

Riga, 17th of June, 2019

“LATVIAN BALTIC ENERGY EFFICIENCY FACILITY” JSC

Annual report for year from 01.01.2018 - 31.12.2018
and an Independent Auditors' Report

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COMPANY INFORMATION

Name of the Company	"LATVIAN BALTIC ENERGY EFFICIENCY FACILITY" JSC		
Legal status of the Company	Join Stock Company		
Registration No., place and date	40103960646, Rīga, 12.01.2016		
Registered office	Baznīcas iela 8 - 22, Rīga, LV-1010		
Major shareholders	Funding for Future B.V. - 100% Reg. No. 853870317 Reg. address: Stetweg 43 b, 1901JD Castricum, The Netherlands		
Members of the Board	Nicolas Stancioff	–	Board member
Members of the Council	Gunta Cekule Andris Siliņš Harijs Švarcs	– – –	Council member Council member Council member
Annual report drawn up by	Inese Plūme-Rubiķe SIA" Shared Services" Reģ.Nr. 40103749736 Noliktavas iela 3 -2, Rīga	–	outsourced accountant
Reporting year	from 01.01.2018	to	31.12.2018
Previous reporting year	from 01.01.2017	to	31.12.2017
Type of company's activity	Other financial service activities, except insurance and pension funding n.e.c		
NACE classification code	64.99		
Auditors	Grant Thornton Baltic Audit SIA	Certified Auditor	
	Blaumana str. 22 Rīga, LV - 1011 License No. 183		Raivis Irbitis Certificate No. 205

INCOME STATEMENT
(classified per function of expenditure)

	Note number	01.01.2018 - 31.12.2018 EUR	01.01.2017- 31.12.2017 EUR
Gross profit or loss		-	-
Administrative expenses	2	(6 412)	(20 175)
Other operating expenses	3	(9 573)	(40 268)
Other interest and similar income:	4	11 758	-
b) from other persons.		<i>11 758</i>	-
Interest payments and similar expenses:	5	(9 688)	(13)
b) to other persons.		<i>(9 688)</i>	<i>(13)</i>
Profit or loss before the corporate income tax		(13 915)	(60 456)
Corporate income tax for the reporting year		(50)	(50)
Profit or loss after calculating the corporate income tax		(13 965)	(60 506)
Profit or loss of the reporting year		(13 965)	(60 506)

Notes on pages 7 to 12 form are integral part of these financial statements.

Nicolas Stancioff
(Board member)

signature

17th of June, 2019

Annual report drawn up by:

Inese Plūme-Rubiķe
(outsourced accountant)

signature

BALANCE SHEET

ASSETS	Note number	31.12.2018 EUR	31.12.2017 EUR
Long-term investments			
Long-term financial investments			
Other securities and investments	6	688 076	-
Total long-term financial investments		688 076	-
Total long-term investments		688 076	-
Current assets			
Receivables			
Other receivables	7	96	132
Total receivables		96	132
Short-term financial investments			
Other securities and investments	6	30 583	-
Total short-term financial investments		30 583	-
Cash and cash equivalents		59 152	377 991
Total current assets		89 831	378 123
TOTAL ASSETS		777 907	378 123

BALANCE SHEET

LIABILITIES	Note number	31.12.2018 EUR	31.12.2017 EUR
Equity capital			
Share capital (equity capital)	8	395 000	395 000
Retained earnings or uncovered losses of previous years		(80 593)	(20 087)
Profit or loss of the reporting year		(13 965)	(60 506)
Total equity capital		300 442	314 407
Long-term liabilities			
Borrowings from credit institutions	10	360 886	-
Total long-term liabilities		360 886	-
Short-term liabilities			
Shares convertible loans	9	57 163	-
Borrowings from credit institutions	10	40 187	-
Trade payables		781	309
Taxes and mandatory state social insurance contributions	11	50	50
Other liabilities	12	13 013	62 220
Accrued liabilities	13	5 385	1 137
Total short-term liabilities		116 579	63 716
Total liabilities		477 465	63 716
TOTAL LIABILITIES		777 907	378 123

Notes on pages 7 to 12 form are integral part of these financial statements.

Nicolas Stancioff
(Board member)

signature

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NOTES TO THE FINANCIAL STATEMENTS

(1) Significant accounting principles

Principles of preparation of financial statements

The Annual Report has been prepared in accordance with the laws “On Accounting” and “Law On the Annual Financial Statements and Consolidated Financial Statements”.

The income statement has been classified using function of expenditure method.

Reporting period

The reporting period is 12 months 01.01.2018 to 31.12.2018
The previous reporting period is 12 months from 01.01.2017 to 31.12.2017

Accounting principles

The financial statements have been prepared by assuming that the Company will be a going concern also in the future, will be using accounting and evaluation methods consistently compared to the prior financial year, assessment have been made with proper prudence.

Transactions in foreign currencies

Financial reports are prepared in the single currency of the European Union, euro (EUR).

All transactions in foreign currencies are converted into euro according to the official currency exchange rate set by the European Central Bank on the respective day of transaction. All monetary assets and liabilities are converted into euro according to the exchange rate set by the European Central Bank on the last day of the financial year.

Profit or loss gained as a result of currency exchange rate fluctuations have been recognized in the income statement for the respective period.

Related parties

A related party is a person or an entity that is related to the reporting Company.

A person or a close member of that person's family is related to the reporting Company if that person has control, joint control or significant influence over the reporting Company or is a member of the key management personnel of the reporting Company or of a parent of the reporting Company.

An entity is related to the reporting Company if they are members of the same group. Also an entity is related to the reporting Company if the entity is controlled, jointly controlled or significantly influenced by a related person of the reporting Company or this related person of the reporting Company is a member of the key management personnel of that entity or of a parent of that entity.

Long-term financial investments

Other securities and investments

Long-term investments in debt instruments and securities are recognised in their acquisition value, less any impairment, if any recognized.

Receivables

Receivables are recognized according to the amount of initial invoices, less accruals for doubtful debts. Accruals are made if receipt of full amount of the debt is doubtful. Debts are written off if their recovery is considered as impossible.

Cash

Cash is non-cash in payment accounts and deposit accounts. Company doesn't have transactions in cash.

Accrued liabilities

Accrued liabilities are clearly known trade liability sums for the goods or services received within the reporting year when a relevant payment document (an invoice) has failed to be received on the date of drawing up the balance sheet. The liability sums are calculated, based on the price, which is defined in the relevant agreement, and on the documents that approve actual receipt of the goods or services.

Recognition of income

Revenue recognition from the sale of goods is recognised as soon as a significant portion of ownership and risks of goods are transferred to the customer, and the reward can be measured reliably. Revenue from rendering of services is recognised in proportion to the stage of completion of the order. Dividend income is recognised when the shareholder's right to receive payment is established. Interest income is recognised in the corresponding period of time.

Corporate income tax

The corporate income tax for the reporting period consists of the calculated tax for such period. The corporate income tax is recognised in the profit or loss statement. The tax for the reporting period is calculated according to the provisions of the law “Enterprise Income Tax Law”.

As of taxation year of 2018, corporate income tax is calculated for distributed profit (dividends) and conditionally distributed profit by applying the rate of 20%. Corporate income tax is recognised at the moment when the participants of the Company will make a decision on distribution of profit, or when the costs not promoting further development of the Company (conditionally distributed profit) will be recorded.

As of 2018, when the taxable basis for the corporate income tax changes, temporary differences in provision on depreciation of the fixed assets do not form; differences for debts of debtors are insignificant; but tax losses to be transferred to the next reporting periods are limited in time and options of use thereof (for 50% from the calculated dividends may be used for no longer than 5 years). On the basis of above, as of 2017 the Company does not form deferred tax.

Reclassification

Certain items of previous period in financial reports of 2018 have been reclassified to correspond to the form of reflecting this year's report.

Year 2017	Initial balance, EUR	Correction, EUR	Corrected balance, EUR
<i>Production cost of goods sold, acquisition cost of goods sold or services provided</i>	(18 389)	18 389	-
<i>Administrative expenses</i>	(1 786)	(18 389)	(20 175)

Subsequent events

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

(2) Administrative expenses

	01.01.2018 - 31.12.2018	01.01.2017- 31.12.2017
	EUR	EUR
Audit expenses	5 595	1 000
Accounting expenses	617	515
Bank charges	134	98
Other administration costs	66	173
Lawyers expenses	-	18 389
Total	6 412	20 175

(3) Other operating expenses

	01.01.2018 - 31.12.2018	01.01.2017- 31.12.2017
	EUR	EUR
Commission Charge (EBRD)	9 573	40 268
Total	9 573	40 268

(4) Other interest and similar income:

	01.01.2018 - 31.12.2018	01.01.2017- 31.12.2017
	EUR	EUR
Interest income	11 758	-
Total	11 758	-

(5) Interest payments and similar expenses:

	01.01.2018 - 31.12.2018	01.01.2017- 31.12.2017
	EUR	EUR
Interest expenses	9 688	13
Total	9 688	13

(6) Other securities and investments

	31.12.2018	31.12.2017
	EUR	EUR
Acquisition in the reporting year (+):	726 000	-
Revaluation in the reporting year (-):	(7 341)	-
Other securities and investments at the end of the period	718 659	-
Including:		
Long-term part to receive after more than 1 years	688 076	-
Short-term part to receive in 1 year	30 583	-
Total other securities and investments	718 659	-

Information long-term financial investments

Long-term financial investments consists of monthly pay amortizing Energy Performance Contracts backed financial instrument. The financial instrument is with monthly amortization, 6.69% interest rate, maturity - 15 years, acquisition value - 726,000.00 EUR.

(7) Other receivables

	31.12.2018	31.12.2017
	EUR	EUR
VAT overpayment	96	132
Total	96	132

(8) Share capital (equity capital)

On 31 December 2018, the share capital has been fully paid. It consists of 395 000 shares with the nominal value of 1,00 EUR.

(9) Shares convertible loans

	31.12.2018	31.12.2017
	EUR	EUR
Loans without a fixed repayment term	57 163	-
Total	57 163	-

(10) Borrowings from credit institutions

	% rate	Date of payment	31.12.2018	31.12.2018	31.12.2017
			Currency	EUR	EUR
Long-term borrowings (from 1 to 5 years)					
A loan from the European Bank for Reconstruction and Development > 1 year	3	01.06.2030	X	360 886	-
Total	X	X	X	360 886	-
Total long-term borrowings	X	X	X	360 886	-

	31.12.2018	31.12.2017
	EUR	EUR
Including long-term:		
The loans covered by security — type and form of the security.	360 886	-

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JSC

	% rate	Date of payment	31.12.2018 Currency	31.12.2018 EUR	31.12.2017 EUR
Short-term borrowings					
A loan from the European Bank for Reconstruction and Development	3	31.12.2019	40 187	40 187	-
Total	X	X	X	40 187	-

The outstanding amounts of loans at the end of the reporting period are shown in the table above. The repayment of the remaining loan amount is determined according to the payment schedule with maturity set in 2030. The loan is priced with a ratio linked interest rate (ceiling 3% p.a.) and 6 month EURIBOR (floor of 0%). The Company has pledged all of its assets current and future as a security for its obligations.

(11) Taxes and mandatory state social insurance contributions

	31.12.2018 EUR	31.12.2017 EUR
Tax contributions and state social insurance contributions at the beginning of the year	50	50
Changes within the reporting year	-	-
Tax contributions and state social insurance contributions at the end of the year	50	50

	31.12.2018 EUR	31.12.2017 EUR
Corporate income tax	50	50
Total	50	50

(12) Other liabilities

	31.12.2018 EUR	31.12.2017 EUR
Short-term other creditors		
Security and storage money	8 013	-
Other creditors	5 000	62 220
Total short-term other creditors	13 013	62 220

(13) Accrued liabilities

	31.12.2018 EUR	31.12.2017 EUR
Audit expenses	5 203	1 000
Accounting expenses	182	-
Commitment Charge	-	137
Total	5 385	1 137

(14) Average number of employees

	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017
Average number of employees	-	-

(15) Important events after the end of the report year

During the period between the last day of the reporting year and the date of signing this financial statement, there have been no events that would require adjustment or explanation in the financial statement.

(16) Going concern

For the reporting year, the Company has incurred a loss of EUR 13 965. The management of the Company believes that this situation corresponds to the specificity of the company's core business. This loss reflects the additional expenses associated with a delayed start-up. Furthermore, if the costs associated with this project would be capitalized, the Company would be showing a profit instead.

Going forward the liquidity of the Company will improve year on year as the income from forfeiting and/or transactions with financial instruments will increase faster than the expense of purchasing the same. By forfeiting transactions the Company will buy future receivables stemming from Energy Performance Contracting (EPC contracts) signed between energy efficiency service providers and building owners. Similarly, by investing in financial instruments the Company will buy bonds issued by energy efficiency service providers and backed by EPC contracts. The Company will use the EBRD loan and private capital invested by equity investors to carry out transactions in future.

Nicolas Stancioff
(Board member)

signature

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