

ENVIRONMENTAL INVESTMENT FUND

***ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER, 1998
AND FOR THE PERIOD FROM INCEPTION TO
THE 31st DECEMBER, 1997 IN ACCORDANCE WITH
THE INTERNATIONAL ACCOUNTING STANDARDS***

**ENVIRONMENTAL INVESTMENT FUND
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**ENVIRONMENTAL INVESTMENT FUND
REPORT OF THE EXECUTIVE COMMITTEE
FOR THE YEAR ENDED 31st DECEMBER, 1998**

In 1998 the Environmental Investment Fund ("the Fund") started reviewing projects in both municipal and private sectors of the economy. During the year the Fund's Board of Directors reviewed 79 project applications, two thirds of which received conceptual approval. By the end of the year the Fund had signed 10 loan agreements for a total amount of 771,000 Latvian Lats ("LVL"). The Fund made a significant input to the work of clients by providing assistance in project preparation and implementation and technical assistance with the preparation of business plans, procurement documents and contracts.

On 19th August, 1998 the Fund signed a Loan Facility Agreement with Nordic Environment Finance Corporation for 3.5 million euro. This facility relates to the Latvian Small Municipalities' Water and Wastewater Programme projects. The Fund will disburse the entire loan by the end of year 2000.

During 1998 the Fund continued to co-operate with the following:

- Programme 800+ (Water Supply and Sewerage in Latvian Small and Medium Size Towns)
- Programme 500- (National Solid Waste Management System in Latvia)
- Integrated Coastal Zone Management planning
- European Investment Bank
- Nordic Investment Bank
- Danish Environmental Protection Agency
- International Bank for Reconstruction and Development
- European Bank for Reconstruction and Development.

During the second half of 1998 the tender procedure on providing Phare Technical Assistance to the Fund was concluded. Phare approved technical assistance amounting to 1 million euro and a 2 million euro grant within the Country Operational Programme 1997 for an environmental projects credit scheme. Within the Technical Assistance scheme, ICC Bank (Ireland) will assist the Fund in developing project management skills.

Since the year end the Fund has relocated to a new office at Pils iela 6 and a long-term rental agreement has been signed. The new office is significantly larger than the previous office space at Pils iela 17 and is more suitable for staff and customers.

Projects, which the Fund will be working on during 1999, include:

- Clean Technology Centre in co-operation with Danish Environmental Protection Agency,
- Application for EU Phare Large Scale Infrastructure Facility (LSIF/ISPA) investment grant programme,
- Building insulation projects in co-operation with Kreditanstalt für Wiederaufbau (Germany),
- Financial intermediary for European Bank for Reconstruction and Development municipal projects.
- Financial intermediary for Nordic Investment Bank municipal projects.

Indra Sāmīte
Chairman of the Executive Committee

Riga
25th February, 1999

ENVIRONMENTAL INVESTMENT FUND
THE BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE

As at the date of signing of the financial statements:

The State Representative

<i>Name</i>	<i>Position</i>	<i>Date of appointment</i>
Zigfrīds Brūvers	State Representative	10 th April, 1997

The Board of Directors

<i>Name</i>	<i>Position</i>	<i>Date of appointment</i>
Askolds Kļaviņš	Chairman of the Board	19 th February, 1998
Juris Kokins	Member of the Board	19 th February, 1998
Ieva Saleniece	Member of the Board	19 th February, 1998
Indra Sāmīte	Member of the Board	19 th February, 1998

The Executive Committee

<i>Name</i>	<i>Position</i>	<i>Date of appointment</i>
Indra Sāmīte	Chairman of the Executive Committee	19 th February, 1998
Gints Kārklīņš	Member of the Executive Committee	19 th February, 1998
Oskars Spurdziņš	Member of the Executive Committee	19 th February, 1998

Askolds Kļaviņš
Chairman of
the Board of Directors

Indra Sāmīte
Chairman of
the Executive Committee

Zigfrīds Brūvers
State Representative

ENVIRONMENTAL INVESTMENT FUND
STATEMENT OF MANAGEMENT'S RESPONSIBILITY

1. The management is responsible for preparing financial statements from the books of prime entry of the Fund for each financial period, that present fairly the state of affairs of the Fund as at the end of the financial period and the results of its operations and cash flows for that period.
2. The management confirms that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements on pages 7 to 17 for the year ended 31st December 1998. The management also confirms that applicable international accounting standards have been followed and that the financial statements have been prepared on a going concern basis.
3. The management is responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the Fund and to prevent and detect fraud and other irregularities. They are also responsible for operating the Fund in compliance with legislation of the Republic of Latvia.

On behalf of the management,

Askolds Kļaviņš
Chairman of
the Board of Directors

Indra Sāmīte
Chairman of
the Executive Committee

Zigfrīds Brūvers
State Representative

Riga
25th February, 1999

INDEPENDENT AUDITORS' REPORT

To the shareholders of the Environmental Investment Fund:

We have audited the accompanying balance sheet of the Environmental Investment Fund ("the Fund") as of 31st December, 1998, and the related statement of income and statements of cash flows and shareholder's equity for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Fund for the period ended 31st December, 1997 were audited by another auditor whose report dated 6th April, 1998 expressed an unqualified opinion on these financial statements.

We conducted our audit in accordance with International Standards of Auditing. Those standards require that we plan and perform audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of 31st December, 1998, and the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards.

Deloitte & Touche
Riga, Latvia
15th February, 1999

**ENVIRONMENTAL INVESTMENT FUND
BALANCE SHEETS
AS OF 31st DECEMBER, 1998 AND 1997**

	<u>Note</u>	1998 <u>LVL</u>	1997 <u>LVL</u>
<i>Assets</i>			
Cash and balances with banks		2,222,825	1,482,780
Treasury bills	3	98,100	-
Government bonds	4	287,730	-
Loans to customers	5	400,431	-
Fixed assets, net	6	16,565	15,178
Deferred expenses, net	7	39,257	-
Accrued interest income		20,741	-
Other current assets	8	14,256	150
TOTAL ASSETS		<u>3,099,905</u>	<u>1,498,108</u>
 <i>Liabilities</i>			
Accounts payable and accruals	9	10,419	4,262
TOTAL LIABILITIES		<u>10,419</u>	<u>4,262</u>
 <i>Shareholder's equity</i>			
Share capital	10	2,000	2,000
Grants	11	3,135,225	1,543,278
Accumulated deficit		(47,739)	(51,432)
TOTAL SHAREHOLDER'S EQUITY		<u>3,089,486</u>	<u>1,493,846</u>
 TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		<u>3,099,905</u>	<u>1,498,108</u>
 <i>Off balance sheet items</i>			
Commitments	12		
Undrawn loan commitments		370,561	-
		<u>370,561</u>	<u>-</u>

Notes 1 to 21 form an integral part of these financial statements.

The financial statements on pages 7 to 17 were approved by the Board of Directors on 25th February, 1999 and are signed on their behalf by:

Askolds Kļaviņš
Chairman of the Board of Directors

Indra Sāmīte
Chairman of the Executive Committee

ENVIRONMENTAL INVESTMENT FUND
STATEMENTS OF INCOME
FOR THE YEAR ENDED 31st DECEMBER, 1998 AND FOR THE PERIOD
FROM INCEPTION (28th APRIL 1997) TO 31st DECEMBER 1997

	<u>Note</u>	1998 <u>LVL</u>	1997 (8 months) <u>LVL</u>
<i>Operating income</i>			
Interest income	13	110,872	3,125
Interest expense		<u>-</u>	<u>-</u>
Net Interest Income		110,872	3,125
Fees and commissions receivable		5,162	-
Fees and commissions payable		-	-
Net gains on trading investments		8,666	-
Other operating income		2,040	6,780
Other Income		15,868	6,780
TOTAL OPERATING INCOME		<u>126,740</u>	<u>9,905</u>
<i>Operating expenses</i>			
Administrative expenses	14	(120,014)	(60,881)
Depreciation	6	(2,665)	(435)
Other operating expenses		(368)	(21)
TOTAL OPERATING EXPENSES		<u>(123,047)</u>	<u>(61,337)</u>
SURPLUS /(DEFICIT) FOR THE PERIOD	15	<u>3,693</u>	<u>(51,432)</u>

Notes 1 to 21 form an integral part of these financial statements.

The financial statements on pages 7 to 17 were approved by the Board of Directors on 25th February, 1999 and are signed on their behalf by:

Askolds Kļaviņš
Chairman of the Board of Directors

Indra Sāmīte
Chairman of the Executive Committee

**ENVIRONMENTAL INVESTMENT FUND
STATEMENTS OF SHAREHOLDER'S EQUITY
AS OF 31st DECEMBER, 1998 AND 1997**

	1998	1997
	LVL	LVL
Share capital subscribed	-	2,000
Grants received		
- <i>Environmental Protection Fund (28% Natural Resources Tax)</i>	1,588,263	1,540,000
- <i>Environmental Protection Fund (Project Liepaja)</i>	-	10,203
- <i>other grants</i>	5,347	-
Grants written off	(1,663)	(6,925)
Surplus/(deficit) for the period	3,693	(51,432)
	1,595,640	1,493,846
Opening shareholder's equity	1,493,846	-
Closing shareholder's equity	3,089,486	1,493,846

ENVIRONMENTAL INVESTMENT FUND
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31st DECEMBER, 1998 AND FOR THE PERIOD
FROM INCEPTION (28th APRIL 1997) TO 31st DECEMBER 1997

	<u>Note</u>	1998	1997 (8 months)
		<u>LVL</u>	<u>LVL</u>
<i>Cash flows from operating activities</i>			
Surplus/(deficit)		3,693	(51,432)
Depreciation		2,665	435
Deferred expenses increase		(39,257)	-
Accrued interest income increase		(20,741)	-
Other current assets increase		(14,106)	(150)
Accounts payable and accruals increase		6,157	4,262
Increase in operating assets			
– Government bonds		(287,730)	-
– Loans to customers		(400,431)	-
Net cash outflow from operating activities		<u>(749,750)</u>	<u>(46,885)</u>
<i>Cash flows from investing activities</i>			
Purchase of fixed assets		(4,800)	(15,613)
Disposal of fixed assets		1,366	-
Net cash outflow from investing activities		<u>(3,434)</u>	<u>(15,613)</u>
<i>Cash flows from financing activities</i>			
Share capital issued		-	2,000
Grants received		1,593,610	1,550,203
Grants written off		(1,663)	(6,925)
Adjustment for grant funded fixed assets		(618)	-
Net cash inflow from financing activities		<u>1,591,329</u>	<u>1,545,278</u>
Net increase in cash and cash equivalents		838,145	1,482,780
Cash and cash equivalents at beginning of period		<u>1,482,780</u>	-
Cash and cash equivalents at end of period	16	<u>2,320,925</u>	<u>1,482,780</u>

Notes 1 to 21 form an integral part of these financial statements.

ENVIRONMENTAL INVESTMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER, 1998 AND FOR THE PERIOD
FROM INCEPTION (28th APRIL 1997) to 31st DECEMBER 1997

Note 1 – Incorporation and Activities. The Environmental Investment Fund ("the Fund") was registered on 28 April 1997. It was established by resolution of the Cabinet of Ministers of the Republic of Latvia. The shares are controlled by the Ministry of Environmental Protection and Regional Development of the Republic of Latvia. The Fund is a limited liability non-profit organisation, which is governed by its own Charter and by the legislation of the Republic of Latvia. The Fund has been established to pool domestic earmarked resources (e.g. natural resources tax accumulated and managed by the Environmental Protection Fund as a donator agency) with foreign bilateral and multilateral funding to support investments in public and private environmental projects in accordance with the guidelines of the National Environmental Protection Policy and the National Environmental Action Program.

Note 2 – Summary of Significant Accounting Policies. The Fund maintains its accounting records in accordance with Latvian accounting legislation. The financial statements have been prepared from those accounting records.

(i) **Basis of preparation.** The financial statements have been prepared under the historical cost convention and in accordance with the requirements of International Accounting Standards ("IAS").

(ii) **Reporting currency.** The financial statements are presented in the national currency of Latvia, the Lat (LVL).

(iii) **Foreign currency translation.** All monetary assets and liabilities denominated in foreign currencies are translated into Latvian Lats (LVL) using the rates of exchange ruling at the balance sheet date as published by the Bank of Latvia. The principal foreign currency held by the Fund is US dollar. Its applicable rate as at the balance sheet date was as follows:

	1998	1997
1 USD =	LVL 0.569	LVL 0.590

(iv) **Bad debts and provisions.** The management and Board of Directors have considered risk in determining the balance of provisions and possible loan losses. Provision for loan losses as at the balance sheet date are established in accordance with IAS and represent the estimated amounts of probable losses that have been incurred at the balance sheet date.

(v) **Fixed assets and depreciation.** Fixed assets are stated at historical cost less accumulated depreciation.

Depreciation is calculated on the straight line method at rates, which will write off each asset over its estimated useful life. The rates per annum, which are used, are as follows:

Computer and office equipment	20%
Fixtures & Fittings	10%

(vi) **Reserve accounting.** In accordance with Article 4 of the Republic of Latvia Act On Non-profit Organisations, the revenue reserves are not distributable to shareholders.

(vii) **Grants.** Grants are recognised in the financial statements on the basis of the equity method of accounting. Grants are credited to reserves when received. Grants to be

ENVIRONMENTAL INVESTMENT FUND
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utilised in less than one year are transferred to income in order to match them with the related costs which they are intended to compensate.

- (viii) **Interest, Fees and Commissions.** Interest income is recognised on the accrual basis. The Fund does not accrue interest on non-performing loans. Commissions, fees and other income are credited to income when earned.
- (ix) **Investments.** Investments are comprised of trading securities and investment securities. Trading securities are marketable securities that are acquired with the intention of reselling them in the short term. Trading securities are stated at lower of cost or market value. Market value is based on published values or estimated realisable value. Investment securities are acquired for yield or capital gain purposes with the intention of holding them to maturity. Investment debt securities are stated at amortised cost.
- (x) **Taxation.** The Fund is exempt from corporate income tax under provisions set out in the Act On Non-profit Organisations. Accordingly, the financial statements do not contain any charges or balances for corporate taxes or deferred taxation.
- (xi) **Fair value of financial assets and liabilities.** Fair value represents the amount at which an asset could be sold or a liability settled on an arm's length basis.
- (xii) **Cash flows.** The statement of cash flows has been prepared using the indirect method.

Note 3 – Treasury bills. These are short-term treasury bills issued by the Government of Latvia.

Note 4 – Government bonds. These are two year Government bonds issued by the Government of Latvia.

Note 5 – Loans to Customers.

	1998	1997
	<u>LVL</u>	<u>LVL</u>
<i>Customer analysis</i>		
Municipalities	225,593	-
State and municipal companies	91,526	-
Private companies	77,012	-
Other	6,300	-
	400,431	-
Provisions for bad and doubtful debts	-	-
	400,431	-

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FOR THE YEAR ENDED 31st DECEMBER, 1998 AND FOR THE PERIOD
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	1998	1997
	<u>LVL</u>	<u>LVL</u>
<i>Maturity analysis</i>		
Due after five years	<u>400,431</u>	<u>-</u>

<i>Sectoral analysis</i>		
Furnace and district heating	317,119	-
Small hydro power stations	77,012	-
Insulation	6,300	-
	<u>400,431</u>	<u>-</u>

		1998		1997
	<u>No.</u>	<u>LVL</u>	<u>No.</u>	<u>LVL</u>
<i>Loan size analysis (LVL)</i>				
1,000 - 5,000	1	4,837	-	-
5,000 - 10,000	1	6,300	-	-
10,000 – 100,000	5	233,324	-	-
over 100,000	1	155,970	-	-
	<u>8</u>	<u>400,431</u>	<u>-</u>	<u>-</u>

During 1998 the average interest rate was 7% for long-term loans. All loans of the Fund have an interest rate fixed until maturity.

Note 6 – Fixed Assets, Net.

	1998			1997		
	Computer and office equipment	Fixtures and fittings	Total	Computer and office equipment	Fixtures and fittings	Total
	<u>LVL</u>	<u>LVL</u>	<u>LVL</u>	<u>LVL</u>	<u>LVL</u>	<u>LVL</u>
<i>Historical cost</i>						
At beginning of period	7,458	8,155	15,613	-	-	-
Additions	4,800	-	4,800	7,458	8,155	15,613
Grant funded assets	1,084	-	1,084	-	-	-
Disposals	(1,366)	-	(1,366)	-	-	-
At end of period	<u>11,976</u>	<u>8,155</u>	<u>20,131</u>	<u>7,458</u>	<u>8,155</u>	<u>15,613</u>
<i>Accumulated depreciation</i>						
At beginning of period	367	68	435	-	-	-
Charge	1,850	815	2,665	367	68	435
Write down of grant funded fixed assets	466	-	466	-	-	-
At end of period	<u>2,683</u>	<u>883</u>	<u>3,566</u>	<u>367</u>	<u>68</u>	<u>435</u>
<i>Net book value</i>						
At beginning of period	<u>7,091</u>	<u>8,087</u>	<u>15,178</u>	-	-	-
At end of period	<u>9,293</u>	<u>7,272</u>	<u>16,565</u>	<u>7,091</u>	<u>8,087</u>	<u>15,178</u>

The assets stated above are held for the Fund's own use.

ENVIRONMENTAL INVESTMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER, 1998 AND FOR THE PERIOD
FROM INCEPTION (28th APRIL 1997) to 31st DECEMBER 1997

Note 7 – Deferred Expenses, Net.

	1998	1997
	<u>LVL</u>	<u>LVL</u>
Leasehold improvement	<u>39,257</u>	<u>-</u>

The Fund has signed a long-term office rental agreement. Office renovation expenses are amortised on a monthly basis by 65% of the rent payable.

Note 8 – Other Current Assets.

	1998	1997
	<u>LVL</u>	<u>LVL</u>
Loans to personnel (Note 20)	9,066	-
Social security costs prepaid	2,990	-
Other prepayments	1,670	84
Other assets	530	66
	<u>14,256</u>	<u>150</u>

Note 9 – Accounts Payable and Accruals.

	1998	1997
	<u>LVL</u>	<u>LVL</u>
Accrued expenses	2,264	3,411
Tax payable	4,122	20
Other accounts payable	4,033	831
	<u>10,419</u>	<u>4,262</u>

Note 10 – Share Capital. Authorised, issued and fully paid at 31st December

	1998	1997
	<u>LVL</u>	<u>LVL</u>
2,000 Ordinary shares of LVL 1 each	<u>2,000</u>	<u>2,000</u>

Note 11 – Grants. Under agreements with grantor agencies, the Fund receives grants to support investments in public and private environmental projects in accordance with the guidelines of the National Environmental Protection Policy and the National Environmental Action Program.

Note 12 – Off Balance Sheet Items.

Contingent liabilities. The Fund was not involved in any legal proceedings having significant effect on the financial statements as at 31st December, 1998.

	1998	1997
	<u>LVL</u>	<u>LVL</u>
<i>Undrawn loan commitments</i>		
Municipalities	157,307	-
Private companies	149,780	-
State and municipal companies	63,474	-
	<u>370,561</u>	<u>-</u>

ENVIRONMENTAL INVESTMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
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Note 13 – Interest Income.

	1998	1997 (8 months)
<i>Interest income is composed of:</i>	<u>LVL</u>	<u>LVL</u>
Balances with banks	88,801	3,125
Loans to customers	5,805	-
Fixed income securities	16,266	-
	<u>110,872</u>	<u>3,125</u>

The interest rates received on balances with banks for the year were between 2% and 8%.

Note 14 – Administrative Expenses.

	1998	1997 (8 months)
	<u>LVL</u>	<u>LVL</u>
Staff costs		
– wages and salaries to management and staff	73,860	38,181
– remuneration to the Members of the Board	5,016	-
– social security costs	15,750	10,768
Advertising and publicity	5,928	1,103
Travel	1,064	900
Communications	3,552	1,223
Rent and public utilities	3,223	1,718
Other administrative expenses	11,621	6,988
	<u>120,014</u>	<u>60,881</u>

The average number of persons employed by the Fund during the year was 11 (1997 - 8).

Note 15 – Surplus/(Deficit). The Republic of Latvia Limited Liability Companies Act states that a minimum 5% of the current year surplus shall be retained in an equity reserve. The remaining surplus earned by the fund is retained in order to provide a reserve for future liabilities and contingencies.

Note 16 – Cash Flow Reconciliation. Cash and cash equivalents include cash on hand, bank balances and treasury bills with maturities of three months or less. Reconciliation of net increase in cash and cash equivalents:

	1998	1997	Change
	<u>LVL</u>	<u>LVL</u>	<u>LVL</u>
Cash on hand	53	90	(37)
Balances with banks			
- LVL accounts within 1 month	1,920,392	1,482,512	437,880
- LVL accounts from 1 month to 3 months	300,000	-	300,000
- USD accounts within 1 month	2,380	178	2,202
Treasury bills	98,100	-	98,100
Cash and cash equivalents	<u>2,320,925</u>	<u>1,482,780</u>	<u>838,145</u>

ENVIRONMENTAL INVESTMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
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Note 17 – Financial Instruments. Funds obtained through grants and not yet disbursed to customers are held in bank deposits and invested in Latvian Government treasury bills and bonds. All deposits have a maturity of 3 months or less. Treasury bonds are due to mature in year 2000. As grants received are interest free, the Fund is not exposed to interest rate risk.

Note 18 – Credit Risk Management.

Balances with banks. As all the Fund's bank balances are held in Unibanka, Riga with a remaining maturity of 3 months or less, the Fund's management believe that these receivables are secure.

Loans to customers. The Fund's employees review each loan application and reports for decision are submitted to the Board of Directors. Loans are secured by pledge of real estate or by third party guarantee. The Fund disburses loans in accordance with the terms of the loan agreement against invoices and signed contracts. All procurements financed by the Fund must follow the Law on Public Procurement. The borrowers have to submit reports on project implementation quarterly and audited financial statements annually. The Fund's employees make regular site visits.

Note 19 – Fair Value. The following methods and assumptions were used to estimate fair values for the financial instruments.

The carrying value of cash and balances with banks approximates fair value due to the relatively short period of time between the origination of the instruments and their expected realisation.

In the case of securities, the fair values are based on quoted market prices or dealer quotes. If a quoted market price is not available, fair value is estimated using quoted market prices for similar instruments.

The fair value of loans is estimated based on contractual cash flows, adjusted for prepayment assumptions and credit risk factors, discounted using the current market rate for loans.

The carrying value of accrued interest income approximates fair value due to the relatively short period of time between accrual and expected realisation.

As at 31st December, 1998	Carrying Value	Fair Value
	<u>LVL</u>	<u>LVL</u>
Financial Assets:		
Cash and balances with banks	2,222,825	2,222,825
Investments in fixed income securities	385,830	385,830
Loans to customers	400,431	334,177
Deferred expenses	39,257	28,532
Other assets	34,997	34,997
Total Financial Assets	<u>3,083,340</u>	<u>3,006,361</u>
Financial Liabilities		
Accounts payable and accruals	<u>10,419</u>	<u>10,419</u>
Total Financial Liabilities	<u>10,419</u>	<u>10,419</u>

Note 20 – Related Party Transactions. Related parties are defined as shareholders, employees, members of the Board of Directors and Executive Committee, their close relatives

ENVIRONMENTAL INVESTMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER, 1998 AND FOR THE PERIOD
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and companies in which the above mentioned persons have a controlling interest.

The interest rate applicable to loans to related parties is 6%. Maturity of the loans is 12 months.

Lending to related parties:	1998	1997
	<u>LVL</u>	<u>LVL</u>
Loans to members of Board of Directors	8,555	-
Loans to members of Executive Committee	511	-
	<u>9,066</u>	<u>-</u>

Note 21 – Comparative Figures. Certain figures relating to the previous period have been reclassified for comparative purposes.
