



## ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

### Enheten

Organisasjonsnummer: 925 023 426  
Organisasjonsform: Aksjeselskap  
Foretaksnavn: NMI CLIMATE SMART FUND AS  
Forretningsadresse: c/o Nordic Microfinance Initiative  
Rosenkrantz' gate 22  
0160 OSLO

### Regnskapsår

Årsregnskapets periode: 18.03.2020 - 31.12.2020

### Konsern

Morselskap i konsern: Nei

### Regnskapsregler

Regler for små foretak benyttet: Nei  
Benyttet ved utarbeidelsen av årsregnskapet til selskapet: IFRS

### Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Ole Sandsbraaten  
Dato for fastsettelse av årsregnskapet: 02.06.2021

### Grunnlag for avgivelse

År 2020: Årsregnskapet er elektronisk innlevert  
År 2019: Tall er hentet fra elektronisk innlevert årsregnskap fra 2020

*Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.*

Brønnøysundregistrene, 10.06.2022



## Resultatregnskap

Beløp i: USD Note 2020 2019

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### RESULTATREGNSKAP

#### Driftsresultat

#### Finansinntekter og finanskostnader

Annen finansinntekt 24 000

**Sum finansinntekter 24 000**

**Netto finans 24 000**

**Ordinært resultat før skattekostnad 24 000 0**

**Ordinært resultat etter skattekostnad 24 000 0**

**Årsresultat 24 000 0**



## Balanse

| Beløp i: USD                               | Note | 2020           | 2019     |
|--|------|----------------|----------|
| <b>BALANSE - EIENDELER</b>                 |      |                |          |
| <b>Anleggsmidler</b>                       |      |                |          |
| <b>Immaterielle eiendeler</b>              |      |                |          |
| Sum anleggsmidler                          |      | 0              | 0        |
| <b>Omløpsmidler</b>                        |      |                |          |
| <b>Varer</b>                               |      |                |          |
| <b>Bankinnskudd, kontanter og lignende</b> |      |                |          |
| Bankinnskudd, kontanter og lignende        | 5    | 596 000        |          |
| Sum bankinnskudd, kontanter og lignende    |      | 596 000        |          |
| Sum omløpsmidler                           |      | 596 000        | 0        |
| <b>SUM EIENDELER</b>                       |      | <b>596 000</b> | <b>0</b> |
| <b>BALANSE - EGENKAPITAL OG GJELD</b>      |      |                |          |
| <b>Egenkapital</b>                         |      |                |          |
| <b>Innskutt egenkapital</b>                |      |                |          |
| Aksjekapital                               | 4    | 172 000        |          |
| Overkurs                                   |      | 401 000        |          |
| Sum innskutt egenkapital                   |      | 573 000        |          |
| <b>Opptjent egenkapital</b>                |      |                |          |
| Annen egenkapital                          |      | 23 000         |          |
| Sum opptjent egenkapital                   |      | 23 000         |          |
| Sum egenkapital                            |      | 596 000        | 0        |
| Sum langsiktig gjeld                       |      | 0              | 0        |
| Sum gjeld                                  |      | 0              | 0        |



## Balanse

| <b>Beløp i: USD</b>             | <b>Note</b> | <b>2020</b>    | <b>2019</b> |
|---------------------------------|-------------|----------------|-------------|
| <b>SUM EGENKAPITAL OG GJELD</b> |             | <b>596 000</b> | <b>0</b>    |



Skatteetaten

|                               |                                    |  |
|-------------------------------|------------------------------------|--|
| Vår dato<br>05.03.2021        | Din/Deres dato<br>18.02.2021       | Saksbehandler<br>Lars Waalorp                      |
| 800 80 000<br>Skatteetaten.no | Din/Deres referanse<br>AR416782275 | Telefon<br>90833418                                |
| Org.nr<br>974761076           | Vår referanse<br>2021/5222544      | Postadresse<br>Postboks 9200 Grønland<br>0134 OSLO |

NMI CLIMATE SMART FUND AS  
c/o Nordic Microfinance Initiative  
0160 OSLO

Att. Ole Sandsbraaten

## Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk for NMI Climate Smart Fund AS, org.nr. 925 023 426

Vi viser til deres brev av 18. februar 2021 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk for NMI Climate Smart Fund AS.

Skattekontoret gir på bakgrunn av en konkret helhetsvurdering NMI Climate Smart Fund AS dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk, jf. regnskapsloven § 3-4 tredje ledd. Dispensasjonen gjelder så lenge opplysningene som danner grunnlaget for vedtaket ikke endres vesentlig.

Kopi av dette brevet må sendes til Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Den regnskapspliktige må selv dokumentere ved dette brev at tillatelse er gitt.

### Bakgrunn

NMI Climate Smart Fund AS er eid av to norske selskaper. Eierne har god kunnskap om investeringer i utlandet og har derfor god språklig kompetanse.

NMI er et samarbeid mellom det offentlige og private investorer og har som visjon å styrke fattiges stilling i utviklingsland, ved å bidra til å skape arbeid og velferd på bærekraftig grunnlag. Dette oppnås ved å investere i mikrofinansinstitusjoner i identifiserte fokusland gjennom å yte lån og egenkapital til disse. Et hovedmål for virksomheten er å yte kapital i lokal valuta i de landene fondene investerer i. Dette gjøres ved samarbeid med investeringsrådgivere, utenlandske banker og betalingsformidlere som opererer i de respektive landene. For de utenlandske samarbeidspartnerne av betalingsformidling er det et krav at det avleveres periodiske økonomiske rapporter, herunder avlagt årsregnskap og revisjonsberetning.

### Skattekontorets vurdering

Etter regnskapsloven § 3-4 tredje ledd skal "årsregnskapet og årsberetningen [...] være på norsk. Departementet kan ved [...] enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk."

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap mv., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:



"Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon."

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til "informative regnskaper for ulike grupper av regnskapsbrukere". Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter skattekontorets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Det er særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har skattekontoret lagt særlig vekt på at selskapet er eid av profesjonelle eiere og har en begrenset eierkrets. Videre er det vektlagt at alle sentrale aktører og samarbeidspartnere behersker og benytter engelsk.

Vennligst oppgi vår referanse ved henvendelse i saken.

Med hilsen

Lars Waalorp  
seniorrådgiver  
Brukerdialog, brukerkontakt  
Skatteetaten

*Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer.*



Annual Financial Statements

NMI CLIMATE SMART FUND AS

2020





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## ANNUAL REPORT FOR 2020

### General

NMI CLIMATE SMART FUND AS was established on March 18<sup>th</sup>, 2020 and has a registered business address in Oslo. The accounting period covers the period from 18 March 2020 until 31 December 2020.

The objective of the company is to carry on the business of an investor, through lending activities, principally in microfinance institutions (MFI) that give attractive financial products to Indonesian smallholders so they can intensify work on their existing plots instead of clearing rainforest. The Company may also provide training for the farmers and microfinance institutions and facilitate control with land use.

In accordance with Section 3-3a of the Norwegian Accounting Act, it is confirmed that the prerequisites for continued operations have been met and the Financial Statements have been prepared based on this assumption.

The company's functional currency is USD, and the financial statements are prepared and recorded in USD. The financial statements are prepared in accordance with IFRS.

The company does not have any employees and does not pollute the external environment. The investments are managed by the Fund Manager Nordic Microfinance Initiative AS.

### Comments on the annual financial statements

Since the company inception, the Fund Manager have validated institutions for distribution of funds to smallholders as well as identified geographical areas for initial projects. As of December 2020, there have been no lending to institutions, but the company anticipate to disburse the first funding in 2021.

The company's assets as of yearend include primarily bank deposits. Bank deposits are achieving a satisfactory return based on the time horizon for when the assets are to be available for investments and operations.

The profit for the year constitutes of interest income from debt investments, an increase in fair value of investments and operating expenses as well as management fees to the portfolio manager Nordic Microfinance Initiative AS. NMI GP IV AS is the General Partner of the company.

### Future outlook

The company will in 2021 focus on investing further according to the investment strategy and expect to give loans to smallholders on Kalimantan through Microfinance Institutions or Fintech Companies in Indonesia.

The spread of COVID-19 virus will impact number of disbursements in 2021 until the pandemic is under control.

### Financial risk

#### *Overall objectives and strategy*

The company is exposed to financial risk in various areas, particularly foreign exchange and credit risk. The objective is to reduce unwanted financial risk to the greatest extent possible by investing in different size of institution. The company's current strategy may include use of financial instruments to mitigate currency risk.





*Currency risk*

The company is exposed to currency exchange rate fluctuations, since the paid-in capital is in NOK, while future investments in the Fund will be made in Indonesian Rupia (IDR). The company may enter into forward contracts or other agreements to reduce the company's foreign exchange risk. The company is also exposed to fluctuations in interest rates since some of the company's assets may have floating interest rates.

*Credit risk*

The short-term credit risk is essentially related to the bankruptcy risk associated with bank deposits. The long-term credit risk is related to the company's future investments and debt investments in particular.

*Liquidity risk*

The company considers the liquidity in the company to be good. The investment portfolio, however, will be in instruments that usually are not traded on regular markets and may be difficult to convert into liquid assets on short notice.

**Allocation of profit / (loss) for the year**

The financial statements for 2020 show a profit of USD 24 thousand, which has been allocated as follows:

|                                     |                        |
|-------------------------------------|------------------------|
| <u>Charged to Retained earnings</u> | <u>USD 24 thousand</u> |
| <u>Total allocations</u>            | <u>USD 24 thousand</u> |

Reference is made to the notes for a summary of the company's equity and ownership structure.

Oslo, 12 May 2021

Arthur Sletteberg  
Chairman of the Board

Thomas Klungsoyr  
Board Member

Ole Peder Sandsbraaten  
Board Member

Elin Ersdal  
Managing Director





NMI CLIMATE SMART FUND AS - Income Statement

|  |              | 18.03.2020        |
|--|--------------|-------------------|
|  |              | -                 |
| <b>Total Comprehensive Income</b>        | <b>Notes</b> | <b>31.12.2020</b> |
| <i>Amounts in USD thousands</i>          |              |                   |
| <b>Operating Income</b>                  |              |                   |
| Net Foreign Exchange Gain / (Loss)       |              | 24                |
|  |              | 24                |
| <b>Operating Expenses</b>                |              |                   |
| Other General Expense                    |              | (1)               |
|  |              | (1)               |
| <b>Profit / (Loss) before income tax</b> |              | 24                |
| Income tax expense                       | 3            | -                 |
| <b>Profit / (Loss) for the year</b>      |              | 24                |





NMI CLIMATE SMART FUND AS - Statement of Financial Position

| <u>Assets</u>                       | <u>Notes</u> | <u>12/31/2020</u> |
|-------------------------------------|--------------|-------------------|
| <i>Amounts in USD thousands</i>     |              |                   |
| <b>Current Assets</b>               |              |                   |
| Cash and Cash Equivalents           | 5            | 596               |
| <b>Total Current Assets</b>         |              | <u>596</u>        |
| <b>Total Assets</b>                 |              | <u><b>596</b></u> |
| <br>                                |              |                   |
| <u>Equity and Liabilities</u>       | <u>Notes</u> | <u>12/31/2020</u> |
| <b>Equity</b>                       |              |                   |
| Share Capital                       |              | 172               |
| Other reserves                      |              | 424               |
| <b>Total Equity</b>                 | 4            | <u><b>596</b></u> |
| <br>                                |              |                   |
| <b>Current Liabilities</b>          |              |                   |
| Other Payables and Accrued Expenses |              | 0                 |
| <b>Total Current Liabilities</b>    |              | <u>0</u>          |
| <br>                                |              |                   |
| <b>Total Liabilities</b>            |              | <u>0</u>          |
| <b>Total Equity and Liabilities</b> |              | <u><b>596</b></u> |

Oslo, 12 May 2021

Arthur Sletteberg  
Chairman of the Board

Thomas Klungsøyr  
Board Member

Ole Peder Sandsbraaten  
Board Member

Elin Ersdal  
Managing Director





## NMI CLIMATE SMART FUND AS - Statement of Cashflow

|  |              | 18/03/2020        |
|--|--------------|-------------------|
|  |              | -                 |
| <i>Amounts in USD thousands</i>  | <i>Notes</i> | <b>31.12.2020</b> |
| <b>Cash Flows from Operating Activities</b>                                  |              |                   |
| Profit / (Loss) after Tax  |              | 24                |
| Net changes in Operating Assets and Liabilities                              |              |                   |
| Increase/(Decrease) in Other Payables  |              | 0                 |
| <b>Net Cash Flow from Operating Activities</b>                               |              | <b>24</b>         |
| <b>Investment Activities</b>   |              |                   |
| Purchase of Financial Assets available at Fair Value through Profit and Loss |              | -                 |
| (Increase)/Decrease in Loans and Receivables                                 |              | -                 |
| <b>Net Cash Flow from Investment Activities</b>                              |              | <b>-</b>          |
| <b>Financing Activities</b>  |              |                   |
| Proceeds from Issue of Capital   |              | 573               |
| <b>Net Cash Flow from Financing Activities</b>                               |              | <b>573</b>        |
| Net Increase in Cash and Cash Equivalents                                    |              | 596               |
| Cash and Cash Equivalents as of Beginning of Period                          |              | -                 |
| <b>Cash and Cash Equivalents as of End of Period</b>                         | 5            | <b>596</b>        |

## NMI CLIMATE SMART FUND AS - Statement of Changes in Equity

| <i>Amounts in USD thousands</i> | <i>Notes</i> | <i>No. of shares</i> | <i>Share Capital</i> | <i>Other Reserves</i> | <i>Retained Earnings</i> | <i>Total Equity</i> |
|---------------------------------|--------------|----------------------|----------------------|-----------------------|--------------------------|---------------------|
| <b>As of 18 March 2020</b>      |              | -                    | -                    | -                     | -                        | -                   |
| Subscription of Capital         |              | 5,100                | 172                  | 401                   | -                        | 573                 |
| Profit / (Loss) for the Period  |              | -                    | -                    | -                     | 24                       | 24                  |
| Other income and costs          |              | -                    | -                    | -                     | -                        | -                   |
| Other income                    |              | -                    | -                    | -                     | 24                       | 24                  |
| Other adjustments               |              | -                    | -                    | -                     | -                        | -                   |
| <b>As of 31 December 2020</b>   |              | <b>5,100</b>         | <b>172</b>           | <b>401</b>            | <b>24</b>                | <b>596</b>          |





## Notes to the Financial Statements – NMI CLIMATE SMART FUND AS

### Note 1 – Accounting policies

#### General information

NMI Climate Smart Fund AS is a Norwegian registered limited company (the company) with a head office in Oslo. The primary objective of the company is to provide funding to small hold farmers in Indonesia to avoid deforestation of the rain forest.

#### Basis of preparation

The annual financial statements of NMI Climate Fund AS have been prepared in accordance with the International Financial Reporting Standards (IFRS), which have been issued by the International Accounting Standards Board (IASB) and approved by the EU as at 31 December 2019 and are mandatory for financial years starting on or after 1 January 2020.

The financial statements are based on the principles of historical cost accounting, with the exception of financial instruments at fair value through profit or loss, which are measured at fair value.

The Company's functional currency is USD and its presentation currency is USD, unless otherwise stated. The Financial Statements covers the accounting period 18 March 2020 until 31 December 2020.

#### Summary of significant accounting policies

##### Financial instruments – initial recognition

###### *Initial measurement of financial instruments*

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price.

###### *Date of recognition*

The purchase and sale of financial instruments is recognized on the date of the transaction, for example, the date when capital is contributed or the date for realization of units in the fund and the Company no longer has any potential gain or loss. Investment obligations are not recognized. Investment obligations are disclosed in a separate note. Capital contributions in accordance with the investment obligations are recognized on the date of the capital contribution.

###### *Measurement categories of financial assets and liabilities*

The Fund classifies all its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost
- FVOCI
- FVPL





## Financial assets and liabilities

### *Business model assessment*

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of sales are also important aspects of the Company's assessment

### *The SPPI test*

As a second step of its classification process the Company assesses the contractual terms of financial cashflows to identify whether they meet the SPPI (Solely Payments of Principal and Interest) test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

### *Financial assets and liabilities recognized at fair value with value changes through profit or loss*

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9.

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss. Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument. Interest earned on assets mandatorily required to be measured at FVPL is recorded using contractual interest rate. Dividend income from equity instruments measured at FVPL is recorded in profit or loss as other operating income when the right to the payment has been established.

Financial instruments that qualify and are designated as instruments recognized at fair value with value changes through profit or loss include equity instruments that are not held for trading purposes. These instruments are designated based on the fact that they are part of a group of instruments that are measured and managed at fair value in accordance with risk management – and the Company's investment strategy. The fair value is reported internally to the portfolio manager and the partnership meeting.



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 measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

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.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Fair Value of Financial Instruments that are not traded in an active market is determined by a other appropriate valuation techniques. These techniques might include recent arm's length market transactions between well informed and voluntary parties if available, reference to cash flow calculations or other valuation techniques.

#### *Held-to-maturity financial investments*

Loans and trade receivables are held to collect (contractual cash flows) and give rise to cash flows representing solely payments of principal and interest. The criteria for measuring at amortized cost under IFRS 9 are met and as such there have not been a reclassification of these instruments. Loans and receivables include interest-bearing loans, dividends, interest income, advance payments and other receivables. After the initial recognition, loans and receivables are measured at amortized cost by means of the EIR method less write-downs. Discounts and premiums and directly attributable transaction costs are taken into account when the amortized cost is calculated. The amortization effect is recognized as operating revenue in the income statement.

#### **Derecognition**

A financial asset is primarily derecognized when:

- The rights to receive cash flows from the asset have expired

Or

- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

#### **Impairment of financial assets**

The company applies a three-stage approach when measuring expected credit loss (ECL) for all loans and other debt financial assets not held at FVPL.

- A financial instrument that is not purchased or originated credit impaired is classified as stage 1 with 12-month ECL. 12-month ECL is measured at an amount equal to the portion of lifetime ECL that results from possible default events within the next 12 months.
- If a significant increase in credit risk since initial recognition is identified the financial instrument is moved to stage 2 with lifetime ECL measurement.



- An increase in credit risk reflects both customer-specific circumstances and developments in relevant macro risk drivers for the segment where the customer belongs. The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.
- If credit risk deteriorates further, and the financial instrument is assessed to be credit impaired, the financial instrument is moved to stage 3 with lifetime ECL measurement. As opposed to stage 1 and 2, the effective interest rate is calculated on amortised cost instead of the gross carrying amount.
- The loss provision for financial assets in stage 1 and stage 2 is calculated as the present value of exposure at default (EAD) multiplied by the probability of default (PD) multiplied by loss given default (LGD), and discounted by using the effective interest rate (EIR)
- Due to the nature of the underlying loan portfolio individual assessments are performed for all three stages.

### **Net presentation of financial instruments**

Financial assets and liabilities are recognized on a net basis only if there is a valid legal set-off right and there is an intention to settle on a net basis or to realize the asset item and liability simultaneously.

### **Cash and short-term liquid investments**

Cash and short-term investments on the balance sheet include bank deposits, cash at hand and short-term liquid investments with a maximum term of three months.

### **Revenue recognition**

IFRS 15 *Revenue from Contracts with Customers* established a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

### *Interest income*

Interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortized cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortized cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Company recognizes interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognizes the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk. The adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the balance sheet with an increase or reduction in interest income. The adjustment is subsequently amortized through Interest and similar income in the income statement.

The Company calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets





When a financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3', the Company calculates interest income by applying the effective interest rate to the net amortized cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Company reverts to calculating interest income on a gross basis.

#### *Dividends*

Dividends are recognized when the Company's right to receive a dividend has been established.

#### **Transactions in foreign currencies**

The company's functional currency is USD. Transactions in foreign currency are translated using the exchange rate on the date of the transaction. Monetary items in foreign currency are translated to USD using the exchange rate on the balance sheet date. Non-monetary items that are measured at the historical exchange rate and presented in a foreign currency are translated to USD using the exchange rate on the date of the transaction. Non-monetary items measured at fair value and presented in foreign currency are translated using the exchange rate established on the balance sheet date. Changes in exchange rates are recognized on a current basis during the accounting period.

#### **Provisions**

A provision is recognized when the company has an obligation (legal or self-imposed) as a consequence of an earlier event, and it is probable (more probable than not) that a financial settlement will be made as a consequence of the obligation and the size of the amount can be measured reliably.

#### **Distribution of dividends**

The distribution of dividends is adopted by the company. Dividends reduce the retained earnings. Proposed dividends are recognized as an obligation during the period that the dividends are adopted by the partnership meeting.

#### **Equity**

The partners' capital contribution commitments are in NOK. Capital contributions are measured at the exchange rate on the payment date. Uncalled capital is measured at the exchange rate on the balance sheet date.

#### **Segment information**

For management purposes, the company is organized as an operating segment that invests in equity instruments, debt instruments and related derivatives. All activities are coordinated and mutually dependent on each other. As a consequence of this, all the operative decisions are based on an analysis of the company as a single operating segment and financial reporting for this segment is equivalent overall to the company's reporting. The companies operating revenue is presented by geographic area and investment class in Note 3.

#### **Standards issued but not yet effective**

The standards and interpretations, which are adopted up until the time for the submission of the financial statements but where the effective date is in the future, are given below. The Company intends to implement the relevant changes on the effective date, provided that the EU approves the changes before the submission of the accounts.

Currently there are no standards that will become effective in the short term and impact the financial statements.



**Critical accounting estimates and assumptions**

When preparing the annual financial statements, the management must use estimates and assumptions that affect the amounts reported for assets, liabilities, income and costs. Uncertainty related to these estimates may entail a significant correction of the reported amount for assets and liabilities in future periods.

Significant sources for the assessment of uncertainty and assumptions in connection with the preparation of the annual financial statements are stated below.

*Fair value of financial instruments*

For instances where the fair value of financial assets or liabilities in the annual financial statements cannot be verified in active markets, the valuation will be based on other valuation methods, including cash flow models. The data for such models is derived from observable markets where such data is available. If such data is not available, then an assessment is made to estimate the fair value. This assessment includes elements such as liquidity risk, credit risk and volatility. Changes in the assumptions for these factors may affect the reported fair value of the financial instrument.

**Note 2 – Financial risk and the management's objectives and guidelines****Introduction**

The aim of the company's risk management is to create value and protect the partners' assets. The company's activities are associated with inherent risk including political and regulatory risk factors in the countries the investments are made. Some risk factors, such as political and regulatory risk can be substantial in the markets where the Fund operates, but the portfolio manager has limited tools to mitigate these risk factors. Other risk factors are managed through a continuous process of risk identification, measurement and monitoring.

**Risk management, measurement and systems**

The portfolio manager regularly monitors risk factors that affect the company and regularly reports significant changes in risk factors to the Board of the Fund.

**Reduction of risk**

In its general investment guidelines, the company has defined strategies, risk tolerance and an overarching philosophy for risk management. The company may make use of derivatives and other instruments in connection with its risk management activities. The portfolio manager assesses the risk profile of each investment before any financial hedging transactions are carried out.

The effectiveness of the hedging is assessed by the Board of the Fund and is based on financial factors without reference to the hedging rules under IFRS. The effectiveness of all the relationships surrounding hedging are monitored quarterly.

**Concentration of risk**

The concentration of risk indicates the relative sensitivity of the company's development within a particular sector or geographic area. The concentration of risk arises when a number of financial instruments are entered into with the same counterparty, or when a number of counterparties are in the same sector, or have activities within the same geographic area, or have similar financial characteristics that will affect their ability to fulfill contractual obligations and result in a similar impact for financial, political or other prerequisites.

The concentration of foreign exchange risk may arise if the company has a significant net open position in an individual currency, or aggregated net open position in multiple currencies that tend to move in the same direction. The fund will only invest in Indonesia and therefore have concentration risk in the portfolio and in currency. The fund will consider ways to mitigate the currency risk.



## 1. Market risk

Market risk is the risk that the fair value of future cash flows from financial instruments will vary due to changes in market variables such as interest rates, foreign exchange and equity prices. Such types of risk are presented in detail below.

### *1a. Interest rate risk*

Interest rate risk arises due to the fact that the probability of fluctuations in interest rate levels will affect future cash flows or the fair value of financial instruments. The company is exposed to interest rate fluctuations to a limited extent since the financial assets with an interest rate risk may have a fixed margin.

### *1b. Foreign exchange risk*

The foreign exchange risk is the risk that the value of a financial instrument will vary in accordance with exchange rate fluctuations. The company's investments are recognized to some extent in a foreign currency other than USD. As a result of this, the value of the company's assets may vary as a result of exchange rate fluctuations, and the company is thus affected by such fluctuations.

## 2. Liquidity risk

Liquidity risk is defined as the risk the company is exposed to as a result of difficulties in redeeming financial obligations through settlement by cash or other financial assets. Exposure to liquidity risk arises from the probability that the company will be required to redeem its obligations. The company can be dissolved after 8 years and the investors may not demand that the committed capital be returned during this 8-year period.

The company invests primarily in microfinance institutions and loans to microfinance institutions. Investments in funds of this type are in general illiquid and lack an active market for the trading of units. In addition, some of the investments are made for a defined period of time, in which the company is obligated to make additional investments.

The company's guidelines place restrictions on loan-financed investments, thereby reducing exposure to liquidity risk and the risk related to the remaining term to maturity for assets and liabilities.

### **Financial assets**

The analysis of equity and debt instruments at fair value through profit or loss is based on the date when these assets are expected to be realized. For other assets, they are classified based on the remaining term to maturity from the balance sheet date to the contractual maturity date or, if earlier, the date the asset is expected to be realized.

## 3. Credit risk

Credit risk is the risk that arises when a counterparty to a financial instrument may inflict a financial loss on the company by not being able to fulfill his payment obligation.

The company is exposed to credit-related losses that can arise as a result of a counterparty not being able to or willing to honor his contractual obligations. Such credit exposure exists within financing relationships, derivatives and other transactions. It is the company's policy to enter into financial instruments with respected





counterparties. It is the company's policy that the portfolio manager shall carefully monitor the creditworthiness of counterparties and seek the termination of contracts in the event of an undesirable change.

The table below shows the company's maximum exposure to credit risk at the end of the accounting period. The maximum exposure is shown gross, before any reduction for hedged values.

|                                   | <b>31 December</b> |
|-----------------------------------|--------------------|
|                                   | <b>2020</b>        |
| <i>Amounts in USD thousands</i>   |                    |
| <b>Credit risk exposure</b>       |                    |
| <b>Assets</b>                     |                    |
| Cash at Banks                     | 596                |
| Prepayments and Other Receivables | -                  |
| <b>Total Credit Risk Exposure</b> | <b>596</b>         |





**Note 3 – Tax**

| <b>Breakdown of income tax expense</b> | <b>2020</b> |
|--|-------------|
| <i>All amounts in USD thousands</i>    |             |
| Tax payable                            | -           |
| Change in deferred tax                 | -           |
| <b>Total income tax expense</b>        | <b>-</b>    |

| <b>Calculation of basis for tax payable</b>                    | <b>2020</b> |
|--|-------------|
| <i>All amounts in USD thousands</i>                            |             |
| Profit/(loss) before tax                                       | 24          |
| Permanent differences  | -           |
| Taxable profit/(loss) from companies assessed as a partnership | -           |
| Temporary differences  | -           |
| Utilisation of carry-forward losses                            | -           |
| <b>Tax base</b>  | <b>24</b>   |

| <b>Breakdown of temporary differences:</b> | <b>2020</b> |
|--|-------------|
| <i>All amounts in USD thousands</i>        |             |
| Current assets                             | -           |
| Accrued liabilities                        | -           |
| Tax loss carryforward                      | -           |
| <b>Total</b>                               | <b>-</b>    |

| <b>Effective tax rate</b>              | <b>2020</b> |
|--|-------------|
| <b>All amounts in USD thousands</b>    |             |
| <i>Expected tax</i>                    |             |
| Permanent differences                  | -           |
| Overaccrued tax previous year          | -           |
| <b>Income tax expense for the year</b> | <b>-</b>    |
| Effective tax rate% *)                 | 0%          |

\*) Income tax expense in relation to profit/(loss) before tax.  
NMI Climate Smart Fund AS has not recognized any deferred tax asset on temporary differences as of 31 December 2020.





## Note 4 – Partnership capital and partners

| <u>Investors</u>                  | <u>No. Of Shares</u> | <u>Ownership</u> | <u>Voting Share</u> |
|-----------------------------------|----------------------|------------------|---------------------|
| Nordic Microfinance Initiative AS | 100,000              | 1.96%            | 1.96%               |
| Norfund                           | 5,000,000            | 98.04%           | 98.04%              |
| <b>Total</b>                      | <b>5,100,000</b>     | <b>100.0%</b>    | <b>100.0%</b>       |

## Note 5 – Capital management

The total committed capital is approximately NOK 53 470 000 and will be injected when a need for capital arises in connection with investments or the operations. The company is not affected by external capital requirements and there are restrictions on the issuance of new capital as well as the purchase and sale of ownership interests.

The purpose of the company's management of capital is to:

- Employ the capital to make investments as described in the investment mandate.
- Achieve a consistent return, which includes the protection of capital through diversified investments, participation in derivatives or other advanced instruments in the capital market and may use various hedging strategies and techniques.
- Maintain satisfactory liquidity to support the company's operations.

## Note 5 – Cash and cash equivalents

|                                 | <u>31 December 2020</u> |
|---------------------------------|-------------------------|
| <i>Amounts in USD thousands</i> |                         |
| Cash at Banks                   | 596                     |
| Short-term Deposits             | -                       |
| <b>Total</b>                    | <b>596</b>              |

## Note 6 – Employees

The company did not have any employees in 2020.

## Note 7 – Subsequent events

The period after the closing of the accounting period and the presentation of the accounts, the company has not made significant investments.





## Verification

Transaction 09222115557447011974

### Document

**Financial Statements NMI CSF AS 2020 - for signing**

Main document

17 pages

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*Finalised on 2021-05-18 17:04:36 CEST (+0200)*

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## INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of NMI Climate Smart Fund AS

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of NMI Climate Smart Fund AS, which comprise the balance sheet as at 31 December 2020, statements of comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2020 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

#### Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's *responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, 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 other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company 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 about 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 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 these financial statements. As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also

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

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.

## Report on other legal and regulatory requirements

### Opinion on the Board of Directors' report

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

### Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Independent auditor's report - NMI Climate Smart Fund AS

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Oslo, 19 May 2021  
ERNST & YOUNG AS

*The auditor's report is signed electronically*

Johan-Herman Stene  
State Authorised Public Accountant (Norway)

Penneo Dokumentnøkkel: HIX12-7Z3SS-KKEKO-CV35P-O2ECE-GIWD4



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## Johan-Herman Stene

Statsautorisert revisor

On behalf of: Ernst & Young AS

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