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Norfund

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2015

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ANNUAL REPORT

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NORWEGIAN INVESTMENT FUND FOR  
DEVELOPING COUNTRIES

# ANNUAL REPORT 2015

Norfund – The Norwegian Investment Fund for Developing Countries – was established by the Storting (Norwegian parliament) in 1997 as a state-owned and state-funded investment company. Norfund is an instrument in Norwegian development policy. Norfund contributes to economic development and profitable, sustainable jobs in poor countries through the development of profitable enterprises, particularly within the fields of clean energy, the financial sector and agribusiness, coupled with transfer of knowledge and technology. At the end of 2015, the total investment portfolio amounted to NOK 15.1 billion.

This report covers both Norfund and the Norfund group. The Norfund group includes consolidation of the subsidiary Norfininvest AS, which is owned 75 per cent by Norfund. Norfininvest AS owns 12.2 per cent of Equity Group Holdings Ltd (Equity Bank), and the company is owned jointly with Norfinance AS. Matters that concern the Norfund group or Norfund individually are specified in the report. Otherwise, the report applies to both companies.

## 1. SUMMARY OF THE YEAR

2015 was characterised by a global fall in commodity and energy prices and growing economic imbalances in regions in which Norfund is involved. The picture is mixed, but many countries, particularly in southern Africa, are suffering an economic crisis with reduced growth, falling exchange rates and increasing capital flight. Escalating debt and trade deficits and the uncertain global economic situation appear to be reducing investors' willingness to invest in developing countries. In challenging times such as these, Norfund and other development finance institutions (DFIs) have a particularly important part to play in securing access to capital for the private sector. Norfund maintained its high investment level in 2015, with a view to building sustainable companies and combatting poverty.

Norfund entered into investment agreements for NOK 2.4 billion in 2015. Approximately NOK 328 million was invested in clean energy, while NOK 1.49 billion was invested in financial institutions and NOK 325 million in food and agribusiness. NOK 253 million was invested in SME funds. At 31 December 2015, approximately 49 per cent of Norfund's investment portfolio is in clean energy, while 28 per cent of the portfolio is in financial institutions, including microfinance, and 11 per cent is in food and agribusiness. The remainder of the portfolio is

mainly in small and medium-sized enterprises, through private equity funds. A full 85 per cent of new investments were made in sub-Saharan Africa, while 38 per cent were made in LDCs. Investment in renewable energy in 2015 was lower than the owner's expectation that half of the annual supply of capital should be invested in renewable energy. Realized figures for investments made in any one year will vary from year to year. Over time, the investments in renewable energy will exceed the target.

In the course of 2015, Norfund revised its strategy. The strategy, which was originally formulated in 2007, was revised in 2009 and 2012, and will be continued along basically the same lines until 2020. The strategy has been developed in accordance with the fundamental principles of Norwegian development cooperation policy. It creates a foundation for continued growth of Norfund's total assets during this period, in line with the signals previously emitted by the owner, most recently in White Paper 35 (2014–2015) «Sammen om jobben - næringsutvikling innenfor utviklingssamarbeidet» (Working together – business development in development cooperation), and the annual budget documents.

The primary features of Norfund's strategy are based on skills-based growth, geographic concentration on eastern and southern Africa, Central America and selected countries in Southeast Asia, prioritising of investment in clean energy, financial institutions, food and agribusiness. Norfund intends to expand its role as an active, strategic minority investor with the emphasis on the use of equity instruments. The Fund will more explicitly define the holding period of each investment. The holding period is determined mainly by Norfund's additional role. Geographical concentration will be continued, but will be somewhat expanded from 2016 to include

Ethiopia, Somaliland, and gradual ventures into West Africa. Investment through platform companies such as SN Power, Norwegian Microfinance Initiative (NMI) and Globeleq will play an important part going forward. Norfund's high level of ambition regarding environmental and social standards, and good corporate governance will be maintained.

Norfund operates in difficult markets, and has made write-downs on some projects that have led to reduced return in 2015. Norfund has continued to focus on investing in fragile states. As a result of the difficult situation in South Sudan, further development of the hydropower plant Fula Rapids has been stopped. Developments in Norfund's other investments in South Sudan are satisfactory. The focus in Myanmar continues to be on microfinance.

Norfund has five regional offices: in Maputo, Nairobi and Johannesburg in Africa, Bangkok in Asia and San José in Central America. Norfund's policy is to recruit personnel with local expertise. In 2015, manpower in the regional offices was boosted further. Norfund established a trainee scheme in 2015, and there is now a locally recruited trainee at each of the three regional offices in Africa.

## 2. NORFUND'S BUSINESS

### 2.1. Activities and business areas

Norfund's objective is to contribute to development by investing in viable, profitable enterprises. In this way, Norfund helps to create jobs and income for employees and owners, as well as tax revenues for the authorities. Investments are intended to be additional, by boosting the supply of capital and expertise in poor countries. Norfund is also intended to act as a catalyst by mobilising capital from other investors, both in Norway and abroad. Norfund always invests jointly with other investors, and does not normally contribute more than 35 per cent of a company's equity. In the majority of projects, Norfund's contribution is a combination of capital (equity and/or loans) and the exercise of corporate governance. Exercising good corporate governance demands considerable knowledge of countries, sectors, investment skills and, not least, the ability to identify and choose the right partner(s), as well as active follow-up of investments. Norfund receives capital contributions from the Norwegian government. In 2015, total capital contributions from the government amounted to NOK 148 billion.

The most important single event in 2015 was the investment in a 12.2 per cent holding in Equity Group Holdings Ltd (Equity Bank), the second biggest bank in Kenya, together with Norfinance AS. Through this investment, Norfund, as an anchor investor in the bank, will contribute to a growth strategy that targets small and medium-sized enterprises and customers who have not previously had access to banking services.

Another important event in 2015 was the completion of the investment in the energy company Globeleq, a leading producer of electricity in sub-Saharan Africa. The company is owned jointly with the British development finance institution, CDC. The owners' joint target is for Globeleq to develop 5000 MW of new production capacity in the course of the next ten years.

Norfund's operations are divided into the following four investment areas:

**Clean energy:** Investment in clean energy is intended to improve and increase electricity production from clean energy sources, thereby helping to provide a sound basis for economic development. Projects are characterised by large capital requirements and high risk associated with both the development itself and, for example, hydrological conditions. Norfund's investments in clean energy have been highly profitable over time and generated significant development effects.

Norfund entered into agreements for investment in energy for a total value of NOK 328 million in 2015. All the agreements concerned renewable energy. Three of the investments were new projects: Rwimi Small Hydro Project is a hydro-power plant with a capacity of 6.6 MW in Uganda; Agua Fria is a 59 MW solar power plant in Honduras; and Los Prados a 50 MW solar power plant in Honduras, is a joint venture with Scatec Solar as partner. The latter two investments are being made as part of the collaboration with life insurance company KLP.

No less than five power plants began commercial operations in 2015. These are the hydropower plants Cheves in Peru, with a capacity of 168 MW, and Bajo Frio, Panama, with 60 MW; the solar power plant Agua Fria in Honduras, with 59 MW, the 53 MW wind farm San Antonia, in Guatemala, and the 4 MW biogas power plant Bio2Watt in South Africa.

As from May 2014, the construction of the wind power project Kinangop has been prevented by local civil commotion that caused an unacceptable safety situation at the construction site and the resulting impact of that commotion. Early 2016 the owners notified the Kenyan authorities that by reason of the adverse impact of these events the wind project cannot be completed as planned. Norfund and its partners have as active and responsible owners explored all avenues to find solutions to execute the project, but a solution was not possible for reasons beyond Norfund's control.

**Financial institutions:** Norfund invests in or provides loans to banks, microfinance institutions and other financial institutions. »

The main aim is to extend the range of financial services to small and medium-sized enterprises (SMEs) and to individuals who would not otherwise have access to such services. Norfund entered into investment agreements in financial institutions totalling approximately NOK 1,489 million in 2015.

The investment in Equity Bank, Kenya, is an important part of Norfund's strategic work to create efficient, scalable banks that offer reasonable services to small and medium-sized companies and customers who have not previously had access to banking services.

Further investment in Norwegian Microfinance Initiative (NMI) was also an important strategic decision in 2015. Norfund and the other private owners (Ferd, DNB, Storebrand and KLP) have initiated a dialogue with the Danish Investment Fund for Developing Countries (IFU) with a view to building NMI up into a leading Nordic microfinance platform. In 2015 Norfund increased its commitment to NMI fund III to USD 10 million.

An investment agreement for NOK 29.8 million was also closed with the leasing company Arrend Guatemala, which specialises in equipment and machinery for small and medium-sized enterprises, mainly in agribusiness. A further investment agreement has been entered into with Banco Promerica El Salvador, a bank that targets SMEs.

Norfund's investment in fragile states continued in 2015 with investment in two microfinance institutions in Myanmar: Advans MFI Myanmar Company Limited (NOK 10.2 million committed), and Myanmar Finance International Limited (NOK 12.4 million committed).

**SME funds:** SME funds are useful instruments for reaching small and medium-sized enterprises. These enterprises play a key role in building up a well-functioning business sector and creating local jobs. Because of the shortage of capital in the SME sector, Norfund's role is to be additional by investing in these funds. The investments are concentrated on markets with extensive needs, particularly in LDCs and where the supply of capital is particularly weak. Norfund entered into investment agreements worth NOK 253 million with SME funds in 2015.

Three new investments in funds were carried out in 2015. Two of the new investments, the funds Grofin and Business Partner SME Funds, invest in small enterprises in Africa. The third, Laos Cambodia Myanmar Development Fund II, invests in a region with a particular need for capital.

**Food and agribusiness:** The investment area previously

called "Industrial Partnerships" is now called "Food and Agribusiness". The change reflects adjustments in Norfund's strategy, the focus of which is on the agriculture sector and related value chain. Norfund's investments in food and agribusiness target new establishments and growth enterprises with major development effects in Africa. In this kind of investments, Norfund's expertise and role as an active owner are often just as important as the actual funding.

Norfund faced challenges in its agricultural portfolio also in 2015. This was not unexpected, however, given the high proportion of newly established companies in challenging markets and demanding forms of production.

In 2015, Norfund entered into investment agreements for a total of NOK 325 million in the investment area Food and Agribusiness.

A new investment of NOK 84 million was made in the company Freight in Time, a Kenyan logistics company that operates in eight countries in the region and specialises among others in the transport of chilled goods such as vegetables, fruit and flowers to Europe. Follow-up investments were also made in Agrivision Africa, which cultivates wheat, maize and soya and operates a mill that buys grain from small farmers in Zambia, and Africa Century Foods, which is engaged in fish-farming in Zambia and Zimbabwe. The latter investment is associated with the establishment of a company for the manufacture, sale and distribution of fish feed in Zambia, in a joint venture with Nutreco's subsidiary Skretting.

**The grant facility**

Norfund has a grant facility that is designed to strengthen the development effects of our investments. The facility provides professional and technical assistance for projects through product development, operational improvements and ESG (environment, social, governance), such as training, improvement of internal control systems or HSE procedures and local community development. In 2015, Norfund administered NOK 26.5 million through its grant facility, NOK 5.5 million of which represented unused resources transferred from 2014. Norfund approved grants for a total of NOK 25.3 million, distributed among 20 projects, in 2015. Of these grants, 25 per cent went to project development (35 per cent of the resources), 60 per cent went to operational improvement and ESG (53 per cent of the resources) and 15 per cent went to local community development (13 per cent of the resources). The resources were distributed such that 64 per cent went to projects in sub-Saharan Africa (70 per cent of the projects) and 37 per cent to projects in least developed countries (LDCs). In addition to 19 new projects, 34 projects from previous years continued in 2015.

Norfund also administers resources from the Norwegian Ministry of Foreign Affairs/embassies earmarked for the development of a hydropower plant at Fula Rapids, South Sudan, which is now terminated, in addition to risk-reduction measures for our investments in South Sudan and Myanmar. On behalf of the Ministry, Norfund also administers a grant fund earmarked for projects in the Balkans. Most of the resources have been granted as loans to two finance companies.

#### **Information Office**

The Information Office for Private Sector Development in Developing Countries is operated in conjunction with the Norwegian Agency for Development Cooperation (Norad) and offers first-line support for enquiries from Norwegian operators interested in making commercial investments in developing countries. In particular, the office provides advice and guidance on financial grant and funding schemes to companies. The office received almost 200 enquiries in 2015, mostly from SMEs. Over 60 per cent of the enquiries in 2015 concerned Africa, particularly East Africa. Most of the enquiries concerned Norad's pre-investment phase support schemes, but the office also received a number of enquiries about Norfund's equity and loan instruments.

#### **2.2. Exits**

In 2015 Norfund exited from five equity investments: AMSCO, a company that delivers professional services to enterprises, the hydropower plant Bugoye in Uganda, and the funds Business Partners Madagascar SME Fund, Locfund and Solidus Investment Fund S.A. Nine loans were also repaid.

#### **2.3. Financial risk**

In keeping with Norfund's development policy goals, we invest in countries where the operating parameters, markets and companies are characterised by high risk. The future is thus surrounded by a great deal of uncertainty. There is also substantial counterparty risk associated with many of Norfund's investments. Significant credit risk is associated with the loans. Norfund has procedures for assessing risk prior to making investment decisions, and for risk management during the investment period. The risk profile of our portfolio is in accordance with Norfund's mandate.

Norfund's investments are largely made in foreign currency: mainly US dollars, but also euros, South African rand and other local currencies. Norfund's results are reported in Norwegian kroner. There is also currency risk associated with individual investments, between Norfund's investment currency and the enterprises' cash flows in the local currency. According to our mandate, Norfund should not spend resources on hedging the value of the portfolio in Norwegian kroner, since the resources are to be reinvested

outside Norway. Norfund's investment commitments are thus in foreign currency. Disbursements from our reserves in Norwegian kroner often take place long after a contract has been signed, and at an unknown exchange rate. A portion of the investment resources is retained as a buffer in Norges Bank in order to manage this risk.

In Norfund's committed portfolio, direct equity investment accounts for 70 per cent, indirect equity investment through funds 15 per cent and loans 15 per cent. A total of 53 per cent is invested in sub-Saharan Africa and 29 per cent in LDCs. Excluding investments in Statkraft IH Invest AS, the LDC share is 36 per cent, and 75 per cent is invested in sub-Saharan Africa.

Market conditions also constitute an important risk factor. Norfund has high exposure to the energy market, and falling energy prices impact profitability, particularly in parts of the portfolio that are exposed to short-term markets. Political and regulatory risk are also important risk factors.

Other risk factors are discussed in note 16 to the company's financial statements.

#### **2.4. Social responsibility**

Norfund has a systematic approach to its social responsibility. The Owner expects Norfund to comply with the requirements stipulated in Storting Report 27 (2013-2014) (A diverse and value-based ownership). Norfund assumes social responsibility by setting high requirements for its own operations and for the operation of enterprises in its portfolio. Norfund has zero tolerance for corruption, and requires that account be taken of human rights, gender equality and local communities as well as the environment and biological diversity. All these factors are thoroughly reviewed before investment agreements are closed; if necessary, action plans are established for the companies' follow-up, and these factors will be in focus in Norfund's active ownership engagement in the companies, and in reporting from the companies in which Norfund has invested.

In many of the countries in which Norfund invests, laws and rules to protect employees and the rights of vulnerable groups are poorly implemented. In its investment agreements, Norfund therefore stipulates compliance requirements over and above those that are often general practice and commits the enterprises to compliance with the environmental and social standards of the World Bank's International Finance Corporation (IFC). These standards cover indigenous peoples' rights, biodiversity, the interests of local communities and the core conventions of the International Labour Organisation (ILO). Compliance with these standards is an integral part of the work of entering into investment agreements and »

monitoring the investments as owner and lender. Norfund has established a 'Business Integrity Policy' and reporting procedures that are to be used if financial irregularities or corruption are suspected, and these must be constantly applied in all parts of the organisation. If financial irregularities or corruption are suspected, there is a separate procedure for reporting to the Norwegian Ministry of Foreign Affairs.

An important result of the work to promote human rights and anti-corruption in its investments is that Norfund has gained a reputation as an investor that does not tolerate breaches of important principles, and for that reason has become an attractive investment partner. The number of whistleblower cases and incidents related to corruption/business ethics is limited. In 2015, four cases of suspected financial irregularities were reported.

Norfund has adopted corporate governance principles, and is operated in accordance with current rules and regulations for public sector financial management. Prevention of financial irregularities forms an integral part of its mandate and operations.

Good working conditions for employees are a fundamental goal for Norfund. Ensuring that the enterprises focus on health, safety and the environment (HSE) is a considerable challenge, particularly in major construction projects and in connection with overland transport. Our aim is to ensure that the necessary safety equipment is used and that procedures are followed by all concerned, including subcontractors. Norfund spends considerable amounts on following up on HSE requirements in all our investments.

Reporting of serious accidents and deaths is a mandatory contractual requirement. Regrettably, 15 project-related fatalities were reported from enterprises in Norfund's portfolio in 2015, two of them in our direct investments, while 13 were in subsidiaries. One of the deaths was a work-related drowning accident, one occurred in connection with putting out a fire at a forestry place, two were due to violence on the sites of two companies, and the remaining 11 were traffic accidents. Fatal accidents related to Norfund's direct investments are reported immediately to the Board and owner. Norfund follows up all fatalities to ensure that the accidents are investigated, that safety procedures are modified if necessary, and that the next of kin receive the compensation to which they are entitled. Norfund will continue to work to reduce accidents associated with its investments.

Norfund always invests jointly with other investors, and often through structures or funds that have been set up by others. In countries with weak legal systems and/or where there is a risk of corruption in the legal system, the administration and enforcement of laws and rules are often neither effective

nor predictable. In countries like this, it may be difficult for Norfund and our partners to ensure that legal steps can be taken in the event of financial irregularities or disputes. This represents a risk that is too high for many investors and lenders. The jurisdiction of a third-party country is therefore often employed for investments in weakly developed countries. The use of such offshore financial centres (OFCs) gives Norfund a special responsibility to ensure that we have full insight into the transactions that take place and that we in no way contribute to tax evasion or unlawful flows of capital. In accordance with guidelines issued by the Norwegian Ministry of Foreign Affairs in 2014, Norfund is now subject to the same guidelines as other state-owned companies and funds with international activities. Norfund exercises great caution in its use of OFCs, and follows OECD guidelines on tax-related matters. This includes seeking to avoid using tax havens that do not comply with Global Forum standards on transparency and effective information exchange, and countries that have not entered into tax information agreements with Norway.

Norfund integrates consideration for the external environment into its operations and endeavours to follow the guidelines for a 'green government'. The guidelines require that environmental interests form an integral part of its activities, and that a system of environmental management is developed. A few years ago, a survey was therefore made of Norfund's impact on the external environment. As a small, knowledge-based enterprise, Norfund has limited environmental impact. The greatest burden on the environment caused by Norfund's own business activities is due to air travel. In 2015, travel by Norfund's Norway-based employees entailed the emission of some 341 tonnes of CO<sub>2</sub>. Since 2012, most flights departing from or arriving in the European Economic Area (EEA) have been subject to a mandatory quota through the European quota system. The airlines are thus responsible for emission quotas for this business travel.

**2.5. Development effects**

Norfund's remit is to contribute to the establishment and development of profitable and sustainable enterprises in developing countries. Profitable enterprises are the cornerstone of economic growth and job creation. Companies in Norfund's business areas contribute to job creation in various ways: directly, through appointments, and indirectly by purchasing goods and services from local enterprises. In addition the companies produce electricity and provide financial services – important premises for business development and job creation.

At the end of 2015, 382 000 people were employed in activities in which Norfund had invested, directly or through funds. Women accounted for 34 per cent of overall employment. The overall increase from 2014 to 2015 in jobs in companies

in which Norfund has invested was 9 per cent. The companies purchased goods and services from local suppliers for NOK 22 billion.

The energy companies in Norfund's portfolio produced a total of NOK 18.5 TWh of electricity in 2015. This is equivalent to the consumption of 25 million people in the countries in question. Renewable energy sources generated 63 per cent of the electricity, and Norfund's total renewable energy portfolio prevented about 7.4 million tonnes of CO<sub>2</sub> emissions in 2015.

At the end of 2015, financial institutions in which Norfund has invested had issued loans to 36.5 million customers. The microfinance portfolio of Norwegian Microfinance Initiative (NMI) accounted for 31 million of the customers.

Agriculture is one of the most important sectors for combatting poverty in Africa. In 2015, Norfund's agribusiness companies cultivated 45 000 hectares of land, and produced 125 000 tonnes of food. About 12 000 small farmers were associated with the enterprises through outgrower or similar arrangements.

In 2015, the companies in Norfund's portfolio paid some NOK 8.6 billion in direct and indirect taxes to the governments of the countries in which they operate.

Norfund's investment is contingent on stringent environmental and social requirements for enterprises and for projects that would not otherwise be realised. Norfund gives priority to investment in countries and sectors with a particular lack of capital, for example greenfield companies, agriculture and development of clean energy sources. This is challenging, but given a responsible approach, Norfund's activities can yield permanent development effects, and at the same time pave the way for other investors. A review of Norfund's former portfolio companies conducted in 2015 showed that 75 per cent of them are still active. The majority have continued both to grow and to create jobs after relations with Norfund were discontinued.

Active ownership is required to ensure that the portfolio companies are operating in accordance with our requirements and expectations. Transfer of expertise is an important part of this work. By maintaining a presence on boards of directors and following projects up closely, Norfund promotes improved management of enterprises, financial procedures, and health, safety and environment systems. This increases the viability of the enterprises and thereby amplifies development effects. Norfund also uses its grant facility to augment development effects.

### 3. ORGANISATION AND OPERATIONS

#### 3.1. Corporate governance

The General Meeting is Norfund's supreme body. Norfund's Board of Directors is elected by the General Meeting. The Board consists of Kristin Clemet (chair), André Støylen, Borghild Holen, Finn Jebsen, Martin Skancke, Brit K. S. Rugland, Nina Elisabeth Hansen and Vegard Benterud. The latter two persons have been elected by and from among Norfund's employees.

Norfund's internal control system is based on a structure in which Norfund's governance documents are allocated to different levels, ranging from documents such as the Norfund act and regulations, to specific follow-up procedures. The structure is operationalised and makes inspections, measurement and verification possible.

#### 3.2. Personnel, organisation and gender equality

Norfund is an expertise-based organisation which has established guidelines for recruitment, expertise and equal opportunities. There are established procedures for employee follow-up and rewards. Targeted recruitment takes place to enhance the organisation's ability to deliver on the strategy that has been adopted.

In 2015, Norfund had 64 full-time positions. At 31 December there were 67 employees, 28 of whom came from countries other than Norway. Twenty-three of the staff were employed at the regional offices in South Africa, Kenya, Mozambique, Costa Rica and Bangkok. The proportion of women who were permanent members of the Board was 50 per cent. Two out of six members of Norfund's management team were women, and the proportion of women among the employees overall was 45 per cent. Four out of ten persons who were engaged in 2015 were women. Norfund is concerned with gender equality in its human resources policy, and urges women and persons of non-Norwegian origin to apply for positions.

Sickness absence in 2015 amounted to two per cent of total working hours, equivalent to 300 days. This is approximately 0.3 per cent higher than in 2014. There were no personal injuries or damage to Norfund's property.

The Board of Directors does not find it necessary to implement any special measures relating to the working environment or designed to promote the aims of the Anti-Discrimination Act and the Anti-Discrimination and Accessibility Act.

There are no employees in the Norfund group other than those mentioned in the information provided above about Norfund.

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#### 4. THE FINANCIAL STATEMENTS

Norfund is an investment company, so its operating income consists of interest, dividends and gains on sales. For traditional production enterprises, these are classified as financial items. Similarly, investment in associated companies is a part of operations, and Norfund's share of the profits of associated companies is therefore recorded as operating income.

The Norfund group includes consolidation of Norfinvest AS, of which Norfund owns 87.5 per cent: 75 directly, and 12.25 per cent indirectly through Norfinance AS, which owns 25 per cent of Norfininvest AS. Comments to the annual accounts of the Norfund group are to be found in a separate section.

Norfund had a profit for 2015 of NOK 426 million (NOK 598 million in 2014). Norfund's income amounted to NOK 340 million (NOK 462 million in 2014). Interest income of NOK 178 million represented an increase of NOK 32 million compared with 2014. Dividends from funds and equity investments amounted to NOK 87 million, approximately the same level as in 2014. The profit from associated companies of NOK 66 million includes the profit from Norfund's 50 per cent share in SN Power AS, NOK 165 million. The profit for 2014 included 40 per cent share of Statkraft Norfund Power Invest AS until the reorganisation of the company on 1 June 2014, and thereafter 50 per cent of the newly established SN Power AS. The total taken to income of the profit share in 2014 for Statkraft Norfund Power Invest AS/SN Power AS was NOK 183 million. In addition, holdings from KLP Norfund Investments AS, Norfinance AS and Norfininvest AS were taken to income; see Note 5 in the annual accounts.

Norfund's operating costs prior to exchange rate adjustment of loans and write-downs increased by NOK 33 million, to NOK 173 million, in 2015. This is due to higher personnel expenses, which increased by NOK 8 million as a result of higher staff numbers and higher expenses attributable to external assistance associated with the company's investments. A strengthening of the investment currencies relative to the Norwegian krone has resulted in a positive currency adjustment on our loans of NOK 233 million, compared with a gain of NOK 315 million in 2014. Large write-downs were made on five investments in 2015, and investments were written down by a total of NOK 139 million in 2015.

Other interest income amounted to NOK 15 million, a reduction of NOK 17 million. This was attributable to lower bank deposits as a consequence of higher payments for investments and lower return on bank deposits. Other interest income of NOK 161 million is largely attributable to gains on exchange on the company's FX bank deposits as a result of the strengthening of currencies, primarily of USD, against NOK.

Norfund's profit of NOK 426 million has been transferred to Norfund's surplus fund in accordance with the regulations governing Norfund. Norfund's internal valuations indicate that there is still considerable excess value in the portfolio over and above the carrying values. Norfund's balance sheet at the end of 2015 was NOK 15 085 million (compared with NOK 12 693 million for the previous year), an increase of NOK 2 393 million. The change in the balance sheet is essentially due to the transfer of NOK 1 480 million from Norfund's owner, a surplus generated by operations and an increase of NOK 503 million as a result of an equity adjustment of Norfund's ownership share in SN Power due to the US dollar appreciating relative to the Norwegian krone. At year-end, Norfund's equity amounted to NOK 15 006 million (compared with NOK 12 597 million in 2014) and NOK 12 866 million had been disbursed for investments (compared with NOK 8 506 million in 2014). Norfund has no interest-bearing debt. Norfund disbursed a total of NOK 3 694 million to its investments, and received NOK 866 million from its investments in 2015. The Board regards the company's liquidity as satisfactory. Write-downs were made on 10 out of 65 loans as at 31 December 2015. The write-downs represented five per cent of the committed amount.

Norfund group had a profit for 2015 of NOK 474 million (NOK 598 million in 2014). The Norfund group's income amounted to NOK 431 million (NOK 462 million in 2014). Group income considers with Norfund's income with the exception of profits for associated companies. The profit share from Norfininvest AS is not included, as this company's profit is consolidated with that of the Norfund group. The Norfund's group's operating costs of NOK 176 million in 2015 include NOK 3 million of accrued costs for Norfininvest AS. The group's financial result of NOK 133 million is affected by exchange loss on Norfininvest's USD bank holdings prior to disbursement for the investment in Equity Bank Ltd.

Norfund has no special research or development activities of significance for the accounts. There have been no significant events since balance sheet date with an actual or potential effect on the results or financial standing.

In the opinion of the Board, the annual accounts at 31 December 2015 provide a true and fair view of the company's financial position. The Board confirms that the going concern assumption applies.

#### 5. NET ASSET VALUE AND RETURN

The net asset value is an estimate of Norfund's total market value. As Norfund's investments are mainly non-liquid positions in demanding markets with high risk, there is substantial uncertainty associated with estimates of net asset



value. The estimates are based on the carrying values of the individual investments, and are adjusted for increase or decrease in value on the basis of the valuation principles of the European Venture Capital Association (EVCA). Where there are relevant transaction values, these should as a general rule form the basis, but in most cases the estimated value is based on discounted future cash flows. Such valuations are subjective, and the fair values will only emerge on exiting from the investments.

The net asset value at 31 December 2015 was NOK 19 400 million, compared with NOK 15 530 million at the end of the 2014.

Norfund's objective is to create profitable enterprises in poor countries. Whereas most other Norwegian investors invest with a view to later repatriating the returns to Norway, our money is to be reinvested in poor countries. Consequently, we measure the return on investments in the investment currency, not in NOK. This is also the manner employed by co-investors for whom the investment currency is their functional currency. For our Norwegian co-investors, the return in Norwegian kroner will be more relevant.

Of Norfund's total investments, around 76 per cent are denominated in USD, the remainder in other currencies. The Norwegian krone depreciated substantially against the US dollar through 2015. This has a strong impact on the accounting results, the portfolio evaluations and the return calculated in NOK versus USD.

The return on the investment portfolio, expressed in the investment currencies, is calculated to be 5.4 per cent p.a. The return is calculated from the time of making the investments. The return calculated in Norwegian kroner is 10.5 per cent p.a. In 2015, the return in investment currencies was 3.5 per cent, and in Norwegian kroner 18.7 per cent. The explanation for the relatively weak 2015 figures calculated in investment currency is partly attributable to a limited number of projects, continued low energy prices in some markets, and challenges in some agribusiness investments.

## 6. OUTLOOK FOR THE FUTURE

The new sustainability goals adopted by the UN in 2015 underscore the crucial importance of the business sector for economic growth and for combatting poverty. The business sector is the most important contributor to income, jobs and tax revenue in the majority of developing countries. White Paper 35 (2014–2015) «Sammen om jobben - næringsutvikling innenfor utviklingssamarbeidet» (Working together – business development in development cooperation), the Norwegian Government signalled a strong and strategically

oriented effort for business development in developing countries. The White Paper gave notice of increased grants for investment through Norfund.

Profitability is a prerequisite for creating sustainable enterprises, and for generating capital that can be reinvested. In order to increase commercial investors' interest in investing in poor countries, it is also important to be able to demonstrate solid financial results. Over time, Norfund has built a substantial portfolio of investments that are both profitable and sustainable, and an organisation with the capacity to carry out new and follow up existing investments on a substantial scale.

This past year has been characterised by falling commodity prices and global investors have withdrawn a large amount of capital from emerging economies. This has increased the challenges, which include falling exchange rates, faced by many of the countries in which Norfund invests. Southern Africa is particularly hard hit. A number of investments will face greater challenges, and the risk in the portfolio will increase. At the same time, there is a large shortage of investment capital, particularly for the most demanding projects in poor countries. Developing finance institutions such as Norfund have a particularly important part to play in this situation. With its new strategy, Norfund is equipped to further develop its portfolio and play a key role in business development, job creation, and the development of a climate-friendly energy supply for poor countries.

Norfund has for many years sought close collaboration with other investors in selected areas in which their partners possess specialised expertise and can contribute to better goal achievement. In the years ahead, a growing share of Norfund's investment will take place through platforms and strategic cooperation with partners. Some important platforms are the restructured SN Power for hydropower investments, collaboration with British CDC through Globeleq Africa Ltd, which encompasses solar, wind and gas power, and Norwegian Microfinance Initiative (NMI) for investments in microfinance. Norfund will strive to develop NMI into a leading Nordic player in microfinance. Strategic collaboration with Scatec Solar for investment in solar power, with KLP on investment in financial institutions and renewable energy, and with Norwegian financial investors through Norfinance AS will also be important foundations for future investments. Norfund will therefore continue efforts to mobilise more capital, in collaboration with other partners.

Expertise is the key to success in establishing and following up good investment projects that yield substantial development effects. Norfund has worked systematically over time to build up an organisation with expertise in investing in »

poor countries. Today, Norfund is an attractive employer and an attractive investment partner for Norwegian and international investors. Norfund has zero tolerance for corruption, and works systematically to identify and limit risk related to failure to comply with rules and procedures, integrity and corruption.

Norfund will continue to prioritise investments that yield substantial development effects. This requires giving priority to investment in energy production, food and agribusiness, as well as financial institutions – especially financial institutions that finance small and medium-sized enterprises and low income groups, including microfinance). The primary investment instruments will be equity and similar instruments.

Norfund will maintain its high level of ambition with regard to environmental and social standards, as well as sound management of enterprises. This includes the requirement in all our investments that the IFC Performance Standards be met. Norfund will assist our companies in the work of satisfying these requirements. Our grant facilities enable us to assist in strengthening internal control systems or improved HSE procedures.

Our ambitions with regard to maximising, measuring and documenting the development effects of investments will be raised further. In particular, we will place emphasis on achieving Norfund's strategic goals: to prioritise the least developed countries (LDCs), sub-Saharan Africa, greenfield start-ups, and to ensure additionality and mobilise private capital. Norfund has already completed investment projects in fragile states such as Myanmar and South Sudan, and will continue its efforts to develop new instruments and working methods appropriate to the conditions in these countries.

In keeping with Norfund's strategy, the Fund invests today in Central America, selected countries in South-East Asia, Southern Africa and East Africa. The East African venture is being expanded in 2016 to include Ethiopia and Somaliland, and Norfund will gradually also begin to invest in West Africa, from its basis in a new regional office that it is planned established in Ghana.

Oslo, 30 March 2016

Kristin Clemet  
**Chair**

André Støylen

Borghild Holen

Britt K.S. Rugland

Martin Skancke

Finn Marum Jebsen

Vegard Benterud

Kjell Roland  
**Managing Director**

Nina Elisabeth Hansen

## PROFIT AND LOSS ACCOUNT

(Figures in 1000s of NOK)	Note	Norfund		Norfund group	
		2015	2014	2015	2014
Interest income loans - invested portfolio	1	178 073	145 861	178 073	145 861
Realised gain on shares	1	1 123	39 634	1 123	39 634
Dividends received	1	87 175	85 092	87 175	85 092
Other operating income	1	7 581	6 379	7 218	6 379
Share of profit associated company	5	66 474	185 444	157 624	185 444
<b>Total operating income</b>		<b>340 425</b>	<b>462 410</b>	<b>431 212</b>	<b>462 410</b>
<b>OPERATING EXPENSES</b>					
Payroll expenses	2	85 845	78 065	85 845	78 065
Depreciation tangible fixed assets	4	1 834	2 185	1 834	2 185
Other operating expenses	2,3	85 139	60 186	88 124	60 186
<b>Total operating expenses prior to exchange rate adjustment of loans and write-downs, investment projects</b>		<b>172 818</b>	<b>140 435</b>	<b>175 803</b>	<b>140 435</b>
Adjustment for gain/loss on FX, project loans	1	233 656	314 917	209 714	314 917
Write-down investment projects (-) / reversals (+)	1	-139 327	-187 936	-139 327	-187 936
<b>Profit/loss on operations</b>		<b>261 936</b>	<b>448 956</b>	<b>325 797</b>	<b>448 956</b>
Other interest income		15 177	32 157	15 242	32 157
Other financial income		160 640	123 231	161 149	123 231
Other financial expenses		11 438	6 254	43 771	6 254
<b>Net financial items</b>		<b>164 378</b>	<b>149 134</b>	<b>132 620</b>	<b>149 134</b>
<b>Profit/loss before tax</b>		<b>426 314</b>	<b>598 091</b>	<b>458 417</b>	<b>598 091</b>
<b>Tax</b>	11	<b>-141</b>	<b>-311</b>	<b>-141</b>	<b>-311</b>
<b>PROFIT/LOSS FOR THE YEAR</b>		<b>426 173</b>	<b>597 779</b>	<b>458 276</b>	<b>597 779</b>
<b>TRANSFERS</b>					
Transferred to surplus fund	13	426 173	597 779		597 779
Majority interest				473 528	
Minority interest				-15 252	
<b>TOTAL ALLOCATIONS</b>		<b>426 173</b>	<b>597 779</b>	<b>458 276</b>	<b>597 779</b>

## BALANCE SHEET

(Figures in 1000s of NOK)	Note	Norfund		Norfund group	
		2015	2014	2015	2014
<b>ASSETS</b>					
<b>Fixed assets</b>					
<b>Tangible fixed assets</b>					
Operating equipment, fittings and fixtures, tools etc.	4	3 593	4 665	3 593	4 665
<b>Total tangible fixed assets</b>		<b>3 593</b>	<b>4 665</b>	<b>3 593</b>	<b>4 665</b>
<b>Financial fixed assets</b>					
Investments in associated company	5	4 679 205	2 849 437	3 592 379	2 849 437
<b>Total financial fixed assets</b>		<b>4 679 205</b>	<b>2 849 437</b>	<b>3 592 379</b>	<b>2 849 437</b>
<b>Total fixed assets</b>		<b>4 682 798</b>	<b>2 854 102</b>	<b>3 595 972</b>	<b>2 854 102</b>
<b>Current assets</b>					
<b>Receivables</b>					
Other receivables	6	130 379	136 889	130 276	136 889
<b>Total receivables</b>		<b>130 379</b>	<b>136 889</b>	<b>130 276</b>	<b>136 889</b>
<b>Investments</b>					
Capitalised project development costs	7	3 372	8 582	3 372	8 582
Loans to investment projects	1,8	2 024 637	1 848 478	2 024 637	1 848 478
Equity investments	1,9	7 100 301	5 340 198	8 620 612	5 340 198
<b>Total investments</b>		<b>9 128 310</b>	<b>7 197 258</b>	<b>10 648 621</b>	<b>7 197 258</b>
<b>Bank deposits, cash and cash equivalents</b>					
Bank deposits	12	1 143 201	2 504 651	1 145 857	2 504 651
<b>Total bank deposits, cash and cash equivalents</b>		<b>1 143 201</b>	<b>2 504 651</b>	<b>1 145 857</b>	<b>2 504 651</b>
<b>Total current assets</b>		<b>10 401 889</b>	<b>9 838 798</b>	<b>11 924 754</b>	<b>9 838 798</b>
<b>TOTAL ASSETS</b>		<b>15 084 688</b>	<b>12 692 900</b>	<b>15 520 727</b>	<b>12 692 900</b>

## BALANCE SHEET

(Figures in 1000s of NOK)	Note	Norfund		Norfund group	
		2015	2014	2015	2014
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
<b>Called and fully paid capital</b>					
Primary capital	13	8 281 250	7 171 250	8 281 250	7 171 250
Reserve capital	13	2 935 750	2 565 750	2 935 750	2 565 750
<b>Total called and fully paid capital</b>		<b>11 217 000</b>	<b>9 737 000</b>	<b>11 217 000</b>	<b>9 737 000</b>
<b>Retained earnings</b>					
Surplus fund	13	3 789 230	2 860 095	4 034 121	2 860 095
<b>Total retained earnings</b>		<b>3 789 230</b>	<b>2 860 095</b>	<b>4 034 121</b>	<b>2 860 095</b>
<b>Minority interest</b>		<b>0</b>	<b>0</b>	<b>191 115</b>	<b>0</b>
<b>TOTAL EQUITY</b>		<b>15 006 231</b>	<b>12 597 095</b>	<b>15 442 236</b>	<b>12 597 095</b>
<b>Liabilities</b>					
<b>Provision for liabilities and charges</b>					
Pension commitments	2	24 422	25 913	24 422	25 913
<b>Total provisions for liabilities</b>		<b>24 422</b>	<b>25 913</b>	<b>24 422</b>	<b>25 913</b>
<b>Current liabilities</b>					
Accounts payable		0	12 709	33	12 709
Unpaid government charges and special taxes		5 346	6 032	5 346	6 032
Unused funds (grant facility)	14	10 254	16 437	10 254	16 437
Other current liabilities		38 436	34 713	38 436	34 713
<b>Total current liabilities</b>		<b>54 036</b>	<b>69 891</b>	<b>54 069</b>	<b>69 891</b>
<b>Total liabilities</b>		<b>78 458</b>	<b>95 804</b>	<b>78 491</b>	<b>95 804</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>15 084 688</b>	<b>12 692 900</b>	<b>15 520 727</b>	<b>12 692 900</b>

Oslo, 30 March 2016

Kristin Clemet  
Chair

André Støylen

Borghild Holen

Britt K.S. Rugland

Martin Skancke

Finn Marum Jebsen

Vegard Benterud

Kjell Roland  
Managing Director

Nina Elisabeth Hansen

## CASH FLOW STATEMENT

## CASH FLOW STATEMENT

(Figures in 1000s of NOK)	Note	Norfund		Norfund group	
		2015	2014	2015	2014
<b>CASH FLOWS FROM OPERATIONS</b>					
Profit before tax		426 173	597 779	458 276	597 779
Ordinary depreciation	4	1 834	2 185	1 834	2 185
Reversal of write-down (-) / Write-down investment projects		133 120	161 309	133 120	161 309
Differences in pension costs and receipts/disbursements, pension scheme		-476	-1 340	-476	-1 340
Share of profit, associated company	5	-66 474	-185 444	-157 624	-185 444
Effect of exchange rate changes		-366 939	-437 950	-305 906	-437 950
Change in other accruals		20 656	-3 389	20 656	-3 389
<b>Net cash flow from operations</b>		<b>147 896</b>	<b>133 150</b>	<b>149 882</b>	<b>133 150</b>
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>					
Investments in tangible fixed assets	4	-820	-1 436	-820	-1 436
Proceeds of sales/repayment of shares/holdings recorded at cost price		172 172	581 530	172 172	581 530
Disbursements in connection with purchase of shares/interests in other enterprises		-3 313 837	-1 559 082	-3 510 700	-1 559 082
Disbursements of investment loans		-299 935	-482 449	-299 935	-482 449
Repayment of principal, investment loans		459 256	552 694	459 256	552 694
Repayment other investments		0	0	0	0
<b>Net cash flow from investment activities</b>		<b>-2 983 163</b>	<b>-908 742</b>	<b>-3 180 026</b>	<b>-908 742</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from new short-term debt	14	21 000	18 500	21 000	18 500
Disbursements - repayment of long-term debt		0	0	0	0
Disbursements - repayment of short-term debt	14	-27 183	-19 741	-27 183	-19 741
Increase in/repayment of equity	13	1 480 000	1 230 000	1 677 534	1 230 000
<b>Net cash flow from financing activities</b>		<b>1 473 817</b>	<b>1 228 759</b>	<b>1 671 351</b>	<b>1 228 759</b>
<b>EXCHANGE RATE CHANGES, CASH AND CASH EQUIVALENTS</b>					
Net change in cash and cash equivalents		-1 361 451	453 167	-1 358 793	453 167
<b>Bank deposits, cash and cash equivalents at 1 January</b>		<b>2 504 651</b>	<b>2 051 484</b>	<b>2 504 651</b>	<b>2 051 484</b>
<b>Bank deposits, cash and cash equivalents at 31 December</b>	<b>12</b>	<b>1 143 201</b>	<b>2 504 651</b>	<b>1 145 857</b>	<b>2 504 651</b>

# ACCOUNTING PRINCIPLES

## The financial statements for NORFUND/THE NORFUND GROUP consist of the following:

- Profit and loss account
- Balance sheet
- Cash flow statement
- Notes

The financial statements are prepared by the Board of Directors and the executive management of Norfund, and must be read in conjunction with the directors' report and the auditor's report.

Special matters that concern the Norfund group or Norfund individually are specified in the notes. Otherwise, the notes apply to both companies.

## BASIC PRINCIPLES

### –ASSESSMENT AND CLASSIFICATION

The financial statements are presented in compliance with the Norwegian Accounting Act and Norwegian generally accepted accounting principles in effect at 31 December 2015. The financial statements provide a true and fair view of assets and liabilities, financial standing and profit.

The financial statements have been prepared on the basis of fundamental principles governing historical cost accounting, comparability, the going concern assumption, congruence and prudence. Transactions are recorded at their value at the time of the transaction. Revenue is recognised when it accrues and expenses are matched with the related revenue. A more detailed account of the accounting principles is provided below. When actual figures are not available at the time the accounts are closed, generally accepted accounting principles require management to make the best possible estimate for use in the profit and loss account and the balance sheet. Actual results could differ from these estimates.

Current assets/liabilities are recorded at the lower/higher of acquisition cost and fair value. The definition of fair value is the estimated future sales price reduced by expected sales costs. Other assets are classified as fixed assets. Fixed assets are entered in the accounts at historical cost, with deductions for depreciation. In the event of a decline in value that is not temporary, the fixed asset will be subject to a write-down. Investments are valued in accordance with IPEV's valuation guidelines.

Some exceptions are made from the general valuation rules in accordance with generally accepted accounting principles. Comments to these exceptions can be found in the notes to the accounts. When applying the basic accounting principles and disclosure of transactions and other items, the "substance over form" rule is applied. Contingent losses that are probable and quantifiable are expensed. The segmentation is based on Norfund's internal management and reporting requirements as well as on risk and earnings. Figures are presented for geographical markets, since the geographical division of activities is of material importance to the users of the financial statements. Figures are reconciled with the institution's profit and loss account and balance sheet.

## THE MOST IMPORTANT ACCOUNTING PRINCIPLES USED BY NORFUND ARE DESCRIBED BELOW.

### Principles for revenue recognition

Operating income includes dividends, gain on the sale of shares/ownership interests in other companies, interest on loans made to other companies, directors' fees, other project income, gain on the sale of fixed assets, and payments of interest and principal on the loan portfolio.

Gains on the sale of shares/ownership interests in other companies are recorded in the year in which the sale takes place. Gains from funds are recorded as dividend. Interest is recorded as and when it is earned. Other proceeds from shares/ownership interests are deducted from the book value, and are accordingly not recorded as income.

Payments from the investment portfolio are recorded when received (the cash principle).

When loans to development projects are classified as problem loans, interest is recorded to income on the basis of the written-down value. Interest recorded but not paid owing to default is reversed.

### Financial income and expenses

Interest on Norfund's liquidity reserve in Norges Bank and other Norwegian banks is recorded as financial income. The profit or loss on matured forward contracts for portfolio hedging purposes is recorded in its entirety against other financial income or other financial expenses.

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### Project development expenses

Development expenses are entered on the balance sheet when it is probable that they will lead to future investments and a positive return on the investment. Determining such probabilities entails using judgement based on experience and best estimate of future developments. In view of Norfund's investment strategy and geographical investment areas, there is a high degree of uncertainty associated with expectations of future developments. In an early phase of project development, some of the costs will be expensed continuously.

### Associated company

Associated companies are enterprises in which Norfund has substantial influence, but are not subsidiaries or joint ventures. Associated companies are incorporated in the accounts according to the equity method. Norfund's share of income from associated companies is incorporated as a separate item in the profit and loss account. Similarly, equity investments are presented as a separate item on the asset side of the balance sheet. Investments in SN Power AS, Norfinance AS and KLP Norfund Investments AS are recorded as associated companies in accordance with generally accepted accounting practice. Where final figures are unavailable, estimates of the expected result are used.

### Equity investments

Norfund normally treats its investments in other companies as current assets. In other words, the equity method is not used, even though Norfund's equity interests provide it with considerable influence. This is because the purpose of the institution's investments is to dispose of all or part of each investment, normally after three to 10 years. This is in accordance with Norfund's objects and with the provisions of the Norwegian Accounting Act and generally accepted accounting practice. According to generally accepted accounting practice, such investments are temporary by their very nature and should therefore be included under current assets.

Equity investments in companies are valued at the lower of cost or market value, on the basis of a specific assessment of each investment, such that each investment is written down where this is considered necessary because of a fall in value regarded as permanent (individually assessed write-downs). No group write-downs are made. See also the section below relating to the treatment of currency items.

When investments are exited wholly or in part, the gain/loss is calculated on the basis of the historical cost in NOK. This makes realisations a function of changes in exchange rates and the change in the value of the investment expressed in foreign currency.

"Committed investments" implies an external obligation for a specified amount.

Norfund often utilises various instruments – such as options, conversion options and so forth – in investment agreements in order to reduce risk. These are taken into account when valuing the individual investment.

### Consolidation

The consolidated accounts include Norfininvest AS, in which Norfund owns 75 per cent and Norfinance AS owns 25 per cent. Norfund owns 49.8 per cent of Norfinance AS, and thereby indirectly owns a further 12.4 per cent of Norfininvest AS.

A controlling interest is normally achieved when the group owns more than 50 per cent of the shares in the company, and the group is able to exercise practical control of the company. Minority interests are included in the group's equity. Transactions and inter-company accounts within the group have been eliminated. The consolidated accounts have been prepared according to uniform principles, in that the subsidiary complies with the same accounting principles as the parent company.

The acquisition method is used in the accounting of mergers.

### Loans

Norfund manages two types of loans:

- loans relating to Norfund's investments and disbursed by Norfund (project loans)
- loans to enterprises in developing countries, taken over from Norad (loan portfolio).

Project loans are treated as current assets.

Loans are carried at amortised cost in accordance with a straight-line allocation method.

In accordance with the institution's strategy, the loan portfolio acquired from Norad is classified as a current asset and recorded in the accounts at historical cost, which is NOK 0. Receipts from the loan scheme are therefore treated on a cash basis and recorded as income when they are paid.

### Known losses

Losses as result of insolvency, the winding-up of a company or similar events, and losses on the sale of shares, are recorded as recognised losses.

### Currency items

Monetary items are recorded at the exchange rate prevailing on 31 December. Unrealised foreign exchange gains/losses on loans are included in the operating profit. Unrealised gains/losses on other monetary items are recorded as financial income/expenses respectively. The assessment of changes in the value of investments (see above) also includes an assessment of changes caused by exchange rate movements.

Norfund has not hedged its invested portfolio by means



of hedging instruments. However, it has accepted that SN Power AS utilises hedge accounting for its portfolio. Gains and losses on hedging that are carried as part of the investment are charged to the company's equity as long as the hedging instrument is effective. In connection with exiting from the investment, the aggregate value of gains/losses will be taken to income together with currency translation differences for the investment. For further details, see the annual report for SN Power AS.

#### **Bank deposits, cash and cash equivalents**

Liquid assets consist of bank deposits.

#### **Current receivables**

Current receivables are recorded at their estimated value and adjusted for irrecoverable items.

#### **Tangible fixed assets**

Tangible fixed assets are entered at cost price reduced by commercial depreciation on the basis of the estimated economic life of the asset in question.

#### **Leases**

Rent paid under leases that are not booked in the balance sheet are treated as an operating cost and allocated systematically over the whole term of the lease.

#### **Equity**

Norfund's equity is divided into primary, reserve and surplus capital. This breakdown is made on the basis of the framework conditions for Norfund's activities, which specify that the Ministry of Foreign Affairs must be notified if the institution's losses are so great that its primary capital is affected. Any net profit is added to surplus capital, while any net losses are deducted from this or from reserve capital if the former fund is insufficient to cover the net loss.

#### **Government grants**

Norfund receives government grants which are treated in accordance with Norwegian Accounting Standard (NRS) 4. In Norfund's view, net recording of government grants received by the institution provides the best picture of the accounts.

#### **Related parties**

Norfund defines SN Power AS, Norfinance AS, Norfininvest AS and KLP Norfund Investments AS as related parties.

#### **Deferred tax and tax expense**

Norfund is exempt from tax pursuant to a separate section in the Taxation Act. In certain countries, Norfund is obliged to pay withholding tax on interest and dividends.

#### **Cash flow statement**

The cash flow statement is compiled using the indirect method.

#### **Pension liability and costs**

Norfund has pension plans known as defined benefit plans which entitle employees in Norway to defined future benefits. Pension liabilities are calculated on a straight-line earnings basis, taking into account assumptions regarding the number of years of employment, discount rate, future return on plan assets, future changes in pay, pensions and the size of National Insurance benefits, and actuarial assumptions regarding mortality, voluntary retirement etc. Plan assets are stated at fair market value. Net pension liability comprises the gross pension liability less the fair value of plan assets. Net pension liabilities from underfunded pension schemes are included in the balance sheet as a provision, while net plan assets in overfunded schemes are included as long-term interest-free receivables if it is likely that the overfunding can be utilised. Employer's social insurance contribution is made on the basis of net plan assets.

The effect of changes in pension plans with retroactive effect not conditional on future earnings is defined as an actuarial gain or loss and charged directly to the company's equity.

Net pension costs, which consist of gross pension costs less estimated return on plan assets, are classified as an ordinary operating cost and presented as part of the payroll expenses item. All actuarial gains or losses are charged directly to the company's equity. Employer's social insurance contribution is calculated on contributions paid to the pension plans.

The company has pension plans for employees at regional offices outside Norway, mainly defined contribution plans.

## NOTES

### NOTE

#### NOTE 1 – SEGMENT INFORMATION

##### SEGMENT INFORMATION BY BUSINESS AREA

The table below presents an overview of the results of Norfund's investment departments, the loan portfolio taken over from Norad (see note 6), shared functions and other activities. The costs of shared functions have largely been allocated in accordance with the number of employees in each area, and are recorded as part of other operating expenses.

(Figures in 1000s of NOK)	2015							
	NORFUND total	SME Funds	Financial Institutions	Clean Energy	Food & Agri-business	Shared functions	Other activity	Loan portfolio*
<b>OPERATING INCOME</b>								
Interest - invested portfolio	178 073	0	110 727	22 077	45 269	0	0	0
Realised gains	1 123	0	0	1 123	0	0	0	0
Dividends received	87 175	76 159	9 019	-570	2 566	0	0	0
Other project revenues	7 581	8	5 393	1 395	784	1	0	0
Profit from associated companies	66 474	0	-100 511	166 985	0	0	0	0
<b>Total operating income</b>	<b>340 425</b>	<b>76 167</b>	<b>24 628</b>	<b>191 011</b>	<b>48 619</b>	<b>1</b>	<b>0</b>	<b>0</b>
<b>OPERATING EXPENSES</b>								
Payroll expenses	-85 845	-5 338	-17 686	-14 993	-18 794	-27 895	-1 078	-59
Depreciation of tangible fixed assets	-1 834	0	0	-60	-67	-1 708	0	0
Loss on sale of operating assets	0	0	0	0	0	0	0	0
Other operating expenses	-85 139	-1 807	-10 837	-31 967	-6 353	-32 987	-1 187	0
Allocation of shared expenses	0	-6 381	-19 621	-14 895	-19 849	62 590	-1 844	0
<b>Total operating expenses</b>	<b>-172 818</b>	<b>-13 526</b>	<b>-48 145</b>	<b>-61 914</b>	<b>-45 064</b>	<b>0</b>	<b>-4 109</b>	<b>-59</b>
Adjustments for gain/loss on FX	233 656	0	131 260	16 444	85 951	0	0	0
Provision for (-)/reversal of loss on projects	-139 327	17 520	-26 502	-41 905	-88 439	0	0	0
Profit/loss on operations	261 936	80 161	81 241	103 636	1 066	1	-4 109	-59
Net financial items**	164 378	4 185	2 328	8 844	1 602	147 419	0	0
Profit/loss before tax	426 315	84 346	83 569	112 480	2 668	147 420	-4 109	-59
Tax	-141	0	0	0	-141	0	0	0
<b>Profit/loss for the year</b>	<b>426 173</b>	<b>84 346</b>	<b>83 569</b>	<b>112 480</b>	<b>2 527</b>	<b>147 420</b>	<b>-4 109</b>	<b>-59</b>
Group account effects	32 103	0	32 103	0	0	0	0	0
<b>Total Norfund group</b>	<b>458 276</b>	<b>84 346</b>	<b>115 672</b>	<b>112 480</b>	<b>2 527</b>	<b>147 420</b>	<b>-4 109</b>	<b>-59</b>

\* Income is directly attributable. Expenses are partly directly attributable and partly shared costs allocated in accordance with distribution formulae based on the number of people employed.

\*\* Financial items include considerable gain/loss on FX bank deposits.

Other activities include the Information Office for Private Sector Development in Developing Countries and the tender guarantee scheme.

	2014							
	NORFUND total	SME Funds	Financial Institutions	Clean Energy	Food & Agri-business	Shared functions	Other activity	Loan portfolio*
	145 861	0	98 934	15 456	31 471	0	0	0
	39 634	47	43 821	-4 260	27	0	0	0
	85 092	66 120	3 691	0	15 281	0	0	0
	6 379	6	3 939	1 892	542	0	0	0
	185 444	0	3 326	182 118	0	0	0	0
	<b>462 410</b>	<b>66 173</b>	<b>153 711</b>	<b>195 205</b>	<b>47 321</b>	<b>0</b>	<b>0</b>	<b>0</b>
	-78 065	-4 800	-17 366	-11 345	-17 595	-25 850	-1 045	-64
	-2 185	0	0	-42	-39	-2 104	0	0
	0	0	0	0	0	0	0	0
	-60 186	-1 709	-3 453	-19 228	-7 275	-27 690	-830	-1
	0	-5 856	-18 239	-12 610	-17 573	55 657	-1 380	0
	<b>-140 436</b>	<b>-12 365</b>	<b>-39 059</b>	<b>-43 225</b>	<b>-42 481</b>	<b>13</b>	<b>-3 255</b>	<b>-65</b>
	314 917	-88	203 403	27 711	83 892	0	0	0
	-188 069	14 896	-60 433	-19 633	-122 900	0	0	0
	448 823	68 616	257 622	160 059	-34 168	14	-3 255	-65
	149 268	6 348	2 342	10 710	3 796	126 072	0	0
	598 090	74 964	259 964	170 768	-30 372	126 086	-3 255	-65
	-311	0	-311	0	0	0	0	0
	<b>597 779</b>	<b>74 964</b>	<b>259 653</b>	<b>170 768</b>	<b>-30 372</b>	<b>126 086</b>	<b>-3 255</b>	<b>-65</b>
	0	0	0	0	0	0	0	0
	<b>597 779</b>	<b>74 964</b>	<b>259 653</b>	<b>170 768</b>	<b>-30 372</b>	<b>126 086</b>	<b>-3 255</b>	<b>-65</b>

## NOTES

### SEGMENT INFORMATION BY GEOGRAPHICAL REGION:

2015						
(Figures in 1000s of NOK)	Africa	Asia	Latin-America	Global	Write-downs	Total
<b>BALANCE SHEET</b>						
Equity investments	3 362 904	353 574	3 716 428	220 269	-552 874	7 100 301
Loans to investments	1 041 262	512 180	593 922	-199	-122 528	2 024 637
<b>Total balance sheet</b>	<b>4 404 165</b>	<b>865 754</b>	<b>4 310 350</b>	<b>220 070</b>	<b>-675 402</b>	<b>9 124 938</b>
Group account effects	<b>1 520 311</b>	0	0	0	0	<b>1 520 311</b>
<b>Total Norfund group</b>	<b>5 924 476</b>	<b>865 754</b>	<b>4 310 350</b>	<b>220 070</b>	<b>-675 402</b>	<b>10 645 249</b>
Interest income loans	115 888	32 664	29 520	0		178 073
Realised gain on shares	1 123	0	0	0		1 123
Dividends received	44 585	33 709	4 850	4 031		87 175
Directors' fees received	295	0	69	0		363
Fees	4 171	1 292	1 061	694		7 218
Repayments of principal, loan portfolio	0	0	0	0		0
Interest paid on loan portfolio	0	0	0	0		0
Share of profit/loss, associated company	-95 325	164 927	-3 127	0		66 474
<b>Total operating income</b>	<b>70 736</b>	<b>232 592</b>	<b>32 372</b>	<b>4 725</b>	<b>0</b>	<b>340 425</b>
<b>Group account effects</b>	<b>91 181</b>	0	0	0	0	<b>91 181</b>
<b>Total Norfund group</b>	<b>161 917</b>	<b>232 592</b>	<b>32 372</b>	<b>4 725</b>	<b>0</b>	<b>431 606</b>
Adjustments for gain/loss on FX	60 283	74 882	96 754	1 737		233 656

### NOTE 2 - PAYROLL EXPENSES

#### WAGES, SALARIES AND OTHER PAYROLL EXPENSES

(Figures in 1000s of NOK)	2015	2014
Wages and salaries	61 587	54 690
Directors' fees	727	699
Employer's social insurance contribution	7 770	6 948
Personnel insurance	1 371	1 265
Pension expenses	9 576	8 344
Other benefits	4 862	6 196
Payroll expenses reimbursed	-49	-77
<b>Total wages, salaries and other payroll expenses</b>	<b>85 845</b>	<b>78 065</b>

## REMUNERATION OF SENIOR PERSONNEL

(Figures in 1000s of NOK)	Managing Director	Chair	Board of directors
Wages and salaries/fees	2 384 763	196 500	530 000
Pension contributions	897 273		
Other remuneration	94 509		
<b>Total</b>	<b>3 376 545</b>	<b>196 500</b>	<b>530 000</b>

The managing director is not covered by any agreement for pay after termination of employment beyond the ordinary three-month period of notice. The chair does not have an agreement for pay after termination of employment. Neither the managing director nor the chair has a bonus agreement.

The chair received NOK 196 000 (NOK 189 000 in 2014) for boardroom work for Norfund in 2015. The board members each received remuneration of NOK 106 000 (NOK 102 500).

The company has no share or option schemes for its employees, and there are no plans for such schemes.

Norfund has a variable bonus scheme for all employees, excluding the managing director. The schemes account for a total of 2.5 per cent of Norfund's payroll expenses. Bonuses are paid for extraordinary performance, and the average payment in 2015 was NOK 26 000. The highest bonus payment represented 8 per cent of salary and is thus far lower than the requirement in Report no. 27 (2013–2014) to the Starting on Diverse and Value-creating Ownership (Eierskapsmeldingen) of a maximum of 50 per cent of the employee's salary.

Fees in the amount of NOK 1 043 798 (NOK 1 119 202 in 2014) were paid to the auditor, of which NOK 507 669 (NOK 325 155) is related to auditing that is required by law, NOK 32 688 for other attestation services and NOK 503 442 (NOK 794 046) for non-audit services. All figures include VAT.

## EMPLOYEES

The company has 67 (61 in 2014) employees at the end of 2015. The number of person-years was 64.3 (56.75 in 2014).

## PENSIONS

Pursuant to the Norwegian Act on Mandatory Occupational Pensions, Norfund is required to have an occupational pension scheme. Norfund has a defined-benefit scheme for all employees in Norway. The scheme entitles employees to defined future benefits. The size of the benefits depends primarily on the number of qualifying years, pay level on achieving retirement age and the size of National Insurance benefits. The full pension entitlement is based on 30 qualifying years, and is equivalent to 70 per cent of pay up to a maximum of 12 times the National Insurance base rate (G). This scheme satisfies the requirements of the Act on Mandatory Occupational Pensions. Norfund also has a general scheme which entitles employees to pension rights for pay in excess of 12 G. This scheme was closed to new members in 2012. This scheme, which is funded from operations, consists of 66 per cent of pay above 12 G and uses a retirement age of 67 in the calculation base. On termination of employment or on reaching retirement age, employees receive a settlement for the value of the amount saved. The cost of this scheme is included in the calculation of pension expenses.

Local employees at Norfund's regional offices in South Africa, Kenya, Mozambique and Costa Rica have defined contribution pension schemes and Norfund has no obligations beyond the annual contributions. In 2015, NOK 659 075 (NOK 399 514 in 2014) was expensed in connection with this scheme.

The managing director has a retirement age of 65.

Pension expenses, resources and commitments have been calculated by the insurance company's actuary. The principles for recording of pension expenses were changed in 2014, in that from and including 2014, actuarial gains or losses are charged directly to equity. For 2015, this amounts to NOK 133 375 (NOK 15 628 740 in 2014), which is charged directly to equity. At 31 December 2015, 45 persons were covered by the scheme.

## NOTES

### FINANCIAL ASSUMPTIONS

	2015	2014
Discount rate	2,5 %	2,3 %
Expected return on pension assets	3,3 %	3,2 %
Salary adjustment	2,5 %	2,8 %
Pension adjustment	2,3 %	2,5 %
Adjustment of the basic amount (G) in the National Insurance System	2,3 %	2,5 %
Turnover	9,0 %	9,0 %
Employer's social insurance contribution	14,1 %	14,1 %

Pension lost (Figures in 1000s of NOK)	2015	2014
Net present value of pension earnings in the period	8 275	6 834
Capital cost of previously earned pensions	1 725	2 193
Expected return on pension assets	-1 708	-1 920
Administrative costs	237	216
Recorded actuarial gain/loss	0	-11
Accrued employer's social insurance contribution <sup>1</sup>	1 203	1 033
<b>Net pension lost for the year incl. payroll tax</b>	<b>9 732</b>	<b>8 344</b>

<sup>1</sup> Employer's social insurance contribution is calculated on the amount paid in.

Calculated pension liabilities (Figures in 1000s of NOK)	Insured	Uninsured	2015
Estimated pension liabilities	66 250	17 731	83 981
Estimated plan assets	62 577		62 577
<b>Net pension liabilities 31 December</b>	<b>3 673</b>	<b>17 731</b>	<b>21 404</b>
Unrecorded actuarial gain/loss	0	0	0
Accrued employer's social insurance contribution <sup>1</sup>	518	2 500	3 018
<b>Net pension liabilities 31 December</b>	<b>4 190</b>	<b>20 232</b>	<b>24 422</b>

<sup>1</sup> Accrued employer's social security contribution is calculated on net pension liability.

Reconciliation opening/closing balance (Figures in 1000s of NOK)	2015	2014
Capitalised net pension liabilities 1 January incl. payroll tax	25 913	12 037
Net pension expenses for the year incl. payroll tax	9 732	8 344
Actuarial gain/loss charged directly to equity	-133	15 629
Pensions paid, early retirement / unfunded, incl. payroll tax	-385	-386
Investment in pension assets, etc., incl. payroll tax	-10 705	-9 711
<b>Capitalised net pension liabilities 31 December incl. payroll tax</b>	<b>24 422</b>	<b>25 913</b>

Nordea Livs Asset Mix*	30.06.15	30.09.14
Property	14,7 %	15,0 %
Shares	9,4 %	9,9 %
Bonds at amortised cost	39,8 %	35,6 %
Short-term bonds/certificates	34,0 %	37,4 %
Other	2,1 %	2,1 %
<b>Total financial assets</b>	<b>100,0 %</b>	<b>100,0 %</b>

\* Known values at calculation date

#### Norfund group

There are no employees in subsidiaries. No payments of salary or board fees in subsidiaries.

Fees, to the amount of NOK 1 098 767 were paid to the auditor, of which NOK 538 919 is related to auditing that is required by law, NOK 45,906 for other attestation services and NOK 513 942 for services other than auditing. All figures include VAT.

#### NOTE 3 – OTHER OPERATING EXPENSES

(Figures in 1000s of NOK)	Norfund		Norfund group	
	2015	2014	2015	2014
Seminars, conferences, upgrading of competencies	4 571	3 540	4 571	3 540
Travel costs	9 979	7 700	10 202	7 700
External assistance, projects	49 402	31 908	52 434	31 908
Costs, tender guarantee scheme	866	437	866	437
Rent, including shared costs	7 307	6 506	7 307	6 506
Advertising/printing	813	539	813	539
Other expenses	12 203	9 556	12 326	9 556
<b>Total operating expenses</b>	<b>85 139</b>	<b>60 186</b>	<b>88 517</b>	<b>60 186</b>

## NOTES

### NOTE 4 – TANGIBLE FIXED ASSETS

(Figures in 1000s of NOK)	Operating equipment, fixtures, etc.	Permanent building fittings and fixtures	Vehicles	Works of art	Total
Cost price, ordinary depreciation and write-downs					
Cost price at 1 January	10 542	837	971	69	11 385
+ acquisitions during the period	820	0	0	0	820
- disposals during the period	-56	0	0	0	-56
Cost price at 31 December	11 306	837	971	69	13 184
Accumulated ordinary depreciation at 1 January	6 673	837	245	0	5 971
+ ordinary depreciation for the period	1 640	0	194	0	1 834
- accumulated ordinary depreciation, operating assets disposed of	0	0	0	0	0
Accumulated ordinary depreciation at 31 December	8 313	837	439	0	9 590
Write-down of operating assets at 1 January	0	0	0	0	0
+ write-downs for the period	0	0	0	0	0
- accumulated depreciation, operating assets disposed of	0	0	0	0	0
Accumulated write-downs at 31 December	0	0	0	0	0
<b>Book value for accounting purposes at 31 December</b>	<b>2 993</b>	<b>0</b>	<b>532</b>	<b>69</b>	<b>3 593</b>

Operating assets, fixtures and fittings etc. are depreciated on a straight-line basis. The expected life of operating assets is 3-4 years. Office fixtures and fittings are depreciated over the life of the lease. Works of art are not depreciated. Vehicles are depreciated on a straight-line basis over 8 years.



## NOTE 5 – INVESTMENT IN ASSOCIATED COMPANY/SUBSIDIARY

(Figures in 1000s of NOK)	SN Power AS	KLP Norfund Investments AS	Norfinance AS	Norfininvest AS	Total
Formal information					
Date of acquisition	02.06.14	01.01.13	27.06.13	03.12.14	
Registered office	Oslo	Oslo	Oslo	Oslo	
Shareholding	50 %	50 %	49,8 %	75 %	
Voting share	50 %	50 %	49,8 %	75 %	
	(Associated company)	(Associated company)	(Associated company)	(Subsidiary)	
Information relating to the date of acquisition					
Acquisition cost	1 684 585	179 359	295 660	1 177 976	
Information relating to the figures for the year:					
Opening balance 1 January 2015	2 459 515	107 937	281 963	23	<b>2 849 438</b>
Acquisitions during the year		70 155	12 356	1 177 953	
Disposals during the year					
Value added share issue					
Share of annual profit/(loss (+/-) <sup>1</sup>	164 927	2 059	-9 362	-91 150	<b>66 474</b>
Write-downs					
Share of adjustments for the year charged directly against equity	502 829				
<b>Closing balance, 31 December 2015</b>	<b>3 127 271</b>	<b>180 151</b>	<b>284 957</b>	<b>1 086 826</b>	<b>4 679 205</b>

<sup>1</sup> Share of annual profit/loss is based on final figures from the associated company.

## COMMITTED INVESTMENTS IN ASSOCIATED COMPANY/SUBSIDIARY

The shareholder agreement between Norfund and Statkraft concerning the establishment of SN Power involves a capital plan for possible investment with annual grants from Norfund for up to USD 60 million in the period 2016–2018, in the event that SN Power should require capital.

Norfund and KLP have formed a joint investment company, KLP Norfund Investments AS. The purpose of the joint venture is to invest in projects in developing countries with a view to promoting sustainable development for a period of over five years for an amount of up to NOK 1.7 billion.

In 2013, Norfund established the company Norfinance AS together with KLP, Perestrokia, Skagen Kon-Tiki Fund and Solbakken AS, for the purpose of investing in African banks and financial institutions, initially for an amount of USD 136 million. Capital deposits and investments in holdings were made in 2014 and 2015, and the company can potentially make further investments.

Norfund and Norfinance AS have jointly formed the investment company Norfininvest AS. In April 2015, the company invested in 12.2 per cent of Equity Bank Ltd. In view of Norfund's 75 per cent holding, Norfininvest AS has been consolidated into the Norfund group.

## NOTES

### NOTE 6 – RECEIVABLES

The loan portfolio is recorded under receivables. When acquired from Norad, it was valued at zero in the Norfund accounts pursuant to Proposition no. 1 to the Storting (2000–2001), which transferred the loan portfolio to Norfund without an appropriation decision. Pursuant to the Norwegian Accounting Act, receipts (interest and principal repayments) from this portfolio are recorded as income in Norfund's accounts.

(Figures in 1000s of NOK)	Opening loan balance 01.01.15	Repayments received 01.01– 31.12	Repayments interest 01.01– 31.12	Depreciation during year	Gain/loss on exchange during year	Closing loan balance 31.12.15
<b>TOTALT</b>	<b>5 616</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5 616</b>
Depreciation	5 616					-5 616
<b>Book value</b>	<b>0</b>					<b>0</b>

Norfund has valued the loan portfolio at 31 December 2015 at NOK 0.

### OTHER RECEIVABLES

(Figures in 1000s of NOK)	Norfund Other receivables		Norfund group Other receivables	
	31.12.15	31.12.14	31.12.15	31.12.14
Receivable/Rights <sup>1</sup>	1 260	3 568	1 260	3 568
Accrued interest	86 352	72 423	86 352	72 423
Other receivables	42 767	60 898	42 780	60 898
<b>Total receivables</b>	<b>130 379</b>	<b>136 889</b>	<b>130 391</b>	<b>136 889</b>

<sup>1</sup> In connection with the sale of Aureos Capital, Norfund received a cash settlement and a right to a share of future carried interests in the first-generation funds. The right is valued in relation to the value of the first-generation funds at 31 December 2015.

Other receivables: All receivables fall due within one year.

### NOTE 7 – CAPITALISED PROJECT DEVELOPMENT COSTS

Project (Figures in 1000s of NOK)	2015	2014
Other projects	26 943	27 190
Capitalised project development costs	26 943	27 190
Provision for bad debts at 31 December 2015	-23 571	-18 608
<b>Total capitalised project development costs</b>	<b>3 372</b>	<b>8 582</b>

Increased project development activity is part of Norfund's increased focus on Clean energy and is Norfund's Project Development Facility. The aim is to increase access to investment opportunities in clean energy in developing countries.

## NOTE 8 – LOANS TO COMPANIES IN THE INVESTMENT PORTFOLIO

(Figures in 1000s of NOK)	Currency	Book value <sup>1</sup> (in FX)	Book value <sup>1</sup> (in NOK)
LAAD	USD	10 417	91 765
Casquip Starch (Pty) Ltd	ZAR	30 703	17 419
CIFI	USD	6 250	55 056
European Financing Partners EUR 2	EUR	451	4 342
European Financing Partners USD 2	USD	9 075	79 938
Green Resources	USD	17 604	155 075
Sathapana Ltd.	USD	4 200	36 998
Africado	USD	670	6 445
E+CO	USD	1 328	11 702
Real People Investment PTY	ZAR	190 000	107 426
DFCU Limited	UGS	8 785 714	22 404
Sacombank Leasing Ltd	USD	1 000	8 809
TPS (Dar) Ltd. (Dar es Salaam)	USD	2 818	24 825
African Banking Corporation Zambia Limited	USD	1 000	8 809
Techombank	USD	7 500	66 068
Great Lakes Agricultural Development Ltd (GLAD)	USD	150	1 321
Interact Climate Change Facility	USD	4 994	43 995
Basecamp Explorer Kenya Ltd	USD	594	5 233
Amret Co Ltd	USD	1 000	8 809
Alios Finance Tanzania ltd	USD	2 500	22 023
Banco Ficosha	USD	6 784	59 760
Agrica Limited	USD	2 832	24 951
Afrinord Hotels Investment	USD	2 540	22 375
Hattha Kaksekar	USD	7 000	61 663
Yara Tanzania Ltd	USD	4 200	36 998
Prasac	USD	8 333	73 408
First Finance Plc	USD	2 000	17 618
Fondo de Desarrollo Local FDL	USD	1 500	13 214
UAP Properies Limited	USD	5 000	44 045
NMBZ Holdings Limited	USD	1 400	12 333
Alios Finance Zambia Ltd.	USD	3 500	30 832
Proximity Designs	USD	2 000	17 618
Trustco	ZAR	100 000	56 540
Interact Climate Change Facility	EUR	1 249	12 013
Housing Finance Company of Kenya Ltd	KES	1 000 000	83 980
Ficosha Guatemala	USD	2 100	18 499

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## NOTES

### » CONTINUES NOTE 8 – LOANS TO COMPANIES IN THE INVESTMENT PORTFOLIO

(Figures in 1000s of NOK)	Currency	Book value <sup>1</sup> (in FX)	Book value <sup>1</sup> (in NOK)
Focus Financial Services	ZMW	50 000	39 626
ACLEDA Bank Lao Ltd	USD	2 013	17 731
African Century Infrastructure Services Ltd	USD	2 700	24 070
Sunripe (1976) Limited (Vertical Agro)	USD	2 500	22 023
AMC/Confianza	USD	2 500	22 023
Cape Dairy Biogas Plant (Pty) Ltd (BioWatt Cape Dairy)	ZAR	8 084	4 571
Banco Terra S.A.	EUR	490	4 717
Banco Lafise Bancetro S.A. (Lafise Nicaragua)	USD	10 000	88 090
Across Forest AS	NOK	1 800	1 800
Banco Industrial El Salvador	USD	10 000	88 090
Matanuska - New Shareholder Loan 1	USD	3 688	32 489
Matanuska - New Shareholder Loan 2	USD	4 083	35 964
Matanuska - RVC loan note	USD	2 930	25 813
Matanuska - S.t. restruct loan to BFCTL	USD	294	2 591
Nam Sim Power Company	USD	2 695	23 740
BRAC Bank Limited	USD	10 000	88 090
Comercial Administradora S.A. Arrend	USD	4 000	35 236
Banco Promerica	USD	10 000	88 090
African Century Food Ltd	USD	1 500	13 214
<b>Mezzanine loans</b>			
Afrinor Hotel Investments A/S	EUR	2 537	24 404
BRAC Bank Limited	BDT	490 000	53 542
Financiera Desyfin S.A.	USD	3 667	32 300
Bio2Watt	ZAR	13 652	7 719
Renewable Energy Holdings	ZAR	33 300	18 828
Accrual start-up fee loans			-11 901
<b>Total loans to projects</b>			<b>2 147 165</b>
Provision for bad debts at 31 December 2015			-122 528
<b>BOOK VALUE LOANS</b>			<b>2 024 637</b>

In addition to the loans specified above, Norfund made four loans charged to unused resources Balkans which are recorded at NOK 0 in accordance with the requirements of NRS 4 concerning net recording of government grants received; (see note 14).

Some of the loans carry a risk comparable with that of equity investments. In addition, 4 guarantees were issued for a total amount of NOK 42 million.

<sup>1</sup> Figures at 31 December 2015 and before any write-downs.

<sup>2</sup> Loans syndicated by members of European Financing Partners are co-invested. Norfund's holding varies from 1-5 per cent. Loans have been granted to Olkaria III, Cement du Sahel, CareWorks, Precision Air, Equity Bank, Maputo Private Hospital, Millicom Tanzania, Rabai Power Ltd, Zambeef, PTA Bank, AFL, Jamaica Public Services, Co-operative Bank, Indorama Eleme Fertilizer, ETG, AFC, Bharti Airtel, NMB Tanzania, Fidelity Bank, Skye Bank, Chase Bank, Stanbic Bank and Mobisol.

**NOTE 9 – EQUITY INVESTMENTS**

Equity investments in funds (Figures in 1000s of NOK)	Currency	Share- holding	Comitted investment (in FX)	Historical cost price <sup>1</sup> (in FX)	Committed investment (in NOK)	Historical cost price <sup>1</sup> (in NOK)
SEAF Sichuan SME Investment Fund	USD	13,3 %	1 212	1 208	7 548	7 510
Aureos East Africa Fund	USD	20,0 %	710	638	4 481	3 851
Aureos West Africa Fund	USD	26,0 %	3 252	2 088	22 449	12 197
Aureos Southern Africa Fund	USD	25,1 %	4 683	3 367	29 714	18 120
Aureos South East Asia Fund	USD	28,6 %	2 064	445	16 762	2 500
APIDC Biotech Fund	USD	7,7 %	2 710	2 711	16 433	16 437
China Environment Fund	USD	10,0 %	816	708	4 805	3 854
Aureos South Asia Fund (Holdings)	USD	23,5 %	16 061	14 386	99 490	84 739
Aureos Central America Growth Fund (EMERGE)	USD	14,3 %	1 744	1 529	11 203	9 312
CASEIF II	USD	13,8 %	2 308	1 887	14 657	10 946
I&P Capital	EUR	13,4 %	1 329	765	11 365	5 939
Horizon Equity Partners Fund III	ZAR	9,0 %	15 382	14 561	10 015	9 551
Africap Microfinance Investment Company	USD	7,4 %	2 955	1 967	19 540	10 837
Aureos Latin America Fund (ALAF)	USD	13,6 %	21 844	21 824	129 967	129 791
Seaf Blue Water Growth Fund	USD	20,0 %	3 813	2 434	26 522	14 371
NMI Global Fund <sup>2</sup>	NOK	45,0 %	130 935	101 575	130 935	101 575
NMI Frontier Fund <sup>2</sup>	NOK	45,0 %	108 000	71 900	108 000	71 900
GroFin Africa Fund	USD	9,4 %	10 596	8 835	67 823	52 310
Aureos Africa Fund L.L.C	USD	10,5 %	22 191	16 737	146 338	98 291
Fundo de Investimento Priv.Angola	USD	25,6 %	10 000	8 239	66 165	50 657
Fanisi Venture Capital Fund SCA	USD	30,5 %	14 250	12 124	97 546	78 817
Cambodia- Laos Development Fund	USD	20,4 %	4 000	3 478	26 177	21 580
Evolution One Fund	ZAR	7,2 %	41 868	29 870	28 021	21 238
AgriVie Fund	ZAR	9,4 %	75 016	67 562	53 388	49 174
Frontier Fund	USD	11,3 %	10 053	8 880	64 329	53 999
Prospero Microfinanzas Fund B.L.P.	USD	21,7 %	4 905	4 340	31 256	26 279
Aureos South East Asia Fund II	USD	2,2 %	4 814	2 218	37 337	14 470
Vantage Mezzanine Fund II (Partnersh)	ZAR	5,4 %	98 331	84 344	173 518	50 305
Voxtra East Africa Agribusiness Ini	NOK	35,0 %	33 091	18 570	33 091	18 570
Africa Health Fund SA En Commandite	USD	9,5 %	9 606	6 234	66 983	37 278
Higher Education Financing Fund	USD	33,0 %	5 000	1 601	40 473	10 535
Coreco Central America Fund I LP	USD	18,9 %	10 000	3 893	78 571	24 776
NMI Fund III <sup>2</sup>	NOK	26,3 %	132 880	52 742	132 880	52 742
Locfund II	USD	27,0 %	8 000	7 885	53 891	52 881
Ascent Rift Valley Fund Ltd	USD	21,3 %	10 000	1 464	87 108	11 918
Novastar Ventures East Africa Fund	USD	12,5 %	10 000	1 723	85 401	12 486

## NOTES

### » CONTINUES NOTE 9 – EQUITY INVESTMENTS

Equity investments in funds (Figures in 1000s of NOK)	Currency	Share- holding	Comitted investment (in FX)	Historical cost price <sup>1</sup> (in FX)	Committed investment (in NOK)	Historical cost price <sup>1</sup> (in NOK)
Caseif III	USD	34,8 %	10 000	1 980	86 530	15 881
Grofin SGB Fund Ltd Partnership	USD	19,0 %	15 000	4 800	131 365	41 514
BPI East Africa LLC	USD	16,8 %	6 000	0	52 854	0
Cambodia Laos Myanmar Development Fund II	USD	22,7 %	10 000	0	88 090	0
<b>Total invested in funds<sup>1)</sup></b>					<b>2 393 020</b>	<b>1 309 130</b>

"Committed" means that an external commitment exists for the specified amount. For conversions to NOK, the exchange rate at the time of disbursement is used for the part of the amount that has been disbursed. The exchange rate at 31/12/2015 is used for the part that has not been disbursed.

<sup>1</sup> Figures at 31 December 2015 and before any write-downs

<sup>2</sup> Fund investments with more than 35 per cent ownership share

NMI Global Fund, NMI Frontier Fund and NMI Fund III are Norfund's most important microfinance investments. Norwegian private commercial investors have contributed considerable equity to all three funds.

### EQUITY INVESTMENTS IN MANAGEMENT COMPANIES

(Figures in 1000s of NOK)	Currency	Share- holding	Comitted investment (in FX)	Historical cost price <sup>1</sup> (in FX)	Committed investment (in NOK)	Historical cost price <sup>1</sup> (in NOK)
Lafise Investment Management	USD	20,0 %	2	2	17	17
NMI Portfolio Manager AS <sup>2</sup>	NOK	50,0 %	58 730	46 794	58 730	46 794
European Financing Partners mgm	EUR	7,6 %	25	25	194	195
Angola Capital Partners LLC <sup>2</sup>	USD	47,5 %	250	250	1 417	1 417
Interact Climate Change Facility S.A.	EUR	7,7 %	6	6	47	47
Fanisi Venture Capital management <sup>2</sup>	USD	50,0 %	275	124	2 245	913
<b>Total invested in management companies</b>					<b>62 651</b>	<b>49 384</b>

<sup>1</sup> Figures at 31/12/2015 and before any write-downs

<sup>2</sup> Joint ventures with 50 per cent ownership share

Angola Capital Partners LLC is a management company for which Norfund was one of the promoters. Norfund owns the management company jointly with Banco Africano de Investimento (BAI). This is a joint venture project established to develop the local capital market. The company was the first of its kind in Angola, and would not have been realised without Norfund's participation.

Fanisi Venture Management Company is a management company for which Norfund was one of the promoters. It is a joint venture with Armani Capital. Through this investment, Norfund wishes to contribute to realising its own objectives by further developing the capital market in East Africa and raising capital for investment in small and medium-sized enterprises. The company is one of the first venture capital fund managers in East Africa, and would not have been realised without Norfund's participation.

In 2008, Norfund established NMI (Norwegian microfinance initiative) in collaboration with KLP, the DNB group, Ferd and Storebrand. This joint project was contingent on Norfund contributing as much capital as the private investors combined. Norfund owns 50 per cent of management company NMI AS and 45 per cent of each of the NMI Global and NMI Frontier investment funds. In 2013 a new fund was established: NMI III. Norfund does not own more than 32.8 per cent of this fund directly. Indirectly, through NMI AS, Norfund owns 5 per cent of each of these three funds. Norfund's ownership power in both the management company and the funds is smaller than its holding would indicate, and the investments have the same expected life as the institution's other investments classified as current assets. Investments in NMI are accordingly classified as current assets in Norfund's accounts.

## EQUITY INVESTMENTS IN COMPANIES

(Figures in 1000s of NOK)	Currency	Share-holding	Comitted investment (in FX)	Historical cost price <sup>1</sup> (in FX)	Committed investment (in NOK)	Historical cost price <sup>1</sup> (in NOK)
CIFI	USD	32,0 %	16 500	16 500	116 182	116 182
TPS Afghanistan (Kabul Serena Hotel) Ltd	USD	17,6 %	5 000	4 000	34 338	25 529
Afrinord Hotels Africa	EUR	20,0 %	50	50	392	392
Banco Terra	MZN	6,5 %	456 700	456 700	96 568	96 568
TPS Pakistan	USD	4,7 %	3 967	3 967	21 165	21 161
Matanuska Africa Limited	USD	33,3 %	18 671	18 671	110 905	110 901
Hattha Kaksekar Ltd	USD	21,0 %	6 329	6 329	41 885	41 889
Casquip Starsh (Pty) ltd	SZL	28,7 %	26 000	26 000	18 593	18 593
Africado <sup>2</sup>	EUR	40,0 %	2 000	2 000	15 359	15 359
Real People Investment PTY	ZAR	15,7 %	254 374	254 374	187 107	187 107
Agrica Limited	USD	27,7 %	14 435	14 435	87 670	87 674
Tourism Promotion Services TPS (TPS Rwanda)	RWF	11,4 %	1 287 434	1 287 434	12 510	12 510
Basecamp Explorer Kenya Ltd <sup>2</sup>	NOK	40,0 %	9 000	1 561	16 439	9 000
TPS (Dar) Ltd (Dar es Salaam)	USD	28,5 %	6 800	6 800	39 089	39 089
Chayton Atlas Investments	USD	22,7 %	24 257	24 257	161 599	161 597
Kinyeti Venture Capital Limited <sup>2</sup>	USD	49,0 %	3 750	3 750	22 121	22 121
Scatec Solar SA	ZAR	35,0 %	1 488	1 488	841	842
Scatec Solar SA 165 PTY Ltd	ZAR	35,0 %	68 160	68 160	42 579	42 579
NMBZ Holdings Limited	USD	9,0 %	4 944	4 944	28 803	28 800
Norsad	USD	11,0 %	9 297	9 297	56 844	56 847
African Spirit Group Limited (Asilia)	NOK	19,4 %	5 000	5 000	30 694	30 694
Statkraft IH Invest AS <sup>3</sup>	USD	18,0 %	440 290			3 253 151
Kinangop Wind Park	USD	18,8 %	13 240	13 240	94 306	94 306
Gigawatt Global Rwanda Ltd (Scatec Rwanda)	USD	12,8 %	2 873	2 873	17 702	17 702
Financiera Desyfin S.A.	USD	23,2 %	6 000	6 000	36 772	36 772
African Century Food Ltd	USD	28,7 %	9 601	9 601	66 059	66 056
African Century Infrastructure Services Ltd.	USD	20,0 %	2 250	2 550	13 617	16 260
Globeleq Africa	USD	30,0 %	240 000	194 447	2 008 453	1 607 177
Comercial Administradora S.A. Arrend	USD	22,0 %	4 000	4 000	29 904	29 904
African Century Real Estate Limited	USD	14,3 %	3 000	3 000	26 130	26 130
Advans MFI Myanmar Company Limited <sup>2</sup>	MMK	40,0 %	1 560 000	130 000	10 246	865
Myanmar Finance International Ltd	USD	25,0 %	1 431	1 431	12 428	12 426
First Finance	USD	15,1 %	1 000	1 000	8 479	8 479
Freight In Time	USD	24,0 %	6 000	0	52 854	0
<b>Total invested in companies</b>					<b>3 518 636</b>	<b>6 294 662</b>
<b>Total invested in companies<sup>1)</sup></b>						<b>7 653 175</b>
Provision for bad debts at 31 December 2015						-552 874
<b>Book value investments</b>						<b>7 100 301</b>

## NOTES

<sup>1</sup> Figures at 31 December 2015 and before any write-downs

<sup>2</sup> Fund investments with more than 35 per cent ownership share

Norfund's investment in Africado Ltd constitutes a 40 per cent ownership share. Africado Ltd is a start-up agribusiness project, and the partners had a limited supply of capital. Norfund considers investment in Africado to be a special case where, owing to the shortage of capital, it was necessary to invest over 35 per cent in order for the project to be realised at all.

Norfund has a 40 per cent holding in Basecamp Explorer Kenya Ltd. The high share was necessary to provide sufficient equity to assure a solid base for this company's further growth.

Kinyeti Venture Capital Ltd is the first investment company established in South Sudan. Norfund's holding is now 49 per cent. Norfund has assumed an active role in Kinyeti in order to be able to offer small enterprises risk capital in an extremely difficult area. The aim is to attract further capital from other partners, with a view to reducing Norfund's holding over time.

Myanmar is a high priority country for Norfund, and in view of the limited access to capital from other investors, Norfund wanted to acquire 40 per cent of Advans MFI Myanmar Company Ltd jointly with another actor who would own 60 per cent.

<sup>3</sup> The issue of new shares in Statkraft International Hydro Invest in December 2015 reduced Norfund's holding in the company from 33 per cent to 18 per cent.

### Norfund Group

(Figures in 1000s of NOK)	Currency	Share-holding	Comitted investment (in FX)	Historical cost price <sup>1</sup> (in FX)	Committed investment (in NOK)	Historical cost price <sup>1</sup> (in NOK)
Total invested in companies Norfund						7 653 175
Equity Bank Holdings Ltd	KES	12,20 %				1 544 252
<b>Total invested in companies</b>						<b>9 197 427</b>
Provision for bad debts at 31 December 2015 group						-576 815
<b>Book value investments</b>						<b>8 620 612</b>

### NOTE 10 – EXITED INVESTMENTS

(Figures in 1000s of NOK)	AMSCO	Bugoye	Business Partners Madagascar SME Fund	Locfund	Solidus Investment Fund S.A
Cost price, paid-in capital	1 837	12 551	6 082	8 831	11 852
Total repaid from investment	0	19 970	147	13 716	14 876
<b>Gain/loss (-) on investments exited</b>	<b>-1 837</b>	<b>7 419</b>	<b>-5 935</b>	<b>4 885</b>	<b>3 024</b>
Realised gain / loss (-)	-1 837	361	-5 942	2 913	2 213
Realised FX gain	0	7 058	6	1 972	811
Year of first disbursement	2002	2008	2006	2007	2006
Investment currency	EUR	USD	EUR	USD	USD
Calculated IRR in investment currency (annual)	-100 %	0 %	-42 %	4 %	3 %

Exiting from listed projects took place in the course of 2015, but as the realisation of the projects took place over a period of years, the calculated realised gain/loss will also be entered in the accounts

Nine loans were repaid during the year.



**NOTE 11 – TAX****Norfund**

Tax costs are attributable in their entirety to withholding tax on dividends and interest on foreign investments. Norfund is tax-exempt in Norway pursuant to a special section in the Norwegian Taxation Act.

**Norfund group**

Group companies may be separate tax subjects and will calculate tax in the ordinary manner in accordance with applicable laws. No taxes were calculated for group companies for 2015.

**NOTE 12 – BANK DEPOSITS, CASH AND CASH EQUIVALENTS****Norfund**

Bank deposits of NOK 1 143 200 830 include NOK 2 718 523 in a blocked tax withholding account. In addition, NOK 10 661 091 of the company's liquid assets are tied up in unused resources. These assets can only be used in accordance with the guidelines established for the application of unused resources (see note 14).

NOK 641 864 567 of the company's total bank deposits are in Norges Bank.

**Norfund group**

There are no tied up assets in group companies other than those indicated in the information on the parent company.

**NOTE 13 – CAPITAL MOVEMENTS****Norfund**

(Figures in 1000s of NOK)	Primary capital	Capital in reserves	Surplus fund	Total equity
Capital at 1 January 2015	7 171 250	2 565 750	2 860 095	12 597 095
Capital supplied in 2015	1 110 000	370 000		1 480 000
Equity adjustment associated company recorded directly against equity (see note 5)			502 829	502 829
Actuarial gains/losses pensions			133	133
Net profit for the year			426 173	426 173
<b>Capital at 31 December 2015</b>	<b>8 281 250</b>	<b>2 935 750</b>	<b>3 789 230</b>	<b>15 006 230</b>

Capital in legal reserves can only be used to meet losses that cannot be covered from other reserves excluding primary capital.

Of the capital received in 2015, 75 per cent was allocated to primary capital and 25 per cent to legal reserves in accordance with Article 9 of the regulations governing Norfund.

Norfund has received NOK 11 217 million in capital from the Norwegian government, of which NOK 1 480 million was paid in during 2015.

The equity adjustment is a result of the exchange rate adjustment of Norfund's share in SN Power AS, owing to changes in the USD/NOK exchange rate. SN Power AS presents its financial statements in USD.

In 2014, the principles for entry pension expenses were changed, in that from and including 2014, actuarial gains or losses are charged directly to equity. For 2015, this amounts to NOK 133 375 (NOK 15 628 740), which is charged directly to equity.

## NOTES

### Norfund group

(Figures in 1000s of NOK)	Primary capital	Capital in reserves	Surplus fund	Minority interest	Total equity
Capital at 1 January 2015	7 171 250	2 565 750	2 860 095		12 597 095
Capital supplied in 2015	1 110 000	370 000			1 480 000
Equity adjustment associated company recorded directly against equity (see note 5)			502 829		502 829
Actuarial gains/losses pensions			133		133
Net profit			473 528	-15 252	458 276
Acquisition holding in subsidiary			197 535		197 535
Minority holdings subsidiary				206 368	206 368
<b>Capital at 31 December 2015</b>	<b>8 281 250</b>	<b>2 935 750</b>	<b>4 034 121</b>	<b>191 115</b>	<b>15 442 236</b>

**NOTE 14 – UNUSED RESOURCES (NORFUND'S GRANT SCHEME)**

Proposition no. 1 to the Storting (2014–2015) provided for the allocation of resources to a grant scheme to strengthen the development effects of Norfund's investment activities. The resources are intended to be used primarily during the budget year, but unused resources can be carried over. As specified in NRS 4, loans made are recorded net in the accounts.

In 2015 Norfund received NOK 21 million in capital for the grant facility. The resources are used to increase the development effect of Norfund's investments through operational improvements and local community development, and by developing new projects in sectors and countries with particularly high risk levels. Support may, for example, be provided for training and transfer of expertise, health and equal opportunity programmes, workers' rights, improvement of internal control, corporate governance and energy efficiency. The resources are treated as current liabilities, and undisbursed amounts are included in Norfund's liquid assets. When costs are met from the resources, the liability is reduced by an equivalent amount. A total of NOK 21.8 million in costs was charged to the grant facility in 2015.

In the period 2011–2015, Norfund has managed funding from the embassy in Juba for preparing the Fula Rapids hydropower project in South Sudan until the project was ready for investment. In 2015 it was decided to end the project, and NOK 4.2 million of unused grant resources were repaid in December 2015. Norfund has also received grant resources earmarked for projects in the Balkans, most of which have been granted as loans to finance companies.

(Figures in 1000s of NOK)	Unused resources Norfund		Unused resources Fula Rapids		Unused resources Balkan		Unused resources Norad	
	31.12.15	31.12.14	31.12.15	31.12.14	31.12.15	31.12.14	31.12.15	31.12.14
<b>INCOMING PAYMENTS</b>								
Carried over from previous year	5 524	2 028	4 083	9 233	6 831	6 418	0	19 661
Received during the year	21 000	18 500	0	0	0	0	0	0
Repaid grant resources	0	0	-4 216	0	0	0	0	0
<b>Total receipts</b>	<b>26 523</b>	<b>20 527</b>	<b>-133</b>	<b>9 233</b>	<b>6 831</b>	<b>6 418</b>	<b>0</b>	<b>19 661</b>
<b>Revenues</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>222</b>	<b>602</b>	<b>0</b>	<b>0</b>
<b>DISBURSEMENTS</b>								
<b>General costs</b>								
Fund management	0	0	-254	0	0	0	0	0
General follow-up	-44	0	0	0	-330	-237	0	0
<b>Intervention</b>								
Project development:	-1 190	-2 124	387	-5 149	0	0	0	-19 661
Boost and support development effects of projects	-17 159	-10 270	0	0	0	0	0	0
Boost social responsibility	-3 498	-2 523	0	0	0	0	0	0
NMI start-up support	0	-87	0	0	0	0	0	0
<b>Local investment funds</b>								
Follow-up costs	0	0	0	0	187	-6	0	0
Loans to projects	0	0	0	0	-1 351	-33	0	0
<b>Total disbursements</b>	<b>-21 891</b>	<b>-15 004</b>	<b>133</b>	<b>-5 149</b>	<b>-1 494</b>	<b>-277</b>	<b>0</b>	<b>-19 661</b>
Allocated interest income			0	0	60	87	0	0
<b>Non-disbursed resources</b>	<b>4 633</b>	<b>5 524</b>	<b>0</b>	<b>4 083</b>	<b>5 621</b>	<b>6 831</b>	<b>0</b>	<b>0</b>
<b>Total undisbursed resources at 31.12.2015</b>		<b>10 254</b>						

At the end of 2015, unused resources relating to the Balkans consisted of two outstanding loans of EUR 0.8 million each, one loan of EUR 1.6 million and one loan of EUR 0.1 million.

## NOTES

### NOTE 15 – INFORMATION ON FINANCIAL MARKET RISK AND THE USE OF FINANCIAL INSTRUMENTS

#### Market and currency risk

Norfund's investments are made in developing countries in which the country itself, markets and companies are characterised by high risk. Future returns depend on the ability to manage opportunities and risk during the investment period.

Norfund's investments are largely made in USD, but in some cases in other currencies. Since Norfund's base currency is NOK, its future returns are heavily influenced by the exchange rate between NOK and USD (or other currency where relevant). The various objects in which Norfund invests may also be subject to fluctuations between local currencies and USD.

Norfund's investment agreements are largely denominated in USD, while its liquid assets are placed in NOK-denominated interest-bearing accounts in Norges Bank.

FX rates used in conversion		31.12.15	31.12.14	Change during the year
US Dollar	USD	8,809	7,433	18,5 %
South African Rand	ZAR	0,565	0,643	-12,1 %
Rwandan Franc	RWF	0,012	0,011	8,9 %
Kenyan Shilling	KES	0,084	0,081	4,2 %
Ugandan Shilling	UGS	0,003	0,003	-3,4 %
Mozambican Metical	MZN	0,185	0,223	-17,0 %
Bangladeshi Taka	BDT	0,109	0,093	16,9 %
Cambodian Riel	KHR	0,002	0,002	17,8 %
Swaziland Lilangeni	SZL	0,567	0,641	-11,5 %
Euro	EUR	9,619	9,037	6,4 %

#### Interest rate risk

Norfund's interest rate risk is primarily affected through liquid assets placed in Norwegian banks. Interest rates on loans to projects may also be affected by interest rate risk, depending on the rate of interest charged on the various loans. Loans to projects are usually based on the variable LIBOR rate plus a margin.

#### Credit risk

Project loans are assessed at their estimated fair value. The risk associated with these loans is also partly reflected in the terms for the individual loan. What Norfund defines as its "Loan portfolio" entails no credit risk in accounting terms, since its value on the balance sheet is zero. As a rule, the risk associated with loans is regarded as relatively high, and to be considered more as equity risk than traditional loan risk.

#### Liquidity risk

Norfund has no interest-bearing debt. An attempt has been made to show Norfund's liquidity risk by quantifying the committed investments.

### NOTE 16 – CONTRACTUAL OBLIGATIONS

	Lease duration	Annual rental costs
Premises at Støperigata 2, Oslo	1 July 2009 – 30 June 2016	4 923 235

In 2004 Norfund decided to establish a tender guarantee scheme to encourage increased financial cooperation and investment in developing countries. The scheme is administered by the Norwegian Guarantee Institute for Export Credits (GI EK). In 2015, NOK 865 981 was charged to Norfund's accounts under this scheme. The tender guarantee scheme was initially a three-year trial that ran to the end of 2007. The scheme has since been extended.



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Translation from the original Norwegian version

To the Annual Shareholders' Meeting of Norfund

## INDEPENDENT AUDITOR'S REPORT

### Report on the Financial Statements

We have audited the accompanying financial statements of Norfund, which comprise the financial statements of the parent company, showing a profit of NOK 426.173.000, and the financial statements of the group, showing a profit NOK 458.276.000. The financial statements of the parent company and the financial statements of the group comprise the balance sheet as at December 31, 2015, and the income statement and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *The Board of Directors' and the Managing Director's Responsibility for the Financial Statements*

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian accounting act and accounting standards and practices generally accepted in Norway, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### *Opinion*

In our opinion, the financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Norfund and of the group as at December 31, 2015, and of



its financial performance and its cash flows for the year then ended in accordance with the Norwegian accounting act and accounting standards and practices generally accepted in Norway.

### **Report on Other Legal and Regulatory Requirements**

#### *Opinion on the Board of Directors' report*

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

#### *Opinion on Registration and Documentation*

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 30 March 2016  
Deloitte AS

Gretel Elgåen  
State Authorised Public Accountant (Norway)

Translation has been made for information purposes only





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