

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

*Annual Report for the year 2016
prepared in accordance with International Financial
Reporting Standards as adopted by EU
and Independent Auditors' Report*

Riga, 2017

** 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

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ENVIRONMENTAL INVESTMENT FUND

ANCILLARY INFORMATION

Title	Vides investīciju fonds (Environmental Investment Fund)
Legal status	Limited liability company
Registration number, place and date	40003339615, Riga, 28 April 1997
Legal and postal address	Gertrudes street 12-2, Riga, LV-1010, Latvia
Board Members of the company	Egils Zariņš Rolands Neimanis
Shareholder	Ministry of Environmental Protection and Regional Development – 100%
Period of reporting	1 January 2016 – 31 December 2016
Prior period of reporting	1 January 2015 – 31 December 2015
Independent auditors and their address	KPMG Baltics SIA Vesetas iela 7, Rīga, LV-1013 Latvia

ENVIRONMENTAL INVESTMENT FUND

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 implementation of projects co-financed by Climate Change Financial Instrument (hereinafter – CCFI) and management of cross-border cooperation projects.

Total volume of administrated resources under the Emission Allowances Finance Instrument implementation supervision in 2016 reached almost 33 million euro within 2 tenders. Supervision of implementation of projects co-financed by the Emission Allowances Finance Instrument will be the main Fund's activity also in the 2017. In 2016 the Fund was only monitoring CCFI projects, as the implementation has been finalized.

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 9 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 2016 with a loss of 77 942 euro and assets exceeding 6.66 million euro. The Fund does not foresee any substantial changes in its operations and intends to maintain its operation at the level of previous years.

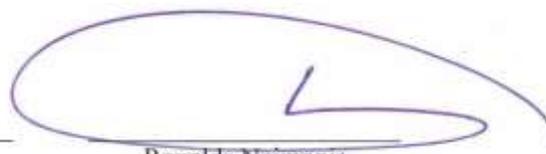
The Board suggests to transfer the loss for the reporting year 2016 to “Retained earnings”.

It is already the thirteen year since the quality management system in accordance with the ISO 9001 standard was introduced in the Fund. On 9 January, 2017 the supervision audit took place and no substantial non-compliance instances were identified, proving that the system is running successfully. The results of this audit indicate that the quality management system implemented in the Fund works successfully. Compliance with the established procedures ensures that the Fund is not materially affected by such risks as market price risk, credit risk, liquidity risk and cash flow risk (see Note 18).

We are confident that year 2017 will be significant for the Fund and our clients with new opportunities for implementation of environmental projects.



Egils Zariņš
Chairperson of the Board



Ronalds Neimanis
Board member

Rīga,
25 April 2017

ENVIRONMENTAL INVESTMENT FUND

REPRESENTATIVE OF STATE CAPITAL SHAREHOLDER AND BOARD

As at the date of signing of the financial statements:

Representative of State capital shareholder

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

The Board

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

Resignations between 1 January 2016 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>
Sandis Cakuls	Representative of State capital shareholder	7 May, 2014	7 March, 2016

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.

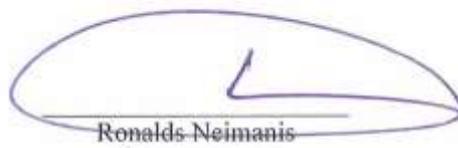
The management confirms that suitable accounting policies have been used and applied consistently and that reasonable and prudent judgments and estimates have been made in the preparation of the financial statements on pages 10 to 26 for the years ended 31 December 2016 and 2015. The management also 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



Ronalds Neimanis
Board member

Riga,
25 April 2017



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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 Fund") set out on pages 10 to 26 of the accompanying Annual Report, which comprise:

- the statement of financial position as at 31 December 2016,
- the statement of comprehensive income 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 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 *Auditors' Responsibility for the Audit of the Financial Statements* section of our report.

We are independent of the Fund 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 the '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.

Other Matter

The comparative information of the prior periods disclosed in the Fund's financial statements is based on the financial statements of the Fund as at and for the year ended 31 December 2015 which were audited by another auditor who expressed an unmodified opinion on those statements on 27 April 2016.

Reporting on Other Information

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

- the Management Report, as set out on page 4 of the accompanying Annual Report,



- the Statement on Management Responsibility, as set out on page 6 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 Fund 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 Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 Fund'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 Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Fund 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.

KPMG Baltics SIA
License No 55

A handwritten signature in blue ink, appearing to read 'Ondrej R.' with a stylized flourish.

Ondrej Fikrle
Partner pp KPMG Baltics SIA
Riga, Latvia

25 April 2017

ENVIRONMENTAL INVESTMENT FUND

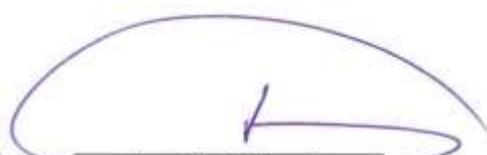
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS 2016 AND 2015

	Note	01.01.2016. – 31.12.2016. euro	01.01.2015. – 31.12.2015. euro
<i>Operating income</i>			
Interest income	3	76 266	112 065
Net interest income		76 266	112 065
<i>Other income</i>			
Other income, net	4	198 828	422 183
TOTAL OPERATING INCOME		275 094	534 248
<i>Operating expense</i>			
Administrative expense	5	(346 560)	(522 483)
Depreciation	12	(5 036)	(7 868)
TOTAL OPERATING EXPENSE		(351 596)	(530 351)
GROSS (LOSS)/PROFIT BEFORE TAXES		(76 502)	3 897
Corporate income tax	16	-	-
Deferred corporate income tax	16	(1 440)	(3 009)
(LOSS)/PROFIT FOR THE YEAR	6	(77 942)	888
Other items of comprehensive income		-	-
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		(77 942)	888

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 25 April 2017 and signed by:


Egils Zariņš
Chairperson of the Board


Ronalds Neimanis
Board member

ENVIRONMENTAL INVESTMENT FUND

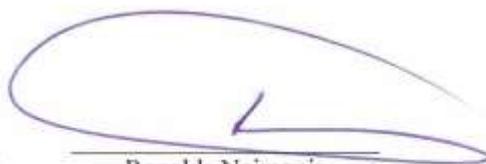
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016 AND 2015

	Note	31.12.2016. euro	31.12.2015. euro
ASSETS			
<i>CURRENT ASSETS</i>			
Cash and cash equivalents	7	2 490 559	1 571 118
Corporate income tax receivable		1 279	3 379
Other current assets	8	16 405	9 041
Loans to customers	9	696 472	761 687
Accrued income	10	68 457	22 500
TOTAL		3 273 172	2 367 725
<i>NON-CURRENT ASSETS</i>			
Property, plant and equipment	12	9 822	14 858
Deferred corporate income tax asset	16	-	221
Loans to customers	9	3 379 263	4 335 999
TOTAL		3 389 085	4 351 078
TOTAL ASSETS		6 662 257	6 718 803
LIABILITIES AND EQUITY			
<i>CURRENT LIABILITIES</i>			
Other loans	13	32 356	32 356
Deferred income	14	132 443	110 400
Accrued liabilities		15 848	12 447
Deferred corporate income tax liability	16	1 219	-
Taxes and social security payments		-	1 128
Accounts payable to suppliers and contractors		6 986	10 326
TOTAL		188 852	166 657
<i>SHAREHOLDER'S EQUITY</i>			
Share capital	15	6 299 332	6 299 332
Retained earnings		174 073	252 814
TOTAL SHAREHOLDER'S EQUITY		6 473 405	6 552 146
TOTAL LIABILITIES AND EQUITY		6 662 257	6 718 803

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

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Egils Zariņš
Chairperson of the Board


Ronalds Neimanis
Board member

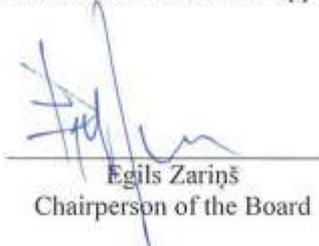
ENVIRONMENTAL INVESTMENT FUND

STATEMENT OF CHANGES IN EQUITY FOR THE YEARS 2016 AND 2015

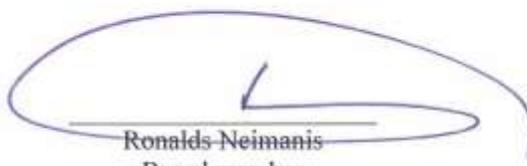
	Share capital euro	Retained earnings euro	Total euro
As at 31 December 2014	6 299 332	261 741	6 561 073
Dividends	-	(9 815)	(9 815)
Profit for the year	-	888	888
As at 31 December 2015	6 299 332	252 814	6 552 146
Dividends	-	(799)	(799)
Loss for the year	-	(77 942)	(77 942)
As at 31 December 2016	6 299 332	174 073	6 473 405

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 25 April 2017 and signed by:



Egils Zariņš
Chairperson of the Board



Ronalds Neimanis
Board member

ENVIRONMENTAL INVESTMENT FUND

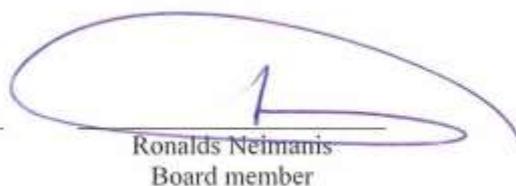
CASH FLOW STATEMENT FOR THE YEARS 2016 AND 2015

		01.01.2016. – 31.12.2016.	01.01.2015. – 31.12.2015.
	Note	euro	euro
<i>Cash flows from operating activities</i>			
(Loss)/profit for the year before taxes		(76 502)	3 897
Depreciation of Property, plant and equipment	3	5 036	7 868
Interest income	13	(76 266)	(112 065)
Net cash flow before changes in current items		(147 732)	(100 300)
<i>Cash flows from current items</i>			
(Increase)/decrease in other current assets		(19 042)	907
Decrease/(increase) in accounts payable		20 755	(106 902)
Cash flow from operating activities		(146 019)	(206 295)
Corporate income tax payments	17	(2 900)	(3 324)
Net cash flow from operating activities		(148 919)	(209 619)
<i>Cash flows used in investing activities</i>			
Purchases of Property, plant and equipment	3	-	(3 946)
Loan repayments received		1 007 422	418 514
Interest payments received		61 737	116 803
Net cash flow used in investing activities		1 069 159	531 371
<i>Cash flows used in financing activities</i>			
Dividends		(799)	(9 815)
Net cash flow used in financing activities		(799)	(9 815)
Increase in cash and cash equivalents		919 441	311 937
Cash and cash equivalents at the beginning of the year		1 571 118	1 259 181
Cash and cash equivalents at the end of the year	8	2 490 559	1 571 118

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 25 April 2017 and signed by:


Egils Zariņš
Chairperson of the Board


Ronalds Neimanis
Board member

ENVIRONMENTAL INVESTMENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS 2016 AND 2015

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 popularisation of environmental activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The amounts shown in these financial statements are derived from the accounting records, maintained in accordance with Latvian Accounting Regulations, appropriately reclassified for recognition, measurement and presentation in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The financial statements are prepared using the abovementioned accounting records.

Basis of preparation

Standards and Interpretations effective in the current period

These financial statements have been prepared in accordance with and comply with IFRS as adopted by EU and Interpretations issued by its International Financial Reporting Interpretations Committee (IFRIC) as endorsed by EU.

The Fund has consistently applied the accounting policies set out in Note 3 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 a date of initial application of 1 January 2016.

The following guidance with effective date of 1 January 2016 did not have any impact on these financial statements:

- IFRS 11: Accounting for Acquisitions of Interests in Joint Operations
- IAS 1 – Presentation of Financial Statements
- IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets
- IAS 19 – Defined Benefit Plans: Employee Contributions
- IAS 27 – Separate Financial Statements
- Annual Improvements to IFRSs

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these financial statements. Those which may be relevant to the Fund are set out below. The Fund does not plan to adopt these standards early.

(i) *IFRS 9 Financial Instruments (2014)* (Effective for annual periods beginning on or after 1 January 2018; to be applied retrospectively with some exemptions. The restatement of prior periods is not required, and is permitted only if information is available without the use of hindsight. Early application is permitted)

This Standard replaces IAS 39, *Financial Instruments: Recognition and Measurement*, except that the IAS 39 exception for a fair value hedge of an interest rate exposure of a portfolio of financial assets or financial liabilities continues to apply, and entities have an accounting policy choice between applying the hedge accounting requirements of IFRS 9 or continuing to apply the existing hedge accounting requirements in IAS 39 for all hedge accounting.

ENVIRONMENTAL INVESTMENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS 2016 AND 2015

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

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

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

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

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

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

The impairment model in IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.

IFRS 9 includes a new general hedge accounting model, which aligns hedge accounting more closely with risk management. The types of hedging relationships – fair value, cash flow and foreign operation net investment – remain unchanged, but additional judgment will be required.

The standard contains new requirements to achieve, continue and discontinue hedge accounting and allows additional exposures to be designated as hedged items.

Extensive additional disclosures regarding risk management and hedging activities are required.

Based on its preliminary assessment, the Fund expects that substantially all of financial assets classified as loans and receivables under IAS 39 will continue to be measured at amortised cost under IFRS 9.

It is expected that liabilities will be continued to be measured at amortised cost under IFRS 9.

It is expected that the new expected credit loss model under IFRS 9 will accelerate the recognition of impairment losses and lead to higher impairment allowances at the date of initial application.

The Fund is not yet able to quantify the expected impact that the initial application of IFRS 9 will have on its IFRS statements.

(ii) IFRS 15 Revenue from contracts with customers (Effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted)

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

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

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

Although it has not yet fully completed its initial assessment of the potential impact of IFRS 15 on the Fund’s financial statements, management does not expect that the new Standard, when initially applied, will have material impact on the Fund’s financial statements. The timing and measurement of the Fund’s revenues are not expected to change under IFRS 15 because of the nature of the Fund’s operations and the types of revenues it earns.

ENVIRONMENTAL INVESTMENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS 2016 AND 2015

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

(iii) *IFRS 16 Leases – (Effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted if the Fund also applies IFRS 15)*

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

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

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

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

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

It is expected that the new Standard, when initially applied, will have an impact on the financial statements, since it will require the Fund to recognise in its statement of financial position assets and liabilities relating to operating lease for which the Fund acts as a lessee.

(iv) *Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (Effective for annual periods beginning on or after 1 January 2018; to be applied prospectively. Early application is permitted)*

The amendments clarify share-based payment accounting on the following areas:

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

The Fund expects that the amendments, when initially applied, will not have a material impact on the presentation of the financial statements of the Fund because the Fund does not enter into share-based payment transactions.

(v) Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture (The effective date has not yet been determined by the IASB, however earlier adoption is permitted.)

The Amendments clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business, such that:

- a full gain or loss is recognised when a transaction between an investor and its associate or joint venture involves the transfer of an asset or assets which constitute a business (whether it is housed in a subsidiary or not), while

a partial gain or loss is recognised when a transaction between an investor and its associate or joint venture involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The Fund does not expect that the amendments, when initially applied, will have material impact on the financial statements as the Fund has no subsidiaries, associates or joint ventures.

(vi) Amendments to IAS 7 (Effective for annual periods beginning on or after 1 January 2017, to be applied prospectively. Early application is permitted)

The amendments require new disclosures that help users to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes (such as the effect of foreign exchange gains or losses, changes arising from obtaining or losing control of subsidiaries, changes in fair value).

ENVIRONMENTAL INVESTMENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS 2016 AND 2015

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

The Fund expects that the amendments, when initially applied, will not have a material impact on the presentation of the financial statements of the Fund.

(vii) Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (Effective for annual periods beginning on or after 1 January 2018; to be applied prospectively)

The amendments clarify how and when to account for deferred tax assets in certain situations and clarify how future taxable income should be determined for the purposes of assessing the recognition of deferred tax assets.

The Fund expects that the amendments, when initially applied, will not have a material impact on the presentation of the financial statements of the Fund because the Fund already measures future taxable profit in a manner consistent with the Amendments.

(viii) Amendments to IAS 40 Transfers of Investment Property

The amendments reinforce the principle for transfers into, or out of, investment property in IAS 40 *Investment Property* to specify that such a transfer should only be made when there has been a change in use of the property. Based on the amendments a transfer is made when and only when there is an actual change in use – i.e. an asset meets or ceases to meet the definition of investment property and there is evidence of the change in use. A change in management intention alone does not support a transfer.

The Fund does not expect that the amendments will have a material impact on the financial statements because the Fund does not have investment property.

(ix) IFRIC 22 Foreign Currency Transactions and Advance Consideration (Effective for annual periods beginning on or after 1 January 2018).

The Interpretation clarifies how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. In such circumstances, the date of the transaction is the date on which an Fund initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The Fund does not expect that the Interpretation, when initially applied, will have material impact on the financial statements as the Fund uses the exchange rate on the transaction date for the initial recognition of the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

(x) Annual Improvements to IFRSs

Annual improvements to IFRSs 2014-2016 cycle were issued on 8 December 2016 and introduce two amendments to two standards and consequential amendments to other standards and interpretations that result in accounting changes for presentation, recognition or measurement purposes. The amendments on IFRS 12 *Disclosure of Interest in Other Entities* are effective for annual periods beginning on or after 1 January 2017 and amendments on IAS 28 *Investments in Associates and Joint Ventures* are effective for annual periods beginning on or after 1 January 2018; to be applied retrospectively. Earlier application is permitted.

None of these amendments are expected to have a significant impact on the financial statements of the Fund.

The Fund has elected not to adopt these standards, revisions and interpretations in advance of their effective dates. The Fund anticipates that the adoption of these standards, revisions and interpretations 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.

ENVIRONMENTAL INVESTMENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS 2016 AND 2015

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

Foreign currency

The accompanying financial statements are presented in the Euro currency (hereinafter – EUR or euro), which is the Company'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 2016.

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

Loans and borrowings

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

The management Board has considered risk in determining the balance of provisions and possible loan losses. Provisions for loan losses as at the reporting date represent the estimated amounts of losses that have been incurred at the reporting date. The value of the collateral held in connection with the loan is based on its estimated realisable value and is taken into account when estimating the required provisions. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

The level of the provisions 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.

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.

ENVIRONMENTAL INVESTMENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS 2016 AND 2015

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

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.

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:

- *Useful lives of property, plant and equipment* – Useful lives of property, plant and equipment are assessed at each balance sheet date and changed, if necessary, to reflect the Fund's management current view on their remaining useful lives in the light of changes in technology, the remaining prospective economic utilisation of the assets and their physical condition.
- *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 additional allowance as of 31 December 2016.
- *Income from compensation for implementation monitoring function* – The Fund's management estimates the amount of income to be recognised based on expenses incurred. Income from compensation is not recognised if the expenses are not related to the respective projects and are not expected to be compensated.

Taxation

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

Corporate income tax

Corporate income tax is calculated by applying statutory tax rate of the Republic of Latvia (15%) to taxable income in the reporting period.

Deferred corporate income tax, which arises from temporary differences including some items on tax declaration form and in this financial statement, is calculated using the liability method. Deferred corporate tax asset is estimated based on tax rates expected to be effective when short-term differences will cease to exist. Main temporary differences arise from different property, plant and equipment depreciation rates used for accounting and tax purposes and specific for tax purposes not deductible expenses.

ENVIRONMENTAL INVESTMENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS 2016 AND 2015

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

Fair value of financial assets and liabilities

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

Subsequent events

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

Vacation reserve

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

3. INTEREST INCOME

	01.01.2016. – 31.12.2016. euro	01.01.2015. – 31.12.2015. euro
Interest income from loans to customers	76 266	112 065
Total	<u>76 266</u>	<u>112 065</u>

The interest rates for deposits in banks for the years ended 31 December 2016 and 2015 were 0%. Interest rates for loans disbursed are disclosed in Note 9.

4. OTHER INCOME

	01.01.2016. – 31.12.2016. euro	01.01.2015. – 31.12.2015. euro
Co-financing for development cooperation projects	88 651	124 081
Compensation for EAFI implementation monitoring function	73 445	-
Compensation for CCFI implementation monitoring function	35 472	297 318
Other income	1 260	784
Total	<u>198 828</u>	<u>422 183</u>

ENVIRONMENTAL INVESTMENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS 2016 AND 2015

5. ADMINISTRATIVE EXPENSE

	01.01.2016. – 31.12.2016. euro	01.01.2015. – 31.12.2015. euro
Personnel costs:		
– salaries	143 015	314 878
– state obligatory social security payments	34 780	74 748
Board costs:		
– salaries	58 111	42 375
– state obligatory social security payments	12 666	9 448
Office rent and public utilities	42 758	43 224
Business trips	14 174	18 736
Audit fee	5 808	5 324
Communications	4 275	5 193
Office supplies and stationary	3 738	6 735
Provisions for vacation expense	3 401	(23 980)
Other administrative expense	23 834	25 802
Total	<u>346 560</u>	<u>522 483</u>

The average number of persons employed by the Fund excluding the Members of the Board and Representative of State capital shareholder during the year ended 31 December 2016 was 12 (in year that ended 31.12.2015: 22).

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

	31.12.2016. euro	31.12.2015. euro
Balances with banks		
- EUR current account	2 490 166	1 570 941
- credit card	359	143
Cash on hand	34	34
Total	<u>2 490 559</u>	<u>1 571 118</u>

8. OTHER CURRENT ASSETS

	31.12.2016. euro	31.12.2015. euro
Tax prepayments	7 481	5
Security deposit for office rent	5 565	5 565
Prepaid expense	3 267	3 163
Other assets	92	308
Total	<u>16 405</u>	<u>9 041</u>

ENVIRONMENTAL INVESTMENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS 2016 AND 2015

9. LOANS TO CUSTOMERS

	31.12.2016. euro	31.12.2015. euro
<i>Remaining maturity</i>		
Accrued interest income receivable within less than 1 year	11 525	26 054
Less than one year	684 947	735 633
Within one to five years	1 337 530	1 878 428
Within five to ten years	1 024 138	1 291 730
More than ten years	1 060 281	1 208 527
Total	4 118 421	5 140 372
Provisions for doubtful debts (Note 11)	(42 686)	(42 686)
Total, net	4 075 735	5 097 686
<i>Analysis by sector</i>		
Water and waste water treatment	3 485 652	4 023 528
Environment friendly heat supply	608 865	1 071 012
Insulation of buildings	12 379	19 778
Accrued interest income	11 525	26 054
Total	4 118 421	5 140 372
Provisions for doubtful debts (Note 11)	(42 686)	(42 686)
Total, net	4 075 735	5 097 686
<i>Customer analysis</i>		
Municipalities	923 250	1 223 602
Municipal companies	3 183 646	3 890 716
Accrued interest income	11 525	26 054
Total	4 118 421	5 140 372
Provisions for doubtful debts (Note 11)	(42 686)	(42 686)
Total, net	4 075 735	5 097 686

	31.12.2016.		31.12.2015.	
	Currency	euro	Currency	euro
<i>Currency analysis</i>				
Euro	4 106 896	4 106 896	5 114 318	5 114 318
Total		4 106 896		5 114 318
Provisions for doubtful debts (Note 11)		(42 686)		(42 686)
Total, net		4 064 210		5 071 632

	31.12.2016.		31.12.2015.	
	Number	euro	Number	euro
<i>Loan size analysis excluding accrued interest income</i>				
Up to 10 000	23	136 867	24	123 253
10 000 – 50 000	26	645 197	30	627 768
50 000 – 250 000	23	2 628 796	29	3 297 693
Over 250 000	2	696 036	3	1 065 604
Total	74	4 106 896	86	5 114 318
Provisions for doubtful debts (Note 11)		(42 686)		(42 686)
Total, net	74	4 064 210	86	5 071 632

As of 31 December 2016 and 2015 there were no overdue payments. Information on collateral types is disclosed in note 18.

The interest rates on loans ranged from 0.157% to 5.000%. The loans have fixed and variable interest rate. For loans with variable interest rate, interest rate for the next year is set by the Board of the Fund on the last day of previous period based on actual interest rate for State Treasury loans denominated in the national currency in the particular period that is published on State Treasury home page www.kase.gov.lv and that is decreased by 0.1%.

ENVIRONMENTAL INVESTMENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS 2016 AND 2015

10. ACCRUED INCOME

	31.12.2016. euro	31.12.2015. euro
Accrued income on co-financing for development cooperation projects	68 457	22 500
Total	68 457	22 500

11. PROVISIONS FOR DOUBTFUL DEBTS

	01.01.2016. – 31.12.2016. euro	01.01.2015. – 31.12.2015. euro
At the beginning of the year	42 686	42 686
Change	-	-
At the end of the year	42 686	42 686

12. PROPERTY, PLANT AND EQUIPMENT

	Computer and office equipment euro	Fixtures and fittings euro	Total euro
<i>Historical cost</i>			
At 31 December 2014	53 586	38 367	91 953
Additions	3 408	538	3 946
At 31 December 2015	56 994	38 905	95 899
Disposal	(12 918)	(2 470)	(15 388)
At 31 December 2016	44 076	36 435	80 511
<i>Accumulated depreciation</i>			
At 31 December 2014	46 480	26 693	73 173
Charge for the year	6 093	1 775	7 868
At 31 December 2015	52 573	28 468	81 041
Charge for the year	3 264	1 772	5 036
Disposal	(12 918)	(2 470)	(15 388)
At 31 December 2016	42 919	27 770	70 689
<i>Net book value</i>			
At 31 December 2015	4 421	10 437	14 858
At 31 December 2016	1 157	8 665	9 822

As at 31 December 2016 the fixed assets with historical cost of 59 354 euro (31 December 2015: 54 957 euro) are fully depreciated but still used by the Fund in daily operations.

13. 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 2016 and 2015 amounts to 32 356 euro.

ENVIRONMENTAL INVESTMENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS 2016 AND 2015

14. DEFERRED INCOME

	31.12.2016.	31.12.2015.
	euro	euro
Co-financing for development cooperation projects	127 205	110 400
Financing of Emission Allowances Finance Instrument	5 238	-
Total	<u>132 443</u>	<u>110 400</u>

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

Emission Allowances Finance Instrument (EAFI) financing

On 23rd March 2016, 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 was signed. Additional unaudited information on the project is disclosed on page 28.

15. SHARE CAPITAL

As of 31 December 2016 and 2015 the Fund's fully paid share capital was LVL 4 427 196 (6 299 332 EUR) consisting of 4 427 196 ordinary shares and the nominal value of ordinary share was LVL 1 each. As of 31 December 2016 there was no earnings per share (2015: 0.0002 EUR). Share capital of the Fund is fully paid. Sole shareholder of the Fund is Ministry of Environmental Protection and Regional Development.

16. CORPORATE INCOME TAX AND DEFERRED CORPORATE INCOME TAX

Corporate income tax

	01.01.2016. –	01.01.2015. –
	31.12.2016.	31.12.2015.
	euro	euro
Corporate income tax for the year	-	-
Deferred corporate income tax		
Deferred corporate income tax as a result of temporary differences	1 440	3 009
Current and deferred corporate income tax for period	<u>1 440</u>	<u>3 009</u>

Deferred corporate income tax:

	31.12.2016.	31.12.2015.
	euro	euro
Difference between fixed assets value in financial and tax accounting	1 219	1 646
Temporary differences on provisions for vacation	-	(1 867)
Accrued corporate income tax losses	(86 150)	(16 383)
Unrecognized deferred corporate income tax asset	86 150	16 383
Deferred corporate income tax liability/(asset), net	<u>1 219</u>	<u>(221)</u>

Tax losses have been generated starting from 2015. The Fund has chosen to stay prudent and not to recognize deferred tax asset from tax losses as the Fund does not have sufficient conviction that in the future the Fund will have sufficient taxable profit to utilise the accumulated tax losses.

ENVIRONMENTAL INVESTMENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS 2016 AND 2015

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

Effective income tax rate reconciliation:

	01.01.2016. – 31.12.2016. euro	01.01.2015. – 31.12.2015. euro
(Loss)/profit before taxes	(76 502)	3 897
Theoretically calculated corporate income tax 15%	(11 475)	585
Permanent differences	-	(33)
Unrecognized deferred corporate income tax asset	12 915	2 457
Actual and deferred corporate income tax for period	1 440	3 009
Effective tax rate	(1.9%)	77.2%

17. OFF BALANCE SHEET ITEMS

As at 31 December 2016 and 2015 the Fund did not have off-balance sheet commitments or contingencies.

18. FINANCIAL RISK MANAGEMENT

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

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

Interest rate risk

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

Credit risk

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

The maximum exposure to credit risk for financial instruments:

	31.12.2016.		31.12.2015.	
	Gross euro	Net euro	Gross euro	Net euro
Neither past due nor impaired				
Cash and cash equivalents	2 490 559	2 490 559	1 571 118	1 571 118
Loans to customers	4 118 421	4 075 735	5 140 372	5 097 686
Total	6 608 890	6 566 294	6 711 490	6 668 804

Received warranties / guarantee's on loans issued

	31.12.2016. euro	31.12.2015. euro
Municipality guarantee (borrowers are municipal companies)	3 083 575	3 773 247
Municipality budget (borrowers are municipalities)	923 250	1 223 602
Commercial pledge (borrowers are municipal companies)	100 071	117 469
Total	4 106 896	5 114 318

ENVIRONMENTAL INVESTMENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS 2016 AND 2015

18. FINANCIAL RISK MANAGEMENT (CONT'D)

Market price risk

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

Liquidity risk

The Fund controls liquidity risk by maintaining sufficient level of cash and its equivalents and controlling 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 approximate to their fair value.

19. RELATED PARTY DISCLOSURES

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

20. SUBSEQUENT EVENTS

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

21. GOING CONCERN

Supervision of implementation of projects co-financed by the Climate Change Finance Instrument and the Emission Allowances Finance Instrument will be the main Fund's activity also in 2017. Starting from the second half of the year 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.

ENVIRONMENTAL INVESTMENT FUND

UNAUDITED FINANCIAL INFORMATION FOR THE YEARS 2016 AND 2015

Unaudited financial information

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.

	01.01.2016. – 31.12.2016. euro	01.01.2015. – 31.12.2015. euro
Personnel costs:		
– salaries	208 125	325 248
– state obligatory social security payments	49 016	76 556
Business trips	18 519	31 240
Communications	7 542	9 675
Office rent and public utilities	2 760	5 093
Depreciation	2 248	3 371
Office supplies and stationary	1 627	3 483
Other administrative expense	7 481	53 705
Total	297 318	508 371
State budget assignments	297 318	508 371
Disclosed in income statement	-	-

ENVIRONMENTAL INVESTMENT FUND

UNAUDITED FINANCIAL INFORMATION FOR THE YEARS 2016 AND 2015

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.

	01.01.2016. – 31.12.2016. euro	01.01.2015. – 31.12.2015. euro
Personnel costs:		
– salaries	52 041	-
– state obligatory social security payments	12 276	-
Office rent and public utilities	5 671	-
Communications	251	-
Depreciation	303	-
Office supplies and stationary	161	-
Other administrative expense	2 742	-
Total	73 445	-
State budget assignments	73 445	-
Disclosed in income statement	-	-