

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

*Annual Report the year 2021 prepared in accordance with Latvian
Statutory Requirements and Independent Auditors' Report*

Riga, 2022

** 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.*

ENVIRONMENTAL INVESTMENT FUND

Registration No.: 40003339615; Legal address: Eksporta street 5, Riga, LV-1010, Latvia

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ENVIRONMENTAL INVESTMENT FUND

Registration No.: 40003339615; Legal address: Eksporta street 5, Riga, LV-1010, Latvia

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
NACE code	64.92 Other financial services 64.99 Elsewhere not classified financial services, except for insurance and pension accrual
Board Members	Egils Zariņš, Chairperson of the Board
Shareholder	Ministry of Environmental Protection and Regional Development – 100%
Period of reporting	1 January 2021 – 31 December 2021
Previous period of reporting	1 January 2020 – 31 December 2020
Independent auditors and their address	SIA “Grant Thornton Baltic Audit” License No. 183 Blaumaņa street 22 Rīga, LV-1011 Latvia Raivis Irbītis Sworn Auditor Certificate No. 205

ENVIRONMENTAL INVESTMENT FUND

Registration No.: 40003339615; Legal address: Eksporta street 5, Riga, LV-1010, Latvia

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 Auction Instrument and management of cross-border cooperation projects starting 4 new projects.

Supervision of implementation of projects co-financed by the Emission Allowances Auction Instrument and ESCO project financing will be the main Fund's activity also in the 2022. Year 2021 was penultimate year for supervision of post-implementation monitoring of Climate Change Financing Instrument projects, as the program is over.

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 18 cross-border cooperation projects. Topics covered by these projects are related to promotion of energy efficiency and use of renewable energy resources.

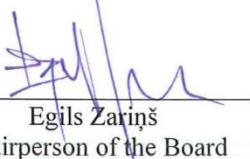
The Fund closed the year 2020 with a planned loss of 96 474 euro and assets exceeding 6,5 million euro. Losses were planned in the Fund's operational strategy, which foresees to stop lending activity. The Fund does not foresee any substantial changes in its operations and intends to maintain its operation at the level of previous years.

The Board suggests to transfer the loss for the reporting year 2021 to “Retained earnings or uncovered losses”.

It is already the eighteenth year since the quality management system in accordance with the ISO 9001 standard was introduced in the Fund. On 14th December, 2021 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 18).

The Fund has assessed the possible consequences of restrictions as a result of the spread of COVID-19 virus. In the opinion of the Fund's Board, the impact of COVID-19 virus on the Fund's operations is not material and the relevant information on non-adjusting events after the balance sheet date is provided in the notes to the annual report.

In 2022, the Fund started implementing a support program for the population of Latvia, providing co-financing of the Emission Allowance Auction Instrument for the purchase of electric cars and externally chargeable hybrid cars, as well as for the use of renewable energy resources in households. In 2022, the Fund is expected to conclude more than 5 000 grant agreements. We are confident that year 2022 will be significant for the Fund and our clients with new opportunities for implementation of environmental projects.



Egils Zariņš
Chairperson of the Board

Riga,
27 April 2022

ENVIRONMENTAL INVESTMENT FUND

Registration No.: 40003339615; Legal address: Eksporta street 5, Riga, LV-1010, Latvia

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*

* – reelected for another 5 year period commencing 2 March 2020

INDEPENDENT AUDITORS' REPORT

Grant Thornton Baltic Audit SIA
Blaumaņa str. 22
LV-1011 Rīga
Latvia

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To the shareholder of “Vides Investīciju Fonds” SIA

Our Opinion on the Financial Statements

We have audited the accompanying financial statements of SIA “Vides Investīciju Fonds” (“the Company”) set out on pages 9 to 24 of the accompanying annual report, which comprise:

- the balance sheet as at 31 December 2021,
- the profit and loss statement for the year then ended,
- the statement of changes in equity for the year then ended,
- the 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 2021, and of its financial performance and its cash flows for the year then ended in accordance with the ‘Law On the Annual Reports and Consolidated Annual Reports’ of the Republic of Latvia.

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 International Code of Ethics for Professional Accountants (including International Independence Standards) 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 International Code of Ethics for Professional Accountants (including International Independence Standards) 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.

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 the ‘Law On the Annual Reports and Consolidated Annual Reports’ of the Republic of Latvia 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. 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.



Grant Thornton

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.

SIA „Grant Thornton Baltic Audit”
License No. 183

Silvija Gulbe
Member of the Board

Raivis Irbitis
Sworn auditor
Certificate No. 205

Riga, 29th April 2022

ENVIRONMENTAL INVESTMENT FUND

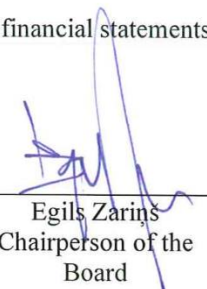
Registration No.: 40003339615; Legal address: Eksporta street 5, Riga, LV-1010, Latvia

**BALANCE SHEET
AS AT 31 DECEMBER 2021**

ASSETS		31.12.2021.	31.12.2020.
	Note	euro	euro
<u>LONG TERM ASSETS</u>			
<i>I. Property, plant and equipment</i>			
Other property, plant and equipment	2	6 573	10 478
Total		6 573	10 478
<i>II. Long-term financial investments</i>			
Other loans and long term receivables	3	1 560 096	1 784 402
Total		1 560 096	1 784 402
TOTAL LONG TERM ASSETS		1 566 669	1 794 880
<u>CURRENT ASSETS</u>			
<i>I. Accounts receivable</i>			
Other accounts receivable	4	236 923	291 773
Prepaid expense	5	39	814
Accrued income	6	7 892	7 892
Total		244 854	300 479
<i>II. Cash and cash equivalents</i>			
	7	4 708 027	4 483 760
TOTAL CURRENT ASSETS		4 952 881	4 784 239
TOTAL ASSETS		6 519 550	6 579 119

The accompanying notes from page 14 to 24 are an integral part of the financial statements.

The financial statements were approved by the Board on 27 April 2022 and signed by:


Egils Zariņš
Chairperson of the
Board


Gints Kārklīšs
Chief Accountant

ENVIRONMENTAL INVESTMENT FUND

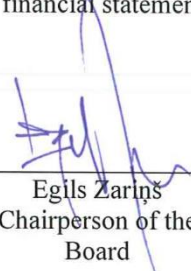
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BALANCE SHEET**AS AT 31 DECEMBER 2021**


LIABILITIES AND SHAREHOLDER'S EQUITY		31.12.2021.	31.12.2020.
	Note	euro	euro
<u>SHAREHOLDER'S EQUITY</u>			
Share capital	8	6 299 332	6 299 332
Retained earnings or uncovered losses			
a) retained earnings or uncovered losses of previous year		(128 909)	(76 912)
b) loss for the current year		(96 474)	(51 997)
TOTAL SHAREHOLDER'S EQUITY		6 073 949	6 170 423
<u>LIABILITIES</u>			
<i>Short-term liabilities</i>			
Other loans	10	32 356	32 356
Accounts payable to suppliers and contractors		6 825	6 556
Other liabilities		-	387
Taxes	16	-	12
Deferred income	11	373 198	339 599
Accrued liabilities	9	33 222	29 786
Total		445 601	408 696
TOTAL LIABILITIES		445 601	408 696
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		6 519 550	6 579 119

The accompanying notes from page 14 to 24 are an integral part of the financial statements.

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Egils Zariņš
Chairperson of the
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Chief Accountant

ENVIRONMENTAL INVESTMENT FUND


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**INCOME STATEMENT
FOR THE YEAR 2021**

		01.01.2021. – 31.12.2021.	01.01.2020. – 31.12.2020.
	Note	euro	euro
Net turnover	12	161 419	178 807
Gross profit or loss		161 419	178 807
Administrative expense	13	(360 516)	(365 268)
Other operating income	14	102 623	134 464
Profit or loss for the year before corporate income tax		(96 474)	(51 997)
Corporate income tax	15	-	-
Profit or loss for the year		(96 474)	(51 997)

The accompanying notes from page 14 to 24 are an integral part of the financial statements.

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ENVIRONMENTAL INVESTMENT FUND

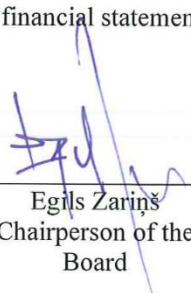
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**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR 2021**


	Share capital euro	Retained earnings or uncovered losses euro	Total euro
As at 31 December 2019	6 299 332	(76 912)	6 222 420
Loss for the year	-	(51 997)	(51 997)
As at 31 December 2020	6 299 332	(128 909)	6 170 423
Loss for the year	-	(96 474)	(96 474)
As at 31 December 2021	6 299 332	(225 383)	6 073 949

The accompanying notes from page 14 to 24 are an integral part of the financial statements.

The financial statements were approved by the Board on 27 April 2022 and signed by:



Egils Zariņš
Chairperson of the
Board



Gints Kārklīšs
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ENVIRONMENTAL INVESTMENT FUND

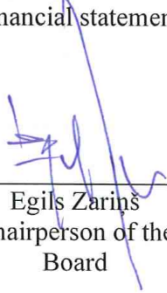
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**CASH FLOW STATEMENT
FOR THE YEAR 2021**

		01.01.2021. – 31.12.2021.	01.01.2020. – 31.12.2020.
	Note	euro	euro
<i>Cash flows from operating activities</i>			
Loss for the year before taxes		(96 474)	(51 997)
Depreciation of Property, plant and equipment	2	3 905	4 140
Interest income	12	(5 461)	(6 965)
Net cash flow before changes in current items		(98 030)	(54 822)
<i>Cash flows from current items</i>			
Decrease in other current assets		795	20 173
Increase in accounts payable		36 936	216 864
Cash flow from operating activities		(60 299)	182 215
Corporate income tax payments	16	-	-
Net cash flow from operating activities		(60 299)	182 215
<i>Cash flows used in investing activities</i>			
Purchases of Property, plant and equipment	2	-	(2 622)
Loan repayments received		278 885	359 692
Interest payments received		5 681	7 844
Net cash flow used in investing activities		284 566	364 914
<i>Cash flows used in financing activities</i>			
Dividends		-	-
Net cash flow used in financing activities		-	-
Increase in cash and cash equivalents		224 267	547 129
Cash and cash equivalents at the beginning of the year		4 483 760	3 936 631
Cash and cash equivalents at the end of the year	7	4 708 027	4 483 760

The accompanying notes from page 14 to 24 are an integral part of the financial statements.

The financial statements were approved by the Board on 27 April 2022 and signed by:


Egils Zariņš
Chairperson of the
Board


Gints Kārklīšs
Chief Accountant

ENVIRONMENTAL INVESTMENT FUND

Registration No.: 40003339615; Legal address: Eksporta street 5, Riga, LV-1010, Latvia

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR 2021

Note 1 – Information on the Company’s activities and summary of significant accounting principles

Information on the Company

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 popularisation of environmental activities.

Basis of preparation

The financial statements were prepared in accordance with the law “On Accounting” and the “Annual Reports and Consolidated Annual Report Law”.

Profit and loss statement has been prepared using the cost method. The cash flow statement has been prepared under the indirect method. The financial statements has been prepared on the basis of the original acquisition cost

Accounting principles

The financial statements were prepared in accordance with the following policies:

- a) Going concern assumption that the Fund will continue as a going concern;
- b) Consistent valuation principles with those used in the prior year;
- c) Items were valued in accordance with the principle of prudence, i.e.:
 - the financial statements reflect only the profit generated to the balance sheet date;
 - all incurred liabilities and current or prior year losses have been taken into consideration even if discovered within the period after the date of the balance sheet and preparation of the financial statements; and,
 - all amounts of impairment and depreciation have been taken into consideration irrespective of whether the financial result was a loss or profit.
- d) Income and expenses incurred during the reporting year have been taken into consideration irrespective of the payment date or date when the invoice was issued or received; Expenses were matched with revenue for the reporting period.
- e) Assets and liabilities have been valued separately;
- f) The opening balance agrees with the prior year closing balance;
- g) All material items, which would influence the decision-making process of users of the financial statements, have been recognised and insignificant items have been combined and their details disclosed in the notes.
- h) Business transactions are recorded taking into account their economic contents and substance, not the legal form.

The Fund meets the definition of a small company.

Related parties

Related parties represent both legal entities and private individuals related to the Fund in accordance with the following rules.

- a) A person or a close member of that person’s family is related to the Fund if that person:
 - has control or joint control over the reporting entity;
 - has a significant influence over the reporting entity; or
 - is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

ENVIRONMENTAL INVESTMENT FUND

Registration No.: 40003339615; Legal address: Eksporta street 5, Riga, LV-1010, Latvia

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR 2021

Note 1 – Information on the Company’s activities and summary of significant accounting principles (continued)

b) An entity is related to a reporting entity if any of the following conditions applies:

- The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- Both entities are joint ventures of the same third party;
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- The entity is controlled, or jointly controlled by a person identified in (a).
- A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);
- The entity or any member of the group to which the entity belongs provides management personnel services to the entity or the parent of company of the entity.

Loans and credits.

Loans and credits are accounted at initial value determined by adding expenses related to loan disbursement or subtracting costs of credit approval to loan or credit fair value. Afterwards loans and credits are accounted at amortized cost using the effective interest rate method. Amortized cost is determined taking into account loan disbursement or credit approval costs as well as any other discounts or premiums related to loans or credits. Profit or loss from amortization is disclosed in income statement as interest income and expenses.

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 EAAI income, income from co-financing for development cooperation projects, commissions, fees and other income/ expenses are recognized when earned/ incurred. Project sponsor performs control over project expenses.

Currency unit and revaluation of foreign currency

All amounts in these financial statements are expressed in the Latvian national currency – euro (EUR).

Transactions in foreign currencies are translated into euros at the reference exchange rate published by the European Central Bank as at the transaction date.

All monetary asset and liability items were revalued to euros according to the reference exchange rate published by the European Central Bank on the reporting date. Non-monetary items of assets and liabilities are revalued to euros in accordance with the reference exchange rate published by the European Central Bank on the transaction date.

Profit or loss arising from the fluctuations in the exchange rate on assets and liabilities denominated in a foreign currency are recognized in the profit and loss statement in the respective period in which the fluctuation occurs.

Estimates and judgments

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. The actual results may differ from these estimates.

ENVIRONMENTAL INVESTMENT FUND

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR 2021

Note 1 – Information on the Company’s activities and summary of significant accounting principles (continued)

Provisions for doubtful debts.

The management Board has considered risk in determining the balance of provisions and possible loan losses. Provisions for loan losses as at the balance sheet date represent the estimated amounts of losses that have been incurred at the balance sheet date.

The level of the provision is based on estimates considering known relevant factors affecting loan recoverability and collateral values. Ultimate losses may vary from the current estimates. These estimates are reviewed periodically, and as adjustments become necessary, they are reported as charges in the period in which they become known. Loans are stated net of provisions.

Fixed assets

Fixed assets are recognized at historical cost, less accumulated amortization and depreciation. Amortization and depreciation is calculated from the first day of the month following their putting to operation and until the first day of the month following their disposal. Amortization and depreciation is calculated on a straight-line basis and written-off over the useful lives of the assets.

Fixed assets:

Fixtures & Fittings	10%
Computer and office equipment	20%
Miscellaneous office assets	30%-50%

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

Financial support.

Financial support 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 for. Financial support is recognized in income based on received approvals for related expenses. Financial support for the acquisition of long-term investments is recognized in the financial statements as next period income and is recognized in the income statement over the period of the useful life of the related long-term investment.

Taxation.

The Fund was exempt from corporate income tax under provisions set out in the Act On Non-profit Organisations till the Fund's 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 is calculated on distributed profit (dividends) and conditionally distributed profit at a rate of 20%.

ENVIRONMENTAL INVESTMENT FUND

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR 2021****Note 1 – Information on the Company’s activities and summary of significant accounting principles
(continued)***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 statement. Post-year-end events that are not adjusting events are disclosed in the notes of the financial statement when material.

Accrued liabilities for vacation.

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 additionally.

Note 2 – Other Property, plant and equipment

	Computer and office equipment euro	Fixtures and fittings euro	Total euro
<i>Historical cost</i>			
At 31 December 2019	37 069	30 118	67 187
Additions	2 433	189	2 622
At 31 December 2020	39 502	30 307	69 809
Disposals	(1 982)	-	(1 982)
At 31 December 2021	37 520	30 307	67 827
<i>Accumulated depreciation</i>			
At 31 December 2019	27 949	27 242	55 191
Charge for the year	2 844	1 296	4 140
At 31 December 2020	30 793	28 538	59 331
Charge for the year	2 989	916	3 905
Disposals	(1 982)	-	(1 982)
At 31 December 2021	31 800	29 454	61 254
<i>Net book value</i>			
At 31 December 2020	8 709	1 769	10 478
At 31 December 2021	5 720	853	6 573

As of 31 December 2021 the Property, plant and equipment with historical cost 48 148 euro (at 31 December 2020: 43 816 euro) are fully depreciated but still used by the Fund in daily operations.

ENVIRONMENTAL INVESTMENT FUND

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR 2021****Note 3 – Other loans and long term receivables**

	31.12.2021.	31.12.2020.
	euro	euro
<i>Remaining maturity</i>		
Less than one year (Note 4)	224 305	278 885
Short-term loans	224 305	278 885
Within two to five years	499 816	584 002
Within six to ten years	664 371	671 616
More than ten years	395 909	528 784
Provisions for doubtful debts	-	-
Long-term loans, net	1 560 096	1 784 402
Total, net	1 784 401	2 063 287
<i>Analysis by sector</i>		
Water and waste water treatment	1 769 834	1 996 392
Environmentally friendly heat supply	14 567	66 895
Total	1 784 401	2 063 287
Provisions for doubtful debts	-	-
Total, net	1 784 401	2 063 287
<i>Customer analysis</i>		
Municipal companies	1 653 463	1 866 683
Municipalities	130 938	196 604
Total	1 784 401	2 063 287
Provisions for doubtful debts	-	-
Total, net	1 784 401	2 063 287

	31.12.2021.		31.12.2020.	
	Currency	euro	Currency	euro
<i>Currency analysis</i>				
Euro	1 784 401	1 784 401	2 063 287	2 063 287
Total		1 784 401		2 063 287
Provisions for doubtful debts		-		-
Total, net		1 784 401		2 063 287

	31.12.2021.		31.12.2020.	
	Number	euro	Number	euro
<i>Loan size analysis (euro)</i>				
up to 10 000	4	16 320	6	20 853
10 000 – 50 000	10	232 440	11	270 470
50 000 – 250 000	12	1 535 641	12	1 235 725
over 250 000	-	-	2	536 239
Total	26	1 784 401	31	2 063 287
Provisions for doubtful debts		-		-
Total, net	26	1 784 401	31	2 063 287

As of 31 December 2021 and 2020 there were no overdue payments.

The interest rates on loans ranged from 0,150% to 3,500%. 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%.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR 2021**

Note 4 – Other accounts receivable

	31.12.2021.	31.12.2020.
	euro	euro
Loans due in less than one year (Note 3)	224 305	278 885
Tax prepayments (Note 16)	9 389	9 418
Security deposit for office rent	1 862	1 862
Accrued interest on loans	1 296	1 516
Other prepayments	71	92
Total	236 923	291 773

Note 5 – Prepaid expenses

	31.12.2021.	31.12.2020.
	euro	euro
Insurance	39	814
Total	39	814

Note 6 – Accrued income

	31.12.2021.	31.12.2020.
	euro	euro
Accrued income for the cooperation development projects	7 892	7 892
Total	7 892	7 892

Note 7 – Cash and cash equivalents

	31.12.2021.	31.12.2020.
	euro	euro
Balances with banks		
- EUR current account	4 707 798	4 483 188
- payment card	195	538
Cash on hand	34	34
Total	4 708 027	4 483 760

Note 8 – Share capital

As of 31 December 2021 the Fund's fully paid share capital was 6 299 332 euro consisting of 6 299 332 ordinary shares (for the year ended 31 December 2020, share capital was 6 299 332 euro consisting of 6 299 332 ordinary shares). The nominal value of ordinary share is 1 euro each and share capital is fully paid.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR 2021****Note 9 – Accrued liabilities**

	31.12.2021.	31.12.2020.
	euro	euro
Accrued liabilities for personal vacation expense	26 881	24 100
Accrued liabilities for social security expense	6 341	5 686
Total	33 222	29 786

Note 10 – Other loans

An 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 was to assist the operation of an Environmental Credit Scheme (ECS) 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. The amount of balance transferred to the Fund for the project implementation under the Agreement is 32 356 euro (31.12.2020.: 32 356 euro).

Note 11 – Deferred income

	31.12.2021.	31.12.2020.
	euro	euro
Co-financing for development cooperation projects	272 930	67 479
Emission Allowances Auction Instrument	35 614	45 069
Climate Change Financing Instrument	31 055	11 130
Total	339 599	123 678

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 has been concluded between the Fund and the Ministry of Environmental Protection and Regional Development (MEPRD) on the delegation of certain tasks of managing the Climate Change Financial Instrument.

Emission Allowances Auction Instrument (EAAI) financing

An agreement has been concluded between the Fund and the MEPRD on the delegation of certain tasks for the management of the Emission Allowance Auction Instrument.

Additional unaudited information on implementation of delegated functions is disclosed on pages 25 and 26.

Note 12 – Net turnover

	01.01.2021. –	01.01.2020. –
	31.12.2021.	31.12.2020.
	euro	euro
Income from EAAI implementation supervision	122 066	104 958
Income from CCFI implementation supervision	33 892	66 884
Interest income from loans to customers	5 461	6 965
Total	161 419	178 807

The interest rates for deposit from banks for the year ended 31 December 2021 and 2020 was 0%. Interest rates for loans disbursed are disclosed in Note 3.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR 2021****Note 13 – Administrative expense**

	01.01.2021. – 31.12.2021. euro	01.01.2020. – 31.12.2020. euro
Personnel costs:		
– salaries	179 402	187 585
– state obligatory social security payments	42 078	45 888
Management costs:		
– salaries	45 773	37 034
– state obligatory social security payments	11 027	8 223
Office rent and public utilities	33 332	32 701
Audit fee	5 808	5 808
Business trips	5 380	6 379
Depreciation (Note 2)	3 905	4 140
Communications	1 652	2 319
Office supplies and stationary	1 011	2 970
Legal services	540	567
Provisions for vacation expense	3 436	6 586
Other administrative expense	27 172	25 068
Total	360 516	365 268

The average number of persons employed by the Fund excluding the Board member during the year ended 31 December 2021 was 11 (at year ended 31 December 2020: 13).

Note 14 – Other operating income

	01.01.2021. – 31.12.2021. euro	01.01.2020. – 31.12.2020. euro
Co-financing for development cooperation projects	102 623	133 806
Other income	-	658
Total	102 623	134 464

Provider of financial assistance	When received (year)	Amount	Purpose of financing	Rules	Amount to be repaid in the reporting year if any of the conditions is not met
The European Union	2020-2021	70 856	Co-financing for COMO RES project implementation	Cover part of the project costs	-
The European Union	2020-2021	160 027	Co-financing for ROUNDBALTIC2020 project implementation	Cover part of the project costs	-
The European Union	2020-2021	76 131	Co-financing for MATRYCS project implementation	Cover part of the project costs	-
The European Union	2021	92 950	Co-financing for BD4NRG project implementation	Cover part of the project costs	-

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR 2021**

Note 15 – Corporate income tax*Corporate income tax*

	01.01.2021. – 31.12.2021. euro	01.01.2020. – 31.12.2020. euro
Payable corporate income tax		
Corporate income tax for the year	-	-
Corporate income tax for year	-	-

Note 16 – Taxes and state obligatory social security payments

	31.12.2021. euro	31.12.2020. euro
<i>Corporate income tax</i>		
Charge for the year	-	-
<i>Risk duty</i>		
Charge for the year	(55)	(63)
<i>Personal income taxes</i>		
Charge for the year	(38 060)	(39 718)
<i>Social security payments</i>		
Charge for the year	(76 578)	(78 819)
<i>Tax assets and liabilities are recognized in balance sheet as follows:</i>		
	31.12.2021. euro	31.12.2020. euro
Tax prepayments (assets)	9 389	9 418
Liabilities for taxes and obligatory social security payments	-	(12)
Overpaid at the end of year	9 389	9 406

Note 17 – Off balance sheet items

Legal claims. As of date of these financial statements Fund was not involved in any legal proceedings as a claimant or defendant.

ENVIRONMENTAL INVESTMENT FUND

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR 2021

Note 18 – Financial risk management

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

Financial risk

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 3.

Credit risk. The Fund is vulnerable to credit risk relating to disbursed loans and cash and its equivalents. The Fund controls the credit risk by constantly monitoring each client individually to minimise the possibility of the bad debts.

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. The Fund's employees make regular site visits.

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 in bank deposits.

Liquidity risk. The Fund controls liquidity risk by maintaining sufficient level of cash and its equivalents and controlling disbursement of loans.

Currency risk. Loans are disbursed / received in euro only. The policy of the Fund is to ensure a minimal risk when it engages into transactions that could be subject to exchange rate fluctuations. Since the all transactions are made in euro currency, foreign currency risk is not significant.

Note 19 – Related party disclosures

The Fund has entered into transactions with companies with state shareholding. The major transactions are with VAS "Elektroniskie sakari". All transactions are related to the core activities of the respective parties.

Note 20 – Subsequent events

Since 2020, restrictions related to the spread of the COVID-19 virus are still in 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 effect of future events on the Fund's future operations may differ from management's assessment and cannot be estimated reliably at this time.

The Russian invasion of Ukraine in February 2022 has significantly changed the political and economic situation in the world, and it will certainly affect the economies of the Baltic States. Sanctions, trade restrictions and resource prices are expected to affect economic development. It is not known how the situation will develop in the future, and therefore there is uncertainty about economic development. The management of the Fund is constantly evaluating the situation and currently the impact on the Fund's operations is not significant, there are no indications of a threat to the continuation of operations. This conclusion is based on information available at the time of signing these financial statements and the effect of future events on the Fund's future operations may differ from management's judgment.

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.

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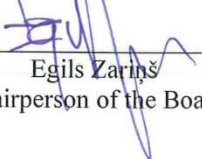
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR 2021

Note 21 – Going concern

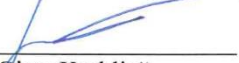
As described in Annex 20, the COVID-19 virus epidemic and the Russian invasion of Ukraine in February 2022 has not currently had a significant impact on the Fund's operations, but the future impact cannot be reliably assessed. The Fund plans to continue its activities in compliance with the requirements set out in regulatory enactments regarding the performance of precautionary measures in the supervision of projects financed by the CCFI and the EAAI. Supervision of implementation of projects co-financed by the CCFI and the EAAI will be the main Fund's activity also in 2022. The Fund expects to expand 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 27 April 2022 and signed by:



Egils Zarīns
Chairperson of the Board



Ģints Kārklīšs
Chief Accountant

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ENVIRONMENTAL INVESTMENT FUND

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**UNAUDITED FINANCIAL INFORMATION
FOR THE YEAR 2021**

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.

	01.01.2021. – 31.12.2021. euro	01.01.2020. – 31.12.2020. euro
Personnel costs:		
– salaries	24 648	48 156
– state obligatory social security payments	5 815	11 603
Business trips	3 187	6 208
Depreciation	242	545
Office supplies and stationary	-	221
Communications	-	6
Other administrative expense	-	145
Total	33 892	66 884
State budget assignments	33 892	66 884
Disclosed in income statement	-	-

ENVIRONMENTAL INVESTMENT FUND

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UNAUDITED FINANCIAL INFORMATION FOR THE YEAR 2021

Emission Allowances Auction Instrument (EAAI) 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 EAAI funding recipients,
- organizes seminars for the EAAI project applicants about project proposal preparation and for the EAAI 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 EAAI 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 EAAI 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 EAAI tenders, prepares answers to project applicant questions about the EAAI tender rules,
- prepares recommendations in the form of decision for the MEPRD about approval of the projects and financing or rejection of the project.

	01.01.2021. – 31.12.2021. euro	01.01.2020. – 31.12.2020. euro
Personnel costs:		
– salaries	84 608	70 167
– state obligatory social security payments	19 959	16 929
Office rent and public utilities	14 033	14 423
Depreciation	1 358	1 486
Business trips	823	139
Experts	603	-
Office supplies and stationary	417	395
Communications	240	748
Other administrative expense	25	671
Total	122 066	104 958
State budget assignments	122 066	104 958
Disclosed in income statement	-	-

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UNAUDITED FINANCIAL INFORMATION FOR THE YEAR 2021

Procedures for Accounting, Quality Control and Provision of Public Administration Services

State administration service (hereinafter – the service) – a set of consecutive actions which provides a benefit or is mandatory to a private individual and which is provided by the State administration service holder.

	number of requested services	used channel of the services	number of delayed services	number of complaints about services
CCFI	-	-	-	-
EAAI	-	-	-	-

The Fund's internal regulations include the following customer service requirements:

- the employee's attitude in serving the customer, anticipating the employee's desired action to prevent the negative consequences of the error, and the employee's obligation to inform the customer of the right to file a complaint;
- the procedure by which the information is provided to the client, envisaging action if the specific employee is not competent to provide the relevant information, as well as action if the request for information is complex, time-consuming or voluminous;
- observance of the principle of equal treatment and the principle of non-discrimination of a person;
- decision-making based on objectivity and facts and distance from personal interest and the influence of third parties;
- the employee's relationship with colleagues and the full use of their knowledge and experience in providing the service.