KŪB „PAGALBOS VERSLUI FONDAS“

FINANCIAL STATEMENTS
31 DECEMBER 2021

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

CONTENTS

Company information

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 fulfils 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
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)

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

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder 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 2021, and the statement of comprehensive income, statement of cash flows and statement of changes in equity for the three months period 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 2021, and its financial performance and its cash flows for the three months period then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Emphasis of matter

We draw attention to the Note 14 of the financial statements, which describes the potential impact of the military aggression of the Russian Federation against Ukraine, that commenced after the balance sheet date. Our opinion is not modified in respect of this matter.

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 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
31 March 2022

Statement of Profit or Loss and Other Comprehensive Income

Confirmation date 31 03 2022

	Note	31 01 2021 - 31 12 2021	13 10 2020 - 31 12 2020
Operating income	**4**		
Interest income		1 650 331	16 042
Services and commissions income		207 041	625
Total operating income:		**1 857 372**	**16 667**
Operating expenses	**5**		
Fund management fee		(2 395 205)	(437 158)
Services and commissions expenses		(428 408)	(43 605)
Total operating expenses:		**(2 823 613)**	**(480 763)**
Net change in fair value of financial assets	**7**		
Change in the fair value of debt securities and loans granted		(3 971 543)	(2 411 088)
Total net change in fair value of financial assets		**(3 971 543)**	**(2 411 088)**
Loss before tax		(4 937 784)	(2 875 184)
Income tax	**6**	264 002	-
Loss for the period		**(4 673 782)**	**(2 875 184)**
Other comprehensive income			
Financial assets at FVOCI - net change in fair value		(186 842)	-
Loss and comprehensive income for the period		**(4 860 624)**	**(2 875 184)**

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**	

Statement of Financial Position

Confirmation date 31 03 2022

	Note	31 12 2021	31 12 2020
Cash and cash equivalents		42 080 190	1 044 510
Contractual assets		-	62 842
Non-convertible debt securities at FVTPL	**7**	143 598	3 060 579
Convertible debt securities at FVTPL	**7**	-	-
Non-convertible debt securities at FVOCI	**7**	88 868 291	-
Loans at FVOCI	**7**	11 005 371	-
Deferred tax assets	**6**	264 002	-
Other receivable amounts	**8**	20 520	-
Total assets:		**142 381 972**	**4 167 931**

	Note	31 12 2021	31 12 2020
Equity and liabilities			
Liabilities			
Trade payables to suppliers		23 629	31 619
Other current liabilities	**9**	94 150	11 495
Total liabilities		**117 779**	**43 114**
Equity	**10**		
Capital of stakeholders		150 000 001	7 000 001
Net change in fair value of financial assets at FVOCI		(186 842)	-
Retained earnings (loss)		(7 548 966)	(2 875 184)
Total equity		**142 264 193**	**4 124 817**
Total liabilities and equity		**142 381 972**	**4 167 931**

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**	

Statement of Changes in Equity

	Contributions of stakeholders	Reserve for changes in fair value of financial assets at FVOCI	Retained loss	Total Equity
As at 1 January 2020	-	-	-	**-**
Increase in contributions of stakeholders	7 000 001	-	-	**7 000 001**
Loss for the reporting period	-	-	(2 875 184)	**(2 875 184)**
As at 31 December 2020	**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)**
Net change in fair value of financial assets at FVOCI	-	(186 842)	-	**(186 842)**
As at 31 December 2021	**150 000 001**	**(186 842)**	**(7 548 966)**	**142 264 193**

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**	

Statement of Cash Flows

	Note	31 01 2021 - 31 12 2021	13 10 2020 - 31 21 2020
Operating activities			
Loss for the period		(4 860 624)	(2 875 184)
Debt securities (acquisition)/sale	7	(90 341 850)	(5 500 000)
Loans granted (increase)/decrease	7	(11 150 000)	-
Decrease/(increase) of debt securities value	7	4 760 218	2 411 088
(Increase)/decrease of loans granted value	7	173 672	-
Interest receivable (increase)/decrease	7	(354 346)	(16 042)
Contract conclusion fee (increase)/decrease	7	(44 375)	44 375
(Increase)/decrease in contractual assets		62 842	(62 842)
Total operating activities:		**(101 754 463)**	**(5 998 605)**
Working capital adjustments			
(Increase)/decrease in deferred tax assets	6	(264 002)	-
(Increase)/decrease in other receivables	8	(20 520)	-
(Decrease)/increase in payables to suppliers		(7 990)	31 619
(Decrease)/increase in other current liabilities	9	82 655	11 495
Total working capital adjustments:		**(209 857)**	**43 114**
Net cash flows from operating activities		**(101 964 320)**	**(5 955 491)**
Financing activities			
Increase (decrease) in contributions of stakeholders	10	143 000 000	7 000 001
Total Financing activities		**143 000 000**	**7 000 001**
Net change in cash and cash equivalents		**41 035 680**	**1 044 510**
Cash and cash equivalents at the beginning of the period		1 044 510	-
Cash and cash equivalents at the end of the period		**42 080 190**	**1 044 510**

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**	

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.

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.

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.

- 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 of 31 December 2021 and as of 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 2021:

- **Interest rate benchmark reform. Phase 2. Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16**

In August 2020, the IASB published a document entitled "Interest rate benchmark reform. Phase 2. Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16," completing their work to respond to IBOR reform. The amendments provide for a temporary exemption aimed at taking into account the consequences for the financial statements of the replacement of the interbank offered rates (IBOR) with an alternative of almost risk-free interest rate (RFR). In particular, the amendments provide a practical measure whereby it is necessary to adjust the actual interest rate to the extent that the market interest rate has changed in order to account for a change in the basis for determining the cash flows provided for in the financial asset or financial liability contract. The amendments also provide for an exception to the hedge for the requirement of severing connections, including a temporary exemption for compliance with the separate identification requirement when the RFR tool is used as a hedge for the risk component. Amendments were also made to IFRS 7 "Financial Instruments. "Disclosures", so that users of financial statements could understand the impact of the reform of the interest rate benchmark for the company's financial instruments and risk management strategy. Although the corrections are applied retrospectively, the company is not obliged to adjust the information from previous periods. The management of the Fund has assessed that these changes have no effect on 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;

According to the Fund’s management, 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.

2.2 Standards, amendments and interpretations, which have not yet entered into force

- **IFRS 17 “Insurance contracts”**

The Standard applies to annual reporting periods beginning on or after 1 January 2021. Early application is permitted provided that IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" are also applied. At its meeting in March 2020, the Board decided to postpone the date of entry into force until 2023. IFRS 17 "Insurance Contracts" sets out the principles by which insurance contracts are recognized, assessed, presented and disclosed. It also requires similar principles to apply to reinsurance contracts and to investment contracts with independent elements of participation. The purpose of the standard is to ensure that companies provide important information that accurately reflects insurance contracts. This information provides users of financial statements with a solid basis for assessing the impact that insurance contracts covered by IFRS 17 have on an enterprise's financial position, financial performance, and cash flow. Management has assessed that the change will not affect the Fund.

2.2 Standards, amendments and interpretations, which have not yet entered into force (Continued)

- **IFRS 17 "Insurance contracts" (Amendment)**

Amendments to IFRS 17 "Insurance Contracts" apply retrospectively to annual reporting periods beginning on or after 1 January 2023. Early application is permitted. The amendments are designed to help companies apply this standard. In particular, the amendments have been designed in such a way as to reduce costs by simplifying the application of some of the requirements of the standard, to simplify the interpretation of financial results and the transition to the application of the standard by postponing its entry into force date until 2023 and by providing an additional exemption that can be used when IFRS 17 is applied for the first time. Management has assessed that the change will not affect the Fund.

- **IFRS 17 "Insurance contracts" - Application of IFRS 17 and IFRS 9 for the first time – comparative information (Amendment)**

The amendment shall apply to annual reporting periods beginning on or after 1 January 2023. Early application is permitted provided that IFRS 17 is also applied. This amendment allows companies that apply IFRS 17 and IFRS 9 at the same time, to apply the transitional provision on 'grouping overlap', related to comparative information on financial assets. An enterprise that applies the overlap provision for grouping financial assets must provide comparative information as if the requirements for grouping and valuation of IFRS 9 were also applicable to such financial assets. In addition, an enterprise is not required to apply impairment requirements for IFRS 9 when applying the grouping overlap clause for financial assets. Such an amendment aims to help companies avoid temporary mismatches in the accounting of financial assets and insurance contract liabilities, thereby increasing the usefulness of comparable information for consumers of financial statements. The EU has not yet adopted these amendments. Management has assessed that the change will not affect the Company.

- **IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" amendments: "Sales or contributions of assets between an investor and its associate/joint venture"**

The amendments analyse the recognized non-compliance between IFRS 10 and IAS 28, related to the sale of assets or contributions between the investor and his associate or joint venture. The main consequence of the amendments is that all income or losses are recognized when the transaction involves the transfer of the business (regardless of whether it is carried out in a subsidiary or not). Part of the income or loss is recognized when the transaction involves assets that do not correspond to the definition of the business, even if these assets are owned by a subsidiary. In December 2015, the IASB postponed the date of entry into force indefinitely, waiting for the results of the research project for the method of equity accounting. The EU has not yet adopted these amendments Management has assessed that the change will not affect the Fund.

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

The amendments were originally valid for the annual reporting periods beginning on or after 1 January 2022, although the previous application is allowed. However, in response to the COVID-19 pandemic, the IASB postponed the entry into force date by one year, i.e. until 1 January 2023, to give companies more time to implement the classification changes provided in the amendments. The amendments aim to promote the consistent application of the requirements by helping companies to decide, whether debts and other liabilities with an uncertain settlement date in the statement of financial position, should be classified as short-term or long-term liabilities. The amendments affect the presentation of liabilities in the statement of financial position, however, they do not alter the requirements in force regarding the timing of valuation or recognition of assets, liabilities, income or expenses, nor does it change the information that companies disclose about such articles. The amendments also clarify the requirement for the classification of debts, when an enterprise can pay for such debts using its own equity instruments.

In November 2021, the Board published a preparatory draft explaining how to account for liabilities, which are subject to covenants after the date of the reporting period. In particular, the Board proposes amendments to IAS 1 with a narrow scope, which substantially amend the 2020 amendments, requiring undertakings to classify liabilities covered by the terms of the contract as short-term, if the terms of the contract need to be fulfilled within a time limit of fewer than twelve months after the end of the reporting period and if such conditions are not fulfilled at the end of the reporting period. Instead, the proposed amendment would require companies to show all long-term liabilities separately, which are subject to the terms of the contract if the terms of the contract need to be fulfilled within a time limit of fewer than twelve months after the end of the reporting period. In addition, if companies fail to comply with such contract terms at the end of the reporting period, they are obliged to disclose additional information. The proposal would apply to the annual reporting periods beginning on or after 1 January 2024. In accordance with IAS 8, it should be applied retrospectively. Early application is permitted. The Board also proposed to postpone the date of entry into force of the 2020 amendments accordingly so that companies do not have to change their existing practices before the proposed amendments enter into force. The EU has not yet approved these amendments, including the proposed preparatory draft. Management has assessed that the change will not affect the Fund.

2.2 Standards, amendments and interpretations, which have not yet entered into force (Continued)

• IFRS 3 "Business Combinations", IAS 16 "Property, Plant and Equipment", IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" amendments and Annual IFRS improvements 2018-2020

The amendments apply to the financial year beginning on or after 1 January 2022. It is allowed to apply earlier. The IASB has published the following amendments to IFRS standards with a narrow scope:

- Amendments to IFRS 3 Business Combinations update the reference to the Conceptual Financial Reporting Framework in IFRS 3, without changing the accounting requirements for business combinations;
- The amendments to IAS 16, property, plant and equipment, provide for an injunction against an enterprise to deduct income from the cost of property, plant and equipment, which are derived from the unit of assets that are being prepared for the intended use. Instead, the company will recognize such sales revenue and related expenses in the profit and loss statement.
- Amendments to IAS 37, provisions, contingent liabilities and assets, specify which expenses an enterprise should include in determining the costs of performance of the contract in order to assess whether the contract is loss-making.
- Annual improvements for the period 2018-2020 include minor amendments to the explanatory examples of IFRS 1 "Application of International Financial Reporting Standards for the First Time", IFRS 9 "Financial Instruments", IAS 41 "Agriculture" and IFRS 16 "Leases".

The Fund's management is currently assessing the impact of these improvements on financial statements.

• IAS 1 "Presentation of financial statements" and IFRS 2 "Share-based Payment" (Amendments)

The amendments shall apply to annual reporting periods beginning on or after 1 January 2023. It is allowed to apply earlier. The amendments provide guidance on the basis of which significant decisions on the disclosure of accounting policies are made. It should be noted that amendments to IAS 1 replace the requirement to disclose "relevant" accounting policies with a requirement to disclose "significant" accounting policies. In addition, the statement on the practice applies provides guidance and an example, to assist in the application of the concept of materiality when deciding on the disclosure of accounting policies. The EU has not yet approved these amendments. Management has assessed that the change will not affect the Fund.

• Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors": "Definition of Accounting Estimates"

Amendments which shall enter into force in the financial year beginning on or after 1 January 2023 (previous application is allowed) shall apply to changes in accounting policies and accounting estimates, which shall be carried out during or after the mentioned period. Amendments introduce a new definition of accounting estimates – they are defined as monetary amounts in the financial statements that relate to the uncertainty of valuation. The amendments also explain what changes in accounting estimates are and how they differ from changing accounting policies and correcting errors. The EU has not yet approved these amendments. Management has assessed that the change will not affect the Fund.

• Amendments to IFRS 12 "Income Taxes": 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

The amendments apply to annual reporting periods beginning on or after 1 January 2023, although the previous application is allowed. In May 2021, the Board published amendments to IAS 12, which narrow the scope of the initial recognition exemption provided for in IAS 12 and specify, how companies should account for deferred corporation tax on transactions such as leases and decommissioning. These amendments provide that the exemption from initial recognition shall not apply to transactions in which, at the time of the conclusion, flat-rate amounts of taxable and legible provisional differences are formed. It applies only if at the time of recognition of lease assets or lease obligations (or decommissioning liabilities and a component of decommissioning assets) amounts of taxable and legible temporary differences of different amounts are formed. The EU has not yet approved these amendments. 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, 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 2021 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.

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 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.

3 Significant accounting judgements, estimates and assumptions (Continued)

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) 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.

3 Significant accounting judgements, estimates and assumptions (Continued)

Financial assets measured at fair value (Continued)

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

	31 01 2021 - 31 12 2021	13 10 2020 - 31 21 2020
Interest income of debt securities	1 329 681	16 042
Interest income of loans granted	274 704	-
Income from the contract origination fee	117 090	625
Income from loan commitment fee	80 151	-
Interest income from loan origination fee amortisation	45 946	-
Other income	9 800	
Total operating income:	**1 857 372**	**16 667**

5 Operating expenses

	31 01 2021 - 31 12 2021	13 10 2020 - 31 21 2020
Fund management fee	2 395 205	437 158
Interest to the bank on the cash account balance	230 651	-
Legal costs	134 662	32 106
Auditing expenses	48 400	11 495
Securities custody fee	8 147	-
Consulting services	5 687	-
Bank fees	853	4
Other operating expenses	8	-
Total operating expenses:	**2 823 613**	**480 763**

6 Income tax

Reconciliation of taxes and financial profit	31 01 2021 - 31 12 2021	13 10 2020 - 31 21 2020
Loss before tax	(4 937 784)	(2 875 184)
Non-deductible expenses	3 641 864	2 411 088
Income from loan origination fee, subject to income tax	821 254	-
Total tax loss	(474 666)	(464 096)
Current year's income tax	**-**	**-**

Income tax expenses recognized in accounting

	31 01 2021 - 31 12 2021	13 10 2020 - 31 21 2020
Recognition of unrecognized tax losses from previous reporting periods	(69 614)	-
Income tax expense for the reporting period due to an increase in deferred tax assets	(194 388)	-
Current year's income tax expenses recognized in accounting	**(264 002)**	**-**

Deferred tax assets	31 01 2021 - 31 12 2021	13 10 2020 - 31 21 2020
Tax losses for the reporting period	71 200	69 614
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	123 188	361 663
Total deferred tax assets:	**264 002**	**431 277**

Deferred tax assets before impairment of realization value	264 002	431 277
Minus: impairment of realization value	-	(431 277)
Net deferred tax assets:	**264 002**	**-**

6 Income tax (Continued)

Income tax is calculated in accordance with the requirements of Lithuanian tax laws. On 31 December 2021 and 31 December 2020, 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 of 31 December 2020, deferred tax assets were not recognized in the financial statements in accordance with the principle of conservatism. As of 31 December 2021, 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 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 of 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**

As at 31 December 2020, the Fund had no financial asset accounted at fair value through comprehensive income.

Financial assets accounted at FVTPL

As of 31 December 2020 and as of 31 December 2021 The Fund assessed the bonds and convertible bonds held by UAB Enerstena and UAB Enerstena group at fair value through profit or loss. Due to the loss event these bonds in 2021 were assessed individualy based on the value of collateral, of which the ordinary bonds amounted to 5,5 million Eur nominal value and accrued interest and UAB Enerstena group convertible bonds amounted to 841,850 Eur nominal value and accrued interest up to the date of reporting. Due to the bankruptcy, the decrease in fair value of the value of the bonds and convertible bonds held by the companies UAB Enerstena group and UAB Enerstena was accounted to the full amount of bonds value in year 2021.

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 of 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**	**(3 971 544)**	**168 337**	**143 598**

13 10 2020 - 31 12 2020	Fair value 13 10 2020	Change in financial assets at FVTPL in 2020	Fair value change in 2020	Change in accrued interestin 2020	Change in contract origination fee in 2020	Fair value 31 12 2020
Bonds	-	5 500 000	(2 411 088)	16 042	(44 375)	3 104 954
Total	**-**	**5 500 000**	**(2 411 088)**	**16 042**	**(44 375)**	**3 104 954**

7 Financial assets (Continued)

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 2021	Bonds	Convertible 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
Total	**89 011 889**	**-**	**11 005 371**	**100 017 260**

31 12 2020	Bonds	Convertible bonds	Loans granted	Fair value 31 12 2020
Production	3 104 954	-	-	3 104 954
Iš viso	**3 104 954**	**-**	**-**	**3 104 954**

The value of the Fund's bond and loan portfolio as of 31.12.2021 and 31.12.2020:

31 12 2021	Fair value	Carrying amount	Nominal value	Amortization of the financing organisation fee	Accrued interest	Fair value change
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)**

7 Financial assets (Continued)

31 12 2020	Fair value	Carrying amount	Nominal value	Accrued interest	Fair value change	Contract origination fee
Bonds at FVTPL	3 104 954	3 060 580	5 500 000	16 042	(2 411 087)	(44 375)
Total:	**3 104 954**	**3 060 580**	**5 500 000**	**16 042**	**(2 411 087)**	**(44 375)**

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

31 12 2020	I level	II level	III level	Total
Bonds	-	-	3 104 954	3 104 954
Total	**-**	**-**	**3 104 954**	**3 104 954**

The fair value of ordinary, convertible bonds and loans granted is calculated using discounted cash flow method. At the balance sheet date, a decrease in the fair value of ordinary, convertible 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 + 3.37 million Eur and - EUR 5,07 million Eur respectively. As the discount rate increases at a range of 0.5%, the fair value of the portfolio decreases by an average of EUR 3.04 million. As the discount rate decreases at a range of 0.5%, the real value of the portfolio increases by EUR 1.17 million Eur. 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	11 135 837	10 982 316	11 005 371	10 683 925	10 538 931
The change in fair value of loans	*130 466*	*(23 055)*	-	*(321 446)*	*(466 440)*
The fair value of bonds	92 249 037	90 208 692	89 011 889	86 290 971	84 410 378
The change in fair value of bonds	3 237 148	1 196 803	-	(2 720 918)	(4 601 511)
The fair value of the portfolio	103 384 874	101 191 007	100 017 260	96 974 896	94 949 309
The change in fair value of the portfolio	*3 367 614*	*1 173 747*	-	*(3 042 364)*	*(5 067 951)*

8 Other receivable amounts

	31 12 2021	31 12 2020
Commitment fee receivable	13 533	-
Contract origination fee receivable	6 987	-
Total	**20 520**	**-**

9 Other current liabilities

	31 12 2021	31 12 2020
Accrued expenses	48 400	11 495
Future period expenses	45 750	-
Total	**94 150**	**11 495**

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 of the balance sheet date, investments amounted to EUR 150,000,000 (As of 31 December 2021 - EUR 7,000,000)

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 of 31 December 2021, the Fund's losses amounted to EUR 7 548 966 (As of 31 December 2020 - EUR 2 875 184)

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

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 of their management measures, determines the participants, scope and risk assessment criteria of the risk management process;
- 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)

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)

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 2021	**31 12 2020**
Total carrying amount - bonds	95 841 850	5 500 000
Total carrying amount - loans	11 150 000	-
Fair value change - bonds	(7 171 306)	(2 411 088)
Fair value change - loans	(173 671)	-
Interest	370 387	16 042
Total outstanding amount at fair value	**100 017 260**	**3 104 954**

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 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**

As at 31 December 2020	Less than one year	Between one and two years	Between two and five years	Total:
Cash and cash equivalents	1 044 510	-	-	**1 044 510**
Contractual obligations	62 842	-	-	**62 842**
Debt securities	-	-	3 060 579	**3 060 579**
Trade payables to suppliers	(31 619)	-	-	**(31 619)**
Amounts to be paid to related parties	-	-	-	**-**
Other current liabilities	(11 495)	-	-	**(11 495)**
Net risk	**1 064 238**	**-**	**3 060 579**	**4 124 817**

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.

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

Year 2020	Purchases	Sales	Receivables	Contractual obligations	Payable Management fee	Accrued interest
VIVA	437 158	-	-	62 842		-

13 Contingent and off-balance-sheet liabilities

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

2021-12-31	**Signed outstanding amount of funding**
Bonds	38 194 000
Loans	2 873 500
Total	**41 067 500**

As of 31 December 2020, The company did not conclude financing agreements under which the committed funding amounts would not be paid in full.

14 Subsequent events

On 26 January 2022, the Government of the Republic of Lithuania approved national development institutions – UAB "Investicijų ir verslo garantijos", UAB "Viešųjų investicijų plėtros agentūra", UAB "Valstybės investicijų valdymo agentūra", UAB "Žemės ūkio paskolų garantijų fondas" and UAB "Valstybės investicinis kapitalas" for consolidation on the basis of the private limited liability company "Investment and Business Guarantees", implementing the property and non-pecuniary rights and duties of the State as a shareholder of a consolidated national development institution by the Ministry of Finance of the Republic of Lithuania. At present, there is no possibility to assess the impact on VIVA's activities, as there were no further decisions on when and how the reform should be implemented.

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 company 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 clients with business links in Ukraine and Belarus of 24 million EUR worth of investments. 2 companies have direct influence due to the existing factories in Belarus and Ukraine, but Fund's management estimates that this increases the risk of the fund slightly in the short term. 1 company does not have direct links with Ukraine, Russia or Belarus, but will suffer indirect negative consequences due to the slower recovery of the automotive industry. At this time, management is not able to reliably assess the impact of these events, since the situation changes daily.

Chief Executive Officer of Full Member	**Dainius Vilčinskas**	
Finance Director of Full Member	**Marta Jablonskė**	