and the 20% Tranche.

The performance fees paid by the Company to Aurora Investment Advisors Limited during the year was £470,758 (2012: Nil); at year end £107,520 (2012: Nil) was outstanding. The performance fees became payable on the sale of OSG, calculated at 1.6% (being the percentage due under the 2.5% Tranche at the date of completion of the sale) on the cash consideration payable to the Company on completion of the sale of US$ 34.1million. Further performance fees would become payable to the extent that deferred consideration becomes payable to the Company.

21. Contingencies and capital commitments

The Company had no contingencies and capital commitments outstanding at the reporting date other than those disclosed in note 12.

22. Events after the reporting date

On 30 April 2013 the Company entered into a repurchase agreement to purchase ordinary shares of the Company from Numis Securities Limited in April 2013. On 30 May 2013, the Company purchased 38,237,308 ordinary shares at 0.523048p per Share for an aggregate gross consideration of £19,999,947. The net asset value post the tender offer was £61.2m less £20.2m paid to shareholders (including related costs) which leaves a net asset value of £41.0m or 55.26p per share.

Related party transactions

As part of the Company's tender offer to its shareholders, Gilbert Chalk, Peregrine Moncreiffe and Timothy Slesinger announced their intention to tender their Basic Entitlement, the Company has now been advised by those directors of the following sales of ordinary shares in the Company:

-Gilbert Chalk on 6 June, 2013 tendered 16,995 at 52.3048 p
-Peregrine Moncreiffe on 6 June 2013 tendered 327,067 at 52.3048 p
-Timothy Slesinger on 6 June 2013 tendered 4,864,127 at 52.3048 p

As a result of the above transaction Mr Chalk has a total beneficial shareholding in the Company of 33,005 ordinary shares, with his interest representing 0.04% of the total shares in issue, Mr Moncreiffe has a total beneficial shareholding in the Company of 635,209 ordinary shares, with his interest representing 0.86% of the total shares in issue, and Mr Slesinger has a total beneficial shareholding in the Company of 9,446,850 ordinary shares, with his interest representing 12.72% of the total shares in issue.

There are no further events after reporting date that require disclosure.

AURORA RUSSIA LIMITED

Directors and Advisors

Directors
Gilbert Chalk - Chairman - appointed 25 February 2013
Geoffrey Miller - resigned 12 April 2013
Tim Slesinger - appointed 22 August 2011
Grant Cameron - resigned 1 May 2013
John Whittle - resigned 12 April 2013
Jonathan Bridel - appointed 12 April 2013
Peregrine Moncreiffe - appointed 12 April 2013
Lyndon Trott - appointed 1 May 2013

Manager
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Administrator and Secretary
Kleinwort Benson Fund Services Limited
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Registrar
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