

Limited Partnership

**AIF “ALTUM KAPITĀLA FONDS”**

Reg. No 40203252367

Annual report

for the year ended 31 December 2021

(the 2nd reporting period)

## Contents

Information on the Fund .....	3
Report of the Alternative Investment Fund’s Manager.....	4
Statement of the Responsibility of the Alternative Investment Fund’s Manager .....	6
Custodian bank report.....	7
Financial Statements	
Balance Sheet .....	8
Statement of Profit or Loss .....	9
Statement of Cash Flows .....	10
Statement of Changes in Equity.....	11
Notes to the financial statements .....	12
Independent Auditors’ Report .....	26

## Information on the Fund

<b>Name of the company</b>	AIF "Altum kapitāla fonds" (hereinafter – the Fund)
Type of fund	Closed-end alternative investment fund
Legal status of the fund	Limited partnership
Address	Dome Square 4, Riga, LV-1050
Registration number, place and date of registration	40203252367, Riga, 31 July 2020
FCMC registration number	AF257
<b>Management company</b>	JSC Development Finance Institution Altum (hereinafter – <b>Manager</b> ), registered with the Financial and Capital Market Commission (hereinafter – FCMC) on 26 May 2020
Address	Dome Square 4, Riga, LV-1050
Registration number	50103744891
FCMC registration number	574
Key personnel	Mikus Janvars      Investment Director Atis Zvidriņš      Investment Director Armands Ločmelis      Investment Director
Board Members	Reinis Bērziņš      Chairman of the Board Jēkabs Krieviņš      Board Member Inese Zīle      Board Member Aleksandrs Bimbirulis      Board Member Ieva Jansone-Buka      Board Member
<b>Custodian Bank</b>	AS Swedbank, 40003074764, Balasta dambis 15, Riga, LV-1048
<b>Reporting period</b>	1 January 2021 – 31 December 2021
<b>Auditors</b>	PricewaterhouseCoopers SIA License No 5 Kr. Valdemāra iela 21-21 Riga, LV-1010 Latvia  Responsible Certified Auditor: Ilandra Lejiņa  Certificate No 168

## Report of the Alternative Investment Fund's Manager

The Fund aims to provide meaningful financing to large companies that use the Covid-19 crisis as a time of opportunity, developing their operations and strengthening both their existing positions and their entry into new markets, while diversifying their sources of funding. The Fund invests in medium-sized and large Latvian companies that within the group meet at least one of the following criteria: 1) 150 employees or 2) turnover of EUR 50 million and total assets of EUR 43 million. At the end of the reporting year, the first criterion was amended (from 250 to 150 employees), allowing the Fund to invest in a wider range of companies, including leaders in several sectors and other companies considered significant in Latvia.

During the reporting year, the Fund's investment period was extended by half a year twice, bringing it to 30 June 2022. The overall duration of the Fund is 7 years until 3 September 2027, with the possibility of an extension for another year, i.e., until 3 September 2028.

The Fund may invest in companies in a number of ways: 1) investments in private or public equity with or without co-funding by other private investors; 2) mezzanine, subordinated or other loans with or without conversion; 3) bonds listed on a regulated market or First North. The Fund's funding can be used for both investments and working capital needs.

The Fund was registered on 31 July 2020. The first closing took place on 3 September 2020, whereas the final closing of the total Fund's subscribed capital equal to EUR 100 million was accomplished on 16 September 2020. The majority of the Fund (EUR 51.1 million or 51.1%) comes from private investors while EUR 48.6 million is public funding provided by JSC Development Finance Institution Altum. Partners are investment companies that invested on behalf of the investment plans of the state-funded pension scheme they manage and an open pension fund that made an investment from pension scheme 3<sup>rd</sup> pillar assets.

The Fund receives custodian banking services from Swedbank AS. The Investment Committee of the Fund evaluates the Fund's investments and takes relevant decisions. The Fund Manager uses best practices of the venture capital and private equity sector, i.e., the Investment Committee engages independent experts, reports to the Fund investors according to the Invest Europe guidelines, while the valuation of investments is carried out in accordance with an established internal procedure based on the valuation guidelines approved by the IPEV Board.

During the reporting year, the spreading of Covid-19 significantly affected the Fund's portfolio and target companies, as well as the overall Latvian economy. The impact of the pandemic varied by sector and company profile and throughout the year, too. The situation was more difficult in Q1 and Q4, when tight restrictions and a lockdown were imposed because the continuously increasing spread of the virus seriously reduced economic activity. Contrary to the initial expectations that supply chain disruptions and production interruptions would be short-lived, they occurred and even intensified during the reporting year. Thus, sharp increases in raw material, energy and commodity prices and transport costs had a negative impact on companies' profitability, delayed development projects and reduced the availability of traditional sources of funding. At the same time, some companies focusing on local consumption of essential goods or the technology sector even outperformed the results of the previous years. Interest from companies in the Fund was high, with an absolute majority of interest in growth financing and refinancing.

Since the inception date of the Fund, the amount of capital contributions requested from and paid in by the Partners of the Fund (hereinafter collectively referred to as Partners) amounted to EUR 31.6 million or 31.6% of the total committed capital, of which EUR 30.4 million were investments, while EUR 1.2 million - management fees and operating expenses. The amount of capital repayment to the Partners was EUR 577 thousand. The Fund's performance indicators had changed significantly compared to the previous period, as the Fund had not yet made any investments in 2020 and management fees and operating expenses were relatively small.

At the end of the reporting year, the net asset value of the Fund was EUR 30.7 million, including an increase of investment value of EUR 105 thousand. In the reporting year, the Fund earned a profit of EUR 11 thousand (2020: a loss of EUR 379 thousand) as interest income and increase of investment value exceeded the Fund's expenses.

### Summary of transactions and investment opportunities

In the reporting year, the Fund made 5 investments, namely, in AS ELKO Grupa, SIA OC Vision, SIA Mogotel development holding, SIA Primekss and SIA iCotton.

## Report of the Alternative Investment Fund's Manager (cont'd)

### Summary of transactions and investment opportunities(cont'd)

In February 2021, the Fund made its first investment, in an initial public offering acquiring AS Elko Grupa bonds with a 5 year maturity and a coupon rate of 6.0% for EUR 2.9 million. The bonds were issued for a total amount of EUR 20.0 million. The company has used the proceeds to increase working capital and maintain additional liquidity, strengthening its position in the Central and Eastern European markets and strategically focusing on further market diversification. In April, the Fund issued a partially convertible loan of EUR 7 million to SIA OC Vision for refinancing the existing debt and providing additional working capital; the loan matures in 5 years. The Fund granted SIA Mogotel Development Holding financing of up to EUR 5 million for expanding its operations in Europe, while the actual amount paid-out in the reporting year totalled EUR 2.6 million. In Q3 2021, the Fund invested EUR 7.9 million in SIA Primekss, one of the world's leading manufacturers of eco-friendly industrial floors and concrete structures. The company offers innovative floor and concrete structure solutions based on its in-house unique jointless concrete technology. The fifth investment of EUR 10.0 million was made in SIA iCotton, a manufacturer of hygiene products, an unquestioned leader in its sector which exports more than 98% of its production.

During the reporting year, focused activities were carried out to identify and evaluate potential target companies and to take the selected projects further towards the closing of transactions. During the year, the Fund's personnel addressed more than 200 companies, their total number exceeding 400 since the establishment of the Fund. The Investment Committee has reviewed the financial models and business plans of 26 companies since the establishment of the Fund.

During the reporting year, the Fund's pipeline of investment opportunities was regularly updated and potential investees were classified according to the stage of negotiations and the status of planned activities. Thus, at the end of the reporting year, transaction negotiations or preliminary discussions about potential transactions were in progress with 14 potential investees from manufacturing, trade, timber, transport and other sectors.

### Subsequent events

As of the last day of the reporting year, there have been no events of a possible significant effect on the financial position of the Fund as at 31 December 2021.

On 24 February 2022 Russia has started full-scale war and invaded Ukraine. The rapid development of the situation in Ukraine and the potential social and economic impact in Latvia and the region may result in assumptions and estimates requiring revisions which may lead to material adjustments to the carrying value of Fund's portfolio within the next financial year.

Fund has implemented low risk policy in relation to AML/CFT, which decreases the potential impact. The Fund has not provided financing to companies directly in Ukraine, nor companies with significant operations in Ukraine. However, two of portfolio companies (combined investment value of EUR 12.9 million) are generating minor part of group revenues (less than 10%) in Ukraine. Therefore, management expects the assumptions and estimates used in determining value of two portfolio companies may be affected. At this stage management is not able to reliably estimate the impact as events are unfolding day-by-day.

Fund's team has strengthened the supervision of potentially impacted portfolio companies and will closely follow the development of events and operations of portfolio companies. It is expected that Fund's limited partners, which are making contributions to the Fund from assets of Latvian pension system, ability to make further contributions will not be impacted.



Limited partnership's  
AIF "Altum kapitāla fonds"  
General partner  
JSC Development Finance  
Institution Altum,  
represented by its Chairman  
of the Management Board  
**Reinis Bērziņš**

**Mikus Janvars**  
AIF "Altum kapitāla fonds"  
Investment Director

**Atis Zvidriņš**  
AIF "Altum kapitāla fonds"  
Investment Director

**Armands Ločmelis**  
AIF "Altum kapitāla fonds"  
Investment Director

28 February 2022

## Statement of the Responsibility of the Alternative Investment Fund's Manager

The Board of the Fund's Manager is responsible for the preparation of financial statements that give a true and fair view of the financial position of the Fund as at 31 December 2021, and of its financial performance and cash flows for the year then ended in accordance with the existing legislation.

The Board of the Fund's Manager confirms that suitable accounting policies have been used and applied consistently in the preparation of the financial statements presented on pages 8 to 25 for the year ended 31 December 2021 according to Regulation No 217 of the Financial and Capital Market 'Regulations on Preparation of Annual Reports and Consolidated Annual Reports of Closed-End Alternative Investment Fund' as well as that the judgments and assumptions used in the preparation of these financial statements have been prudent and reasonable. The Board of the Fund's Manager also confirms that the financial statements have been prepared on a going concern basis.

The Board of the Fund's Manager is also responsible for the maintenance of proper accounting records, taking reasonable efforts to safeguard the Fund's resources and to prevent and detect fraud and other irregularities.



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Management Board  
**Reinis Bērziņš**

28 February 2022

## **Custodian bank report**

**for the period 1 January 2021 through 31 December 2021**

See the date on the timestamp.

Nr. A08.04-03/2022/SWBL-1636

Swedbank AS, registration No 40003074764, address: Balasta dambis 15, Riga (hereinafter – the Custodian Bank) performs the functions of a custodian bank for the limited partnership AIF Altum kapitāla fonds (hereinafter - the Fund) managed by JSC Development Finance Institution Altum (hereinafter - the Company) in accordance with the Law on Alternative Investment Funds and their Managers of the Republic of Latvia, the Limited Partnership Agreement on the foundation of the limited partnership AIF Altum kapitāla fonds signed on 23 July 2020 (hereinafter – Limited Partnership Agreement) and the Custodian Agreement signed on 1 October 2020.

The main responsibilities of Swedbank AS under the above agreement are as follows:

- opening a current account, where to all the funds of the Fund's investors received as committed capital are transferred and from which all payments related to the Fund's transactions are made and to which the income from the Fund's assets is transferred;
- opening a securities account for the securities recorded in the Fund's transferable financial instruments accounts;
- controlling whether the Company manages the Fund in accordance with the regulatory requirements, the Limited Partnership Agreement and the Custodian Agreement;
- settling of transactions with the Fund's assets, ensuring the safekeeping of the Fund's assets in accordance with the Custodian Agreement;
- ensuring that the Fund's value is calculated in accordance with the regulatory requirements and the Limited Partnership Agreement.

The Custodian is fully liable to the investors of the Fund and the Company for losses incurred if the Custodian has intentionally or through negligence violated the law, the Custodian Agreement or negligently performed its obligations.

Given the information at the disposal of Swedbank AS and the information provided by the Company, Swedbank AS considers that:

- the Fund's assets are held in accordance with the requirements of the laws and regulations and the Custodian Agreement;
- Swedbank AS has followed the calculation of the Fund's net asset value and confirms its compliance with the regulatory requirements and the Limited Partnership Agreement;
- the Company's orders submitted during the period 1 January 2021 through 31 December 2021 regarding transactions with the Fund's assets comply with the regulatory requirements, the Limited Partnership Agreement and the Custodian Agreement.

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Lauris Mencis  
Acting Chairman of the Board  
"Swedbank" AS

THE DOCUMENT IS ELECTRONICALLY SIGNED WITH A SECURE ELECTRONIC SIGNATURE AND A TIME  
STAMP

## Balance Sheet

		<b>31.12.2021</b>	<b>31.12.2020.</b>
<b>Assets</b>	<b>Notes</b>	<b>EUR</b>	<b>EUR</b>
Cash	4	34 178	10 763
Investments			
Debt securities and other fixed - income securities	16	2 936 625	-
Shares and other variable - income securities	16	1 840 993	-
Total investments		<u>4 777 618</u>	<u>-</u>
Loans and receivables			
Loans issued	16	25 789 247	-
Receivables	5	99 346	-
Total loans and receivables		<u>25 888 593</u>	<u>-</u>
Accrued income and deferred expenses	6	71 502	339
<b>Total assets</b>		<b><u>30 771 891</u></b>	<b><u>11 102</u></b>
<b>Liabilities</b>			
Accrued expenses and deferred income	7	25 503	54 620
Other liabilities	8	82 553	53 710
<b>Total liabilities</b>		<b><u>108 056</u></b>	<b><u>108 330</u></b>
<b>Net Assets</b>		<b><u>30 663 835</u></b>	<b><u>(97 228)</u></b>
<b>Equity</b>			
Paid-in capital		31 031 876	281 977
Previous years' profit/(loss)		(379 205)	-
Profit/(loss) for the reporting year		11 164	(379 205)
<b>Total equity</b>	14	<b><u>30 663 835</u></b>	<b><u>(97 228)</u></b>
<b>Off – balance sheet items</b>			
Contingent assets	9	68 390 860	99 718 023
Off - balance sheet liabilities	10	2 400 000	-

The accompanying notes on pages 12 through 25 form an integral part of these financial statements.



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## Statement of Profit or Loss

	Notes	2021 EUR	31.07.2020. — 31.12.2020. EUR
<b>Income for the reporting period</b>			
Interest income	11	799 897	-
<b>Total income</b>		<b>799 897</b>	<b>-</b>
<b>Expenses for the reporting period</b>			
Management fee		619 998	206 977
Custodian bank fee		13 000	2 000
Other Fund management expenses	12	260 276	95 228
Other expenses	13	-	75 000
<b>Total expenses</b>		<b>893 274</b>	<b>379 205</b>
<b>Increase / (decrease) of investment value</b>	16	<b>104 541</b>	<b>-</b>
<b>Profit / (loss) before corporate income tax</b>		<b>11 164</b>	<b>(379 205)</b>
<b>Profit / (loss) for the year</b>		<b>11 164</b>	<b>(379 205)</b>

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## Statement of Cash Flows

	<b>2021</b>	<b>31.07.2020.</b>
	<b>EUR</b>	<b>EUR</b>
<b>Cash flows from operating activities</b>		-
Interest income received	577 264	-
Set-up expenses	-	(75 000)
Investment management expenses	(898 817)	(196 214)
<b>Net cash flows (used in) operating activities</b>	<b>(321 553)</b>	<b>(271 214)</b>
<b>Cash flows from investment activities</b>		
Investments made	(4 665 000)	-
Loans issued	(25 739 932)	-
<b>Net cash flows (used in) investment activities</b>	<b>(30 404 932)</b>	-
<b>Cash flow from financing activities</b>		
Paid-in capital	31 327 163	281 977
Interest income distributed to Partners	(577 264)	-
<b>Net cash flows from financing activities</b>	<b>30 749 899</b>	<b>281 977</b>
<b>Change in cash and cash equivalents</b>	<b>23 415</b>	<b>10 763</b>
Cash and cash equivalents at the beginning of the reporting year	10 763	-
<b>Cash and cash equivalents at the end of the reporting year</b>	<b>34 178</b>	<b>10 763</b>

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## Statement of Changes in Equity

	Paid-in capital EUR	Previous years 'profit / (loss) EUR	Profit / (loss) for the reporting year EUR	Total equity EUR
<b>As at 31 July 2020</b>	-	-	-	-
Paid-in capital	281 977	-	-	<b>281 977</b>
Loss for the period	-	-	(379 205)	<b>(379 205)</b>
<b>As at 31 December 2020</b>	<b>281 977</b>	-	<b>(379 205)</b>	<b>(97 228)</b>
Paid-in capital	31 327 163	-	-	31 327 163
Interest income distributed to Partners	(577 264)	-	-	(577 264)
2020 loss moved to previous years' profit/(loss)	-	(379 205)	379 205	-
Profit for the year	-	-	11 164	11 164
<b>As at 31 December 2021</b>	<b>31 031 876</b>	<b>(379 205)</b>	<b>11 164</b>	<b>30 663 835</b>

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28 February 2022

## Notes to the financial statements

### 1. Corporate information

AIF Altum Capital Fund (hereinafter - the Fund) was registered with the Enterprises Register on 31 July 2020 with its operations expiry date 3 September 2027 including the possibility of extending it for another year, namely, until 3 September 2028. The investment period of the Fund expires on 30 June 2022.

The Fund's aim is to render support in overcoming the impact of Covid-19 to well-managed and promising medium un large companies, which to cope with the situation are willing to adapt their current operations by transforming their business model, adapting product development, introducing new technologies, entering new export markets, thus promoting their growth.

The full amount of the Fund's subscribed capital contribution, namely, EUR 100 million, was reached on 16 September 2020, of which the majority (EUR 51.1 million or 51.1%) were contributions made by private investors and EUR 48.9 million represented the public funding invested by JSC Development Finance Institution Altum.

Partners		Commitment EUR	Ownership %
General partner	JSC Development Finance Institution Altum	48 910 000	48.91
Limited Partners	"Swedbank Investment Management Company" AS	20 800 000	20.80
	IPAS "SEB Investment Management"	13 700 000	13.70
	Luminor Asset Management IPAS	7 300 000	7.30
	"CBL Asset Management" investment management joint stock company	7 100 000	7.10
	IPAS "INVL Asset Management"	1 100 000	1.10
	AS "SEB open pension fund"	1 090 000	1.09
Total		100 000 000	100.00

The Fund can make the following investments or a combination of the latter for meeting the company's financing needs up to EUR 10 million per company:

- equity investments;
- mezzanine loans;
- acquisition of corporate bonds on Nasdaq alternative First North Bond market or Baltic Regulated market.

The Fund Manager is JSC Development Finance Institution Altum, registered with the Financial and Capital Market Commission as an alternative investment fund manager on 26 May 2020.

The key personnel (hereinafter - KP) takes the necessary actions in accordance with the decisions of the Investment Committee to identify and evaluate investment opportunities, make such investments in companies, control the development of investments and sell investments to ensure the best return on capital contributions made by the Fund's Partners according to the Investment policy.

### 2. Accounting policies and valuation principles

The Fund organizes its accounting and prepares financial statements in accordance with the Law on Alternative Investment Funds and Fund's Managers, the law "On Accounting" and the FCMC Regulations No 217 "Regulations on Preparation of Annual Reports and Consolidated Annual Reports of Closed-End Alternative Investment Fund" on a going concern basis. The accounting and measurement methods used by the Fund remain unchanged from the previous year.

The statement of cash flows is prepared using direct method. The financial statements are prepared on the historical cost basis, except for investments and loans that are measured at fair value.

## Notes to the financial statements (cont'd)

### 2. Accounting policies and valuation principles (cont'd)

The Fund has used possibility provided for in Section 91 of the FCMC Regulations No 217 "Regulations on Preparation of Annual Reports and Consolidated Annual Reports of Closed-End Alternative Investment Fund" to derogate from the measurement provisions provided in those rules and, pursuant to Article 40 of the Law on Annual Reports and Consolidated Annual Reports, recognises, measures, reports and discloses financial instruments (investments and loans issued) according to IFRS 9 "Financial Instruments".

#### Significant estimates and assumptions

The preparation of financial statements requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, income and expense, and disclosure of contingencies. Future events may impact the assumptions used as the basis for estimates. Such estimates and assumptions are based on most reliable information available to the management in respect of specific events and actions. The effect of any changes in estimates are recorded in the financial statements when determinable.

Preparing of the financial statements is based on the assumption that the Fund operates as an investment entity. The Fund has the following investments in equity instruments:

Legal Title	Legal Address	Investment % in share capital
Mogotel development holding SIA	Maskavas iela 240-3, Riga, Latvia, LV-1063	78.26

In determining whether the Fund meets a definition of an investment entity the following criteria set out in IFRS 10 "Consolidated Financial Statements" were considered: 1) the Fund obtains funds for investments from several investors for the purpose of providing those investors with investment management services; 2) the Fund commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; 3) the Fund measures and evaluates investments at fair value.

#### Currency unit and foreign currency revaluation

All amounts in these financial statements are expressed in the Latvian official currency - euro (EUR).

Foreign currency transactions have been translated into euro applying the exchange rate valid at the beginning of the day of transaction determined by the conversion procedure between central banks of the European System of Central Banks and other central banks and which is published on the European Central Bank's website.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the revaluation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.

#### Financial instruments

##### *Classification*

The Fund's financial instruments consist of financial assets and financial liabilities.

The Fund's investment objective is to optimise investment yields by making long-term investments in financial instruments, while maintaining flexibility in the holding period and exit strategy of these instruments.

The Fund has elected to irrevocably designate financial assets as at fair value through profit or loss (FVTPL) at initial recognition. This classification provides meaningful information to users of the financial statements because the management of financial assets and the performance measurement are based on the fair values of the assets; the information for the Partners about the Fund's performance is prepared by applying fair value accounting, too.

## Notes to the financial statements (cont'd)

### 2. Accounting policies and valuation principles (cont'd)

#### Financial instruments (cont'd)

##### *Classification* (cont'd)

Debt instruments, such as corporate bonds, are those that meet the definition of a financial liability from the perspective of the issuer. The Fund classifies them as financial instruments at fair value through profit or loss. Debt instruments are included in the balance sheet item “Debt securities and other fixed income securities”.

Equity instruments are those that meet the definition of equity from the perspective of the issuer, such instruments are contracts that include no contractual obligation to pay and evidences a residual interest in the net assets of the issuer. Examples of equity instruments are ordinary shares. The Fund measures all investments in equity instruments at fair value through profit or loss. Dividends are recognised in profit or loss when they represent a return on such investments and the Fund's right to receive payment of the dividend is established. Equity instruments are included in the balance sheet item “Shares and other non-fixed income securities”.

Financial assets at fair value through profit or loss are as follows:

- debt securities and other fixed income securities: in this category, the Fund includes investments in securities issued by commercial companies;
- shares and other non-fixed income securities: in this category, the Fund includes investments in the share capital of commercial companies;
- loans: this category includes mezzanine funding, i.e., loans issued.

Financial liabilities are measured at amortised cost.

Other liabilities: this category includes liabilities with a maturity of less than one year, such as fees payable to the Fund's Manager.

##### *Initial recognition and measurement*

Financial assets and financial liabilities are initially recognised by the Fund when incurred. Purchases and sales of financial assets are recognized on the settlement date.

Financial assets or financial liabilities are initially measured at fair value plus transaction costs directly attributable to the acquisition of the financial asset or financial liability, unless the financial asset or financial liability is at fair value through profit or loss. Transaction costs of financial assets or liabilities at fair value through profit or loss are recognised in the statement of profit or loss.

##### *Fair value measurement*

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market, or in its absence, the most advantageous market to which the Fund has access at that date. The fair value of liabilities shows the default risk.

The fair value of financial instruments is determined by applying various valuation techniques, or a combination thereof depending on the specific nature of the investment and the information available to support the underlying assumptions.

## Notes to the financial statements (cont'd)

### 2. Accounting policies and valuation principles (cont'd)

#### Financial instruments (cont'd)

##### *Fair value measurement* (cont'd)

The choice of methods is prioritized as follows:

- a) the fair value of financial instruments publicly quoted on regulated market is always determined by reference to their market bid price at the reporting date;
- b) third party quoted market prices in active markets;
- c) transactions in comparable financial instruments of comparable entities on or outside regulated markets;
- d) discounted cash flow.

The fair value of debt securities is determined by reference to the market bid price on NASDAQ Riga First North.

The fair value of both the loans and the equity instruments is determined using the discounted cash flow method. Fair value measurements are categorised into a three-level hierarchy, based on the type of inputs to the valuation techniques used, as follows:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2: inputs other than the quoted prices included within Level 1 that are directly (i.e., prices) or indirectly (i.e., derived from prices) observable for that asset or liability;
- Level 3: inputs not based on observable market data (unobservable data).

The valuation process and the necessary data gathering and their analysis are carried out by the Investment Director who is responsible for managing the specific investment. In addition, each assessment is evaluated and approved by another Investment Director. The results of the analysis are presented in an Investment Valuation Report and submitted quarterly to the Fund's Investment Committee for review.

Unless the Investment Committee of the Fund requires changes or additions to a valuation report, it is submitted to the Accounting Department of the Fund to record the changes in the investment value.

#### ***Derecognition***

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

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, demand deposits with credit institutions and high-liquidity assets with an original maturity of three months or less.

#### **Offsetting of financial assets and financial liabilities**

Financial assets and financial liabilities are offset and the net amount reported on the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

## Notes to the financial statements (cont'd)

### 2. Accounting policies and valuation principles (cont'd)

#### Accrued expenses

Accrued expenses comprise balances known with certainty that are due to suppliers for goods and services received in the reporting year but for which supporting documents (invoices) were not received at the balance sheet date because of the respective purchase or contract terms or otherwise.

#### Provisions

Provisions are recognized when the Fund has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required from the Fund to settle the obligation, and the amount of obligation can be measured reasonably. The amount of expected provisions is based on the best possible assessment by the management at the end of the reporting year and the assumption about the economic benefits required for settling the current liability, taking into account the outflow of resources and their recovery probability from related sources.

#### Recognition of income and expenses

All income and expense are recognised on an accrual basis. Interest income is recognised in the statement of profit or loss using the effective interest rate method.

#### Off-balance sheet items

##### *Contingent assets*

This item shows the amount of the Fund's capital defined in the Limited Partnership Agreement and not recognised in the balance sheet line item "Paid-in capital", i.e., uncalled capital.

##### *Off - balance sheet liabilities*

This item includes the amount of the Fund's contractual investment commitments to clients for which the latter have not yet submitted a request for a disbursement of a loan tranche or equity contribution.

#### Fund management expenses

In accordance with the Limited Partnership Agreement, the following expenses are covered from the contributions made by the Fund's Partners:

- a. Set-up expenses;
- b. management fee;
- c. operational expenses (in the amount not covered by the management fee);
- d. other expenses, the coverage of which has been approved by the Partners within the framework of the Partners' consent procedure.

If the said expenses of the Fund exceed the amount of the management fee and if together with the management fee, they do not exceed 2% p.a. of the commitment to Fund during the investment period or the paid-in capital after the end of the investment period, the General Partner covers them from the Fund's assets and the relevant fact is disclosed in the Fund's quarterly reports.

The said expenses of the Fund are financed from the capital contributions made by the Partners in proportion to the amount of the registered contributions of each Partner.

## Notes to the financial statements (cont'd)

### 2. Accounting policies and valuation principles (cont'd)

#### Fund management expenses (cont'd)

The management fee is specified in the Limited Partnership Agreement. In the period from the first closing date to the end of the investment period, the management fee is 0.65% p.a. of the commitment to Fund at the relevant contribution request date. In the period after the end of the investment period until the termination of the Fund's operations, the management fee is 0.60% p.a. of the paid-in capital.

As the Fund is managed by a registered manager, in accordance with Article 57(11) of the Law on Alternative Investment Funds and Fund's Managers, the annual report of the Fund does not include information on the remuneration of AIFM officials and employees.

The Fund's expenses include a payment to the FCMC, the amount of which is specified in FCMC Regulation.

### 3. Risk management

In carrying out its activities, the Fund is exposed to various types of financial and other risks. To mitigate their impact on the Fund's operations and financial performance, the Fund has established a comprehensive Risk Management Framework that comprises principles and methods for managing risks, including, but not limited to, risk monitoring measures, actions in case of increased risks and risk mitigation measures, and defines responsibilities for ensuring risk management.

The Fund's principal financial instruments are long-term investments and cash. Before making such an investment, all risks associated with it are carefully assessed in accordance with the Fund's procedures. The Fund does not take risks it is unable to manage or control in the long term.

#### Credit risk

Credit risk is the possibility of a financial loss resulting from a counterparty failure to meet their contractual obligations.

When acquiring a financial instrument, the Fund assesses credit risk by conducting financial, tax, legal and business due diligence. As part of its credit risk management, the Fund regularly assesses credit risk of both individual investments and investment portfolio, assessing the conformity of the investments with the limits and/or key performance indicators set by the Fund.

The Fund decides that a forced sale of the investment is to be made in cases where the level of credit risk is determined as material and/or material deviations in the performance are detected.

Exposure of the Fund's balance sheet and off-balance sheet items to credit risk (excluding available collateral or other types of security):

	31.12.2021	31.12.2020.
<b>Balance sheet items exposed to credit risk</b>		
Cash	34 178	10 763
Investments		
Debt securities and other fixed - income securities	2 936 625	-
Shares and other variable - income securities	1 840 993	-
Loans and receivables		
Loans issued	25 789 247	-
Receivables	99 346	-
<b>Total assets</b>	<b>30 700 389</b>	<b>10 763</b>
<b>Off – balance sheet items exposed to credit risk</b>		
Contingent assets	68 390 860	99 718 023
Off - balance sheet liabilities	2 400 000	-
<b>Total off – balance sheet items</b>	<b>70 790 860</b>	<b>99 718 023</b>

## Notes to the financial statements (cont’d)

### 3. Risk management (cont’d)

#### *Concentration risk*

Concentration risk is the possibility of losses arising from large transactions with a single investee or investees whose creditworthiness is determined by one common risk factor (e.g., the sector of economy).

As part of its concentration risk management, the Fund complies with the size limit of investments in transactions with a single investee and takes measures to diversify its investments by economic sectors.

*Liquidity risk* is the risk that the Fund will be unable to meet its financial obligations as they fall due. The Fund timely submits requests for contributions to the Partners to ensure making investments under the concluded agreements and management fees in accordance with the Limited Partnership Agreement.

The following table summarises the maturity profile of the assets and liabilities as at 31 December 2021.

	Up to 1 month EUR	1 to 6 months EUR	6 to 12 months EUR	1 to 5 years EUR	Total EUR
<b>Assets</b>					
Cash	34 178	-	-	-	34 178
Investments					
Debt securities and other fixed - income securities	-	-	-	2 936 625	2 936 625
Shares and other variable income securities	-	-	-	1 840 993	1 840 993
Total investments	-	-	-	4 777 618	4 777 618
Loans and receivables					
Loans issued	-	-	160 000	25 629 247	25 789 247
Receivables	99 346	-	-	-	99 346
Total loans and receivables	99 346	-	160 000	25 629 247	25 888 593
Accrued income and deferred expenses	623	69 010	1 869	-	71 502
<b>Total assets</b>	<b>134 147</b>	<b>69 010</b>	<b>161 869</b>	<b>30 406 865</b>	<b>30 771 891</b>
<b>Liabilities</b>					
Deferred income and accrued expense	6 506	18 997	-	-	25 503
Other liabilities	-	82 553	-	-	82 553
<b>Total liabilities</b>	<b>6 506</b>	<b>101 550</b>	<b>-</b>	<b>-</b>	<b>108 056</b>
<b>Net Assets</b>	<b>127 641</b>	<b>(32 540)</b>	<b>161 869</b>	<b>30 406 865</b>	<b>30 663 835</b>

## Notes to the financial statements (cont'd)

### 3. Risk management (cont'd)

#### *Liquidity risk* (cont'd)

The following table summarises the maturity profile of the assets and liabilities as at 31 December 2020.

	Up to 1 month EUR	1 to 3 months EUR	3 to 6 months EUR	Total EUR
<b>Assets</b>				
Cash	10 763	-	-	10 763
Accrued income and deferred expenses	-	339	-	339
<b>Total assets</b>	<b>10 763</b>	<b>339</b>	<b>-</b>	<b>11 102</b>
<b>Liabilities</b>				
Deferred income and accrued expense	36 958	4 356	13 306	54 620
Other liabilities	-	53 710	-	53 710
<b>Total liabilities</b>	<b>36 958</b>	<b>58 066</b>	<b>13 306</b>	<b>108 330</b>
<b>Net Assets</b>	<b>(26 195)</b>	<b>(57 727)</b>	<b>(13 306)</b>	<b>(97 228)</b>

**Market risk** is the possibility of incurring losses from changes in market conditions that affect a category of assets or the market as a whole. Market risk includes interest rate risk, price risk and currency risk. The Fund is not exposed to significant market risk. Market risk is assessed through the relevant analysis of market and financial instruments.

**Currency risk** is the possibility of unexpected losses due to fluctuations in foreign exchange rates. The Fund is not exposed to significant currency risk. It does not make investments in foreign currencies and in the reporting year it had no assets and liabilities denominated in foreign currencies.

**Interest rate risk** is the risk that the value of the Fund's assets and interest income may change as market interest rates change, affecting the Fund's performance. The value of debt securities can change depending on changes in interest rates: if they rise, the prices of these securities fall, and vice versa. The Fund Manager monitors interest rate trends and decides on the maturity structure of the portfolio based on forecasts of future interest rate developments.

**Operational risk** arises from intentional or unintentional deviations from the standards in the daily operation of the Fund, for example, human error or fraud, disturbances in the operation of the information systems, insufficient control procedures or ignoring them, etc.

The Fund manages operational risk by identifying its main causes and taking timely preventive and corrective measures to address them. The main causes relate to potential conflicts of interest, fraud and information systems failures.

#### **Money laundering and financing of terrorism and proliferation risk and sanctions risk**

In its activities, the Fund strictly complies with the Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing (AML/CFTP Law) and the requirements of the laws and regulations issued on the basis thereof, as well as ensures compliance with international and national sanctions.

Prior to each investment, the Fund assesses the compliance of the investees and their related parties with the AML/CFTP requirements. The Fund refrains from making investments and takes all necessary measures in accordance with the AML/CFTP/sanctions laws and regulations if the investee or its related parties are found to be involved in money laundering or the financing of terrorism or proliferation, or are subject to sanctions.

**Notes to the financial statements (cont'd)**

**4. Cash**

	<b>31.12.2021</b>	<b>31.12.2020</b>
	<b>EUR</b>	<b>EUR</b>
Demand placement with AS Swedbank	34 178	10 763
<b>Total</b>	<b>34 178</b>	<b>10 763</b>

**5. Receivables**

	<b>31.12.2021</b>	<b>31.12.2020</b>
	<b>EUR</b>	<b>EUR</b>
Settlement of cash interest income	99 346	-
<b>Total</b>	<b>99 346</b>	<b>-</b>

**6. Accrued income and deferred expenses**

	<b>31.12.2021</b>	<b>31.12.2020</b>
	<b>EUR</b>	<b>EUR</b>
Accrued income	65 895	-
Deferred expenses	5 607	339
<b>Total</b>	<b>71 502</b>	<b>339</b>

**7. Accrued expenses and deferred income**

	<b>31.12.2021</b>	<b>31.12.2020</b>
	<b>EUR</b>	<b>EUR</b>
Accrued audit fee	18 997	8 712
Consulting services fees	5 506	30 976
Custodian bank fee	1 000	-
Legal services fees	-	14 932
<b>Total</b>	<b>25 503</b>	<b>54 620</b>

**8. Other liabilities**

	<b>31.12.2020</b>	<b>31.12.2020</b>
	<b>EUR</b>	<b>EUR</b>
Management fees for the 4th quarter	81 868	53 710
Health insurance	685	-
<b>Total</b>	<b>82 553</b>	<b>53 710</b>

**9. Contingent assets**

	<b>31.12.2021</b>	<b>31.12.2020</b>
	<b>EUR</b>	<b>EUR</b>
Uncalled capital (Note 15)	68 390 860	99 718 023
<b>Total</b>	<b>68 390 860</b>	<b>99 718 023</b>

## Notes to the financial statements (cont'd)

### 10. Off - balance sheet liabilities

	<b>31.12.2021</b>	<b>31.12.2020</b>
	<b>EUR</b>	<b>EUR</b>
Equity investments	1 200 000	-
Loans	1 200 000	-
<b>Total</b>	<b>2 400 000</b>	<b>-</b>

### 11. Interest income

	<b>2021</b>	<b>31.07.2020. – 31.12.2020.</b>
	<b>EUR</b>	<b>EUR</b>
Interest income on debt securities and other fixed - income securities	151 845	-
Interest income on loans issued	648 052	-
<b>Total</b>	<b>799 897</b>	<b>-</b>

### 12. Other Fund management expenses

	<b>2021</b>	<b>31.07.2020. – 31.12.2020.</b>
	<b>EUR</b>	<b>EUR</b>
Investment consulting services fees	130 011	42 463
Remuneration of an independent member of the Investment Committee	66 066	16 517
Operational expenses not covered by the Management fee	43 719	26 583
Annual audit fee	18 755	8 712
Bank fees	871	53
Payments to finance FCMC and to the Credit Register of the Bank of Latvia	854	900
<b>Total</b>	<b>260 276</b>	<b>95 228</b>

### 13. Other expenses

	<b>2021</b>	<b>31.07.2020. – 31.12.2020.</b>
	<b>EUR</b>	<b>EUR</b>
Set-up expenses	-	75 000
<b>Total</b>	<b>-</b>	<b>75 000</b>

## Notes to the financial statements (cont'd)

### 14. Capital account

Profit or loss are distributed to the Investors in proportion to their investment in the Fund.

a) Capital account as at 31.12.2021

<b>Fund Investor</b>	<b>Capital account at fair value 01.01.2021</b>	<b>Paid in capital from investors</b>	<b>Distribution to investors</b>	<b>Realised portfolio gains/(losses)</b>	<b>Unrealised portfolio gains/(losses)</b>	<b>Non portfolio income/(expense)</b>	<b>Capital account at fair value 31.12.2021</b>
Swedbank investment plan "Dynamics"	(11 295)	3 884 568	(71 581)	-	12 963	(11 579)	3 803 077
Swedbank investment plan "1970+"	(3 006)	1 033 796	(19 050)	-	3 450	(3 081)	1 012 109
Swedbank investment plan "1980+"	(2 824)	971 142	(17 895)	-	3 241	(2 895)	950 769
Swedbank investment plan "1990+"	(1 822)	626 543	(11 545)	-	2 091	(1 868)	613 399
SEB active plan	(9 519)	3 273 689	(60 324)	-	10 925	(9 758)	3 205 012
SEB balanced plan	(2 960)	1 018 133	(18 761)	-	3 398	(3 035)	996 774
Pension plan SEB-Balanced	(776)	213 025	(3 925)	-	711	(635)	208 399
Pension plan SEB-Active	(468)	128 441	(2 367)	-	429	(383)	125 652
INVL Ekstra 47+	(729)	250 617	(4 618)	-	836	(747)	245 360
INVL Komforts 53+	(273)	93 981	(1 732)	-	314	(280)	92 010
CBL Active investment plan	(7 981)	2 224 229	(40 986)	-	7 422	(6 630)	2 176 055
Luminor Balanced investment plan	(1 574)	438 580	(8 082)	-	1 464	(1 307)	429 081
Luminor Active investment plan JSC Development Finance	(6 632)	1 848 303	(34 059)	-	6 168	(5 509)	1 808 271
Institution Altum	(47 370)	15 322 115	(282 340)	-	51 131	(45 671)	14 997 866
<b>Total</b>	<b>(97 228)</b>	<b>31 327 163</b>	<b>(577 264)</b>	<b>-</b>	<b>104 541</b>	<b>(93 377)</b>	<b>30 663 835</b>

See Note 15 for more information.

## Notes to the financial statements (cont'd)

### b) Capital account as at 31.12.2020

<b>Fund Investor</b>	<b>Capital account at fair value 31.07.2020.</b>	<b>Paid in capital from investors</b>	<b>Non portfolio income/ (expense)</b>	<b>Capital account at fair value 31.12.2020.</b>
Swedbank investment plan "Dynamics"	-	35 726	(47 021)	(11 295)
Swedbank investment plan "1970+"	-	9 508	(12 514)	(3 006)
Swedbank investment plan "1980+"	-	8 932	(11 755)	(2 824)
Swedbank investment plan "1990+"	-	5 762	(7 584)	(1 822)
SEB active plan	-	30 108	(39 627)	(9 519)
SEB balanced plan	-	9 364	(12 324)	(2 960)
Pension plan SEB-Balanced	-	1 802	(2 579)	(776)
Pension plan SEB-Active	-	1 087	(1 555)	(468)
INVL Ekstra 47+	-	2 305	(3 034)	(729)
INVL Komforts 53+	-	864	(1 138)	(273)
CBL Active investment plan	-	18 943	(26 924)	(7 981)
Luminor Balanced investment plan	-	3 735	(5 309)	(1 574)
Luminor Active investment plan	-	15 741	(22 373)	(6 632)
JSC Development Finance Institution Altum	-	138 100	(185 469)	(47 370)
<b>Total</b>	<b>-</b>	<b>281 977</b>	<b>(379 205)</b>	<b>(97 228)</b>

## 15. Uncalled capital and Paid-in capital

### a) Uncalled capital and Paid-in capital since inception till 31.12.2021.

<b>Fund Investor</b>	<b>% Ownership</b>	<b>Commitment</b>	<b>Called capital</b>	<b>Paid in capital from investors</b>	<b>Uncalled capital</b>
Swedbank investment plan "Dynamics"	12.40%	12 400 000	3 920 294	3 920 294	8 479 706
Swedbank investment plan "1970+"	3.30%	3 300 000	1 043 304	1 043 304	2 256 696
Swedbank investment plan "1980+"	3.10%	3 100 000	980 074	980 074	2 119 926
Swedbank investment plan "1990+"	2.00%	2 000 000	632 306	632 306	1 367 694
SEB active plan	10.45%	10 450 000	3 303 797	3 303 797	7 146 203
SEB balanced plan	3.25%	3 250 000	1 027 497	1 027 497	2 222 503
Pension plan SEB-Balanced	0.68%	680 000	214 827	214 827	465 173
Pension plan SEB-Active	0.41%	410 000	129 528	129 528	280 472
INVL Ekstra 47+	0.80%	800 000	252 922	252 922	547 078
INVL Komforts 53+	0.30%	300 000	94 846	94 846	205 154
CBL Active investment plan	7.10%	7 100 000	2 243 172	2 243 172	4 856 828
Luminor Balanced investment plan	1.40%	1 400 000	442 316	442 316	957 684
Luminor Active investment plan	5.90%	5 900 000	1 864 044	1 864 044	4 035 956
JSC Development Finance Institution Altum	48.91%	48 910 000	15 460 215	15 460 215	33 449 785
<b>Total</b>	<b>100.00%</b>	<b>100 000 000</b>	<b>31 609 140</b>	<b>31 609 140</b>	<b>68 390 860</b>

## Notes to the financial statements (cont'd)

b) Uncalled capital and Paid-in capital since inception till 31.12.2020.

<b>Fund Investor</b>	<b>% Ownership</b>	<b>Commitment</b>	<b>Called capital</b>	<b>Paid in capital from investors</b>	<b>Uncalled capital</b>
Swedbank investment plan "Dynamics"	12.40%	12 400 000	35 726	35 726	12 364 274
Swedbank investment plan "1970+"	3.30%	3 300 000	9 508	9 508	3 290 492
Swedbank investment plan "1980+"	3.10%	3 100 000	8 932	8 932	3 091 068
Swedbank investment plan "1990+"	2.00%	2 000 000	5 762	5 762	1 994 238
SEB active plan	10.45%	10 450 000	30 108	30 108	10 419 892
SEB balanced plan	3.25%	3 250 000	9 364	9 364	3 240 636
Pension plan SEB-Balanced	0.68%	680 000	1 802	1 802	678 198
Pension plan SEB-Active	0.41%	410 000	1 087	1 087	408 913
INVL Ekstra 47+	0.80%	800 000	2 305	2 305	797 695
INVL Komforts 53+	0.30%	300 000	864	864	299 136
CBL Active investment plan	7.10%	7 100 000	18 943	18 943	7 081 057
Luminor Balanced investment plan	1.40%	1 400 000	3 735	3 735	1 396 265
Luminor Active investment plan	5.90%	5 900 000	15 741	15 741	5 884 259
JSC Development Finance Institution Altum	48.91%	48 910 000	138 100	138 100	48 771 900
<b>Total</b>	<b>100.00%</b>	<b>100 000 000</b>	<b>281 977</b>	<b>281 977</b>	<b>99 718 023</b>

## 16. Investment movement

	<b>Fair value 01.01.2021</b>	<b>Increase / purchase</b>	<b>Capitalized interest</b>	<b>Reduction / disposal</b>	<b>Revaluation</b>	<b>Fair value 31.12.2021</b>
Debt securities and other fixed - income securities	-	2 865 000	-	-	71 625	2 936 625
Shares and other variable - income securities	-	1 800 000	-	-	40 993	1 840 993
Loans issued	-	25 739 932	57 392	-	(8 077)	25 789 247
<b>Total</b>	-	<b>30 404 932</b>	<b>57 392</b>	-	<b>104 541</b>	<b>30 566 865</b>

## 17. Fair value hierarchy of financial assets and liabilities

The Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the data used in the measurement. There are 3 levels in the Fund's fair value hierarchy:

- the first level includes listed financial instruments for which there is an active market, if the Fund uses unadjusted quoted market prices obtained from the stock exchange to determine their fair value;
- the second level includes cash in credit institutions;
- The third level includes financial instruments for which a significant part of the fair value measurement is based on data that are not observable in an active market and are based on the assumptions of the Fund.

## Notes to the financial statements (cont'd)

a) Levels of the hierarchy of the Fund's financial assets and liabilities that are measured at fair value 31.12.2021:

	1. level	2. level	3. level	Total
<b>Financial assets at fair value through profit or loss:</b>				
Debt securities and other fixed - income securities	2 936 625	-	-	2 936 625
Shares and other variable - income securities	-	-	1 840 993	1 840 993
Loans issued	-	-	25 789 247	25 789 247
<b>Assets whose fair value is disclosed:</b>				
Cash	-	34 178	-	34 178
Receivables	-	-	99 346	99 346
Accrued income and deferred expenses	-	-	71 502	71 502
<b>Total assets</b>	<b>2 936 625</b>	<b>34 178</b>	<b>27 801 088</b>	<b>30 771 891</b>
<b>Liabilities whose fair value is disclosed:</b>				
Deferred income and accrued expense	-	-	25 503	25 503
Other liabilities	-	-	82 553	82 553
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>108 056</b>	<b>108 056</b>

b) Levels of the hierarchy of the Fund's financial assets and liabilities that are measured at fair value 31.12.2020:

	1. level	2. level	3. level	Total
<b>Assets whose fair value is disclosed:</b>				
Cash	-	10 763	-	10 763
Accrued income and deferred expenses	-	-	339	339
<b>Total assets</b>	<b>-</b>	<b>10 763</b>	<b>339</b>	<b>11 102</b>
<b>Liabilities whose fair value is disclosed:</b>				
Deferred income and accrued expense	-	-	54 620	54 620
Other liabilities	-	-	53 710	53 710
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>108 330</b>	<b>108 330</b>

### 18. Pledge and encumbrances of the Fund's assets

The Fund's assets are not pledged or otherwise encumbered.

### 19. Information on restrictions on disposal of assets

There are no significant restrictions on the disposal of the Fund's financial assets at the end of the reporting period.

### 20. Subsequent events

As of the last day of the reporting year until the date of signing these financial statements there have been no events that could significantly affect the Fund's financial position as at 31 December 2021.

On 24 February 2022 Russia has started full-scale war and invaded Ukraine. The rapid development of the situation in Ukraine and the potential social and economic impact in Latvia and the region may result in assumptions and estimates requiring revisions which may lead to material adjustments to the carrying value of Fund's portfolio within the next financial year.

Fund has implemented low risk policy in relation to AML/CFT, which decreases the potential impact. The Fund has not provided financing to companies directly in Ukraine, nor companies with significant operations in Ukraine. However, two of portfolio companies (combined investment value of EUR 12.9 million) are generating minor part of group revenues (less than 10%) in Ukraine. Therefore, management expects the assumptions and estimates used in determining value of two portfolio companies may be affected. At this stage management is not able to reliably estimate the impact as events are unfolding day-by-day.

Fund's team has strengthened the supervision of potentially impacted portfolio companies and will closely follow the development of events and operations of portfolio companies. It is expected that Fund's limited partners, which are making contributions to the Fund from assets of Latvian pension system, ability to make further contributions will not be impacted.



## Independent Auditor's Report

To the Partners of Limited Partnership AIF "Altum kapitāla fonds"

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### Our opinion

In our opinion, the accompanying financial statements set out on pages 8 to 25 of the accompanying annual report give a true and fair view of the financial position of Limited Partnership AIF "Altum kapitāla fonds" (the "Fund") as at 31 December 2021, and the Fund's financial performance and cash flows for the year then ended in accordance with the Financial and Capital Market Commission Regulations No 217 "Regulations on Preparation of Annual Reports and Consolidated Annual Reports of Closed-End Alternative Investment Fund".

### What we have audited

The Fund's financial statements comprise:

- the balance sheet as at 31 December 2021,
- the statement of profit or loss for the year then ended,
- the statement of cash flows for the year then ended,
- the statement of changes in equity for the year then ended, and
- the notes to the financial statements which include significant accounting policies and other explanatory information.

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### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Fund in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Law on Audit Services that are relevant to our audit of the financial statements in the Republic of Latvia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Law on Audit Services.

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### Reporting on Other Information Including the Report of the Alternative Investment Fund's Manager

The Alternative Investment Fund's Manager is responsible for the other information. The other information comprises:

- Information for which the Alternative Investment Fund's Manager is responsible
  - Information on the Fund, as set out on page 3 of the accompanying annual report,
  - Report of the Alternative Investment Fund's Manager, as set out on pages 4 to 5 of the accompanying annual report,
  - Statement of the Responsibility of the Alternative Investment Fund's Manager, as set out on page 6 of the accompanying annual report,

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Translation note: This version of our report is a translation from the original, which was prepared in Latvian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.



- Custodian Bank Report, as set out on page 7 of the accompanying annual report,

but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

With respect to the Report of the Alternative Investment Fund's Manager, we also performed the procedures required by the Law on Audit Services. Those procedures include considering whether the Report of the Alternative Investment Fund's Manager is prepared in accordance with the requirements of the Financial and Capital Market Commission Regulations No 217 "Regulations on Preparation of Annual Reports and Consolidated Annual Reports of Closed-End Alternative Investment Fund".

Based on the work undertaken in the course of our audit, in our opinion, in all material respects:

- the information given in the Report of the Alternative Investment Fund's Manager and information on the Fund for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Alternative Investment Fund's Manager has been prepared in accordance with requirements of the Financial and Capital Market Commission Regulations No 217 "Regulations on Preparation of Annual Reports and Consolidated Annual Reports of Closed-End Alternative Investment Fund".

In addition, in light of the knowledge and understanding of the entity and its environment obtained in the course of our audit, we are required to report if we have identified material misstatements in the other information. We have nothing to report in this respect.

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

The Board of the Alternative Investment Fund's Manager ("management") is responsible for the preparation of the financial statements that give a true and fair view in accordance with the Financial and Capital Market Commission Regulations No 217 "Regulations on Preparation of Annual Reports and Consolidated Annual Reports of Closed-End Alternative Investment Fund" and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

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### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the

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aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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A handwritten signature in blue ink, appearing to read 'I. Lejiņa', is written over the printed name.

Ilandra Lejiņa  
Certified auditor in charge  
Certificate No.168  
Member of the Board

Riga, Latvia  
28 February 2022

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