



Danish Sustainable Development Goals Investment Fund K/S

c/o IFU
Fredericiagade 27
DK-1310 Copenhagen K
CVR No. 39585529

Annual report 2022

The Annual General Meeting adopted the
annual report on 27 April 2023

Nicolai Boserup
Chairman of the General Meeting

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Entity details

Entity

Danish Sustainable Development Goals Investment Fund K/S
c/o IFU
Fredericiagade 27
DK-1310 Copenhagen K
Denmark

Business Registration No.: 39585529
Registered office: Copenhagen
Financial year: 01.01.2022 – 31.12.2022

General partner

DSDG GP P/S

Manager of the Partnership

IFU – Investment Fund for Developing Countries

Management of DSDG GP P/S

Nicolai Boserup, Chairman
Torben Huss
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 Sustainable Development Goals Investment Fund K/S for the financial year 01.01.2022- 31.12.2022.

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

It is our opinion that the financial statements give a true and fair view of the Entity's financial position at 31.12.2022 and of the results of its operations for the financial year 01.01.22 – 31.12.2022.

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

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 27.04.2023

Management of DSDG GP P/S

Nicolai Boserup
Chairman

Torben Huss

Niels Gravgaard Laursen

Independent auditor's report

To the limited partners of Danish Sustainable Development Goals Investment Fund K/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Danish Sustainable Development Goals Investment Fund K/S for the financial year 01.01.2022 – 31.12.2022, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group and the Parent Company, and a consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2022 and of the results of the Group's and the Parent Company's operations as well as the consolidated cash flows for the financial year 01.01.2022 – 31.12.2022 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 consolidated financial statements and the parent financial statements" section of this auditor's report. We are independent of the Group 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 consolidated financial statements and the parent financial Statements

Management is responsible for the preparation of consolidated financial statements and parent company 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 consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and 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 consolidated financial statements and the parent 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 consolidated financial statements and the parent 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, indi-

vidually 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 Group's and the Parent 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 Group's and the Parent 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 Group and the Parent 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 under the Danish Financial Statements Act.

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 of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's commentary.

Copenhagen, 27.04.2023

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 Group and the Parent Company can be described by the following financial highlights.

Key figures – Group

	2022	2021	2020	2019	2018
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Profit/loss					
Profit/loss before financial income and expenses	232,734	(1,267)	(79,765)	(67,580)	(41,556)
Net financials	(719)	(426)	(491)	(316)	(82)
Net profit/loss for the year	232,015	(1,693)	(80,256)	(67,896)	(41,638)
Balance sheet					
Balance sheet total	4,787,701	4,648,674	4,664,052	4,741,881	4,826,824
Equity	4,785,327	4,634,970	4,636,663	4,740,456	4,815,063
Cash Flow					
Cash flows from operating activities	(8,111)	(55,121)	(68,840)	(83,241)	(47,547)
Cash flows from investing activities	(309,155)	(696,664)	(536,792)	(195,996)	(37,246)
Cash flows from financing activities	658,613	760,327	597,944	283,773	85,411
Change in the year	341,347	8,542	(7,688)	4,536	622
Financial ratios					
Return on assets	4.9%	0.0%	(1.7)%	(1.4)%	(0.9)%
Solvency ratio	100.0%	99.7%	99.8%	100.0%	99.8%
Return on equity	4.9%	0.0%	(1.7)%	(1.4)%	(1.7)%

Key figures – Parent company

	2022	2021	2020	2019	2018
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Profit/loss before financial income and expenses	94,825	(3,807)	(78,939)	(67,580)	(41,556)
Net financials	9,650	3,780	(455)	(316)	(82)
Net profit/loss for the year	104,475	(27)	(79,394)	(67,896)	(41,638)
Balance sheet					
Balance sheet total	4,662,507	4,650,906	4,664,914	4,741,881	4,826,824
Equity	4,660,315	4,637,498	4,637,525	4,740,456	4,815,063
Cash Flow					
Cash flows from operating activities	192,552	(248,947)	(68,844)	(83,241)	(47,543)
Cash flows from investing activities	(512,111)	(514,218)	(540,131)	(195,996)	(37,246)
Cash flows from financing activities	658,613	760,327	597,944	283,773	85,411
Change in the year	339,054	(2,838)	(11,031)	4,536	622
Financial ratios					
Return on assets	2.0%	(0.1)%	(1.7)%	(1.4)%	(0.9)%
Solvency ratio	100.0%	99.7%	99.8%	100.0%	99.8%
Return on equity	2.2%	0.0%	(1.7)%	(1.4)%	(1.7)%

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 the Danish Sustainable Development Goals Investment Fund K/S (the DSDG Fund) for 2022 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

Main activity

In June 2018, the DSDG Fund was established as a public private partnership. Including a subsequent second close in December 2018, total capital committed to the DSDG Fund reached DKK 4,858 million. Ten institutional and private investors committed DKK 2,915 million and IFU committed DKK 1,943 million.

The purpose of the DSDG Fund is to undertake private sector investments in developing countries with a positive impact on the 17 UN Sustainable development Goals e.g. within renewable energy, agribusiness, industry and service, the financial sector and infrastructure including water and sanitation. Projects co-financed by the DSDG Fund must be commercially viable and offer an attractive return to its investors.

The DSDG Fund is managed by IFU.

Investments in 2022

In 2022, the DSDG Fund made four investments at a total of DKK 618 million.

Investments contracted in 2022

Investment contracted 2022					
Project name	Country	Fund/facility	Contracted investments in DKKm		
			Shares*	Loans**	Total
New projects					
Africa					
1 CBI Ghana	Ghana	SDG	80.7	26.6	107.3
Asia					
2 Suminter Organics	India	SDG	204.1		204.1
Latin America					
3 Augment Origo DG	Brazil	SDG	303.1		303.1
Total new projects			587.9	26.6	614.5
Additional financing of ongoing projects					
			Contracted investments in DKKm		
Africa			Shares*	Loans**	Total
4 Global Tea	Africa (Regional)	SDG	3.1		3.1
Total additional financing			3.1		3.1
Total					
			Contracted investments in DKKm		
			Shares*	Loans**	Total
3 Total new projects			587.9	26.6	614.5
1 Total additional financing			3.1		3.1
Grand Total			591.0	26.6	617.6

At year-end 2022, the DSDG Fund had contracted investments at a total of DKK 2.7bn in 22 projects after one investment was cancelled before disbursement was made. In 2022, the DSDG Fund exited three investments.

SUSTAINABILITY IN IFU'S INVESTMENT PROCESS




The DSDG Fund 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 DSDG 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.

IFU'S SUSTAINABILITY POLICY			
			
Underlying policies	Environment & social <ul style="list-style-type: none"> Human Rights Policy Animal Welfare Policy 	Corporate Governance <ul style="list-style-type: none"> Corporate Governance Policy Anti-Corruption Policy Tax Policy 	Impact <ul style="list-style-type: none"> Climate Policy Gender Equality Policy
International standards and best-practice	<ul style="list-style-type: none"> IFC Performance Standards EDFI E&S Guidelines UN Guiding Principles on Business and Human Rights <p>UN, ILO and OECD Conventions, Declarations and Agreements UN Principles for Responsible Investment UN Global Compact National Laws</p>	<ul style="list-style-type: none"> Corporate Governance Development Framework OECD Principles of Corporate Governance 	<ul style="list-style-type: none"> Sustainable Development Goals COP26 Paris Agreement & EU Taxonomy 2X Challenge on Gender

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

The DSDG Fund 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.

Absolute emissions will be calculated for all investments above DKK 25 million with an expected significant emission level above 10,000 tonnes CO₂ equivalents per year (tCO₂e/year). The calculation will be based on the GHG protocol scope 1 and 2 as a minimum and scope 3 where feasible.

The avoided emissions will be calculated based on the net GHG emission reductions resulting from an investment when compared to a baseline.

The current renewable energy investments in the portfolio produced a total of 4,097 GWh, in 2022. The avoided GHG emissions based on energy produced was approximately 2.3 million tCO₂e. Of this 925,000 tCO₂e can be attributed to the DSDG Fund based on its share of the investments.

In addition, In 2022, the assessment of avoided emissions was made for one new DSDG Fund investments, which is expected to represent a GHG emission avoidance of approximately 350,000 tCO₂e, during the lifetime of the project. Of this 45,000 tCO₂e can be attributed to the DSDG Fund based on its share of the investment.

When all renewable energy investments are fully commissioned the level of annually avoided GHG emissions is expected to reach approximately 20 million tCO₂e.

Development impact

The assessment of investment proposals under the DSDG Fund follows IFU's procedures for ex-ante impact assessment. From January 2020 these include a project screening at first gate, including an identification of impact areas related to specific SDG targets, and a due diligence process analysing the potential impact on people and planet. For projects selected for funding, a project-specific results framework is prepared with indicators and targets for each potential impact area related to the SDGs. To the extent possible, standardised indicators (HIPSO indicators) agreed among Development Finance Institutions (DFIs) are used.

The new investments will impact seven out of the 17 SDG goals. All investments contribute to, gender equality (goal 5) and climate action (goal 13). The remaining goals being impacted by one of the investments are zero hunger (goal 2), quality education (goal 4), affordable and clean energy (goal 7), decent work and economic growth (goal 8) and responsible consumption and production (goal 12).

Expected direct employment in the new investments contracted in 2022 amounts to 933.

In 2022, the companies in the portfolio employed 25,500 people of which 8,500 were women. 47 per cent of the investments qualified as gender lens investments.

71 per cent of the volume was invested in lower middle income or least developed countries.

Local corporate tax from the fund's investments is reported annually, and for 2022 the figure is DKK 328m.

The DSDG Fund has a strong focus on sustainability and the companies in the portfolio have gradually developed written sustainability policies. At the time of the investment only 62 per cent of portfolio companies had such a policy, but by end 2021, all portfolio companies had introduced written sustainability policies.

Projects contracted by the fund are included in the impact reporting covering IFU and IFU managed funds in IFU's Annual Report 2022. For more specific impact results on the DSDG Fund, IFU has published the Danish SDG Investment Fund Impact Report 2022. Both reports are available on IFU's website.

Operational framework

As a minority investor, the DSDG Fund is prepared to participate with risk capital in the range of typically DKK 100 million to DKK 300 million in a single project.

The DSDG Fund revenues will consist of interest, dividends and profit from sale of shares.

Financial review 2022

Due to the establishment of a wholly owned subsidiary to the DSDG Fund, the accounts include both consolidated group accounts and accounts for the parent company. The following comments are given for the group accounts.

The DSDG Fund recorded a net income of DKK 232 million in 2022 compared to a net loss of DKK (2) million in 2021. The large improvement was seen despite the wider adverse market conditions in 2022, following the tragic Russian invasion in Ukraine, affecting many countries and of course especially Ukraine itself. The SDG Fund has one investment in Ukraine, being a solar power project located west of Kyiv, for which adequate provisions have been made considering the situation. In terms of yield, the portfolio provided a gross return before expenses and fees of 16.1% measured against average fair value of the portfolio during the year versus 6.8 % in 2021. Operating expenses in the form of management fees and other expenses were (52)m in 2022, down from DKK (79)m in 2021.

Capital position and capital resources

As at 31 December 2022, the investors had paid in DKK 2,500 million corresponding to 51 per cent of the capital commitment of DKK 4,858 million. The undisbursed commitment is DKK 2,359 million. DKK 82m was distributed to the investors during the year with accumulated distributions being DKK 112 million as at 31 December 2022.

At year-end 2022, the DSDG Fund equity was DKK 2,429 million, excluding the undisbursed commitment.

Financial risks

The DSDG Fund 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 the DSDG Fund measures its investments at fair market value or recoverable amount, the fund's future results may fluctuate considerably. The risk exposure of DSDG Fund 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 the DSDG Fund's financial position.

Outlook for 2023

The DSDG Fund will continue to make new investments in 2023. A positive result is expected in 2023, however subject to added uncertainty, as the wider geopolitical and economic volatility seen in 2022 may continue into 2023, especially in developing countries.

Income statement for 2022

	Notes	Group		Parent company	
		2022	2021	2022	2021
		DKK'000	DKK'000	DKK'000	DKK'000
Contribution from investments		284,749	78,001	139,702	69,212
Operating expenses, net		(52,015)	(79,268)	(44,877)	(73,019)
Gross profit/loss		232,734	(1,267)	94,825	(3,807)
Financial income, net		(719)	(426)	9,650	3,780
Profit/loss before tax		232,015	(1,693)	104,475	(27)
Net profit/loss for the year		232,015	(1,693)	104,475	(27)
Recommended appropriation of profit/loss					
Retained earnings		232,015	(1,693)	104,475	(27)

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

Balance sheet at 31.12.2022

Assets

	Notes	Group		Parent company	
		2022	2021	2022	2021
		DKK'000	DKK'000	DKK'000	DKK'000
Investments	3	1,860,502	1,356,111	1,190,649	899,540
Loans	4	163,008	166,089	67,075	100,768
Investments in subsidiaries		0	0	496,040	200,040
Loan to DSDG Holding ApS		0	0	160,000	140,000
Total non-current assets		2,023,510	1,522,200	1,913,764	1,340,348
Undisbursed commitments		2,358,727	3,098,998	2,358,727	3,098,998
Prepayments		9,535	7,715	9,535	7,715
Other receivables		48,570	1,646	50,138	200,453
Cash		347,359	18,115	330,343	3,392
Total current assets		2,764,191	3,126,474	2,748,743	3,310,558
Total assets		4,787,701	4,648,674	4,662,507	4,650,906

Equity and liabilities

	Notes	Group		Parent company	
		2022	2021	2022	2021
		DKK'000	DKK'000	DKK'000	DKK'000
Paid-in capital		2,499,607	1,759,336	2,499,607	1,759,336
Undisbursed commitments		2,358,727	3,098,998	2,358,727	3,098,998
Total commitment		4,858,334	4,858,334	4,858,334	4,858,334
Repaid capital		(111,719)	(30,061)	(111,719)	(30,061)
Retained earnings		38,712	(193,303)	(86,300)	(190,775)
Total equity		4,785,327	4,634,970	4,660,315	4,637,498
Provisions for losses					
Guarantees and loan commitments	5	111	0	0	0
Drawn on bank credit facility		0	12,103	0	12,103
Payables to group enterprises		1,656	1,405	1,585	1,237
Other payables		607	196	607	68
Total current liabilities		2,263	13,704	2,192	13,408
Total liabilities		2,263	13,704	2,192	13,408
Total equity, provisions for losses and liabilities		4,787,701	4,648,674	4,662,507	4,650,906

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Statement of changes in equity for 2022

	Group		Parent company	
	2022	2021	2022	2021
	DKK'000	DKK'000	DKK'000	DKK'000
Paid-in capital beginning of year	1,759,336	999,009	1,759,336	999,009
Paid in capital during the year	740,271	760,327	740,271	760,327
Paid-in capital end of year	2,499,607	1,759,336	2,499,607	1,759,336
Undisbursed commitments	2,358,727	3,098,998	2,358,727	3,098,998
Total committed capital	4,858,334	4,858,334	4,858,334	4,858,334
Repaid capital beginning of year	(30,061)	(30,061)	(30,061)	(30,061)
Repaid capital during the year	(81,658)	0	(81,658)	0
Repaid capital end of year	(111,719)	(30,061)	(111,719)	(30,061)
Total capital end of year, net	4,746,615	4,828,273	4,746,615	4,828,273
Retained earnings beginning of year	(193,303)	(191,610)	(190,775)	(190,748)
Transferred from net income for the year	232,015	(1,693)	104,475	(27)
Retained earnings end of year	38,712	(193,303)	(86,300)	(190,775)
Total equity end of year	4,785,327	4,634,970	4,660,315	4,637,498

At 31 December 2022, the investors had paid in DKK 2,500 million corresponding to 51% of the capital commitment of DKK 4,858 million. Thus, the remaining commitment is DKK 2,358 million.

Cash flow statement for 2022

	Notes	Group		Parent company	
		2022	2021	2022	2021
		DKK'000	DKK'000	DKK'000	DKK'000
Net profit/loss for the year		232,015	(1,693)	104,475	(27)
Adjustments	6	(239,211)	(62,333)	(108,472)	(59,548)
Change in working capital	7	(915)	8,905	196,549	(189,372)
Net cash from operating activities		(8,111)	(55,121)	192,552	(248,947)
Received from projects		235,766	14,933	235,766	14,933
Paid-in investments in portfolio companies		(544,921)	(711,597)	(431,877)	(254,151)
Paid-in investments in subsidiaries		0	0	(296,000)	(135,000)
Loan to DSDG Holding ApS		0	0	(20,000)	(140,000)
Net cash from/(to) investing activities		(309,155)	(696,664)	(512,111)	(514,218)
Paid-in capital from partners		740,271	760,327	740,271	760,327
Repaid capital to partners		(81,658)	0	(81,658)	0
Net cash from/(to) financing activities		658,613	760,327	658,613	760,327
Net change in cash		341,347	8,542	339,054	(2,838)
Cash beginning of year		6,012	(2,530)	(8,711)	(5,873)
Cash end of year		347,359	6,012	330,343	(8,711)
Shown as cash in current assets		347,359	18,115	330,343	3,392
Shown as drawn on bank credit facility		0	(12,103)	0	(12,103)

Notes

1 Contingent liabilities and other financial obligations

DSDG has entered into the following commitments to investments:

	Group	
	2022	2021
	DKK'000	DKK'000
Undisbursed contracted commitments	656,876	756,300
Guarantees	4,100	3,858
Binding commitments	110,996	195,635
Total undisbursed to investments	771,972	955,793

	Parent company	
	2022	2021
	DKK'000	DKK'000
Undisbursed contracted commitments	620,545	545,118
Guarantees	0	0
Binding commitments	0	84,639
Total undisbursed to investments	620,545	629,757

DSDG has signed a management agreement with IFU, whereby IFU performs administration, monitoring and investment advice for DSDG. The management agreement cannot be cancelled. For 2022, the payment amounts to DKK 35,763 thousand incl. VAT.

2 Related parties and ownership

The following are recorded in DSDG's register of limited partners:

- Pensionskassen for Sygeplejersker og Lægesekretærer
- Pensionskassen for Sundhedsfaglige
- Pensionskassen for Socialrådgivere, Socialpædagoger og Kontorpersonale
- Pensionskassen for Farmakonomer
- PensionDanmark Pensionsforsikringsaktieselskab
- PFA Pension, forsikringsaktieselskab
- Arbejdsmarkedets Tillægspension
- P+, Pensionskassen for Akademikere
- PenSam Pension Forsikringsaktieselskab
- Jabami ApS
- Webco Invest ApS
- Futura Shipping og Invest ApS
- SEB Pension och Forsakring AB (FOP3)
- SEB Pension och Forsakring AB (FOP4)
- Secure SDG Fund K/S
- Chr. Augustinus Fabrikker Akts.
- IFU

Other related parties:

- DSDG GP P/S
- DSDG GP Komplementar ApS
- DSDG Holding ApS

3 Investments

	Group		Parent company	
	2022	2021	2022	2021
	DKK'000	DKK'000	DKK'000	DKK'000
Cost at beginning of year	1,311,937	705,670	855,366	644,009
Additions for the year	493,324	606,267	409,593	211,357
Disposal	(126,062)	0	(126,062)	0
Cost at 31 December	1,679,199	1,311,937	1,138,897	855,366
Accumulated value adjustment at beginning of year	44,174	(5,549)	44,174	(5,549)
Value adjustments	137,129	49,723	7,578	49,723
Accumulated value adjustment end of year	181,303	44,174	51,752	44,174
Carrying amount at 31 December	1,860,502	1,356,111	1,190,649	899,540
Hereof associated companies:				
Share capital investment in projects end of year, at cost	688,523	415,062	583,666	311,712
Accumulated value adjustments end of year	83,785	4,217	80,880	4,216
	772,308	419,279	664,546	315,928

Associated companies – Group

Name	Domicile	Form of company:	DSDS group ownership interest (%)	Profit/loss	Equity
				According to the latest approved annual report	
Better Energy Energo P/S	Denmark	P/S	41.30%	12,006	98,149
JMC Power Europe B.V.	Netherlands	B.V.	24.50%	(4,345)	261,383
Danica Rentals Fundo de investimento em Participacoes – Empresas Emergentes	Brazil	FIP fund	40.76%	5,822	47,688
Beauty Noble Limited	Virgin Islands (British)	Ltd.	21.98%	176,309	431,047
DCDC Health Services Pvt. Ltd.	India	Ltd.	38.17%	(3,979)	60,926
Brompton Holdco Limited	United Kingdom	Ltd.	48.57%	N/A	N/A
Acme Aklera Power Technology Pvt Ltd	India	Ltd.	39.00%	(13)	(17)
South Africa Student Acc. Inv. Limited	South Africa	Ltd.	24.85%	11,474	170,857
AUGMENT BRAZIL FUNDO DE INVESTIMENTO EM PARTICIPAÇÕES MULTIESTRA	Brazil	FIP fund	32.78%	N/A	N/A

Associated companies – Parent company

Name	Domicile	Form of company:	DSDS's ownership Interest (%)	Profit/loss	Equity
				According to the latest approved annual report	
Better Energy Energo P/S	Denmark	P/S	41.30%	12,006	98,149
Danica Rentals Fundo de investimento em Participacoes – Empresas Emergentes	Brazil	FIP fund	40.76%	5,822	47,688
Beauty Noble Limited	Virgin Islands (British)	Ltd.	21.98%	176,309	431,047
DCDC Health Services Pvt. Ltd.	India	Ltd.	38.17%	(3,979)	60,926
Brompton Holdco Limited	United Kingdom	Ltd.	48.57%	N/A	N/A
South Africa Student Acc. Inv. Limited	South Africa	Ltd.	24.85%	11,474	170,857
Augment BRAZIL FUNDO DE INVESTIMENTO EM PARTICIPAÇÕES MULTIESTRA	Brazil	FIP fund	32.78%	N/A	N/A

4 Loans

	Group		Parent company	
	2022	2021	2022	2021
	DKK'000	DKK'000	DKK'000	DKK'000
Loans				
Cost at beginning of year	158,504	63,654	93,183	63,654
Additions for the year	51,597	105,330	22,284	42,794
Repayments	(44,655)	(14,933)	(44,655)	(14,933)
Exchange rate adjustments	(7,687)	4,453	(3,373)	1,668
Cost at 31 December	157,759	158,504	67,439	93,183
Accumulated value adjustments incl. allowance for impairment beginning of year	7,585	(488)	7,585	(488)
Value adjustments including allowance for impairment for the year	(2,336)	8,073	(7,949)	8,073
Accumulated value adjustments incl. allowance for impairment end of year	5,249	7,585	(364)	7,585
Carrying amount at 31. December	163,008	166,089	67,075	100,768
Herof project loans at amortised cost:				
Project loans at amortised cost end of year at cost	157,759	113,885	67,439	48,564
Accumulated allowance end of year	5,249	0	(364)	0
	163,008	113,885	67,075	48,564
Herof project loans at fair value:				
Project loans at fair value end of year at cost	0	44,619	0	44,619
Accumulated allowance end of year	0	7,585	0	7,585
	0	52,204	0	52,204

5 Provisions for losses

	Group		Parent company	
	2022	2021	2022	2021
	DKK'000	DKK'000	DKK'000	DKK'000
Allowance for impairment on remaining commitments beginning of year	0	0	0	0
Allowance for impairment on remaining commitments on loans	111	0	0	0
Allowance for impairment on remaining commitments end of year	111	0	0	0

6 Cash flow statement - adjustments

	Group		Parent company	
	2022	2021	2022	2021
	DKK'000	DKK'000	DKK'000	DKK'000
Value adjustments	(239,211)	(62,333)	(108,472)	(59,548)
	(239,211)	(62,333)	(108,472)	(59,548)

7 Cash flow statement – changes in working capital

	Group		Parent company	
	2022	2021	2022	2021
	DKK'000	DKK'000	DKK'000	DKK'000
Change in current assets	(1,287)	8,821	(274)	8,821
Change in payables, etc.	372	84	196,823	(198,193)
	(915)	8,905	196,549	(189,372)

8 Financial risk management

Introduction

Through investments, DSDG 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, DSDG further seeks to identify and mitigate the equity and credit risk.

9 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 DSDG 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, DSDG mitigates equity and credit risks by investing in a variety of countries and by limiting investments in a single project.

DSDG assesses the concentration of risk on the basis of total commitments to the Fund. Furthermore, DSDG assesses, through the due diligence process, the specific risks for each share capital investment and seeks to mitigate associated equity risks. All investments are evaluated commercially against a benchmark return reflecting the specific risks associated with each particular investment, e.g. in terms of country, leverage and sector.

For some of DSDG's share capital investments, DSDG has the opportunity to sell the shares through pre-agreed exit agreements. In this way, DSDG mitigates the risk of not being able to exit the investments. See note 14 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 DSDG'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.

Group 2022	Share capital investments		Project loans		Total		Commitments (off balance)	
	DKK'000	%	DKK'000	%	DKK'000	%	DKK'000	%
OECD								
3	405,186	24	129,801	82	534,987	29	205,204	27
4	42,627	3	0	0	42,627	2	47,814	6
5	532,444	31	0	0	532,444	29	111,293	14
6	215,245	13	0	0	215,245	12	303,291	40
7	199,649	12	27,958	18	227,607	12	40,134	5
Africa regional	120,925	7	0	0	120,925	7	64,236	8
DAC	163,123	10	0	0	163,123	9	0	0
Total	1,679,199	100	157,759	100	1,836,958	100	771,972	100

Group 2021	Share capital investments		Project loans		Total		Commitments (off balance)	
	DKK'000	%	DKK'000	%	DKK'000	%	DKK'000	%
OECD								
3	405,184	32	113,885	72	519,069	35	93,834	10
4	22,075	2	44,619	28	66,694	5	67,408	7
5	203,297	15	0	0	203,297	14	416,117	44
6	275,673	21	0	0	275,673	19	289,685	30
7	135,344	10	0	0	135,344	9	18,065	2
Africa regional	107,241	8	0	0	107,241	7	70,684	7
DAC	163,123	12	0	0	163,123	11	0	0
Total	1,311,937	100	158,504	100	1,470,441	100	955,793	100

Parent company 2022	Share capital investments		Project loans		Total		Commitments (off balance)	
	DKK'000	%	DKK'000	%	DKK'000	%	DKK'000	%
OECD								
3	177,065	16	67,439	100	244,504	20	205,204	33
4	42,627	4	0	0	42,627	4	47,814	8
5	346,229	30	0	0	346,229	28	0	0
6	215,245	19	0	0	215,245	18	303,291	49
7	73,683	6	0	0	73,683	6	0	0
Africa regional	120,925	11	0	0	120,925	10	64,236	10
DAC	163,123	14	0	0	163,123	14	0	0
Total	1,138,897	100	67,439	100	1,206,336	100	620,545	100

Parent company 2021	Share capital investments		Project loans		Total		Commitments (off balance)	
	DKK'000	%	DKK'000	%	DKK'000	%	DKK'000	%
OECD								
3	177,064	21	48,564	52	225,628	24	56,002	9
4	22,075	3	44,619	48	66,694	7	67,408	11
5	36,507	4	0	0	36,507	4	285,412	45
6	275,673	31	0	0	275,673	29	150,251	24
7	73,683	9	0	0	73,683	8	0	0
Africa regional	107,241	13	0	0	107,241	11	70,684	11
DAC	163,123	19	0	0	163,123	17	0	0
Total	855,366	100	93,183	100	948,549	100	629,757	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.

Group

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

	2022	2021
	DKK'000	DKK'000
Project loans (stage 1)	67,439	113,885
Project loans (stage 2)	90,320	0
Total	157,759	113,885

Parent company

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

	2022	2021
	DKK'000	DKK'000
Project loans (stage 1)	67,439	48,564
Project loans (stage 2)	0	0
Total	67,439	48,564

Group

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

	2022	2021
	DKK'000	DKK'000
OECD 3	67,439	113,885
OECD 4	0	0
Total	67,439	113,885

Parent company

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

	2022	2021
	DKK'000	DKK'000
OECD 3	67,439	48,564
OECD 4	0	0
Total	67,439	48,564

Group

The table below shows the project loans according to stages.

2022

	Allowance for impairment %	Project loans at cost DKK'000	Accumulated allowance for impairment DKK'000	Project loans carrying amount 2022 DKK'000
Project loans (stage 1)	(0.5)	67,439	(364)	67,075
Project loans (stage 2)	6.2	90,320	5,613	95,933
Total		157,759	5,249	163,008

2021

	Allowance for impairment %	Project loans at cost DKK'000	Accumulated allowance for impairment DKK'000	Project loans carrying amount 2021 DKK'000
Project loans (stage 1)	0.0	113,885	0	113,885
		113,885	0	113,885

Parent company

The table below shows the project loans according to stages.

2022

	Allowance for impairment %	Project loans at cost DKK'000	Accumulated allowance for impairment DKK'000	Project loans carrying amount 2022 DKK'000
Project loans (stage 1)	(0.5)	67,439	(364)	67,075
		67,439	(364)	67,075

2021

	Allowance for impairment %	Project loans at cost DKK'000	Accumulated allowance for impairment DKK'000	Project loans carrying amount 2021 DKK'000
Project loans (stage 1)	0.0	48,564	0	48,564
		48,564	0	48,564

Group**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	113,885	0	0	113,885
Disbursements during the year	22,284	29,313	0	51,597
Repayments during the year	0	0	0	0
Exchange rate adjustments, project loans	(6,368)	(1,355)	0	(7,723)
Transferred to loans at fair value	0	0	0	0
Project loans end of year at cost before change of stages	129,801	27,958	0	157,759
Change in loan value from stage 1	(62,362)	62,362	0	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	67,439	90,320	0	157,759

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 including allowance for impairment beginning of year	0	0	0	0
Value adjustments including allowance for impairment for the year	(364)	5,613	0	5,249
Accumulated value adjustments including allowance for impairment end of year before change of stages	(364)	5,613	0	5,249
Change in loan value from stage 1	0	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 including allowance for impairment end of year	(364)	5,613	0	5,249

Group**Project loans at amortised cost before allowance for impairment**

2021	Stage 1 DKK '000	Stage 2 DKK '000	Stage 3 DKK '000	Total DKK '000
Project loans beginning of year at cost	63,654	0	0	63,654
Disbursements during the year	105,331	0	0	105,331
Repayments during the year	(14,874)	0	0	(14,874)
Exchange rate adjustments, project loans	4,393	0	0	4,393
Transferred to loans at fair value	0	(44,619)	0	(44,619)
Project loans end of year at cost before change of stages	158,504	(44,619)	0	113,885
Change in loan value from stage 1	(44,619)	44,619	0	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	113,885	0	0	113,885

Accumulated value adjustments including allowance for impairment

2021	Stage 1 DKK '000	Stage 2 DKK '000	Stage 3 DKK '000	Total DKK '000
Accumulated value adjustments including allowance for impairment beginning of year	(488)	0	0	(488)
Value adjustments including allowance for impairment for the year	488	0	0	488
Accumulated value adjustments including allowance for impairment end of year before change of stages	0	0	0	0
Change in loan value from stage 1	0	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 including allowance for impairment end of year	0	0	0	0

Parent company**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	48,564	0	0	48,564
Disbursements during the year	22,284	0	0	22,284
Repayments during the year	0	0	0	0
Exchange rate adjustments, project loans	(3,409)	0	0	(3,409)
Transferred from loans at fair value	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	67,439	0	0	67,439
Change in loan value from stage 1	0	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
Project loans end of year at cost	67,439	0	0	67,439

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 including allowance for impairment beginning of year	0	0	0	0
Value adjustments including allowance for impairment for the year	(364)	0	0	(364)
Accumulated value adjustments including allowance for impairment end of year before change of stages	(364)	0	0	(364)
Change in loan value from stage 1	0	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 including allowance for impairment end of year	(364)	0	0	(364)

Parent company**Project loans at amortised cost before allowance for impairment**

	Stage 1	Stage 2	Stage 3	Total
2021	DKK '000	DKK '000	DKK '000	DKK '000
Project loans beginning of year at cost	63,654	0	0	63,654
Disbursements during the year	42,795	0	0	42,795
Repayments during the year	(14,874)	0	0	(14,874)
Exchange rate adjustments, project loans	1,608	0	0	1,608
Transferred to loans at fair value	0	(44,619)	0	(44,619)
Project loans end of year at cost before change of stages	93,183	(44,619)	0	48,564
Change in loan value from stage 1	(44,619)	44,619	0	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	48,564	0	0	48,564

Accumulated value adjustments including allowance for impairment

	Stage 1	Stage 2	Stage 3	Total
2021	DKK '000	DKK '000	DKK '000	DKK '000
Accumulated value adjustments including allowance for impairment beginning of year	(488)	0	0	(488)
Value adjustments including allowance for impairment for the year	488	0	0	488
Accumulated value adjustments including allowance for impairment end of year before change of stages	0	0	0	0
Change in loan value from stage 1	0	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 including allowance for impairment end of year	0	0	0	0

Maximum exposure to credit risk

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

Group	2022		2021	
	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	163,008	157,759	166,089	158,504
Interest receivable related to projects	(1,560)	(1,560)	573	490
Other receivables	59,665	59,665	8,788	8,788
Cash	347,359	347,359	18,115	18,115
Commitments	0	115,096	0	239,228
Total	568,472	678,319	193,565	425,125

Parent company	2022		2021	
	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	67,075	67,439	100,768	93,183
Loan DSGD Holding ApS	160,000	160,000	140,000	140,000
Interest receivable related to projects	8	8	573	490
Other receivables	59,665	59,665	207,595	207,595
Cash	330,343	330,343	3,392	3,392
Commitments	0	0	0	124,374
Total	617,091	617,455	452,328	569,034

10 Currency risk

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

DSDG is exposed to currency risk through its investments that are denominated in currencies other than the functional currency (DKK). DSDG does not hedge currency exposure in share capital investments, as the 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, DSDG 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 DSDG 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 DSDG has no assets classified as available-for-sale.

Group 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	27,959	1,013	47,251	0	76,223	10	7,622
EUR	0	0	0	0	0	1	0
DKK	0	0	0	0	0	N/A	0
Other	129,800	8	0	0	129,808	10	12,981
Total	157,759	1,021	47,251	0	206,031		

2021

	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	0	0	0	0	0	10	0
EUR	109,940	573	1,063	0	111,576	1	1,116
DKK	48,564	1	0	0	48,565	N/A	0
Other	0	0	0	0	0	10	0
Total	158,504	574	1,063	0	160,141		

Parent company 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	0	0	47,251	0	47,251	10	4,725
EUR	0	0	0	0	0	1	0
DKK	0	0	0	0	0	N/A	0
Other	67,439	8	0	0	67,447	10	6,745
Total	67,439	8	47,251	0	114,698		

2021

	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	0	0	0	0	0	10	0
EUR	44,619	573	1,063	0	46,255	1	463
DKK	48,564	1	0	0	48,565	N/A	0
Other	0	0	0	0	0	10	0
Total	93,183	574	1,063	0	94,820		

11 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 DSDG'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.

12 Liquidity risk

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

DSDG's primary exposure to liquidity risk arises from commitments to disburse share capital investments.

To meet these and other obligations, DSDG depends on its limited partners being able to honour their commitments to DSDG. A DKK 200 million credit facility is in place to cover unexpected negative short-term fluctuations in cash flows. At year-end, DKK 200 million was available for drawing.

For information on 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.

Group 2022

	Carrying amount DKK'000	Contractual cash flows DKK'000	On demand DKK'000	0-1 year DKK'000	1-5 years DKK'000	Over 5 years DKK'000	No fixed maturity DKK'000
Assets							
Project loans	163,008	157,759	0	0	67,439	90,320	0
Interest receivable related to projects	(1,560)	(1,560)	(1,560)	0	0	0	0
Other receivables	59,665	59,665	59,665	0	0	0	0
Cash and cash equivalents	347,359	347,359	347,359	0	0	0	0
Total assets	568,472	563,223	405,464	0	67,439	90,320	0
Liabilities							
Other current liabilities	2,263	2,263	0	2,263	0	0	0
Total liabilities	2,263	2,263	0	2,263	0	0	0
Off-balance							
Guarantees	0	4,100	0	0	0	0	4,100
Amounts payable on share capital and loan agreements	0	656,876	656,876	0	0	0	0
Binding commitments	0	110,996	0	110,996	0	0	0
Total off-balance	0	771,972	656,876	110,996	0	0	4,100

**Group
2021**

	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	166,089	158,504	0	14,873	78,310	65,321	0
Interest receivable related to projects	573	490	573	0	0	0	0
Other receivables	8,788	8,788	1,064	7,724	0	0	0
Cash and cash equivalents	18,115	18,115	18,115	0	0	0	0
Total assets	193,565	185,897	19,752	22,597	78,310	65,321	0
Liabilities							
Other current liabilities	13,704	13,704	0	13,704	0	0	0
Total liabilities	13,704	13,704	0	13,704	0	0	0
Off-balance							
Guarantees	0	3,858	0	0	0	0	3,858
Amounts payable on share capital and loan agreements	0	756,300	756,300	0	0	0	0
Binding commitments	0	195,635	0	195,635	0	0	0
Total off-balance	0	955,793	756,300	195,635	0	0	3,858

**Parent company
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	67,075	67,439	0	0	67,439	0	0
Loan to DSDG Holding ApS	160,000	160,000	0	0	0	160,000	0
Interest receivable related to projects	8	8	8	0	0	0	0
Other receivables	59,665	59,665	59,665	0	0	0	0
Cash and cash equivalents	330,343	330,343	330,343	0	0	0	0
Total assets	617,091	617,455	390,016	0	67,439	160,000	0
Liabilities							
Other current liabilities	2,192	2,192	0	2,192	0	0	0
Total liabilities	2,192	2,192	0	2,192	0	0	0
Off-balance							
Guarantees	0	0	0	0	0	0	0
Amounts payable on share capital and loan agreements	0	620,545	620,545	0	0	0	0
Binding commitments	0	0	0	0	0	0	0
Total off-balance	0	620,545	620,545	0	0	0	0

Parent company 2021

	Carrying amount DKK'000	Contractual cash flows DKK'000	On demand DKK'000	0-1 year DKK'000	1-5 years DKK'000	Over 5 years DKK'000	No fixed maturity DKK'000
Assets							
Project loans	100,768	93,183	0	14,873	78,310	0	0
Loan to DSDG Holding ApS	140,000	140,000	0	0	0	140,000	0
Interest receivable related to projects	573	490	573	0	0	0	0
Other receivables	207,595	207,595	1,065	206,530	0	0	0
Cash and cash equivalents	3,392	3,392	3,392	0	0	0	0
Total assets	452,328	444,660	5,030	221,403	78,310	140,000	0
Liabilities							
Other current liabilities	13,408	13,408	0	13,408	0	0	0
Total liabilities	13,408	13,408	0	13,408	0	0	0
Off-balance							
Guarantees	0	0	0	0	0	0	0
Amounts payable on share capital and loan agreements	0	545,118	545,118	0	0	0	0
Binding commitments	0	84,639	0	84,639	0	0	0
Total off-balance	0	629,757	545,118	84,639	0	0	0

13 Classification of financial instruments

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

Group 2022

	Designated at fair value through profit and loss DKK'000	Loans and receivables at amortised cost DKK'000	Loans and receivables at fair value DKK'000	Other liabilities at amortised cost DKK'000	Total DKK'000
Financial assets					
Share capital investment in projects	1,860,502	0	0	0	1,860,502
Project loans	0	163,008	0	0	163,008
Interest receivable related to projects	0	(1,560)	0	0	(1,560)
Other receivables	0	59,665	0	0	59,665
Cash and cash equivalents	0	347,359	0	0	347,359
Total financial assets	1,860,502	568,472	0	0	2,428,974
Financial liabilities					
Current liabilities:					
Other current liabilities	0	0	0	2,263	2,263
Total financial liabilities	0	0	0	2,263	2,263

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

Group 2021	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	1,356,111	0	0	0	1,356,111
Project loans	0	113,885	52,204	0	166,089
Interest receivable related to projects	0	0	573	0	573
Other receivables	0	8,788	0	0	8,788
Cash and cash equivalents	0	18,115	0	0	18,115
Total financial assets	1,356,111	140,788	52,777	0	1,549,676
Financial liabilities					
Current liabilities:					
Other current liabilities	0	0	0	13,704	13,704
Total financial liabilities	0	0	0	13,704	13,704

The carrying amount of project loans with fixed interest terms amounts to DKK 114 million (2021: 4 million). The fair value of these project loans amount to DKK 114 million (2021: DKK 4 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 2 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.

Parent company 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	1,190,649	0	0	0	1,190,649
Project loans	0	67,075	0	0	67,075
Interest receivable related to projects	0	8	0	0	8
Other receivables	0	59,665	0	0	59,665
Cash and cash equivalents	0	330,343	0	0	330,343
Total financial assets	1,190,649	457,091	0	0	1,647,740
Financial liabilities					
Current liabilities:					
Other current liabilities	0	0	0	2,192	2,192
Total financial liabilities	0	0	0	2,192	2,192

**Parent company
2021**

	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	899,540	0	0	0	899,540
Project loans		48,564	52,204	0	100,768
Interest receivable related to projects	0	0	573	0	573
Other receivables	0	207,595	0	0	207,595
Cash and cash equivalents	0	3,392	0	0	3,392
Total financial assets	899,540	259,551	52,777	0	1,211,868
Financial liabilities					
Current liabilities:					
Other current liabilities	0	0	0	13,408	13,408
Total financial liabilities	0	0	0	13,408	13,408

The carrying amount of project loans with fixed interest terms amounts to DKK 152 million (2021: 49 million). The fair value of these project loans amount to DKK 138 million (2021: DKK 50 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 2 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.

14 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 DSDG'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 DSDG'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 DSDG 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 25 million) 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.

Group

	Level 1	Level 2	Level 3	Total
2022	DKK'000	DKK'000	DKK'000	DKK'000
Share capital investments				
Opening balance	0	0	1,356,111	1,356,111
Total gains/losses for the period included in profit or loss	¹ 0	14,714	122,415	137,129
Paid-in share capital in projects	0	0	493,324	493,324
Disposal	0	0	(126,062)	(126,062)
Closing balance	0	14,714	1,845,788	1,860,502
Project loans at fair value				
Opening balance	0	0	52,204	52,204
Transfers into the level	0	0	0	0
Transfers out of the level	0	0	0	0
Exchange rate adjustments	0	0	0	0
Total gains/losses for the period included in profit or loss	¹ 0	0	0	0
Disbursement of project loans	0	0	0	0
Repayment during the year	0	0	(52,204)	(52,204)
Closing balance	0	0	0	0
Total recurring fair value measurements	0	14,714	1,845,788	1,860,502

Group

	Level 1	Level 2	Level 3	Total
2021	DKK'000	DKK'000	DKK'000	DKK'000
Share capital investments				
Opening balance	0	0	700,121	700,121
Total gains/losses for the period included in profit or loss	¹ 0	0	49,723	49,723
Paid-in share capital in projects	0	0	606,267	606,267
Disposal	0	0	0	0
Closing balance	0	0	1,356,111	1,356,111
Project loans at fair value				
Opening balance	0	0	0	0
Transfers into the level	0	0	44,619	44,619
Transfers out of the level	0	0	0	0
Exchange rate adjustments	0	0	0	0
Total gains/losses for the period included in profit or loss	0	0	7,585	7,585
Disbursement of project loans	0	0	0	0
Closing balance	0	0	52,204	52,204
Total recurring fair value measurements	0	0	1,408,315	1,408,315

1) Recognised in Contribution from share capital investments.

Hereof DKK 9 million (2021: DKK 50 million) is attributable to assets held at 31 December for level 3.

Parent company

	Level 1	Level 2	Level 3	Total
2022	DKK'000	DKK'000	DKK'000	DKK'000
Share capital investments				
Opening balance	0	0	899,540	899,540
Total gains/losses for the period included in profit or loss	0	14,714	(7,136)	7,578
Paid-in share capital in projects	0	0	409,593	409,593
Disposal	0	0	(126,062)	(126,062)
Closing balance	0	14,714	1,175,935	1,190,649
Project loans at fair value				
Opening balance	0	0	52,204	52,204
Transfers into the level	0	0	0	0
Transfers out of the level	0	0	0	0
Exchange rate adjustments	0	0	0	0
Total gains/losses for the period included in profit or loss	0	0	0	0
Disbursement of project loans	0	0	0	0
Repayment during the year	0	0	(52,204)	(52,204)
Closing balance	0	0	0	0
Total recurring fair value measurements	0	14,714	1,175,935	1,190,649

Parent company

	Level 1	Level 2	Level 3	Total
2021	DKK'000	DKK'000	DKK'000	DKK'000
Share capital investments				
Opening balance	0	0	638,460	638,460
Total gains/losses for the period included in profit or loss	0	0	49,723	49,723
Paid-in share capital in projects	0	0	211,357	211,357
Disposal	0	0	0	0
Closing balance	0	0	899,540	899,540
Project loans at fair value				
Opening balance	0	0	0	0
Transfers into the level	0	0	44,619	44,619
Transfers out of the level	0	0	0	0
Exchange rate adjustments	0	0	0	0
Total gains/losses for the period included in profit or loss	0	0	7,585	7,585
Disbursement of project loans	0	0	0	0
Closing balance	0	0	52,204	52,204
Total recurring fair value measurements	0	0	951,744	951,744

1) Recognised in Contribution from share capital investments.

Hereof DKK (120) million (2021: DKK 50 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.

**Group
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					
	372,521	Cost			
	137,225	Binding offers/ transactions/exit terms			
	142,232	Quoted prices			
	740,469	Discounted cash flow	WACC	+10	(137,183)
			Growth in termial value	-20	(69,081)
	422,870	Multiple valuation	EV/EBITDA	-10	(26,027)
			Price/Book	-10	(25,502)
	45,185	Net asset value			
Share capital investments	1,860,502				
Project loans at fair value					
	0	Discounted cash flow	Discount rate	+10	0
Total investment at fair value	1,860,502				

**Group
2021**

Type of investment	Fair value at 31.12.2021 DKK'000	Valuation technique	Unobservable inputs	Reasonable possible shift in %	Change in fair value DKK'000
Investments					
	631,568	Cost			
	348,140	Binding offers/ transactions/exit terms			
	114,989	Discounted cash flow	WACC	+10	(17,594)
			Growth in termial value	-20	(1,632)
	261,414	Multiple valuation	EV/EBITDA	-10	(21,642)
			Price/Book	-10	(9,764)
Share capital investments	1,356,111				
Project loans at fair fair value					
	52,204	Discounted cash flow	Discount rate	+10	(608)
Total investment at fair value	1,408,315				

**Parent company
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					
	309,722	Cost			
	91,367	Binding offers/ transactions/exit terms			
	142,232	Quoted prices			
	179,273	Discounted cash flow	WACC	+10	(13,606)
			Growth in termial value	-20	(865)
	422,870	Multiple valuation	EV/EBITDA	-10	(26,027)
			Price/Book	-10	(25,502)
	45,185	Net asset value			
Share capital investments	1,190,649				
Project loans at fair value					
	0	Discounted cash flow	Discount rate	+10	0
Total investment at fair value	1,190,649				

**Parent company
2021**

Type of investment	Fair value at 31.12.2021 DKK'000	Valuation technique	Unobservable inputs	Reasonable possible shift in %	Change in fair value DKK'000
Investments					
	174,997	Cost			
	348,140	Binding offers/ transactions/exit terms			
	114,989	Discounted cash flow	WACC	+10	(17,594)
			Growth in termial value	-20	(1,632)
	261,414	Multiple valuation	EV/EBITDA	-10	(21,642)
			Price/Book	-10	(9,764)
Share capital investments	899,540				
Project loans at fair value					
	52,204	Discounted cash flow	Discount rate	+10	(608)
Total investment at fair value	951,744				

Accounting policies

Accounting Policies

The annual report of Danish Sustainable Development Goals Investment Fund K/S (DSDG) for 2022 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 DSDG'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 DSDG's special character as a limited partnership (long-term investments), the financial statements hereby provide the reader with the best possible clarity of DSDG's activities. The deviation is in accordance with section 23(4) of the Danish Financial Statements Act.

Consolidated financial statements

Control

The consolidated financial statements comprise the Parent Company, DSDG K/S, and the subsidiary controlled by DSDG K/S.

Control means the power to exercise decisive influence over a subsidiary's financial and operating decisions. Moreover, the possibility of yielding a return from the investment is required.

In assessing whether the Parent Company controls an entity, de facto control is also taken into consideration.

The existence of potential voting rights that may currently be exercised or converted into additional voting rights is considered when assessing whether an entity may become empowered to exercise decisive influence over another entity's financial and operating decisions.

Significant influence

Entities over whose financial and operating decisions the Group can exercise significant influence are classified as associates. Significant influence is deemed to exist when the Parent Company holds or controls, directly or indirectly, more than 20% of the voting rights of an entity but does not control it.

The existence of potential voting rights that may currently be exercised or converted into voting rights is considered when assessing whether significant influence exists.

Preparation of consolidated financial statements

The consolidated financial statements are prepared as a consolidation of the Parent Company's and the individual subsidiary's financial statements, which are prepared according to the Group's accounting policies. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends as well as realised and unrealised gains on intra-group transactions are eliminated. Unrealised gains on transactions with associates are eliminated in proportion to the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains unless they do not reflect impairment.

The subsidiary's financial statement items are included 100% in the consolidated financial statements. Non-controlling interests' share of the profit/loss for the year and of the equity of subsidiaries that are not wholly-owned are included in the Group's profit/loss and equity, respectively, but are presented separately.

Acquisitions and disposals of non-controlling interests that are still controlled are recognised directly in equity as a transaction between shareholders.

Share capital investments where DSDG has significant influence (typically 20-50 per cent of the voting rights) are associates and are accounted for as share capital investments.

Recognition and measurement

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

Liabilities are recognised in the balance sheet when DSDG 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 DSDG, 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, DSDG 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 DSDG'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, DSDG 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, project loans and contribution from binding commitments on 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 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 for the year

As a limited partnership, DSDG is not an independent entity liable to taxation, which is why no current or deferred tax has been recognised in the financial statements. DSDG'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 DSDG 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 DSDG. If a previous write-off is later recovered, the recovery is credited to "Contribution from project loans and guarantees".

Investments in subsidiaries

Investments in subsidiaries are included in the balance sheet at cost less accumulated impairment losses.

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 DSDG's cash flow from operating, investing and financing activities as well as DSDG'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 DSDG's control.

Financial ratios

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

Return on assets:

$$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$$

Solvency ratio:

$$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$$

Return on equity:

$$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$$