KŪB PAGALBOS VERSLUI FONDAS

FINANCIAL STATEMENTS

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS ADOPTED BY THE EUROPEAN UNION

FOR THE PERIOD OF 3 MONTHS ENDED 31 DECEMBER 2020

CONTENTS

GENERAL INFORMATION

Contact details of the company:

Name:	KŪB PAGALBOS VERSLUI FONDAS
Legal form:	Limited Partnership. The Fund is a legal person of unlimited civil liability. The Fund acquires civil rights and assumes and fulfils the responsibilities through the Full Member.
Address:	Lukiškių g. 2, LT-01108 Vilnius
Legal person's code:	305640822
Registration date:	13 October 2020
Email address:	info@viva.lt
Website address:	www.lpvf.lt
Main activity type:	Aid and investment in medium-sized and large enterprises facing challenges posed by the COVID-19
Fund's Full Member:	UAB Valstybės investicijų valdymo agentūra, 305612545
Limited Partner:	UAB Valstybės investicinis kapitalas, 305611945
Licensing:	The Fund is not licensed or supervised by the Bank of Lithuania and/or other institutions performing the financial market supervision function.
Auditor:	Deloitte Lietuva, UAB

ANNUAL REPORT

On 6 May 2020, the Government of the Republic of Lithuania, taking into account the Communication from the European Commission on temporary framework for state aid measures to support the economy in the current COVID-19 outbreak and having received the decision of the European Commission, adopted Resolution No 512 on the establishment of UAB Valstybės investicinis kapitalas (limited liability company State Investment Capital) and UAB Valstybės investicijų valdymo agentūra (limited liability company State Investment Management Agency) and investment of state assets whereby the Ministry of Finance of the Republic of Lithuania, as a sole shareholder, registered the company Valstybės investicijų valdymo agentūra, UAB (hereinafter – VIVA, Company, Agency) on 27 August 2020. VIVA is a legal person of limited civil liability, legal form – a limited liability company. The founder of the Agency is the State of Lithuania represented by the Ministry of Finance of the Republic of Lithuania.

The objective of VIVA activities is to finance and/or promote sustainable development in areas where market financing is insufficient, by implementing and/or administering financial and other types of aid measures aimed at restoring liquidity and capitalisation of medium-sized and large enterprises, as well as ensuring their access to funding in the emergency in the country due to the threat of the spread of COVID-19 for profit-making activities, but not seeking maximum profit.

The object of VIVA activities is the management of investment undertakings, establishment and management of investment funds and investment.

To achieve its operational objectives, VIVA established KŪB Pagalbos verslui fondas (the Limited Partnership Aid Fund for Business (hereinafter – PVF, the Fund)) and is its Full Member and Manager. KŪB Pagalbos verslui fondas, legal entity code 305640822, registered address: Lukiškių g. 2, Vilnius, was registered on the basis of the partnership agreement of 13 October 2020 concluded by the Fund's Full Member UAB Valstybės investicijų valdymo agentūra (hereinafter – VIVA) and the Limited Partner UAB Valstybės investicinis kapitalas and the Description of activities of the measure "Aid Fund for Business" approved by Order No 4-837/1K-319 of the Minister of Economy and Innovation of Lithuania and the Minister of Finance of the Republic of Lithuania.

The main activity of VIVA in pursuit of the specified objective is the management of the Aid Fund for Business (PVF). The initial investment funds of the PVF – EUR 100 million – have been provided by the State through the financial injection of UAB Valstybės investicinis kapitalas (VIK); in the future, it is planned to attract more funds through state guaranteed bonds and private investors.

The objectives of PVF are:

- investment in medium-sized and large enterprises whose closure may have socio-economic consequences, such as market failures, the withdrawal of innovative enterprises, the withdrawal of systemically important enterprises (undertakings with an important systemic role in the region and sector) or the risk of disruption to the provision of an important service;

- preserve sectors of the national economy that are prepared for the period of economic recovery;

- promote the capital market, giving priority to capital market measures;

- attract private investors, including informal investors and financial institutions, regardless of ownership, provided that they bear the risks associated with their investment;

When investing, PVF follows the investment strategy of PVF, which is provided for in the agreement of PVF members, the Description of activities, the Communication from the Commission of 19 March 2020 "Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak" (2020/C 91 I/01), as amended (hereinafter – the Communication), other related legal acts regulating activities of LP.

PVF invests in:

- debt securities and loans;

- equity and debt securities with or likely to have the characteristics of share capital;

Since 7 October 2020, VIVA has been acting as the National Development Agency (hereinafter – the NDA). By Resolution No 1046 of the Government of the Republic of Lithuania of 7 October 2020 on supplementing Resolution No 1046 of the Government of the Republic of Lithuania of 17 October 2018 on the delegation of the performance of activities of the national development institution, VIVA was tasked with performing the activities of the National Development Agency in the area of liquidity support for medium-sized and large enterprises and implementing the promotional financial measure the “Aid Fund for Business” within the implementation deadlines set out in the Communication from the Commission of 19 March 2020 “Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak”.

In carrying out its activities in addition to those mentioned above, VIVA is guided by the following legal acts: the Law on Companies, the Law on Financial Institutions, Order No 4-837/1K-319 of the Minister of Economy and Innovation of the Republic of Lithuania and the Minister of Finance of the Republic of Lithuania on approval of the description of activities of the measure “Aid Fund for Business”, the Law on National Development Institutions of the Republic of Lithuania and other legal acts.

PVF does not have branches and representation offices.

PVF does not have the power and obligations to issue and purchase its shares and does not engage in R&D activities.

The activities carried out by PVF comply with the requirements laid down in the legal acts regulating environmental protection.

MAIN ACTIVITY PARTNERS OF VIVA IN PVF

The agreement on the establishment of PVF with the European Commission was reached in May 2020 with the efforts of the Bank of Lithuania. It was the first scheme approved in the European Union under the prolonged and expanded temporary state aid framework, which allows countries to recapitalise non-financial enterprises in difficulty due to the COVID-19 outbreak.

Later, the Ministry of the Economy and Innovation of the Republic of Lithuania and the Ministry of Finance of the Republic of Lithuania participated in the creation and establishment of the Fund (via UAB Valstybės investicinis kapitalas (VIK)). The Bank of Lithuania also continues to participate in the management of the Fund.

Later, the Ministry of the Economy and Innovation of the Republic of Lithuania and the Ministry of Finance of the Republic of Lithuania participated in the creation and establishment of the Fund (via UAB Valstybės investicinis kapitalas (VIK)). The Bank of Lithuania also continues to participate in the management of the Fund.

PVF was formed as a Limited Partnership (LP) with Limited Partners (investors) and one Full Member – VIVA.

Members of the Limited Partnership. VIVA participates in PVF activities as a Full Member of the LP established for that purpose. Investors of the Fund become Limited Partners of PVF. Currently, the Fund has only one Limited Partner – VIK founded by the Ministry of the Economy and Innovation. The expansion of PVF activities is expected to attract private investors, who would become Limited Partners of the Fund.

Advisory Committee of the Limited Partnership. Representatives of Limited Partners of the LP appoint representatives to the Advisory Committee of KŪB Pagalbos verslui fondas which nominates members to the Supervisory Board and Investment Committee of VIVA. They also take part in the management of VIVA.

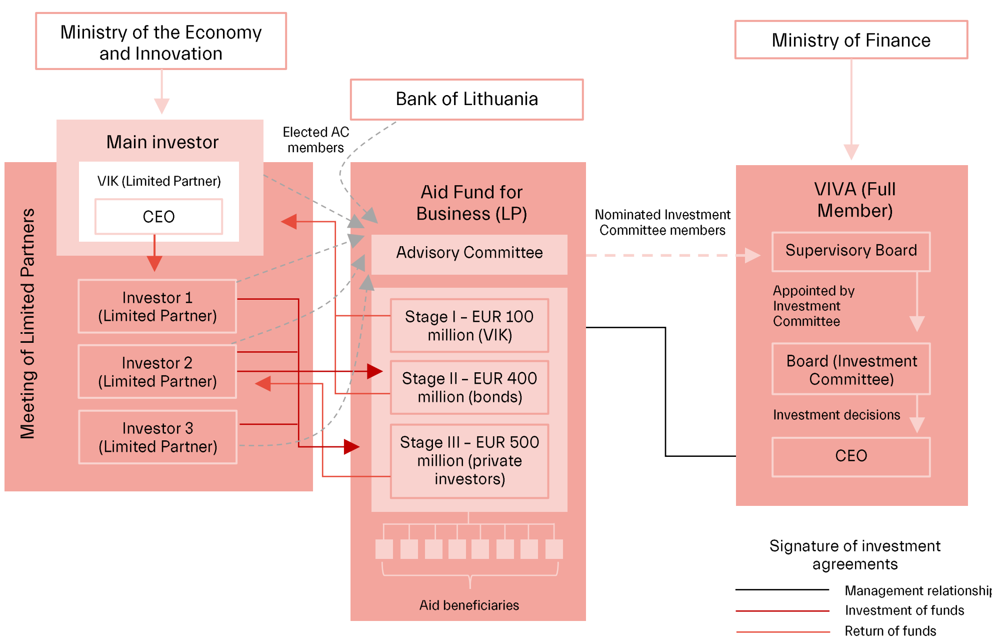

Figure 1. Interaction between VIVA, PVF and essential operating parties

	Objective	Indicator
Positive impact on the economy of Lithuania	Raise investment funds	Amount of funds invested in 2021
	Address the problem of funding of large and medium-sized business	Maintained and/or created jobs
	Positive impact on large and medium-sized businesses, industrial sectors affected by the COVID-19, and the country's economy	Maintained and/or increased tax volume for the State
Sustainability of VIVA's operations	Positive return for PVF investors	Realized return
	Effective and sustainable governance	GCC/SIPA governance index
	Balanced portfolio quality	Portfolio loss rate
	Positive return for VIVA shareholders	ROE
Positive impact on the capital market formation of Lithuania	Increase the number of financial instruments managed by VIVA	Number of financial instruments managed, units
	Increase the choice and attractiveness of products available to investors	Loans, bonds or share transactions available on the secondary market, value in EUR million

TABLE 3. SYSTEM OF VIVA'S OBJECTIVES

Economic sustainability	Capital market	Attracting investments
Invest in medium-sized and large enterprises whose closure may have socio-economic consequences. * Maintain viability of industries highly affected by the COVID-19 and help them survive until the period of economic recovery.	Stimulate the capital market by prioritising capital market measures.	Attract private investors, including business angels and financial institutions.

TABLE 1. OBJECTIVES OF PVF MEASURE

In 2020, PVF made one investment – redeemed bonds of Enerstena UAB with a nominal value of EUR 5.5 million of the maturity of 6 years.

The main activity of VIVA in 2021, until the end of the active investment phase of PVF, is to ensure the management of PVF and achieve the objectives established for the Fund through investment transactions. At present, the main objective is to help Lithuania's medium-sized and large enterprises facing difficulties due to the COVID-19. Other objectives are aimed at stimulating the capital market by issuing negotiable securities and creating opportunities for private investors to get PVF funding will complement this task from the second half of 2021, when stahe three of the implementation of PVF is envisaged. The implementation of specific objectives (sustainable investment, green investment, etc.) set out in the agreements with the Fund's participants are also planned in certain sectors of the economy.

The internal control system and its monitoring in the Fund are based on the model of three lines of defence, where:

The first line of defence includes functions that identify and assess risks and identify and implement their management measures to ensure compliance with regulatory requirements. The first line of defence is the responsibility of the owners of risks of the Fund's activities.

The second line of defence covers the functions in which risk management controls are carried out. The second line of defence is the responsibility of the Fund's manager's chief risk officer and the chief compliance officer.

The third line of defence includes functions ensuring the independent audit of activities of the first two lines of defence and the evaluation of the internal control system. The third line of defence is the responsibility of the Fund manager's internal audit function.

The financial risk of the Company is managed in the manner described in annual financial statements. The description of the extent of financial risk is also provided in annual financial statements. When carrying out risk assessment and management activities, the Company is guided by the principles of cautiousness, conservatism and prudence.

PVF does not use financial derivative hedges in its activities.

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the EU, the Law of the Republic of Lithuania on Accounting, other laws and legal acts adopted by the Government of the Republic of Lithuania and the Board of the Bank of Lithuania defining the management of financial accounting and the compilation of financial statements. The annual report and financial statements are prepared and published in compliance with the Description of the guidelines for transparency of activities of the state-owned enterprises approved by Resolution No 284 of the Government of the Republic of Lithuania (Transparency Guidelines).

Data provided in the annual financial accounts are elaborated in sufficient detail and, therefore, references and additional interpretations are not provided.

EVENTS AFTER THE END OF THE FINANCIAL YEAR

On 17 February 2021, VIVA managing the Aid Fund for Business (PVF) signed the undertaking to allocate EUR 10 million for investment in Novaturas group. The investment of EUR 10 million will reach Novaturas Group through hybrid financial instruments. The Fund undertakes to redeem convertible bonds the Company worth EUR 5 million and ordinary bonds also worth EUR 5 million.

In 2021, the Fund continued fulfilling its obligations to invest in convertible bonds issued by Enerstena Group under the investment agreement of 15 December 2020. In March 2021, the amount of EUR 220,000 was transferred. In 2021, before the date of signature of financial statements, the Fund received significant negative information about the financial position of Enerstena Group and this will affect the value of bonds of 31 March 2021. This situation is being closely monitored, the position of collaterals is continuously revised and scenarios for securing the repayment of debts are being discussed.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Valstybės investicijų valdymo agentūra, UAB:

Opinion

We have audited the financial statements of Valstybės investicijų valdymo agentūra, UAB (the Company), which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of cash flows and statement of changes in equity for the five months then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects of the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the five months then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the requirements of the Law on Audit of Financial Statements of the Republic of Lithuania that are relevant to audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of Financial Statements of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The other information comprises the information included in the Company's annual report, but does not include the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as specified below.

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, 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.

In addition, our responsibility is to consider whether information included in the Company's annual report for the financial year for which the financial statements are prepared is consistent with the financial statements and whether annual report has been prepared in compliance with applicable legal requirements. Based on the work carried out in the course of audit of financial statements, in our opinion, in all material respects:

- The information given in the Company's annual report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Company's annual report has been prepared in accordance with the requirements of the Law on Financial Reporting by Undertakings of the Republic of Lithuania.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of the 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 Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 fair presentation.

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

Deloitte Lietuva UAB
Audit Company License No 001275

Mindaugas Jukna
Lithuanian Certified Auditor
License No 000580

Vilnius, Republic of Lithuania
24 March 2021

STATEMENT OF PROFIT (LOSS) AND OTHER COMPREHENSIVE INCOME

Date of approval 25 March 2021

	Notes	13 10 2020 31 12 2020
Operating income	4	
Interest income		16 042
Service and commission income)		625
Total income:		**16 667**
Operating expenses	5	
Fund management fee		(437 158)
Service and commission expenses		(43 605)
Total operating expenses:		**(480 763)**
Net change in fair value of financial assets	7	
Change in the fair value of debt securities		(2 411 087)
Total: Net change in fair value of financial assets		**(2 411 087)**
Profit (loss) before taxes	6	(2 875 183)
Corporate income tax expenses		-
Profit (loss)		**(2 875 183)**
Other comprehensive income		-
Total comprehensive income		**(2 875 183)**

The accompanying notes are integral part of these financial statements.

Full Member's

Chief Executive Officer — Dainius Vilčinskas

Chief Financial Officer — Marta Jablonskė

STATEMENT OF FINANCIAL POSITION

Date of approval 25 March 2021

	Notes	31 12 2020
Cash and cash equivalents		1 044 510
Contract assets		62 842
Financial assets measured at fair value with subsequent change in the fair value recognised through profit (loss)	7	3 044 538
Accrued interest income	8	16 042
Total assets:		**4 167 932**
Liabilities and equity		
Liabilities		
Trade payables	9	31 619
Other short-term liabilities	10	11 495
Total liabilities:		**43 114**
Equity	11	
Equity of stakeholders		7 000 001
Retained profit (loss)		(2 875 183)
Total equity		**4 124 818**
Total equity and liabilities:		**4 167 932**

The accompanying notes are integral part of these financial statements.

Full Member's

Chief Executive Officer Dainius Vilčinskas

Chief Financial Officer Marta Jablonskė

STATEMENT OF CHANGES IN EQUITY

Date of approval 25 March 2021

		13 10 2020 31 12 2020
Equity	11	
Contributions from stakeholders		7 000 001
Retained profit (loss)		(2 875 183)
Total equity:		**4 124 818**

The accompanying notes are integral part of these financial statements.

Full Member's

Chief Executive Officer Dainius Vilčinskas

Chief Financial Officer Marta Jablonskė

CASH FLOW STATEMENT

		13 10 2020 31 12 2020
Operating activity		
Annual profit (loss)		(2 875 183)
Debt securities (acquisition)/sale	7	(5 500 000)
Increase (decrease) in contract assets		(62 842)
Deferred income increase (decrease)	10	10 55 870
Decrease (increase) in value of debt securities	7	2 411 087
(Increase)/decrease in receivable interest	8	(16 042)
Total for operating activity:		**(5 987 110)**
Working capital adjustments		
Trade and other payables increase /(decrease)	9	31 619
Total working capital adjustments:		**31 619**
Net cash flows from operating activity		**(5 955 490)**
Financing activity		
Increase/(decrease) in stakeholder contributions	11	7 000 001
Total for financing activity		**7 000 001**
Net increase (decrease) in cash and cash equivalents		1 044 510
Cash and equivalent at 31 December		**1 044 510**

Full Member's

Chief Executive Officer Dainius Vilčinskas

Chief Financial Officer Marta Jablonskė

NOTES TO FINANCIAL STATEMENTS

1. General information

KŪB Pagalbos verslui fondas was established in implementing the European Commission Decision C(2020) 3534 “State aid SA.57008 (2020/N) – Lithuania COVID-19: Aid Fund for Business. The State will invest in the Aid Fund for Business through UAB Valstybės investicinis kapitalas (VIK), while the Fund is managed by UAB Valstbės investicijų valdymo agentūra (VIVA), as provided for in Resolution No 512 of the Government of the Republic of Lithuania of 6 May 2020.

The Fund seeks to achieve the objectives of the Financial Instrument of the Government of the Republic of Lithuania by implementing, managing, realising investments aimed at supporting the economy in response to the outbreak of COVID-19. The purpose of the Fund’s activities:

- investing in medium-sized and large enterprises whose closure may have economic and social consequences;
- preserving sectors of the national economy prepared for the period of economic recovery;
- promoting the development of the capital market;
- attracting private institutional investors.

The Fund’s proceeds may be invested in:

- newly issued debt securities of aid beneficiaries with maturity of up to 6 years;
- working capital and investment loans to aid beneficiaries;
- equity securities of aid beneficiaries;
- debt instruments for aid beneficiaries which have or may have the characteristics of share capital and maturity of up to 6 years.

The Fund was set up for an unlimited period of activities. The Fund will continue to operate until the last investment is realized.

The Full Member of the company: Valstybės investicijų valdymo agentūra, UAB (VIVA)

The Limited Partner of the company: Valstybinis investicinis kapitalas, UAB (VIK)

Admissions of new members. *New members – Limited Partners may be admitted to the Fund by way of accession to the Agreement only if the Parties to the Agreement so agree. In order to become a Limited Partner, the acceding entity must undertake to invest at least EUR 10,000,000 (ten million euro). New Full Members are not admitted to the Fund.*

As at 31 December 2020, the Fund had no employees.

Financial statements are submitted to the Advisory Committee and the Limited Partner's meeting. Financial statements of the Fund are audited annually by an auditor appointed by the Limited Partners. The auditor of the Full Member may also be appointed the auditor of the Fund.

The financial reporting year of the Fund coincides with the calendar year. The first set of financial statements covers the period from the date of registration until the end of the calendar year.

2. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

Financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted in the European Union, the Law of the Republic of Lithuania on Accounting, other laws, legal acts of the Government of the Republic of Lithuania and the Board of the Bank of Lithuania defining the management of financial accounting and drawing up of financial statements.

Financial statements are presented in euro and all amounts rounded to the nearest integer unless specified otherwise.

2.1. APPLIED AMENDMENTS AND INTERPRETATIONS TO THE STANDARDS

When preparing the financial statements, the Company took into account and assessed the impact of the amendments and interpretations to the IFRS that entered into force on 1 January 2020:

- **THE CONCEPTUAL FRAMEWORK FOR IFRS STANDARDS**

On 29 March 2018, the IASB published the revised "Conceptual Framework for Financial Reporting". The conceptual framework provides a comprehensive set of concepts that apply to the preparation of financial statements, the issuing of standards and the consistent application of accounting policies by preparers. They can also help those who want to understand and interpret standards. The IASB also issued "Amendments to References to the Conceptual Framework in IFRS Standards - a separate accompanying document" containing amendments to relevant standards in order to update references to the revised Conceptual Framework. It is also designed to facilitate the transition of companies to the revised Conceptual Framework, where such companies develop accounting policies on the basis of the Conceptual Framework and where no IFRS can be applied to a specific case. Where producers draw up accounting policies on the basis of the Conceptual Framework, they should comply with them during the financial periods beginning on or after 1 January 2020. The Fund manager assessed that these changes do not affect these financial statements.

- **IFRS 3 "BUSINESS COMBINATIONS" (AMENDMENTS)**

The IASB has issued Amendments to IFRS 3 "Definition of a Business" (amendments to IFRS 3) to address the difficulties that arise when an entity has to determine whether it has acquired a business or a group of assets. The amendments apply to business combinations that occurred in the first annual reporting period beginning on or after 1 January 2020 and to assets that are acquired from or after the beginning of this period. The Fund manager assessed that these adjustments do not affect these financial statements.

- **IAS 1 "PRESENTATION OF FINANCIAL STATEMENTS" AND IAS 8 "ACCOUNTING POLICY - CHANGES IN ACCOUNTING ESTIMATES – ERRORS": DEFINITION OF MATERIALITY (AMENDMENTS)**

The amendments entered into force for annual periods beginning on or after 1 January 2020, however, the earlier application is allowed. The amendments clarify the definition of materiality and specify how it should be applied – the definition includes guidance that until now has featured in other IFRS. The Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. Furthermore, the explanations accompanying the definition have been improved. The amendments ensure that the definition of material is consistent across all IFRS. The Fund manager assessed that these adjustments do not affect these financial statements.

- **IFRS 16 "LEASES" – "COVID-19-RELATED RENT CONCESSIONS" (AMENDMENT)**

The amendment applies to a retrospective financial year starting on or after 1 June 2020. It is permitted to apply earlier, including in the financial statements which have not yet been adopted on 28 May 2020. The IASB has changed the standard to grant an exemption to tenants who may not apply IFRS 16 rent change accounting provisions to rent concessions, which are a direct consequence of the COVID-19 pandemic. The amendment provides for a practical measure whereby a lessee can account for any change in rents resulting from COVID-19 rents in the same way as it would be accounted for under IFRS 16 if the change were not considered to be a change in rents only if all of the following conditions are met:

- the modified rental as a result of the change in rentals is substantially the same as or smaller than the rental immediately before the modification;
- any reduction in rents affects only payments due on or before 30 June 2021;
- the other terms of the lease are not substantially altered.

According to the Fund manager, the application of these changes has no significant impact on the Fund's financial statements, as no significant concessions have been received during the reporting period and are not expected to be received in subsequent periods.

- **INTEREST RATE BENCHMARK REFORM – IFRS 9, IAS 39, IFRS 7 (AMENDMENTS)**

In September 2019, the IASB published amendments to IFRS 9, IAS 39 and IFRS 7, as these amendments aim to provide for a general exemption before the Phase 1 of the interbank interest rate (IBOR) amendment. These published amendments address issues affecting financial statements during the period prior to replacing the existing interest rate benchmark with an alternative interest rate and analyse the impact that specific insurance transaction accounting requirements set out in IFRS 9 "Financial Instruments" and IAS 39 "Financial Instruments. Recognition and Measurement" may have when such effects require forward-looking analysis. The amendments allow the use of a temporary exemption applicable to all hedging transactions directly affected by the reform of the interest rate benchmark when such a reform continues the hedging accounting during a period of uncertainty until the existing interest rate benchmark is converted into an alternative near-risk interest rate. Amendments were also made to IFRS 7 "Financial Instruments. Disclosure". They concern the disclosure of additional information on uncertainty resulting from the interest rate benchmark reform. The amendments shall enter into force in the financial year beginning on or after 1 January 2020 and shall be applied retrospectively. Phase 2 will focus on issues that may affect financial statements when the existing interest rate benchmark is changed to a near-risk interest rate (RFR). The Fund manager assessed that these changes do not affect these financial statements.

2.2. STANDARDS, AMENDMENTS AND INTERPRETATIONS WHICH HAVE NOT YET ENTERED INTO FORCE

New standards, amendments and interpretations which are not binding for the reporting period beginning on 1 January 2020 and which have not been adopted prior to the preparation of these financial statements are presented below:

- **IFRS 10 "CONSOLIDATED FINANCIAL STATEMENTS" AND IAS 28 "INVESTMENTS IN ASSOCIATES, JOINT VENTURES. SALE OR CONTRIBUTION OF ASSETS BETWEEN AN INVESTOR AND ITS ASSOCIATE OR JOINT VENTURE (AMENDMENTS)**

The amendments analyse the recognised non-compliance between IFRS 10 and IAS 28 regarding the sale of assets or contributions between an investor and its associate or joint venture. The main consequence of the amendments is that all income or losses are recognised when a transaction involves a business (whether or not it is carried out in a subsidiary). Part of the income or loss is recognised when the transaction includes assets that do not comply with the business definition, even if these assets are owned by a subsidiary.

In December 2015, the IASB postponed the entry into force indefinitely pending the outcome of the draft study of the property accounting method. The EU has not yet adopted these amendments. The Fund manager assessed that these amendments will have no impact on the financial statements.

- **IAS 1: "Presentation of financial statements. Classifying liabilities as current and non-current" (amendments)**

The amendments enter into force in the financial year beginning on or after 1 January 2022, although the earlier application is permitted. Due to the COVID-19 pandemic, the IASB postponed the entry into force of the amendments for a year, i.e. until 1 January 2023, in order to allow companies more time to implement the classification changes related to these amendments. The amendments are intended to encourage consistent application of requirements and to help companies determine whether debts and other liabilities in the financial position statement should be classified as current or non-current. Amendments affect the presentation of liabilities in the statement of financial standing, but do not alter the applicable requirements regarding the timing of valuation or recognition of assets, liabilities, income or expenses, nor do they alter the information disclosed by undertakings about such items. The amendments also clarify the requirement to classify debts where such debts can be settled by an enterprise using its own equity instruments. These amendments have not yet been adopted in the EU. The Fund manager is currently assessing the impact of these amendments on the financial statements.

- **Interest Rate Benchmark Reform. Phase II. Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16**

On 13 August 2021 the International Accounting Standards Board published the document "Interest Rate Benchmark Reform. Phase II. Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16", thus completing its work to respond to the IBOR reform: the amendments provide for a temporary exemption to take account of the consequences of replacing Interbank Offered Rates (IBOR) with an alternative almost risk-free interest rate (RFR) for financial statements. In particular, the amendments provide for a practical measure requiring the actual interest rate to be adjusted to the extent that the market interest rate has changed when accounting for a change in the basis for determining the cash flows provided for in a financial asset or financial liability contract. The amendments also provide for an exemption from the requirement of termination of insurance relationships, including a temporary exemption from compliance with a separate identification requirement when the RFR instrument is used as a hedging instrument for a risk component. Furthermore, the amendments to IFRS 4 provide that insurers who still apply IAS 39 may benefit from the same exemptions as those provided for in the amendments to IFRS 9. Amendments have also been made to IFRS 7 "Financial Instruments. Disclosures", so that users of financial statements can understand the impact of the interest rate benchmark reform on the company's financial instruments and risk management strategy. The amendments apply to the financial year beginning on or after 1 January 2021. Although the amendments are applied retrospectively, the entity is not obliged to adjust historical information.

The Fund manager has assessed that these amendments will not affect the Fund's financial statements.

- **AMENDMENTS TO IFRS 4 "INSURANCE CONTRACTS", "EXTENSION OF THE TEMPORARY EXEMPTION FROM APPLYING IFRS 9"**

These amendments aim to address the issues related to the temporary accounting consequences of different dates of entry into force of IFRS 9 "Financial Instruments" and the future IFRS 17 "Insurance Contracts". Firstly, amendments to IFRS 4 extend the temporary exemption from applying IFRS 9 until 2023 in order to align the entry into force date of IFRS 9 with the new IFRS 17. The EU has adopted the following amendments. The Fund manager assessed that the adopted amendments have no effect on the financial statements.

- **IFRS 17 "INSURANCE CONTRACTS"**

IFRS 17 sets out the principles of recognition, measurement, presentation and disclosure of insurance contracts and replaces IFRS 4 "Insurance contracts". IFRS 17 presents a common model described as a variable tax approach for modified insurance contracts with direct participation features. The overall model is simplified if certain criteria are met when assessing the liability for the remaining insurance through the premium allocation method. The common model uses current assumptions to assess the amount, timing and uncertainty of future cash flows and clearly determines the price of that uncertainty. Account is taken of market interest rates and the impact of options and guarantees for policyholders.

In June 2020, the International Accounting Standards Board issued amendments to IFRS 17 to address the problems and application challenges identified following the publication of IFRS 17. Amendments postpone the date of initial application of IFRS 17 (including amendments) for annual reporting periods starting on or after 1 January 2023. At the same time, the International Accounting Standards Board extended the temporary exemption from IFRS 9 (amendments to IFRS 4), extending the temporary exemption from IFRS 9 in IFRS 4 to the annual reporting period starting on 1 January 2023.

The standard is not adopted in the EU. The management has assessed that the change will not affect the Fund.

- **AMENDMENTS TO IFRS 3 "BUSINESS COMBINATIONS", IAS 16 "PROPERTY, PLANT AND EQUIPMENT", IAS 37 "PROVISIONS, CONTINGENT LIABILITIES AND ASSETS" AND ANNUAL IMPROVEMENTS TO IFRS 2018–2020**

The Amendments apply to the financial year starting on or after 1 January 2022. The earlier application is allowed. The IASB has published the following amendments to the IFRS standards of narrow application:

- The amendments to IFRS 3 "Business combinations" update IFRS 3 reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations;

- The amendments to IAS 16 "Property, plant and equipment" provide that a company may not deduct from costs of property, plant and equipment income from the unit of asset that is being prepared for the intended use. Instead, the company will recognise such sales revenue and related costs in the profit/loss statement.

- The amendments to IAS 37 "Provisions, contingent liabilities and assets" specify what costs a company should include in determining the cost of performance of the contract in order to assess whether the contract is loss-making.

- The annual improvements for 2018-2020 include minor revisions to the explanatory examples of IFRS 1 “First-time adoption of International Financial Reporting Standards”, IFRS 9 “Financial Instruments”, IAS 41 “Agriculture” and IFRS 16 “Leases”.

The EU has not yet adopted these amendments. The Fund manager is currently assessing the impact of these improvements on the financial statements.

- **IFRS 14 “REGULATORY DEFERRAL ACCOUNTS”**

The adoption of IFRS 14 is linked to industries whose activities and tariffs are regulated by the government or national regulatory authorities setting price regulations for the volume of supply. Current IFRS reporting standards do not include assets, liabilities related to tariff regulation accounting principles. IFRS 14 has a very narrow scope and applies only to enterprises governed by the State.

The European Commission has decided not to apply this provisional standard and to wait for the final standard to be drawn up. The Fund manager considers that the adoption of this standard will not have a significant impact.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The financial statements are based on the assumption that the Fund will be able to continue its activities in the near future. On the date of preparation of financial statements there is no indication that the Fund will not be able to continue its activities in the future.

The Fund’s accounting is carried out in accordance with the principles of accrual, prudence, comparison, going concern, substance over form and materiality.

The financial statements were prepared in observance of the qualitative features of the financial statements: understanding, relevance, reliability, certainty and fairness of information, accurate presentation, neutrality, prudence, comprehensiveness.

When preparing the Fund's financial statements in accordance with IFRS adopted for application in the European Union, the management has to make certain judgements, estimates and assumptions that influence the disclosed amounts of income, expenses, assets and liabilities and uncertainties on the date of the financial statements. Uncertainty in these assumptions and estimates may affect results that may lead to significant adjustments in the book values of assets or liabilities in future periods.

Estimates and related assumptions are based on historical experience and other actions that meet the current conditions and the results of which lead to the conclusion of residual values of assets and liabilities that cannot be judged from other sources. Actual results may differ from these estimates.

Accounting estimates and assumptions are reviewed periodically and changes in estimates shall be recognised during the period in which they are reviewed or in subsequent related periods.

JUDGEMENTS

Information on judgements made that significantly affect the amounts recognised in financial statements.

USE OF ESTIMATES IN PREPARING FINANCIAL STATEMENTS

The Full Member of the Fund assessed the potential impact of the COVID-19 pandemic situation, including quarantine declared in the Republic of Lithuania on 7 November 2020 on these financial statements and the business continuity assumption. The management has assessed that this issue will not have a negative impact on the Company's ability to continue its activities.

The main principles on the basis of which the financial statements for 2020 were prepared are described below.

INCOME:

The Fund's income is the increase in assets or a decrease in liabilities during the reference financial period. Income received but not earned during the current financial period is accounted for by the Fund in liabilities and recognised as income during the financial period in which it is earned.

According to IFRS 15 the Fund recognises income at the time and to the extent that the transfer of services to the customer would represent the amount corresponding to the consideration which the Fund expects to receive exchange for the services provided. In recognising income, the Fund takes into account the terms and conditions of the contracts with customers and all relevant facts and circumstances, including the nature, amount, time and uncertainty of cash flows arising from the contract with the customer.

According to IFRS 15, revenue is recognised when a contractual obligation is fulfilled by transferring goods or providing services to a customer. The goods and/or services are transferred when the customer obtains their control.

A performance obligation may be satisfied (1) over time or (2) at a point in time. In determining when a performance obligation is satisfied, the Fund assesses whether:

1. The customer concurrently receives / consumes the benefits of the provided services or goods.

2. The Fund's performance creates or enhances a customer-controlled asset.

3. The entity's performance of the obligation does not create an asset with an alternative use, and the entity must have a right to payment for performance completed to date.

An entity recognises revenue at a point in time for performance obligations that do not meet the criteria for recognition of revenue over time.

The Fund's main operating income consists of interest income, income from securities, and income from realised and unrealised assets.

Other operating income of the Fund comprises other income of the Fund received from sale of collaterals taken over for debts, compensated various expenses incurred by the Fund and other similar income, fines, penalties and other economic sanctions not provided for in the agreements; income from successful legal proceedings; recovered litigation costs paid by the Fund.

Income is recognised when the Fund fulfils the performance obligation (or during its performance), the promised good or service (i.e. asset) is transferred. The asset is transferred when its acquirer acquires (or during acquisition of) control of such asset.

Interest income is recognised by accruing interest using an effective interest method (i.e. the amount that accurately discounts estimated future cash inflows over the expected duration of financial instruments to the net carrying amount of financial assets).

Dividend income is recognised when the right to receive dividends is acquired and is attributed to other operating income.

Interest and penalty income is recognised when income is received.

EXPENSES

The Fund's expenses – a decrease in assets or an increase in liabilities in order to generate income during the reference financial period. Expenses paid but not incurred during the current financial period are recorded in assets by the Fund and recognised as expenditure during the financial period in which they are incurred.

The Fund's operating expenses include the fund management fee, the share of investment returned to Limited Partners, interest expenses, and service and commissions expenses.

The Fund recognises as assets the contract performance costs only if those costs meet all of the following criteria:

- the costs are directly related to the contract or to the envisaged contract directly identifiable by the Fund;
- the costs create or increase the Fund's resources that will be used to satisfy (of to continue satisfying) the performance obligations in the future;
- the costs expected to be recovered.

The Fund's expenses are accounted for by including indirect taxes (VAT) as long as the Fund has no VAT taxable income and is not a VAT payer.

CORPORATE INCOME TAX

Corporate income tax is calculated on the basis of profit or loss for the current year and also includes deferred taxes. Corporate income tax is calculated in accordance with the requirements of the tax legislation of the Republic of Lithuania.

The standard corporate income tax rate applied to enterprises of the Republic of Lithuania is 15 %.

Tax losses may be carried forward indefinitely, reducing future taxable profits by their amount, with the exception of losses on the sale of securities and/or financial derivatives, which may be carried forward for 5 years. Losses on the sale of securities and/or financial derivatives may only reduce taxable income of the same nature.

The amount of losses from typical activities deducted from income of previous tax periods may not exceed 70 % taxable profit of the tax period calculated by deducting from income non-taxable income, allowable deductions and allowable deductions of limited amounts, with the exception of operating losses of tax periods of previous years.

Deferred taxes are accounted for in accordance with the commitment method. The deferred corporate income tax reflects the temporary tax differences between the Company's assets and liabilities shown in the financial statements and the assets and liabilities shown in tax statements. Deferred tax assets (liabilities) are measured applying the corporate income tax rate which will apply when the aforementioned temporary tax differences are realized. Deferred tax assets from lease liabilities and deferred corporate income tax liabilities are calculated separately from leased assets.

Deferred tax assets are accounted for in the statement of financial position when management expects to generate a projected tax profit in the near future that is sufficient to realise the assets. If it is likely that some of the deferred tax assets will not be realised, this part of the deferred tax is not recognised in the financial statements

FINANCIAL ASSETS

Financial asset or liability means money, contractual rights to receive and transfer money or other financial assets, contractual rights to exchange financial instruments and equity instruments of other entities. The Fund classifies financial assets into the following groups:

- financial assets measured at amortised cost;
- financial assets measured at fair value through other comprehensive income, with subsequent change in the fair value recognised in the statement of comprehensive income;

- financial assets measured at fair value through profit (loss) with subsequent change in the fair value recognised in the statement of comprehensive income.

Financial assets are classified and measured, i.e. to which of the specified financial asset groups the asset should be attributed, using two tests/assessment criteria to determine:

- the method used by the company to manage financial assets in order to generate cash flows, i.e. by collecting contractual cash flows, selling financial assets or using both methods;

- whether cash flows that are solely payments of principal and interest on the principal amount.

The group of financial assets is determined at the time of acquisition of the assets. Financial assets are recognised when the Fund becomes a party to the contractual terms of the instrument.

Assets held to generate contractual cash flows when they are solely the payments of principal and interest are measured at amortised cost. Profit or losses resulting from derecognising of assets are recognised directly in profit or loss. Impairment losses are shown in a separate item of the statement of comprehensive income.

Financial assets are derecognised when: the contractual rights to receive cash flows from the financial assets have expired or are transferred and the Fund has transferred substantially all the risks and rewards of ownership of the financial assets.

VALUE IMPAIRMENT OF FINANCIAL ASSETS

On the date of drawing up the statement of financial position, the Fund assesses whether there is objective evidence that the value of a group of financial assets or financial assets with credit risk has reduced. A financial asset or group of financial assets is impaired and impairment losses are incurred if there is objective evidence that the impairment is due to one or more events following the initial recognition of the asset ("loss event") and such loss event (or events) affects future cash flows estimated for the financial assets or a group of financial assets that can be reliably measured.

FINANCIAL ASSETS MEASURED AT FAIR VALUE

The Fund measures financial assets (bonds, other debt and equity securities, hybrid instruments, loans) and non-financial assets (e.g., investment assets) at fair value.

Fair value is the price that would result from the sale of an asset at the date of valuation or from the transfer of an obligation under normal market conditions between market participants. The determination of fair value is based on the assumption that the asset sale or disposal transaction takes place either on the main market or, in its absence, on the other most appropriate market.

The Fund uses valuation techniques which are appropriate to the circumstances in which the transactions are concluded and for which sufficient data are available to determine the fair value. The Fund aims at maximising the use of the observable market data and minimising the use of non-observable market data. The fair value of a financial instrument is best reflected in the price quoted on an active and liquid market. If the market for a given financial instrument is inactive, other valuation methods are used to determine the fair value. The nature of the financial assets managed by the Fund and the characteristics of the Lithuanian capital market mean that unmonitored market data are often used to introduce fair value in practice.

All assets and liabilities measured at fair value are classified according to the inputs used to derive fair value:

- Level I: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level II: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);
- Level III: unobservable inputs for the asset or liability that are not based on observable market data.

THE FOLLOWING PROCEDURE IS USED TO DERIVE FAIR VALUE FOR LEVEL III:

Debt securities (bonds) not quoted and not converted into shares. The calculation of the fair value of these securities is carried out by VIVA’s employees using the financial instrument’s present value (discounted cash flows) method, applying the discount rate adjustment methodology, using the credit risk adjusted discount rate and contractually determined, promised or most likely cash flows.

Unlisted equity instruments. The calculation of the fair value of these securities is carried out by employees of the Full Member on the basis of the estimated value and share price of the company carried out by external certified valuators.

Credit risk input data include the following estimates: **probability of default (PD), loss-given default (LGD) and the yield calculated on their basis applicable to the security.** The estimated yield is used as a discount rate that discounts the cash flows of a debt security. The estimated value is the present value of the security. The total unit price of the security (the dirty price) is derived dividing this value by the residual nominal value of the security. The clean price of the security is derived deducting the accrued interest from the total price of the security.

The PD is obtained in each case from an external supplier who assesses the probability of bankruptcy or legal restructuring of the enterprise. According to the rules of the Fund, the definition of the company's insolvency is wider than that of the external supplier's rating system and, therefore, based on the expert assessment, a 1.5x factor is applied to the external supplier's assessment of the PD, i.e. the probability of insolvency is increased by 1.5 times. A multiplier of this magnitude is assessed to be sufficient as the rating is carried out without taking into account the new funding provided by the Fund, which substantially improves the liquidity position of the entities and allows for the settlement of overdue debts, which is one of the essential preconditions for a lower PD estimate.

The LGD is determined on the basis of recovery ratios published by Moody's rating agency following the application of the conservatism premium and taking into account: the debt security, its type, collateral, debt subordination and debt hedges consisting of the lower and the same level claims.

In determining the LGD, only the following assets are considered to be eligible as collateral: cash and cash equivalents, the State guarantee, government securities and other securities listed on the regulated market, immovable and movable fixed assets registered with public registers.

Cash and cash equivalents

Cash comprises cash in bank. Cash equivalents are short-term liquid investments readily convertible into cash. Maturity of such investments from their acquisition date is up to three months and they are subject to an insignificant risk of changes in value. In the cash flow statement, cash and cash equivalents comprise cash and deposits in current accounts, and other short-term highly liquid investments.

NOTES TO FINANCIAL STATEMENTS

4. Operating income

	27 08 2020 31 12 2020
Interest income	16 042
Income from funding arrangements	625
Total operating income:	**16 667**

5. Operating expenses

	27 08 2020 31 12 2020
Fund management fee	437 158
Legal services	32 106
Audit services	11 495
Bank charges	4
Total operating expenses:	**480 763**

6. Corporate income tax expenses

In 2020, in observance of the conservatism principle, deferred tax assets were not recognised in the financial statements.

Reconciliation of taxes and financial profit

	27 08 2020 31 12 2020
Profit (loss) before taxes	(2 875 183)
Non-deductible expenses	2 411 088
Total tax losses:	(464 095)
Annual profit/loss	**(2 875 183)**

Profit (loss) before taxes	(2 875 183)
Income tax expense calculated at the statutory rate	-
Tax effect	
Non-deductible expenses	361 663
Tax-free income and tax benefits	-
Additional allowable deductions (reducing/ increasing losses)	
Temporary differences due to taxation and financial accounting differences	(361 663)
Income tax expenses of the current year recognised in the accounts	-

	27 08 2020 31 12 2020
Tax losses	69 614
Difference between tax and financial value	361 663
Total deferred tax assets:	**431 277**
Deferred tax assets before reduction in realisable value	431 277
Minus: reduction in realisable value	(431 277)
Deferred tax asset at net value	-

Corporate income tax is calculated in accordance with the requirements of the tax laws of Lithuania. As of 31 December 2020, the standard corporate income tax rate in Lithuania was 15%. Deferred corporate tax assets are realized when the entity expects to generate profits in the future. The deferred corporate income tax assets of 31 December 2020 are not recognised as the Full Member of the Fund does not have sufficient evidence that a tax profit will be earned in the foreseeable future to realise these temporary differences.

7. FINANCIAL ASSETS MEASURED AT FAIR VALUE WITH ITS CHANGES CARRIED THROUGH PROFIT OR LOSS

The Fund measures at fair value the corporate debt securities and related accrued interest.

	Fair value	Carrying amount	Nominal value	Agreement conclusion fee	Change in fair value
Corporate bonds	3 044 538	3 044 538	5 500 000	44 375	(2 411 087)
Total:	**3 044 538**	**3 044 538**	**5 500 000**	**44 375**	**(2 411 087)**

Fair value is classified according to the hierarchy reflecting significance of inputs used to derive fair value.

31 12 2020	Level I	Level II	Level III	Total:
Corporate bonds	-	-	3088913	3088913
Total:	-	-	**3088913**	**3088913**

The expected date for redemption of held bonds is 15 December 2026.

A decrease in the fair value of debt securities (bonds) is recognised at the balance sheet date. The decrease in fair value is shown in the statement of profit (loss) and other comprehensive income.

The Company carried out the sensitivity analysis of the fair value of bonds when the PD changes and the LGD is 75 %, i.e. as determined. The fluctuation in fair value was derived by applying the baseline PD of 24.53 %. A 15 % change of the PD to a negative and positive side leads to the change in the fair value of bonds by EUR 530,000 and EUR 460,000, respectively. A 5 % change of the PD leads to a reduction in the fair value of bonds by EUR

150,000 on average, and upon decrease of the PD at 5 % intervals the fair value of bonds each time increases by EUR 180,000.

Change in PD	-15%	-10%	-5%	0%	5%	10%	15%
Fair value, EUR	3 634 530	3 449 679	3 273 265	3 104 954	2 944 569	2 791 716	2 646 152
Fair value change, EUR	529 576	344 725	168 311	0	-160 385	-313 238	-458 801

8. ACCRUED INTEREST INCOME

	31 12 2020
Interest as at December 2020	16 042
Total:	**16 042**

9. TRADE PAYABLES

	31 12 2020
Payables for services	31 619
Total:	**31 619**

10. OTHER SHORT-TERM LIABILITIES

	31 12 2020
Audit services	11 495
Total:	**11 495**

11. Equity

The capital of the Fund consists of the contribution of the Full Member and the investments received from the Limited Partner. The Full Member undertook to invest EUR 1 in the Fund, which was transferred to the Fund's bank account. The Limited Partner undertakes to invest up to EUR 100,000,000 (one hundred million euro); as of the balance sheet date, investments total EUR 7,000,000 (seven million euro).

Under the members' agreement, the investment proceeds and profit are distributed as follows:

- the management fee of the Fund's Full Member;
- the reimbursement to the Limited Partner in proportion to their investment until the total allocated amount is equal to the invested capital with a minimum hurdle rate.

As at 31 December 2020, the Fund's losses amounted to EUR 2,875,183.

12. Risk management

Risk is a potentially unfavourable change in expected outcomes. Risk is a part of any activity that cannot be completely avoided, but can be minimised by making a good assessment of the expected risk.

Risk management objectives:

- assess the probability of potential losses, the amount of losses, risk management costs;
- identify and limit the most significant risks likely to cause losses.

Optimal and balanced risk management is the basis for effectively ensuring the stable operations of the Fund.

In performing its activities, the Fund is exposed to the following risks:

Risk	Description
Strategic risk	The Fund manager's strategic decisions may be incorrect, unfounded, based on superficial information or hasty
Credit risk	The Fund faces the risk that the other party will not be able to meet its obligations to the Fund.
Market risk	The Fund is exposed to changes in the current (market) value of the investment when they are unable to hold the investment to maturity.
Liquidity risk	The Fund faces the risk that they will not have or will not be able to obtain financial resources in due time to meet their financial obligations.
Operational risk	The probability to incur losses due to inappropriate or failed internal processes in the Fund. The influence of the Fund Manager's staff due to impact of systems or external events, and of legal risks.

RISK MANAGEMENT SYSTEM

In order to manage properly the risks faced by the Fund manager in theirs own activities and in the managed Fund's activities, the Fund manager:

- based on the internal and external environment of the Fund, results of risk assessment and monitoring of the implementation of risk management measures, identifies the participants, scope and risk assessment criteria of the risk management process;
- identifies, assesses and defines risks on a regular basis;
- prioritises the assessed risks according to their level and significance;
- for the management of priority risks draws up the procedures and processes of the necessary risk management measures;
- carries out regular monitoring of the implementation of the plan of the identified risks and risk management measures.

In order to ensure proper, effective and continuous risk management, the Fund manager:

- establishes in the internal documents and adopts detailed risk management requirements (risk level, risk assessment, monitoring and control processes, management principles);

- periodically reviews the approved risk management requirements and limitations in order to properly assess new or previously uncontrolled types of risk.

13. RISK MANAGEMENT

The owner of the relevant risk, together with the Fund manager's risk manager, participates in the risk management process in identifying and analysing risks, proposes risk management measures and continuously monitors the indicators of the identified risks.

The Fund manager, at least once a year, must submit to the Investment Committee and the Advisory Committee written reports prepared by the Fund manager's risk manager indicating identified risks, their types and levels, breaches of risk limits, assessment of the appropriateness and effectiveness of risk management, indicating the measures taken to address identified weaknesses and the arrangements and processes for managing the Fund's risk. The Fund's risk management procedures are approved by decision of the Fund manager's Board.

Division of responsibilities of the Fund manager's management bodies in the risk management process:

Process participant	**Responsibilities**
Supervisory Board	- considers and approves the operational strategy of the Company and the Fund, analyse and evaluate information on the implementation of the operational strategy; - supervises the activities of the Board and the Fund manager, on the basis of internal audit and other information available to them, and ensure that the established management of risk is complied with; - submits comments and proposals to improve the risk management process;
Internal auditor	- supervises, monitors, assesses and provides recommendations to the management bodies of the Company and the Fund manager on improving the risk management system;

	- at the prescribed intervals carries out internal audits of the effectiveness of risk management systems and individual measures of the Company and the Fund to establish that the main risks are adequately identified, managed and disclosed; - submits internal audit reports to the management bodies of the Fund manager and recommendations to the CEO on the basis of received and systematised information on risk management;
Board	- ensures that these policy provisions are consistent with the operational strategy of the Company and the Fund and with the applicable legislation; - communicates with management with a view to improving the management of the Fund's risks; - encourages the management of the Fund manager to follow the risk management process and integrate it into planning, decision-making and control processes; - monitors, at least quarterly, the implementation of the most significant risk management measures;
Chief Executive Officer (CEO)	- encourages the Fund Manager's employees to manage risks in accordance with the approved procedures and maintain a culture of open communication of incidents; - seeks that the Fund Manager's employees have sufficient means to identify, assess and manage risks; - immediately informs the Board on material risks that threaten the continuity of the Fund's activities;
Chief Risk Officer (CRO)	- participates in the risk monitoring, management and control process; - reviews and assesses, once a year, the main risks of the Fund and developments in the business environment;

	- identifies the owners of the risks; - is responsible for the review and timely updating of the Policy; - where appropriate, advises the Fund Manager's employees on the appropriate risk management, submits proposals and initiates actions to improve the efficiency and effectiveness of the risk management system;
Risk owner	- participates in the risk management process in identifying and analysing risks; - identifies risks and proposes risk management measures; - applies the established risk management measures; - immediately informs the risk manager of the increased risks.

CREDIT RISK

As at 31 December, the established fair value adjustment for receivables under bond contracts was mainly related to credit risk:

	31 12 2020
Total book value – bonds	5 500 000
Fair value change - bonds	(2 411 088)
Interest	16 042
Nominal outstanding amount, total:	3 104 954

LIQUIDITY RISK

The Fund aims to ensure sufficient flows of cash and cash equivalents to meet the existing liabilities. The table below presents obligations by maturities on the basis of undiscounted payments:

31 December 2020	Less than 1 year	1-2 years	2-3 years	Total
Cash and cash equivalents	1 044 510	-	-	10 44 510
Contract assets	62 842	-	-	62 842
Debt securities	-	-	3 044 538	3 044 538
Trade payables	(31 619)	-	-	(31 619)
Other short-term liabilities	(11 495)	-	-	(11 495)
Net risk	**1 064 238**	-	**3 044 538**	**4 108 776**

The Fund's monetary funds are kept in bank accounts with Swedbank, AB; the applicable rating assigned by international rating agencies Moody's Investors Service is Aa3, Fitch Ratings is A +, and S&P rating is A+/A-1. Monetary funds held in bank accounts are insured under the RL Law on Deposit and Investment Insurance.

14. FINANCIAL RELATIONS WITH RELATED PARTIES

The parties are considered to be related where one party has control over the other or can exercise significant influence over the other party's financial and operational decisions.

The related parties of the Fund are the Full Member "State Investment Management Agency" (VIVA), the Full Member's Management, Board, Supervisory Board and their related parties. During the reporting year, the Fund did not conclude any transactions with these parties other than those mentioned in the notes presented above.

2020

	Purchases	Sales	Receivables	Contract assets	Accrued interest
VIVA	437 158	-	-	62 842	-

Full Member's

Chief Executive Officer — Dainius Vilčinskas

Chief Financial Officer — Marta Jablonskė