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ANNUAL FINANCIAL STATEMENTS
of the private limited liability company Public Investment Development Agency

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS APPLICABLE IN THE EUROPEAN UNION

FOR THE YEAR ENDED
31 DECEMBER 2019

Development Finance Innovation

30 March 2020

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STATEMENT OF FINANCIAL POSITION (EUR)

Items	Note No.	31 December 2019	31 December 2018
ASSETS			
Non-current assets			
Intangible assets	1	287.161	267.680
Tangible assets	2	49.131	43.173
Right-of-use assets	3	196.942	-
Investments in associates	4	1	1
Deferred tax assets	5	13.456	10.364
Total non-current assets		**546.691**	**321.218**
Current assets			
Inventories	6	-	7.044
Prepayments	7	9.643	7.237
Receivables from associates	8	143.435	33.193
Other receivables	8	731.334	483.685
Income tax paid in advance	8	1.069	47.245
Current investment	9	9.999.900	999.900
Cash and cash equivalents	10	523.324	9.944.579
Deferred expenses	11	15.418	9.879
Total current assets		**11.424.123**	**11.532.762**
TOTAL ASSETS		**11.970.814**	**11.853.980**
EQUITY AND LIABILITIES			
Equity			
Capital of the owner of the Company (authorized capital)	12	11.001.151	2.001.136
Statutory reserve or reserve capital	13	236.604	233.122
Other reserves	13	33.314	49.035
Retained earnings	14	274.339	284.101
Total equity		**11.545.483**	**2.567.394**
Non-current liabilities			
Provisions for pensions and similar liabilities		4.362	4.362
Other liabilities		96.666	-
Total non-current liabilities	15	**101.028**	**4.362**
Current liabilities			
Trade debts		31.549	10.406
Employment relations-related liabilities		83.858	63.588
Other payables and current liabilities		205.511	9.185.336
Accrued expenses		3.460	22.894
Total current liabilities	15	**324.378**	**9.282.224**
TOTAL EQUITY AND LIABILITIES		**11.970.814**	**11.853.980**

The notes to the financial statements presented below form an integral part of these financial statements

STATEMENT OF COMPREHENSIVE INCOME (EUR)

Items	Note No.	2019	2018
Revenue		2.241.343	1.629.305
Other operating income		35.725	69.743
Total revenue	14	**2.277.068**	**1.699.048**
Depreciation and amortization of non-current assets		(161.238)	(69.978)
Employee benefits and other related benefits		(1.315.886)	(1.012.578)
Consultancy services		(80.701)	(139.029)
Services of the Central Project Management Agency		(121.382)	(64.117)
Rent of administrative premises and a Company vehicle *		-	(64.358)
Expenses of maintenance and operation of non-current assets		(89.091)	(45.938)
Utilities, car-related expenses		(60.151)	(38.363)
Business trip expenses		(18.464)	(28.073)
Expenses of communications services, rent of car parking lot		(32.818)	(33.398)
Training expenses		(18.807)	(19.425)
Office and other general administrative expenses		(91.240)	(104.045)
Total expenses	14	**(1.989.778)**	**(1.619.302)**
Operating profit		**287.290**	**79.746**
Income from financing activities (other interest and similar income)		20.833	5.116
Financing activity expenses (interest and other similar expenses)		(7.245)	(13)
Result of financing activities	14	**13.588**	**5.103**
Profit (loss) before tax		**300.878**	**84.849**
Income tax	14	(43.084)	(15.216)
Net profit	14	**257.794**	**69.633**
Other comprehensive income, which will not be moved to profit (loss) in the future		-	-
Other comprehensive income, which will be moved to profit (loss) in the future		-	-
Total comprehensive income		**257.794**	**69.633**

***since 2019, agreements on rent of administrative premises and a vehicle have been accounted for in accordance with provisions of IFRS 16.**

The notes to the financial statements presented below form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY (EUR)

	Note No.	Paid-up authorized or share capital	Statutory reserve	Other reserves	Retained earnings (losses)	Total
Balance at 31 December 2017		**2.001.136**	**221.329**	**13.987**	**808.990**	**3.045.442**
Balance at 1 January 2018		**2.001.136**	**221.329**	**13.987**	**808.990**	**3.045.442**
Net profit for the year					69.633	69.633
Other comprehensive income						
Income (loss) unrecognized in the statement of comprehensive income					24.400	24.400
Dividends					(572.081)	(572.081)
Other benefits						-
Reserves formed			11.793	35.048	(46.841)	-
Balance at 31 December 2018		**2.001.136**	**233.122**	**49.035**	**284.101**	**2.567.394**
Increase of the authorized capital		9.000.015				9.000.015
Net profit for the year					257.794	257.794
Dividends					(266.509)	(266.509)
Reserves formed			3.482	33.314	(36.796)	-
Reserves used				(49.035)	49.035	-
Other payments					(13.286)	(13.286)
Balance at 31 December 2019		**11.001.151**	**236.604**	**33.314**	**274.339**	**11.545.408**

The notes to the financial statements presented below form an integral part of these financial statements

STATEMENT OF CASH FLOWS (EUR)

Items	Note No.	2019	2018
Cash flows from operating activities			
Net profit		257.794	69.633
Depreciation and amortization expenses		161.238	69.978
Decrease (increase) in deferred income tax assets		(3.092)	(4.646)
Decrease (increase) in inventories, except for prepayments made		7.044	(557)
Decrease (increase) in prepayments made		43.770	(1.847)
Decrease (increase) in buyers' debts			
Decrease (increase) in debts of group companies and associates		(110.242)	(33.193)
Decrease (increase) in other receivables		(247.649)	56.911
Decrease (increase) in other current investments		(9.000.000)	100
Decrease (increase) in deferred expenses and accrued income		(5.540)	(2.157)
Increase (decrease) in provisions		-	(8.637)
Increase (decrease) in other non-current liabilities		96.666	
Increase (decrease) in current debts to suppliers and pre-payments received		21.143	(70.073)
Increase (decrease) in employment relations-related liabilities		20.270	34.486
Increase (decrease) in other amounts payable and liabilities		(8.979.825)	9.143.676
Increase (decrease) in accrued expenses and deferred income		(19.434)	19.317
Net cash flows from operating activities		**(17.757.857)**	**9.272.991**
Cash flows from investing activities			
Acquisition of non-current assets, except for investments		(101.588)	(63.725)
Other increase in cash flows from investing activities		-	(1)
Rights to assets leased		(304.438)	-
Net cash flows from investing activities		**(406.026)**	**(63.726)**
Cash flows from financing activities			
Cash flows related to owners of the Company		8.733.506	(572.081)
Payment of dividends		(266.509)	(572.081)
Increase of the authorized capital		9.000.015	-
Cash flows related to other sources of financing		9.122	25.681
Decrease in other liabilities of the Company		(13.286)	(42.370)
Other increase in cash flows from financing activities		22.408	68.593
Other decrease in cash flows from financing activities		-	(542)
Net cash flows from financing activities		**8.742.628**	**(546.400)**
Impact of exchange rate changes on the balance of cash and cash equivalents			
Net increase (decrease) in cash flows		**(9.421.255)**	**8.662.865**
Cash and cash equivalents at the beginning of the period		**9.944.579**	**1.281.714**
Cash and cash equivalents at the end of the period		**523.324**	**9.944.579**

The notes to the financial statements presented below form an integral part of these financial statements

NOTES TO THE SET OF FINANCIAL STATEMENTS

1. GENERAL PART

The private limited liability company Public Investment Development Agency (hereinafter – VIPA) was established by Resolution No. 1428 of the Government of the Republic of Lithuania of 28 November 2012. VIPA is a legal entity of limited civil liability, registered in the Register of Legal Entities on 11 April 2013, company code 303039520, registration address – Lukiškių g. 2, Vilnius, Lithuania, business address – Gedimino pr. 18/ Jogailos g. 2, Vilnius.

VIPA is a financial institution established by the state with the aim to finance and to encourage sustainable development in the areas of a market failure in pursuit of profitable activities by creating, implementing and administering financial instruments designated for the implementation of public sector investment in the modernization of public infrastructure and public services, and by providing financial services related to these financial instruments.

VIPA used to disburse preferential loans for renovation (modernization) of dormitories of schools of higher education and vocational training institutions in accordance with the programme approved by the Minister of Education and Science of the Republic of Lithuania and the Minister of Environment of the Republic of Lithuania. The aim of the programme was to renovate (modernize) dormitories built according to the technical construction standards valid till 1993 in pursuit of the rational use of energy resources and improvement of conditions of students living in dormitories. Funds for preferential loans under this programme were allocated in application of the European Commission's initiative JESSICA.

VIPA has been disbursing preferential loans for renovation (modernization) of multi-apartment buildings in accordance with the programme approved by the Government of the Republic of Lithuania, which aims to reduce heat energy consumption, to promote rational use of energy resources, to ensure efficient use of housing, to improve living environment and the quality of life of population.

In Lithuania, the implementation of the financial instruments for infrastructure was started with the aim to renovate (modernize) multi-apartment buildings. The JESSICA Holding Fund (JESSICA HF) managed by the European Investment Bank was established in 2009, appointing VIPA to act as a financial intermediary.

Based on the experience of successful implementation of JESSICA HF and having assessed all advantages of financial instrument obligations, a decision was made to expand the application of financial instruments during the period of 2014-2020, and the Multi-Apartment Building Modernization Fund (ABMF) funded by the European Regional Development Fund was established from the EU Structural Funds 2014 – 2020. VIPA was appointed a ABMF manager.

VIPA was appointed the manager of the Energy Efficiency Fund, the Cultural Heritage Fund and the Municipal Building Fund. On 1 February 2019, the Ministry of Finance and the Ministry of Environment signed a tripartite agreement with VIPA establishing a Water Management Fund financed from the Cohesion Fund.

By Resolution No. 1046 of the Government of the Republic of Lithuania of 17 October 2018, VIPA was delegated the performance of the activities of an NPI in the areas of the development of urbanized territories and territories undergoing urbanization, renovation and development of housing and public or public interest infrastructure and promotion of energy efficiency. VIPA plans investing in the areas of the public sector, which do not receive financing or where financing is inadequate, or its conditions are non-optimal.

The main legal acts governing the activities of VIPA include the Law on Companies, the Law on Financial Institutions, the Law on National Promotional Institutions of the Republic of Lithuania, the Description of the Internal Control Requirements of Lithuanian National Promotional Institutions, the

Rules of Management of the List of National Promotional Institutions, the Description of the Guidelines of Transparency of Activities of State-Owned Enterprises, the Resolution No. 665 of the Government of the Republic of Lithuania "Regarding the Approval of the Description of the Procedure of Implementation of State Property and Non-Property Rights in State-Owned Enterprises", the Law on Public Procurement, the Law on Financial Accounting, and legal acts governing tax calculation and payment.

The CEO of the Company Gvidas Dargužas is the head of VIPA administration, who has held this post since 2 May 2013.

On 31 December 2019, VIPA had 55 employees (3 of them were on parental leave); the average number of employees on payroll was 53.54.

Data in the statement of financial position, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity and the notes to the financial statements have been presented as aggregate figures, to the accuracy of the euro. VIPA financial statements were compiled on 20 February 2020.

VIPA has no branches or representative offices.

VIPA is a full member of the limited partnership "Energy Efficiency Financing Platform". EUR 1 (one euro) is the contribution of the full member of the partnership.

VIPA has not carried out any activities in research and development.

LEGAL BASIS OF VIPA ACTIVITIES

The legal basis for VIPA activities was established by the Articles of Association of the private limited liability company Public Investment Development Agency approved by Order No. 1K-059 of the Minister of Finance of the Republic of Lithuania of 8 February 2013 (along with amendments to Orders No. 1K-180, 1K-88, 1K-431, 1K-60, 1K-14 and 1K-80 of the Minister of Finance of the Republic of Lithuania of 20 May 2015, 17 March 2016, 6 December 2016, 22 February 2017, 17 January 2018 and 8 March 2019).

In Q II 2019, the authorized capital of VIPA was increased from EUR 2 001 136 to EUR 11 001 151.04. On 19 December 2019, the Government of the Republic of Lithuania adopted the Resolution No. 1313 "Regarding the Investment of State Property and the Increase of the Authorized Capital of the Private Limited Liability Company Public Investment Development Agency", transferring assets owned by the state (cash) in the amount of EUR 9 000 015.04 as an additional contribution for increasing the authorized capital of the private limited liability company Public Investment Development Agency (VIPA). By this Resolution, the Government agreed to the Ministry of Finance of the Republic of Lithuania, the manager of state-owned shares of VIPA, taking a decision to increase the authorized capital of VIPA by an additional contribution of EUR 9 000 015.04, by issuing 310 774 intangible ordinary registered shares of the nominal value of EUR 28.96 per share. The issue price of the shares was equal to their nominal value. All the new shares issued were transferred to the state.

This increase of the authorized capital will allow VIPA to continue to successfully develop new products for financing projects of public infrastructure and public interest in Lithuania.

At the end of the reporting period, all the shares were fully paid up.

On 31 December 2019, VIPA had not acquired its own shares.

All VIPA shares (100 percent) are owned by the state, whose rights of ownership have been exercised by the Ministry of Finance of the Republic of Lithuania.

The goal of VIPA's activities established by the Articles of Association is to finance and promote sustainable development in the areas of a market failure in pursuit of profitable activities.

2. ACCOUNTING POLICY

2.1. KEY PRINCIPLES OF ACCOUNTING

The key accounting principles used to prepare these financial statements of VIPA are listed below (VIPA financial statements were prepared in accordance with International Financial Reporting Standards as adopted by EU). These accounting principles have consistently been applied to all periods presented in the statements, unless indicated otherwise.

The financial statements have been prepared on a historical cost basis.

The financial year of VIPA coincides with the calendar year.

The accounts of the Company have been kept following the principles of accrual, prudence, comparability, going concern, substance over form and other accounting principles.

New and/or changed standards and their interpretations, which VIPA started applying:

New and/or amended standards and interpretations adopted by VIPA:

New standards impacting VIPA that are adopted in the annual financial statements for the year ended 31 December 2019, and which gave rise to changes in VIPA's accounting policies are:

• IFRS 16 Leases (IFRS 16). As of 1 January 2019, VIPA began applying IFRS 16 and recognised the rights to use assets under the non-current tangible assets item. VIPA chose to apply the simplified transition method and did not recalculate the comparative financial information for the year before the implementation of the standard. On 1 January 2019, VIPA accounted for the following impact resulting from transition to IFRS 16: Right-of-use assets - 304 thousand euros, lease liability - 304 thousand euros.

Standards, amendments and interpretations to existing standards effective for annual periods beginning on or after 1 January 2019 but not relevant to VIPA:

The following new standards, amendments and interpretations are effective for the first time for periods beginning on or after 1 January 2019 but have not had a material effect on VIPA and so have not been discussed in detail in the notes to the financial statements:

Amendments to IFRS 9 Prepayment Features with Negative Compensation.

These amendments to IFRS 9 enable entities to measure at amortized cost some prepayable financial assets with so-called negative compensation.

Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures

The amendments clarify that a company applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.

Annual Improvements to IFRS Standards 2015-2017 cycle dealing with matters in IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowings Costs.

The amendment to IFRS 3 clarifies that, if and when an entity subsequently obtain control, it must remeasure its previously held interest at the acquisition-date fair value. The entity recognises any difference between the joint operation's acquisition-date fair value and previous carrying value as a gain or loss.

The amendment to IFRS 11 clarifies that if and when the entity subsequently obtains joint control, it must not remeasure its previously held interest. The amendment therefore aligns with the accounting applied to transactions in which an associate becomes a joint venture and vice versa.

The amendment to IAS 12 clarifies that the income tax consequences (if any) of dividends as defined in IFRS 9 must be recognised:

• at the same time as the liability to pay those dividends is recognised; and

• in profit or loss, other comprehensive income, or the statement of changes in equity according to where the entity originally recognised the past transactions or events that generated the distributable profits from which the dividends are being paid.

The amendment to IAS 23 clarifies that once a qualifying asset funded through specific borrowings becomes ready for its intended use or sale (such that borrowing costs incurred on the specific borrowings can no longer be capitalised as part of the cost of that qualifying asset), those borrowings then become part of the pool of general borrowings. Therefore, from that date, the rate applied on those borrowings are included in the determination of the capitalisation rate applied to general borrowings for the purposes of paragraph 14.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments explain that if a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by VIPA:

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early.

The most significant of these is are as follows, which are all effective for the period beginning 1 January 2020:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material)
- IFRS 3 Business Combinations (Amendment – Definition of Business)
- Revised Conceptual Framework for Financial Reporting

Amendments to IAS 1 and IAS 8: Definition of Material (effective 1 January 2020)

The amendments provide revised definition of ‘material’. VIPA is considering the implications of the standard, the impact on VIPA and the timing of its adoption by VIPA.

Amendments to IFRS 3: Definition of a Business (effective 1 January 2020; not yet adopted by the EU)

The amendments clarify whether activities and assets acquired are a business or merely a group of assets. VIPA is considering the implications of the standard, the impact on the VIPA and the timing of its adoption by VIPA.

Amendments to References to the Conceptual Framework in IFRS Standards (effective 1 January 2020)

The amendments include revised definitions of an asset and a liability, as well as new guidance on measurement and derecognition, presentation and disclosure. The Company is considering the implications of the amendments, the impact on the Company and the timing of its adoption by the Company.

VIPA does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on VIPA.

IFRS 17 Insurance Contracts (effective 1 January 2021; not yet adopted by the EU)

IFRS 17 sets out the requirements that VIPA should apply in reporting information about insurance contracts it issues and reinsurance contracts it holds. VIPA is not expecting any implications of the standard, as VIPA is not engaged in insurance activities.

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (effective 1 January 2020; not yet adopted by the EU)

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. VIPA is considering the implications of the standard, the impact on VIPA and the timing of its adoption by VIPA.

The amendments present a revised definition of 'material'. VIPA is considering the impact of the standard, its possible effect on VIPA and the time of application.

2.2. FOREIGN CURRENCY

Transactions denominated in foreign currencies are accounted for at the official exchange rate valid on the transaction date. Gains and losses from such transactions and from the revaluation of balances of assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income on the date of the statement of financial position. Such balances are re-valued at the exchange rate applicable at the end of the reporting period.

2.3. INTANGIBLE ASSETS

Intangible assets (except for goodwill)

Intangible assets are recognized at cost. Intangible assets are recognized if VIPA is likely to re-ceive eco-nomic benefits associated with these assets in the future and if the value of the assets can be reliably measured. The useful life of intangible assets may be limited and unlimited.

After initial recognition, intangible assets with limited useful life are recognized at cost less ac-cumulated amortization and impairment (if any). Intangible assets are amortized on a straight-line basis over their estimated useful life period. Gains or losses on the write-off of intangible assets are accounted for as the difference between the net proceeds of the sale and the carrying value of the assets, and are recognized as gains or losses when the assets are written off.

The useful life, the method of the residual value and amortization are annually reviewed to en-sure their compliance with the planned use of non-current intangible assets, except for goodwill.

Intangible assets of indefinite useful life are not amortized, but are annually reviewed for im-pairment, individually or at the cash-generating unit level. Indefinite useful life is assessed each year in order to determine if the assets can be used. If not, such intangible assets are reclassified pro-spectively from indefinite to definite time of use. On 31 December 2019 and 31 December 2018, VIPA did not have any intangible assets of indefinite useful life.

VIPA's intangible assets consist of software and licenses.

Licenses

Sums paid for licenses are capitalized and amortized over 3 years.

Software

The costs of acquisition of new software are capitalized and recognized as intangible assets, if these costs are not an integral part of hardware. Software is amortized over 3-7 years. Costs incurred in restoring or maintaining the expected economic benefits that VIPA expects to obtain from the operation of the existing software are recognized as costs of the period when support and mainte-nance works are carried out.

2.4. NON-CURRENT TANGIBLE ASSETS

The initial value of non-current tangible assets comprises the price of acquisition, including non-refundable purchase taxes and all directly attributable costs related to preparation of assets for operation or their move to the place of use. Expenses, such as repair and operation expenses, incurred after tangible assets have been put in operation, are usually accounted for in the statement of comprehensive income of the period when they were incurred.

In cases where it can be clearly demonstrated that these expenses will increase the economic benefit from the use of these non-current tangible assets and / or extend their expected economic life, expenses are capitalized by adding them to the cost of acquisition of non-current tangible assets.

VIPA calculates depreciation using the straight-line method over the following useful lives:

- hardware and communication equipment - 3 years,
- plant and machinery – 5 years,
- furniture – 6 years.

The useful life, the residual value and the method of depreciation are reviewed each year to ensure that they are consistent with the planned nature of use of non-current tangible assets.

Non-current tangible assets are written-off having sold them, or when no economic benefit is expected from their use or sale. Any gains or losses arising as a result of the write-off of assets (calculated as a difference between net sales revenue and the carrying value of the assets) are included in the statement of comprehensive income for the year when the assets are written off.

2.5. FINANCIAL ASSETS

Pursuant to IFRS 9 Financial Instruments: Recognition and Measurement, the following is attributed to financial assets:

1) cash;
2) equity instruments of other companies;
3) contractual rights: i) to receive cash or other financial assets from another company; ii) or to exchange financial assets or liabilities with another company under potentially favourable conditions;
4) a contract that will, or may, be used as a basis to use equity instruments of the company itself to make settlements and these are: (i) non-derivative financial instruments on the basis of which the company is or may be obligated to obtain a variable number of equity instruments of the company itself; or (ii) derivative financial instruments that will or may be paid for by means other than the exchange of a fixed amount of cash or other financial assets for a fixed number of own equity instruments of the company itself.

In the implementation of the provisions of IFRS 9, financial assets are divided into three groups:

1) financial assets measured at amortized cost;
2) financial assets measured at fair value, recognizing the change in the value as other comprehensive income in the statement of comprehensive income;
3) financial assets measured at fair value, recognizing the change in the value as gains or losses in the statement of comprehensive income.

Financial assets are classified and measured, i.e. deciding on which of the financial asset groups they should be attributed to, using two tests / measurement criteria:

1) business model of management of financial assets of the entity (evaluating the method used by the company to manage financial assets with the aim to generate cash flows, i.e. collecting contractual cash flows, selling financial assets or using both methods);
2) characteristics of contractual cash flows of financial assets (evaluating if contractual cash flows cover the payment of the principal amount and interest only).

There are three stages of recognizing impairment of financial instruments, the use of which depends on the degree of falling credit risk after initial recognition. During the initial recognition of financial assets, an entity must record deferred losses of financial assets accounted at fair value over the upcoming 12 months. Such recognition applies to financial assets that could result in future financial losses due to certain events or circumstances occurring in the upcoming 12 months (not necessarily in the course of 12 months). At the end of each financial period, an entity must assess if the credit risk of the financial instrument has not materially changed since its initial recognition.

Financial assets at fair value through profit (loss)

Assets for resale are attributed to financial assets measured at fair value under profit (loss), i.e. if they were acquired with the aim to sell them in the nearest future. Gains or losses on the change in the value of these assets are recognized in the statement of comprehensive income. VIPA has no investments recognized at fair value through profit or loss).

Investments held to maturity

Financial assets with fixed payments or payments calculated in application of the set method and a fixed term are classified as held to maturity, if the company plans and can hold them to maturity. Investments held to maturity are accounted for at amortized cost. Gains or losses are recognized in the statement of comprehensive income; when the value of such investments decreases, they are written-off or amortized. VIPA does not have any investments held to maturity.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed payments or payments calculated in application of the set method that are not traded on the active market. Initially, receivables are recognized at fair value of the funds receivable. Loans and receivables are accounted for at amortized cost using the effective interest rate method (except for current receivables the recognition of the interest revenue of which would be minor) less impairment losses that reflect irrecoverable amounts. Gains or losses are recognized in the statement of comprehensive income when the assets are written off, impaired or amortized.

Financial assets for sale

Financial assets for sale are financial assets that are not a derivative financial instrument for sale and are not attributed to either of the three above-mentioned groups. After initial recognition, financial assets for sale are accounted for at fair value in the financial statements. Unrealized gains or losses (except for impairment losses and gains or losses from foreign currency conversion) related to changes in fair value are recognized under a separate equity item until the investments are sold or their impairment is recognized. Then, the accrued gains or losses are recognized in the statement of comprehensive income. When the fair value of financial assets for sale cannot be measured reliably, such financial assets are accounted for at cost. VIPA has no financial assets for sale.

Impairment of financial assets

At the date of each financial statement, entities measure financial assets to determine if there is any indication that the assets have impaired. Financial assets are impaired when there are objective indications, such as one or more events that occurred after the initial recognition of the financial assets that affect the measured future cash flows of financial assets. Examples of indication of impairment may include signs that a borrower or a group of borrowers is facing significant financial difficulties, fails to pay or is late in paying interest or the principal debt amount; a likelihood that they will go bankrupt or undergo a different financial reorganization; obvious factors, such as changes in arrears or in business conditions that coincide with a default on financial obligations, indicating that there is a recognizable decrease in future cash flows. The sum of impairment losses of financial assets accounted for at amortized cost is the difference between the carrying value of financial assets

and the present value of recognized future cash flows calculated in application of the effective interest rate.

The carrying value of the total financial assets is directly reduced by the measured impairment losses, except for trade receivables, the carrying value of which is reduced through the use of doubtful accounts receivable. Impaired receivables are written off when they are recognized as uncollectible.

If the sum of impairment losses measured after the date of the statement of financial position decreases, and this decrease can objectively be linked to events that occurred after the recognition of the measured impairment losses, then the previously recognized impairment losses are reversed through the statement of comprehensive income, but so that the carrying value of the assets on the date of reversal of the impairment loss does not exceed the amortized cost, which would have been had the impairment of assets incurred in the previous periods not been recognized.

2.6. TERMINATION OF RECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

Financial assets

Recognition of financial assets (or, where appropriate, of a part of financial assets or a part of a group of similar financial assets) is terminated when:

- the right to financial asset cash flows has expired;
- VIPA has retained the right to cash flows, but assumed the obligation to pay the full amount to a third party under a transfer agreement within a short period of time;
- VIPA has transferred its right to receive cash proceeds from assets and / or (a) has transferred substantially all the risk and benefits relating to the ownership of the financial assets, or (b) has neither transferred nor retained the risk and benefits relating to the financial assets, but has transferred control of the assets.

After VIPA transfers its rights to asset cash flows, but neither transfers nor retains the risk and benefits relating to the ownership, nor disposes of the asset control, the assets are recognized to the extent to which VIPA is still related. A relation to the assets that were transferred as a guarantee is accounted for at a lower sum of the carrying asset value, and the maximum expected amount, which VIPA may get to pay.

Financial liabilities

Recognition of financial liabilities is terminated after they have been covered, cancelled or expired. When one existing financial liability is replaced by another liability to the same lender but under different conditions, or when the terms of an existing liability are changed substantially, such a change is treated as a termination of the initial liability and the formation of a new liability. The difference between the respective carrying values is recognized in the statement of comprehensive income.

2.7. ACCOUNTING OF INVENTORIES

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. The cost of inventories comprises the cost of purchase, the related taxes and the overheads incurred in bringing the inventories to their present location and condition. Cost is determined using the FIFO method. The net realizable value is the estimated price of sale under standard business conditions less the measured costs of completion and the measured marketing and distribution costs. Inventories that can no longer be realised are written off.

2.8. CASH AND CASH EQUIVALENTS

VIPA cash comprises cash in bank accounts (there is no cash on hand). Cash equivalents are short-term, highly liquid investments easily convertible to a known monetary amount. The maturity of such investments does not exceed three months, and the risk of value changes is minor.

Cash and cash equivalents in the statement of cash flows comprise cash in bank accounts available on de-mand and deposits with a maturity of less than 3 months on the contract date.

2.9. FINANCIAL LIABILITIES

Pursuant to provisions of IFRS 9 Financial Instruments: Classification and Measurement, financial liabilities are defined as:

1) a contractual liability: i) to deliver cash or other financial assets to another company; or ii) to ex-change financial assets or liabilities with another company under conditions potentially unfavourable to the company;
2) a contract on the basis of which equity instruments of the company itself will or may be used for settlements, and these are: i) non-derivative financial instruments,, on the basis of which the company is or may be required to provide a variable number of equity instruments of the company itself; or ii) derivative financial instruments that will or may be paid for by means other than the exchange of a fixed amount of cash or other financial assets for a fixed number of own equity instruments of the company itself.

A significant increase in the credit risk is registered when the amounts payable have been outstanding for more than 30 days after the due date. Usually an insignificant increase of credit risk is applied to financial instruments with a low credit risk.

Loans and interest-bearing debts

Debts are initially recognized at fair value of the funds received less transaction costs, subsequently ac-counting for them at amortized cost, and the difference between the funds received and the amount to be paid during the term of the debt is included in the statement of comprehensive income for the period, except for the capitalized borrowing costs described below.

Borrowing costs that are directly attributable to the acquisition of qualifying assets, their preparation for the construction or manufacturing are capitalized as a part of cost of the respective assets. All other borrowing costs are recognized as costs when they are incurred. Debts are classified as non-current debts, if a financing agreement concluded before the reporting date proves that by origin, the liability was a non-current liability at the reporting date.

Trade liabilities

Trade liabilities are non-derivative financial liabilities with fixed payments or payments calculated in the set procedure that are not traded on the active market. Such liabilities are accounted for at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of comprehensive in-come when trade liabilities are written off or amortized.

Other liabilities

Liabilities are accounted for when they form in the course of activity. Liabilities also include unused annual leave liabilities to employees.

Given the fact that funds of the measure No. 11.0.1-CPVA-V-201 "Operational Programme Administration" of Priority 11 “Technical Assistance to Administer Operational Programme” of the Operational Programme for European Union Funds Investments for 2014 - 2020 are intended for actions related to the administration of a certain EU structural operational programme for 2014 – 2020 rather

than a targeted support to VIPA, the sums received for the acquisition of non-current assets are also classified as other liabilities. These sums are used to cover costs of depreciation of the said assets.

2.10. FINANCE AND OPERATING LEASE

Upon signing the arrangement, VIPA determines whether an arrangement is a lease or it contains a lease. VIPA recognises the right-to-use lease assets and respective lease liabilities based on all the lease arrangements where VIPA is the Lessor, excluding short-term lease (lease with a term of 12 months or less) and low-value asset lease (e.g., lease of tablets and personal computers, small office furniture and phones). For this lease, VIPA recognises lease payments as operating expenses by using the straight-line method over the lease term, excluding cases when another systematic method is more representative of the time period during which the economic benefits from the leased assets are consumed.

Lease liabilities are initially measured at the present amount of lease payments which has not yet been paid, and the aforesaid amount is subsequently discounted using the interest rate provided in the lease agreement. If no interest rate is specified in the lease agreement, VIPA shall use its borrowing rate.

Lease liabilities are measured by increasing the carrying value to reflect the related interest rate (by using the effective interest rate method), and by decreasing the carrying value to reflect the lease payments made.

Right-to-use lease assets are comprised of initial assessment of the relevant lease obligation, and lease fees paid at the beginning of the day or earlier minus any lease discounts and any initial direct costs. They are later measured at cost less accumulated depreciation and impairment losses.

Right-to-use assets are depreciated over the lease term or useful life of the main assets, by considering which one is shorter. If, after the lease of assets, the right of ownership to the main assets is transferred or the costs of right-to-use lease assets reflect the fact that VIPA expects to assess the asset acquisition option, the right-to-use assets concerned are depreciated over the service life of the main assets. Depreciation starts from the date of commencement of the lease of assets.

2.11. GRANTS AND SUBSIDIES

A grant is a targeted support provided by a state or municipal institution to a company, if it has previously fulfilled or will fulfil the conditions established by the donor in the future.

Two types of grants are recognized in accounting:

- asset-related grants. They are received as non-current assets or are allocated for the purchase, construction, reconstruction or other acquisition of non-current assets. The issue of such grants may also be subject to additional conditions relating to the type, location or time when assets must be purchased or retained. Grants are accounted for at fair value of the assets received and are subsequently recognized in the statement of comprehensive income, reducing costs of depreciation of assets over the useful life of the respective non-current assets;
- income-related grants. They are issued to reimburse costs and income foregone, also any other grants not attributable to asset-related grants. Income-related grants are recognized as used to the extent that reimbursable expenses are incurred in the current or previous period, reducing the respective expenses in the statement of comprehensive income.

Grants received in advance related to the acquisition of non-current assets are accounted for as non-current liabilities till the acquisition of such assets.

Grants and subsidies are recognized when there is sufficient assurance that the grant will be received and that all the conditions for getting a grant will be fulfilled.

2.12. SHARE CAPITAL AND RESERVES

Ordinary shares are accounted for at their nominal value. The amount received for the shares sold in ex-cess of their nominal value is accounted for as share premium. Additional costs that are directly attributable to the issue of new shares are accounted for in equity after deducting them from the share premium.

2.13. PROVISIONS

Provisions are accounted for when, due to an event in the past, VIPA has a legal obligation or an irrevocable commitment, and it is likely that an outflow of resources embodying economic benefits will be required to fulfil it, and the liability amount can be measured reliably. Provisions are reviewed at each reporting date and adjusted to reflect the most accurate current estimate. Provision-related expenses are accounted for in the statement of comprehensive income at fair value, given the reimbursable amounts. If the time value of money is material, provisions are discounted using the effective pre-tax interest rate, if necessary, taking into account a certain liability-specific risk. When discounting is used, an increase in the provisions reflecting the past peri-od is accounted for as financing expenses.

2.14. TAXES

VIPA calculates taxes and other contributions to the state budget and funds, and pays them in accordance with the procedure established by the Law on Tax Administration of the Republic of Lithuania and other laws.

As at 31 December 2019, in conducting its activities, VIPA had to pay employer's social security contributions (1.77 % of the gross salary of employees), to deduct and pay personal income tax (20% of the gross salary of employees less tax-exempt income amounts), also to deduct and pay statutory pension and health insurance (19.50% / 1.8 – 3.0% of gross salary of employees).

2.15. INCOME TAX

The calculation of an income tax is based on annual profit after the measurement of the deferred income tax. Tax laws and tax rates effective at the date of the statement of financial position are followed when calculating the income tax.

Pursuant to the Law on Corporate Income Tax of the Republic of Lithuania, the taxable profit of VIPA was subject to a 15% income tax rate in 2019.

Current year tax

Current year's income tax is payable based on the taxable profit for the year. Income tax is calculated using the income tax rate effective at the beginning of the financial year.

Tax losses may be carried forward for an indefinite period, except for losses arising from the disposal of securities and / or derivative financial instruments. Losses from the disposal of securities and / or derivative financial instruments may be carried forward for 5 years and covered from profit of transactions of the same nature.

The carrying forward of tax losses is terminated if the company ceases to carry on its activities that led to these losses, except for cases when the company ceases operating for reasons beyond its control.

Deferred tax

Deferred tax is recognized for temporary differences between the carrying amount of assets and liabilities in financial statements and their respective tax base. Deferred tax liabilities are generally recognized for all temporary differences, and deferred tax assets are recognized to the extent which is likely to reduce taxable profit in the future in realizing temporary differences. Such assets and liabilities are not recognized if the temporary differences are related to goodwill or when assets or liabilities recognized in the transaction (other than a business combination) do not affect taxable nor financial profit.

Deferred tax assets are reviewed at the reporting date and are reduced if the company is not likely to have sufficient future taxable profit to realize these assets, to the sum, which is likely to reduce taxable profit in the future. Such a reduction is reversed when it becomes likely that future taxable profits will be sufficient.

Deferred tax assets and liabilities are measured using the effective tax rate, which will apply in the year when covering or paying these temporary differences is expected, based on the tax rates (and tax laws) that have been or will be adopted by the end of the reporting period. Deferred tax assets and liabilities reflect the tax consequences, which the company expects at the end of the reporting period in order to pay or cover its assets or liabilities.

Deferred tax assets and liabilities are offset when offsetting current tax assets and liabilities is legally al-lowed, and when this is related to income taxes established by those same institutions, and the company in-tends to offset tax assets and liabilities for the current year at fair value.

Current and deferred tax for the period

The current and deferred tax is recognized as an expense or income under gains or losses, except for cases when they are related to items recognized other than gains or losses (in other comprehensive income or directly in equity), in such a case the income tax is also recognized under other comprehensive income or directly in equity.

2.16. REVENUE RECOGNITION

IFRS 15 Revenue from Contracts with Customers lays down the principles, which an economic entity must apply when providing users of the financial statements with useful information on the nature, sum, time and contingencies of revenue and cash flows forming from contracts with customers.

Revenue is recognized at the transaction price when goods or services are transferred to s customers. Composite goods or services that can be separated are recognized separately, and any discounts or allowances on the contract price should normally be attributed to individual items. If a remuneration is for some reason different, the minimum amounts must be recognized, if the risk that they will be restored is insignificant. Expenses incurred in order to assure the conclusion of contracts with customers must be capitalized and amortized over the life of the contract.

Pursuant to IFRS 15, an operating liability (a commitment to deliver goods or services to a customer) is established in the contract also indicating if a customer is an entity acting at its own expense (supplier of goods and services) or an agent (responsible for arranging the supply of goods or services) and if the licensing revenue should be recognized at a certain moment or over a certain period of time.

VIPA’s revenue comprises a management fee for its administered / managed funds (JESSICA Holding Fund, Energy Efficiency Fund, Multi-Apartment Building Modernization Fund, Cultural Heritage Fund and Municipal Building Funds), calculated according to approved methodologies.

Interest revenue is recognized on accrual basis, taking into account the debt balance and the applicable interest rate. The interest income received is presented in the statement of cash flows as

the change in other amounts receivable after one year (financial assets) in the cash flow from operating activities.

2.17. EXPENSE RECOGNITION

Expenses are recognized in accounting in accordance with the principles of accrual and comparability in the reporting period when the related income is earned, irrespective of the time of spending money. In cases where the expenses incurred during the reporting period cannot be directly linked to earning specific income and will not generate revenue in future periods, these expenses will be recognized as costs in the same period as incurred.

VIPA expenses comprise the cost of sale and operating expenses. The cost of sale includes expenses directly attributable to its operating activity: salary of responsible employees, costs of services and goods, which are necessary to carry out activities and which can be clearly separated and identified. Operating expenses include general and administrative expenses necessary to ensure proper functioning of the company.

On 1 August 2016, VIPA signed contracts with the Public Institution Central Project Management Agency for the projects “Private Limited Liability Company Public Investment Development Agency - Administration of the Operational Programme” (Project No. 11.0.1-CPVA-V-201-01-0012) and “Private Limited Liability Company Public Investment Development Agency - Informing about the Operational Programme” (Project No 12.0.1-CPVA-V-202-01-0015), funds of which are used to compensate a part of maintenance expenses of the institution related to the administration of projects of the 2014 – 2020 EU fund investment operational programme administration period financed by way of a refund subsidy.

2.18. CONTINGENT LIABILITIES

Contingent liabilities are not accounted for in the financial statements, but they are disclosed, except when their impact on financial results is negligible.

Contingent assets are not accounted for in the financial statements, but are disclosed in the notes when they are expected to generate economic benefits.

2.19. RELATED PARTIES

Shareholders, members of the Board, their relatives, state-owned enterprises (for the purposes of disclosure, enterprises subordinate to the Ministry of Finance of the Republic of Lithuania having significant transactions or balances only) and companies that directly or indirectly control the company or are controlled separately or together with another party, which is also recognized as a related party, subject to the condition that this relation allows one party to control the other party or to exercise significant influence over another party in making financial and management decisions.

2.20. FAIR VALUE

Fair value is defined as the price at which assets would be sold at the measurement date, or a liability would be transferred on the basis of an actual transaction between market participants. There are three tiers of fair value hierarchy.

The first tier includes the fair value of units of assets, which was determined on the basis of quoted prices (unadjusted) of identical assets in active markets.

The second level is the fair value of the units of assets determined on the basis of directly or indirectly monitored indicators.

The third tier includes the fair value of the units of assets determined on the basis of unmonitored indicators.

Significant accounting estimates are constantly reviewed and measured based on past experience and other factors, including the likelihood of future events, which is considered reasonable under certain circum-stances.

The preparation of financial statements in accordance with the IFRS adopted by the EU requires management making certain assumptions and estimates that affect the reported amounts of assets, liabilities, income and expenses, and disclosures of contingencies. The key areas where estimates were used to prepare these financial statements are discussed below:

Tax inspections

The Tax Inspectorate may, at any time during the five consecutive years following the reporting tax year, review the accounts and calculate additional taxes and fines. There are no circumstances known to VIPA's management that could lead to a potential significant liability in this respect.

Deferred income tax assets

Deferred income tax assets are recognized for all unused tax losses in the statement of financial position when generating the planned tax profit in the future, which would be sufficient to offset temporary differences, is likely. A significant management evaluation is necessary to determine the amount of deferred tax as-sets, which can be recognized, taking into account the timing and the level of future taxable profits, along with future tax planning strategies.

VIPA management estimates that in the future, VIPA will have sufficient taxable profit and will be able to realize deferred tax assets recognized in the statement of financial position.

2.21. EVENTS AFTER THE REPORTING DATE

All the events (adjusting events) that occurred after the date of the statement of financial position are recognized in the financial statements if they relate to the reporting period and have a material impact on the financial statements.

2.22. OFFSETTING

When preparing financial statements, assets and liabilities as well as income and expenses are not offset, except for cases where a separate IFRS so requires and permits such particular offsetting.

Amounts in tables may differ due to the rounding of certain individual amounts to the euro; such rounding errors are insignificant in these financial statements.

NOTES TO THE STATEMENT OF FINANCIAL POSITION

Note 1. Intangible assets (EUR)

Item	Licenses	Software	Total
Acquisition cost			
Balance as at 31 December 2017	**73.523**	**309.800**	**383.323**
Acquired assets	-	36.300	36.300
Assets transferred and written off	-	-	-
Rounding error	-	-	-

Balance as at 31 December 2018	**73.523**	**346.100**	**419.623**
Acquired assets	2.752	67.250	70.002
Assets transferred and written off	(2.818)	(1.379)	(4.197)
Balance as at 31 December 2019	**73.457**	**411.971**	**485.428**
Accrued amortization			
Balance as at 31 December 2017	**32.803**	**80.041**	**112.844**
Calculated amortization	21.757	17.342	39.099
Assets transferred and written off	-	-	-
Rounding error	-	-	-
Balance as at 31 December 2018	**54.560**	**97.383**	**151.943**
Calculated amortization	19.040	31.482	50.522
Assets transferred and written off	(2.818)	(1.380)	(4.198)
Balance as at 31 December 2019	**70.782**	**127.485**	**198.267**
Residual value			
31 December 2017	40.720	229.759	270.479
31 December 2018	18.963	248.717	267.680
31 December 2019	2.675	284.486	287.161

VIPA does not have any intangible assets acquired or to be acquired under leasing agreements.

A part of intangible assets, the cost of acquisition of which on 31 December 2019 was equal to EUR 109 622 (EUR 85 361 on 31 December 2018 and EUR 10 070 on 31 December 2017), was fully amortized but is still in use in VIPA activities.

Note 2. Non-current tangible assets (EUR)

VIPA does not have any tangible assets acquired or to be acquired under leasing agreements.

A part of tangible assets, the cost of acquisition of which on 31 December 2019 was equal to EUR 138 263 / residual value EUR 16 (EUR 48 263 / residual value EUR 7 on 31 December 2018 and EUR 22 393 / residual value EUR 3 on 31 December 2017), was fully depreciated but is still in use in VIPA activities.

Item	Machinery and equipment	Other equipment	Other non-current assets	Other plant and equipment	Total
Acquisition cost					
Balance as at 31 December 2017	**1.083**	**-**	**-**	**170.594**	**171.677**
Acquired assets	-	-	-	27.425	27.425
Transfers	-	-	-	(4.341)	(4.341)
Assets transferred and written off	-	-	-	-	-
Balance as at 31 December 2018	**1.083**	**-**	**-**	**193.678**	**194.761**
Acquired assets	-	-	-	31.586	31.586
Assets written off	(1.083)			(9.427)	(10.510)

31 December 2019	**-**	**-**	**-**	**215.837**	**215.837**
		Accrued depreciation			
Balance as at 31 December 2017	**946**	**-**	**-**	**122.824**	**123.770**
Transfers	-	-	-	-	-
Calculated depreciation	137	-	-	30.664	30.801
Assets written off	-	-	-	(2.983)	(2.983)
Balance as at 31 December 2018	**1.083**	**-**	**-**	**150.505**	**151.588**
Calculated amortization	-	-	-	25.627	25.627
Assets written off	(1.083)	-	-	(9.426)	(10.509)
31 December 2019	**-**	**-**	**-**	**166.706**	**166.706**
		Residual value			
31 December 2017	**137**	**-**	-	**47.770**	**47.907**
31 December 2018	-	-	-	**43.173**	**43.173**
31 December 2019	-	-	-	**49.131**	**49.131**

Note 3. Right-to-use assets (EUR)

On 1 January 2019, VIPA started applying IFRS 16 Leases. As a result of the application of IFRS 16, VIPA recognizes the right-of-use of assets and lease obligations for all contracts that are lease agreements, or a part of which are a lease agreement. As of 1 January 2019, VIPA has accounted for lease transactions in the statement of financial position.

Item	Rights to immovable property
Acquisition cost	
1 December 2019	-
Acquired assets	304.438
Assets written-off	-
Balance as at 31 December 2019	**304.438**
Accrued depreciation	
Balance as at 1 December 2019	-
Calculated depreciation	107.496
Assets written-off	-
31 December 2019	**107.496**
Residual value	
31 December 2019	**196.942**

In December 2016, VIPA entered into a car lease (operating asset lease) agreement that will expire in May 2020.

VIPA has been leasing administrative premises. In 2014, VIPA entered into a lease agreement of non-residential premises that expired in December 2018. In October 2018, in signed a new lease agreement of non-residential premises, which took effect in January 2019.

Right-to-use assets:

In EUR	2021	2020	2019
Right to immovable property	96.666	96.666	96.666
Right to vehicles	-	3.610	10.830
Total	**96.666**	**100.276**	**107.496**

Note 4. Financial assets (EUR)

On 3 July 2018, the energy distribution company Energijos Skirstymo Operatorius (ESO), which is a part of the state-owned Lietuvos Energija Group, and VIPA signed documents of incorporation of the limited partnership Platform for Financial Energy Efficiency Projects (hereinafter - EEPFP). ESO manages the EEPFP under the right of a limited partner, i.e. its liability is limited to a contribution of EUR 10 million, which, depending on necessity, it will contribute for the period of 10 years, and VIPA will be responsible for all the activities of EEPFP: a search for projects to be financed, evaluation, administration of applications, etc. VIPA (full member of the EEPFP) contributed EUR 1 pursuant to provisions of the agreement of members in the LP “Energy Efficiency Financing Platform”.

Funds of the established EEPFP will be used to finance projects for the implementation of technologies reducing energy consumption. This investment platform for project financing will ensure access to funds of both Lithuanian institutional investors and international financial institutions. One loan agreement was signed in 2019.

Note 5. Other non-current assets (EUR)

Deferred income tax assets are calculated after the measurement of annual leave accruals, which consist of a salary (annual leave) component, social security contributions payable by the employer and accrual for retirement benefits for employees having reached retirement age:

	31 December 2019	**31 December 2018**
Provisions for pensions and similar liabilities	4.362	4.362
Accruals for annual leave - salary	83.858	63.588
Accruals for annual leave – social security contributions	1.484	1.142
Total	**89.704**	**69.092**
	15%	15%
Deferred income tax assets	**13.456**	**10.364**

Note 6. Inventories (EUR)

Item	**31 December 2019**	**31 December 2018**
Balance at the beginning of the reporting period	7.044	6.487
Acquisitions during the reporting period	17.285	17.007
Write-offs during the reporting period	(24.329)	(16.450)
Residual value	-	7.044

VIPA inventories include stationery, fuel for a company car and low-value inventory.

Note 7. Prepayments/ advances paid (EUR)

Item	**31 December 2019**	**31 December 2018**
Prepayments/ advance payments to suppliers:	9.643	7.237
services of goods supply	*266*	-
training services	-	*298*
services of rent of car parking spaces	*1.911*	*1.911*
audit services	-	*2.520*
software acquisition	*7.260*	-
website maintenance, upgrades	-	-
software maintenance, upgrades	-	*941*
other services	*206*	*1.567*

Note 8. Debts of associates and other receivables (EUR)

Receivables	31 December 2019	31 December 2018
LP Energy Efficiency Financing Platform	143.435	33.193
International projects being carried out by VIPA	36.425	45.456
Technical support	12.551	12.332
Management fee receivable	673.724	418.358
Other receivables	8.634	7.539
Budget debt to the company	1.069	47.245
Total	875.838	564.123

Note 9. Short-term investments

In order to avoid taxation on negative bank account balance, on 8 August 2019, VIPA concluded a 9-month term deposit agreement with AB Šiaulių Bankas (for the deposit amount of EUR 999 900; with the maturity of the deposit on 8 May 2020. On 3 September 2019, VIPA concluded a 6-month term deposit agreement with AB Luminor bank (for the deposit amount of EUR 9 000 000; with the maturity of the deposit on 3 March 2020).

Note 10. Cash and cash equivalents

VIPA settlements are possible and payments are only made by a bank transfer (it has no cash in hand).

As at 31 December 2019 and 31 December 2018, cash and cash equivalents comprise monetary funds in bank accounts denominated in euro.

VIPA keeps its own monetary funds in Swedbank AB, AB Šiaulių Bankas and AB Luminor bank.

The statement of cash flows is prepared using the indirect method, when the net profit (loss) of the reporting period is recalculated to the amount of money received or issued during the reporting period in the core activity of VIPA.

Note 11. Deferred expenses (EUR)

Deferred expenses in VIPA accounting include subscription, insurance and similar services of con-tinuous nature, when both of the following conditions are met:

- services are paid for under an invoice, an insurance policy or another accounting document con-firming the provision of the services;
- services will be received constantly, for more than one reporting period, for which a set of annual or interim financial statements is prepared.

Each time when financial statements are prepared, the portion of expenses for the period is calculated, adjusting the balance of the upcoming periods and registering expenses of the reporting period.

Deferred expenses	31 December 2019	31 December 2018
- subscription	95	371
- fee of connection to Lexnet system	671	-
- fee TOP company 2019 gold	330	-
- car insurance	624	695
- property insurance	293	293
- annual anti-virus license fee	6.154	5.600
- public procurement software license	2.934	-
- civil liability insurance of management	3.948	2.871
- VIPA website hosting fee	55	49
- business trip expenses	314	-
Total	**15.418**	**9.879**

Note 12. Shareholders' equity (EUR)

Shareholder	Number of ordinary shares (pcs.)	Value of ordinary shares (EUR)	%
	31 December 2019		
Ministry of Finance of the Republic of Lithuania	379.874	11.001.151	100

Profit (loss) per share is calculated by dividing net profit (net loss) of VIPA of the reporting period by the number of shares.

Item	31 December 2019	31 December 2018
Net profit (loss) of the reporting period, Eur	257.794	69.633
Number of shares, pcs.	379.874	69.100
Profit (loss) per share, Eur	0,68	1,01

Note 13. Reserves (EUR)

Pursuant to the Law on Companies of the Republic of Lithuania, VIPA must transfer at least 1/20 (5 percent) of profit of the reporting financial year to statutory reserves till the reserve reaches the amount of 1/10 of the authorized capital at the least (no more than 10 percent of the authorized capital value). Statutory reserve may only be used to cover VIPA losses.

Pursuant to Article 15 of the Law on National Promotional Institutions of the Republic of Lithuania (hereinafter – NPI), VIPA as an NPI shall form a special capital reserve in the value of 5 percent of the authorized capital at the least. The special capital reserve shall be formed on an accrual basis, allocating at least 10 percent of the distributed profit of that year until the set reserve level is reached. The special capital reserve may be used to cover losses of the NPI by a decision of a general meeting of shareholders.

Item	31 December 2019	31 December 2018
Statutory reserve, Eur	236.604	233.122
Special capital reserve (Law on NPI), Eur	33.314	
Other reserve (for motivating employees), Eur		49.035

Note 14. Retained earnings (losses) (EUR)

VIPA revenue consists of a management fee received for:

- carrying the functions of a financial intermediary, in the implementation of the multi-apartment building renovation (modernization) programme;
- carrying the functions of a financial intermediary, in the implementation of the programme for renovation (modernization) of dormitories of schools of higher education and vocational training institutions;
- carrying out the functions of the manager of the Multi-Apartment Building Modernization Fund;
- carrying out the functions of the manager of the Energy Efficiency Fund;
- carrying out the functions of the manager of the Cultural Heritage and the Municipal Buildings Fund;
- carrying out the functions of the manager of the Water Management Fund.

Item	31 December 2019	31 December 2018
Functions of a financial intermediary	452.204	502.456
Functions of a fund manager	1.789.139	1.126.849
Total	**2.241.343**	**1.629.305**

Other revenue:

Item	31 December 2019	31 December 2018
Other operating income	35.725	69.743
Income from fines and late payment interest	4.616	2.402
Other financial income	16.217	2.714
Total	**56.558**	**74.859**

VIPA has been implementing the 2014-2020 projects “Operational Programme Administration” and “Informing about the Operational Programme”, expenses incurred at the time of which are reimbursed from the funds of EU technical support for 2014-2020. A part of operating expenses is compensated from the funds of the international projects and the LP Energy Efficiency Financing Platform, where VIPA is involved.

Expense items	2019			2018
	Total expenses	**Compensation of expenses**	**Expenses after compensation**	**Expenses after compensation**
Salary and social security expenses	1.652.469	(342.749)	1.309.720	986.583
Depreciation and amortization	180.991	(19.753)	161.238	69.978
Premises and car rental expenses *	-	-	-	64.100
Utilities	13.668	(1.640)	12.028	10.306
Car operation expenses, fuel	9.437	-	9.437	10.884
Communications service expenses	7.926	-	7.926	9.859
Business trip expenses	28.595	(10.130)	18.465	29.690
Training expenses	18.807	-	18.807	19.425
Advisory and legal services	80.701	-	80.701	139.029
Non-current asset maintenance services	89.091	-	89.091	45.938
Operating expenses	312.902	(23.292)	289.610	233.522
Income tax expenses	43.010	-	43.010	15.216
Total	**2.437.597**	**(397.564)**	**2.040.033**	**1.634.530**

- Pursuant to IFRS 16 Leases, VIPA has recognized the rights to use assets and lease obligations in respect of agreements that are lease agreements or a part of which are lease agreements. Under the item "Non-Current Assets" VIPA accounted for the leased assets and recognized lease fee expenses of the lease liabilities and depreciation of the rights to assets.

Note 15. Amounts payable and liabilities (EUR)

Creditors	Liabilities, amounts payable			
	Within one year		After one year	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Provisions for pensions and similar liabilities	-	-	4.362	4362
Liabilities to suppliers	31.549	10.406	-	-
Accruals for annual leave	85.342	63.588	-	-
Other amounts payable and liabilities	103.751	9.185.336	-	-
Accrued expenses	3.460	22.894	-	-
Liabilities under contracts in progress	100.276	-	96.666	-
Total	**324.378**	**9.282.224**	**101.028**	**4.362**

On 31 December 2019, annual leave reserve was calculated in light of the tax reform, average salary expenses and accrued unused annual leave days by the end of the reporting period.

Other payables and liabilities:

- EUR 34 579 – technical support funds;
- EUR 61 211 – CityzEE international project funds;
- EUR 6 897 – Horizon 2020 international project funds;
- EUR 1 064 – other amounts payable.

Liabilities under contracts in progress (these are lease agreements the liabilities of which have been recognized as non-current assets "Rights to assets leased”):

- amounts payable within one year- to Transporent, UAB for car lease – EUR 3 610; to Mano Turtas, UAB for rent of administrative premises – EUR 96 666;
- amounts payable after one year – to Mano Turtas, UAB for rent of administrative premises – EUR 96 666.

Note 16. Contingent liabilities

VIPA’s financial liabilities are accounted for only when the company commits to pay cash or to settle using other assets. The planned transactions, provided warranties and guarantees, which do not have to be executed yet, are not recognized as financial liabilities of VIPA until they meet the definition of a financial liability. VIPA had no such liabilities at the end of the reporting period.

VIPA has not issued any guarantees to third parties or has not pledged its assets.

Provisions

A provision of EUR 4 362 was formed for a severance pay to employees having reached retirement age in the statement of financial position of 31 December 2019, under non-current liabilities – provisions for pensions and similar liabilities, which comprises an average salary of employees of 2 months.

Litigation

VIPA does not have any significant legal disputes with third parties.

To the best of the management’s knowledge, no claims have been filed against VIPA as a defendant.

There are no known cases of tax or other claims, violations of laws or subordinate legislation, VIPA-related investigations, which were or are being carried out by any governmental authority controlling the company, or no other possible liability cases in VIPA.

Representing the Multi-Apartment Building Modernization Fund and Jessica Fund, VIPA participated as a claimant in civil proceedings for the adjudgment of debts under multi-apartment building renovation loan agreements from owners of apartments of multi-apartment buildings in the reporting year. Claims for the adjudgment of debts, procedural interest and litigation expenses were upheld.

At the end of the reporting period, representing its managed Multi-Apartment Buildings Modernization Fund and Jessica Fund, VIPA participated as a claimant for the adjudgment of a debt of EUR 5 665 from the owner of apartments of multi-apartment buildings under a multi-apartment building renovation loan agreement; the owner has covered the debt as at the end of the reporting period. VIPA and UAB Būsto Valda have entered into a peaceful settlement agreement on the repayment of loan funds used for other than their intended purpose in accordance with which UAB Būsto Valda shall cover the debt by 25 February 2020. The debt amount was EUR 7 035 as at 31 December 2019.

Managing capital risk

requirements and ensures the continuity of its activities. VIPA's capital comprises the capital of the owner – the state, the capital matching the assets, reserves and retained earnings. The Ministry of Finance of the Republic of Lithuania is the manager of VIPA's shares owned by the state.

The Ministry of Finance of the Republic of Lithuania lays down in the established strategic planning documents of VIPA the requirements to be met by the company and the company's target indicators, the execution of which is presented in VIPA's activity report.

VIPA achieved its goals set for 2019:

- Return on equity – target indicator ≥ 1.0 percent, achievement – 2,23 percent (2,71 percent in 2018, 7,76 percent – in 2017 and 13,69 percent in 2018);
- Earnings before interest, tax, depreciation and amortization (EBITDA) – target indicator EUR 0,2 million, achievement – EUR 0,46 million (EUR 0,15 million – in 2018, EUR 0,4 million – in 2017 and EUR 0,6 million - in 2016).

Dividends are allocated and paid in accordance with provisions of Resolution No. 20 of the Government of the Republic of Lithuania "Regarding Dividends on State-Owned Company Shares and Contributions on State Enterprise Profits" of 14 January 1997 (recast of 1 January 2017).

Credit risk

VIPA diversifies its free cash funds in banks, concluding transactions solely with those institutions that have high credit ratings (A- at the least) of long-term foreign currency borrowing, either themselves or their controlling banks, or have been recognized by VIPA partners (European Bank for Reconstruction and Development, European Investment Bank).

3 percent of VIPA funds are kept in Swedbank AB (rating Aa2 awarded by the international rating agency Moody's Investors Service on 31 December 2018), 11 percent – in AB Šiaulių Bankas (a deposit of EUR 0.9 million; rating Baa2 awarded by Moody's on 24 05 2019); the largest shareholder of the European Bank for Reconstruction and Development - VIPA partner) and 86 percent – in AB Luminor bank (a deposit of EUR 9 million; rating Baa1 awarded by the international rating agency Moody's Investors Service on 11 09 2018).

Liquidity risk

Conservative liquidity risk management means ensuring sufficient cash and cash equivalents. VIPA's cash flows are positive and its current assets largely outweigh its current liabilities, resulting in very low liquidity risk. For this reason, VIPA's management has not put in place any formal procedures for managing liquidity risk.

Liquidity risk is managed by planning the movement of VIPA's cash flows. VIPA has an obligation to pre-pare a 3-year strategic plan and an income-cost estimate, the fulfilment of which is controlled by the share-holder.

Operational risk

The operational risk is the likelihood to incur losses for improper or ineffective:

1) internal processes,
2) people and
3) systems or
4) external events.

The definition of operational risk includes the risk of compliance and reputation.

The purpose of operational risk management is to identify, assess, monitor and control the operational risk of all significant areas of VIPA activities, processes and systems in a timely manner in order to protect the Company's assets and interests of its shareholders.

At the end of 2018, VIPA became the national promotional institution supervised by the Bank of Lithuania. To this end, the Risk Management Procedure was updated, supplementing it with concepts and management instruments more relevant for the banking sector.

Financial risk management

To calculate the impairment of loans disbursed from administered / managed funds, loans have been measured and divided into risk groups. Each loan risk group is subject to different loss coefficients:

Risk group II (payment deadlines missed for 31 to 60 calendar days (inclusive)) - at least 5 percent of the unsecured loan portion;

Risk group III (payment deadlines missed for 61 to 90 calendar days (inclusive)) - at least 25 percent of the unsecured loan portion;

Risk group IV (payment deadlines missed for 91 to 120 calendar days (inclusive)) - at least 50 percent of the unsecured loan portion;

Risk group V (payment deadlines missed for more than 120 calendar days) - 100 percent of the unsecured loan portion.

Note 17. Other material information

In Lithuania, the implementation of financial instruments for infrastructure has started with the aim to renovate (modernize) multi-apartment buildings. To this end, JESSICA Holding Fund (JESSICA HF), managed by the European Investment Bank, was established in 2009, choosing VIPA to act as a financial intermediary. An agreement was signed with the European Investment Bank (EIB) on the provision and administration of preferential loans for renovation of student dormitories of educational institutions in 2013. VIPA was appointed a financial intermediary.

The JESSICA Holding Fund is accounted for separately in off-balance sheet accounts, and separate financial statements are not prepared for this fund.

In the performance of the Conditional Loan Agreement, which VIPA together with the Central Project Management Agency (hereinafter - CPMA) signed with the European Investment Bank on 19 August 2013 for the renovation (modernization) of multi-apartment buildings in the implementation of activities of the JESSICA Holding Fund in Lithuania, VIPA concluded a total of 115 loan agreements for renovation (modernization) of multi-apartment buildings for EUR 29.8 million. The implementation of the projects was completed in 2017, paying EUR 29.5 million in loans.

In the performance of the Conditional Loan Agreement, which VIPA together with the CPMA signed with the European Investment Bank on 18 July 2013 for the renovation (modernization) of dormitories of schools of higher education and vocational training institutions, VIPA concluded 16 loan agreements. The total value of the signed agreements is EUR 11.7 million. The implementation of the projects was completed in 2016, paying EUR 11.7 million in loans.

On 18 February 2015, VIPA signed a tripartite agreement for the establishment and financing of the Energy Efficiency Fund (ENEF) with the Ministry of Finance of the Republic of Lithuania and the Ministry of Energy of the Republic of Lithuania. The ENEF was established as a fund of funds, which VIPA manages and administers under the right of trust. The aim of the Fund is to increase energy efficiency by investing in public infra-structure. The total ENEF contribution amount is EUR 79.65 million. On 12 December 2017, a tripartite guarantee agreement was signed between Jonava district municipality, Danske Bank and VIPA for the implementation of projects of modernization of Jonava street lighting. The amount of the issued VIPA guarantee is EUR 403 000. EUR 3.9 million was disbursed in loans for the modernization of central government public buildings till 31 December 2019. EUR 0.09 million was granted in subsidies for the modernization of public central government buildings by the end of the reporting period.

On 27 March 2015, VIPA signed a tripartite agreement for the establishment and financing of the Multi-Apartment Building Modernization Fund (ABMF) with the Ministry of Finance of the Republic of Lithuania and the Ministry of Environment of the Republic of Lithuania. The goal of the ABMF is to promote energy efficiency by investing in the modernization of multi-apartment buildings. The ABMF agreement was amended on 17 September 2015, increasing the total ABMF contribution amount to EUR 74 million. The ABMF was established as a financial instrument, which VIPA manages and administer under the right of trust. 238 agreements for renovation (modernization) of multi-apartment buildings for EUR 80.2 million (using the returning funds for over-contracting) were concluded till 31 December 2019. EUR 78.73 million was actually disbursed in loans as at 31 December 2019.

On 10 May 2017, VIPA signed an agreement with the European Bank for Reconstruction and Development (EBRD) for a loan of EUR 50 million for renovation of multi-apartment buildings in Lithuania. The EBRD financing received was allocated for preferential loans for renovation of multi-apartment buildings, which are subject to the conditions laid down in the Description of the Procedure of Renovation (Modernization) of Multi-Apartment Buildings of VIPA. 134 agreement for renovation (modernization) of multi-apartment buildings were signed for EUR 50.81 million by 31 December 2019 (using the returning funds for over-contracting). EUR 38.53 million was disbursed in loans by 31 December 2019.

On 30 April 2018, VIPA signed a loan agreement with the Ministry of Finance of the Republic of Lithuania pursuant to the Resolution No. 341 of the Government of the Republic of Lithuania of 9 April 2018 “Regarding the Granting of a Loan On-lent by the State to Finance a Public Investment Project Co-Financed by European Union Funds”. The ministry has undertaken to disburse a loan of EUR 68 million to finance the state investment project “Multi-Apartment Building Modernization Fund” (ABMF). EUR 20 million was received as the Ministry’s contribution, signing 101 agreements for renovation (modernization) of multi-apartment buildings for EUR 37.98 million by 31 December 2019. EUR 9.35 million was disbursed in loans by 31 December 2019.

On 29 September 2017, the Ministry of Finance of the Republic of Lithuania, the Ministry of Culture of the Republic of Lithuania and VIPA signed an agreement on the establishment and financing of the fund of funds “Cultural Heritage Fund” (hereinafter - the CHF) contributing a total of EUR 5.2 million to the CHF. During the reporting period, financial intermediary AB Šiaulių Bankas was paid EUR 1.25 million. According to the report submitted by AB Šiaulių Bankas, EUR 0.5 million was paid out for two sub-contracted loans by 31 December 2019 - UAB Plungės Darna for maintenance (renewal and upgrading) of the Šateikiai manor house and UAB Plungės Darna for maintenance construction and repair works of the building located at Stoties g. 32, Mažeikiai.

On 27 September 2017, the Ministry of Finance of the Republic of Lithuania, the Ministry of Environment of the Republic of Lithuania and VIPA signed an agreement on the establishment and financing of the fund of funds “Municipal Buildings Fund” (hereinafter - MBF) contributing a total of EUR 17.3 million to the MBF. The agreement with the selected manager of the financial instrument AB Šiaulių Bankas was signed on 18 May 2018. According to the report presented by AB Šiaulių Bankas, EUR 1.91 million was paid out to Tauragė, Šalčininkai, Elektrėnai and Molėtai District Municipality Administrations by 31 December 2019.

Since 1 January 2016, the funds of funds have become public sector entities and their accounting was separated from VIPA’s accounting.

As at 31 December 2019, VIPA’s free funds in bank accounts totalled EUR 0.523 million.

Free funds of the managed funds (that are not owned by VIPA):

- ABMF - EUR 19.71 million,
- ENEF - EUR 1.73 million,
- CHF - EUR 0.003 million,
- MBF - EUR 0.010 million,
- PF - EUR 0.499 million.

Free funds of the JESSICA Holding Fund totalled EUR 1.791 million.

Funds of the Multi-Apartment Building Renovation (Modernization) Programme can be used exclusively for renovation (modernization) of multi-apartment buildings, i.e. for transferring funds to companies conducting contractor works, paying a VIPA management fee and repaying funds to the European Investment Bank.

The funds of the Dormitories Renovation (Modernization) Programme can be used exclusively for renovation (modernization) of dormitories, i. e. for transferring funds to companies conducting contractor works, paying a VIPA management fee and repaying funds to the European Investment Bank.

Money in VIPA bank accounts, which VIPA has at its disposal in the implementation of programmes for the renovation (modernization) of dormitories of schools of higher education and vocational training institutions and programmes for the renovation (modernization) of multi-apartment buildings financed from the funds of the JESSICA Holding Fund, is not considered to be ownership of VIPA. The funds of this instrument are accounted for in VIPA's accounting using a separate accounting code.

Note 17. Financial relations with company managers and other related persons

Parties are considered to be related when one party has the opportunity to control or to exert a significant influence over another party in making financial and operating decisions.

VIPA's related parties include a limited partnership "Energy Efficiency Financing Platform" (where VIPA is a full member), VIPA's management, its Board, Supervisory Board and their related persons. VIPA has not concluded any transactions other than those listed in the previous comments with these persons neither in the reporting nor in previous years.

In 2019, 2018, 2017 and 2016, VIPA management (its Director, members of the Board and the Supervisory Board) were not granted any loans, guarantees, no other sums were paid or calculated to them, and no assets were transferred.

	31 December 2019	**31 December 2018**
Employment relations-related amounts accrued for VIPA management during the reporting period	176.397	130.409
Bonus awarded to the manager from distributable profits	13.286	8.788
Severance pay	11.864	
Average number of managers during the reporting period	3	4

Note 18. Events after the reporting period

On the date of the preparation of the financial statements, VIPA's management had not yet prepared a profit (loss) distribution project.

There were no other events after the reporting period that could have had a significant impact on VIPA financial statements till the date of approval of the statements.

30 March 2020

CEO Gvidas Dargužas

Chief Financial Officer Raimonda Lauraitytė