

LIMITED LIABILITY COMPANY
VIDES INVESTĪCIJU FONDS
(ENVIRONMENTAL INVESTMENT FUND)
Annual Report for the year 2018
prepared in accordance with International
Financial Reporting Standards as adopted by EU
and Independent Auditors' Report

** This version of financial statements is a translation from the original, which was prepared in the Latvian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, the original language version of financial statements takes precedence over this translation.*

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ANCILLARY INFORMATION

Title	Vides investīciju fonds (Environmental Investment Fund)
Legal status	Limited liability company
Registration number, place and date	40003339615, Riga, 28 April 1997
Legal and postal address	Gertrudes street 10/12, Riga, LV-1010, Latvia
Board Members of the company	Egils Zariņš
Shareholder	Ministry of Environmental Protection and Regional Development – 100%
Period of reporting	1 January 2018 – 31 December 2018
Prior period of reporting	1 January 2017 – 31 December 2017
Independent auditors and their address	Deloitte Audits Latvia SIA License No. 43 4a Gredu Street Riga, LV-1019 Latvia Kitija Kepite Sworn auditor Certificate No 182

MANAGEMENT REPORT

The past year for Vides investīciju fonds (hereinafter – Fund or Environmental Investment Fund) was important with development of two main fields of activities – supervision of tender and implementation of projects co-financed by Emission Allowances Finance Instrument and management of cross-border cooperation projects.

Total volume of administrated resources under the Emission Allowances Finance Instrument implementation supervision in 2018 reached almost 51 million euro within 4 tenders. Supervision of implementation of projects co-financed by the Emission Allowances Finance Instrument and ESCO project financing will be the main Fund's activity also in the 2019. In 2018 the Fund continued supervision of Climate change financing instrument projects post-implementation monitoring and started prolonging of the post-implementation monitoring periods.

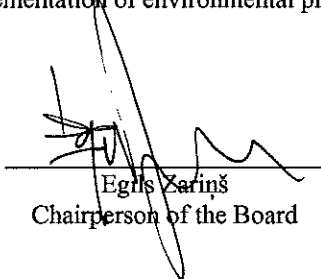
The Fund has accumulated extensive experience and capacity on environmental projects implementation supervision and post-implementation monitoring as well as on development of financing mechanisms for environmental projects implementation. The Fund is involved in implementation of 11 cross-border cooperation projects. Topics covered by these projects are related to promotion of energy efficiency and use of renewable energy resources.

The Fund closed the year 2018 with a loss of 76 888 euro and assets exceeding 6.49 million euro. Losses were planned due to a change in the Fund's operational strategy, which foresees to discontinue lending activity. The Fund does not foresee any substantial changes in its operations and intends to maintain its operation at the level of previous years.

The Board suggests to transfer the loss for the reporting year 2018 to “Retained earnings”.

It is already the fifteen year since the quality management system in accordance with the ISO 9001 standard was introduced in the Fund. On 14 December, 2018 the supervision audit took place and no substantial non-compliance instances were identified, proving that the system is running successfully. The results of this audit indicate that the quality management system implemented in the Fund works successfully. Compliance with the established procedures ensures that the Fund is not materially affected by such risks as market price risk, credit risk, liquidity risk and cash flow risk (see Note 18).

We are confident that future will be significant for the Fund and our clients with new opportunities for implementation of environmental projects.



Egils Zarīns
Chairperson of the Board

Riga,
4 March 2020

ENVIRONMENTAL INVESTMENT FUND

REPRESENTATIVE OF STATE CAPITAL SHAREHOLDER AND BOARD

As at the date of signing of the financial statements:

Representative of State capital shareholder

<i>Name, Surname</i>	<i>Position</i>	<i>Date of appointment</i>
Edvīns Balševics	Representative of State capital shareholder	4 June 2019

The Board

<i>Name, Surname</i>	<i>Position</i>	<i>Date of appointment</i>
Egils Zariņš	Chairperson of the Board	1 March, 2015

Resignations between 1 January 2018 and the date of signing the financial statements:

The Board

<i>Name, Surname</i>	<i>Position</i>	<i>Date of appointment</i>	<i>Date of resignation</i>
Alda Ozola	Board member	5 January, 2018	31 December, 2018

Representative of State capital shareholder

<i>Name, Surname</i>	<i>Position</i>	<i>Date of appointment</i>	<i>Date of resignation</i>
Rinalds Muciņš	Representative of State capital shareholder	7 March, 2016	1 May 2019

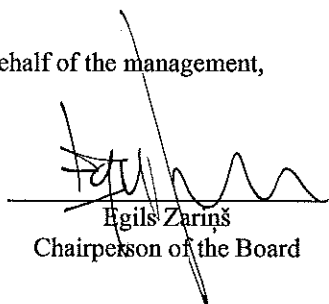
STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The management is responsible for preparing the financial statements from the books of prime entry of the Fund for each financial period, that present fairly the state of affairs of the Fund as at the end of the financial period and the results of its operations and cash flows for that period.

The management confirms that suitable accounting policies have been used and applied consistently and that reasonable and prudent judgments and estimates have been made in the preparation of the financial statements on pages 10 to 25 for the years ended 31 December 2018 and 2017. The management also confirms that applicable International Financial Reporting Standards as adopted by EU have been followed and that the financial statements have been prepared on a going concern basis.

The management is responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the Fund and to prevent and detect fraud and other irregularities. They are also responsible for operating the Fund in compliance with legislation of the Republic of Latvia.

On behalf of the management,



Egils Zariņš
Chairperson of the Board

Riga,
4 March 2020

Independent Auditors` Report

To the shareholder of SIA "Vides investiciju fonds"

Our Opinion on the Financial Statements

We have audited the accompanying financial statements of SIA "Vides investiciju fonds" ("the Company") set out on pages 10 to 25 of the accompanying annual report, which comprise:

- the statement of financial position as at 31 December, 2018,
- the statement of comprehensive income for the year then ended,
- the statement of changes in equity for the year then ended,
- statement of cash flows for the year then ended, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of SIA "Vides investiciju fonds" as at 31 December 2018, and of its financial performance and its cash flows for the year then ended with International Financial Reporting Standards as adopted by the European Union (IFRS).

Basis for Opinion

In accordance with the Law on Audit Services of the Republic of Latvia we conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). 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 the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and independence requirements included in the Law on Audit Services of the Republic of Latvia that are relevant to our audit of the financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the IESBA Code and Law on Audit Services of the Republic of Latvia.

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

Reporting on Other Information

The Company's management is responsible for the other information. The other information comprises:

- Information about the Company, as set out on page 3 of the accompanying Annual Report,
- the Management Report, as set out on page 4 of the accompanying Annual Report.

Our opinion on the financial statements does not cover the other information included in the Annual Report, and we do not express any form of assurance conclusion thereon, except as described in the *Other reporting responsibilities in accordance with the legislation of the Republic of Latvia* section of our report.

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, based on the work we have performed and in light of the knowledge and understanding of the entity and its environment obtained in the course of our audit, 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.

Independent Auditors' Report (continued)

Other reporting responsibilities in accordance with the legislation of the Republic of Latvia

In addition, in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Management Report, our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Based solely on the work required to be undertaken in the course of our audit, in our opinion:

- the information given in the Management Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Management Report has been prepared in accordance with the requirements of the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRSs as adopted by the European Union and for such internal control as management determines 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, management is responsible for assessing the Company's ability to continue as a 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.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility 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 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

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In Latvia, the services are provided by SIA Deloitte Audits Latvia and law firm Deloitte Legal (jointly referred to as "Deloitte Latvia") which are affiliates of Deloitte Central Europe Holdings Limited. Deloitte Latvia is one of the leading professional services organizations in the country providing services in tax, legal, audit and advisory through over 150 national and specialized expatriate professionals.

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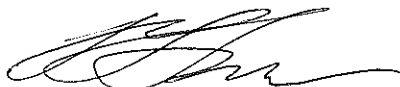
Independent Auditors' Report (continued)

If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte Audits Latvia SIA
Licence Nr. 43



Inguna Staša
Board member



Kitija Ķepīte
Certified auditor
Certificate No 182

Riga, Latvia
4 March 2020

ENVIRONMENTAL INVESTMENT FUND

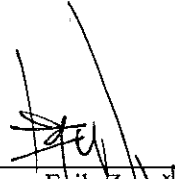
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STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEARS 2018 AND 2017


	Note	01.01.2018. – 31.12.2018. euro	01.01.2017. – 31.12.2017. euro
<i>Operating income</i>			
Interest income	3	24 225	42 873
Net interest income		<u>24 225</u>	<u>42 873</u>
<i>Other income</i>			
Other income, net	4	<u>226,381</u>	<u>178 336</u>
TOTAL OPERATING INCOME		<u>250,606</u>	<u>221 209</u>
<i>Operating expense</i>			
Administrative expense	5	(368 117)	(307 375)
Depreciation	12	<u>(2 063)</u>	<u>(4 556)</u>
TOTAL OPERATING EXPENSE		<u>(370 180)</u>	<u>(311 931)</u>
GROSS LOSS BEFORE TAXES		<u>(119 574)</u>	<u>(90 722)</u>
Deferred corporate income tax	16	-	1 219
LOSS FOR THE YEAR		<u>(119 574)</u>	<u>(89 503)</u>
Other items of comprehensive income		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		<u>(119 574)</u>	<u>(89 503)</u>

The accompanying notes on pages 14 to 25 are an integral part of the financial statements.

The financial statements were approved by the Board on 4 March 2020 and signed by:



Egils Zarins
Chairperson of the
Board



Gints Kārklīšs
Chief Accountant

ENVIRONMENTAL INVESTMENT FUND


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STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018 AND 2017

	Note	31.12.2018. euro	31.12.2017. euro
ASSETS			
<i>CURRENT ASSETS</i>			
Cash and cash equivalents	7	3 574 926	3 206 164
Corporate income tax receivable		1 279	1 279
Other current assets	8	17 902	18 081
Loans to customers	9	417 976	503 439
Accrued income	10	21 366	-
TOTAL		4 033 449	3 728 963
<i>NON-CURRENT ASSETS</i>			
Property, plant and equipment	12	4 330	6 393
Loans to customers	9	2 459 610	2 837 608
TOTAL		2 463 940	2 844 001
TOTAL ASSETS		6 497 389	6 572 964
LIABILITIES AND EQUITY			
<i>CURRENT LIABILITIES</i>			
Other loans	13	32 356	32 356
Deferred income	14	132 746	134 171
Accrued liabilities		18 659	15 657
Taxes		12	-
Deferred corporate income tax liability	16	-	-
Accounts payable to suppliers and contractors		6 602	6 878
TOTAL		190 375	189 062
<i>SHAREHOLDER'S EQUITY</i>			
Share capital	15	6 299 332	6 299 332
Retained earnings		7 682	84 570
TOTAL SHAREHOLDER'S EQUITY		6 307 014	6 383 902
TOTAL LIABILITIES AND EQUITY		6 497 389	6 572 964

The accompanying notes on pages 14 to 25 are an integral part of the financial statements.

The financial statements were approved by the Board on 4 March 2020 and signed by:


Egils Zariņš
Chairperson of the
Board


Gints Kārklīņš
Chief Accountant

ENVIRONMENTAL INVESTMENT FUND

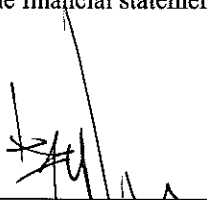
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STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS 2018 AND 2017


	Share capital euro	Retained earnings euro	Total euro
As at 31 December 2016	6 299 332	174 073	6 473 405
Loss for the year	-	(89 503)	(89 503)
As at 31 December 2017	6 299 332	84 570	6 383 902
Changes related to the implementation of IFRS 9	-	42 686	42 686
As at 1 January 2018	6 299 332	127 256	6 426 588
Loss for the year	-	(119 574)	(119 574)
As at 31 December 2018	6 299 332	7 682	6 307 014

The accompanying notes on pages 14 to 25 are an integral part of the financial statements.

The financial statements were approved by the Board on 4 March 2020 and signed by:



Egils Zarīns
Chairperson of the
Board



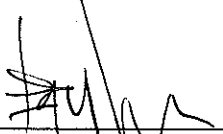
Gints Kārklīns
Chief Accountant

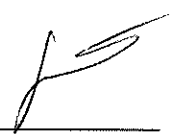
**CASH FLOW STATEMENT
FOR THE YEARS 2018 AND 2017**

	Note	01.01.2018. – 31.12.2018. euro	01.01.2017. – 31.12.2017. euro
<i>Cash flows from operating activities</i>			
Loss for the year before taxes		(119 574)	(90 722)
Depreciation of Property, plant and equipment	12	2 063	4 556
Interest income	3	(24 225)	(42 873)
Net cash flow before changes in current items		(141 736)	(129 039)
<i>Cash flows from current items</i>			
(Increase)/decrease in other current assets		(21 187)	67 452
Increase in accounts payable		1 313	1 429
Cash flow from operating activities		(161 610)	(60 158)
Corporate income tax payments	16	-	-
Net cash flow from operating activities		(161 610)	(60 158)
<i>Cash flows used in investing activities</i>			
Purchases of Property, plant and equipment	12	-	(1 798)
Loan repayments received		503 924	730 162
Interest payments received		26 448	47 399
Net cash flow used in investing activities		530 372	775 763
<i>Cash flows used in financing activities</i>			
Dividends		-	-
Net cash flow used in financing activities		-	-
Increase in cash and cash equivalents		368 762	715 605
Cash and cash equivalents at the beginning of the year		3 206 164	2 490 559
Cash and cash equivalents at the end of the year	7	3 574 926	3 206 164

The accompanying notes on pages 14 to 25 are an integral part of the financial statements.

The financial statements were approved by the Board on 4 March 2020 and signed by:


Egils Zariņš
Chairperson of the
Board


Gints Kārklīņš
Chief Accountant

ENVIRONMENTAL INVESTMENT FUND

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS 2018 AND 2017**

1. GENERAL INFORMATION

The Environmental Investment Fund ("the Fund") was registered on 28 April 1997. The Ministry of Environment established the Fund based on an Order of the Cabinet of Ministers of the Republic of Latvia. The Fund is a limited liability company, which is governed by its own Charter and by the legislation of the Republic of Latvia. The Fund has been established to pool domestic funding with foreign funding to finance environmentally friendly projects by lending financial resources to public and private sector projects.

The activities of the Fund are:

- the participation in projects which yield a significant environmental benefit;
- the development and design of environmental projects;
- the monitoring implementation and operation of the projects;
- the popularization of environmental activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Company financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the Interpretations issued by the International Financial Reporting Issues Committee as adopted by the EU.

The financial statements were prepared according to the initial cost principle. The monetary unit used in the financial statements are the official currency of the European Union – the Euro. The financial statements cover the period from 1 January 2018 until 31 December 2018. The financial statements have been prepared in accordance with below mentioned accounting and evaluation principles. These principles were also used in the previous reporting year, unless stated otherwise.

Basis of preparation

Standards and Interpretations effective in the current period

Except for the changes below, the Fund has consistently applied the accounting policies to all periods presented in these financial statements.

The Fund has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with date of initial application of 1 January 2018.

New standards and interpretations

The following new standards issued by the International Accounting Standards Board (IASB) and adopted by the EU, amendments to existing standards and new guidance on interpretation apply in the current reporting period:

- **IFRS 9 “Financial Instruments”** – approved on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018);

This Standard replaces IAS 39, Financial Instruments: Recognition and Measurement, except that it is still permitted, to apply hedge accounting according to IAS 39 and entities have an accounting policy choice between IFRS 9 and IAS 39.

Although the permissible measurement bases for financial assets – amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL) – are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different.

A financial asset is measured at amortized cost if the following two conditions are met:

- the assets is held within a business model whose objective is to hold assets in order 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 outstanding.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS 2018 AND 2017**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

In addition, for a non-trading equity instrument, an entity may elect to irrevocably present subsequent changes in fair value (including foreign exchange gains and losses) in OCI. These are not reclassified to profit or loss under any circumstances.

For debt instruments measured at FVOCI, interest revenue, expected credit losses and foreign exchange gains and losses are recognised in profit or loss in the same manner as for amortised cost assets. Other gains and losses are recognised in OCI and are reclassified to profit or loss on derecognition.

The impairment model in IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that impairment allowances will need to be recognised before a loss event.

IFRS 9 includes a new general hedge accounting model, which aligns hedge accounting more closely with risk management. The types of hedging relationships – fair value, cash flow and foreign operation net investment – remain unchanged, but additional judgement will be required. The standard contains new requirements to achieve, continue and discontinue hedge accounting and allows additional exposures to be designated as hedged items.

The Entities need to provide additional information on risk management and hedging activities.

In the management's opinion, IFRS 9 (2014) has impacted the Fund's financial statements, resulting in a provision reduction of EUR 42, 686 at the date of implementation of the Standard on 1 January 2018.

The classification and measurement of financial instruments have not changed respective to the Fund's activities and the nature of its financial instruments. Impairment losses have not increased significantly.

- **IFRS 15 "Revenue from Contracts with Customers"** and amendments to IFRS 15 "Effective date of IFRS 15" - adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IFRS 15 "Revenue from Contracts with Customers"** - Clarifications to IFRS 15 Revenue from Contracts with Customers – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2018).

The new Standard provides a framework that replaces existing revenue recognition guidance in IFRS. Entities have to adopt a five-step model to determine when to recognise revenue, and at what amount. The new model specifies that revenue should be recognised when (or as) an entity transfers control over goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised:

- over time, in a manner that depicts the entity's performance; or
- at a point in time, when control of the goods or services is transferred to the customer.

IFRS 15 also establishes the principles that an entity shall apply to provide qualitative and quantitative disclosures which provide useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

In the management's opinion, the adoption of this new standard has not led to any material changes in the Fund's financial statements. The timing and measurement of the Fund's revenues have not changed under IFRS 15 because of the nature of the Fund's operations and the types of revenues it earns.

- **(Amendments to IFRS 1 and IAS 28 due to "Improvements to IFRSs (cycle 2014 -2016)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 7 February 2018 (amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018);
- **IFRIC 22 "Foreign Currency Transactions and Advance Consideration"** – adopted by the EU on 28 March 2018 (effective for annual periods beginning on or after 1 January 2018).

The adoption of these new standards, amendments to the existing standards and interpretation has not led to any material changes in the Fund's financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS 2018 AND 2017**

Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements, the following new standard, amendments to the existing standard and interpretation issued by IASB and adopted by the EU are not yet effective:

- **IFRS 16 “Leases”** – adopted by the EU on 31 October 2017 (Effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted if the entity also applies IFRS 15.)

IFRS 16 supersedes IAS 17 Leases and related interpretations. The Standard eliminates the current dual accounting model for lessees and instead requires companies to bring most leases on-balance sheet under a single model, eliminating the distinction between operating and finance leases.

Under IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For such contracts, the new model requires a lessee to recognise a right-of-use asset and a lease liability. The right-of-use asset is depreciated and the liability accrues interest. This will result in a front-loaded pattern of expense for most leases, even when the lessee pays constant annual rentals.

The new Standard introduces a number of limited scope exceptions for lessees which include:

- leases with a lease term of 12 months or less and containing no purchase options, and
- leases where the underlying asset has a low value (‘small-ticket’ leases).

Lessor accounting shall remain largely unaffected by the introduction of the new Standard and the distinction between operating and finance leases will be retained.

The new standard, when initially applied, will have an impact on the financial statements, as the Fund will be required to recognise on its statement of financial position assets and liabilities relating to lease agreements under which the Fund is a lessee. The Fund has signed a lease agreement on premises that falls in the scope of IFRS 16.

- **Amendments to IFRS 9 “Financial Instruments”** - Prepayment Features with Negative Compensation – adopted by the EU on 22 March 2018 (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IAS 28 “Investments in Associates and Joint Ventures”** - Long-term Interests in Associates and Joint Ventures – adopted by the EU on 8 February 2019 (effective for annual periods beginning on or after 1 January 2019),
- **IFRIC 23 “Uncertainty over Income Tax Treatments”** – adopted by the EU on 23 October 2018 (effective for annual periods beginning on or after 1 January 2019).

The Fund has elected not to adopt new standard, amendments to existing standard and interpretation in advance of their effective dates. The Fund anticipates that the adoption of these standards and amendments to existing standards will have no material impact on the financial statements of the Fund in the period of initial application.

New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not endorsed for use in EU as at 31 December 2018 (the effective dates stated below is for IFRS as issued by IASB):

- **IFRS 14 “Regulatory Deferral Accounts”** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **IFRS 17 “Insurance Contracts”** (effective for annual periods beginning on or after 1 January 2021),
- **Amendments to IFRS 3 “Business Combinations”** - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period).
- **Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”** - Sale or Contribution of Assets between an Investor and its Associate

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS 2018 AND 2017**

or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),

- **Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”** - Definition of Material (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to IAS 19 “Employee Benefits”** - Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to various standards due to “Improvements to IFRSs (cycle 2015 -2017)”** resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to References to the Conceptual Framework in IFRS Standards** (effective for annual periods beginning on or after 1 January 2020).

The Fund anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the Fund in the period of initial application.

Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (Effective for annual periods beginning on or after 1 January 2018; to be applied prospectively. Early application is permitted.) The amendments clarify share-based payment accounting on the following areas:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity settled.

The amendments have no material impact on the financial statements as the Fund does not enter into share-based payment transactions.

Amendments to IAS 40: Reclassification of investment property (effective from 1 January 2018 or later, prospective application) The amendments set out the principle for transfers into, or out of, investment property in IAS 40 Investment Property to specify that such a transfer should only be made when there has been a change in the use of the property. Based on the amendments a transfer is made when and only when there is an actual change in use – i.e. an asset meets or ceases to meet the definition of investment property and there is evidence of the change in the use. A change in management intention alone does not support a transfer.

The amendments have no material impact on the Fund’s financial statements as the Fund does not have an investment property.

Reporting Currency

The financial statements are presented in the euro (EUR) unless otherwise stated.

Foreign currency

The accompanying financial statements are presented in the Euro currency (hereinafter – EUR or euro), which is the Fund’s functional and presentation currency.

All transactions denominated in foreign currencies are translated into the EUR at the European Central Bank rate of exchange prevailing on the transaction day. At the balance sheet date monetary assets and liabilities denominated in foreign currencies are translated at the European Central Bank rate of exchange prevailing on 31 December 2018.

Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies into the EUR are recognised in the statement of comprehensive income.

Loans and borrowings

Loans and borrowings are accounted at initial value determined by adding expenses related to loan disbursement or subtracting costs of receiving a borrowing. Afterwards loans and borrowings are accounted at amortized value using the effective interest rate method. Amortized value is determined taking into account loan disbursement or

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS 2018 AND 2017

borrowing approval costs as well as any other discounts or premiums related to loans or borrowings. Profit or loss from amortization is disclosed in the statement of comprehensive income as interest income and expenses.

Provisions for doubtful debts

For loans classified as financial assets carried at amortized cost, impairment is measured in accordance with IFRS 9 and is based on expected credit loss. Expected credit losses are determined by the stage in which each financial asset is located at the reporting date. Stages are classified in Stages 1, 2 or 3 on the basis of the absolute or relative quality of the assets at the initial recognition.

According to the management's assessment, all loans issued by the Fund as of December 31, 2018 and January 1, 2018 are classified as Stage 1 exposures that have not been materially impaired since initial recognition and exposures with a low credit risk.

The amount of provisions is determined by assessing the probability of defaults, Loss Given Default and Exposure at Default, as well as taking into account management's estimates of the development of economic scenarios.

According to management assessment, the required provisions under IFRS 9 as at 31 December 2018 and 1 January 2018 do not exceed EUR 5 000. Due to the insignificance of this amount, no provision is recognized in these financial statements.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at historical cost less accumulated depreciation. Depreciation is calculated by the straight-line method over the estimated useful life of the assets. The rates per annum are as follows:

Fixtures and fittings	10%
Computers and office equipment	20%
Miscellaneous office assets	30%-50%

Repairs and renewals are charged to the statement of comprehensive income as incurred. Property, plant and equipment that cost in excess of 71 euro are capitalised. Profits and losses arising on the disposal of property, plant and equipment are reflected in the statement of comprehensive income in the year of disposal.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and short-term deposits with the original maturity of less than three months. Statement of cash flows is prepared in accordance with indirect method.

Grants

Grants to be utilized in less than one year are transferred to income in order to match them with the related costs, which they are intended to compensate. Grants are recognized as income based on received approvals for related expenses.

Grants for the acquisition or creation of long-term investments is recognized in the balance sheet as deferred income and included in the statement of comprehensive income on a systematic basis and consistent with the useful life of the long-term investment.

Income recognition

Income is recognized in accordance with the Fund's expectations to gain economic benefit and to the extent it is reasonably justifiable. Interest income is recognized in the period it is earned. CCFI and EAFI income, income from co-financing for development cooperation projects, commissions, fees and other income/ expenses are recognized when earned/ incurred. Project sponsor perform control over project expenses.

Related parties

Related parties are defined as shareholders, employees, Board members, their close relatives and companies, in which the above persons are involved in.

Use of estimates

In the process of preparation of the financial statements, the management has to make some judgments and assumptions, which has effect on certain items of the financial statements. Therefore, actual results may differ from those estimates.

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The following are the critical judgments and key estimates concerning the future, and other key sources of estimation uncertainty which exist at the reporting date of the financial statements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities during the next reporting period:

- *Provisions for doubtful and bad loans* - The Fund's management evaluates the carrying amounts of issued loans and evaluates their recoverability, making provisions for doubtful and bad loans, if necessary. The management of the Fund has evaluated the loans and considers that there is no need to make provisions as at 31 December 2018.
- *Income from compensation for implementation monitoring function* – The Fund's management estimates the amount of income to be recognised based on expenses incurred. Income from compensation is not recognised if the expenses are not related to the respective projects and are not expected to be compensated.

Taxation

The Fund was exempt from corporate income tax under provisions set out in the Act On Non-profit Organisations till the Fund reorganization. Starting from 21 October 2004 the Fund has to pay corporate income tax and dividends for use of the state capital. The Fund is not registered as a Value Added Taxpayer.

Corporate income tax

Corporate income tax for the reporting period is calculated using the tax rate of 15% on taxable income for the period. Corporate income tax assets and liabilities are measured at the amount expected to be received from or paid to the tax authorities. Starting with 2018, corporate income tax is calculated only on the portion of profit that is deducted from economic activity, or at the time of distribution.

Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

Subsequent events

Post-year-end events that provide additional information about the Fund's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

Vacation reserve

Accruals for vacation reserve are determined by multiplying average salary of an employee for the last 6 month with the number of unused vacation days. Social security tax for calculated benefit is accrued respectively.

3. INTEREST INCOME

	01.01.2018. – 31.12.2018.	01.01.2017. – 31.12.2017.
	euro	euro
Interest income from loans to customers	24 225	42 873
Total	24 225	42 873

The interest rates for deposits in banks for the years ended 31 December 2018 and 2017 where 0%. Interest rates for loans disbursed are disclosed in Note 9.

4. OTHER INCOME

	01.01.2018. – 31.12.2018.	01.01.2017. – 31.12.2017.
	euro	euro
Co-financing for development cooperation projects	93 571	72 019
Compensation for EAFI implementation monitoring function	79 525	56 414
Compensation for CCFI implementation monitoring function	53 285	49 903
Total	226 381	178 336

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS 2018 AND 2017**

ADMINISTRATIVE EXPENSE

	01.01.2018. – 31.12.2018. euro	01.01.2017. – 31.12.2017. euro
Personnel costs:		
– salaries	147 574	129 564
– state obligatory social security payments	35 551	30 564
Board costs:		
– salaries	57 451	53 959
– state obligatory social security payments	13 840	12 729
Office rent and public utilities	42 958	43 177
Business trips	10 251	13 308
Audit fee	5 808	5 808
Office supplies and stationary	3 754	4 405
Communications	3 153	3 747
Provisions for vacation expense	3 002	(191)
Other administrative expense	44 775	10 305
Total	<u>368 117</u>	<u>307 375</u>

The average number of persons employed by the Fund excluding the Members of the Board and Representative of State capital shareholder during the year ended 31 December 2018 was 11 (in year that ended 31.12.2017: 9).

5. PROFIT FOR THE YEAR

Pursuant to the Law On Management of The Public person shares and companies the Fund transfers 90% of net profit to the state budget as dividends.

6. CASH AND CASH EQUIVALENTS

	31.12.2018. euro	31.12.2017. euro
Balances with banks		
- EUR current account	3 574 664	3 205 577
- credit card	228	553
Cash on hand	34	34
Total	<u>3 574 926</u>	<u>3 206 164</u>

7. OTHER CURRENT ASSETS

	31.12.2018. euro	31.12.2017. euro
Tax prepayments	7 480	7 481
Security deposit for office rent	5 565	5 565
Prepaid expense	4 765	4 943
Other assets	92	92
Total	<u>17 902</u>	<u>18 081</u>

ENVIRONMENTAL INVESTMENT FUND

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS 2018 AND 2017

8. LOANS TO CUSTOMERS

	31.12.2018. euro	31.12.2017. euro
<i>Remaining maturity</i>		
Accrued interest income receivable within less than 1 year	4 776	6 999
Less than one year	413 200	496 440
Within one to five years	896 546	1 086 931
Within five to ten years	768 531	865 955
More than ten years	794 533	927 408
Total	2 877 586	3 383 733
Provisions for doubtful debts (Note 11)	-	(42 686)
Total, net	2 877 586	3 341 047
<i>Analysis by sector</i>		
Water and waste water treatment	2 646 879	3 037 262
Environment friendly heat supply	225 931	334 492
Insulation of buildings	-	4 980
Accrued interest income	4 776	6 999
Total	2 877 586	3 383 733
Provisions for doubtful debts (Note 11)	-	(42 686)
Total, net	2 877 586	3 341 047
<i>Customer analysis</i>		
Municipalities	451 362	653 950
Municipal companies	2 421 448	2 722 784
Accrued interest income	4 776	6 999
Total	2 877 586	3 383 733
Provisions for doubtful debts (Note 11)	-	(42 686)
Total, net	2 877 586	3 341 047

	31.12.2018.		31.12.2017.	
	Currency	euro	Currenc y	euro
<i>Currency analysis</i>				
Euro	2 872 810	2 872 810	3 376 734	3 376 734
Total		2 872 810		3 376 734
Provisions for doubtful debts (Note 11)		-		(42 686)
Total, net		2 872 810		3 334 048

	31.12.2018.		31.12.2017.	
	Number	euro	Number	euro
<i>Loan size analysis excluding accrued interest income</i>				
Up to 10 000	18	66 772	26	125 875
10 000 – 50 000	14	385 199	18	556 857
50 000 – 250 000	17	1 804 702	17	2 037 915
Over 250 000	2	616 137	2	656 087
Total	51	2 872 810	63	3 376 734
Provisions for doubtful debts (Note 11)		-		(42 686)
Total, net	51	2 872 810	63	3 334 048

As of 31 December 2018 and 2017 there were no overdue payments. Information on collateral types is disclosed in note 18.

The interest rates on loans ranged from 0.150% to 5.000%. The loans have fixed and variable interest rate. For loans with variable interest rate, interest rate for the next year is set by the Board of the Fund on the last day of previous period based on actual interest rate for State Treasury loans denominated in the national currency in the particular period that is published on State Treasury home page www.kase.gov.lv and that is decreased by 0.1%.

ENVIRONMENTAL INVESTMENT FUND

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS 2018 AND 2017**

9. ACCRUED INCOME

	31.12.2018. euro	31.12.2017. euro
Accrued income on co-financing for development cooperation projects	21 366	-
Total	21 366	-

10. PROVISIONS FOR DOUBTFUL DEBTS

	01.01.2018. – 31.12.2018. euro	01.01.2017. – 31.12.2017. euro
At the beginning of the year	42 686	42 686
Result of IFRS 9 implementation	(42 686)	-
At the end of the year	-	42 686

11. PROPERTY, PLANT AND EQUIPMENT

	Computer and office equipment euro	Fixtures and fittings euro	Total euro
<i>Historical cost</i>			
At 31 December 2016	44 076	36 435	80 511
Additions	1 798	-	1 798
Disposal	(8 748)	(4 322)	(13 070)
At 31 December 2017	37 126	32 113	69 239
Disposal	(6 481)	-	(6 481)
At 31 December 2018	30 645	32 113	62 758
<i>Accumulated depreciation</i>			
At 31 December 2016	42 919	27 770	70 689
Charge for the year	1 327	3 229	4 556
Disposal	(8 077)	(4 322)	(12 399)
At 31 December 2017	36 169	26 677	62 846
Charge for the year	783	1 280	2 063
Disposal	(6 481)	-	(6 481)
At 31 December 2018	30 471	27 957	58 428
<i>Net book value</i>			
At 31 December 2017	957	5 436	6 393
At 31 December 2018	174	4 156	4 330

As at 31 December 2018 the fixed assets with historical cost of 48 943 euro (31 December 2017: 53 517 euro) are fully depreciated but still used by the Fund in daily operations.

12. OTHER LOANS

EU Phare Financing Agreement, number LE9704.02.03/0001/MAIN, for 2 million euro was signed on 24 October 2000. The purpose of the financing is to assist the operation of Environmental Credit Scheme set up under the Phare 1997 Financing Memorandum between the Government of the Republic of Latvia and the Commission of the European Communities for the Country Operational Programme for Latvia 1997. Interest is not charged on funds disbursed under the Phare Financing Agreement. Amount transferred to Fund for realization of project based on agreement and reflected in the statement of financial position as at 31 December 2018 and 2017 amounts to 32 356 euro.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS 2018 AND 2017

13. DEFERRED INCOME

	31.12.2018.	31.12.2017.
	euro	euro
Co-financing for development cooperation projects	121 852	105 389
Financing of Emission Allowances Finance Instrument	10 894	28 782
Total	132 746	134 171

There are no any unfulfilled conditions and other contingencies attaching to those financing grants.

Emission Allowances Finance Instrument (EAFI) financing

An agreement between the Fund and the Ministry of Environmental Protection and Regional Development (MEPRD) on implementation of delegation functions of Emission Allowances Finance Instrument and implementation of delegation functions of Climate change financing instrument is signed. Additional unaudited information on implementation of delegation functions is disclosed on pages 27 and 28.

14. SHARE CAPITAL

As of 31 December 2018 the Fund's fully paid share capital was 6 299 332 euro consisting of 6 299 332 ordinary shares (for the year ended 31.12.2017, share capital was LVL 4 427 196 (6 299 332 euro) consisting of 4 427 196 ordinary shares). As of 31 December 2018 and 31 December 2017 there was no earnings per share. Share capital of the Fund is fully paid. Sole shareholder of the Fund is Ministry of Environmental Protection and Regional Development.

15. CORPORATE INCOME TAX AND DEFERRED CORPORATE INCOME TAX

Corporate income tax

	01.01.2018. – 31.12.2018.	01.01.2017. – 31.12.2017.
	euro	euro
Corporate income tax for the year	-	-
Deferred corporate income tax		
Deferred corporate income tax as a result of temporary differences	-	-
Current and deferred corporate income tax for period	-	-

Deferred corporate income tax:

	31.12.2018.	31.12.2017.
	euro	euro
Difference between fixed assets value in financial and tax accounting	-	1 219
Temporary differences on provisions for vacation	-	-
Accrued corporate income tax losses	-	(86 150)
Unrecognized deferred corporate income tax asset	-	86 150
Deferred corporate income tax liability/(asset), net	-	1 219

Effective income tax rate reconciliation:

	01.01.2018. – 31.12.2018.	01.01.2017. – 31.12.2017.
	euro	euro
Loss before taxes	(76 888)	(90 722)
Theoretically calculated corporate income tax 15%	-	(13 608)
Unrecognized deferred corporate income tax asset	-	12 389
Actual and deferred corporate income tax for period	-	(1 219)
Effective tax rate	-	(1.3%)

On 28 July 2017, Latvian parliament passed amendments to the Latvian tax legislations which became effective on 1 January 2018. The amendments concern corporate income tax regime and certain other taxes in Latvia. Up to this date corporate income tax in Latvia was payable on taxable profits and the taxable profits could be partially offset by tax loss carry forward from previous tax periods.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS 2018 AND 2017**

16. CORPORATE INCOME TAX AND DEFERRED CORPORATE INCOME TAX (CONT'D)

The new regime introduces a concept where corporate income tax is payable only on dividend pay-outs (irrespective of profits in the particular period) and certain expenses which for tax purposes are considered earnings distributions (e.g. non-business expenses and representative expenses that exceed specific threshold). In accordance with the amendments, for profits, which are generated within Latvian jurisdiction and are not paid out in dividends, corporate income tax from 1 January 2018 is not payable.

The current version of the amended tax legislation retains certain conditional transitional provisions where the new tax does not apply to distribution of retained earnings from previous tax regime (currently no expiry date) and unutilised tax losses may be offset against certain tax payables (5 year expiry date). The Fund, in case dividends were to be distributed, might have positive tax benefits from these transitional provisions, but as deferred tax is calculated on tax rate which applies to undistributed earnings, no deferred tax asset may be recognised until actual distribution.

The Fund has completely derecognised previously recognized deferred Income tax due to changes of legislation.

17. OFF BALANCE SHEET ITEMS

As at 31 December 2018 and 2017 the Fund did not have off-balance sheet commitments or contingencies.

18. FINANCIAL RISK MANAGEMENT

The main financial instruments of the Fund are loans, cash and short-term deposits. The other financial instruments of the Fund are accounts receivable and other debtors, accounts payable to suppliers and contractors and other creditors, which directly arise from the Fund's activities.

The main financial risks arising from the Fund's financial instruments are credit risk, market price risk, liquidity risk, interest rate risk and currency risk.

Interest rate risk

The Fund is exposed to interest rate risk. The interest rate on the loans issued by the Fund is disclosed in Note 9.

Credit risk

The Fund is vulnerable to credit risk relating to disbursed loans and cash and its equivalents. The policy of the Fund controls the credit risk by constantly monitoring each client individually to minimize the possibility of the bad debts. The Fund's employees review each loan application and report on decision is submitted to the Board. Loans are secured by pledge of real estate, by third party guarantee or municipal guarantees. The Fund disburses loans in accordance with the terms of the loan agreement by paying invoices based on signed contracts for supply of services or acquisition of equipment.. All procurements financed by the Fund must follow principles of the Law Public Procurement. The Fund's employees make regular site visits.

The maximum exposure to credit risk for financial instruments:

	31.12.2018.		31.12.2017.	
	Gross euro	Net euro	Gross euro	Net euro
Neither past due nor impaired				
Cash and cash equivalents	3 574 926	3 574 926	3 206 164	3 206 164
Loans to customers	2 877 586	2 877 586	3 383 733	3 341 047
Total	6 452 512	6 452 512	6 589 897	6 547 211
Received warranties / guarantee's on loans issued				
		31.12.2018.	31.12.2017.	
		euro	euro	
Municipality guarantee (borrowers are municipal companies)		2 356 175	2 640 112	
Municipality budget (borrowers are municipalities)		451 362	653 950	
Commercial pledge (borrowers are municipal companies)		65 273	82 672	
Total		2 872 810	3 376 734	

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS 2018 AND 2017**

18. FINANCIAL RISK MANAGEMENT (CONT'D)

Market price risk

It is the policy of the Fund to ensure a minimal risk when it engages into transactions that could be subject to market price fluctuations. Funds not yet disbursed to customers are held as bank deposits if possible.

Liquidity risk

The Fund controls liquidity risk by maintaining sufficient level of cash and its equivalents and controlling financing projects.

Currency risk

It is the policy of the Fund to ensure a minimal risk when it engages into transactions that could be subject to exchange rate fluctuations. Since the major part of transactions are made euro, foreign currency risk is not significant.

Operational risk

The Fund's activities also involve other types of risks that may cause unexpected losses. The cause of such risks, for example, may be human errors or fraud, information system problems and insufficient internal control and procedures. The Fund's management supervises, and the respective specialists monitor and control the above mentioned risks.

Fair values

The carrying amounts of financial assets and liabilities is estimated by management to be lower than their fair value, with no accurate estimate made.

19. RELATED PARTY DISCLOSURES

The Company has entered into transactions with companies with state shareholding. The major transactions are with SIA Lattelecom, SIA Latvijas Mobilais Telefons. All transactions are related to the core activities of the respective parties.

20. SUBSEQUENT EVENTS

On 2 May 2019 The Fund has signed new premises rent agreement and changed location, agreement monthly payment comprises 1,6k EUR and agreement term is 5 years.

On 10.10. 2019 Cabinet of Ministers of the Republic of Latvia approved decision for further consideration one off contribution to the share capital of the Fund for the amount of 60 655 516,20 EUR.

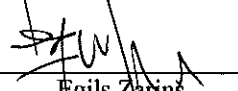
As of the last day of the reporting year until the date of signing these financial statements, there have been no other events requiring adjustment of or disclosure in the financial statements or notes thereto.


21. GOING CONCERN

Supervision of implementation of projects co-financed by the Climate Change Finance Instrument and the Emission Allowances Finance Instrument remained the main Fund's activity also in 2019. Starting from the second half of the year 2019 the Fund expanded its services and provide financing within ESCO project.

These financial statements have been prepared in accordance with going concern principle and contain no adjustments that might be necessary shall the going concern principle be not applicable.

The financial statements were approved by the Board on 4 March 2020 and signed by:


Egils Zariņš
Chairperson of the Board


Gints Kārklīns
Chief Accountant

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**UNAUDITED FINANCIAL INFORMATION
FOR THE YEARS 2018 AND 2017****Unaudited financial information****Financing of the Climate Change Financial Instrument (CCFI)**

The Fund provides the realization of following main tasks:

- develops guidelines for project monitoring for the CCFI funding recipients,
- organizes seminars for the CCFI funding recipients about preparation of the monitoring and realization of publicity activities,
- provides recommendations to the MEPRD about amendment in project,
- performs risk assessments of project, prepares an annual plan for the inspections at projects implementation sites, as well as carry out inspections,
- examines and approves reports submitted by the CCFI funding recipients,
- publishes information about projects in the Fund website,
- accumulates information on projects,
- monitors information and publicity activities in project, including at the project implementation site,
- provides consultations to the CCFI funding recipients about fulfilling project agreement conditions.

	01.01.2018. – 31.12.2018. euro	01.01.2017. – 31.12.2017. euro
Personnel costs:		
– salaries	34 573	34 201
– state obligatory social security payments	8 329	8 068
Business trips	4 277	4 017
Office rent and public utilities	4 407	520
Depreciation	716	509
Communications	602	2 133
Office supplies and stationary	227	350
Other administrative expense	154	105
Total	53 285	49 903
State budget assignments	53 285	49 903
Disclosed in income statement	-	-

**UNAUDITED FINANCIAL INFORMATION
FOR THE YEARS 2018 AND 2017**
Emission Allowances Finance Instrument (EAFI) financing

The Fund provides the realization of following main tasks:

- participates in the seminars organized by the MEPRD for project applicants by providing information regarding the implementation of projects,
- develops guidelines for project implementation and monitoring for the EAFI funding recipients,
- organizes seminars for the EAFI project applicants about project proposal preparation and for the EAFI funding recipients about project implementation, preparation of the reports, monitoring and realization of publicity activities,
- prepares project agreements based on the MEPRD decision of project application approval,
- provides recommendations to the MEPRD about amendment in project,
- performs risk assessments of project, prepares an annual plan for the inspections at projects implementation sites, as well as carry out inspections,
- examines and approves reports submitted by the EAFI funding recipients,
- examines payment requests, as well as gives resolution on eligibility of expenses included in payment request in conformity with the laws and regulation requirements, and terms of project agreement,
- publishes information about projects in the Fund website,
- accumulates information on projects,
- monitors information and publicity activities in project, including at the project implementation site,
- provides consultations to the EAFI funding recipients about fulfilling project agreement conditions,
- together with MEPRD organizes project tenders,
- performs secretarial functions for the project proposal evaluation, providing consultative and technical support to evaluation committee,
- develops guidelines for project applicants, evaluation guidelines and evaluation committee regulations for the EAFI tenders, prepares answers to project applicant questions about the EAFI tender rules,
- prepares recommendations in the form of decision for the MEPRD about approval of the projects and financing or rejection of the project.

	01.01.2018. – 31.12.2018. euro	01.01.2017. – 31.12.2017. euro
Personnel costs:		
– salaries	54 515	39 117
– state obligatory social security payments	13 133	9 228
Office rent and public utilities	4 395	6 513
Experts (tender evaluation)	3 547	-
Business trips	2 525	-
Communications	607	722
Depreciation	141	205
Office supplies and stationary	132	352
Other administrative expense	530	277
Total	79 525	56 414
State budget assignments	79 525	56 414
Disclosed in income statement	-	-