MAJ INVEST FINANCIAL INCLUSION FUND III K/S

Annual report 2021

Penneo dokumentnøgle: IZEOD-WIJEK-KAGZ1-V3T8U-NMWNH-SG4V2

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STATEMENTS

STATEMENT BY MANAGEMENT

The Executive Board has today discussed and approved the annual report for Maj Invest Financial Inclusion Fund III K/S for the financial year 1 January - 31 December 2021.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the limited partnership's assets, liabilities and financial position at 31 December 2021 and of the results of the limited partnership's operations for the financial year 1 January - 31 December 2021.

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

We recommend the annual report 2021 for adoption at the annual general meeting.

Copenhagen, 29 April 2022

General partner:
MIFIF III GP ApS

Executive Board:

Kasper Svarrer *Thomas Riis*

The annual report is presented and adopted at the annual general meeting.

on / 2022

Chairman: _____

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Independent auditors' report

To the limited partners in Maj Invest Financial Inclusion Fund III K/S

Opinion

We have audited the financial statements of Maj Invest Financial Inclusion Fund III K/S for the financial year 1 January – 31 December 2021, which comprise accounting policies, income statement, balance sheet, statement of changes in equity and notes. 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 financial position of the Limited Partnership at 31 December 2021 and of the results of the Limited Partnership's operations for the financial year 1 January – 31 December 2021 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 our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Limited Partnership 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.

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

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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 Limited Partnership'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 Limited Partnership'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 Limited Partnership to cease to continue as a going concern.

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• 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 review
Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, 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 review 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 review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 29 April 2022
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Lars Rhod Sørensen, mne28632
State Authorised
Public Accountant

Rasmus Berntsen, mne35461
State Authorised
Public Accountant

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Fund information

The limited partnership	Maj Invest Financial Inclusion Fund III K/S Gammeltorv 18 DK-1457 Copenhagen K Denmark
Contact information	E-mail: kontakt@majinvest.com Website: majinvest.com
CVR no.	39 40 18 27
Financial year	1 January - 31 December
Registered office	Copenhagen
General partner	MIFIF III GP ApS
Executive Board in MIFIF III GP	Kasper Svarrer Thomas Riis
Manager	Maj Invest Equity A/S
Depositary	Private Equity Administrators Depositary Services ApS
Auditors	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36 DK-2000 Frederiksberg Denmark

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KEY FIGURES AND RATIOS

'000 USD	2021	2020	2019	2018
Key figures				
Profit/loss				
Value adjustment of investments in portfolio companies	(83)	(69)	-	-
Operating profit/loss	(5,022)	(2,965)	(426)	-
Result for the year	(5,040)	(3,142)	(426)	-
Balance sheet				
Investments in portfolio companies	21,706	17,745	-	-
Total assets	22,482	18,654	-	4
Equity	17,026	18,529	(426)	-
Financial resources				
Cash	0	3	-	-
Remaining commitment	151,163	103,220	115,630	-
Total financial resources	151,163	103,223	115,630	-
Ratios				
Equity ratio	76%	99%	neg.	-
Paid-in capital to committed capital (%)	14%	18%	N/A	-

Maj Invest Financial Inclusion Fund III K/S started the private equity activity in December 2019.

*Equity ratio = Equity/total assets * 100*
*Paid-in capital to committed capital (%) = Paid-in capital/total commitment * 100*

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Maj Invest Financial Inclusion Fund III K/S

The sector-focused closed-end private equity fund Maj Invest Financial Inclusion Fund III K/S (Maj Invest Financial Inclusion Fund III) was established on 26 February 2018 as a limited partnership and started its activity on 20 December 2019, where the limited partnership had first closing with investors.

The mandate is to invest in financial institutions, financial service providers servicing client groups below the middle class in Latin America, Asia and Africa. The financial services include, but are not limited to, services and products in respect of credit, deposits, lending, payment services, money transfer, insurance, pension, housing and mortgage financing.

The limited partnership is mainly owned by a number of Danish investors and has a total commitment of USD 176.8 million as per December 31, 2021. The investors have entered into a limited partnership agreement (LPA). The Fund has invested in one portfolio company since inception.

Investment policy and strategy in Maj Invest Financial Inclusion Fund III

Maj Invest Financial Inclusion Fund III will invest with equity in private financial institutions in the growth stage in the well-established top segment of the sector. The targets have a profitable track record, a high operational efficiency and effective distribution system and strong funding base. Maj Invest Financial Inclusion Fund III will select high-quality proprietary deals in niche market with significant growth – deals that are otherwise difficult to gain access to. Maj Invest Financial Inclusion Fund III has a broad geographic mandate that provides the opportunity to select the most attractive investments in the market and the same time mitigate risks via diversification. The strategy has low correlation with the global equity markets. The Fund will create value by providing growth equity, improving strategy formulation, financial management, corporate governance and providing best practice in the financial inclusion sector. The strategy is perceived to be less volatile compared to average emerging markets volatility of listed equities.

Maj Invest Financial Inclusion Fund III will make significant minority positions and primarily in unquoted companies. Investments can be made in quoted companies, but the nature of such investments is assets with low liquidity.

Maj Invest Financial Inclusion Fund III is a financial-first impact investor with the objective to contribute to a positive development on environmental and social impact themes and good corporate governance (ESG impact), and to support the achievement of the Sustainable Development Goals (SDG).

ESG impact policy

The ESG Impact Policy outlines the Fund's commitment to promote a positive environmental, social and governance development and create shared value through good corporate gov-

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ernance, sound environmental and social performance. We believe that supporting responsible business conduct is part of the funds' value creation to investments and generates development impacts. This includes, among other things, access to affordable financial services, outreach, gender equality, client protection, job creation and community initiatives, ensuring good corporate governance and clients' protection against climate change. Investing in financial institutions with a strong social mission contributes to the improvement of clients' economic development and livelihood by providing access to formal and fair (digital) financial services. Also, financial inclusion is imperative for giving people access to basic needs such as education, skill training, healthcare, clean water, sanitation facilities and clean energy. We call it ESG impact.

The Fund considers ESG impact as an integrated part of the overall framework for responsible investment, and the Fund's perception of responsible investment is aligned with that of the United Nations (UN). More specifically, the UN has provided a framework in the form of Principles for Investors in Inclusive Finance for responsible investment within the financial inclusion sector. These principles represent the core values of the Fund's commitment to ESG impact and express the Fund's intent to create long-term social impact with the addition of positive environmental and governance impact.

The ESG Impact Policy of the Fund considers the provisions laid down in international social impact standards. These include the Client Protection Principles, the Universal Standards for Social Performance Management of the Social Performance Task Force, the Anti-Money Laundering Recommendations of the Financial Action Task Force, the Principles for Investors in Inclusive Finance as well as IFC's Exclusion List and EDFI's/IFU's Exclusion List. Through earnest implementation of its ESG Impact Policy, Maj Invest Financial Inclusion Funds strive to achieve its vision of generating a sound financial return as well as positive ESG impact for its investors.

Maj Invest Financial Inclusion Fund III organisation

The advisory team consist of one Managing Partner for Financial Inclusion, the executive board of Fondsmæglerselskabet Maj Invest A/S (Maj Invest), two partners, one investment principal, one investment manager, one sustainability manager, three associates, one senior analyst as well as three back-office staff involved in finance, legal matters and administrative duties.

Ownership

Maj Invest Financial Inclusion Fund III is owned by a number of professional and institutional investors holding a stake of 97.5%. The remaining stake is owned by Maj Invest Holding A/S (Maj Invest Holding), Maj Invest Equity A/S (Maj Invest Equity) and Maj Invest Equity Management and staff involved in investments as well who have all invested as special limited partners in Maj Invest Financial Inclusion Fund III. Any profits earned by such special limited

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partners are subject to tax under current Danish and local tax rules. The special limited partners do not pay management fees and partnership formation costs to the Fund.

Investors per 31 December 2021	Commitment USDm	in percent
Danish Pension funds	44.19	25.0%
Other Danish investors	119.45	67.6%
Other investors - foreign	8.68	4.9%
Maj Invest Holding, Maj Invest Equity, Management and staff in Maj Invest Equity International	4.48	2.5%
	176.80	**100.0%**

Legal structure

Maj Invest Financial Inclusion Fund III is a Danish limited partnership with a Danish private limited company as general partner. The general partner MIFIF III GP ApS is managed by an executive board consisting of the Managing Partner for Financial Inclusion and a Partner in Maj Invest. The General Partner is a subsidiary of the Manager Maj Invest Equity which is owned by Maj Invest Holding.

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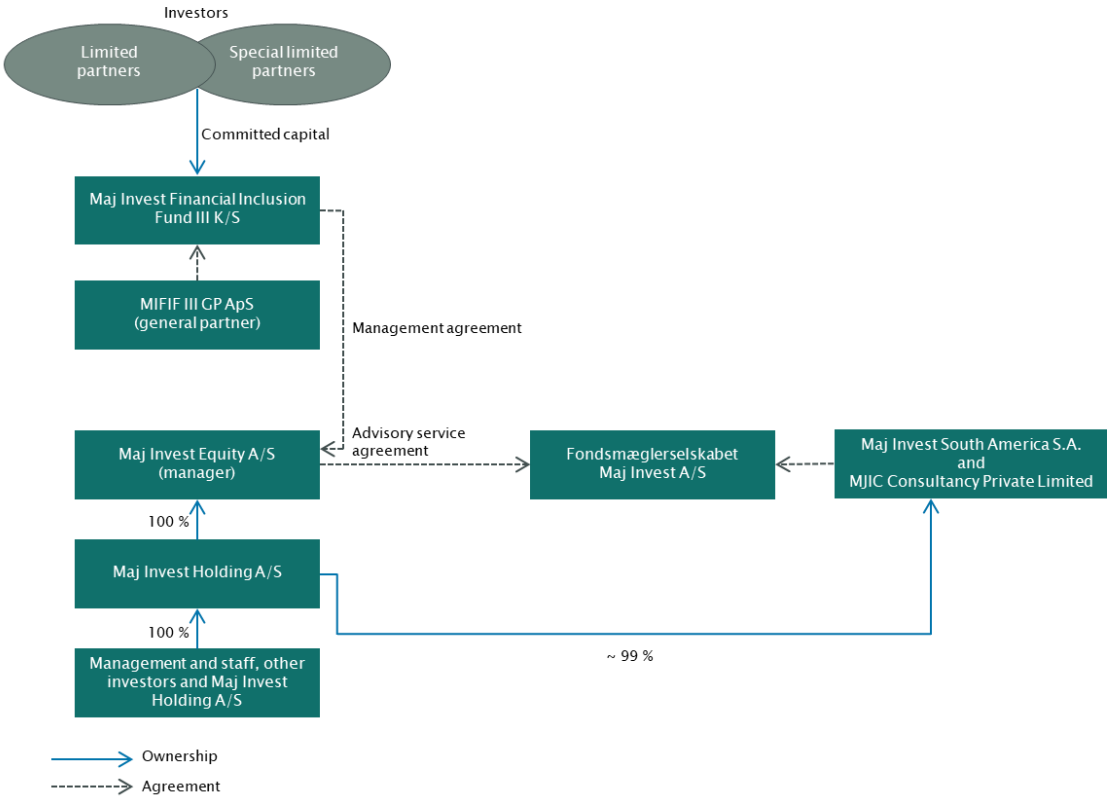
Legal structure of Maj Invest Financial Inclusion Fund III



The general partner is responsible for management and also signs for the Fund. Under a management agreement, the Manager handles all investment-related and administrative tasks for Maj Invest Financial Inclusion Fund III. Consequently, the Fund has no staff employed. The Manager has made an advisory service agreement with Maj Invest in respect of some of the investment-related tasks.

Decision structure

The investors in Maj Invest Financial Inclusion Fund III have set up an Investor Board with representatives appointed by the investors. The Investor Board is the investors representative body which evaluates the overall developments in the Fund. The Investor Board approves the Investment Committee and various other specific decision points.

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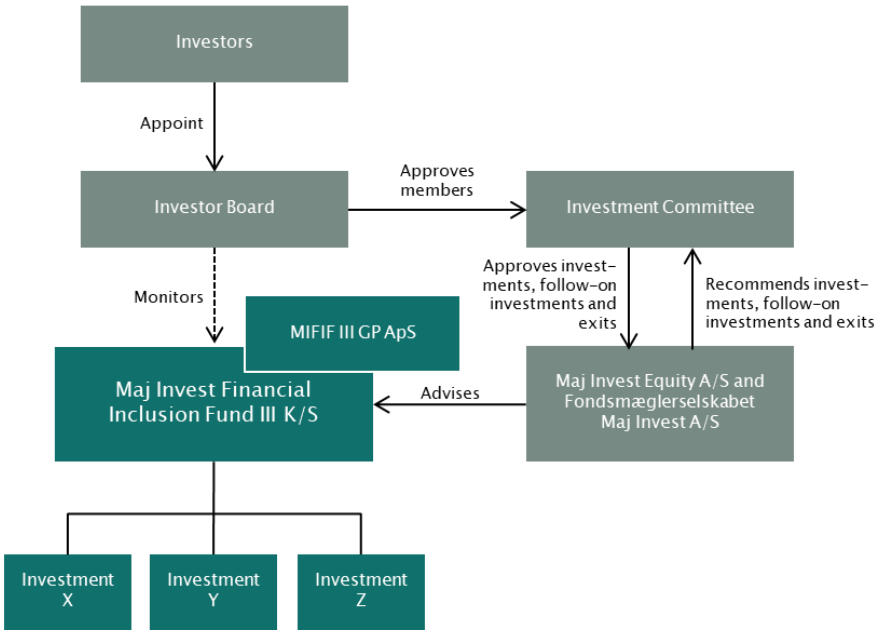
Decision structure in Maj Invest Financial Inclusion Fund III



The general partner has established an Investment Committee. The investment Committee is responsible for reviewing and considering all investments, follow-on investments or divestment proposals prepared and submitted by the Investment Advisor and based on such review to make recommendations to the general partner. No investments or realisation can be made without the prior approval of the Investment Committee. The Investment Committee consist of nine members – five external members, with business experience, the CEO of Maj Invest, the Managing Partner, Financial Inclusion and two partners, Financial Inclusion. All members of the Investment Committee shall be approved by the Investor Board.

Investment committee members do not participate in the particular companies and never invest in the portfolio companies in a discretionary manner.

License as manager with the Danish FSA

The Manager has received a license as manager (in Danish: forvalter) with the Danish FSA (in Danish: Finanstilsynet) and the Manager is under financial regulation and the Danish FSA supervision.

Maj Invest Financial Inclusion Fund III has appointed a depositary in accordance with the provisions in FAIF.

Remuneration for the financial year paid to management and staff in Maj Invest Equity is disclosed in the annual report of Maj Invest Equity and on the website majinvest.com. The an-

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nual report of Maj Invest Equity is also available on the website majinvest.com. Information is given at Manager level.

Carried interest

Maj Invest Financial Inclusion Fund III has been established with a management fee structure which is normal in relation to the private equity market. This means that the Manager receives a fixed management fee as well as a share of carried interest depending on the investors' returns on their investments.

No carried interest had been allocated or paid as of 31 December 2021.

Reporting

One of the things governed by the LPA is the aspect of reporting on fund activities, its development and financial position in relation to investors. The Fund is obliged to report to its investors on a current basis:

- Quarterly reports on the financial situation, the development in individual investments and investment returns.
- Memoranda on investments and follow-on investments.
- Memoranda on exits.
- Annual reports.
- Investor meetings.
- Annual Social Impact Reports.
- Replies to current investor queries.

The quarterly reports to investors are prepared in compliance with Invest Europe Investor Reporting Guidelines. Investments are valued at their fair values and in accordance with the International Private Equity and Venture Capital Valuation Guidelines.

In addition to the reports specified in the LPA a Financial Inclusion Newsletter is send to the investors.

Market development

After almost 2 years since the Covid pandemic started, many Financial Inclusion (FI) institutions have improved collection rates from about 50% as of Q2 2020 back to level of about 90% as of Q4 2021. The impact of the last waves on the financial inclusion industry was not as strong as the first one, since less restrictive lockdowns were in place, and the majority of small and mediums sized companies remained open. About 70% of the FI's institutions have either returned to a level of activity like that before the crisis or are experiencing a gradual

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recovery without major interruptions[1]. However, despite these positive development it is also clear that many FI institutions have missed out on the planned growth prospects of the last two years.

Many FI institutions have built up equity cushions and have been voluntarily provisioning for potential loan defaults expected in 2021. Some governments across emerging markets played an active role in enhancing FI institutions by providing guaranteed credit facilities to support institutions and customers as well as easing some restrictions towards restructuring loans. However, not so strong institutions will need equity or debt support as they are expecting losses by the end of 2021/early 2022. Moratoria periods ended in most of the emerging markets. Strong FI institutions have adequately restructured their portfolios, successfully managed portfolio-at-risk, and reduced solvency risks. Merger and acquisitions activities are expected to pick up.

Once again, the resilience of the FI sector has been proven during the challenges of Covid - well capitalized institutions have remained strong with an excellent capacity to adjust to the new realities. Many FI institutions took adequate management measures, for instance, optimization of operating expenses, while maintaining responsible approach towards employees and end-borrowers. Digitization remains an opportunity for the sector to retain a competitive position and to provide responsible services to their low-income customers. In line with strong demand, the fintech sector continues its growth trend by providing online credit platforms, digital wallets, digital IDs, digital loan collections, among others. Therefore, digital transformation will be essential to accelerate this recovery process.

Another trend observed in 2021 is related to FI industry's efforts to mainstream its environmental responsibility. FI institutions continue to improve their environmental performance on various levels, starting from developing environmental strategies to innovative products and awareness raising activities among end-borrowers. Green microfinance agenda is expected to further develop in 2022 and onwards.

India was ranked as number six for the EIU Global Financial Inclusion Microscope 2020 for financial inclusion[2]. With a lower number of Covid infections, increasing vaccinations (about 50% of the Indian population is fully vaccinated as of Dec-21) and faster unlocking, the economy is expected to revive rather quickly as pent-up demand kicks in amidst the festive season (2021 Q4). Moody's forecasts that the pickup in economic activity will ultimately drive credit growth. The rating agency has also maintained stable outlook on Indian banking sector, citing adequate capital base and stabilising asset quality[3]. Furthermore, according to

[1] https://www.gca-foundation.org/en/media-room/#signs-of-economic-recovery-remain-mixed

[2] https://www.eiu.com/n/campaigns/global-microscope-2020/

[3] https://www.financialexpress.com/economy/moodys-upgrades-banking-system-outlook-to-stable/2352719/

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the IMF, India's prospects for 2023 are marked up on expected improvements to credit growth and, subsequently, investment and consumption, building on better-than-anticipated performance of the financial sector[4].

Finally, the FI industry is expected to expand as the overall demand from billions of people for basic financial services continues with more than 1.7 billion people still counted as fully financially excluded[5]. Besides, unbanked population and high informality in emerging markets (70% in Latin America, 90% in India) provides a wide window of opportunities for the sector. 2020 and 2021 have reinforced this trend and shown that the sector must remain innovative, flexible, and resilient to cover the consumer demands driven by unprecedented circumstances. It is expected that the industry to further expand its outreach through the most innovative and efficient business models and technology adoption resulting in strengthening customer value proposition.

Follow-on investment in 2021:
In November, Maj Invest Financial Inclusion Fund III made a follow-on investment acquiring another 2.1% of the portfolio company Save Solutions private Limited ending with an ownership of 21.8%.

More information on the investment is available below.

Result for the year
The result for 2021 is a loss of USD 5.0 million (against a loss in 2020 of USD 3.1 million) which is in line with the management expectations due to the fact that 2021 is in the beginning of the Funds investment period.

Development in the portfolio company in 2021
Save Solutions Private Limited
Save Solutions Private Limited (Save) is an Indian business correspondent (BC) company with a fully owned Non-Banking Financial Company (NBFC) and Non-Banking Financial Company - Microfinance institution (NBFC-MFI). Save was established in 2009 and has since 2010 been using an extensive network of customer service points (CSPs) to allow banks to reach out to clients in deep rural and semi-urban areas in a cost-efficient manner. Since inception, Save has evolved into one of the top 3 largest Indian BCs in terms of transaction volume. The company uses innovative proprietary fintech tools to manage the business. In 2020/21, Save's operations were impacted by COVID-19, as a result the growth rate of net profit was slightly lower than budget. A capital injection of USD 8 million from existing investors, including Maj invest Financial Inclusion Fund III, was completed in November 2021. Save ac-

[4] https://www.businesstoday.in/latest/economy/story/imf-cuts-indias-gdp-forecast-for-fy22-to-9-from-95-520320-2022-01-25
[5] World Bank Global Findex Database

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quired a regional Housing Finance Company (HFC) in December 2021 to further expand its product offering. Maj Invest Financial Inclusion Fund III has a seat in the Board of Save. For further information about the company please refer to the portfolio company's homepage saveind.in and savebc.com.

Capital resources

Maj Invest Financial Inclusion Fund III has a total capital commitment of USD 176.8 million. As of 31 December 2021, investors had paid USD 25.6 million, equal to 14% of their capital commitments. The remaining capital commitment is USD 151.2 million. Maj Invest Financial Inclusion Fund III's equity amounted to USD 17.0 million at 31 December 2021, matching an equity ratio of 76%.

Maj Invest Financial Inclusion Fund III is able to finance investments and follow-on investments from the time of investment and up to six months through bridge financing loans from financial institutions. A bridge loan must be repaid in connection with a capital call from investors. As of 31 December 2021, Maj Invest Financial Inclusion Fund III had debt to banks of USD 4.4 million which is repaid end of March 2022.

Financial risks

The objective of Maj Invest Financial Inclusion Fund III is to invest in portfolio companies. The major risk factor is therefore the failure to create value in the underlying portfolio companies. Changes in the macroeconomic environment, including effects of COVID-19 and the Ukraine/Russia situation, currency risk and the political risk in the countries of the investments can have impact on the potential for value creation in the portfolio companies and consequently also of the performance of Maj Invest Financial Inclusion Fund III.

Regarding COVID-19, the current coronavirus pandemic has also affected the financial inclusion industry in 2021 despite this, about 70% of the FI institutions have either returned to a level of activity like that before the crisis or are experiencing a gradual recovery without major interruptions. The full impact of the virus can still not be made up, but the financial inclusion sector is still expected to resume growth. The investment team is following the situation closely.

At this point of time, it is the assessment that the overall impact on the portfolio companies and the FI industry in general from the Ukraine/Russia situation is modest. However, the effects over time may prove to have negative impact on the portfolio companies and Fi industry. The investment team is following the situation closely.

Uncertainties relating to recognition and measurement in the financial statements

Interests in the portfolio company is valued at the fair value, according to the description in Accounting policies. The valuation includes accounting estimates and such valuation is

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therefore subject to some uncertainty. The uncertainty is also related to potential effects from COVID-19 and the Ukraine/Russia situation.

Events after the balance sheet day

In March 2022, Maj Invest Financial Inclusion Fund III completed two new investments in financial institutions in India. The Fund has invested as minority shareholder. One in Berar Finance Limited, a company specialized in two-wheeler vehicle financing to owners of small enterprises to facilitate their business operations. The other is in Finova Capital Private Limited that is a company with excellent track providing secured working capital financing to small enterprises. The two investments are financed by bridge loans of USD 33 million which will be drawn by the investors end of June 2022 and reduce the remaining capital commitment accordingly.

End of March 2022, USD 6.5 million was drawn by the investors.

Final closing in Maj Invest Financial Inclusion Fund III took place 18 March 2022 with an additional USD 6.7 million commitment giving a total commitment of USD 183.5 million.

There have been no other events after the balance sheet day and to date that materially affect the assessment of the annual report.

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on the balance sheet date.

Foreign currency translation

If transactions in other currencies than USD, these are translated into USD using the exchange rates applicable on the transaction date.

INCOME STATEMENT

Value adjustment of investments in portfolio companies

Realised gains/losses on investments, negative unrealised value adjustments of investments in associated companies and unrealised value adjustments of other investments in portfolio companies are recognised in the income statement. Dividends received from portfolio companies will also be classified as "Value adjustment of investments in portfolio companies".

Administrative expenses

Administrative expenses include mainly management fees, partnership formation costs, broken deal costs, depositary fee and other administrative costs.

Financial income and expenses

Financial income and expenses include interest expense due to credit facilities and bridge loans, financial risk premium to the general partner and currency adjustments.

Tax

Maj Invest Financial Inclusion Fund III K/S is a Danish limited partnership. The limited partnership is transparent for tax purposes and taxes are levied on the individual investor in proportion to their shares in the partnership. Consequently, no provisions for tax have been made in the financial statements. However, tax withheld on the payment of dividends by the portfolio companies will be recognized in the income statement under tax.

BALANCE SHEET

ASSETS

Investments in portfolio companies

On initial recognition, investments in portfolio companies are measured at cost, with the addition of transaction costs. On subsequent recognition, investments are measured at fair value.

On subsequent recognition, value adjustments on other investments in portfolio companies are recognised in the income statement. For associated portfolio companies unrealised negative value adjustments are recognised in the income statement and positive value adjustments are made directly at the equity.

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The fair value of investments in unquoted portfolio companies are measured at the most recent market price for a limited period following the date of the relevant transaction, for instance in the form of an expansion of capital or partial sale or through the use of traditional valuation methods for microfinance institutions, e.g. P/B, P/Rev multiples.

The fair value of investments in quoted companies will for actively traded (quoted) investments be available market prices. If shares are not actively traded, investments will be measured as investments in unquoted portfolio companies.

Receivables

Receivables are measured at the lower of amortised cost or net realisable value, which usually corresponds to the nominal value less write-downs for bad debts. Write-downs for bad debts are determined on the basis of an assessment of the individual receivables.

Cash

Cash includes deposits with financial institutions.

LIABILITIES

Financial liabilities

Bank loans regarding bridge financing are measured at amortised cost, corresponding to the outstanding debt.

Other liabilities are measured at amortised cost, usually corresponding to the nominal value.

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FINANCIAL STATEMENTS

INCOME STATEMENT

'000 USD	Note	2021	2020
Value adjustment of investments in portfolio companies	1	(83)	(69)
Administrative expenses		(4,938)	(2,896)
Operating profit/loss		**(5,022)**	**(2,965)**
Financial income		0	0
Financial expenses	2	(18)	(177)
Profit before tax		**(5,040)**	**(3,142)**
Withholding tax		–	–
Result for the year		**(5,040)**	**(3,142)**
Proposed distribution of net profit/loss			
Retained earnings		(5,040)	(3,142)
		(5,040)	**(3,142)**

Penneo dokumentnøgle: IZEOD-WIJEK-KAGZ1-Y3T8U-NMWNH-SG4V2

FINANCIAL STATEMENTS

BALANCE SHEET

'000 USD	Note	2021	2020
ASSETS			
Investments in portfolio companies	3	21,706	17,745
Total investments		**21,706**	**17,745**
Total non-current assets		**21,706**	**17,745**
Other receivables		–	76
Prepayments		776	831
Total receivables		**776**	**907**
Cash		**0**	**3**
Total current assets		**776**	**910**
Total assets		**22,482**	**18,654**
EQUITY AND LIABILITIES			
Paid-in capital		25,634	22,097
Distributions		–	–
Retained earnings		(8,608)	(3,568)
Total equity		**17,026**	**18,529**
Debt to banks		4,381	117
Other payables		1,075	9
Total short-term liabilities		**5,456**	**126**
Total liabilities		**5,456**	**126**
Total equity and liabilities		**22,482**	**18,654**
Contingent liabilities	4		
Other notes	5-6		

Penneo dokumentnøgle: IZEOD-WIJEK-KAGZ1-Y3T8U-NMWNH-SG4V2

FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN EQUITY

'000 DKK	Paid-in capital	Distri-butions	Retained earnings	Total
2021				
Equity 01/01	22,097	–	(3,568)	18,529
Paid-in capital from limited partners	3,537	–	–	3,537
Distributions to limited partners	–	–	–	–
Result for the year	–	–	(5,040)	(5,040)
Equity 31/12	**25,634**	**–**	**(8,608)**	**17,026**
The limited partners are liable for their share of the remaining commitment 31/12/2021				151,163
2020				
Equity 01/01	–	–	(426)	(426)
Paid-in capital from limited partners	22,097	–	–	22,097
Distributions to limited partners	–	–	–	–
Result for the year	–	–	(3,142)	(3,142)
Equity 31/12	**22,097**	**–**	**(3,568)**	**18,529**
The limited partners are liable for their share of the remaining commitment 31/12/2010				103,220

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FINANCIAL STATEMENTS

NOTES

'000 USD	2021	2020
NOTE 1 Value adjustment of investments in portfolio companies		
Unrealised value adjustments	(83)	(69)
Dividend received from portfolio companies	–	–
	(83)	**(69)**
NOTE 2 Financial expenses		
General Partner, annual financial risk premium	1	1
Other financial expenses	17	176
	18	**177**
NOTE 3 Investments in portfolio companies		
Cost at 1/1	17,814	–
Additions during the year	4,044	17,814
Disposals during the year	–	–
Cost at 31/12	21,858	17,814
Value adjustments at 1/1	(69)	–
Value adjustments during the year	–	–
Currency adjustments during the year	(83)	(69)
Value adjustments at 31/12	(152)	(69)
Carrying amount at 31/12	**21,706**	**17,745**

The investment in the portfolio company is a minority investment with an ownership interest between 20% - 25% which is valued according to the fair value measurements in Level 3 of the fair value hierarchy.

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NOTE 3 Investments in portfolio companies (continued)

Name of investment in portfolio company	Registered office	Ownership interest	Share capital	Equity	Profit/loss for the year
			INR	'000 USD	'000 USD
SAVE Solutions Private Limited	India	21.80%	60,402,610	31,030	2,416

Share capital, equity and profit/loss for the year are from the latest annual reports published, which is 2020/21.

* Financial year is 1 April to 31 March.

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FINANCIAL STATEMENTS

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'000 USD

NOTE 4 Contingent liabilities

Contingent liabilities

Maj Invest Financial Inclusion Fund III has entered into a management agreement with Maj Invest Equity A/S for the Manager's administration of Maj Invest Financial Inclusion Fund III K/S as well as the provision of investment advisory services to Maj Invest Financial Inclusion Fund III K/S. On termination, Maj Invest Financial Inclusion Fund III K/S may in certain circumstances be obliged to pay management fees for up to 12 month. At 31 December 2021, the fee amounted to app. USD 3.3 million (at 31 December 2020 approx. USD 2.4 million).

NOTE 5 Information on average number of employees

Maj Invest Financial Inclusion Fund III has no employees.

NOTE 6 Executive Board of the general partner

Kasper Svarrer

Director of:

Kasper Svarrer Holding ApS, Harbour Group Holding ApS, DMP Holding 1 ApS, Danish Microfinance Partners General Partner ApS, Danish Microfinance Partners Management ApS, Management Equity Vietnam I ApS, General Partner Equity Vietnam ApS MIFIF III GP ApS and MIFIN GP ApS.

Board member of:

Jutlandia Terminal A/S, A/S J. Lauritzen´s Eftf., Esbjerg, Jantzen Group A/S, Copco A/S, Copco Chem A/S, Baobab S.A.S., France,
Arohan Financial Services Private Limited, India, MJIC Consultancy Private Limited, India and Maj Invest South America S.A., Peru.

Member of Investment Committee of:

Maj Invest Financial Inclusion Fund II K/S and Capricorn Forest Fund K/S.

Thomas Riis

Director of:

ACE Capital ApS, Danish Microfinance Partners Management ApS, DMP Holding 1 ApS, General Partner Equity Vietnam ApS, Management Equity Vietnam I ApS, MIFIN GP ApS and Ole Riis Holding ApS.

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In addition, managing director or directorship of various holding companies and underlying portfolio companies owned by Maj Invest Equity 4 K/S and Maj Invest Equity 5 K/S.

In addition, managing director of several holding companies owned by Maj Invest Equity Vietnam I K/S and Maj Invest Equity Southeast Asia II K/S.

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