



Danish Climate Investment Fund I K/S

c/o IFU
Fredericiagade 27
DK-1310 Copenhagen K
CVR No. 35636706

Annual report 2023

The Annual General Meeting adopted the
annual report on 30 April 2024

Nicolai Boserup
Chairman of the General Meeting

Contents

Entity details	2
Statement by Management on the annual report	3
Independent auditor's report	4
Management commentary	7
Income statement for 2023	13
Balance sheet at 31.12.2023	14
Statement of changes in equity for 2023	16
Cash flow statement for 2023	17
Notes	18
Accounting policies	34

Entity details

Entity

Danish Climate Investment Fund I K/S
c/o IFU
Fredericiagade 27
DK-1310 Copenhagen K
Denmark

Business Registration No.: 35636706
Registered office: Copenhagen
Financial year: 01.01.2023 – 31.12.2023

General partner

DCIF I GP P/S

Manager of the Partnership

IFU – Investment Fund for Developing Countries

Management of DCIF I GP P/S

Nicolai Boserup, Chairman
Søren Peter Andreasen
Niels Gravgaard Laursen

Auditor

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
DK-2300 Copenhagen S

Statement by Management on the annual report

The undersigned have today considered and approved the annual report of Danish Climate Investment Fund I K/S for the financial year 01.01.2023- 31.12.2023.

The annual report has been prepared in accordance with information required by relevant law and regulations.

It is our opinion that the financial statements give a true and fair view of the Entity's financial position at 31.12.2023 and of the results of its operations for the financial year 01.01.23 – 31.12.2023.

We believe that the management commentary gives a fair review of the affairs and conditions referred to therein.

We recommend that the annual report for adoption at the annual general meeting.

Copenhagen, 30.04.2024

Management of DCIF I GP P/S

Nicolai Boserup
Chairman

Søren Peter Andreasen

Niels Gravgaard Laursen

Independent auditor's report

To the limited partners of Danish Climate Investment Fund I K/S

Opinion

We have audited the financial statements of Danish Climate Investment Fund I K/S for the financial year 01.01.2023 - 31.12.2023, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2023 and of the results of its operations for the financial year 01.01.2023 - 31.12.2023 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional Requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

Statement on the Management's commentary

Management is responsible for the Management's commentary.

Our opinion on the financial statements does not cover the Management's commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's commentary is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's commentary provides the information required by relevant law and regulations.

Based on the work we have performed, we conclude that the Management's commentary is in accordance with the financial statements and has been prepared in accordance with the requirements in the relevant law and regulations. We did not identify any material misstatement of the Management's commentary.

Copenhagen, 30.04.2024

Deloitte

Statsautoriseret revisionspartnerselskab

CVR no. 33 96 35 56

Jens Ringbæk

State Authorised Public Accountant

Identification No (MNE) mne27735

Lars Hillebrand

State Authorised Public Accountant

Identification No (MNE) mne26712

Management commentary

Financial highlights

Seen over a five-year period, the development of the Fund can be described by the following financial highlights.

Key figures

	2023	2022	2021	2020	2019
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Profit/loss					
Profit/loss before financial income and expenses	5,287	(31,418)	(43,594)	(52,822)	38,426
Net financials	1,076	760	91	(105)	(66)
Net profit/loss for the year	6,363	(30,658)	(43,503)	(52,927)	38,360
Balance sheet					
Balance sheet total	953,301	1,007,787	1,114,771	1,178,035	1,242,456
Equity	952,659	1,006,818	1,114,650	1,177,899	1,242,118
Cash Flow					
Cash flows from operating activities	(6,760)	(4,900)	(4,676)	(7,376)	807
Cash flows from investing activities	41,721	106,902	9,288	(420)	(63,468)
Cash flows from financing activities	(40,506)	(64,266)	(9,166)	13,803	66,069
Change in the year	(5,546)	37,736	(4,554)	6,007	3,408
Financial ratios					
Return on assets	0.6%	(3.1%)	(3.9%)	(4.5%)	3.1%
Solvency ratio	99.9%	99.9%	100.0%	100.0%	100.0%
Return on equity	0.6%	(2.9%)	(3.8%)	(4.4%)	3.1%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see Accounting policies.

Operating review

The annual report of Danish Climate Investment Fund I K/S for 2023 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

Main activity

In January 2014, the Danish Climate Investment I Fund K/S (DCIF) was established as a public private partnership. Including a subsequent second close in July 2014, total capital committed to DCIF reached DKK 1,290 million. Five institutional investors committed DKK 775 million and the Danish Government and IFU committed DKK 515 million.

The purpose of DCIF is to undertake investments with a positive climate impact in developing countries in order to reduce the emission of greenhouse gasses. Such investments will include commercially viable private sector projects within sustainable energy production, energy efficiency and production of related components, as well as in other areas such as transport and other activities with a substantial positive climate impact. Furthermore, DCIF can invest in adaption projects, i.e. projects that are primarily aimed at responding to the adverse consequences of climate change. Projects co-financed by DCIF must be commercially viable and offer an attractive return to its investors.

DCIF is managed by IFU.

DCIF's investment period ended early 2018. The fund can continue to make follow-up investments in projects in the active portfolio.

At the end of 2023, DCIF had co-financed a total of 18 projects. Of these, DCIF was still participating in seven investments, while 11 had been exited or cancelled. Total commitment to the 18 projects amounted to DKK 1,071m or 83 per cent of the total fund.

Investments in 2023

In 2023, DCIF made additional finance for two ongoing projects at a total of DKK 4.3 million.

Project name	Country	Fund/facility	IFU's contracted investments in DKKm		
			Shares*	Loans**	Total
Sainshand Salkhin Park LL	Mongolia	DCIF		0.5	0.5
NPP Coremas I-III	Brazil	DCIF		3.8	3.8
Total				4.3	4.3

*) Including overrun commitments

**) Including guarantees

Sustainability reporting

SUSTAINABILITY IN IFU'S INVESTMENT PROCESS

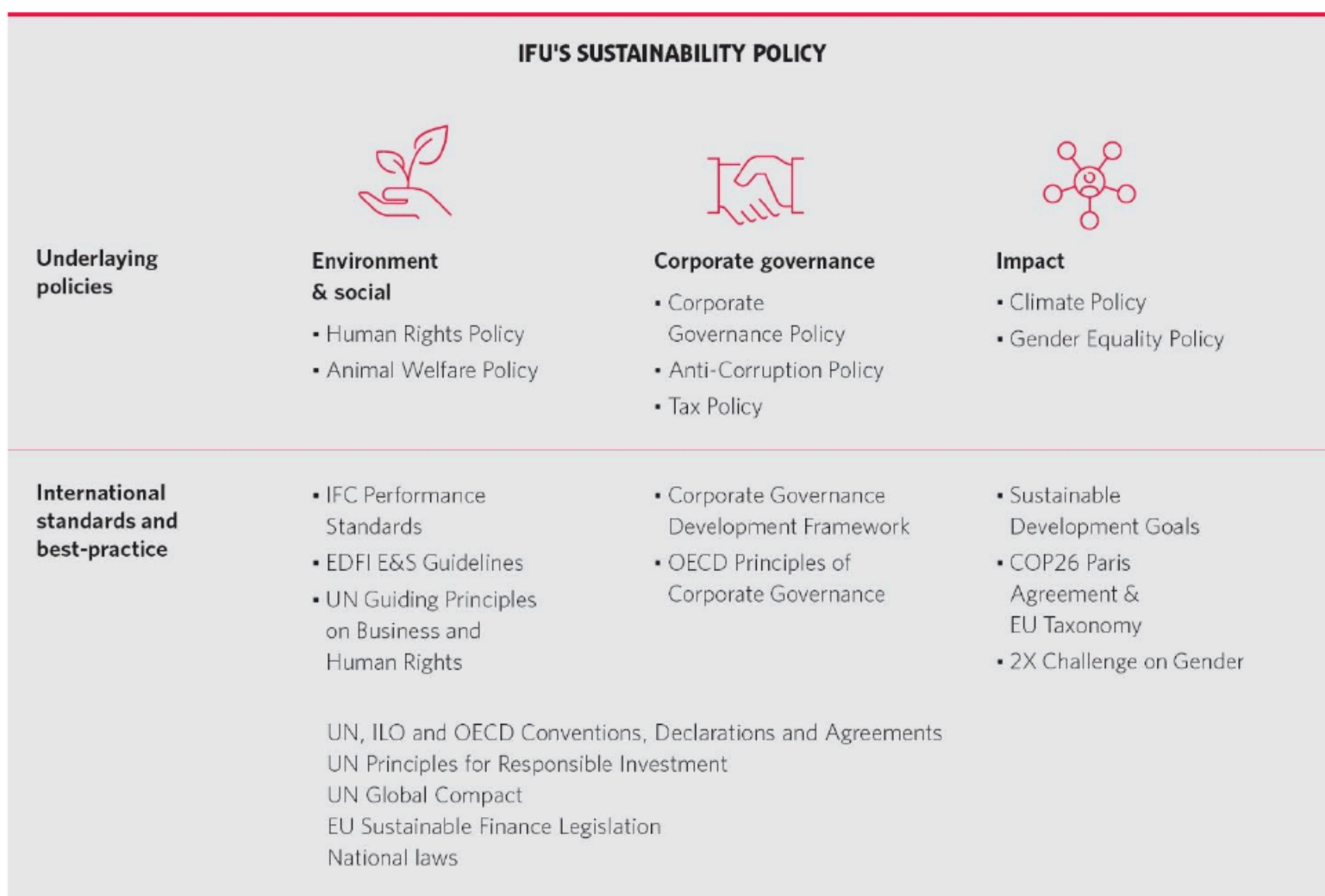
DCIF is applying IFU's sustainability policy and offering advice to project companies on how to implement it. IFU's sustainability policy can be found on IFU's website.

IFU has a comprehensive framework for managing sustainability risks and impacts as an integral part of the investment process for both direct investments and investments in funds and financial institutions. This ensures that the investments contribute to building green, just and inclusive societies and that environmental and social (E&S) risks and adverse impacts are mitigated.

Sustainability policy framework

IFU’s Sustainability Policy is the foundation that sets out IFU’s commitment to invest in sustainable development and to contribute to the realisation of the Sustainable Development Goals (SDGs). The policy highlights sustainability issues that IFU considers particularly relevant in order for investments to contribute to the SDGs. Furthermore, the policy has annexes with specific sustainability requirements for IFU’s direct investments in the form of equity and loans to project companies, as well as investments in private equity funds, financial institutions and other financial intermediaries. IFU’s commitments in relation to major global sustainability issues are clarified in underlying policies, which further explain how IFU implements responsible business conduct measures.

This section describes IFU’s current sustainability policy. Since the inception of the DCIF Fund, IFU’s sustainability policy has gradually been developed to include new requirements, standards and policies. Accordingly, the policies forming the basis for the due diligence of the individual investments were those applicable at the time the investments were made.



Sustainability in the Investment process

IFU’s investment process follows four main phases that are aligned with the standards adopted by the European Development Finance Institutions (EDFIs). The process will therefore be applied in a similar way when co-financing among EDFIs occurs.

During appraisal, IFU assesses and approves investments according to a gradually increased engagement level passing several approval stages from the initial screening phase, through a thorough due diligence phase to final approval. Subsequently, IFU performs active ownership throughout the investment period.

Sustainability in the investment process

 <p>SCREENING</p>	<ul style="list-style-type: none"> • Exclusion list • First gate impact screening against investment strategy • Identification of project-related sustainability risks and opportunities, and impact potential • Categorisation of projects according to environmental and social risk level • Pre-assessment of potential adverse impacts on human rights • Creation of impact hypothesis
 <p>DUE DILIGENCE</p>	<ul style="list-style-type: none"> • UN Global Compact Self Assessment for low-risk projects • Environmental and Social Impact Assessment (ESIA) for high-risk projects • Complementary assessment of severe adverse human rights impacts • Development of impact areas aligned with the SDGs in a results framework • Site visit, including stakeholder identification and engagement for high-risk projects
 <p>APPROVAL</p>	<ul style="list-style-type: none"> • Binding commitment to IFU's sustainability requirements and to an environmental and social action plan as well as an impact and value creation plan • Agreement on results framework with indicators and targets for reporting
 <p>ACTIVE OWNERSHIP</p>	<ul style="list-style-type: none"> • Ongoing monitoring of sustainability performance • Follow-up on the environmental and social action plan as well as the impact value and creation plan • Annual sustainability status report, including impact reporting

DCIF climate change contribution

IFU has established a methodology for assessing absolute and avoided GHG emissions from its investments based on internationally recognised methodologies, such as the GHG protocol. Emissions avoided by a project will be calculated as the difference between baseline emissions and project emissions.

The baseline emissions refer to the emissions that would probably occur in a reference scenario if the project was not implemented. The reference scenario is chosen on a case-by-case basis using the most appropriate methodology for each project, which can be justified.

In 2023, no assessments were made as DCIF did not make any new investments.

In total, the estimated GHG emission avoidance during project lifetime in the 18 contracted projects in DCIF is 25.6m tCO₂e.

The fund has not invested in any adaptation projects.

IFU used UK based consultant Trucost to set up the methodology and to make the specific assessment of GHG emission avoidance at project level.

Development impact

In order to create sustainable societies in the developing world, private capital and investments are vital. This is the reason for IFU and IFU managed funds to offer risk capital to private investors and companies wishing to do business in developing countries.

IFU and IFU managed funds have focus on creating green, just and inclusive societies and contributing to the realisation of the 17 UN Sustainable Development Goals by promoting investments which support sustainable development in its three dimensions – economic, social and environmental – in a balanced and integrated manner.

To get funding, projects must have measurable, beneficial development impact in the investment country and be deemed commercially viable. Commercial viability ensures that the business is making a profit on invested capital and can continue to operate, creating decent jobs, producing important goods and services and paying taxes to society.

The spin-off is increased income for workers, transfer of knowledge, company-sponsored employee training, interaction with local business and funding for the public sector in the host country, which can be invested in for example education, healthcare and infrastructure.

Projects contracted by DCIF are included in the impact reporting in IFU's Annual Report 2023.

Latest reported actual direct employment in the projects included in DCIF's active portfolio was 504 people.

The renewable energy projects in DCIF's portfolio produced 2,036 GWh and avoided GHG emissions of a total of 1.27 million tco_{2e} in 2022, which is the latest year for which reporting have been received.

Operational framework

As a minority investor, DCIF is prepared to participate with risk capital in the range of typically EUR 2m to EUR 15m in a single project.

For projects to qualify for co-investment by DCIF, Danish investors or Danish know-how, services or technology must be included.

DCIF's revenues are comprised of gross contributions from investments, however not less than zero.

Financial review

DCIF recorded a profit of DKK 6 million in 2023 compared to a loss DKK (31) million in 2022. At the gross level, the portfolio contributed with DKK 13m in 2023 compared to DKK (23)m in 2022. Operating expenses in the form of management fees and other expenses were DKK (8) million compared to DKK (9) million in 2022. Financial income was unchanged in 2023 at DKK 1m.

Capital position and capital resources

As at 31 December 2023, the investors had paid in DKK 858 million corresponding to 66 per cent of the capital commitment of DKK 1,290 million. The undisbursed commitment is DKK 432 million. DKK 61m was distributed to the investors during the year with accumulated distributions being DKK 244 million as at 31 December 2023.

At year-end 2023, DCIF's equity was DKK 520 million, excluding the undisbursed commitment.

Financial risks

DCIF makes investments in developing countries, where political and economic conditions may be volatile, and the investments are often subject to high commercial risks. As a result, and as DCIF measures its investments at fair market value or recoverable amount, DCIF's future results may fluctuate considerably. The risk exposure of DCIF is further elaborated in the notes to the financial statements.

Uncertainty regarding recognition and measurement

In preparing the financial statements, Management makes a number of estimates and assumptions of future events that will affect the carrying amount of assets and liabilities. The area where estimates and assumptions are most critical to the financial statements is the fair value measurement of share capital investments and the assessment of the need for specific allowances for impairment on project loans. The notes to the financial statements provide more details.

Events after the balance sheet date

No events have occurred after the balance sheet date, which have materially affected DCIF's financial position.

Outlook for 2023

DCIF may make follow-up investments. A positive result is expected for 2024. however subject to uncertainty given the risks highlighted above.

Income statement for 2023

	Notes	2023 DKK'000	2022 DKK'000
Contribution from investments		13,490	(23,034)
Operating expenses, net		(8,203)	(8,384)
Gross profit/loss		5,287	(31,418)
Financial income, net		1,076	760
Profit/loss before tax		6,363	(30,658)
Net profit/loss for the year		6,363	(30,658)
Recommended appropriation of profit/loss			
Retained earnings		6,363	(30,658)

The net profit/loss for the year has been transferred to equity.

Balance sheet at 31.12.2023

Assets

	Notes	2023 DKK'000	2022 DKK'000
Investments	3	262,336	282,453
Loans	4	201,046	221,071
Total non-current assets		463,382	503,524
Undisbursed commitments		432,228	452,243
Prepayments		1,960	1,655
Other receivables		19,832	8,920
Cash		35,899	41,445
Total current assets		489,919	504,263
Total assets		953,301	1,007,787

Equity and liabilities

	Notes	2023 DKK'000	2022 DKK'000
Paid-in capital		857,772	837,757
Undisbursed commitments		432,228	452,243
Total commitment		1,290,000	1,290,000
Repaid capital		(244,397)	(183,876)
Retained earnings		(92,943)	(99,306)
Total equity		952.659	1,006,818
Payables to group enterprises		87	28
Other payables		554	941
Total current liabilities		641	969
Total liabilities		641	969
Total equity, provision for losses and liabilities		953,301	1,007,787

Contingent liabilities and other financial obligations	1
Related parties and ownership	2
Financial risk management	7
Equity and credit risks	8
Currency risk	9
Interest rate risk	10
Liquidity risk	11
Classification of financial instruments	12
Fair value measurement basis	13

Statement of changes in equity for 2023

	2023	2022
	DKK'000	DKK'000
Paid-in capital beginning of year	837,757	824,849
Repaid capital during the year	20,015	12,908
Paid-in capital end of year	857,772	837,757
Undisbursed commitments	432,228	452,243
Total committed capital	1,290,000	1,290,000
Repaid capital beginning of year	(183,876)	(106,702)
Repaid capital during the year	(60,521)	(77,174)
Repaid capital end of year	(244,397)	(183,876)
Total capital end of year, net	1,045,603	1,106,124
Retained earnings beginning of year	(99,306)	(68,648)
Transferred from net income for the year	6,363	(30,658)
Retained earnings end of year	(92,943)	(99,306)
Total equity end of year	952,659	1,006,818

At 31 December 2023, the investors had paid in DKK 857.8 million corresponding to 66% of the capital commitment of DKK 1,290 million. Thus, the remaining commitment is DKK 432.2 million.

Cash flow statement for 2023

	Notes	2023 DKK'000	2022 DKK'000
Net profit/loss for the year		6,363	(30,658)
Adjustments	5	29,488	61,777
Change in working capital	6	(42,611)	(36,019)
Net cash from operating activities		(6,760)	(4,900)
Received from projects		45,275	114,478
Paid-out to investments and loans		(3,554)	(7,576)
Net cash from/(to) investing activities		41,721	106,902
Paid-in capital from partners		20,015	12,908
Repaid capital to partners		(60,521)	(77,174)
Net cash from/(to) financing activities		(40,506)	(64,266)
Net change in cash		(5,546)	37,736
Cash beginning of year		41,445	3,709
Cash end of year		35,899	41,445
Shown as cash in current assets		35,899	41,445

Notes

1 Contingent liabilities and other financial obligations

DCIF has entered into the following commitments to investments:

	2023	2022
	DKK'000	DKK'000
Undisbursed contracted commitments	32,912	33,916
Guarantees	45,123	42,815
Total undisbursed to investments	78,035	76,731

DCIF has signed a management agreement with IFU, whereby IFU performs administration, monitoring and investment advice for DCIF. The management agreement cannot be cancelled. For 2023, the payment amounts to DKK 6,987 thousand incl. VAT.

2 Related parties and ownership

DCIF's related parties comprise the following:

- Pension Danmark
- PKA
- Paedagogernes Pensionskasse
- Dansk Vaekstkapital
- Aage V. Jensens Fonde
- IFU

Other related parties:

- DCIF I GP P/S
- DCIF I GP Komplementar ApS

3 Investments

	2023	2022
	DKK'000	DKK'000
Cost at beginning of year	245,553	353,275
Additions for the year	(7,796)	2,258
Disposal	(15,595)	(109,980)
Cost at 31 December	222,162	245,553
Accumulated value adjustment beginning of year	36,900	24,362
Value adjustments	3,274	12,538
Accumulated value adjustment end of year	40,174	36,900
Carrying amount at 31 December	262,336	282,453

Hereof associated companies:

Share capital investment in projects end of year, at cost	123,598	139,193
Accumulated value adjustments end of year	(23,432)	(13,561)
	100,166	125,632

Associated companies

Name	Domicile	Form of company:	DCIF K/S ownership interest (%)	Profit/loss	Equity
				According to the latest approved annual report	
Nordic Power Partners P/S	Denmark	P/S	49.00	2,057	22,095
Sainshand Windpark Holding GmbH*	Germany	GmbH	59.27	3,033	161,573
Roserve Enviro Private Limited	India	Ltd.	48.98	1,411	40,310
NPP Brazil 1 K/S	Denmark	K/S	49.00	(45,016)	(271,763)
NPP Brazil 2 K/S	Denmark	K/S	49.00	(22,508)	(135,881)

*) DCIF has joint control through Joint Venture Agreement.

4 Loans

	2023	2022
	DKK'000	DKK'000
Loans		
Cost at beginning of year	352,235	341,879
Additions for the year	3,554	5,318
Conversions	32,798	28,611
Repayments	(5,850)	(21,974)
Exchange rate adjustments	537	398
Write-offs during the year	0	(1,880)
Cost at 31 December	383,391	352,352

Accumulated value adjustments incl. allowance for impairment beginning of year	(131,281)	(105,101)
Value adjustments including allowance for impairment for the year	(52,064)	(26,180)
Accumulated value adjustments incl. allowance for impairment end of year	(182,346)	(131,281)

Carrying amount at 31. December	201,046	221,071
--	----------------	----------------

Herof project loans at amortised cost

Project loans at amortised cost end of year at cost	54,252	59,467
Accumulated allowance end of year	(40,816)	(37,558)
	13,436	21,909

	2023	2022
	DKK'000	DKK'000
Herof project loans at fair value:		
Project loans at fair value end of year at cost	329,139	292,885
Accumulated value adjustments end of year	(141,530)	(93,723)
	187,609	199,162

5 Cash flow statement – adjustments

	2023	2022
	DKK'000	DKK'000
Value adjustments on shares	52,060	61,777
Unrealised currency adjustments on loans	(537)	0
Gain/loss on sale of shares	(22,034)	0
	29,488	61,777

6 Cash flow statement – changes in working capital

	2023	2022
	DKK'000	DKK'000
Change in current assets	(42,223)	(37,770)
Change in payables, etc.	(388)	1,751
	(42,611)	(36,019)

7 Financial risk management

Introduction

Though investments, DCIF is exposed to financial risks such as equity and credit risk on investments, currency risk, interest rate risk and liquidity risk. A number of limits have been established to avoid excessive concentration of risks, and through its investment policy and due diligence procedures, DCIF further seeks to identify and mitigate the equity risk.

8 Equity and credit risks

Equity risk

Equity risk arises from changes in the fair values of share capital investments in projects.

Credit risk

Credit risk is the risk that DCIF will incur a financial loss due to a counterparty not fulfilling its obligations. These credit exposures occur from project loans and other transactions.

Managing equity and credit risks

At the portfolio level, DCIF mitigates equity risk and credit risk by investing in a variety of countries and by limiting the investment in a single project.

DCIF assesses concentration of risk on the basis of total commitments to the Fund. Furthermore, DCIF assesses, through the due diligence process, the specific risks for each share capital investment and project loan and seeks to mitigate associated equity and credit risks.

For some of DCIF's share capital investments, DCIF has the opportunity to sell the shares through pre-agreed exit agreements. In this way, DCIF mitigates the risk of not being able to exit the investments. See note 13 for fair value measurement basis.

On an ongoing basis, the credit quality of the projects is assessed based on among other things:

- Specific terms as agreed
- Current and expected operational results of the Company
- Expected sales value and pledges, if any
- Historical records of debt service

The table below shows the distribution of the cost of DCIF's investments by the OECD country risk classification.

This classification takes into account the political and economic environment of each country, including risk of force majeure such as war, etc. The classification of each country is updated twice a year.

2023	Share capital investments		Project loans		Total		Commitments (off balance)	
	DKK'000	%	DKK'000	%	DKK'000	%	DKK'000	%
OECD								
0	0	0	0	0	0	0	0	0
2	66,217	30	0	0	66,217	24	0	0
3	20,199	9	0	0	20,199	7	8,738	11
4	29	0	329,139	86	0	0	46,074	59
7	119,429	54	50,308	13	169,737	61	23,223	30
DAC	16,289	7	3,943	1	20,233	7	0	0
Total	222,163	100	383,391	100	276,385	100	78,035	100

2022	Share capital investments		Project loans		Total		Commitments (off balance)	
	DKK'000	%	DKK'000	%	DKK'000	%	DKK'000	%
OECD								
0	7,642	3	0	0	7,642	1	0	0
2	74,170	30	0	0	74,170	12	230	0
3	20,199	8	0	0	20,199	3	9,082	12
5	29	0	292,885	83	292,914	50	42,815	56
6	0	0	51,101	15	51,101	9	0	0
7	127,224	52	4,422	1	131,646	22	24,604	32
DAC	16,289	7	3,944	1	20,233	3	0	0
Total	245,553	100	352,352	100	597,905	100	76,731	100

Credit quality/impairment

All outstanding project loans have been classified into three stages:

- Stage 1 includes project loans with no credit deterioration and no specific allowance for impairment. The allowance for impairment according to IFRS 9 is based on IFU's historical annual credit loss.
- Stage 2 includes project loans where payments are delayed with more than 30 days at the end of year, but without specific allowance for impairment.
- Stage 3 includes project loans with only specific allowance for impairment.

The table below shows the project loans at cost according to stages.

	2023	2022
	DKK'000	DKK'000
Project loans (stage 1)	8,901	22,284
Project loans (stage 2)	0	0
Project loans (stage 3)	45,351	37,183
Total	54,252	59,467

The table below illustrates the credit quality by OECD Country risk for project loans in stage 1.

	2023	2022
	DKK'000	DKK'000
OECD 6	0	13,919
OECD 7	4,957	4,422
DAC	3,943	3,943
Total	8,901	22,284

The table below shows the project loans according to stages

2023

	Allowance for impairment	Project loans at cost	Accumulated allowance for impairment	Project loans carrying amount 2022
	%	DKK'000	DKK'000	DKK'000
Project loans (stage 1)	0.0	8,901	0	8,901
Project loans (stage 2)	0.0	0	0	0
Project loans (stage 3)	-90.0	45,351	(40,816)	4,535
Total		54,252	(40,816)	13,436

2022

	Allowance for impairment	Project loans at cost	Accumulated allowance for impairment	Project loans carrying amount 2021
	%	DKK'000	DKK'000	DKK'000
Project loans (stage 1)	(1.7)	22,284	(375)	21,909
Project loans (stage 3)	(100.0)	37,183	(37,183)	0
Total		59,467	(37,558)	21,909

Project loans at amortised cost before allowance for impairment

2023	Stage 1 DKK '000	Stage 2 DKK '000	Stage 3 DKK '000	Total DKK '000
Project loans beginning of year at cost	22,284	0	37,183	59,467
Disbursements during the year	690	0	0	690
Interest and fees converted into project loans during the year	0	0	0	0
Repayments during the year	0	0	(5,850)	(5,850)
Exchange rate adjustments, project loans	(155)	0	100	(55)
Write-offs during the year	0	0	0	0
Transferred to loans at fair value	0	0	0	0
Project loans end of year at cost before change of stages	22,819	0	31,433	54,252
Change in loan value from stage 1	(13,919)	0	13,919	0
Change in loan value from stage 2	0	0	0	0
Change in loan value from stage 3	0	0	0	0
Project loans end of year at cost	8,900	0	45,352	54,252

Accumulated value adjustments including allowance for impairment

2023	Stage 1 DKK '000	Stage 2 DKK '000	Stage 3 DKK '000	Total DKK '000
Accumulated value adjustments allowance for impairment beginning of year	(375)	0	(37,183)	(37,558)
Value adjustments including allowance for impairment	0	0	(3,634)	(3,634)
Transferred to loans at fair value	0	0	0	0
Accumulated value adjustments allowance for impairment end of year before change of stages	(375)	0	(40,817)	(41,192)
Change in loan value from stage 1	375	0	0	0
Change in loan value from stage 2	0	0	0	0
Change in loan value from stage 3	0	0	0	0
Accumulated value adjustments allowance for impairment end of year	0	0	(40,817)	(40,817)

Project loans at amortised cost before allowance for impairment

2022	Stage 1 DKK '000	Stage 2 DKK '000	Stage 3 DKK '000	Total DKK '000
Project loans beginning of year at cost	61,408	0	280,471	341,879
Disbursements during the year	1,409	0	0	1,409
Interest and fees converted into project loans during the year	0	0	0	0
Repayments during the year	(3,505)	0	(18,470)	(21,975)
Exchange rate adjustments, project loans	155	0	243	408
Write-offs during the year	0	0	(1,880)	(1,880)
Transferred to loans at fair value	0	0	(260,374)	(260,374)
Project loans end of year at cost before change of stages	59,467	0	0	59,467
Change in loan value from stage 1	(37,183)	0	37,183	0
Change in loan value from stage 2	0	0	0	0
Change in loan value from stage 3	0	0	0	0
Project loans end of year at cost	61,408	0	37,183	59,467

Accumulated value adjustments including allowance for impairment

2022	Stage 1 DKK '000	Stage 2 DKK '000	Stage 3 DKK '000	Total DKK '000
Accumulated value adjustments allowance for impairment beginning of year	(1,638)	0	(103,463)	(105,101)
Value adjustments including allowance for impairment	(35,919)	0	4,520	(31,399)
Transferred to loans at fair value	0	0	98,942	98,942
Accumulated value adjustments allowance for impairment end of year before change of stages	(37,557)	0	(1)	(37,558)
Change in loan value from stage 1	37,182	0	(37,182)	0
Change in loan value from stage 2	0	0	0	0
Change in loan value from stage 3	0	0	0	0
Accumulated value adjustments allowance for impairment end of year	(375)	0	(37,183)	(37,558)

Maximum exposure to credit risk

The following table shows the maximum exposure to credit risk for DCIF.

	2023		2022	
	Carrying amount DKK'000	Maximum credit exposure (contractual cash flow) DKK'000	Carrying amount DKK'000	Maximum credit exposure (contractual cash flow) DKK'000
Project loans	201,046	352,352	221,071	352,352
Interest receivables related to projects	19,832	19,832	8,920	8,920
Other receivables	1,960	1,960	1,655	1,655
Cash	35,899	35,899	41,445	41,445
Commitments	0	45,123	0	43,022
	258,737	455,166	273,091	447,394

Description of collateral held and fair value hereof (accessibility of pledged assets for project loans)

In a number of cases DCIF has received securities to minimise credit exposure. DCIF has received the following types of securities:

- Pledges

The fair value of the pledges is DKK 2 million (2021: DKK 17 million).

9 Currency risk

Currency risk is the risk that the value of a financial instrument fluctuates due to changes in foreign exchange rates.

DCIF is exposed to currency risk through its investments that are denominated in currencies other than the functional currency (DKK). DCIF does not hedge currency exposure in share capital investments, as timing of cash flow is uncertain and investments are typically exposed to local currencies where hedging costs are normally very high. By way of operation, some investments may have a natural built-in hedge, e.g. export-oriented businesses. Normally, DCIF does not hedge its foreign currency loan investments as these are typically provided pro rata with share capital investments or otherwise carries risk associated with share capital. DCIF does not hedge commitments to disburse either, as timing and amounts are often difficult to foresee.

Currency exposure and sensitivity

The following table indicates the currencies to which DCIF had significant exposure as of 31 December on its financial assets and liabilities, excluding share capital investments. The analysis calculates the effect of a reasonably likely movement of the currency rate against DKK on profit or loss with all other variables held constant. There is no sensitivity effect on equity as DCIF has no assets classified as available-for-sale.

2023

	Project loans	Interest receivables	Other project related receivables	Other project related debt	Net exposure	Increase in foreign exchange rates	Effect on profit of loss
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000	%	DKK'000
USD	4,957	1,097	0	511	6,566	10	657
EUR	345,090	3,529	0	0	348,619	1	3,486
DKK	33,343	9,171	6,000	129	48,643	N/A	0
Other	0	35	0	0	35	10%	3
Total	383,391	13,832	6,000	640	403,863		

2022

	Project loans	Interest receivables	Other project related receivables	Other project related debt	Net exposure	Increase in foreign exchange rates	Effect on profit of loss
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000	%	DKK'000
USD	4,422	760	0	0	5,182	10	518
EUR	323,995	0	0	0	323,995	1	3,240
DKK	23,935	8,160	0	0	32,095	N/A	0
Total	352,352	8,920	0	0	361,272		

10 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

None of DCIF's investments in project loans carry variable interbank interest rates, thus changes in interest rates will not affect future cash flows and income.

Interest rate exposure and sensitivity

The annual effect of changes in the interest rate only affects the fair value of fixed rate loans.

11 Liquidity risk

Liquidity risk is defined as the risk that DCIF will encounter difficulty in meeting financial obligations.

DCIF's primary exposure to liquidity risk arises from commitments to disburse share capital investments and project loans.

To meet these and other obligations, DCIF depends on its limited partners being able to honour their commitments to DCIF. A DKK 50 million credit facility is in place to cover unexpected negative short-term fluctuations in cash flows. At year-end, DKK 50 million was available for drawing. For information of commitments from the limited partners, see note 1.

Contractual maturities

The contractual maturities based on undiscounted contractual cash flows are shown below for financial assets, liabilities, guarantees and commitments.

2023

	Carrying amount	Contractual cash flows	On demand	0-1 year	1-5 years	Over 5 years	No fixed maturity
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Assets							
Project loans	201,046	383,391	14,429	344,108	24,855	0	0
Interest receivables related to projects	13,832	13,832	13,832	0	0	0	0
Other receivables	6,000	6,000	0	6,000	0	0	0
Cash and cash equivalents	35,899	35,899	35,899	0	0	0	0
Total assets	256,777	439,122	64,160	350,108	24,855	0	0
Liabilities							
Drawn on bank credit facility	0	0	0	0	0	0	0
Other current liabilities	640	640	0	640	0	0	0
Total liabilities	640	640	0	640	0	0	0
Off-balance							
Guarantees	0	45.123	0	0	0	0	45.123
Amounts payable on share capital and loan agreements	0	32,912	32,912	0	0	0	0
Total off-balance	0	78,035	32,912	0	0	0	45,123

2022

	Carrying amount	Contractual cash flows	On demand	0-1 year	1-5 years	Over 5 years	No fixed maturity
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Assets							
Project loans	221,071	352,352	10,568	45,280	296,504	0	0
Interest receivables related to projects	8,920	8,920	8,920	0	0	0	0
Other receivables	1,655	1,655	0	1,655	0	0	0
Cash and cash equivalents	41,445	41,445	41,445	0	0	0	0
Total assets	273,091	404,372	60,933	46,935	296,504	0	0
Liabilities							
Drawn on bank credit facility	0	0	0	0	0	0	0
Other current liabilities	969	969	0	969	0	0	0
Total liabilities	969	969	0	969	0	0	0
Off-balance							
Guarantees	0	42,815	0	0	0	0	42,815
Amounts payable on share capital and loan agreements	0	33,916	33,916	0	0	0	0
Total off-balance	0	76,731	33,916	0	0	0	42,815

12 Classification of financial instruments

The following table provides a reconciliation between line items in the balance sheet and categories of financial instruments.

2023

	Designated at fair value through profit and loss	Loans and receivables at amortised cost	Loans and receivables at fair value	Other liabilities at amortised cost	Total
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Financial assets					
Share capital investment in projects	262,336	0	0	0	262,336
Project loans	0	13,436	187,609	0	201,046
Interest receivable related to projects	0	19,832	0	0	19,832
Other receivables	0	1,960	0	0	1,960
Cash and cash equivalents	0	35,899	0	0	35,899
Total financial assets	262,336	71,127	187,609	0	521,073
Financial liabilities					
Current liabilities:	0	0	0	0	0
Other current liabilities	0	0	0	641	641
Total financial liabilities	0	0	0	641	641

2022

	Designated at fair value through profit and loss	Loans and receivables at amortised cost	Loans and receivables at fair value	Other liabilities at amortised cost	Total
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Financial assets					
Share capital investment in projects	282,453	0	0	0	282,453
Project loans	0	21,909	199,162	0	221,071
Interest receivable related to projects	0	8,920	0	0	8,920
Other receivables	0	1,655	0	0	1,655
Cash and cash equivalents	0	41,445	0	0	41,445
Total financial assets	282,453	73,929	199,162	0	555,544
Financial liabilities					
Current liabilities:	0	0	0	0	0
Other current liabilities	0	0	0	969	969
Total financial liabilities	0	0	0	969	969

The carrying amount of project loans with fixed interest terms amounts to DKK 180 million (2022: 198 million). The fair value of these project loans amount to DKK 164 million (2022: DKK 182 million) measured as the net present value of the future cash flow. The inputs used to measure the fair value for project loans are all level 3 inputs in the fair value hierarchy, for more information see disclosure on fair value measurement, note 14. For other loans and receivables and other liabilities, the carrying amount is measured at amortised cost.

13 Fair value measurement basis

The calculation of fair value is based on a fair value hierarchy that reflects the level of judgement associated with the inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly or indirectly.
- Level 3 inputs are unobservable inputs that have been applied in valuing the respective assets or liabilities.

In the following sections, a short description of the overall principle for DCIF's calculation of fair value is provided. For all investments, the value determined by using the methods described below will be adjusted, if considered necessary and appropriate, by taking the following factors into account:

1. Current and expected operating results of the project company
2. Risk of remittance, if any
3. Specific circumstances relating to the partners, project, country, region and/or sector
4. Current market conditions
5. Tax issues

Share capital investments

All of DCIF's fair value estimates are based on unobservable market data (level 3). Investments are valued as follows:

- In the initial phase, all investments are valued at cost price less any impairment adjustment, as this is deemed to provide a good indication of fair value. Hereafter, investments will be valued at either the Discounted Cash Flow method (DCF), by earnings multiple if appropriate and reliable transaction/earnings multiples are available, or by the net assets methodology, if appropriate.
- If during the 12-month period prior to the reporting date, DCIF has received a binding offer in writing from a third party or a significant transaction has taken place, the shares will normally be valued based on the offer or the recent transaction.

The following general assumptions are applied when performing DCF or earnings multiple calculations:

- For DCF calculations, budgets and forecasts for the investments form the basis for the valuation.
- A weighted average cost of capital based on the cost of equity and the cost of debt weighted by the targeted financial leverage from the industry. Growth in terminal period is based on the estimated long-term inflation rate of the country.
- An illiquidity discount is applied and other specific adjustments may be applied where relevant for both DCF and earnings multiple calculations.

Valuing private investments in developing countries at fair values involves a large inherent uncertainty. Due to these uncertainties, a degree of caution is applied when exercising judgements and making the necessary estimates.

Some share capital investments include a pre-agreed exit agreement. In these cases, the value of the exit agreements is taken into consideration as part of the fair value calculation. Investments valued according to exit agreements are disclosed in the table below together with investments valued based on a recent binding offer or transaction.

Project loans

Project loans, which do not meet the “SPPI” test (solely payments of principal and interest), e.g. loans which include equity features such as profit participation or equity conversion options, are measured at fair value.

In the initial phase all loans valued at cost price less any impairment adjustment, as this is deemed to provide a good indication of fair value. Hereafter loans will be valued by the DCF method based on updated assumptions for future cash flow including equity features.

Valuing project loans in developing countries at fair value involves a large inherent uncertainty. For smaller project loans (cost price of loan below DKK 25m) uncertainties are deemed to be even higher and therefore these will be valued at amortised cost less an allowance for impairment. These project loans constitute a minor part of IFU’s portfolio.

Fair value measurements and reconciliation

The following table shows financial instruments recognised at fair value by level in the fair value hierarchy and a reconciliation of all movements in the fair value of items categorised within level 3.

	Level 1	Level 2	Level 3	Total
	DKK '000	DKK '000	DKK '000	DKK '000
2023				
Share capital investments				
Opening balance	0	0	282,453	282,453
Total gains/losses for the period included in profit or loss	0	0	3,274	3,274
Paid-in share capital in projects	0	0	(7,796)	(7,796)
Disposal	0	0	(15,595)	(15,595)
Closing balance	0	0	262,336	262,336
Total recurring fair value measurements	0	0	262,336	262,336

	Level 1	Level 2	Level 3	Total
	DKK '000	DKK '000	DKK '000	DKK '000
2023				
Project loans at fair value				
Opening balance	0	0	199,162	199,162
Transfer into the level	0	0	0	0
Transfers out of the level	0	0	0	0
Exchange rate adjustments	0	0	592	592
Interest and fees converted into project loans during the year	0	0	32,798	32,798
Total gains/ losses for the period included in profit or loss	0	0	(47,807)	(47,807)
Disbursement of project loans	0	0	0	0
Disposal	0	0	2,864	2,864
Closing balance	0	0	187,610	187,610
Total recurring fair value measurements	0	0	449,946	449,946

1) Recognised in Contribution from share capital investments. Hereof DKK 3.2 million (2022: DKK 12.5 million) is attributable to assets held at 31 December for level 3.

2022	Level 1	Level 2	Level 3	Total
	DKK'000	DKK'000	DKK'000	DKK'000
Share capital investments				
Opening balance	0	0	377,637	377,637
Total gains/losses for the period included in profit or loss	0	0	12,538	12,538
Paid-in share capital in projects	0	0	2,258	2,258
Disposal	0	0	(109,980)	(109,980)
Closing balance	0	0	282,453	282,453
Total recurring fair value measurements	0	0	282,453	282,453

2022	Level 1	Level 2	Level 3	Total
	DKK'000	DKK'000	DKK'000	DKK'000
Project loans at fair value				
Opening balance	0	0	260,374	260,374
Transfer into the level	0	0	0	0
Transfers out of the level	0	0	(9)	(9)
Exchange rate adjustments	0	0	28,612	28,612
Total gains/ losses for the period included in profit or loss	0	0	(93,723)	(93,723)
Disbursement of project loans	0	0	3,908	3,908
Disposal	0	0	0	0
Closing balance	0	0	199,162	199,162
Total recurring fair value measurements	0	0	481,615	481,615

1) Recognised in Contribution from share capital investments. Hereof DKK 41 million (2021: DKK (34) million) is attributable to assets held at 31 December for level 3.

Valuation techniques and unobservable inputs used measuring fair value of level 3 fair value measurements.

2023

Type of investment	Fair value at 31.12.2023 DKK'000	Valuation technique	Unobservable inputs	Reasonable possible shift in %	Change in fair value DKK'000
Investments					
	0	Cost			
	157,536	Binding offers/ transaction/exit terms			
	81,266	Discounted cash flow	WACC	+10	(21,201)
	23,535	Net assets value	Growth in terminal valua	-20	0
Share capital investments	262,337				
Project loans at fair value	187,609	Discounted Cash Flow	Discount rate	+10	(8,625)
Total investments at fair value	449,946				

2022

Type of investment	Fair value at 31.12.2022 DKK'000	Valuation technique	Unobservable inputs	Reasonable possible shift in %	Change in fair value DKK'000
Investments					
	0	Cost			
	156,159	Binding offers/ transaction/exit terms			
	85,354	Discounted cash flow	WACC	+10	(18,444)
	40,940	Net assets value	Growth in terminal valua	-20	(593)
Share capital investments	282,453				
Project loans at fair value	199,162	Discounted Cash Flow	Discount rate	+10	(12,789)
Total investments at fair value	481,615				

Accounting policies

Reporting class

The annual report of Danish Climate Investment Fund I K/S for 2023 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

The financial statements have been prepared in accordance with the same accounting policies as last year.

Presentation and classification

To better reflect DCIF's activities, the presentation of the income statement and balance sheet as well as the order of the line items in the income statement deviate from the standard tables in the Danish Financial Statements Act. By presenting the primary statements on the basis of DCIF's special character as a limited partnership (long-term investments), the financial statements hereby provide the reader with the best possible clarity of DCIF's activities. The deviation is in accordance with section 23(4) of the Danish Financial Statements Act.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to DCIF, and provided that the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when DCIF has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of DCIF, and the value of the liability can be measured reliably.

On initial recognition, financial assets and liabilities are measured at fair value, which is generally equivalent to cost. Adjustment subsequent to initial recognition is affected as described below for each item.

In accordance with Section 37 (5) in the Danish Financial Statements Act, DCIF applies the International Financial Reporting Standards (IFRS) as regards measurement of financial assets and financial liabilities (IFRS 9) and related disclosures (IFRS 7).

Information brought to DCIF's attention before the time of finalising the presentation of the annual report that evidence affairs and conditions existing at the balance sheet date is taken into consideration at recognition and measurement.

Income other than value adjustments is recognised in the income statement when earned, just as costs are recognised by the amounts attributable to this financial year. Value adjustments of financial assets and liabilities are recognised in the income statement as value adjustments.

Danish kroner is used as the measurement currency. All other currencies are regarded as foreign currencies.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the

asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price, without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances.

For assets and liabilities that are measured at fair value on a recurring basis, DCIF identifies transfers to and from the three levels of the fair value hierarchy by re-assessing the categorisation and deems transfers to have occurred at the beginning of each reporting period.

Foreign currency adjustment

Foreign currency transactions are initially recognised in DKK using the exchange rate at the transaction date. Loans, receivables, payables and other monetary items denominated in foreign currencies, which have not been settled at the balance sheet date are converted into DKK using the exchange rate at the balance sheet date. All exchange rate adjustments, including those that arise at the payment date, are recognised in the income statement as contribution from investments or financial income and financial expenses, depending on their nature.

Non-monetary items

Monetary balance sheet items are translated at the exchange rates prevailing at the balance sheet date, whereas non-monetary items are translated at transaction date rates.

Income statement

Contribution from investments

Contribution from investments consists of contribution from share capital investments and contribution from loans.

Contribution from share capital investments includes declared dividends (after tax), contributions from divested share capital investments and value adjustments in relation to the outstanding portfolio at year-end.

Contribution from loans includes interest, value adjustments, including provisions for impairment, exchange rate adjustments in relation to the portfolio, the effect of derivatives and other value adjustments, principally of interest receivables.

Operating expenses, net

The Investment Fund for Developing Countries (IFU) manages the administration and accounting of the Company. Operating expenses, net, comprise fees to the Manager and external costs.

Financial income, net

Financial income, net, comprises interest income on cash, interest expenses, exchange rate adjustments on cash and bank charges.

Tax on profit for the year

As a limited partnership, DCIF is not an independent entity liable to taxation, which is why no current or deferred tax has been recognised in the financial statements. DCIF's profit/loss is taxed at the partners of this limited partnership in accordance with applicable taxation rules.

Balance sheet

Share capital investments in projects

Share capital investments are recognised when they are disbursed. Share capital investments are measured at fair value both at initial recognition and throughout the investment period with changes recognised through profit or loss as contribution from share capital investments.

Share capital investments where DCIF has significant influence are associates and are accounted for as share capital investments.

Project loans

Project loans are designated as loans and receivables and are recognised when they are disbursed. Project loans are initially recognised at fair value and are subsequently measured at amortised cost less any allowance for impairment.

The allowance for impairment is measured in accordance with IFRS 9 by applying the simplified approach, whereby the expected loss in the remaining life of the loan is recognised irrespective of whether the loan is allocated to stage 3 (credit impaired), stage 2 (significant increase in credit risk) or stage 1 (all other loans).

The expected loss is measured loan by loan by applying an estimated loss percentage based on IFU's past experience, current expectations and internal rating of the individual project loans.

Provisions for losses on guarantees and loan commitments are calculated in the same way as the allowance for impairment of project loans.

Impaired project loans, together with the associated allowance amount, are written off when there is no realistic prospect of future recovery, and all collateral has been realised or has been transferred to DCIF. If a previous write-off is later recovered, the recovery is credited to "Contribution from project loans and guarantees".

Other receivables

Other receivables include interest receivables on loans, other project related receivables and administrative receivables.

Interest receivables related to investments and other receivables are designated as receivables and are recognised over the period when they are earned. Interest receivables related to investments and other receivables are recognised at nominal value less any allowance for impairment.

Current liabilities

Current liabilities are initially recognised at fair value, and are subsequently measured at amortised cost. Current liabilities primarily consist of payable management fees.

Cash flow statement

The cash flow statement has been prepared in accordance with the indirect method and shows DCIF's cash flow from operating, investing and financing activities as well as DCIF's cash position at the beginning and end of the year.

Cash comprises cash at hand less short-term bank debt.

Contingent liabilities

Undisbursed commitments to investments comprise undisbursed contractual commitments and binding commitments not yet contracted. The existence of such liabilities will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within DCIF's control.

Financial ratios

The financial ratios stated in the survey of financial highlights have been calculated as follows:

Return on assets:

Profit before financials x 100

Total assets

Solvency ratio:

Equity at year end x 100

Total assets at year end

Return on equity:

Net profit for the year x 100

Average equity