

**LIMITED LIABILITY COMPANY
VIDES INVESTĪCIJU FONDS
(ENVIRONMENTAL INVESTMENT FUND)**

*Annual Report for the year 2019
prepared in accordance with International
Financial Reporting Standards as adopted by EU
and Independent Auditors' Report*

Riga, 2020

** 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.*

TABLE OF CONTENTS

	Page
ANCILLARY INFORMATION	3
MANAGEMENT REPORT	4
REPRESENTATIVE OF STATE CAPITAL SHAREHOLDER AND BOARD	5
STATEMENT OF MANAGEMENT'S RESPONSIBILITY	6
INDEPENDENT AUDITORS' REPORT	7 – 9
FINANCIAL STATEMENTS:	
STATEMENT OF COMPREHENSIVE INCOME	10
STATEMENT OF FINANCIAL POSITION	11
STATEMENT OF CHANGES IN EQUITY	12
CASH FLOW STATEMENT	13
NOTES TO THE FINANCIAL STATEMENTS	14 – 26
UNAUDITED FINANCIAL INFORMATION	27 – 28

ENVIRONMENTAL INVESTMENT FUND

83

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	Eksporta street 5, 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 2019 – 31 December 2019
Prior period of reporting	1 January 2018 – 31 December 2018
Independent auditors and their address	Deloitte Audits Latvia SIA License No. 43 Grēdu iela 4a Rīga, LV-1019 Latvia Kitija Kepite Sworn auditor Certificate Nr. 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 2019 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 2019 the Fund continued supervision of Climate change financing instrument projects post-implementation monitoring and approved prolonging of the post-implementation monitoring periods for more than 100 projects.

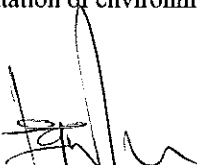
The Fund has accumulated extensive experience and capacity on environmental projects implementation supervision and post-implementation monitoring as well as on development of financing mechanisms for environmental projects implementation. The Fund is involved in implementation of 11 cross-border cooperation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

The Fund closed the year 2019 with a planned loss of 84 594 euro and assets exceeding 6.4 million euro. Losses were planned 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 2019 to “Retained earnings”.

It is already the sixteen year since the quality management system in accordance with the ISO 9001 standard was introduced in the Fund. On 6th December, 2019 the supervision audit took place and no 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 19).

We are confident that year 2020 will be significant for the Fund and our clients with new opportunities for implementation of environmental projects.



Egils Zariņš
Chairperson of the Board

Riga,
30 June 2020

ENVIRONMENTAL INVESTMENT FUND

85

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 2019 and the date of signing the financial statements:

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

ENVIRONMENTAL INVESTMENT FUND

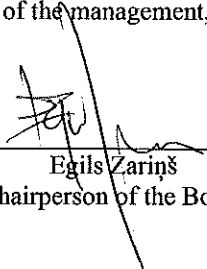
STATEMENT OF MANAGEMENT'S RESPONSIBILITY

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 26 for the years ended 31 December 2019 and 2018. 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,
30 June 2020

Independent Auditors' Report

To the shareholder of SIA "Vides investīciju fonds"

Our Opinion on the Financial Statements

We have audited the accompanying financial statements of SIA "Vides investīciju fonds" ("the Company") set out on pages 10 to 26 of the accompanying annual report, which comprise:

- the statement of financial position as at 31 December, 2019,
- 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 investīciju fonds" as at 31 December 2019, 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.

Independent Auditors' Report (continued)

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.

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.

Independent Auditors' Report (continued)

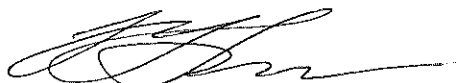
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies 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.

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.

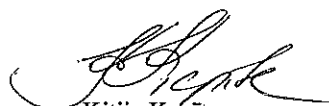
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

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 No.43



Inguna Staša
Board member



Kitija Ķepīte
Certified auditor
Certificate No. 182

Riga, Latvia
30 June 2020


ENVIRONMENTAL INVESTMENT FUND

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEARS 2019 AND 2018

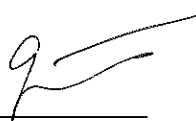
	Note	01.01.2019. – 31.12.2019. euro	01.01.2018. – 31.12.2018. euro
<i>Operating income</i>			
Interest income	3	13 130	24 225
Net interest income		13 130	24 225
<i>Other income</i>			
Other income, net	4	272 722	226 381
TOTAL OPERATING INCOME		285 852	250 606
<i>Operating expense</i>			
Administrative expense	5	(367 540)	(368 117)
Depreciation	12	(2 906)	(2 063)
TOTAL OPERATING EXPENSE		(370 446)	(370 180)
GROSS LOSS BEFORE TAXES		(84 594)	(119 574)
Deferred corporate income tax	17	-	-
LOSS FOR THE YEAR		(84 594)	(119 574)
Other items of comprehensive income		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(84 594)	(119 574)

The accompanying notes on pages 14 to 26 are an integral part of the financial statements.

The financial statements were approved by the Board on 30 June 2020 and signed by:



Egils Zariņš
Chairperson of the
Board



Gints Kārklīņš
Chief Accountant

ENVIRONMENTAL INVESTMENT FUND


91

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019 AND 2018

	Note	31.12.2019. euro	31.12.2018. euro
ASSETS			
<i>CURRENT ASSETS</i>			
Cash and cash equivalents	7	3 936 631	3 574 926
Corporate income tax receivable		-	1 279
Other current assets	8	12 251	17 902
Loans to customers	9	362 087	417 976
Accrued income	10	27 999	21 366
TOTAL		4 338 968	4 033 449
<i>NON-CURRENT ASSETS</i>			
Property, plant and equipment	12	11 996	4 330
Rights of use assets	13	83 460	-
Loans to customers	9	2 063 287	2 459 610
TOTAL		2 158 743	2 463 940
TOTAL ASSETS		6 497 711	6 497 389
LIABILITIES AND EQUITY			
<i>LONG TERM LIABILITIES</i>			
Lease liabilities	13	64 998	-
TOTAL		64 998	-
<i>CURRENT LIABILITIES</i>			
Lease liabilities	13	18 462	-
Other loans	14	32 356	32 356
Deferred income	15	123 678	132 746
Accrued liabilities		23 200	18 659
Taxes		-	12
Accounts payable to suppliers and contractors		12 597	6 602
TOTAL		210 293	190 375
<i>SHAREHOLDER'S EQUITY</i>			
Share capital	16	6 299 332	6 299 332
Retained earnings		(76 912)	7 682
TOTAL SHAREHOLDER'S EQUITY		6 222 420	6 307 014
TOTAL LIABILITIES AND EQUITY		6 497 711	6 497 389

The accompanying notes on pages 14 to 26 are an integral part of the financial statements.

The financial statements were approved by the Board on 30 June 2020 and signed by:



Egils Zarins
Chairperson of the
Board




Gints Karklins
Chief Accountant

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS 2019 AND 2018**

	Share capital euro	Retained earnings euro	Total euro
As at 31 December 2017	6 299 332	174 073	6 473 405
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
Loss for the year	-	(84 594)	(84 594)
As at 31 December 2019	6 299 332	(76 912)	6 222 420

The accompanying notes on pages 14 to 26 are an integral part of the financial statements.

The financial statements were approved by the Board on 30 June 2020 and signed by:



Egils Zarins
Chairperson of the
Board




Gints Kārklīns
Chief Accountant

**CASH FLOW STATEMENT
FOR THE YEARS 2019 AND 2018**

	Note	01.01.2019. – 31.12.2019. euro	01.01.2018. – 31.12.2018. euro
<i>Cash flows from operating activities</i>			
Loss for the year before taxes		(84 594)	(119 574)
Depreciation of Property, plant and equipment	12	2 906	2 063
Interest income	3	(13 130)	(24 225)
Net cash flow before changes in current items		<u>(94 818)</u>	<u>(141 736)</u>
<i>Cash flows from current items</i>			
Decrease/(increase) in other current assets		284	(21 187)
Increase in accounts payable		1 469	1 313
Cash flow from operating activities		<u>(93 065)</u>	<u>(161 610)</u>
Corporate income tax payments	17	-	-
Net cash flow from operating activities		<u>(93 065)</u>	<u>(161 610)</u>
<i>Cash flows used in investing activities</i>			
Purchases of Property, plant and equipment	12	(10 572)	-
Loan repayments received		449 832	503 924
Interest payments received		15 510	26 448
Net cash flow used in investing activities		<u>454 770</u>	<u>530 372</u>
<i>Cash flows used in financing activities</i>			
Dividends		-	-
Net cash flow used in financing activities		<u>-</u>	<u>-</u>
Increase in cash and cash equivalents		<u>361 705</u>	<u>368 762</u>
Cash and cash equivalents at the beginning of the year		<u>3 574 926</u>	<u>3 206 164</u>
Cash and cash equivalents at the end of the year	7	<u>3 936 631</u>	<u>3 574 926</u>

The accompanying notes on pages 14 to 26 are an integral part of the financial statements.

The financial statements were approved by the Board on 30 June 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 2019 AND 2018

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

The Fund 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 cover the period 1 January 2019 through 31 December 2019. 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 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 2019.

New standards and interpretations

The following new standards, amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- IFRS 16 "Leases" – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019). In the current year, the Fund has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

The date of initial application of IFRS 16 for the Fund is 1 January 2019.

The Fund has applied IFRS 16 using the cumulative catch-up approach which:

- requires the Fund to recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application.
- does not permit restatement of comparatives, which continue to be presented under IAS 17 and IFRIC 4.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS 2019 AND 2018**
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)
(a) Impact of the new definition of a lease

The Fund has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those contracts entered or modified before 1 January 2019. The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4. The Fund applies the definition of a lease and related guidance set out in IFRS 16 to all contracts entered into or changed on or after 1 January 2019. Based on assessment of the Fund, the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Fund.

(b) Impact on Lessee Accounting

IFRS 16 changes how the Fund accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet. Applying IFRS 16, for all leases (except as noted below), the Fund:

- Recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments;
- Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss;
- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the statement of cash flows.

Lease incentives (e.g. rent free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight line basis. Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36. For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes tablets and personal computers, small items of office furniture and telephones), the Fund has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'Other operating expenses' and in profit or loss.

The Fund has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying IAS 17.

- The Fund has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Fund has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Fund has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.

(c) Financial impact of the initial application of IFRS 16 Please refer to Note 13 for more information on effect of adoption of IFRS 16.

- 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 19 "Employee Benefits" – Plan Amendment, Curtailment or Settlement - adopted by the EU on 13 March 2019 (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),
- 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 – adopted by the EU on 14 March 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).

Except for the effect of adoption of IFRS 16, 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.

ENVIRONMENTAL INVESTMENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS 2019 AND 2018

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

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

At the date of authorization 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:

- 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 References to the Conceptual Framework in IFRS Standards (effective for annual periods beginning on or after 1 January 2020).

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 2019 (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 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures" – Interest Rate Benchmark Reform (effective for annual periods beginning on or after 1 January 2020),
- 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 or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded).

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.

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 2019.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS 2019 AND 2018**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)
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 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, 2019 and December 31, 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 2019 and 31 December 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.

Fixed assets received as grants are recognised in the financial statements according to the income method. Income is recognized in the statement of comprehensive income over the period of the useful life of the related fixed assets in order to match the grants to the related depreciation of the fixed assets, which they are intended to compensate for.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS 2019 AND 2018**

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

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:

- *Carrying amounts of issued loans* – The Fund's management evaluates the carrying amounts of issued loans and evaluates their recoverability, recognising allowance for doubtful loans, if necessary. The Fund's management has evaluated the issued loans and considers that it is not necessary to make significant additional allowance as of 31 December 2019.
- *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.

Leases

The Fund assesses whether a contract is or contains a lease, at inception of the contract. The Fund recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Fund recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

ENVIRONMENTAL INVESTMENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS 2019 AND 2018

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

The Fund remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over period of lease term and position is disclosed in separate position of the statement of the financial position.

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 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.

ENVIRONMENTAL INVESTMENT FUND

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS 2019 AND 2018

3. INTEREST INCOME

	01.01.2019. – 31.12.2019. euro	01.01.2018. – 31.12.2018. euro
Interest income from loans to customers	13 130	24 225
Total	13 130	24 225

The interest rates for deposits in banks for the years ended 31 December 2019 and 2018 where 0%. Interest rates for loans disbursed are disclosed in Note 9.

4. OTHER INCOME

	01.01.2019. – 31.12.2019. euro	01.01.2018. – 31.12.2018. euro
Co-financing for development cooperation projects	116 047	93 571
Compensation for EAFI implementation monitoring function	94 360	79 525
Compensation for CCFI implementation monitoring function	62 306	53 285
Other income	9	-
Total	272 722	226 381

5. ADMINISTRATIVE EXPENSE

	01.01.2019. – 31.12.2019. euro	01.01.2018. – 31.12.2018. euro
Personnel costs:		
– salaries	173 592	147 574
– state obligatory social security payments	41 818	35 551
Board costs:		
– salaries	31 116	57 451
– state obligatory social security payments	7 496	13 840
Office rent depreciation and public utilities	43 066	42 958
Business trips	21 786	10 251
Audit fee	6 050	5 808
Office supplies and stationary	3 310	3 754
Communications	2 987	3 153
Provisions for vacation expense	4 541	3 002
Other administrative expense	31 778	44 775
Total	367 540	368 117

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 2019 was 13 (in year that ended 31.12.2018: 11).

6. 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.

7. CASH AND CASH EQUIVALENTS

	31.12.2019. euro	31.12.2018. euro
Balances with banks		
- EUR current account	3 935 903	3 574 664
- credit card	694	228
Cash on hand	34	34
Total	3 936 631	3 574 926

ENVIRONMENTAL INVESTMENT FUND

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS 2019 AND 2018**

8. OTHER CURRENT ASSETS

	31.12.2019.	31.12.2018.
	euro	euro
Tax prepayments	8 762	7 480
Security deposit for office rent	1 862	5 565
Prepaid expense	1 535	4 765
Other assets	92	92
Total	<u>12 251</u>	<u>17 902</u>

9. LOANS TO CUSTOMERS

	31.12.2019.	31.12.2018.
	euro	euro
<i>Remaining maturity</i>		
Accrued interest income receivable within less than 1 year	2 395	4 776
Less than one year	359 692	413 200
Within one to five years	695 412	896 546
Within five to ten years	706 217	768 531
More than ten years	661 658	794 533
Total	<u>2 425 374</u>	<u>2 877 586</u>
Provisions for doubtful debts (Note 11)	-	-
Total, net	<u>2 425 374</u>	<u>2 877 586</u>

Analysis by sector

Water and waste water treatment	2 295 706	2 646 879
Environment friendly heat supply	127 273	225 931
Accrued interest income	2 395	4 776
Total	<u>2 425 374</u>	<u>2 877 586</u>
Provisions for doubtful debts (Note 11)	-	-
Total, net	<u>2 425 374</u>	<u>2 877 586</u>

Customer analysis

Municipalities	2 142 761	451 362
Municipal companies	280 218	2 421 448
Accrued interest income	2 395	4 776
Total	<u>2 425 374</u>	<u>2 877 586</u>
Provisions for doubtful debts (Note 11)	-	-
Total, net	<u>2 425 374</u>	<u>2 877 586</u>

	31.12.2019.		31.12.2018.	
	Currency	euro	Currency	euro
<i>Currency analysis</i>				
Euro	2 422 979	2 422 979	2 872 810	2 872 810
Total		<u>2 422 979</u>		<u>2 872 810</u>
Provisions for doubtful debts (Note 11)		-		-
Total, net		<u>2 422 979</u>		<u>2 872 810</u>

	31.12.2019.		31.12.2018.	
	Number	euro	Number	euro
<i>Loan size analysis excluding accrued interest income</i>				
Up to 10 000	8	30 888	18	66 772
10 000 – 50 000	14	400 519	14	385 199
50 000 – 250 000	13	1 415 384	17	1 804 702
Over 250 000	2	576 188	2	616 137
Total	<u>37</u>	<u>2 422 979</u>	<u>51</u>	<u>2 872 810</u>
Provisions for doubtful debts (Note 11)		-		-
Total, net	<u>37</u>	<u>2 422 979</u>	<u>51</u>	<u>2 872 810</u>

ENVIRONMENTAL INVESTMENT FUND

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS 2019 AND 2018

As of 31 December 2019 and 2018 there were no overdue payments. Information on collateral types is disclosed in note 19. 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%.

10. ACCRUED INCOME

	31.12.2019. euro	31.12.2018. euro
Accrued income on co-financing for development cooperation projects	27 999	21 366
Total	27 999	21 366

11. PROVISIONS FOR DOUBTFUL DEBTS

	01.01.2019. – 31.12.2019. euro	01.01.2018. – 31.12.2018. euro
At the beginning of the year	-	42 686
Result of IFRS 9 implementation	-	(42 686)
At the end of the year	-	-

12. PROPERTY, PLANT AND EQUIPMENT

	Computer and office equipment euro	Fixtures and fittings euro	Total euro
<i>Historical cost</i>			
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
Additions	10 572	-	10 572
Disposal	(4 148)	(1 995)	(6 143)
At 31 December 2019	37 069	30 118	67 187
<i>Accumulated depreciation</i>			
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
Charge for the year	1 626	1 280	2 906
Disposal	(4 148)	(1 995)	(6 143)
At 31 December 2019	27 949	27 242	55 191
<i>Net book value</i>			
At 31 December 2018	174	4 156	4 330
At 31 December 2019	9 120	2 876	11 996

As at 31 December 2019 the fixed assets with historical cost of 43 699 euro (31 December 2018: 48 943 euro) are fully depreciated but still used by the Fund in daily operations.

ENVIRONMENTAL INVESTMENT FUND

103

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS 2019 AND 2018

13. RIGHTS OF USE ASSETS AND LEASE LIABILITIES

During 2019 the Fund has entered into lease agreement for premises rent and has recognized it in accordance with IFRS 16. For interest calculation rate of 0.865% is used.

a) RIGHTS OF USE ASSETS

Carrying value as of 01.01.2019	-
Initial recognition	96 300
Depreciation for the period (Note 5)	(12 840)
31.12.2019	83 460

b) LEASE LIABILITIES

As of 01.01.2019	-
Initially recognized	96 300
Decrease of liability	(12 308)
Interest expense	(532)
31.12.2019	83 460
<i>incl. short-term</i>	<i>18 462</i>
<i>incl. non-current</i>	<i>64 998</i>

	01.01.2019. – 31.12.2019. euro	01.01.2018. – 31.12.2018. euro
Lease liabilities as at the signing agreement	96 300	-
Annual lease payment		
2019	12 308	-
2020	18 462	-
2021	18 462	-
2022	18 462	-
2023	18 462	-
2024	6 154	-

The Fund does not face a significant liquidity risk with regard to its lease liabilities.

14. 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 2019 and 2018 amounts to 32 356 euro.

15. DEFERRED INCOME

	31.12.2019. euro	31.12.2018. euro
Co-financing for development cooperation projects	67 479	121 852
Emission Allowances Finance Instrument	45 069	10 894
Climate Change Financing Instrument	11 130	-
Total	123 678	132 746

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

ENVIRONMENTAL INVESTMENT FUND**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS 2019 AND 2018**

Climate Change Financing Instrument (CCFI) financing

According to the Amendments to the Law "Participation of the Republic of Latvia in the flexible mechanisms of the Kyoto Protocol" that came into force on 3rd March 2010 a number of functions regarding monitoring of implementation of projects co-financed by Climate change financing instrument were delegated to the Fund. An agreement between the Fund and the Ministry of Environmental Protection and Regional Development (MEPRD) on implementation of the selective delegation functions of Climate change financing instrument is signed.

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.

16. SHARE CAPITAL

As of 31 December 2019 and 2018 the Fund's fully paid share capital was 6 299 332 euro consisting of 6 299 332 ordinary shares.

As of 31 December 2019 and 31 December 2018 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS 2019 AND 2018

17. CORPORATE INCOME TAX AND DEFERRED CORPORATE INCOME TAX

Corporate income tax

	01.01.2019. – 31.12.2019. euro	01.01.2018. – 31.12.2018. 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	<u>-</u>	<u>-</u>

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.

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.

18. OFF BALANCE SHEET ITEMS

As at 31 December 2019 and 2018 the Fund did not have off-balance sheet commitments or contingencies.

19. 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS 2019 AND 2018**

19. FINANCIAL RISK MANAGEMENT (CONT'D)

The maximum exposure to credit risk for financial instruments:

	31.12.2019.		31.12.2018.	
	Gross euro	Net euro	Gross euro	Net euro
Neither past due nor impaired				
Cash and cash equivalents	3 936 631	3 936 631	3 574 926	3 574 926
Loans to customers	2 425 374	2 425 374	2 877 586	2 877 586
Total	6 362 005	6 362 005	6 452 512	6 452 512

	31.12.2019. euro	31.12.2018. euro
Received warranties / guarantee's on loans issued		
Municipality guarantee (borrowers are municipal companies)	2 094 887	2 356 175
Municipality budget (borrowers are municipalities)	280 218	451 362
Commercial pledge (borrowers are municipal companies)	47 874	65 273
Total	2 422 979	2 872 810

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 disbursement/ prepayment of loans.

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 all financial assets and liabilities are lower than their fair value, detailed evaluation has not been performed.

20. RELATED PARTY DISCLOSURES

The Fund has entered into transactions with companies with state shareholding. The major transactions are with SIA Lattelecom, SIA Latvijas Mobilais Telefons, VAS "Elektroniskie sakari" etc. All transactions are related to the core activities of the respective parties.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS 2019 AND 2018**

21. SUBSEQUENT EVENTS

After the end of the financial year, in March 2020, restrictions related to the spread of the coronavirus have entered into force in the Republic of Latvia and many other countries, which significantly reduce the economic development in the country and in the world. It is not possible to forecast how the situation will develop in the future, and therefore there is uncertainty about economic development. The Fund is constantly evaluating the situation. At present, the Fund has not ceased operations and continues to monitor projects financed by the CCFI and the EAFI. The Fund's management believes that the Fund will be able to overcome an emergency situation, the Fund's borrowers are utilities, loans are secured by municipal guarantees. The Fund has provided for employees possibility to work remotely and the Fund ensures that there is a distance of at least 2 meters between employees. The effect of future events on the Fund's future operations may differ from management's assessment and cannot be estimated reliably at this time.


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

22. GOING CONCERN

As described in Annex 21, the COVID-19 virus epidemic has not currently had a significant impact on the Fund's operations, but the future impact cannot be reliably assessed. The Fund plans to continue its activities in compliance with the requirements set out in regulatory enactments regarding the performance of precautionary measures in the supervision of projects financed by the CCFI and the EAFI. Supervision of implementation of projects co-financed by the CCFI and the EAFI will be the main Fund's activity also in 2020. Starting from the second half of the year 2019 the Fund expects to expand its services and provide financing within ESCO project.

A decision by the Cabinet of Ministers on October 10, 2019 was made to proceed with making a one-time contribution to the share capital of the Fund in the amount of 60 655 516 euro to finance the Green Investment Fund. At the time of approval of the financial statements, there are no active actions related to the above decision.

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.



Egils Zariņš
Chairperson of the
Board

Gints Kārklīņš
Chief Accountant

ENVIRONMENTAL INVESTMENT FUND

108

UNAUDITED FINANCIAL INFORMATION
FOR THE YEARS 2019 AND 2018

Unaudited financial information

Climate Change Financing Instrument (CCFI) financing

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.

	01.01.2019. – 31.12.2019. euro	01.01.2018. – 31.12.2018. euro
Personnel costs:		
– salaries	41 587	34 573
– state obligatory social security payments	10 018	8 329
Business trips	6 561	4 277
Office rent and public utilities	2 311	4 407
Depreciation	895	716
Communications	573	602
Office supplies and stationary	134	227
Other administrative expense	227	154
Total	62 306	53 285
State budget assignments	62 306	53 285
Disclosed in income statement	-	-

ENVIRONMENTAL INVESTMENT FUND

UNAUDITED FINANCIAL INFORMATION
FOR THE YEARS 2019 AND 2018

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.

	01.01.2019. – 31.12.2019. euro	01.01.2018. – 31.12.2018. euro
Personnel costs:		
– salaries	62 933	54 515
– state obligatory social security payments	15 160	13 133
Office rent and public utilities	10 019	4 395
Experts (tender evaluation)	2 940	3 547
Depreciation	1 059	141
Office supplies and stationary	920	132
Communications	874	607
Business trips	289	2 525
Other administrative expense	166	530
Total	94 360	79 525
State budget assignments	94 360	79 525
Disclosed in income statement	-	-