KŪB „PAGALBOS VERSLUI FONDAS“

FINANCIAL STATEMENTS 31 DECEMBER 2022

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

CONTENTS

Information about the company

Contact details of the Fund:

Name	KŪB "PAGALBOS VERSLUI FONDAS"
Legal form:	Limited partnership. The Fund is a private legal person of unlimited civil liability. The Fund acquires civil rights and assumes and fullfils the responsibilities through the Full Member.
Address:	Lukiškių st. 2, LT-01108 Vilnius
Legal entity code:	305640822
Registration date:	13 of October 2020
Email address:	info@viva.lt
Website:	www.viva.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. For the purposes of supervising the activities of the Fund, an Advisory Committee of the Fund shall be formed from at least 3 and not more than 7 persons appointed by the Fund's Limited Partners. The Advisory Committee of the Fund shall appoint 2 representatives delegated by the Bank of Lithuania and 1 independent member from the Board of the Limited Partner. By a decision of the members of the Advisory Committee of the Fund, one of the 2 delegated representatives of the Bank of Lithuania shall be appointed as chairman of the Advisory Committee of the Fund.

Investment Committee	**Independent members of the board of the full member**
Chairman	Normantas Marius Dvareckas (until 19 11 2021)
Chairman	Andrius Sokolovskis (since 19 11 2021)
Member of the Board	Agnė Daukšienė
Member of the Board	Aurimas Martišauskas (until 31 12 2021)
Member of the Board	Virginijus Doveika
Member of the Board	Tomas Tumėnas (since 01 04 2022)
Advisory Committee	
Representative of the Bank of Lithuania	Martynas Pilkis (Advisory Chairman since 07 01 2022)
Representative of the Bank of Lithuania	Mindaugas Repčys (since 07 01 2022)
Representative of the Limited Partner	Šarūnas Ruzgys
Representative of the Bank of Lithuania	Saulius Galatiltis (Advisory Chairman until 12 17 2021)
Representative of the Bank of Lithuania	Ramūnė Arust (Advisory Chairman since 12 17 2021 to 07 01 2022)
Auditors	UAB "Deloitte Lietuva"

UAB „Deloitte Lietuva“
Jogailos g. 4
LT-01116 Vilnius
Lietuva

Juridinio asmens k.: 111525235
PVM mok. k.: LT115252314
Duomenys kaupiami ir saugomi
Juridinių asmenų registre

Tel.: +370 5 255 3000
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Pagalbos verslui fondas KŪB

Opinion

We have audited the financial statements of Pagalbos verslui fondas KŪB (the Company), which comprise the statement of financial position as at 31 December 2022, and the statement of profit (loss) and other comprehensive income, statement of changes in equity and statement of cash flows for the year 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 2022, and its financial performance and its cash flows for the year then ended in accordance with 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.

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 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 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 2023

The auditor's electronic signature applies only to the Independent Auditor's Report.

Statement of Profit or Loss and Other Comprehensive Income

Confirmation date 24 03 2023

	Note	01 01 2022 31 12 2022	01 01 2021 31 12 2021
Operating income	**4**		
Interest income		8 977 616	1 650 331
Services and commissions income		749 279	207 041
Total operating income		**9 726 895**	**1 857 372**
Operating expenses	**5**		
Fund management fee		(2 378 534)	(2 395 205)
Services and commissions expenses		(440 681)	(428 408)
Total operating expenses		**(2 819 215)**	**(2 823 613)**
Net change in fair value of financial assets	**7**		
Change in the fair value of debt securities and loans granted		(34 276)	(3 971 543)
Total net change in fair value of financial assets		**(34 276)**	**(3 971 543)**
Profit (loss) before tax		**6 873 404**	**(4 937 784)**
Income tax	**6**	(1 036 151)	264 002
Profit (loss) for the period		**5 837 253**	**(4 673 782)**
Financial assets at FVOCI - net change in fair value	**7**	(17 179 018)	(186 842)
Profit (loss) and comprehensive income for the period		**(11 341 765)**	**(4 860 624)**

The accompanying notes form an integral part of the financial statements.

Chief Executive Officer of Full Member	**Dainius Vilčinskas**	
Finance Director of Full Member	**Marta Jablonskė**	
Representative of UAB "Ernst & Young Baltic" responsible for financial statements preparation	**Virginija Skirmantė**	

Statement of Financial Position

Confirmation date 24 03 2023

	Note	31 12 2022	31 12 2021
Assets			
Cash and cash equivalents		27 641 076	42 080 190
Non-convertible debt securities at FVTPL	**7**	96 597	143 598
Non-convertible debt securities at FVOCI	**7**	138 057 760	88 868 291
Loans at FVOCI	**7**	15 053 719	11 005 371
Deferred tax assets	**6**	158 406	264 002
Other receivable amounts	**8**	51 850	20 520
Total assets		**181 059 408**	**142 381 972**

	Note	31 12 2022	31 12 2021
Equity and liabilities			
Liabilities			
Trade payables to suppliers		1 078	23 629
Payables to associated entities		148 568	-
Income tax payable	**6**	930 555	-
Other current liabilities	**9**	56 779	94 150
Total liabilities		**1 136 980**	**117 779**
Equity			
Capital of stakeholders	**10**	199 000 001	150 000 001
Net change in fair value of financial assets at FVOCI	**7**	(17 365 860)	(186 842)
Retained earnings (loss)	**10**	(1 711 713)	(7 548 966)
Total equity		**179 922 428**	**142 264 193**
Total liabilities and equity		**181 059 408**	**142 381 972**

The accompanying notes form an integral part of the financial statements.

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Finance Director of Full Member	**Marta Jablonskė**	
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Statement of Changes in Equity

	Contributions of stakeholders	Reserve for changes in fair value of financial assets at FVOCI	Retained earnings (loss)	Total Equity
As at 1 January 2021	**7 000 001**	**-**	**(2 875 184)**	**4 124 817**
Increase in contributions of stakeholders	143 000 000	-	-	**143 000 000**
Loss for the reporting period	-	-	(4 673 782)	**(4 673 782)**
Financial assets at FVOCI - net change in fair value	-	(186 842)	-	**(186 842)**
As at 31 December 2021	**150 000 001**	**(186 842)**	**(7 548 966)**	**142 264 193**
Increase in contributions of stakeholders	50 000 000	-	-	**50 000 000**
Return of contributions of stakeholders	(1 000 000)	-	-	**(1 000 000)**
Profit for the reporting period	-	-	5 837 253	**5 837 253**
Net change in fair value of financial assets at FVOCI	-	(17 179 018)	-	**(17 179 018)**
As at 31 December 2022	**199 000 001**	**(17 365 860)**	**(1 711 713)**	**179 922 428**

The accompanying notes form an integral part of the financial statements.

Chief Executive Officer of Full Member	**Dainius Vilčinskas**	
Finance Director of Full Member	**Marta Jablonskė**	
Representative of UAB “Ernst & Young Baltic” responsible for financial statements preparation	**Virginija Skirmantė**	

Statement of Cash Flows

	Note	01 01 2022 31 12 2022	01 01 2021 31 12 2021
Operating activities			
Profit (loss) for the period		5 837 253	(4 860 624)
Debt securities (acquisition)/sale	**7**	(65 328 689)	(90 341 850)
(Increase)/decrease in loans granted	**7**	(4 764 064)	(11 150 000)
Elimination of net change in fair value of non-convertible debt securities at FVTPL	**7**	34 276	4 933 890
(Increase)/decrease in Interest receivable	**7**	(311 357)	(354 346)
(Increase)/decrease in contract conclusion fee		-	(44 375)
(Increase)/decrease in contractual assets		-	62 842
Total operating activities		**(64 532 581)**	**(101 754 463)**
Working capital adjustments			
(Increase)/decrease in deferred tax assets	**6**	105 596	(264 002)
(Increase)/decrease in other receivables	**8**	(31 330)	(20 520)
(Decrease)/increase in payables to suppliers		(22 551)	(7 990)
(Decrease)/increase in payables to associated entities		148 568	-
(Decrease)/increase in income tax payable	**6**	930 555	-
(Decrease)/increase in other current liabilities	**9**	(37 371)	82 655
Total working capital adjustments		**1 093 467**	**(209 857)**
Net cash flows from operating activities		**(63 439 114)**	**(101 964 320)**
Financing activities			
Increase in contributions of stakeholders	**10**	50 000 000	143 000 000
Return of contributions of stakeholders	**10**	(1 000 000)	-
Total financing activities		**49 000 000**	**143 000 000**
Net change in cash and cash equivalents		**(14 439 114)**	**41 035 680**
Cash and cash equivalents at the beginning of the period		42 080 190	1 044 510
Cash and cash equivalents at the end of the period		**27 641 076**	**42 080 190**

The accompanying notes form an integral part of the financial statements.

Chief Executive Officer of Full Member	**Dainius Vilčinskas**	
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Representative of UAB “Ernst & Young Baltic” responsible for financial statements preparation	**Virginija Skirmantė**	

1 General information

KŪB "Pagalbos verslui fondas" (hereinafter - the Fund) 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.

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 the approval of the description of the activities of the measure "Business Support Fund" defines the objectives and principles of activities of the Fund, as well as describes potential beneficiaries of funding, forms of funding and their essential conditions.

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.

- 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 2022 and as at 31 December 2021 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 Financial 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 Basis for Preparation of Financial Statements (continued)

2.1 Applied amendments and interpretations to the standards

The accounting policies adopted are consistent with those of the previous financial year except for the following IFRS amendments which have been adopted by the Fund as at 1 January 2022:

•**IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020 (Amendments)**

The amendments are effective for annual periods beginning on or after 1 January 2022 with earlier application permitted. The IASB has issued narrow-scope amendments to the IFRS Standards as follows:
- IFRS 3 Business Combinations (Amendments) update a reference in IFRS 3 to the previous version of the IASB's Conceptual Framework for Financial Reporting to the current version issued in 2018 without significantly changing the accounting requirements for business combinations.
- IAS 16 Property, Plant and Equipment (Amendments) prohibit a company from deducting from the cost of property, plant and equipment any proceeds from the sale of items produced while bringing the asset to the location and condition necessary for it be capable of operating in the manner intended by management. Instead, a company recognizes such sales proceeds and related cost in profit or loss.
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments) specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous. The amendments clarify, the costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to the contract activities.
- Annual Improvements 2018-2020 make minor amendments to **IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture** and the Illustrative Examples accompanying **IFRS 16 Leases.**

The amendments had no impact on the financial statements of the Fund.

2.2 Standards issued but not yet effective and not early adopted

• **IFRS 17 "Insurance contracts"**

The standard is effective for annual periods beginning on or after 1 January 2023 with earlier application permitted, provided the entity also applies IFRS 9 Financial Instruments on or before the date it first applies IFRS 17. This is a comprehensive new accounting standard for insurance contracts, covering recognition and measurement, presentation and disclosure. IFRS 17 applies to all types of insurance contracts issued, as well as to certain guarantees and financial instruments with discretional participation contracts. The Fund does not issue contracts in scope of IFRS 17; therefore its application does not have an impact on the Fund's financial performance, financial position or cash flows.

• IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments)

The Amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures. Management has assessed that the change will not affect the Fund.

• IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments)

The amendments become effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty, if they do not result from a correction of prior period error. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. Management has assessed that the change will not affect the Fund.

2 Basis for Preparation of Financial Statements (continued)

2.2 Standards issued but not yet effective and not early adopted (continued)

- **IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)**

The amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments narrow the scope of and provide further clarity on the initial recognition exception under IAS 12 and specify how companies should account for deferred tax related to assets and liabilities arising from a single transaction, such as leases and decommissioning obligations. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement, having considered the applicable tax law, whether such deductions are attributable for tax purposes to the liability or to the related asset component. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal. Management has assessed that the change will not affect the Fund.

- **IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)**

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted, and will need to be applied retrospectively in accordance with IAS 8. The objective of the amendments is to clarify the principles in IAS 1 for the classification of liabilities as either current or non-current. The amendments clarify the meaning of a right to defer settlement, the requirement for this right to exist at the end of the reporting period, that management intent does not affect current or non-current classification, that options by the counterparty that could result in settlement by the transfer of the entity's own equity instruments do not affect current or non-current classification. Also, the amendments specify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification. Additional disclosures are also required for non-current liabilities arising from loan arrangements that are subject to covenants to be complied with within twelve months after the reporting period. The amendments have not yet been endorsed by the EU. Management has assessed that the change will not affect the Fund.

- **IFRS 16 Leases: Lease Liability in a Sale and Leaseback (amendments)**

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The amendments are intended to improve the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction in IFRS 16, while it does not change the accounting for leases unrelated to sale and leaseback transactions. In particular, the seller-lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use it retains. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease. A seller-lessee applies the amendment retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, being the beginning of the annual reporting period in which an entity first applied IFRS 16. The amendments have not yet been endorsed by the EU. Management has assessed that the change will not affect the Fund.

- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. Management has assessed that the change will not affect the Fund.

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 on these financial statements and the business continuity assumption. The management has assessed that this issue will not have a negative impact on the Fund's ability to continue its activities.

The main principles on the basis of which the financial statements for 2022 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 Fund's performance of the obligation does not create an asset with an alternative use, and the Fund must have a right to payment for performance completed to date.

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

3 Significant accounting judgements, estimates and assumptions (continued)

Income (continued)

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).

The Fund terminates the recognition of interest income in the event of a loss.

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

Late payment 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.

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.

3 Significant accounting judgements, estimates and assumptions (continued)

Income Tax (continued)

Deferred taxes are accounted for in accordance with the commitment method. The deferred corporate income tax reflects the temporary tax differences between the Fund'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 Fund 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.

3 Significant accounting judgements, estimates and assumptions (continued)

Financial assets measured at fair value (continued)

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) and financial instruments not quoted and not converted into shares . The calculation of fair value is carried out using the method of the present value of the financial instrument (discounted cash flows), using the discount rate adjustment methodology, which uses the credit risk-adjusted discount rate and contractually determined, promised or most likely cash flows.

At the time of initial recognition, unquoted securities and loans are accounted at fair value, which is based on the transaction price. In subsequent periods, the calculation of the fair value of these financial instruments is carried out by VIVA employees using the current value of the financial instrument (discounted cash flows) method. The latter provides for the discounting of contractual and most likely flows at a yield corresponding to the customer's risk level. The latter yield is determined from:
a) indicators directly monitored on the market:
i) risk-free investment yields (the corresponding point of the yield curve of government securities of the Republic of Lithuania is used), and
ii) average yields corresponding to the borrower's risk class (rating);
b) an individual (idiosyncratic) borrower's credit risk element, which is obtained by comparing a particular borrower;
c) parameters of the probability of insolvency and loss in the event of insolvency with historical relevant indicators of this risk class (rating);
d) a coefficient reflecting the liquidity bonus; and
e) residual (market-observed but not modeled) yield element.

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.

3 Significant accounting judgements, estimates and assumptions (continued)

Financial assets measured at fair value (continued)

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

	01 01 2022 31 12 2022	01 01 2021 31 12 2021
Interest income of debt securities	7 567 757	1 329 549
Interest income of loans granted	1 000 349	274 704
Interest income for delays, breaches	400 910	132
Income from loan commitment fee	380 715	80 151
Income from the contract origination fee	280 526	117 090
Income from the contract change	88 038	9 800
Interest income on bank account balance	8 600	-
Interest income from loan origination fee amortisation	-	45 946
Total operating income	**9 726 895**	**1 857 372**

5 Operating expenses

	01 01 2022 31 12 2022	01 01 2021 31 12 2021
Fund management fee	2 378 534	2 395 205
Legal expenses	182 956	134 662
Interest to the bank on the cash account balance	146 332	230 651
Auditing expenses	48 400	48 400
Securities custody fees	44 459	8 147
European Investment Bank fees	12 164	-
Consulting services	3 987	5 687
Bank fees	2 383	853
Other operating expenses	-	8
Total operating expenses	**2 819 215**	**2 823 613**

6 Income tax

Reconciliation of taxes and financial profit	01 01 2022 31 12 2022	01 01 2021 31 12 2021
Profit (loss) before tax	6 873 404	(4 937 784)
Non-deductible expenses	34 276	3 641 864
Income from loan origination fee, subject to income tax	234 785	821 254
Carrying forward of tax losses	(938 762)	-
Taxable profit (loss)	6 203 703	(474 666)
Current year's income tax	**930 555**	**-**

Temporary differences due to tax and financial accounting differences

	01 01 2022 31 12 2022	01 01 2021 31 12 2021
Recognition of unrecognized tax losses from previous reporting periods	-	(69 614)
Change in deferred income tax assets for the reporting period	105 596	(194 388)
Current year's income tax expenses recognized in accounting	**105 596**	**(264 002)**

Deferred tax assets	01 01 2022 31 12 2022	01 01 2021 31 12 2021
Tax losses for the reporting period	-	71 200
Tax losses for the previous reporting period from which deferred income tax assets have not been recognized	-	69 614
Temporary differences due to taxation and financial accounting differences	158 406	123 188
Total deferred tax assets	**158 406**	**264 002**
Deferred tax assets before impairment of realization value	158 406	264 002
Minus: impairment of realization value	-	-
Net deferred tax assets:	**158 406**	**264 002**

Income tax is calculated in accordance with the requirements of Lithuanian tax laws. As at 31 December 2022 and 31 December 2021, the standard income tax rate in Lithuania was 15%. Deferred income tax assets are realized when the company expects to generate profits in the future. As at 31 December 2022, the Fund expects to make a profit in the future, so it will be able to realize the accumulated deferred tax assets.

7 Financial assets

Financial assets at FVCOI

The Fund assess its debt securities, granted loans and related accrued interest at fair value through other comprehensive income:

01 01 2022 31 12 2022	Fair value 31 12 2021	Change in financial assets at FVCOI in 2022	Fair value change in 2022	Change in accrued interest in 2022	Fair value as at 31 12 2022
Bonds	88 868 291	65 341 414	(16 439 157)	287 212	138 057 760
Loans granted	11 005 371	4 764 064	(739 861)	24 145	15 053 719
Total	**99 873 662**	**70 105 478**	**(17 179 018)**	**311 357**	**153 111 479**

01 01 2021 31 12 2021	Fair value 31 12 2020	Change in financial assets at FVCOI in 2021	Fair value change in 2021	Change in accrued interest in 2021	Fair value as at 31 12 2021
Bonds	-	88 809 760	(98 434)	156 966	88 868 291
Loans granted	-	11 064 736	(88 407)	29 042	11 005 371
Total	**-**	**99 874 496**	**(186 842)**	**186 008**	**99 873 662**

When measuring Fund's investment portfolio at fair value, the data of the individual credit risk assessment of the relevant financial market segments and internal companies is used. In 2022 a particularly strong growth of both risk-free investment yield and corporate credit risk margin in global markets was observed. The recent changes were determined by rising inflation, geopolitical factors, changing expectations regarding the direction of the euro zone's monetary policy, and fears regarding the increasing probability of an economic recession.

As at 31 December 2022, reflecting the situation in the financial markets, the average discount rate of the Fund's investment portfolio is 4.06 percentage points higher than as at 31 December 2021, which causes a negative change in fair value. One of the main factors in the growth of the average discount rate is the increase in the average yield of the securities of the Government of the Republic of Lithuania, which corresponds to the average duration of the Fund's investments, during 2022 increased by 3.84 percentage points to 3.92%. Considering the 4.5-year average duration of the Fund's investments, the increase of average yield by 0.44 percentage points in 2022 I quarter, 4.15 - in the II quarter, 0.2 - in the III quarter, and decrease by 0.73 percentage points in the IV quarter, led to a negative change in the fair value of the Fund's investment portfolio.

Financial assets accounted at FVTPL

As at 31 December 2022 The Fund assessed the bonds held by UAB Enerstena at fair value through profit or loss. Due to the bankruptcy of UAB "Enerstena grupė" and UAB "Enerstena", as at 31 December 2022 bonds of UAB "Enerstena" were assessed individualy (based on the value of collateral) (EUR 5.5 million nominal value and accrued interest up to date of reporting) and UAB "Enerstena grupė" convertible bonds (EUR 841,850 nominal value and accrued interest up to the date of reporting) for which a decrease in fair value was recognized for the full amount.

Potential credit losses for an incapacitated beneficiary are updated quarterly. Credit losses increase due to incurred legal costs, related to the litigation. However, EUR 3.7 thousand was transferred to the Fund from the surety bankruptcy administrator UAB "Enerstenos projektavimas", as well as EUR 9.0 thousand received from the bailiff.

01 01 2022 31 12 2022	Fair value 31 12 2021	Change in financial assets at FVTPL in 2022	Fair value change in 2022	Change in accrued interest in 2022	Fair value as at 31 12 2022
Bonds	143 598	(10 882)	(36 119)	-	96 597
Convertible bonds	-	(1 843)	1 843	-	-
Total	**143 598**	**(12 725)**	**(34 276)**	**-**	**96 597**

7 Financial assets (continued)

01 01 2021 31 12 2021	Fair value 31 12 2020	Change in financial assets at FVTPL in 2021	Fair value change in 2021	Change in accrued interest in 2021	Fair value as at 31 12 2021
Bonds	3 104 954	-	(3 118 564)	157 208	143 598
Convertible bonds	-	841 850	(852 979)	11 129	-
Total	**3 104 954**	**841 850**	**(3 971 543)**	**168 337**	**143 598**

The table shows the distribution of the fair value of the Fund's total financial asset groups by sector of the economic activity of the clients:

31 12 2022	Bonds	Loans granted	Fair value 31 12 2022
Manufacturing	53 606 466	4 880 324	58 486 790
Accommodation and catering activities	28 826 710	1 334 400	30 161 110
Wholesale and retail trade; repair of motor vehicles and motorcycles	14 470 803	1 840 069	16 310 872
Administrative and service activities	12 189 718	516 691	12 706 409
Construction	9 514 640	527 915	10 042 555
Agriculture, forestry and fisheries	5 600 986	787 764	6 388 750
Real estate transactions	5 118 555	1 430 871	6 549 426
Transport and storage	4 956 617	1 151 776	6 108 393
Artistic, recreational and resort activities	3 869 862	1 785 555	5 655 417
Švietimas	-	295 344	295 344
Profesinė, mokslinė ir techninė veikla	-	503 010	503 010
Total	**138 154 357**	**15 053 719**	**153 208 076**

31 12 2021	Bonds	Loans granted	Fair value 31 12 2021
Manufacturing	39 210 506	3 561 427	42 771 933
Accommodation and catering activities	28 411 529	1 682 347	30 093 876
Administrative and service activities	11 617 900	1 490 532	13 108 431
Artistic, recreational and resort activities	4 227 474	1 946 319	6 173 793
Construction	4 588 684	-	4 588 684
Wholesale and retail trade; repair of motor vehicles and motorcycles	955 797	825 161	1 780 958
Transport and storage	-	1 499 585	1 499 585
Iš viso	**89 011 889**	**11 005 371**	**100 017 260**

The value of the Fund's bond and loan portfolio as of 31.12.2022 and 31.12.2021:

31 12 2022	Fair value	Carrying amount	Nominal value	Amortization of the financing organisation fee	Accrued interest	Fair value change
Bonds at FVCOI	138 057 760	138 057 760	155 086 983	(935 808)	444 178	(16 537 593)
Loans at FVCOI	15 053 719	15 053 719	15 949 031	(120 231)	53 188	(828 269)
Bonds at FVTPL	96 597	96 597	5 489 118	-	173 250	(5 565 771)
Convertible bonds at FVTPL	-	-	840 007	-	11 129	(851 136)
Total:	**153 208 076**	**153 208 076**	**177 365 139**	**(1 056 039)**	**681 745**	**(23 782 769)**

7 Financial assets (Continued)

31 12 2021	Fair value	Carrying amount	Nominal value	Accrued interest	Fair value change	Contract origination fee
Bonds at FVCOI	88 868 291	88 868 291	89 500 000	(690 240)	156 966	(98 434)
Loans at FVCOI	11 005 371	11 005 371	11 150 000	(85 264)	29 042	(88 407)
Bonds at FVTPL	143 598	143 598	5 500 000	-	155 992	(5 512 394)
Convertible bonds at FVTPL	-	-	841 850	-	28 387	(870 237)
Total:	**100 017 260**	**100 017 260**	**106 991 850**	**(775 504)**	**370 387**	**(6 569 473)**

The fair value of a financial asset is categorized in hierarchy levels, which reveals the significance of the initial estimate data used. The table below shows the distribution of the fair value of financial asset groups according to the different levels of the hierarchy:

31 12 2022	I level	II level	III level	Total
Bonds	-	-	138 154 357	138 154 357
Loans granted	-	-	15 053 719	15 053 719
Total	**-**	**-**	**153 208 076**	**153 208 076**

31 12 2021	I level	II level	III level	Total
Bonds	-	-	89 011 889	89 011 889
Loans granted	-	-	11 005 371	11 005 371
Total	**-**	**-**	**100 017 260**	**100 017 260**

The fair value of ordinary bonds and loans granted is calculated using discounted cash flow method. At the balance sheet date, a decrease in the fair value of ordinary bonds and loans granted is recognized. The decrease in fair value is reported in the Statement of Profit (Loss) and Other Comprehensive Income.

The Fund carried out sensitivity analysis of the fair value of bonds and loans granted as the discount rate changed. When the discount rate changes by 1% to the negative and the positive side, the fair value of the portfolio varies by EUR + 5.2 million and EUR - 4.9 million respectively. As the discount rate increases at a range of 0.5%, the fair value of the portfolio decreases by an average of EUR 2.5 million. As the discount rate decreases at a range of 0.5%, the real value of the portfolio increases by EUR 2.6 million. The table contains information on the change in fair value as the discount rate changes according to the different types of financial assets:

Discount rate change	-1%	-0,5%	0%	+0,5%	+1,0%
The fair value of loans	15 385 201	15 218 133	15 053 719	14 891 908	14 732 651
The change in fair value of loans	*-617 017*	*-784 085*	*-948 500*	*-1 110 311*	*-1 269 567*
The fair value of bonds	142 877 006	140 441 375	138 057 760	135 724 921	133 441 650
The change in fair value of bonds	*-12 654 154*	*-15 089 785*	*-17 473 400*	*-19 806 239*	*-22 089 510*
The fair value of the portfolio	158 262 208	155 659 508	153 111 479	150 616 829	148 174 301
The change in fair value of the portfolio	*-13 271 171*	*-15 873 871*	*-18 421 900*	*-20 916 550*	*-23 359 078*

8 Other receivable amounts

	31 12 2022	31 12 2021
Receivable interest for delays, breaches	28 933	-
Commitment fee receivable	19 817	13 533
Cotract change fee receivable	3 100	-
Contract origination fee receivable	-	6 987
Total	**51 850**	**20 520**

9 Other current liabilities

	31 12 2022	31 12 2021
Accrued expenses	48 400	48 400
Received overpayments, unpaid contributions	8 379	-
Future period expenses	-	45 750
Total	**56 779**	**94 150**

10 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 250,000,000; as at the balance sheet date, investments amounted to EUR 199,000,000 (As at 31 December 2021 - EUR 150,000,000)

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 2022, the Fund’s losses amounted to EUR 1,711,713 (As at 31 December 2021 - EUR 7,548,966).

11 Risk management

Risk is a potentially unfavorable change in the expected results. Risk is part of any activity that cannot be completely avoided, but proper assessment of the expected risk can minimise it.

Risk management objectives:

- to assess the likelihood of possible losses, the amount of losses, risk management costs;
- to identify and limit the risks that may cause the most significant losses.

Optimal and balanced risk management is the basis for effectively ensuring the stability of the Fund's activities.

The Fund ensuring its day-to-day activities and its control is exposed to the following material risks:

Risk	Description
Strategic risk	The Fund manager's strategic decisions may be incorrect, unsubstantiated, 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 it 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 properly manage the risks encountered in activities the Fund management:

- on the basis of the internal and external environment of the Fund, the results of monitoring of risk assessment and implementation
- regularly identifies, assesses and defines risks;
- prioritizes the assessed risks according to their level and significance;
- establishes procedures and processes for the management of priority risks;
- carries out continuous monitoring of the implementation of the plan of measures to manage identified risks.

11 Risk management (continued)

Risk management system (continued)

In order to ensure proper, efficient and continuous risk management, the Fund Manager:

- establishes and approves detailed risk management requirements (risk level, assessment methods, monitoring and control processes, management principles) in internal documents;
- periodically reviews approved risk management requirements and restrictions in order to properly assess new or previously uncontrollable risks.

The owner of the relevant risk, together with the Fund manager's risk manager, participates in the risk management process in identifying and analyzing 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, analyzes and evaluates 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 ensures 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 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 Chief Executive Officer on the basis of received and systematized information on risk management;
Board	- ensures that these policy provisions are consistent with the operational strategy of 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 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	- encourages the Fund Manager's employees to manage risks in accordance with the approved procedures and maintains a culture of open communication of incidents; - seeks that the Fund Manager's employees have sufficient impact to identify, assess and manage risks; - immediately informs the Board on material risks that threaten the continuity of the Fund's activities;

11 Risk management (continued)

Risk management system (continued)

Process participant	Responsibilities
Advisory Committee	- provides feedback or suggestions to the Limited Partners on the Fund's financial statements and performance; - takes decisions on existing or potential conflicts of interest of the Fund, assesses and comments on the policy of avoidance of conflicts of interest drawn up by the Real Member; - submits comments to the Full Member on investments of the Fund which deviate from Investment strategies; - comments, agrees with the management of the Fund proposed by the Full Member for each year's expenditure on the budget, including its amendments; - taking into account the objectives of the Financial Instrument and in accordance with the approved documents and decisions of the relevant authorities, considers and proposes amendments to the Investment Strategy of the Fund; - evaluates and submits comments to the internal control procedures of the full member, provides recommendations on the methodology and reports for the evaluation of the Fund; - offers qualification requirements to the members of the Investment Committee; - proposes the candidatures of the members of the Investment Committee of the Fund or the candidatures of an existing member/members cancellation; - proposes the candidacy of the head of a Full Member or proposes to dismiss an existing True Member's manager; - proposes the principles of remuneration of the members of the Investment Committee and the Head of the Full Member; - assesses the competence of the Auditor of the Fund and submits for approval the candidacy of the auditor of the Fund for the Meeting of Commanders; - proposes the candidature of Controller for Violations of the Fund; - provides recommendations for decisions to the Meeting of Commanders as needed;
Risk Management Manager	- participates in the risk monitoring, management and control process; - reviews and assesses the main risks of the Fund and developments in the business environment once a year; - identifies the owners of the risks; - is responsible for the review and timely updating of the Policy; - where needed, 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 analyzing 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

At the end of the reporting period, an adjustment of fair value for receivables under bonds and loans contracts was established, which is mainly related to credit risk:

	31 12 2022	31 12 2021
Total carrying amount - bonds	160 480 300	95 841 850
Total carrying amount - loans	15 828 800	11 150 000
Fair value change - bonds	(22 954 500)	(7 171 306)
Fair value change - loans	(828 269)	(173 671)
Interest	681 745	370 387
Total outstanding amount at fair value	**153 208 076**	**100 017 260**

11 Risk management (continued)

Liquidity Risk

The Fund strives to ensure sufficient cash and cash equivalent flows to meet existing liabilities. The table shows the obligations under payment terms on the basis of undiscounted payments:

As at 31 December 2022	Less than one year	Between one and two years	Between two and five years	Total:
Cash and cash equivalents	27 641 076	-	-	**27 641 076**
Financial assets	5 467 752	7 126 020	140 614 304	**153 208 076**
Other receivable amounts	51 850	-	-	**51 850**
Trade payables to suppliers	(1 078)	-	-	**(1 078)**
Payables to associated entities	(148 568)	-	-	**(148 568)**
Income tax payable	(930 555)	-	-	**(930 555)**
Other current liabilities	(56 779)	-	-	**(56 779)**
Net risk	**32 023 698**	**7 126 020**	**140 614 304**	**179 764 022**

As at 31 December 2021	Less than one year	Between one and two years	Between two and five years	Total:
Cash and cash equivalents	42 080 190	-	-	**42 080 190**
Financial assets	-	14 493 681	85 523 580	**100 017 260**
Other receivable amounts	20 520	-	-	**20 520**
Trade payables to suppliers	(23 629)	-	-	**(23 629)**
Other current liabilities	(94 150)	-	-	**(94 150)**
Net risk	**41 982 931**	**14 493 681**	**85 523 580**	**142 000 191**

The Fund's monetary funds are kept in bank accounts with Swedbank, AB, SEB Bank, AB and Luminor Bank, AB. The applicable rating for Swedbank, AB assigned by international rating agencies Moody's Investors Service is Aa3, Fitch Ratings is A +, S&P rating is A+. SEB Bank, AB - Moody's Investors Service is Aa3, Fitch Ratings is AA, S&P is A+. Luminor Bank, AB applicable rating assigned by Moody's Investors Service is A3. Monetary funds held in bank accounts are insured under the RL Law on Deposit and Investment Insurance.

The ongoing war in Ukraine and related sanctions against the Russian Federation can have an impact on the European economy and the global economy. The Fund has no direct links to Ukraine, Russia or Belarus. The impact on the overall economic situation may require a review of certain assumptions and estimates. Potentially, this could affect 3-4 clients with business links in Ukraine and Belarus. At this time, management is not able to reliably assess the impact of these events, since the situation changes daily.

12 Transactions with related parties

The parties shall be deemed to be related where one party has the power to control the other or is likely to exert significant influence over the other party in financial and operational decisions.

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

Year 2022	Purchases	Sales	Receivables	Contractual obligations	Payable Management fee	Accrued interest
VIVA	2 378 534	-	-	-	148 568	-

Year 2021	Purchases	Sales	Receivables	Contractual obligations	Payable Management fee	Accrued interest
VIVA	2 395 205	-	-	-	-	-

13 Contingent and off-balance-sheet liabilities

As at 31 December 2022 and 31 December 2021, The Fund had signed financing agreements under which the amount of committed but not paid out amount consisted of:

	31 12 2022	31 12 2021
Bonds	21 350 993	38 194 000
Loans	609 536	2 873 500
Total	**21 960 529**	**41 067 500**

14 Subsequent events

In 2022 The Ministry of Finance of the Republic of Lithuania implemented the first stage of consolidation of the Lithuanian National Development Institutions (NDI). On 19 October, 2022 a group of four companies of NDI was formed: UAB "Investicijų ir verslo garantijos" (INVEGA), UAB "Viešųjų investicijų plėtros agentūra" (VIPA), UAB "Valstybės investicijų valdymo agentūra" (VIVA) and UAB "Žemės ūkio paskolų garantijų fondas" (ŽŪPGF) by designating INVEGA as parent company and the others as its subsidiaries. The decision, based on which it was decided that there will operating one national incentive funding authority in Lithuania, was accepted on 19 October, 2022 at the Government meeting held. On 2 January, 2023 the Ministry of Finance of the Republic of Lithuania has signed an agreement with INVEGA, according to which INVEGA becomes UAB "Viešųjų investicijų plėtros agentūra" (VIPA), UAB "Valstybės investicijų valdymo agentūra" (VIVA) ir UAB „Žemės ūkio paskolų garantijų fondas" (ŽŪPGF) shareholder. On 15 February, 2023 an amendment of Resolution of the Government of the Republic of Lithuania no. 1046 "Regarding the assignment to carry out the activities of the national development institution" was signed according to which the task of carrying out the activities of NDI is assigned to INVEGA and cancels the assignment to carry out the activities of the NDI to its subsidiaries - VIPA, VIVA, ŽŪPGF. The resolution ensures the continuity and development of financial instruments and the possibility to start implementing new financial instruments. The next stage of the Fund's consolidation reform is the full or partial connection of subsidiaries to INVEGA through internal restructuring and the formation of new management bodies.

No significant subsequent events occurred after the end of reporting year that would affect these financial statements or should be additionally disclosed.

Chief Executive Officer of Full Member	**Dainius Vilčinskas**	
Finance Director of Full Member	**Marta Jablonskė**	
Representative of UAB "Ernst & Young Baltic" responsible for financial statements preparation	**Virginija Skirmantė**	