Kvalificēts elektroniskais paraksts
INGUNA STAŠA
2023-03-30 14:05:36 GMT+3
Mērķis: Paraksts
Powered by Dokobit

Deloitte.

SIA Deloitte Audits Latvia
Republikas laukums 2a
Riga
LV-1010
Latvia

Tel: +371 67 07 4100
Latvia@deloittece.com
www2.deloitte.com/lv/en.html

Independent Auditors' Report

To the shareholders of JCS Finance Development Institution Altum

Report on the audit of the Financial Statements

Our Opinion on the Financial Statements

We have audited the financial statements of JSC Finance Development Institution Altum ("the Company") included in the annual report contained in the file altum-2022-12-31-en.zip
(SHA-256-checksum: C6571E61F6BD44E2B2B32D43F8CF70771DB16A11BC7A3D42B52F32582873E9AC), which comprise:

- the statement of financial position as at 31 December 2022,
- the statement of comprehensive income for the year then ended,
- the statement of changes in equity for the year then ended,
- the statement of cash flows for the year then ended, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

In accordance with the Law on Audit Services of the Republic of Latvia 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 are independent of the Company in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) and independence requirements included in the Law on Audit Services of the Republic of Latvia that are relevant to our audit of the financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) and Law on Audit Services of the Republic of Latvia.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities (collectively, the "Deloitte organization"). DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited („DTTL"), its global network of member firms or their related entities (collectively, the "Deloitte organization") is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication. DTTL and each of its member firms, and their related entities, are legally separate and independent entities.

© 2023. For information, contact Deloitte Latvia.

Key audit matter

Expected credit losses on loans and measurement of guarantees

Refer to Notes 2 (16), 13, 18 and 29 to the financial statements

The assessment of allowances for loan losses and valuation of financial guarantee contracts requires management to exercise a significant level of judgment, especially with regards to identifying impaired loans, quantifying amount of impairment and estimating the payments expected to be made under the financial guarantees. The level of uncertainty and level of subjectivity of judgments applied is significant in 2022 due to the impact of the Russian military invasion of Ukraine, related sanctions and COVID-19 pandemic.

To assess the amount of provisions for expected credit losses, the Company applies comprehensive statistical models with a number of input parameters obtained from internal and external sources. If necessary, historical input parameters are adjusted so they can be used to derive a more appropriate estimation of losses in the future.

In accordance with the requirements of *IFRS 9 Financial Instruments*, the Company distinguishes three stages of impairment, with the criteria for classification to individual stages being based on an assessment of the objective evidence about the loans and debtors and subjective evaluation of other relevant information available to the Company.

Financial guarantee contracts are initially recognized at fair value and subsequently measured at a higher of (i) the amount of the loss allowance for the guaranteed exposure determined based on the expected loss model and (ii) the remaining unamortised balance of the amount initially recognised.

As of 31 December 2022, the total allowances for loan losses amount to EUR 21 074 thousand and the carrying amount of liabilities from financial guarantees is EUR 45 852 thousand.

How the matter was addressed in the audit

Our procedures included, but were not limited to:

We assessed the appropriateness of the methodology used by the Company to assess the level of credit risk, identify impairment and quantify provisions for selected significant portfolios.

We tested the design and operating effectiveness of key controls which the Company's management has implemented in connection with the impairment assessment processes, including key controls for approval, recording and monitoring of loans and guarantees, input of contractual data and accuracy, completeness and approval of loan loss provisions.

Our credit risk specialists assessed the appropriateness of management judgments regarding the determination of loan losses by considering the suitability of selected statistical models and their application to a sample of significant portfolios, and by comparing the inputs used in the models to the historical data about losses experienced by the Company.

With regards to macroeconomic parameters, we reviewed the analysis prepared by the Company of the expected macroeconomic developments and related parameters used in the *IFRS 9 Financial Instruments* models.

We evaluated the estimates made by management to reflect the impact of the Russian military invasion of Ukraine and the related sanctions on the loan loss provisions and the carrying amount of liabilities from financial guarantees.

On a sample of loans and guarantees, we evaluated the correctness of *IFRS 9 Financial Instruments* staging and appropriateness of provisioning levels.

For a sample of loans assessed on an individual basis, we examined the loan exposures and evaluated the Company's assessment of future recoveries, including the values of existing collaterals.

The overall conclusion was supported by an analysis performed at an overall portfolio level using analytical methods to identify anomalies in classification of loans to *IFRS 9 Financial Instruments* impairment stages and in the levels of loan loss provision.

We considered the completeness and accuracy of disclosures related to expected credit losses on loans and financial guarantees.

Deloitte.

Accounting for investments in venture capital funds

Refer to Notes 2 (16), 16 and 17 to the financial statements

The Company has made investments in a number of venture capital funds ("the VCFs"). The Company assesses whether it has control or significant influence over the VCFs and accordingly classifies each investment as either a subsidiary, an associate or as other investment.

Investments in associates are accounted for using the equity method, except for the specific investments designed as 'at fair value through profit and loss'. Investments in category "other investments" are accounted 'at fair value through profit and loss'.

Due to specific and complex nature of arrangements related to investments into VCFs and their management, significant judgment is applied in classifying VCFs into one of the abovementioned categories and selecting the appropriate accounting treatment.

The values of the investments in VCFs are primary determined using information about fair values of the underlying investments held by the VCFs ("the VCF Assets"). The VCF Assets represent a combination of debt and equity instruments that are rarely traded in an active and liquid market. Often, VCFs invest into start-up companies. Consequently, significant amount of judgment needs to be applied when determining the valuation of carrying amount of VCFs.

As of 31 December 2022, the total value of investments in VCFs reported by the Company amounts to EUR 80 386 thousand.

Our procedures included, but were not limited to:

We evaluated key judgments made by management when classifying investments in VCFs as subsidiaries, associates or other investments.

For a sample of the VCFs, we reviewed the contractual terms of the agreements related to management of the VCFs to evaluate the level of control that the Company holds over the VCF.

We obtained the calculations of net asset values of the VCFs and the available information about the fair values of the underlying VCF Assets.

We discussed with the responsible employees of the Company the performance of the VCFs and VCF Assets to understand their current performance and Company's expectations regarding the exit values for the VCF Assets.

For a sample of VCF Assets, our valuation specialists have assessed the appropriateness of management judgment used in determining the fair values of the underlying VCF Assets.

We assessed the appropriateness of adjustments made by the Company to the net asset values reported by the VCFs.

We considered the completeness and accuracy of disclosures relating to investments in VCF's.

Reporting on Other Information

The management is responsible for the other information. The other information comprises:

- the Management Report which is included in the accompanying Annual Report,
- the Statement on Management's Responsibilities which is included in the accompanying Annual Report,
- the Statement of Corporate Governance which is included in the accompanying Annual Report.

Our opinion on the financial statements does not cover the other information included in the Annual Report, and we do not express any form of assurance conclusion thereon, except as described in the *Other reporting responsibilities in accordance with the legislation of the Republic of Latvia related to Other information* section of our report.

In connection with our audit of the financial statements, our responsibility is to read the other information 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.

If, based on the work we have performed and in light of the knowledge and understanding of the Company and its environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other reporting responsibilities in accordance with the legislation of the Republic of Latvia related to other information

In addition, in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Management Report, our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Based solely on the work required to be undertaken in the course of our audit, in our opinion:

- the information given in the Management Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Management Report has been prepared in accordance with the requirements of the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

In accordance with the Law on Audit Services of the Republic of Latvia with respect to the Statement of Corporate Governance, our responsibility is to consider whether the Statement of Corporate Governance includes the information required in Article 56.1, Section 1, clauses 3, 4, 6, 8, and 9, as well as Article 56.2, section 2, clauses 1, 2, 3, 5, 7 and 8, and section 3 of the Financial Instruments Market Law.

In our opinion, the Statement of Corporate Governance includes the information required in Article 56.1, section 1, clauses 3 ,4, 6, 8, and 9, as well as Article 56.2, section 2, clauses 1, 2, 3, 5, 7 and 8, and section 3 of the Financial Instruments Market Law.

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

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibility 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Deloitte.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and objectivity, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other reporting responsibilities and confirmations required by the legislation of the Republic of Latvia and the European Union when providing audit services to public interest entities

We were first appointed as auditors on 8 December 2020. This is our third year of appointment as auditors.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit committee of the Company;

- as referred to in the paragraph 37.6 of the Law on Audit Services of the Republic of Latvia we have not provided to the Company the prohibited non-audit services (NASs) referred to of EU Regulation (EU) No 537/2014. We also remained independent of the audited entity in conducting the audit.

Deloitte.

Report on the compliance of format of the financial statements with the requirements for European Single Electronic Reporting Format

The Company's management has applied European Single Electronic Format for the Company's financial statements in order to implement the requirement of Article No. 3 of the Commission Delegated Regulation (EU) 2019/815 that amends European Parliament and Commission Directive 2004/109 / EC with regulatory technical standards establishing a single format for electronic reporting (hereinafter "the ESEF Regulation"). These requirements specify the Company's obligation to prepare its financial statements in an XHTML format. We confirm that the European single electronic reporting format of the financial statements for the year ended 31 December 2022 complies with the ESEF Regulation in this respect.

The responsible certified auditor on the audit resulting in this independent auditors' report is Inguna Stasa.

Deloitte Audits Latvia SIA
Licence No.43

Inguna Stasa
Member of the Board
Certified Auditor of Latvia
Certificate No.145

Riga, Latvia

The Independent Auditors' report is signed with secure electronic signature and contains a timestamp