

Rosneft International Finance Designated Activity Company

Directors' Report and Audited Financial Statements

For the financial year ended 31 December 2018

Registered number: 518513

Rosneft International Finance Designated Activity Company

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Directors and other information

Directors	Eimir McGrath Carmel Naughton	
Administrator and Company Secretary	(Until 14 July 2018) Deutsche International Corporate Services (Ireland) Limited Pinnacle 2 Eastpoint Business Park Dublin 3 Ireland	(As from 15 July 2018) Vistra Alternative Investments (Ireland) Limited Block A Georges Quay Plaza Georges Quay Dublin 2 Ireland
Registered Office	(Until 14 July 2018) Pinnacle 2 Eastpoint Business Park Dublin 3 Ireland	(As from 15 July 2018) Block A Georges Quay Plaza Georges Quay Dublin 2 Ireland
Principal Paying Agent	Deutsche Bank AG, London Branch Winchester House 1 Great Winchester Street London EC2N 2DB United Kingdom	
Bankers	Deutsche Bank AG, London Branch Winchester House 1 Great Winchester Street London EC2N 2DB United Kingdom	Allied Irish Banks Plc Business Banking AIB 7/12 Dame Street Dublin 2 Ireland
Solicitor	Arthur Cox Earlsfort Centre Earlsfort Terrace Dublin 2 Ireland	
Auditor	Ernst & Young Chartered Accountants Ernst & Young Building Harcourt Centre Harcourt Street Dublin 2 Ireland	
Trustee	Deutsche Trustee Company Limited Winchester House 1 Great Winchester Street London EC2N 2DB United Kingdom	

Directors' report

The Directors present their annual report and audited financial statements of Rosneft International Finance Designated Activity Company (the "Company") for the financial year ended 31 December 2018. The comparative figures are for the financial year ended 31 December 2017.

Principal activities and business review

The Company was incorporated and registered in Ireland on 5 October 2012 with registration number 518513. On 19 August 2016, the Company converted to a Designated Activity Company under the Companies Act 2014 (the "Act") and therefore is now named Rosneft International Finance Designated Activity Company. The Company has established a US\$10,000,000,000 programme for the issuance of loan participating notes. Notes issued by the Company under the programme will be issued in series for the sole purpose of financing loans to Rosneft Oil Company (the "Borrower"), an open joint-stock Company established under the laws of the Russian Federation.

On 6 December 2012, the Company issued an aggregate principal amount of US\$1,000,000,000 Loan Participation Notes due 2017 as Series 1 and US\$2,000,000,000 Loan Participation Notes due 2022 issued as Series 2 with limited recourse to the Company for the sole purpose of financing loans to the Borrower under the terms of the loan agreement between the Company and the Borrower. The debt securities issued bear interest at a fixed amount of US\$15.75 per US\$1,000 and US\$21 per US\$1,000 respectively. The Series 1 notes matured and the company repaid in full the outstanding balance for Series 1 on 3 March 2017.

The Loan Participation Notes issued by the Company are listed on the Irish Stock Exchange Market (new trading as Euronext Dublin) (the "ISE").

In December 2019, a novel strain of coronavirus ("COVID-19") was reported in Wuhan, China. As the epidemic evolves, it will be expected that many areas may detect imported cases and local transmission of COVID-19. As of now, COVID-19 has since spread to over 100 countries worldwide and on March 11, 2020 the World Health Organization ("WHO") declared COVID-19 a pandemic.

The spread of the COVID-19 outbreak has caused severe disruptions in the Irish and global economy and financial markets and could potentially create widespread business continuity issues of an as yet unknown magnitude and duration. Many countries, including Ireland, have reacted by instituting quarantines, mandating business and school closures and restricting travel. Many experts predict that the outbreak will trigger a period of global economic slowdown or a global recession.

Business review

During the financial year:

- The Company made an after tax profit of US\$ nil (2017: US\$ nil); and
- The Company's total indebtedness was US\$2,026,908,385 (2017: US\$2,026,871,617).

Key performance indicators

	31-Dec-18	31-Dec-17
	US \$	US \$
Results for the year after tax	-	-
Net assets	3,001	3,001
Loans and receivables	2,000,000,000	2,000,000,000
Debt securities issued	2,000,000,000	2,000,000,000

Risk management objectives and policies

The main risk arising from the Company's financial instruments is credit risk. The Company's exposure to risks and the Company's objectives, policies and processes for measuring and managing risk are outlined in Note 17 to the financial statements.

Results and dividends for the financial year under review

The results for the financial year are set out on page 13. The Directors do not recommend the payment of a dividend in respect of the financial year under review. (2017: US\$ nil)

Changes in directors, secretary and registered office

Deutsche International Corporate Services (Ireland) Limited ("DICSIL") agreed to sell its corporate services business to Vistra Alternative Investments (Ireland) Limited ("VAIIL") pursuant to a business transfer agreement dated 14 September 2017. As part of the sale, the rights and obligations of DICSIL under the Corporate services agreement entered into between the Company and DICSIL were novated to VAIIL pursuant to a Deed of Novation dated 15 July 2018. In connection with the novation, DICSIL resigned as secretary of the Company and VAIIL was appointed as the new secretary of the Company with effect from 15 July 2018. The registered office of the Company also changed from Pinnacle 2, Eastpoint Business Park, Clontarf, Dublin 3 to First Floor, Block A, George's Quay Plaza, Dublin 2 with effect from 15 July 2018.

There were no other changes in Directors, secretary or registered office during the financial year and/or since the financial year end.

Directors, secretary and their interests

Neither the Directors nor the Company secretary have any direct or beneficial interest in shares, shares options, deferred shares and debentures of the Company at the beginning of the year or at 31 December 2018.

Directors' report (continued)**Transactions involving Directors**

There were no contracts or arrangements of any significance in relation to the business of the Company in which the Directors had any interest, as defined by the Companies Act 2014 at any time during then financial year ended 31 December 2018.

Political donations

The Company did not make any political donations during the financial year (2017: US\$ nil).

Future developments

The Directors expect the present level of activities to be maintained for the foreseeable future. The Company will continue to seek new opportunities for the future growth and development of the Company and as such, the financial statement has been prepared on a going concern basis.

Audit committee

Under Section 1551 of the Companies Act 2014 ("the Act") as amended, all public -interest entities are required to establish an audit committee, subject to certain exemptions. Section 167 of the Act also requires the directors of a large company (as such term is defined in the Act) to establish an audit committee or to state the reasons for not establishing such a committee.

Given the contractual obligations of the administrator and the limited recourse nature of the securities issued by the Company, the Board of Directors (the "Board") have concluded that there is currently no need for the Company to have an audit committee in order for the Board to perform effective monitoring and oversight of the internal control and risk management systems of the Company in relation to the financial reporting process and the monitoring of the statutory audit and the independence of the statutory auditors. Accordingly, the Company has availed itself of the exemption under Section 1551 (11) (c) of the Act not to establish an audit committee.

Research and development

The Company made no research and development during the financial year (2017: US\$ nil).

Charitable donations

The Company made no charitable donations during the financial year (2017: US\$ nil).

Corporate Governance Statement*Introduction*

The Company is subject to and complies with Irish Statute comprising the Companies Act 2014 and the listing rules of the Irish Stock Exchange, as applicable to companies with debt securities listed on the Main Securities Market. The Company does not apply additional requirements in addition to those required by the above. Each of the service providers engaged by the Company is subject to their own corporate governance requirements.

Financial Reporting Process

The Board of Directors ("the Board") is responsible for establishing and maintaining adequate internal control and risk management systems of the Company in relation to the financial reporting process. Such systems are designed to manage rather than eliminate the risk of failure to achieve the Company's financial reporting objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has established processes regarding internal control and risk management systems to ensure its effective oversight of the financial reporting process. These include appointing the Administrator, Vistra Alternative Investments (Ireland) Limited, to maintain the accounting records of the Company independently of the Borrower. The Administrator is contractually obliged to maintain proper accounting records as required by the Corporate services agreement. The Administrator is also contractually obliged to prepare for review and approval by the Board the annual report including financial statements intended to give a true and fair view.

The Board evaluates and discusses significant accounting and reporting issues as the need arises. From time to time the Board also examines and evaluates the Administrator's financial accounting and reporting routines and monitors and evaluates the external auditor's performance, qualifications and independence. The Administrator has operating responsibility for internal control in relation to the financial reporting process and the Administrator's report to the Board.

Risk Assessment

The Board is responsible for assessing the risk of irregularities whether caused by fraud or error in financial reporting and ensuring the processes are in place for the timely identification of internal and external matters with a potential effect on financial reporting. The Board has also put in place processes to identify changes in accounting rules and recommendations and to ensure that these changes are accurately reflected in the Company's financial statements.

More specifically:

- The Administrator has a review procedure in place to ensure errors and omissions in the financial statements are identified and corrected.
- Regular training on accounting rules and recommendations are provided to the accountants employed by the Administrator.
- Accounting bulletins, issued by Vistra Alternative Investments (Ireland) Limited, are distributed monthly to all accountants employed by the Administrator.

Directors' report (continued)**Corporate Governance Statement (continued)***Control Activities*

The Administrator is contractually obliged to design and maintain control structures to manage the risks which the Board judges to be significant for internal control over financial reporting. These control structures include appropriate division of responsibilities and specific control activities aimed at detecting or preventing the risk of significant deficiencies in financial reporting for every significant account in the financial statements and the related notes in the Company's annual report.

Monitoring

The Board has an annual process to ensure that appropriate measures are taken to consider and address the shortcomings identified and measures recommended by the independent auditors.

Given the contractual obligations on the Administrator, the Board has concluded that there is currently no need for the Company to have a separate internal audit function.

Capital Structure

No person has a significant direct or indirect holding of securities in the Company. No person has any special rights of control over the Company's share capital.

There are no restrictions on voting rights.

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, Irish Statute comprising the Companies Act 2014. The Articles of Association themselves may be amended by special resolution of the shareholders.

Powers of Directors

The Board is responsible for managing the business affairs of the Company in accordance with the Articles of Association. The Directors may delegate certain functions to the Administrator and other parties, subject to the supervision and direction by the Directors. The Directors have delegated the day to day administration of the Company to the Administrator.

Accounting records

The Directors are responsible for ensuring that adequate accounting records, as outlined in Sections 281 to 285 of the Companies Act 2014 are kept by the Company. The measures taken by the directors to ensure compliance with the Company's obligation to keep adequate accounting records are the use of appropriate systems and procedures by ensuring that a competent service provider is responsible for the preparation and maintenance of the accounting records. The accounting records of the Company are maintained at Block A, Georges Quay Plaza, Georges Quay, Dublin 2, Ireland.

Going concern

The Company's main objective is to provide financing to the Borrower, a Russian Company, through issuance of publicly listed notes. Consequently, the Company is exposed to the economic and financial markets of the Russian Federation which display characteristics of a developing market. The legal, tax and regulatory frameworks continue to develop, but are subject to varying interpretations and frequent changes, which together with other legal and fiscal impediments, contribute to the challenges faced by entities operating in the Russian Federation. The political and economic instability witnessed in Ukraine has had and may continue to have a negative impact on the Russian economy. Certain sanctions were implemented by European Union ("EU") and the United States of America ("USA") against Russian officials, businessmen and companies including the Borrower, which is the Company's only borrower. So far, these events have not had a significant impact on the Borrower's ability to pay its obligations to the Company. Due to the difficulty of assessing the future impact of these events and any additional sanctions that might be imposed by EU and the USA in case of the continuous instability in Ukraine, the Company's management will continue to monitor the situation and reassess any potential impact to the Company's operations and financial position. Taking this into consideration, the Directors have concluded that it is appropriate to prepare the financial statements on a going concern basis. The Directors anticipate that the Borrower's operation will continue to generate enough cash flow on an ongoing basis to meet the Company's liabilities as they fall due.

The response to the impact of COVID-19 is set out in the Principal Risks and Uncertainties section above.

It is our view, to the best of our current knowledge, that Covid-19 will not have a material adverse impact on the company's ability to continue as a going concern.

Further details regarding the adoption of the going concern basis, in preparing the financial statements, can be found in the Accounting Policies (Note 1).

Subsequent events

Other than as described in the Principal Risks and Uncertainties section above in relation to COVID-19, there were no significant events between the Balance Sheet date and the date of signing of the financial statements, affecting the Group, which require adjustment to or disclosure in the financial statements.

There have been no other significant subsequent events that require disclosure or adjustment in these financial statements up to the signing of this report.

Directors' report (continued)

Directors' Compliance Statement

The Directors confirm that:

- they have, to the best of their knowledge, complied with its relevant obligations as defined in section 225 of the Companies Act 2014;
- drawing up a compliance policy statement that sets out the company's policies respecting compliance by the company with its relevant obligations, which arrangements and structures may, if the directors so decide, include reliance on the advice of one or more than one person employed by the Company or retained by it under a contract for services, being a person who appears to the directors to have the requisite knowledge and experience to advise the Company on compliance with its relevant obligations; and
- the arrangements and structures in place were reviewed during the financial year to which this Report relates.

Statement on relevant audit information

In the case of the persons who are Directors at the time this report is approved in accordance with section 332 of the Companies Act 2014:

- so far as each Director is aware, there is no relevant audit information of which the Company's statutory auditors are unaware; and
- each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's statutory auditors are aware of that information.

Independent auditors

Ernst & Young, Chartered Accountants, has expressed its willingness to continue in office in accordance with Section 383(2) of the Act.

Ernst & Young, Chartered Accountants, was reappointed as auditor to Rosneft International Finance DAC, the Company, at its annual general meeting on 21 November 2018 and it is intended that Ernst & Young, Chartered Accountants will continue in office for subsequent account periods until replaced.

On behalf of the board



Eimir McGrath
Director



Carmel Naughton
Director

Date: 24 June 2020

Statement of Directors' responsibilities

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

Irish company law requires the Directors to prepare the financial statements for each financial year. Under the law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Company as at the financial year end date and of the Statement of comprehensive income of the Company for the financial year and otherwise comply with the Companies Act 2014.

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

- select suitable accounting policies for the Company financial statements and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- state whether the financial statements have been prepared in accordance with applicable accounting standards, identify those standards and note the effect and the reasons for any material departure from those standards.

The Directors are responsible for ensuring that the Company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the Company, enable at any time the assets, liabilities, financial positions and the Statement of comprehensive income of the Company to be determined with reasonable accuracy, enable them to ensure that the financial statements and Directors' report comply with Companies Act 2014 and enable the financial statements to be audited. They 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.

On behalf of the board



Eimir McGrath
Director



Carmel Naughton
Director

Date: 24 June 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROSNEFT INTERNATIONAL FINANCE DESIGNATED ACTIVITY COMPANY

Opinion

We have audited the financial statements of Rosneft International Finance Designated Activity Company ('the Company') for the year ended 31 December 2018, which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and notes to the financial statements, including the summary of significant accounting policies set out in Note 3. The financial reporting framework that has been applied in their preparation is Irish Law and International Financial Reporting Standards (IFRS) as adopted by the European Union, as applied in accordance with the provisions of the Companies Act 2014.

In our opinion the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2018 and of its results for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA) as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters, in relation to which ISAs (Ireland) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROSNEFT INTERNATIONAL FINANCE DESIGNATED ACTIVITY COMPANY (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Board of Directors
<p>Risk of management override of controls over the valuation of the loans and receivables</p> <p>Amount = USD 2,000,000,000 (2017: 2,000,000,000)</p> <p>The carrying value of the loans and receivables represent the most significant asset in the financial statements of the Company.</p> <p>The basis of impairment provision policy is presented in note 3 of the accounting policies.</p> <p>The audit team had identified a risk of management override of controls over the valuation of loans and receivables. There may be significant deterioration of the loans and receivables which is not recognized in the financial statements leading to incorrect valuation of the loans and receivables.</p> <p>Refer to note 11 and 17 of the financial statements</p>	<p>We performed the following testing to address the key audit matter:</p> <ul style="list-style-type: none"> Assessed the design effectiveness of the Company's controls including governance and reporting over the valuation of loans and receivables. Assessed the management assessment of expected credit loss ("ECL"). Evaluate the inputs, methodology and data used to calculate the ECL on loans and receivables. Assessed and evaluated the repayment capability of the loans and receivables 	<p>Our planned audit procedures were completed without any material exception.</p>

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROSNEFT INTERNATIONAL FINANCE DESIGNATED ACTIVITY COMPANY (continued)

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

Materiality is the magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be \$20 million (2017: \$20 million) which is 1% (2017:1%) of noteholder's liability of the Company. We believe that noteholder's liability provides us with the most appropriate basis for materiality having considered the expectation of the users of the financial statements and the overall business environment.

Performance materiality

Performance materiality is the threshold for application of materiality at the individual account or balance level. Performance materiality is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2017: 75%) of our planning materiality, namely \$15 million (2017: \$15 million). We have set performance materiality at this percentage based on our knowledge of the Company and industry, effectiveness of the control environment, our assessment of the risks associated with the engagement and prior year experience.

Reporting threshold

Reporting threshold is the amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Board of Directors that we would report to them all uncorrected audit differences in excess of \$1 million (2017: \$1 million), which is set at 5% (2017: 5%) of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

An overview of the scope of our audit report

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. Taken together, this enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of entity-wide controls, including controls and changes in the business environment and other factors such as controls within the administrator when assessing the level of work to be performed.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROSNEFT INTERNATIONAL FINANCE DESIGNATED ACTIVITY COMPANY (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the Directors' Report and Statement of Directors' Responsibilities. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, we report that:

- in our opinion, the information given in the Directors' report is consistent with the financial statements; and
- in our opinion, the Directors' report has been prepared in accordance with the Companies Act 2014.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

In our opinion the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited and the financial statements are in agreement with the accounting records.

Matters on which we are required to report by exception

Based on the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by sections 305 to 312 of the Act are not made. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROSNEFT INTERNATIONAL FINANCE DESIGNATED ACTIVITY COMPANY (continued)

Respective responsibilities

Responsibilities of directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 directors; and the overall presentation of the financial statements.

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are in relation to compliance with Irish Companies Act 2014 and IFRS as adopted by the European Union.

We understood how the Company complies with the framework established by understanding the entity level controls. The Board has established processes regarding internal control and risk management systems to ensure its effective oversight of the financial reporting process. The

internal control process includes the appointment of the Administrator to maintain the accounting records of the Company independently of the arranger and the custodian.

We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by performing substantive procedures in relation to the financial statement close process and valuation of financial instruments.

Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations.

In relation to the key audit matter: risk of management override of controls in relation to valuation of financial assets at FVTPL, further discussion of it is set out in the Key Audit Matters above.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA's website at: http://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf.

This description forms part of our auditor's report.

Other matters which we are required to address

We were appointed by the Board of Directors on 20 November 2012 to audit the financial statements for the year ended 31 December 2013 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 6 years.

The non-audit services prohibited by IAASA's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Board of Directors.

The purpose of our audit work and to whom we owe our responsibilities

Our report is made solely to the Company's members, as a body, in accordance with section 391 of the Companies Act 2014. 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.



Jayanta Auddy
for and on behalf of
Ernst & Young Chartered Accountants and Statutory Audit Firm
Office: Dublin

Date: 01 July 2020

Statement of comprehensive income
For the financial year ended 31 December 2018

	Note	Financial year ended 31-Dec-18 US \$	Financial year ended 31-Dec-17 US \$
Interest and similar income	4	84,000,000	89,687,500
Interest and similar charges	5	(84,000,000)	(89,687,500)
Other income	6	63,636	67,528
Net operating income		63,636	67,528
Operating expenses	7	(63,636)	(67,528)
Result on ordinary activities before taxation		-	-
Taxation	8	-	-
Result for the financial year		-	-
Other comprehensive income		-	-
Total comprehensive income for the financial year		-	-

All items dealt with in arriving at the total comprehensive income for the financial years ended 31 December 2018 and 31 December 2017 related to continuing operations.

The accompanying notes on pages 17 to 33 form an integral part of these financial statements

Statement of financial position
As at 31 December 2018

	Note	31-Dec-18 US \$	31-Dec-17 US \$
Assets			
Cash and cash equivalents	9	39,616	37,784
Trade and other receivables	10	26,871,770	26,836,834
Loans and receivables	11	2,000,000,000	2,000,000,000
Total assets		<u>2,026,911,386</u>	<u>2,026,874,618</u>
Equity and liabilities			
Liabilities			
Trade and other payables	12	26,908,385	26,871,617
Debt securities issued	13	2,000,000,000	2,000,000,000
Total liabilities		<u>2,026,908,385</u>	<u>2,026,871,617</u>
Equity			
Called up share capital presented as equity	14	1	1
Retained earnings		3,000	3,000
Total equity		<u>3,001</u>	<u>3,001</u>
Total liabilities and equity		<u>2,026,911,386</u>	<u>2,026,874,618</u>

The financial statements were approved by the Board of Directors and authorised for issue on 24 June 2020.

On behalf of the board



Eimir McGrath
Director



Carmel Naughton
Director

Date: 24 June 2020

The accompanying notes on pages 14 to 30 form an integral part of these financial statements

Statement of changes in equity

For the financial year ended 31 December 2018

	Note	Share capital US \$	Retained earnings US \$	Total equity US \$
Balance as at 1 January 2017		1	3,000	3,001
Total comprehensive income		-	-	-
Balance as at 31 December 2017	14	1	3,000	3,001
Total comprehensive income		-	-	-
Balance as at 31 December 2018	14	1	3,000	3,001

The accompanying notes on pages 17 to 33 form an integral part of these financial statements

Statement of cash flows

For the financial year ended 31 December 2018

	Note	Financial year ended 31-Dec-18 US \$	Financial year ended 31-Dec-17 US \$
Cash flows from operating activities			
Result on ordinary activities before taxation		-	-
Adjustments for:			
Interest income on loans and receivables	4	(84,000,000)	(89,687,500)
Interest expense on debt securities issued	5	84,000,000	89,687,500
		-	-
<i>Working capital adjustments:</i>			
Increase in accruals	12	36,768	10,072
(Increase)/decrease in other receivables	10	(34,936)	8,812
		1,832	18,884
Net changes in operating assets and liabilities			
Interest received		84,000,000	99,750,000
Interest paid		(84,000,000)	(99,750,000)
Net cash generated from operating activities		1,832	18,884
Cash flows from financing activities			
Redemption of notes	13	-	(1,000,000,000)
Net cash used in financing activities		-	(1,000,000,000)
Cash flows from investing activities			
Proceeds from repayment of loans and receivables	11	-	1,000,000,000
Net cash generated from investing activities		-	1,000,000,000
Net increase in cash and cash equivalents		1,832	18,884
Cash and cash equivalents at beginning of the financial year		37,784	18,900
Cash and cash equivalents at end of the financial year	9	39,616	37,784
Cash and cash equivalents consists of:			
Cash at bank	9	39,616	37,784
		39,616	37,784

The accompanying notes on pages 17 to 33 form an integral part of these financial statements

Notes to the financial statements**For the financial year ended 31 December 2018****1. Corporate Information**

Rosneft International Finance Designated Activity Company (the "Company") was incorporated and registered in Ireland on 5 October 2012 with registration number 518513. The principal activity of the Company is the issuance of debt securities for the purpose of financing loans to Rosneft Oil Company (the "Borrower"), an open joint-stock company established under the laws of the Russian Federation.

On 6 December 2012, the Company issued an aggregate principal amount of US\$1,000,000,000 Loan Participation Notes due 2017 as Series 1 and US\$2,000,000,000 Loan Participation Notes due 2022 issued as Series 2 with limited recourse to the Company for the sole purpose of financing loans to the Borrower under the terms of the loan agreement between the Company and the Borrower. The debt securities issued bear interest at a fixed amount of US\$15.75 per US\$1,000 and US\$21 per US\$1,000 respectively. The Series 1 notes matured and the company repaid in full the outstanding balance for Series 1 on 3 March 2017.

The Loan Participation Notes issued by the Company are listed on the Irish Stock Exchange Market (new trading as Euronext Dublin) (the "ISE"). The Company does not have any subsidiaries and these financial statements represent only the financial performance and position of Rosneft International Finance Limited, as an individual entity for the financial year ended 31 December 2018.

The Company has no employees and administration services are contracted from third parties.

The registered address of the Company is Block A, Georges Quay Plaza, Georges Quay, Dublin 2, Ireland.

2. Basis of preparation**(a) Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB") as adopted by the European Union ("EU") and in accordance with the provisions of the Companies Act 2014, applicable to companies reporting under IFRSs.

The accounting policies set out below have been applied in preparing the financial statements for the financial year ended 31 December 2018 and the comparative information presented in these financial statements for the financial year ended 31 December 2017.

These financial statements have been prepared on a going concern basis.

(b) Basis of measurement

The financial statements have been prepared under the historical cost basis.

Going concern

The Company's main objective is to provide financing to the Borrower, a Russian Company, through issuance of publicly listed notes. Consequently, the Company is exposed to the economic and financial markets of the Russian Federation which display characteristics of a developing market. The legal, tax and regulatory frameworks continue to develop, but are subject to varying interpretations and frequent changes, which together with other legal and fiscal impediments, contribute to the challenges faced by entities operating in the Russian Federation. The political and economic instability witnessed in Ukraine has had and may continue to have a negative impact on the Russian economy. Certain sanctions were implemented by European Union ("EU") and the United States of America ("USA") against Russian officials, businessmen and companies including the Borrower, which is the Company's only borrower. So far, these events have not had a significant impact on the Borrower's ability to pay its obligations to the Company. Due to the difficulty of assessing the future impact of these events and any additional sanctions that might be imposed by EU and the USA in case of the continuous instability in Ukraine, the Company's management will continue to monitor the situation and reassess any potential impact to the Company's operations and financial position. Taking this into consideration, the Directors have concluded that it is appropriate to prepare the financial statements on a going concern basis. The Directors anticipate that the Borrower's operation will continue to generate enough cash flow on an ongoing basis to meet the Company's liabilities as they fall due.

Notes to the financial statements (continued)
For the financial year ended 31 December 2018

2. Basis of preparation (continued)

(c) New and amended standards adopted by the Company

The following new standards, amendments and interpretations issued became effective as of 1 January 2018:

Standards and interpretation	Effective date
AIP (2014-2016 Cycle): IFRS 1 - First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for the first-time adopters	1 January 2018
AIP (2014-2016 Cycle): IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice	1 January 2018
Amendments to IFRS 2: Classification and measurement of share-based payment transactions	1 January 2018
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018
IFRS 9: Financial Instruments	1 January 2018
IFRS 15: Revenue from contracts with customers	1 January 2018
Amendments to IAS 40: Transfers of Investment Property	1 January 2018
IFRIC Interpretation 22: Foreign Currency Transactions and Advance Consideration	1 January 2018

None of the above standards, amendments and interpretations had a significant impact on the Company's financial statements except IFRS 9 which is detailed in Note 3(d) & 3(k).

IFRS 9: Financial Instruments (effective date: financial year beginning 1 January 2018)

Transition to IFRS 9 - effective 1 January 2018

IFRS 9, the new financial instrument standard issued by the IASB in July 2014, replaces IAS 39, and was endorsed for adoption in the European Union on 22 November 2016. IFRS 9 has been implemented by the Company with effect from 1 January 2018, in line with the Standard's requirements. As permitted, the Company will not restate comparative periods on initial application of IFRS 9 and will recognise any measurement difference between the previous carrying amount and the new carrying amount at the transition date, through an adjustment to opening retained earnings. The Company has reflected the application of the requirements of the new standard and related changes to other accounting standards in its financial statements as at, and from, the adoption date.

Standards not yet effective, but available for early adoption

Description	Effective date (period beginning)*
Amendments to IFRS 9: Prepayment Features with Negative Compensation	1 January 2019
IFRS 16: Leases	1 January 2019
AIP (2015-2017 Cycle): IFRS 11 Joint Arrangements: Previously held Interests in a joint operation	1 January 2019
AIP (2015-2017 Cycle): IAS 12 Income Taxes: Income tax consequences of payments on financial instruments classified as equity	1 January 2019
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	1 January 2019
AIP (2015-2017 Cycle): IAS 23 Borrowing Costs: Borrowing costs eligible for capitalisation	1 January 2019
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	1 January 2019
IFRIC Interpretation 23: Uncertainty over Income Tax Treatments	1 January 2019
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2019
Annual Improvements to IFRS Standards 2015-2017 Cycle	1 January 2019
AIP (2015-2017 Cycle): IFRS 3 Business Combinations: Previously held Interests in a joint operation	1 January 2020
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020
Amendments to IFRS 9, IAS 39 AND IFRS 7: Interest Rate Benchmark Reform	1 January 2020
Amendments to IAS 1 AND IAS 8: Definition of Material	1 January 2020
Amendments IFRS 3: Definition of a Business	1 January 2020**
IFRS 17: Insurance Contracts	1 January 2021**
Amendments to IAS 1: Presentation of Financial statements: Classification of Liabilities as current or noncurrent	1 January 2022**

Notes to the financial statements (continued)
For the financial year ended 31 December 2018

2. Basis of preparation (continued)

(c) New and amended standards adopted by the Company

*Where new requirements are endorsed, the EU effective date is disclosed. For un-endorsed standards and interpretations, the IASB's effective date is noted. Where any of the upcoming requirements are applicable to the Group, it will apply them from their EU effective date.

** None of these are endorsed.

The Directors have considered the new standards, amendments and interpretations as detailed in the above table and does not plan to adopt these standards early. The application of all of these standards, amendments or interpretations will be considered in detail in advance of a confirmed effective date by the Company.

The Company has not adopted any other new standards or interpretations that are not mandatory. The Directors anticipate that the adoption of those standards or interpretations, other than IFRS 9, will have no material impact on the financial statements of the Company in the period of initial application.

3. Significant accounting policies

(a) Functional and presentation currency

These financial statements are presented in US Dollar (US\$) which is the Company's functional currency. Functional currency is the currency of the primary economic environment in which the entity operates. The issued share capital of the Company is denominated in Euro and the debt securities issued are denominated in US\$. The Directors of the Company believe that US\$ most faithfully represents the economic effects of the underlying transactions, events and conditions.

(b) Use of estimates and judgements

Critical judgements in applying the Company's accounting policies

Classification and measurement of financial assets depends on the results of the SPPI and business model test. Note 3 (d) to the financial statements describes that the directors have classified the loans and receivables at amortised cost. In making their judgement, the directors have considered the requirements of IFRS 9 'Financial Instruments'. The loans and receivables are valued under IFRS 9 using the held to collect business model. The directors determine the business model at a level that reflects how the financial asset is managed to achieve a particular business objective. The directors continuously assessed whether the business model for which the financial asset is held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of the asset.

As explained in Note 3 (d), expected credit losses are measured as an allowance equal to 12 month ECL or lifetime ECL. When the credit risk of an asset has increased significantly since initial recognition, a lifetime ECL is calculated on the asset. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Company takes into account qualitative and quantitative reasonable and supportable forward looking information.

Key sources of estimation uncertainty

When measuring expected credit losses, the Company uses reasonable and supportable forward looking information, which is based on assumptions and inputs used in the ECL measurement model. Loss given default is an estimate of the loss arising on default and probability of default is an estimate of the likelihood of default over a given time horizon. These are the key inputs in measuring ECL.

(c) Foreign currency transaction

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the Statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

(d) Financial instruments

Recognition and initial measurement

Financial assets are recognised on the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit and loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue.

The Company has determined that it has one business model as described below.

Notes to the financial statements (continued)
For the financial year ended 31 December 2018

3. Significant accounting policies

(d) Financial instruments (continued)

Classification of financial assets – Policy applicable from 1 January 2018

On initial recognition, the Company classifies financial assets as measured at amortised cost, fair value through other comprehensive income ("FVOCI") or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified are measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets at amortised cost:

- This includes cash and cash equivalents, trade and other receivables and loans and receivables.

Business model assessment

In making an assessment of the objective of the business model in which a financial asset is held, the Company considers all of the relevant information about how the business is managed, including:

- the documented investment strategy and the execution of this strategy in practice. This includes whether the investment strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how the arranger is compensated: e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected;
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity; and
- financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

The Company has determined it has the following business model:

- Held-to-collect business model: this includes cash and cash equivalents, trade and other receivables and loans and receivables held to collect. These financial assets are held to collect contractual cash flow.

Assessment whether contractual cash flows are SPPI

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

Notes to the financial statements (continued)
For the financial year ended 31 December 2018

3. Significant accounting policies (continued)

(d) Financial instruments (continued)

In assessing whether the contractual cash flows are SPPI, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- leverage features;
- prepayment and extension features;
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

For a reconciliation of line items in the statement of financial position to the categories of financial instruments, as defined by IFRS 9, see Note 3(k).

Financial assets are not reclassified subsequent to their initial recognition unless the Company were to change its business model for managing financial assets, in which case all affected financial assets would be reclassified on the first day of the first reporting period following the change in the business model.

Financial assets – Subsequent measurement and gains and losses: Policy applicable from 1 January 2018

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the Statement of comprehensive income. Any gain or loss on derecognition is recognised in Statement of comprehensive income.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL.

A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in Statement of comprehensive income.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in the Statement of comprehensive income. Any gain or loss on derecognition is also recognised in Statement of comprehensive income.

Financial liabilities at amortised cost:

- This includes trade and other payables and debt securities issued.

Impairment: Policy applicable from 1 January 2018

The Company recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost.

Notes to the financial statements (continued)
For the financial year ended 31 December 2018

3. Significant accounting policies (continued)

(d) Financial instruments (continued)

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- financial assets that are determined to have low credit risk at the reporting date; and
- other financial assets for which credit risk (i.e. the risk of default occurring over the expected life of the asset) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

The financial assets of the Company at 1 January 2018 and 31 December 2018 are low credit risk, and therefore impairment is calculated using 12 month ECL. The Company has determined that the application of IFRS 9's impairment requirements at 1 January 2018 and 31 December 2018 did not result in any material impairment allowance on its cash and cash equivalents and trade and other receivables.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default; or
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised directly in equity is recognised in Statement of comprehensive income.

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

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in the Statement of comprehensive income.

Notes to the financial statements (continued)
For the financial year ended 31 December 2018

3. Significant accounting policies (continued)

(d) Financial instruments (continued)

Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

Policy applicable before 1 January 2018

Classification

The financial asset has been recognised as 'Loans and Receivables' which have fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the statement of comprehensive income. Gains and losses are recognised in the statement of comprehensive income when there is a reversal of previously charged impairment or the investments are impaired as well as through the amortisation process. Interest income is recognised, by applying the effective interest rate, on all receivables whether short-term or long-term as long as the receivables are interest bearing. Financial liabilities are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Financial liabilities are subsequently stated at amortised cost, any difference between the proceeds, net of transaction costs, premiums paid and the redemption value is recognised in the statement of comprehensive income using the effective interest method.

Recognition

The Company initially recognises all financial assets and liabilities on the trade date at which the Company becomes a party to the contractual provisions of the instruments. Purchases and sales of financial assets and financial liabilities are recognised using trade date accounting.

Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

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

Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions. No assets and liabilities have been offset during the year (2016: nil).

Impairment of financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Company, economic conditions that correlate with defaults or the disappearance of an active market for a security.

The Company assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Notes to the financial statements (continued)
For the financial year ended 31 December 2018

3. Significant accounting policies (continued)

(d) Financial instruments (continued)

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced, with the amount of the loss recognised in the statement of comprehensive income.

If, in a subsequent financial period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(e) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Company in the management of its short term commitments.

(f) Other income and Operating expenses

All other income and operating expenses are recognised on an accrual basis in line with the contractual terms.

(g) Trade and other receivables

Trade and other receivables do not carry any interest and are short term in nature and are accordingly stated at their nominal values as reduced by appropriate allowance for expected credit losses, if any.

(h) Trade and other payables

Trade and other payables are not interest-bearing and are stated at their nominal value.

(i) Interest income and expenses

Interest income and expense are recognised in the Statement of comprehensive income for all instruments measured at amortised cost using the effective interest method.

This is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or expense over the relevant financial year. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate a shorter year to the net carrying amount of the financial asset or liability. Interest income and expense include the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of an interest bearing instrument and the amount at maturity calculated at an effective interest rate basis.

(j) Income Tax

Income tax expense comprises of current and deferred tax. Income tax expense is recognised in the Statement of comprehensive income except to the extent that it relates to items recognised directly in equity in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the financial year, using tax rates applicable to the company's activities enacted or substantively enacted at the reporting date and adjustment to tax payables in respect of previous financial years.

Timing differences are differences between profits as computed for tax purposes and profits as stated in the financial statements which arise because certain items of income and expenditure in the financial statements are dealt with in different financial years for tax purposes.

IAS 12 requires an entity to recognise a deferred tax liability or (subject to specified conditions) a deferred tax asset for all temporary differences, with some exceptions. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the statement of financial position. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

A deferred tax liability arises if an entity will pay tax if it recovers the carrying amount of another asset or liability. A deferred tax asset arises if an entity:

- will pay less tax if it recovers the carrying amount of another asset or liability; or
- has unused tax losses or unused tax credits.

Deferred tax assets are recognised only when it is probable that taxable profits will be available against which the deferred tax asset can be utilised.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are not discounted.

Notes to the financial statements (continued)
For the financial year ended 31 December 2018

3. Significant accounting policies (continued)

(k) Changes in accounting policies and disclosures

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

As a result of the adoption of IFRS 9, the Company has adopted consequential amendments to IAS 1 Presentation of Financial Statements and IFRS 7 Financial Instruments: Disclosures.

Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The adoption of IFRS 9 has not a significant effect on the Company's accounting policies related to financial liabilities.

For an explanation of how the Company classifies and measures financial instruments and accounts for related gains and losses under IFRS 9, see Note 3(d).

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities as at 1 January 2018.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements.

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial assets			US \$	US \$
Cash and cash equivalents	Loans and receivables	Amortised cost	37,784	37,784
Trade and other receivables	Loans and receivables	Amortised cost	26,836,834	26,836,834
Loans and receivables	Loans and receivables	Amortised cost	2,000,000,000	2,000,000,000
Total financial assets			2,026,874,618	2,026,874,618
	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial liabilities			US \$	US \$
Trade and other payables	Other financial liabilities	Amortised cost	26,871,617	26,871,617
Debt securities issued	Other financial liabilities	Amortised cost	2,000,000,000	2,000,000,000
Total financial liabilities			2,026,871,617	2,026,871,617

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

The financial assets of the Company at 1 January 2018 and 31 December 2018 are low credit risk, and therefore impairment is calculated using 12 month ECL. The Company has determined that the application of IFRS 9's impairment requirements at 1 January 2018 and 31 December 2018 did not result in any material impairment allowance on its cash and cash equivalents, trade and other receivables and loans and receivables.

Notes to the financial statements (continued)
For the financial year ended 31 December 2018

3. Significant accounting policies (continued)

(k) Changes in accounting policies and disclosures (continued)

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

- Comparative periods have not generally been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in equity as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9, but rather those of IAS 39. However there is no difference between in financial assets from the adoption of IFRS 9 and IAS 39.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:
 - The determination of the business model within which a financial asset is held.

4. Interest and similar income

	Financial year ended 31-Dec-18 US \$	Financial year ended 31-Dec-17 US \$
Interest on loans and receivables	84,000,000	89,687,500
	<u>84,000,000</u>	<u>89,687,500</u>

5. Interest and similar charges

	Financial year ended 31-Dec-18 US \$	Financial year ended 31-Dec-17 US \$
Interest on debt securities issued	(84,000,000)	(89,687,500)
	<u>(84,000,000)</u>	<u>(89,687,500)</u>

6. Other income

	Financial year ended 31-Dec-18 US \$	Financial year ended 31-Dec-17 US \$
Other income	63,495	42,340
Foreign exchange gain	-	3,936
Bank interest	-	17
VAT refund	141	21,235
	<u>63,636</u>	<u>67,528</u>

Other income relates to income received from the Borrower to pay for expenses.

7. Operating expenses

	Financial year ended 31-Dec-18 US \$	Financial year ended 31-Dec-17 US \$
Audit fees	(29,741)	(23,626)
Administration fees	(22,158)	(21,566)
Taxation fees	(7,052)	(7,383)
Listing fees	(2,032)	(2,166)
Foreign exchange loss	(1,703)	-
Professional fees	(895)	(12,684)
Bank charges	(55)	(103)
Foreign exchange loss	-	-
	<u>(63,636)</u>	<u>(67,528)</u>

Section 305A(1)(a) of the Act, requires disclosure that VAILL receives €1,000 (2017: €1,000) per Director included in administration fees as consideration for the making available of individuals to act as Directors of the Company. The terms of the corporate services agreement in place between the Company and VAILL provide for a single fee for the provision of corporate administration services (including the making available of individuals to act as Directors of the Company). As a result, the allocation of fees between the different services provided is a subjective and approximate calculation. The individuals acting as Directors do not (and will not), in their personal capacity or any other capacity, receive any fee for acting or having acted as Directors of the Company. For the avoidance of doubt, Eimir McGrath and Carmel Naughton are employees of VAILL and therefore do not receive any remuneration for acting as Directors of the Company.

Notes to the financial statements (continued)
For the financial year ended 31 December 2018

7. Operating expenses (continued)

Section 322 (1) of the Companies Act 2014 requirements are disclosed in the below table:

Auditor's remuneration:

The audit of the entity financial statement

Tax advisory services

Financial year ended 31-Dec-18	Financial year ended 31-Dec-17
US \$	US \$
(29,741)	(23,626)
(7,052)	(7,383)
<u>(36,793)</u>	<u>(31,009)</u>

Other than the above, no other services were performed by the auditors of the Company.

8. Taxation

(a) Analysis of Statement of comprehensive income charge:

Current tax:

Irish corporation tax on profit for the financial year

Financial year ended 31-Dec-18	Financial year ended 31-Dec-17
US \$	US \$
-	-
<u>-</u>	<u>-</u>

There was no amount of deferred tax, either provided or unprovided, at the reporting date.

(b) Factors affecting the tax charge for the financial year

Profit on ordinary activities before tax

Financial year ended 31-Dec-18	Financial year ended 31-Dec-17
US \$	US \$
-	-
<u>-</u>	<u>-</u>

Profit on ordinary activities multiplied by the rate of Irish corporation tax for the financial year at 25%

-	-
<u>-</u>	<u>-</u>

The Company is charged corporation tax at 25% (2017: 25%) in accordance with Section 110 of the Taxes Consolidation Act, 1997.

(c) Factors affecting future tax charges

The tax charge for future financial years will be affected by any future changes to the corporation taxation rates in force in Ireland. Directors do not expect a change to the tax rate in Ireland.

9. Cash and cash equivalents

Cash at bank

31-Dec-18	31-Dec-17
US \$	US \$
39,616	37,784
<u>39,616</u>	<u>37,784</u>

All the Company's cash balances are held with Deutsche Bank AG, London Branch and Allied Irish Banks, Plc.

10. Trade and other receivables

Interest receivable

Other receivables

31-Dec-18	31-Dec-17
US \$	US \$
26,833,333	26,833,333
38,437	3,501
<u>26,871,770</u>	<u>26,836,834</u>

The trade and receivables are current and due within one financial year

Notes to the financial statements (continued)
For the financial year ended 31 December 2018

11. Loans and receivables

	31-Dec-18	31-Dec-17
	US \$	US \$
Loan	2,000,000,000	2,000,000,000
	<u>2,000,000,000</u>	<u>2,000,000,000</u>
Movement in loans and receivables	31-Dec-18	31-Dec-17
	US \$	US \$
At beginning of the financial year	2,000,000,000	3,000,000,000
Loans repaid during the financial year	-	(1,000,000,000)
At end of the financial year	<u>2,000,000,000</u>	<u>2,000,000,000</u>
	31-Dec-18	31-Dec-17
	US \$	US \$
Less than 1 year	-	-
1-2 years	-	-
2-5 years	2,000,000,000	2,000,000,000
Greater than 5 years	-	-
	<u>2,000,000,000</u>	<u>2,000,000,000</u>

Notes issued by the Company are secured by way of charge over the loans and receivables.

On 6 December 2012, the Company had advanced US\$1,000,000,000 and US\$2,000,000,000, maturing 6 March 2017 and 6 March 2022 respectively, as a loan to Rosneft Oil Company. The loan bears interest at a fixed amount of US\$15.75 per US\$1,000 and US\$21 per US\$1,000 respectively, payable in equal instalments, semi annually in arrears both commencing 6 March 2013. On 3 March 2017, Rosneft Oil Company repaid US \$1,000,000,000 pursuant to the maturity of Series 1.

12. Trade and other payables

	31-Dec-18	31-Dec-17
	US \$	US \$
Interest payable on debt securities issued	26,833,333	26,833,333
Accruals	75,052	38,284
	<u>26,908,385</u>	<u>26,871,617</u>

The trade and other payables are current and due within one financial year.

13. Debt securities issued

	31-Dec-18	31-Dec-17
	US \$	US \$
Loan Participation Notes	2,000,000,000	2,000,000,000
	<u>2,000,000,000</u>	<u>2,000,000,000</u>
Movement in debt securities issued	31-Dec-18	31-Dec-17
	US \$	US \$
At beginning of the financial year	2,000,000,000	3,000,000,000
Notes redeemed during the financial year	-	(1,000,000,000)
At end of the financial year	<u>2,000,000,000</u>	<u>2,000,000,000</u>
Maturity Analysis	31-Dec-18	31-Dec-17
	US \$	US \$
Less than 1 year	-	-
1-2 years	-	-
2-5 years	2,000,000,000	2,000,000,000
Greater than 5 years	-	-
	<u>2,000,000,000</u>	<u>2,000,000,000</u>

On 6 December 2012, the Company issued an aggregate principal amount of US\$1,000,000,000 Loan Participation Notes due 2017 as Series 1 and US\$2,000,000,000 Loan Participation Notes due 2022 issued as Series 2 with limited recourse to the Company for the sole purpose of financing loans to the Borrower under the terms of the loan agreement between the Company and the Borrower. The debt securities issued bear interest at a fixed amount of US\$15.75 per US\$1,000 and US\$21 per US\$1,000 respectively. During the previous financial year, the Series 1 notes matured and the company repaid in full the outstanding balance for Series 1 on 3 March 2017.

Notes to the financial statements (continued)
For the financial year ended 31 December 2018

13. Debt securities issued (continued)

Optional Redemption

The Company may early redeem the Notes following:

- Any change in tax laws in either the jurisdiction of the Company or borrower or enforcement of the security provider in the trust deed;
- Any introduction of or change in applicable law or regulation requirement or directive or any agency of any state;
- Change in control at borrower level;
- Reduction of a loan upon cancellation of corresponding notes; and
- If not otherwise redeemed, the Notes will be redeemed at their principal amount outstanding on the last interest payment date falling in 2022.

14. Called up share capital presented as equity

Authorised

100 ordinary shares of Eur 1 each

31-Dec-18
EUR

31-Dec-17
EUR

100

100

31-Dec-18
US \$

31-Dec-17
US \$

1

1

Issued

1 ordinary share of Eur 1 each

(converted at historical rate of Eur: US\$1.47290)

On incorporation, one share was issued to Deutsche International Finance (Ireland) Limited.

As from 28 June 2018, the share was transferred to Vistra Capital Markets (Ireland) Limited.

15. Ownership of the Company

The shareholder of the Company is Vistra Capital Markets (Ireland) Limited, holding one share. The share is held under the terms of declarations of trust under which the relevant share trustee holds the issued share of the Company in trust for a charity.

16. Related party transactions

Transactions with VAHL

During the financial year the Company incurred a fee of US\$22,158 (2017: US\$21,566) relating to administration services provided by Vistra Alternative Investments (Ireland) Limited.

Transactions with the Director

The Company considers the directors to be key personnel. Directors' remuneration during the financial year is disclosed in note 7.

There were no other related party transactions during the financial year.

17. Financial risk management

Strategy in using financial instruments

In pursuing its objectives as a special purpose financing vehicle, the Company holds or has issued a number of financial instruments. These comprise of:

- Cash and cash equivalents;
- Trade and other receivables
- Loans and receivables; and
- Debt securities issued

The strategies used by the Company in achieving its objectives regarding the use of its financial assets and liabilities were set when the Company entered into the transactions. The Company has attempted to match the notes issued to its loans and receivables to avoid significant elements of risk generated by mismatches of the Borrower's performance against its obligations together with any maturity or interest rate risk.

The Company was incorporated with the purpose of financing loans to Rosneft Oil Company, an Open Joint Stock Company, by the issuance of Loan Participation Notes due ranging between 2017 and 2022 pursuant to a loan agreement dated 6 December 2012 between the Company and Rosneft Oil Company. The Company is not engaged in any other activities.

The notes are limited recourse secured obligations of the Company. The notes will constitute the obligation of the Company to apply the proceeds from the issue of the notes solely for the purpose of financing the loan and to account to the noteholders for amounts equivalent to sums of principals, interest and additional amounts (if any) actually received by the Company.

Notes to the financial statements (continued)
For the financial year ended 31 December 2018

17. Financial risk management (continued)

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company has exposure to the following risks from its use of financial instruments:

- a) Market risk
- b) Credit risk
- c) Liquidity risk; and
- d) Operational risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk and the Company's management of capital.

(a) Market risk

Market risk is the potential adverse change in earnings or the value of net worth arising from movements in interest rates, foreign exchange rates or other market prices. Market risk includes three types of risk: currency risk, interest rate risk and price risk.

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.

Both the notes issued and loan advanced bear the same rate of interest and the interest rates are fixed and therefore the Company does not bear any interest rate risk. Hence, sensitivity disclosures for interest rate risk are not included.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. Both the loan receivable and the debt securities issued are denominated in US\$, the functional currency. There are few transactions which are denominated in Euro and given the transactions are not significant, the total exposure to exchange rate fluctuations is very minimal.

The Company's net exposure to currency risk is shown in the following table:

31-Dec-18	Amount in US\$		Total
	EUR	US\$	US\$
Trade and other receivables	-	26,871,770	26,871,770
Loans and receivables	-	2,000,000,000	2,000,000,000
Cash and cash equivalents	39,616	-	39,616
Trade and other payables	(75,052)	(26,833,333)	(26,908,385)
Debt securities issued	-	(2,000,000,000)	(2,000,000,000)
Net exposure	(35,436)	38,437	3,001

31-Dec-17	Amount in US\$		Total
	EUR	US\$	US\$
Trade and other receivables	2,032	26,834,802	26,836,834
Loans and receivables	-	2,000,000,000	2,000,000,000
Cash and cash equivalents	37,784	-	37,784
Trade and other payables	(38,212)	(26,833,405)	(26,871,617)
Debt securities issued	-	(2,000,000,000)	(2,000,000,000)
Net exposure	1,604	1,397	3,001

Currency risk sensitivity analysis

This sensitivity analysis below considers the effects of a 5% basis point movement in the EUR to USD exchange rate could have on the profit for the financial year and the net assets of the Company. This analysis assumes that all other variables remain constant.

Notes to the financial statements (continued)
For the financial year ended 31 December 2018

17. Financial risk management (continued)

(a) Market risk (continued)

	2018	2018
	Impact on	Impact on
	Net assets	profit
	US \$	US \$
5% Increase in Euro in relation to USD	(1,772)	(1,772)
5% decrease in Euro in relation to USD	1,772	1,772
	2017	2017
	Impact on	Impact on
	Net assets	profit
	US \$	US \$
5% Increase in Euro in relation to USD	80	80
5% decrease in Euro in relation to USD	(80)	(80)

Price risk

Price risk is the risk that the value of financial instruments will fluctuate as a result of changes in the market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. The Company does not consider price risk to be significant as any fluctuation in the value of investments held will be borne by the noteholders and no financial assets or liabilities are currently held at fair value. Hence, sensitivity disclosures for price risk are not included.

(b) Credit risk

Credit risk is the risk of the financial loss to the Company if counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's financial assets.

The Company's principal financial assets are cash and cash equivalents, trade and other receivables and loans and receivables which represent the Company's maximum exposure to credit risk in relation to financial assets.

The Company's maximum exposure to credit risk in the event that counterparties fail to perform their obligations as at 31 December 2018 in relation to each class of recognised financial assets, is the carrying amount of those assets as indicated in the statement of financial position.

Credit worthiness

The borrower of the loans and receivables is a reputable Company and is one of the largest oil companies in Russia. It is listed in the Russian Stock Exchange and the net assets of the borrower are more than sufficient to pay its loans to the Company. Rosneft Oil Company has been rated Baa3 (2017: Baa3) by Moody's as at 31 December 2018.

Geographical analysis

The asset balances as per geographical location are as follows:

	2018	2018	2017	2017
	Balance	%	Balance	%
Ireland	39,616	0.002%	37,784	0.002%
Russia	2,026,871,770	99.998%	2,026,836,834	99.998%
	<u>2,026,911,386</u>	<u>100%</u>	<u>2,026,874,618</u>	<u>100%</u>

(c) 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.

The Company's obligation to the noteholders is limited to the net proceeds upon the recoverability of the loans and receivables. Should the net proceeds be insufficient to make all payments due to the noteholders, the other assets of the Company will not be available for payment and the deficit is instead borne by the noteholders.

Notes to the financial statements (continued)
For the financial year ended 31 December 2018

17. Financial risk management (continued)

(c) Liquidity risk

31-Dec-18	Carrying amount US \$	Gross contractual cashflows US \$	Less than one year US \$	Between one year to less than two years US \$	Between two years to less than five years US \$	More than five years US \$
Cash and cash equivalents	39,616	39,616	39,616	-	-	-
Trade and other receivables	26,871,770	26,871,770	26,871,770	-	-	-
Loans and receivables	2,000,000,000	2,294,000,000	84,000,000	84,000,000	2,126,000,000	-
Trade and other payables	(26,908,385)	(26,908,385)	(26,908,385)	-	-	-
Debt securities issued	(2,000,000,000)	(2,294,000,000)	(84,000,000)	(84,000,000)	(2,126,000,000)	-
Net amount	3,001	3,001	3,001	-	-	-

31-Dec-17	Carrying amount US \$	Gross contractual cashflows US \$	Less than one year US \$	Between one year to less than two years US \$	Between two years to less than five years US \$	More than five years US \$
Cash and cash equivalents	37,784	37,784	37,784	-	-	-
Trade and other receivables	26,836,834	26,836,834	26,836,834	-	-	-
Loans and receivables	2,000,000,000	2,378,000,000	84,000,000	84,000,000	2,210,000,000	-
Trade and other payables	(26,871,617)	(26,871,617)	(26,871,617)	-	-	-
Debt securities issued	(2,000,000,000)	(2,378,000,000)	(84,000,000)	(84,000,000)	(2,210,000,000)	-
Net amount	3,001	3,001	3,001	-	-	-

(d) Operational risk exposure

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

All management and administration functions are outsourced to Vistra Alternative Investments (Ireland) Limited.

Fair value of financial instruments

As at 31 December 2018, the fair value of the Company's financial instruments were as follows:

	31-Dec-18		31-Dec-17	
	Carrying amount US \$	Fair value US \$	Carrying amount US \$	Fair value US \$
Assets				
Loans and receivables	2,000,000,000	1,951,560,000	2,000,000,000	2,022,200,000
Trade and other receivables	26,871,770	26,871,770	26,836,834	26,836,834
Cash and cash equivalents	39,616	39,616	37,784	37,784
	2,026,911,386	1,978,471,386	2,026,874,618	2,049,074,618
Liabilities				
Debt securities issued	2,000,000,000	1,951,560,000	2,000,000,000	2,022,200,000
Trade and other payables	26,908,385	26,908,385	26,871,617	26,871,617
	2,026,908,385	1,978,468,385	2,026,871,617	2,049,071,617

The table above shows the estimated fair value and the carrying value for each major category of financial asset and liability in the statement of financial position at the reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Notes to the financial statements (continued)
For the financial year ended 31 December 2018

17. Financial risk management (continued)
(d) Operational risk exposure (continued)

Fair value of financial instruments (continued)

The carrying value of cash and cash equivalents, trade and other receivables and trade and other payables approximate their fair values due to their short term nature. The fair value of the notes is calculated using quoted prices from Bloomberg and are deemed to be within level 2 of the fair value hierarchy. Given the structure of the entity, in the opinion of the Directors, the fair values of loans receivable are deemed to equate to that on the corresponding notes in issue as the market price of the notes took into consideration the credit rating of Rosneft Oil Company. The fair values are within level 2 of the fair value hierarchy.

18. Commitments and contingencies liabilities

As at 31 December 2018, the Company did not have any commitments or contingent liabilities (2017: none).

19. Subsequent events

Other than as described in the Principal Risks and Uncertainties section above in relation to COVID-19, there were no significant events between the Balance Sheet date and the date of signing of the financial statements, affecting the Group, which require adjustment to or disclosure in the financial statements.

There have been no significant subsequent events that require disclosure or adjustment in these financial statements up to the signing of the financial statements.

20. Capital risk management

The Company manages its capital to ensure that it is able to continue as a going concern while maximising the return to stakeholders through the optimisation of debt and equity balances.

The capital managed by the Company comprises of ordinary shares outstanding and the notes issued and outstanding as at the year-end. The Company is not subject to externally imposed capital requirements.

21. Segment reporting

The Company identifies operating segment based on the nature of the activity. All of the activities fall within one operating segment being the provision of loans. Geographical segmentation of the Company's asset is disclosed in note 17. All revenues emanate from Russia.

22. Approval of the financial statements

The Board of Directors approved these financial statements and authorised them for issue on 24 June 2020.