

VTB EUROPE STRATEGIC INVESTMENTS LIMITED

Registered No. 5099766

**DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

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VTB EUROPE STRATEGIC INVESTMENTS LIMITED

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VTB EUROPE STRATEGIC INVESTMENTS LIMITED

OFFICERS AND REGISTERED OFFICE

DIRECTORS

N. Hutt
J. S. Klus

SECRETARY

R. Munger

REGISTERED OFFICE

14 Cornhill
London
EC3V 3ND

VTB EUROPE STRATEGIC INVESTMENTS LIMITED

DIRECTORS' REPORT

The directors have pleasure in presenting the Directors' Report and Accounts of VTB Europe Strategic Investments Limited (the "Company") for the year ended 31 December 2019.

Since 1 January 2015, the financial statements have been prepared in accordance with applicable International Financial Reporting Standards (IFRS), as adopted by the European Union (EU). The transition to IFRS had no impact upon the comparative data reported in respect of the preceding financial periods.

The Company is exempt from the requirement to prepare a Strategic Report, under Section 414A (2) of the Companies Act 2006.

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The Company was incorporated on 13 April 2004. The principal activity of the Company is to hold investments of a strategic nature for VTB Capital plc ("VTBC") the immediate parent undertaking, a bank incorporated in England (see note 16).

VTBC's ultimate parent company is VTB Bank (public joint-stock company), short name VTB Bank (PJSC), ("VTB" and together with its subsidiaries the "VTB Group").

STRATEGY AND FUTURE DEVELOPMENTS

The Company will continue to operate as a vehicle for strategic investments although it is expected that as the global VTB Capital company structure develops, such investments may be transferred to or undertaken by companies elsewhere within the VTB Group. Details of the Company's current investments are set out on in the balance sheet and related notes.

RESULTS, KEY PERFORMANCE INDICATORS AND DIVIDENDS

Directors do not make use of any specific key performance indicators other than those set out in the Directors' Report and Accounts of VTBC. The directors consider the disclosures in these financial statements to be sufficient for an understanding of the Company's business.

The Company recorded a loss of Nil (2018: US\$880,776) as result of a write down in valuation of Investment in subsidiary undertaking. A dividend of Nil (2018: Nil) was made during the year.

VTB EUROPE STRATEGIC INVESTMENTS LIMITED

PRINCIPAL RISK AND UNCERTAINTIES

The Company's principal risks and uncertainties are managed within the control framework of the VTBC Group, and are therefore not managed separately. The principal risks and uncertainties of the VTBC Group, which include those of the Company, are explained in the VTBC Group's Annual Report and Accounts, which does not form part of this report.

GOING CONCERN

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

DIRECTORS

The directors, who held office during the financial year ended 31 December 2019 and at the date of the report, unless otherwise indicated, are listed on page 1 of these financial statements.

By order of the Board

A handwritten signature in black ink, appearing to be 'R. Munger', with a long horizontal stroke extending to the right.

R. Munger,
Secretary,

8 December 2020

VTB EUROPE STRATEGIC INVESTMENTS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' Report and the accounts in accordance with applicable law and regulation. Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU'). The financial statements are required by law to give a true and fair view of the state of the affairs of the Company and of the profit or loss of the Company for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 the going concern basis unless it is inappropriate to presume that the Company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company, and which enable them to ensure that the financial statements comply with the Companies Act 2006. The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

VTB EUROPE STRATEGIC INVESTMENTS LIMITED

Registered No. 5099766

BALANCE SHEET **AT 31 DECEMBER 2019**

	Notes	2019 US\$	2018 US\$
ASSETS			
Investment in associated undertaking	5	2,878	2,878
Investment in subsidiary undertaking	6	-	1,753,790
CURRENT ASSETS			
Cash	7	4,686,784	4,686,784
Available for sale investments	8	51,877	51,877
Debtors: amounts due within one year	9	1,753,790	-
Creditors: amounts falling due within one year	10	(352,720)	(352,720)
NET CURRENT ASSETS		4,385,941	4,385,941
NET ASSETS		6,142,609	6,142,609
CAPITAL AND RESERVES			
Called up share capital	11	144,345	144,345
Profit and loss account	12	16,179,147	16,179,147
Currency translation reserve	13	(10,180,883)	(10,180,883)
TOTAL SHAREHOLDERS' FUNDS	14	6,142,609	6,142,609


No gains or losses arose in the current or prior period and therefore no income statement has been prepared.

For the year ending 31st December 2018 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' responsibilities:

- the members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476;
- the directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

Approved by the Board of Directors on 8 December 2020, and signed on their behalf by:


J. Klus – Director

The notes on pages 6 to 11 form part of these financial statements.

VTB EUROPE STRATEGIC INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

Since 1 January 2015, the financial statements have been prepared in accordance with applicable International Financial Reporting Standards (IFRS), as adopted by the European Union (EU). The transition to IFRS had no impact upon the comparative data reported in respect of the preceding financial periods.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The Company is exempt under section 400 (for EEA immediate parents) of the Companies Act 2006 from the requirements to prepare consolidated financial statements on the grounds that it is a wholly-owned subsidiary of VTBC, a company registered in England and Wales (see Note 14), the consolidated financial statements of which include the results of the Company, its subsidiaries and its associated undertakings and are publicly available. These financial statements, therefore, present information about the Company as an individual undertaking and not as a group.

2. PRINCIPAL ACCOUNTING POLICIES

(a) Investment in subsidiary undertakings

Subsidiaries are all entities (including special purpose entities) which are controlled by the Company. Control is the power to govern the financial and operating policies of an entity, and is generally presumed to exist when an investor owns more than 50% of the voting rights of an entity.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Investments in subsidiary undertakings are stated at cost less impairment.

(b) Investment in associated undertakings

Associated undertakings are those entities over which the Company has significant influence and which are neither subsidiaries nor joint ventures. Investments in associated undertakings are stated at cost less impairment.

VTB EUROPE STRATEGIC INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(c) Deferred Taxation

Deferred tax is provided to the extent that it is regarded as probable that it is recoverable (or payable) in the foreseeable future, using the liability method, on temporary timing differences arising from the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates and legislation enacted or substantially enacted by the statement of financial position date. The principal timing differences arise primarily from tax losses carried forward, provisions for pensions, depreciation of tangible assets and the revaluation of certain financial assets and derivative contracts. Income tax recoverable on tax allowable losses is recognised as an asset only to the extent that it is regarded as recoverable by offset against current or future taxable profits.

(d) Foreign currency translation

The financial statements are prepared in US\$, the functional currency of the Company. Foreign currency transactions are translated into US\$ using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in currencies other than US\$ are retranslated at the rate prevailing at the balance sheet date and any exchange differences arising are taken to the profit and loss account.

(e) Dividends from associates

Dividends are recognised in the profit and loss account in the year in which the Company has a right to receive such consideration. No such dividends were received in the year (2017: Nil).

(f) Impairment of financial assets

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired. Impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events having occurred after the initial recognition of the asset and prior to the balance sheet date ('a loss event') and that loss event or events has had an impact on the estimated future cash flows of the financial asset and can be reliably estimated.

3. OPERATING PROFIT/(LOSS)

The directors consider that there is no amount in the context of the Company's business which reasonably corresponds to turnover. The Company's principal activity has been carried out predominantly in the United Kingdom, Russia and United States of America.

There was no auditors' remuneration incurred in 2019. No employees are employed by the Company. Administration expenses are borne by the immediate parent company.

VTB EUROPE STRATEGIC INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. OPERATING PROFIT/(LOSS) (continued)

The emoluments of the directors are paid and borne by the immediate parent undertaking. The directors' services to this Company are of a non-executive nature and their emoluments are deemed to be wholly attributable to their services to the immediate parent undertaking. Accordingly, no emoluments have been included here in respect of the directors. No contributions were made, by the Company, under defined benefit or defined contribution pension schemes, on behalf of its directors.

4. TAX ON ORDINARY ACTIVITIES

There was no tax charge in the current or prior year.

The government announced and substantively enacted a reduction in the corporation tax rate to 21% from April 2014 and 20% from April 2015. Finance (No.2) Bill 2015 provides that the rate of corporation tax for the 2017 Financial Year (commencing 1 April 2017) will be 19%.

There is an unrecognised deferred tax asset of US\$136,103 (2018: US\$136,103) in respect of excess management expenses carried forward.

5. INVESTMENT IN ASSOCIATED UNDERTAKING

	2019	2018
	US\$	US\$
At beginning of financial year	2,878	2,878
Additions/disposals	-	-
At end of financial year	2,878	2,878

The Company's investment in its associated undertaking represents the following:

2019	Country of incorporation	Shares held at beginning of financial year	Acquisitions during the year	Shares held at end of financial year	% interest held
Eagle Venture Partners Limited	Guernsey	2,000	-	2,000	26.7%

Eagle Venture Partners Limited manages the investments in Eagle Russia Fund LP on behalf of investors and is also the General Partner of Eagle Russia Fund LP.

VTB EUROPE STRATEGIC INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. INVESTMENT IN SUBSIDIARY UNDERTAKING

	2019 US\$	2018 US\$
At beginning of financial year	1,753,790	2,634,566
Additions/disposals	(1,753,790)	(880,776)
At end of financial year	-	1,753,790

2018 Name of subsidiary	Place of incorporation and operation	Proportion of ownership interest	Proportion of voting power held	Principal activity
VTB Capital Property Services Inc.	United States of America	100%	100%	Facilities Provider

7. CASH

The Company's cash balance is held within a non interest bearing account with the Company's immediate parent, VTBC.

8. AVAILABLE FOR SALE INVESTMENTS

These comprise capital contributions to Eagle Russia Fund LP, an investment fund managed by Eagle Venture Partners Limited and an investment in Oryol Venture Partners.

	2019 US\$	2018 US\$
At beginning of financial year	51,877	51,877
Partial realisation in year	-	-
At end of financial year	51,877	51,877

VTBSI holds a 33.3% stake in Eagle Russia Fund LP but it is not disclosed as an associate as it has no significant influence over the partnership. Eagle Russia Fund LP is structured so that all management and investment decisions are taken by Eagle Venture Partners Limited, the General Partner and 'fund manager'. Decision making within Eagle Venture Partners Limited is based upon a simple majority vote. VTBC, the immediate parent of VTBSI, has one vote out of a total of 6 directors on the Board of Eagle Venture Partners Limited.

In 2014 the Company received US\$3,750,000 in respect of circa 80% of the sale proceeds of an underlying investment within the Eagle Russia Fund LP. In 2016 the Company received US\$545,401 as proceeds from the liquidation of the fund which is currently in process. In 2017 a further US\$113,982 was received, which has been retained in Other liabilities, pending payment of residual liquidation expenses and final realisation of the fund, which is expected in 2019 (see note 9).

VTB EUROPE STRATEGIC INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. DEBTORS

	2019 US\$	2018 US\$
Amounts falling due within one year:		
Amounts due from related party	1,753,790	-
	1,753,790	-

Amounts due from relate party represent amounts due from the Company's immediate parent company.

10. CREDITORS

	2019 US\$	2018 US\$
Amounts falling due within one year:		
Amounts due to related party	238,738	238,738
Other liabilities	113,982	113,982
	352,720	352,720

Amounts due to related party represent amounts payable to the Company's immediate parent company.

Other liabilities represent the amount received in 2017 from the liquidators of Eagle Russia Fund LP. This amount has been retained in other liabilities, pending payment of residual liquidation expenses and final realisation of the fund, which is expected in 2020 (see note 8).

11. CALLED UP SHARE CAPITAL

	2018 US\$	2017 US\$
Authorised, allotted, called up and fully paid ordinary shares of £1 each:		
At beginning of financial year	144,345	144,345
At end of financial year	144,345	144,345

VTB EUROPE STRATEGIC INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. PROFIT AND LOSS ACCOUNT

	2019 US\$	2018 US\$
At beginning of financial year	16,179,147	17,059,923
Retained profit for the financial year	-	(880,776)
At end of financial year	<u>16,179,147</u>	<u>16,179,147</u>

13. CURRENCY REVALUATION RESERVE

	2019 US\$	2018 US\$
At beginning of financial year	(10,180,883)	(10,180,883)
Movement during the year	-	-
At end of financial year	<u>(10,180,883)</u>	<u>(10,180,883)</u>

The currency revaluation reserve represents the difference between the retained earnings of the Company at historic US\$ average rates against the year-end actual rate on conversion of its functional currency from GBP to US\$ in 2009.

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2019 US\$	2018 US\$
Opening shareholders' funds	6,142,609	7,023,385
Movement during the financial year	-	(880,776)
Closing shareholders' funds	<u>6,142,609</u>	<u>6,142,609</u>

15. ULTIMATE HOLDING COMPANY

The Company is a direct subsidiary of VTBC, a bank incorporated in England and authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulatory Authority. A copy of the consolidated financial statements of VTBC may be obtained from 14 Cornhill, London, EC3V 3ND.

VTBC's ultimate parent company and ultimate controlling party is VTB Bank (public joint-stock company) which is incorporated in the Russian Federation. The Annual Report and Accounts of VTB Bank are available on its website, www.vtb.ru