



## ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

### Enheten

Organisasjonsnummer: 922 240 906  
Organisasjonsform: Kommandittselskap  
Foretaksnavn: NMI FUND IV KS  
Forretningsadresse: c/o Nordic Microfinance Initiative  
Rosenkrantz' gate 22  
0160 OSLO

### Regnskapsår

Årsregnskapets periode: 01.01.2020 - 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: 29.04.2021

### 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, 12.06.2022



### Resultatregnskap

Beløp i: USD	Note	2020	2019
<b>RESULTATREGNSKAP</b>			
<b>Kostnader</b>			
Annen driftskostnad		2 549 000	2 219 000
<b>Sum kostnader</b>		<b>2 549 000</b>	<b>2 219 000</b>
<b>Driftsresultat</b>		<b>-2 549 000</b>	<b>-2 219 000</b>
<b>Finansinntekter og finanskostnader</b>			
Annen renteinntekt		1 392 000	993 000
Annen finansinntekt		154 000	0
<b>Sum finansinntekter</b>		<b>1 546 000</b>	<b>993 000</b>
Verdireduksjon andre finansielle instrumenter vurdert til virkelig verdi		2 060 000	49 000
Annen finanskostnad		0	545 000
<b>Sum finanskostnader</b>		<b>2 060 000</b>	<b>594 000</b>
<b>Netto finans</b>		<b>-514 000</b>	<b>399 000</b>
<b>Ordinært resultat før skattekostnad</b>		<b>-3 063 000</b>	<b>-1 820 000</b>
Skattekostnad på ordinært resultat	7	194 000	83 000
<b>Ordinært resultat etter skattekostnad</b>		<b>-3 257 000</b>	<b>-1 903 000</b>
<b>Årsresultat</b>		<b>-3 257 000</b>	<b>-1 903 000</b>



### Balanse

Beløp i: USD	Note	2020	2019
<b>BALANSE - EIENDELER</b>			
<b>Anleggsmidler</b>			
<b>Immaterielle eiendeler</b>			
<b>Finansielle anleggsmidler</b>			
Investeringer i aksjer og andeler	4	16 265 000	11 016 000
Andre fordringer		10 740 000	10 916 000
<b>Sum finansielle anleggsmidler</b>		<b>27 005 000</b>	<b>21 932 000</b>
<b>Sum anleggsmidler</b>		<b>27 005 000</b>	<b>21 932 000</b>
<b>Omløpsmidler</b>			
<b>Varer</b>			
<b>Fordringer</b>			
Kundefordringer		365 000	273 000
<b>Sum fordringer</b>		<b>365 000</b>	<b>273 000</b>
<b>Bankinnskudd, kontanter og lignende</b>			
Bankinnskudd, kontanter og lignende	10	23 164 000	4 031 000
<b>Sum bankinnskudd, kontanter og lignende</b>		<b>23 164 000</b>	<b>4 031 000</b>
<b>Sum omløpsmidler</b>		<b>23 529 000</b>	<b>4 304 000</b>
<b>SUM EIENDELER</b>		<b>50 534 000</b>	<b>26 236 000</b>
<b>BALANSE - EGENKAPITAL OG GJELD</b>			
<b>Egenkapital</b>			
<b>Innskutt egenkapital</b>			
Selskapskapital	8	55 526 000	28 139 000
Overkurs		153 000	
<b>Sum innskutt egenkapital</b>		<b>55 679 000</b>	<b>28 139 000</b>
<b>Opptjent egenkapital</b>			



## Balanse

<b>Beløp i: USD</b>	<b>Note</b>	<b>2020</b>	<b>2019</b>
Udekket tap		5 160 000	1 903 000
<b>Sum opptjent egenkapital</b>		<b>-5 160 000</b>	<b>-1 903 000</b>
<b>Sum egenkapital</b>		<b>50 519 000</b>	<b>26 236 000</b>
<b>Sum langsiktig gjeld</b>		<b>0</b>	<b>0</b>
<b>Kortsiktig gjeld</b>			
Annen kortsiktig gjeld		15 000	
<b>Sum kortsiktig gjeld</b>		<b>15 000</b>	
<b>Sum gjeld</b>		<b>15 000</b>	<b>0</b>
<b>SUM EGENKAPITAL OG GJELD</b>		<b>50 534 000</b>	<b>26 236 000</b>



Annual Financial Statements

NMI FUND IV KS

2020





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## ANNUAL REPORT FOR 2020

### General

NMI Fund IV KS was established on January 25<sup>th</sup>, 2019 and has a registered business address in Oslo. The accounting period covers the period from 1 January 2020 until 31 December 2020.

The objective of the company is to invest in and provide loans to emerging microfinance institutions (MFI) or financial inclusion companies in an expansion phase operating in emerging markets. Investments can be made directly in an MFI, through microfinance vehicles, or syndications according to the investment strategy of the Company.

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.

### Comments on the annual financial statements

Since the company inception, the company has invested in four institutions and continues to build a solid pipeline in South East Asia and Sub-Saharan Africa. The company has commitments from investors of a total of NOK 1,078 million. As of the end of 2020 the company had called capital from limited partners of NOK 496 million, equal to 46 % of the total Partnership capital.

The company's assets include investments and 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.

At year end, the fund had made investments of USD 27 million which represents 53% of the company's paid in capital. The company made a total negative return to investors of 8.4 % in 2020, calculated as Profit divided by average Total Equity primarily due to impact from Covid-19 on underlying investments.

### Outlook

The company will in 2021 focus on investing further according to the investment strategy.

The spread of COVID-19 virus will impact the valuation of the investment portfolio in 2021. At the point of issuing the Financial Statements, impact from Covid for certain regions are less prominent. Other regions and institutions are still facing issues. In the longer perspective, The Fund and Fund Manager will monitor and assess the situation on an ongoing basis and make necessary steps and action to support the investees when needed.

### 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 countries, size of institution, and financial instruments. 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, especially USD, since the paid-in capital is in NOK, while the financial statements are prepared in USD. In addition, the company has made investments in currencies other than its functional currency. 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 have floating interest rates.

*Credit risk*

The short-term credit risk is mainly related to the bankruptcy risk associated with bank deposits. The long-term credit risk is primarily related to the company's investments and debt investments.

*Liquidity risk*

The company considers the liquidity in the company to be good. The investment portfolio, however, is 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**

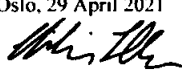
The financial statements for 2020 show a loss of USD 3,257 million, which has been allocated as follows:

<u>Charged to Retained earnings</u>	USD 3,257 million
Total allocations	USD 3,257 million

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


Oslo, 29 April 2021

  
Norfund

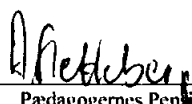
  
Ferd AS

  
Kommunal Landspensjonskasse

  
Investment Fund for  
Developing Countries

  
DNB Livsforsikring AS

  
TD Veen AS

  
Pædagogernes Pension

  
LF Investment ApS

  
Koldingvej 2, Billund A/S

  
NMI GP IV AS  
General Partner





**NMI FUND IV KS - Income Statement**

		01.01.2020	25.01.2019
		-	-
<b>Total Comprehensive Income</b>	Notes	<b>31.12.2020</b>	<b>31.12.2019</b>
<i>Amounts in USD thousands</i>			
<b>Operating Income</b>			
Interest Income		1 392	993
Received Dividend			-
Net Gains / (Losses) on Financial Assets and Liabilities at Fair Value through Profit or Loss	4	(2 060)	(49)
Credit loss expenses on financial assets	4		-
Net Foreign Exchange Gain / (Loss)	3	<u>154</u>	<u>(545)</u>
		<u>(515)</u>	<u>399</u>
<b>Operating Expenses</b>			
Management Fees		(2 451)	(2 022)
Transaction costs			-
Other General Expense		<u>(98)</u>	<u>(197)</u>
		<u>(2 549)</u>	<u>(2 219)</u>
<b>Operating Profit / (Loss)</b>		<u><b>(3 063)</b></u>	<u><b>(1 820)</b></u>
Withheld tax	7	(194)	(83)
<b>Profit / (Loss) for the year</b>		<u><b>(3 257)</b></u>	<u><b>(1 903)</b></u>
<b>Other Income</b>		<u>-</u>	<u>-</u>





NMI FUND IV KS - Statement of Financial Position

Assets	Notes	31.12.2020	31.12.2019
<i>Amounts in USD thousands</i>			
<b>Non-Current Assets</b>			
Financial Assets			
At Fair Value through Profit and Loss	4	16 265	11 016
Debt instruments at amortised cost		10 740	10 916
		<u>27 005</u>	<u>21 932</u>
<b>Current Assets</b>			
Other Receivables and Prepayments		365	273
Cash and Cash Equivalents	10	23 164	4 031
		<u>23 529</u>	<u>4 304</u>
<b>Total Assets</b>		<u><b>50 534</b></u>	<u><b>26 236</b></u>
<b>Equity and Liabilities</b>			
Equity			
General Partner Capital		12 482	10 050
Limited Partner Capital		111 296	87 955
Additional paid in premium		153	-
Uncalled Capital from Partners		(68 252)	(69 866)
	8	<u>55 679</u>	<u>28 139</u>
Retained Earnings		(5 160)	(1 903)
<b>Total Equity</b>		<u><b>50 519</b></u>	<u><b>26 236</b></u>
<b>Current Liabilities</b>			
Other Payables and Accrued Expenses		16	-
<b>Total Current Liabilities</b>		<u>16</u>	<u>-</u>
<b>Total Liabilities</b>		<u>16</u>	<u>-</u>
<b>Total Equity and Liabilities</b>		<u><b>50 534</b></u>	<u><b>26 236</b></u>

Oslo, 29 April 2021

Norfund

Ferd AS

Kommunal Landspensjonskasse

Investment Fund for  
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Koldingvej 2, Billund A/S

LF Investments ApS

NMI GP IV AS





NMI FUND IV KS - Statement of Cashflow

		01.01.2020	25.01.2019
<i>Amounts in USD thousands</i>	Notes	31.12.2020	31.12.2019
<b>Cash Flows from Operating Activities</b>			
Profit / (Loss) after Tax		(3 257)	(1 903)
Net changes in Operating Assets and Liabilities			
(Increase)/Decrease in Other Receivable		(92)	(264)
Increase/(Decrease) in Other Payables		16	0
<b>Net Cash Flow from Operating Activities</b>		<b>(3 334)</b>	<b>(2 166)</b>
<b>Investment Activities</b>			
Purchase of Financial Assets available at Fair Value through Profit and Loss		(5 249)	(11 016)
(Increase)/Decrease in Loans and Receivables		176	(10 926)
<b>Net Cash Flow from Investment Activities</b>		<b>(5 073)</b>	<b>(21 942)</b>
<b>Financing Activities</b>			
Proceeds from Issue of Capital		27 540	28 139
<b>Net Cash Flow from Financing Activities</b>		<b>27 540</b>	<b>28 139</b>
Net Increase in Cash and Cash Equivalents		19 133	4 031
Cash and Cash Equivalents as of Beginning of Period		4 031	-
<b>Cash and Cash Equivalents as of End of Period</b>	10	<b>23 164</b>	<b>4 031</b>

NMI FUND IV KS - Statement of Changes in Equity

<i>Amounts in USD thousands</i>	Notes	Committed Capital General Partner	Committed Capital Limited Partners	Additional Paid in Premium	Uncalled Committed Capital of Limited Partners	Retained Earnings	Total Equity
<b>As of 1 January 2020</b>		10,050	87,955	-	(69,865)	(1,903)	26,236
Profit / (Loss) for the Period		-	-	-	-	(3,257)	(3,257)
Other Income		-	-	-	-	-	-
Total Comprehensive Income / (Loss)		-	-	-	-	(3,257)	(3,257)
Subscription of Capital		2,390	21,513	151	3,486	-	27,540
Revaluation of Uncalled Capital		42	1,828	2	(1,872)	-	-
<b>As of 31 December 2020</b>		<b>12,482</b>	<b>111,296</b>	<b>153</b>	<b>(68,252)</b>	<b>(5,160)</b>	<b>50,519</b>
<b>As of 25 January 2019</b>		-	-	-	-	-	-
Profit / (Loss) for the Period		-	-	-	-	(1,903)	(1,903)
Other Income		-	-	-	-	-	-
Total Comprehensive Income / (Loss)		-	-	-	-	(1,903)	(1,903)
Subscription of Capital		10,050	89,443	-	(71,353)	-	28,139
Revaluation of Uncalled Capital		-	(1,488)	-	1,488	-	(0)
<b>As of 31 December 2019</b>		<b>10,050</b>	<b>87,955</b>	<b>-</b>	<b>(69,865)</b>	<b>(1,903)</b>	<b>26,236</b>



## Notes to the Financial Statements – NMI FUND IV KS

### Note 1 – Accounting policies

#### General information

The annual financial statements for NMI Fund IV KS for 2020 were adopted at the partnership meeting of 29 April 2021. NMI Fund IV KS is a Norwegian registered limited partnership company (the company) with a head office in Oslo.

#### Basis of preparation

The annual financial statements of NMI Fund IV KS 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 1 January 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.

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- 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 each of the countries the investments operate in. 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 Investment Committee and the Board of the portfolio manager. The company uses a broad range of sources to access the significant risk factors for each investment and makes use of an independent third-party for the assessment of derivatives and the effectiveness of hedging transactions.

#### **Reduction of risk**

In its general investment guidelines, the company has defined strategies, risk tolerance and an overarching philosophy for risk management. The company makes 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 Investment Committee 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. For any ineffective hedging situations, the portfolio manager will be instructed to enter into new hedging contracts to limit the risk on a continuous basis, including restructuring and the possible establishment of counter positions for the existing hedging.

#### **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. To avoid the concentration of risk, the company's policy and procedures provide specific guidelines for maintaining a diversified portfolio. The portfolio manager has been instructed to reduce exposure or use derivatives to manage risk concentration when it arises.

### 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 most of the financial assets with an interest rate risk have a fixed margin.

The table below illustrates the various accounting items that are exposed to interest rate risk. The company's accounting items are recognized at fair value and classified according to the earlier of the contractual renewal or maturity date.

	31 December 2020					Total
	0-3 months	3-6 months	6 months - 1 year	1-5 years	Non-interest bearing	
<i>Amounts in USD thousands</i>						
<b>Assets</b>						
Cash and Cash Equivalents	23,164	-	-	-	-	23,164
Prepayments and Other Receivables	-	-	-	-	365	365
<b>Financial Assets</b>						
at Fair Value through Profit and Loss	-	-	-	-	16,265	16,265
Debt instruments at amortised cost	-	-	-	10,740	-	10,740
<b>Total Assets</b>	<b>23,164</b>	<b>-</b>	<b>-</b>	<b>10,740</b>	<b>16,630</b>	<b>50,535</b>
<b>Liabilities</b>						
Other Payables and Accrued Expenses	-	16	-	-	-	16
<b>Total Liabilities</b>	<b>-</b>	<b>16</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16</b>
<b>Total Interest Sensitivity Gap</b>	<b>23,164</b>	<b>(16)</b>	<b>-</b>	<b>10,740</b>	<b>16,630</b>	<b>50,519</b>

	31 December 2019					Total
	0-3 months	3-6 months	6 months - 1 year	1-5 years	Non-interest bearing	
<i>Amounts in USD thousands</i>						
<b>Assets</b>						
Cash and Cash Equivalents	4,031	-	-	-	-	4,031
Prepayments and Other Receivables	-	-	-	-	273	273
<b>Financial Assets</b>						
at Fair Value through Profit and Loss	-	-	-	-	11,016	11,016
Debt instruments at amortised cost	-	-	-	10,916	-	10,916
<b>Total Assets</b>	<b>4,031</b>	<b>-</b>	<b>-</b>	<b>10,916</b>	<b>11,289</b>	<b>26,236</b>
<b>Liabilities</b>						
Other Payables and Accrued Expenses	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Interest Sensitivity Gap</b>	<b>4,031</b>	<b>-</b>	<b>-</b>	<b>10,916</b>	<b>11,289</b>	<b>26,236</b>





**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.

The primary purpose of the financial hedging of currency fluctuations is to reduce the volatility associated with investments in a foreign currency or other assets or liabilities in a foreign currency within the scope of the company's ordinary activities. The company makes primarily use of currency swaps and forward contracts in foreign currencies to hedge financial instruments denominated in foreign currencies. Changes in the value of investments denominated in foreign currencies is reflected in part by gains or losses on the financial hedging instruments.

The following table indicates the currencies that the company has a significant exposure to as of 31 December 2020 for monetary assets and liabilities. The analysis illustrates the effect of a probable change in the USD exchange rate on the income statement, other income and costs and equity, provided all the other variables remain constant.

31 December 2020				
	Change in Currency Rate	Sensitivity to Profit/ (Loss)	Sensitivity to OCI Increase/ (decrease)	Sensitivity to Partnership's Equity Increase/ (Decrease)
<i>Amounts in USD thousands</i>				
<b>Currency</b>				
NOK	10%	-	-	-6.205
KES	10%	-260	-	-
Total		-260	-	-6.205

31 December 2019				
	Change in Currency Rate	Sensitivity to Profit/ (Loss)	Sensitivity to OCI Increase/ (decrease)	Sensitivity to Partnership's Equity Increase/ (Decrease)
<i>Amounts in USD thousands</i>				
<b>Currency</b>				
NOK	10%	-	-	-6.578
KES	10%	-275	-	-
Total		-275	-	-6.578

The table below illustrates the company's exposure to currency for assets and liabilities, respectively, at the end of the accounting period.

	31 December 2020		31 December 2019	
	Exposure to Assets	Exposure to Liabilities	Exposure to Assets	Exposure to Liabilities
	% of Assets	% of Liabilities	% of Assets	% of Liabilities
<b>Currency</b>				
KES	6.0 %	0.0 %	12.6 %	0.0 %
INR	27.1 %	0.0 %	42.0 %	0.0 %
USD	66.7 %	0.0 %	45.4 %	0.0 %
NOK	0.2 %	100.0 %	0.0 %	0.0 %
	100.0 %	100.0 %	100.0 %	0.0 %





## 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 10 years and the partners may not demand that the committed capital be returned during this 10-year period.

The company invests primarily in microfinance institutions, unlisted microfinance funds and loans to microfinance institutions or such funds, as well as swap contracts to reduce the interest rate risk and foreign exchange risk related to these investments. 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.

As at 31 December 2020 the company had approximately USD 68 million in uncalled capital from the partners. Uncalled capital is available for investments and future operations. There are no restrictions on the use of uncalled capital.

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.

### Derivatives

The portfolio manager regards the contractual maturity for derivatives to be assessed primarily for risk management and important to the comprehension of time-limited cash flows. The contractual maturity for derivatives held for trading purposes is also included in order to provide a complete picture of the liquidity profile.





The following table sums up the profile for the remaining term to maturity for financial assets and derivatives. Amounts that mature in less than six months are recognized at the carrying amount, since the effect of the discounted values are considered insignificant. Amounts related to derivatives are based on the spot prices for indices.

Amounts in USD thousands	31 December 2020					Total
	Less than 1 month	1-3 months	3-6 months	6 months - 1 year	1-5 years	
<b>Assets</b>						
Cash and Cash Equivalents	23,164	-	-	-	-	23,164
Prepayments and Other Receivables	-	-	-	-	365	365
Financial Assets						
Designated at Fair Value through Profit and Loss	-	-	-	-	16,265	16,265
Loans and Receivables	-	-	-	-	10,740	10,740
<b>Total Assets (excluding Gross Settled Derivatives)</b>	<b>23,164</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27,370</b>	<b>50,535</b>
<b>Liabilities</b>						
Derivatives Net Settled	-	-	-	-	-	-
Other Payables and Accrued Expenses	-	16	-	-	-	16
<b>Total Liabilities (excluding Gross Settled Derivatives)</b>	<b>-</b>	<b>16</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16</b>
<b>Liquidity gap</b>	<b>23,164</b>	<b>(-16)</b>	<b>-</b>	<b>-</b>	<b>27,370</b>	<b>50,519</b>

Amounts in USD thousands	31 December 2019					Total
	Less than 1 month	1-3 months	3-6 months	6 months - 1 year	1-5 years	
<b>Assets</b>						
Cash and Cash Equivalents	4,031	-	-	-	-	4,031
Prepayments and Other Receivables	-	-	-	-	273	273
Financial Assets						
Designated at Fair Value through Profit and Loss	-	-	-	-	11,016	11,016
Loans and Receivables	-	-	-	-	10,916	10,916
<b>Total Assets (excluding Gross Settled Derivatives)</b>	<b>4,031</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,205</b>	<b>26,236</b>
<b>Liabilities</b>						
Derivatives Net Settled	-	-	-	-	-	-
Other Payables and Accrued Expenses	-	-	-	-	-	-
<b>Total Liabilities (excluding Gross Settled Derivatives)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Liquidity gap</b>	<b>4,031</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,205</b>	<b>26,236</b>

### 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 credit risk related to unsettled transactions in unlisted funds is considered to be minimal since the portfolio manager makes use of other portfolio managers with a high level of creditworthiness in addition to the fact that the transactions are settled or paid by the issuance of ownership certificates. Payments are only





made after confirmations have been received. Assets sold are only delivered after the manager has received payment.

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.

<i>Amounts in USD thousands</i>	<u>31 December 2020</u>	<u>31 December 2019</u>
<b>Credit risk exposure</b>		
<b>Assets</b>		
Cash at Banks	23,164	4,031
Other Cash Equivalents	-	-
Prepayments and Other Receivables	365	273
Derivative Financial Assets	-	-
Loans and receivables	<u>10,740</u>	<u>10,916</u>
<b>Total Credit Risk Exposure</b>	<u><b>34,269</b></u>	<u><b>15,220</b></u>

None of the investments in the company's investment portfolio are credit rated.

The table below illustrates the concentration of credit risk for the company's debt portfolio by geographic region.

<b>Region</b>	<u>31 December 2020</u>	<u>31 December 2019</u>
Asia	74 %	72 %
Africa	<u>26 %</u>	<u>28 %</u>
<b>Total</b>	<u><b>100 %</b></u>	<u><b>100 %</b></u>

For direct debt investments, the portfolio manager frequently assesses credit risk. The fund provides debt investments to companies in various geographies and countries. If the fund has significant exposure to many MFIs within the same country (portfolio view) a general loan loss provision will be assessed. Apart for any general loan loss provision, the specific credit risk for each debtor is assessed and necessary loan loss provisions for the credit risk are made if agreed repayments are not received. The individual loan loss provisions at the balance sheet date and through the profit and loss statement is presented as a separate line.

### Note 3 – Distribution of business

The table below shows the geographic distribution of the company's operating income based on geographic location.

<i>Amounts in USD thousands</i>	<u>31 December 2020</u>	<u>31 December 2019</u>
Asia	-1 382	418
Africa	698	266
Europe	<u>169</u>	<u>-285</u>
<b>Total Income</b>	<u><b>-515</b></u>	<u><b>399</b></u>





The table below shows the company's operating income distributed by type of investment.

<i>Amounts in USD thousands</i>	31 December	31 December
	2020	2019
Equity securities	-2.060	-49
Debt instruments	1.377	993
Cash and cash equivalents	169	-545
<b>Total operating income</b>	<b>-515</b>	<b>399</b>

The table below shows the value of the company's direct and indirect investments, as well as loans, distributed by geographic area.

<i>Amounts in USD thousands</i>	31 December 2020		31 December 2019	
	Amount	%	Amount	%
<b>Country</b>				
India	13.598	50%	11.016	50%
Cambodia	7.896	29%	7.872	36%
Singapore	2.667	10%		0%
<b>Total Asia</b>	<b>24.161</b>	<b>89%</b>	<b>18.888</b>	<b>86%</b>
Kenya	2.845	11%	3.045	14%
<b>Total Africa</b>	<b>2.845</b>	<b>11%</b>	<b>3.045</b>	<b>14%</b>
<b>Total portfolio</b>	<b>27.005</b>	<b>100%</b>	<b>21.932</b>	<b>100%</b>

#### Note 4 – Fair value of financial instruments

The following measurement categories exist:

- Quoted prices in active markets for identical assets and liabilities (Level 1);
- The instruments that have another observable input for the asset or liability, either directly (in the form of prices) or indirectly (derived from prices) from prices other than the quoted prices mentioned under Level 1. (Level 2), and
- The instruments included as an asset or liability derived from unobservable market data (Level 3).

There have been no transfers between the levels throughout the accounting period. For all the financial instruments, the fair value is calculated by means of valuation methods.

##### Level 1:

The company does not have any financial instruments within this level.

##### Level 2:

The company does not have any financial instruments within this level.

##### Level 3:

The company invests in companies and unlisted funds, which are not quoted in an active market and may have restrictions, such as a defined period of time for ownership or other trading restrictions. Such transactions do not occur regularly and are classified under Level 3.





The Company measures Fair value of Level 3 investments regularly and can be classified as:

- **Investments in funds:** Fair Value of the investment is set by the Manager of the respective Fund and is expressed as a Net Asset Value (NAV) of the Company's investment at the end of the reporting period. The respective Fund Manager utilizes acknowledged valuation techniques.
- **Direct equity investments:** Fair values of these investments are normally measured as a multiple of the book value of the equity in these companies. For the valuation of the direct investments, the multiples are reviewed by the Company and adjusted if necessary, with respect to what the Company finds to be additional factors affecting the fair value of the investment. Other elements that are used for valuation may include multiples for recently completed transactions that are comparable.

The following table illustrates the reconciliation of the movements in fair value for the financial instruments classified as Level 3 at the start and end of the accounting period.

	31 December 2020				
	Dvara Kshetryia Gramin Fin	Light Microfinance PVT	Proximity Holding Company Pte Ltd	Sindhuja Microcredit Private Ltd	Total
<i>Amounts in USD thousands</i>					
<b>Specification of level 3</b>					
Balance at 1 January 2020	9,823	1,193	-	-	11,016
Transfer to level 2	-	-	-	-	-
Additions	-	-	2,667	4,643	7,310
Disposals and redemptions	-	-	-	-	-
Dividends	-	-	-	-	-
Total gain and loss through P&I	-2,055	-155	-	150	-2,061
<b>Balance at 31 December 2020</b>	<b>7,768</b>	<b>1,038</b>	<b>2,667</b>	<b>4,793</b>	<b>16,265</b>
	31 December 2019				
	Dvara Kshetryia Gramin Fin	Light Microfinance PVT	Proximity Holding Company Pte Ltd	Sindhuja Microcredit Private Ltd	Total
<i>Amounts in USD thousands</i>					
<b>Specification of level 3</b>					
Balance at 25 January 2019	-	-	-	-	-
Additions	9,866	1,198	-	-	11,065
Disposals and redemptions	-	-	-	-	-
Dividends	-	-	-	-	-
Total gain and loss through P&I	-43	-6	-	-	-49
<b>Balance at 31 December 2019</b>	<b>9,823</b>	<b>1,193</b>	<b>-</b>	<b>-</b>	<b>11,016</b>





The following table shows the fair value in relation to the cost price of financial instruments classified as Level 3.

31 December 2020					
	Dvara Kshetryia Gramin Fin	Light Microfinance PVT	Proximity Holding Company Pte Ltd	Sindhuja Microcredit Private Ltd	Total
<i>Amounts in USD thousands</i>					
Invested amount	9.866	1.198	2.667	4.643	18.374
Fair Value	7.768	1.038	2.667	4.793	16.265
Gain / loss on invested amount	-2.098	-161	-	150	-2.109

31 December 2019					
	Dvara Kshetryia Gramin Fin	Light Microfinance PVT	Proximity Holding Company Pte Ltd	Sindhuja Microcredit Private Ltd	Total
<i>Amounts in USD thousands</i>					
Invested amount	9.866	1.198	-	-	11.065
Fair Value	9.823	1.193	-	-	11.016
Gain / loss on invested amount	-43	-6	-	-	-49

#### Note 5 – Equity investments, committed amounts and trading restrictions

Comments on the obligations to funds:

31 December 2020				
Capital Investment as of 31 December 2020	Committed Capital Investment	Timing	Redemption Constraint	
<i>Amounts in USD thousands</i>				
<b>Equity investments</b>				
Dvara Kshetryia Gramin Fin	9.866	INR 700 000 000	Fully paid	Transfer rights with constraints exists
Light Microfinance PVT	1.198	INR 84 999 987	Fully paid	Transfer rights with constraints exists
Proximity Holding Company Pte Ltd	2.667	USD 2 666 358	Completion by 2023	Transfer rights with constraints exists
Sindhuja Microcredit	4.643	INR 350 000 000	Completion by 2021	Transfer rights with constraints exists
<b>Total Equity investments</b>	<b>18.374</b>			

31 December 2019				
Capital Investment as of 31 December 2019	Committed Capital Investment	Timing	Redemption Constraint	
<i>Amounts in USD thousands</i>				
<b>Equity Investments</b>				
Dvara Kshetryia Gramin Fin	9.866	INR 700 000 000	Fully paid	Transfer rights with constraints exists
Light Microfinance PVT	1.198	INR 84 999 987	Fully paid	Transfer rights with constraints exists
<b>Total Equity investments</b>	<b>11.065</b>			





**Note 6 – Impairment allowance for loans (debt instruments at amortised cost)**

The table below shows impairments on loans as of 31 December 2020:

	Stage 1	Stage 2	Stage 3	Total
<b>Gross carrying amount as at 1 January 2020</b>	10 916	-	-	10 916
New assets	-	-	-	-
Asset derecognition or repaid	-176	-	-	-176
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes to contractual cashflows	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
<b>Gross carrying amount at 31 December 2020</b>	<b>10 740</b>	<b>-</b>	<b>-</b>	<b>10 740</b>

	Stage 1	Stage 2	Stage 3	Total
<b>ECL allowance as at 1 January 2020</b>	-	-	-	-
New assets	-	-	-	-
Asset derecognition or repaid	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes to contractual cashflows	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
<b>ECL allowance as at 31 December 2020</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Comparable figures as of 31 December 2019:

	Stage 1	Stage 2	Stage 3	Total
<b>Gross carrying amount as at 25 January 2019</b>	-	-	-	-
New assets	10 740	-	-	10 740
Asset derecognition or repaid	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes to contractual cashflows	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
<b>Gross carrying amount at 31 December 2019</b>	<b>10 740</b>	<b>-</b>	<b>-</b>	<b>10 740</b>

	Stage 1	Stage 2	Stage 3	Total
<b>ECL allowance as at 25 January 2019</b>	-	-	-	-
New assets	-	-	-	-
Asset derecognition or repaid	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes to contractual cashflows	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
<b>ECL allowance as at 31 December 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>





### Note 7 – Tax

No payable or deferred tax is calculated on the profit or loss. The profit or loss is distributed among the company's partners and taxed on the partners.

Withheld tax is paid for income in country of origin in 2020. Each individual partner may claim a refund for withheld tax in accordance with the credit method. The income tax expense for the year originates from Cambodia and Kenya.

### Note 8 – Partnership capital and partners

Partners	Ownership Interest	Voting Interest	Committed Capital (NOK 000)	Paid in Capital (NOK 000)	Uncalled Commitment (NOK 000)	Ownership % of Paid in Capital	Ownership % of Committed Capital
Norfund	20,03 %	20,03 %	216 000	86 400	129 600	17,42 %	20,03 %
Investment fund for developing countries	20,03 %	20,03 %	216 000	86 400	129 600	17,42 %	20,03 %
Feid AS	11,20 %	11,20 %	120 791	48 318	72 476	9,74 %	11,20 %
KLP	11,20 %	11,20 %	120 791	48 318	72 476	9,74 %	11,20 %
DNB Livsforsikring ASA	11,20 %	11,20 %	120 791	48 318	72 476	9,74 %	11,20 %
Pædagogernes Pensjon	11,20 %	11,20 %	120 791	48 318	72 476	9,74 %	11,20 %
IF Investment ApS	4,14 %	4,14 %	44 641	17 857	26 785	3,60 %	4,14 %
ID Veen AS	1,00 %	1,00 %	10 800	4 320	6 480	0,87 %	1,00 %
NMI GP IVAS (General Partner)	10,00 %	10,00 %	107 846	107 846	0	21,74 %	10,00 %
<b>Total</b>	<b>100,0%</b>	<b>100,0%</b>	<b>1 078 463</b>	<b>496 093</b>	<b>582 370</b>	<b>100,0%</b>	<b>100,0%</b>

### Note 9 – Capital management

The total partnership capital is approximately USD 124 million and will be paid 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 general partner cannot transfer his ownership interests.

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

- Employ the capital to make investments as described in the partnership agreement, which includes the type, risk exposure and expected return.
- 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 the use of various hedging strategies and techniques.
- Maintain satisfactory liquidity to support the company's operations.





**Note 10 – Cash and cash equivalents**

	<u>31 December 2020</u>	<u>31 December 2019</u>
<i>Amounts in USD thousands</i>		
Cash at Banks	23,164	4,031
Short-term Deposits	-	-
<b>Total</b>	<b><u>23,164</u></b>	<b><u>4,031</u></b>

**Note 11 – Employees**

The company did not have any employees in 2020 or in 2019.

**Note 12 – Auditor's fees**

	<u>2020</u>	<u>2019</u>
<i>Amounts in USD thousands</i>		
Audit Related Services	8	2
Other fees	7	-
<b>Total</b>	<b><u>15</u></b>	<b><u>2</u></b>

**Note 13 – Related parties**

NMI GP IV AS (General Partner) has a management agreement with Nordic Microfinance Initiative AS which operates as the company's portfolio manager in accordance with the management agreement. Remuneration of the portfolio manager is at arm's length and has been set at 2.25%.

	<u>2020</u>	<u>2019</u>
<i>Amounts in USD thousands</i>		
Remuneration to the Investment Manager	2,451	2,022

The investment decisions are made by the Board of Directors in the General Partner, while the Portfolio Manager carries out the investments and management of the investment portfolio. The Board of Directors in the General Partner represents the largest investors in the Fund as the Fund itself does not have a Board of Directors.





The partners have a proportionate ownership interest in the investments made by the company based on their ownership interest in the company.

Investment	NMI Fund IV stake	Norfund (28.03%)	Ferd (11.20%)	KLP (11.20%)	DNB Livs- forsikring (11.20%)	TD Veen AS (1.00%)	IFU (20.03%)	LF Investment ApS (4.14%)	Fund- gøernes Pensjon (11.20%)	NMI GP IV AS (10.00%)
Dvara Kshetraya Gramin Fin	16.80 %	3.37 %	1.88 %	1.88 %	1.88 %	0.17 %	3.37 %	0.70 %	1.88 %	1.68 %
Light Microfinance PVT	7.84 %	1.57 %	0.88 %	0.88 %	0.88 %	0.08 %	1.57 %	0.32 %	0.88 %	0.78 %
Proximity Holding Company Pte Ltd	15.00 %	3.00 %	1.68 %	1.68 %	1.68 %	0.15 %	3.00 %	0.62 %	1.68 %	1.50 %
Soubhaja Microcredit	32.83 %	6.58 %	3.68 %	3.68 %	3.68 %	0.33 %	6.58 %	1.36 %	3.68 %	3.28 %

## Note 14 – Subsequent events

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

The spread of COVID-19 virus will impact the short-term valuation of the investment portfolio in 2020. In the longer perspective, The Fund and Fund Manager will monitor and assess the situation on an ongoing basis and make necessary steps and action to support the investees when needed.

On 26 March 2021 the Fund completed the fourth and last closing of new commitments, leading to Koldingvej 2, Billund A/S entering as investor into the Fund. Total committed capital in the Fund post fourth close is NOK 1 212 million. Post second close the distribution of commitments is outlined in the table below:

Partners	Ownership Interest	Voting Interest	Committed Capital (NOK 000)	Paid in Capital (NOK 000)	Uncalled Commitment (NOK 000)	Ownership % of Paid in Capital	Ownership % of Committed Capital
Norfund	17.81 %	17.81 %	216 000	86 400	129 600	15.49 %	17.81 %
Investment fund for developing countries	17.81 %	17.81 %	216 000	86 400	129 600	15.49 %	17.81 %
Ferd AS	9.96 %	9.96 %	120 794	48 318	72 476	8.66 %	9.96 %
KLP	9.96 %	9.96 %	120 794	48 318	72 476	8.66 %	9.96 %
DNB Livs forsikring ASA	9.96 %	9.96 %	120 794	48 318	72 476	8.66 %	9.96 %
Pedagogernes Pensjon	9.96 %	9.96 %	120 794	48 318	72 476	8.66 %	9.96 %
Koldingvej 2, Billund A/S	9.96 %	9.96 %	120 794	48 318	72 476	8.66 %	9.96 %
IF Investment ApS	3.68 %	3.68 %	44 641	17 857	26 785	3.20 %	3.68 %
TD Veen AS	0.89 %	0.89 %	10 800	4 320	6 480	0.77 %	0.89 %
NMI GP IV AS (General Partner)	10.00 %	10.00 %	121 268	121 268	0	21.74 %	10.00 %
<b>Total</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>1 212 678</b>	<b>557 832</b>	<b>654 846</b>	<b>100.0 %</b>	<b>100.0 %</b>





Statsautoriserte revisorer  
Ernst & Young AS

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## INDEPENDENT AUDITOR'S REPORT

To the Partnership Meeting of NMI Fund IV KS

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of NMI Fund IV KS, which comprise the balance sheet as at 31 December 2020, income statement, 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 partnership is 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 partnership for the financial statements

The partnership 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 the partnership 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, the partnership 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 the partnership either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.



## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance 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 the partnership;
- ▶ conclude on the appropriateness of the partnership'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 the partnership 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.



Oslo, 19 May 2021  
ERNST & YOUNG AS

*The auditor's report is signed electronically*

Johan-Herman Stene  
State Authorised Public Accountant (Norway)

Perntso document key: 204HE.PSEID-UMLET-6NM47-MNFP1-J6XG2

Independent auditor's report - NMI Fund IV KS

A member firm of Ernst & Young Global Limited



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"By my signature I confirm all dates and content in this document."

### Johan-Herman Stene

Statsautorisert revisor

On behalf of: Ernst & Young AS

Serial number: 9578-5993-4-2411909

IP: 81.166.xxx.xxx

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Skatteetaten

Vår dato  
25.06.2019

Din dato  
13.06.2019

Saksbehandler  
Bente Halvorsen

800 80 000  
Skatteetaten.no

Din referanse  
AR325031852

Telefon

Vår referanse  
2019/6110801

Postadresse  
Postboks 9200 Grønland  
0134 OSLO

NMI GP IV AS  
c/o Nordic Microfinance Initiative  
0160 OSLO

## Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk for NMI Fund IV KS, org.nr. 922 240 906

Vi viser til deres brev av 13. juni 2019 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk for NMI Fund IV KS.

Skattekontoret gir på bakgrunn av en konkret helhetsvurdering NMI Fund IV KS 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. Det pålegger den regnskapspliktige å dokumentere ved dette brev at tillatelse er gitt.

### Bakgrunn

Virksomheten er et samarbeid mellom det offentlige og profesjonelle investorer og har som visjon å styrke fattiges stilling i utviklingsland ved å investere i mikrofinansinstitusjoner. Eierne har god kunnskap om investeringer i utlandet og har således god språklig kompetanse. Selskapet vil ha mange samarbeidspartnere i utlandet som krever engelsk regnskapsinformasjon.

### 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 har en begrenset eierkrets av offentlige og profesjonelle investorer i en internasjonal bransje der alle sentrale aktører behersker og benytter engelsk. Videre er det vektlagt at selskapet har mange internasjonale samarbeidspartnere som krever engelsk regnskapsinformasjon.

Vennligst oppgi vår referanse ved henvendelse i saken.

Med hilsen

Bente Halvorsen  
Spesialrevisor  
Brukerdialog, juridisk stab, gruppe 1  
Skatteetaten

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



Annual Financial Statements

NMI FUND IV KS

2020





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## ANNUAL REPORT FOR 2020

### General

NMI Fund IV KS was established on January 25<sup>th</sup>, 2019 and has a registered business address in Oslo. The accounting period covers the period from 1 January 2020 until 31 December 2020.

The objective of the company is to invest in and provide loans to emerging microfinance institutions (MFI) or financial inclusion companies in an expansion phase operating in emerging markets. Investments can be made directly in an MFI, through microfinance vehicles, or syndications according to the investment strategy of the Company.

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.

### Comments on the annual financial statements

Since the company inception, the company has invested in four institutions and continues to build a solid pipeline in South East Asia and Sub-Saharan Africa. The company has commitments from investors of a total of NOK 1,078 million. As of the end of 2020 the company had called capital from limited partners of NOK 496 million, equal to 46 % of the total Partnership capital.

The company's assets include investments and 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.

At year end, the fund had made investments of USD 27 million which represents 53% of the company's paid in capital. The company made a total negative return to investors of 8.4 % in 2020, calculated as Profit divided by average Total Equity primarily due to impact from Covid-19 on underlying investments.

### Outlook

The company will in 2021 focus on investing further according to the investment strategy.

The spread of COVID-19 virus will impact the valuation of the investment portfolio in 2021. At the point of issuing the Financial Statements, impact from Covid for certain regions are less prominent. Other regions and institutions are still facing issues. In the longer perspective, The Fund and Fund Manager will monitor and assess the situation on an ongoing basis and make necessary steps and action to support the investees when needed.

### 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 countries, size of institution, and financial instruments. 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, especially USD, since the paid-in capital is in NOK, while the financial statements are prepared in USD. In addition, the company has made investments in currencies other than its functional currency. 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 have floating interest rates.

**Credit risk**

The short-term credit risk is mainly related to the bankruptcy risk associated with bank deposits. The long-term credit risk is primarily related to the company's investments and debt investments.

**Liquidity risk**

The company considers the liquidity in the company to be good. The investment portfolio, however, is 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 loss of USD 3,257 million, which has been allocated as follows:

<u>Charged to Retained earnings</u>	<u>USD 3,257 million</u>
Total allocations	USD 3,257 million

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

Oslo, 29 April 2021

 Norfund	 Ferd AS	 Kommunal Landspensjonskasse
 Investment Fund for Developing Countries	 DNB Livsforsikring AS	 TD Veen AS
 Pædagogernes Pension	 LF Investment ApS	 Koldingvej 2, Billund AS
 NMI GP IV AS General Partner		



**NMI FUND IV KS - Income Statement**

		01.01.2020	25.01.2019
		-	-
<b>Total Comprehensive Income</b>	Notes	<b>31.12.2020</b>	<b>31.12.2019</b>
<i>Amounts in USD thousands</i>			
<b>Operating Income</b>			
Interest Income		1 392	993
Received Dividend			-
Net Gains / (Losses) on Financial Assets and Liabilities at Fair Value through Profit or Loss	4	(2 060)	(49)
Credit loss expenses on financial assets	4		-
Net Foreign Exchange Gain / (Loss)	3	<u>154</u>	<u>(545)</u>
		<u>(515)</u>	<u>399</u>
<b>Operating Expenses</b>			
Management Fees		(2 451)	(2 022)
Transaction costs			-
Other General Expense		<u>(98)</u>	<u>(197)</u>
		<u>(2 549)</u>	<u>(2 219)</u>
<b>Operating Profit / (Loss)</b>		<u>(3 063)</u>	<u>(1 820)</u>
Withheld tax	7	(194)	(83)
<b>Profit / (Loss) for the year</b>		<u>(3 257)</u>	<u>(1 903)</u>
<b>Other Income</b>		<u>-</u>	<u>-</u>





NMI FUND IV KS - Statement of Financial Position

Assets	Notes	31.12.2020	31.12.2019
<i>Amounts in USD thousands</i>			
<b>Non-Current Assets</b>			
<b>Financial Assets</b>			
At Fair Value through Profit and Loss	4	16 265	11 016
Debt instruments at amortised cost		10 740	10 916
		<u>27 005</u>	<u>21 932</u>
<b>Current Assets</b>			
Other Receivables and Prepayments		365	273
Cash and Cash Equivalents	10	23 164	4 031
		<u>23 529</u>	<u>4 304</u>
<b>Total Assets</b>		<u><b>50 534</b></u>	<u><b>26 236</b></u>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
General Partner Capital		12 482	10 050
Limited Partner Capital		111 296	87 955
Additional paid in premium		153	-
Uncalled Capital from Partners		(68 252)	(69 866)
	8	<u>55 679</u>	<u>28 139</u>
Retained Earnings		(5 160)	(1 903)
<b>Total Equity</b>		<u><b>50 519</b></u>	<u><b>26 236</b></u>
<b>Current Liabilities</b>			
Other Payables and Accrued Expenses		16	-
<b>Total Current Liabilities</b>		<u>16</u>	<u>-</u>
<b>Total Liabilities</b>		<u>16</u>	<u>-</u>
<b>Total Equity and Liabilities</b>		<u><b>50 534</b></u>	<u><b>26 236</b></u>

Oslo, 29 April 2021

Norfund

Ferd AS

Kommunal Landspensjonskasse

Investment Fund for  
developing countries

DNB Livsforsikring AS

TD Veen AS

Pædagogernes Pension

Koldingvej 2, Billund A/S

LF Investments ApS

NMI GP IV AS



NMI FUND IV KS - Statement of Cashflow

		01.01.2020	25.01.2019
<i>Amounts in USD thousands</i>	Notes	31.12.2020	31.12.2019
<b>Cash Flows from Operating Activities</b>			
Profit / (Loss) after Tax		(3 257)	(1 903)
Net changes in Operating Assets and Liabilities			
(Increase)/Decrease in Other Receivable		(92)	(264)
Increase/(Decrease) in Other Payables		16	0
<b>Net Cash Flow from Operating Activities</b>		<b>(3 334)</b>	<b>(2 166)</b>
<b>Investment Activities</b>			
Purchase of Financial Assets available at Fair Value through Profit and Loss		(5 249)	(11 016)
(Increase)/Decrease in Loans and Receivables		176	(10 926)
<b>Net Cash Flow from Investment Activities</b>		<b>(5 073)</b>	<b>(21 942)</b>
<b>Financing Activities</b>			
Proceeds from Issue of Capital		27 540	28 139
<b>Net Cash Flow from Financing Activities</b>		<b>27 540</b>	<b>28 139</b>
Net Increase in Cash and Cash Equivalents		19 133	4 031
Cash and Cash Equivalents as of Beginning of Period		4 031	-
<b>Cash and Cash Equivalents as of End of Period</b>	10	<b>23 164</b>	<b>4 031</b>

NMI FUND IV KS - Statement of Changes in Equity

<i>Amounts in USD thousands</i>	Notes	Committed Capital General Partner	Committed Capital Limited Partners	Additional Paid in Premium	Uncalled Committed Capital of Limited Partners	Retained Earnings	Total Equity
<b>As of 1 January 2020</b>		10,050	87,955	-	(69,865)	(1,903)	26,236
Profit / (Loss) for the Period		-	-	-	-	(3,257)	(3,257)
Other Income		-	-	-	-	-	-
Total Comprehensive Income / (Loss)		-	-	-	-	(3,257)	(3,257)
Subscription of Capital		2,390	21,513	151	3,486	-	27,540
Revaluation of Uncalled Capital		42	1,828	2	(1,872)	-	-
<b>As of 31 December 2020</b>		<b>12,482</b>	<b>111,296</b>	<b>153</b>	<b>(68,252)</b>	<b>(5,160)</b>	<b>50,519</b>
<b>As of 25 January 2019</b>		-	-	-	-	-	-
Profit / (Loss) for the Period		-	-	-	-	(1,903)	(1,903)
Other Income		-	-	-	-	-	-
Total Comprehensive Income / (Loss)		-	-	-	-	(1,903)	(1,903)
Subscription of Capital		10,050	89,443	-	(71,353)	-	28,139
Revaluation of Uncalled Capital		-	(1,488)	-	1,488	-	(0)
<b>As of 31 December 2019</b>		<b>10,050</b>	<b>87,955</b>	<b>-</b>	<b>(69,865)</b>	<b>(1,903)</b>	<b>26,236</b>



## Notes to the Financial Statements – NMI FUND IV KS

### Note 1 – Accounting policies

#### General information

The annual financial statements for NMI Fund IV KS for 2020 were adopted at the partnership meeting of 29 April 2021. NMI Fund IV KS is a Norwegian registered limited partnership company (the company) with a head office in Oslo.

#### Basis of preparation

The annual financial statements of NMI Fund IV KS 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 1 January 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 each of the countries the investments operate in. 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 Investment Committee and the Board of the portfolio manager. The company uses a broad range of sources to access the significant risk factors for each investment and makes use of an independent third-party for the assessment of derivatives and the effectiveness of hedging transactions.

#### **Reduction of risk**

In its general investment guidelines, the company has defined strategies, risk tolerance and an overarching philosophy for risk management. The company makes 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 Investment Committee 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. For any ineffective hedging situations, the portfolio manager will be instructed to enter into new hedging contracts to limit the risk on a continuous basis, including restructuring and the possible establishment of counter positions for the existing hedging.

#### **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. To avoid the concentration of risk, the company's policy and procedures provide specific guidelines for maintaining a diversified portfolio. The portfolio manager has been instructed to reduce exposure or use derivatives to manage risk concentration when it arises.

### 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 most of the financial assets with an interest rate risk have a fixed margin.

The table below illustrates the various accounting items that are exposed to interest rate risk. The company's accounting items are recognized at fair value and classified according to the earlier of the contractual renewal or maturity date.

	31 December 2020					Total
	0-3 months	3-6 months	6 months - 1 year	1-5 years	Non-interest bearing	
<i>Amounts in NOK thousands</i>						
<b>Assets</b>						
Cash and Cash Equivalents	23,164	-	-	-	-	23,164
Prepayments and Other Receivables	-	-	-	-	365	365
<b>Financial Assets</b>						
at Fair Value through Profit and Loss	-	-	-	-	16,265	16,265
Debt instruments at amortised cost	-	-	-	10,740	-	10,740
<b>Total Assets</b>	<b>23,164</b>	<b>-</b>	<b>-</b>	<b>10,740</b>	<b>16,630</b>	<b>50,535</b>
<b>Liabilities</b>						
Other Payables and Accrued Expenses	-	16	-	-	-	16
<b>Total Liabilities</b>	<b>-</b>	<b>16</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16</b>
<b>Total Interest Sensitivity Gap</b>	<b>23,164</b>	<b>(16)</b>	<b>-</b>	<b>10,740</b>	<b>16,630</b>	<b>50,519</b>

	31 December 2019					Total
	0-3 months	3-6 months	6 months - 1 year	1-5 years	Non-interest bearing	
<i>Amounts in NOK thousands</i>						
<b>Assets</b>						
Cash and Cash Equivalents	4,031	-	-	-	-	4,031
Prepayments and Other Receivables	-	-	-	-	273	273
<b>Financial Assets</b>						
at Fair Value through Profit and Loss	-	-	-	-	11,016	11,016
Debt instruments at amortised cost	-	-	-	10,916	-	10,916
<b>Total Assets</b>	<b>4,031</b>	<b>-</b>	<b>-</b>	<b>10,916</b>	<b>11,289</b>	<b>26,236</b>
<b>Liabilities</b>						
Other Payables and Accrued Expenses	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Interest Sensitivity Gap</b>	<b>4,031</b>	<b>-</b>	<b>-</b>	<b>10,916</b>	<b>11,289</b>	<b>26,236</b>



**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.

The primary purpose of the financial hedging of currency fluctuations is to reduce the volatility associated with investments in a foreign currency or other assets or liabilities in a foreign currency within the scope of the company's ordinary activities. The company makes primarily use of currency swaps and forward contracts in foreign currencies to hedge financial instruments denominated in foreign currencies. Changes in the value of investments denominated in foreign currencies is reflected in part by gains or losses on the financial hedging instruments.

The following table indicates the currencies that the company has a significant exposure to as of 31 December 2020 for monetary assets and liabilities. The analysis illustrates the effect of a probable change in the USD exchange rate on the income statement, other income and costs and equity, provided all the other variables remain constant.

31 December 2020				
	Change in Currency Rate	Sensitivity to Profit/ (Loss)	Sensitivity to OCI Increase/ (decrease)	Sensitivity to Partnership's Equity Increase/ (Decrease)
<i>Amounts in USD thousands</i>				
<b>Currency</b>				
NOK	10%	-	-	-6,205
KES	10%	-260	-	-
Total		-260	-	-6,205

31 December 2019				
	Change in Currency Rate	Sensitivity to Profit/ (Loss)	Sensitivity to OCI Increase/ (decrease)	Sensitivity to Partnership's Equity Increase/ (Decrease)
<i>Amounts in USD thousands</i>				
<b>Currency</b>				
NOK	10%	-	-	-6,578
KES	10%	-275	-	-
Total		-275	-	-6,578

The table below illustrates the company's exposure to currency for assets and liabilities, respectively, at the end of the accounting period.

	31 December 2020		31 December 2019	
	Exposure to Assets	Exposure to Liabilities	Exposure to Assets	Exposure to Liabilities
	% of Assets	% of Liabilities	% of Assets	% of Liabilities
<b>Currency</b>				
KES	6.0 %	0.0 %	12.6 %	0.0 %
INR	27.1 %	0.0 %	42.0 %	0.0 %
USD	66.7 %	0.0 %	45.4 %	0.0 %
NOK	0.2 %	100.0 %	0.0 %	0.0 %
	100.0 %	100.0 %	100.0 %	0.0 %



## 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 10 years and the partners may not demand that the committed capital be returned during this 10-year period.

The company invests primarily in microfinance institutions, unlisted microfinance funds and loans to microfinance institutions or such funds, as well as swap contracts to reduce the interest rate risk and foreign exchange risk related to these investments. 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.

As at 31 December 2020 the company had approximately USD 68 million in uncalled capital from the partners. Uncalled capital is available for investments and future operations. There are no restrictions on the use of uncalled capital.

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.

### Derivatives

The portfolio manager regards the contractual maturity for derivatives to be assessed primarily for risk management and important to the comprehension of time-limited cash flows. The contractual maturity for derivatives held for trading purposes is also included in order to provide a complete picture of the liquidity profile.





The following table sums up the profile for the remaining term to maturity for financial assets and derivatives. Amounts that mature in less than six months are recognized at the carrying amount, since the effect of the discounted values are considered insignificant. Amounts related to derivatives are based on the spot prices for indices.

Amounts in USD thousands	31 December 2020					Total
	Less than 1 month	1-3 months	3-6 months	6 months - 1 year	1-5 years	
<b>Assets</b>						
Cash and Cash Equivalents	23,164	-	-	-	-	23,164
Prepayments and Other Receivables	-	-	-	-	365	365
<b>Financial Assets</b>						
Designated at Fair Value through Profit and Loss	-	-	-	-	16,265	16,265
Loans and Receivables	-	-	-	-	10,740	10,740
<b>Total Assets (excluding Gross Settled Derivatives)</b>	<b>23,164</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27,370</b>	<b>50,535</b>
<b>Liabilities</b>						
Derivatives Net Settled	-	-	-	-	-	-
Other Payables and Accrued Expenses	-	16	-	-	-	16
<b>Total Liabilities (excluding Gross Settled Derivatives)</b>	<b>-</b>	<b>16</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16</b>
<b>Liquidity gap</b>	<b>23,164</b>	<b>(-16)</b>	<b>-</b>	<b>-</b>	<b>27,370</b>	<b>50,519</b>

Amounts in USD thousands	31 December 2019					Total
	Less than 1 month	1-3 months	3-6 months	6 months - 1 year	1-5 years	
<b>Assets</b>						
Cash and Cash Equivalents	4,031	-	-	-	-	4,031
Prepayments and Other Receivables	-	-	-	-	273	273
<b>Financial Assets</b>						
Designated at Fair Value through Profit and Loss	-	-	-	-	11,016	11,016
Loans and Receivables	-	-	-	-	10,916	10,916
<b>Total Assets (excluding Gross Settled Derivatives)</b>	<b>4,031</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,205</b>	<b>26,236</b>
<b>Liabilities</b>						
Derivatives Net Settled	-	-	-	-	-	-
Other Payables and Accrued Expenses	-	-	-	-	-	-
<b>Total Liabilities (excluding Gross Settled Derivatives)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Liquidity gap</b>	<b>4,031</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,205</b>	<b>26,236</b>

### 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 credit risk related to unsettled transactions in unlisted funds is considered to be minimal since the portfolio manager makes use of other portfolio managers with a high level of creditworthiness in addition to the fact that the transactions are settled or paid by the issuance of ownership certificates. Payments are only



made after confirmations have been received. Assets sold are only delivered after the manager has received payment.

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.

<i>Amounts in USD thousands</i>	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>Credit risk exposure</b>		
<b>Assets</b>		
Cash at Banks	23,164	4,031
Other Cash Equivalents	-	-
Prepayments and Other Receivables	365	273
Derivative Financial Assets	-	-
Loans and receivables	<u>10,740</u>	<u>10,916</u>
<b>Total Credit Risk Exposure</b>	<u><b>34,269</b></u>	<u><b>15,220</b></u>

None of the investments in the company's investment portfolio are credit rated.

The table below illustrates the concentration of credit risk for the company's debt portfolio by geographic region.

<b>Region</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
Asia	74 %	72 %
Africa	<u>26 %</u>	<u>28 %</u>
<b>Total</b>	<u><b>100 %</b></u>	<u><b>100 %</b></u>

For direct debt investments, the portfolio manager frequently assesses credit risk. The fund provides debt investments to companies in various geographies and countries. If the fund has significant exposure to many MFIs within the same country (portfolio view) a general loan loss provision will be assessed. Apart for any general loan loss provision, the specific credit risk for each debtor is assessed and necessary loan loss provisions for the credit risk are made if agreed repayments are not received. The individual loan loss provisions at the balance sheet date and through the profit and loss statement is presented as a separate line.

### Note 3 – Distribution of business

The table below shows the geographic distribution of the company's operating income based on geographic location.

<i>Amounts in USD thousands</i>	<b>31 December 2020</b>	<b>31 December 2019</b>
Asia	-1 382	418
Africa	698	266
Europe	<u>169</u>	<u>-285</u>
<b>Total Income</b>	<u><b>-515</b></u>	<u><b>399</b></u>



The table below shows the company's operating income distributed by type of investment.

<i>Amounts in USD thousands</i>	31 December	31 December
	2020	2019
Equity securities	-2,060	-49
Debt instruments	1,377	993
Cash and cash equivalents	169	-545
<b>Total operating income</b>	<b>-515</b>	<b>399</b>

The table below shows the value of the company's direct and indirect investments, as well as loans, distributed by geographic area.

<i>Amounts in USD thousands</i>	31 December 2020		31 December 2019	
	Amount	%	Amount	%
<b>Country</b>				
India	13,598	50%	11,016	50%
Cambodia	7,896	29%	7,872	36%
Singapore	2,667	10%		0%
<b>Total Asia</b>	<b>24,161</b>	<b>89%</b>	<b>18,888</b>	<b>86%</b>
Kenya	2,845	11%	3,045	14%
<b>Total Africa</b>	<b>2,845</b>	<b>11%</b>	<b>3,045</b>	<b>14%</b>
<b>Total portfolio</b>	<b>27,005</b>	<b>100%</b>	<b>21,932</b>	<b>100%</b>

#### Note 4 – Fair value of financial instruments

The following measurement categories exist:

- Quoted prices in active markets for identical assets and liabilities (Level 1);
- The instruments that have another observable input for the asset or liability, either directly (in the form of prices) or indirectly (derived from prices) from prices other than the quoted prices mentioned under Level 1, (Level 2), and
- The instruments included as an asset or liability derived from unobservable market data (Level 3).

There have been no transfers between the levels throughout the accounting period. For all the financial instruments, the fair value is calculated by means of valuation methods.

##### Level 1:

The company does not have any financial instruments within this level.

##### Level 2:

The company does not have any financial instruments within this level.

##### Level 3:

The company invests in companies and unlisted funds, which are not quoted in an active market and may have restrictions, such as a defined period of time for ownership or other trading restrictions. Such transactions do not occur regularly and are classified under Level 3.





The Company measures Fair value of Level 3 investments regularly and can be classified as:

- **Investments in funds:** Fair Value of the investment is set by the Manager of the respective Fund and is expressed as a Net Asset Value (NAV) of the Company's investment at the end of the reporting period. The respective Fund Manager utilizes acknowledged valuation techniques.
- **Direct equity investments:** Fair values of these investments are normally measured as a multiple of the book value of the equity in these companies. For the valuation of the direct investments, the multiples are reviewed by the Company and adjusted if necessary, with respect to what the Company finds to be additional factors affecting the fair value of the investment. Other elements that are used for valuation may include multiples for recently completed transactions that are comparable.

The following table illustrates the reconciliation of the movements in fair value for the financial instruments classified as Level 3 at the start and end of the accounting period.

	31 December 2020				
	Dvara Kshetryia Gramin Fin	Light Microfinance PVT	Proximity Holding Company Pte Ltd	Sindhuja Microcredit Private Ltd	Total
<i>Amounts in USD thousands</i>					
<b>Specification of level 3</b>					
Balance at 1 January 2020	9,823	1,193	-	-	11,016
Transfer to level 2	-	-	-	-	-
Additions	-	-	2,667	4,643	7,310
Disposals and redemptions	-	-	-	-	-
Dividends	-	-	-	-	-
Total gain and loss through P&I	-2,055	-155	-	150	-2,061
<b>Balance at 31 December 2020</b>	<b>7,768</b>	<b>1,038</b>	<b>2,667</b>	<b>4,793</b>	<b>16,265</b>
	31 December 2019				
	Dvara Kshetryia Gramin Fin	Light Microfinance PVT	Proximity Holding Company Pte Ltd	Sindhuja Microcredit Private Ltd	Total
<i>Amounts in USD thousands</i>					
<b>Specification of level 3</b>					
Balance at 25 January 2019	-	-	-	-	-
Additions	9,866	1,198	-	-	11,065
Disposals and redemptions	-	-	-	-	-
Dividends	-	-	-	-	-
Total gain and loss through P&I	-43	-6	-	-	-49
<b>Balance at 31 December 2019</b>	<b>9,823</b>	<b>1,193</b>	<b>-</b>	<b>-</b>	<b>11,016</b>





The following table shows the fair value in relation to the cost price of financial instruments classified as Level 3.

31 December 2020					
	Dvara Kshetryia Gramin Fin	Light Microfinance PVT	Proximity Holding Company Pte Ltd	Sindhuja Microcredit Private Ltd	Total
<i>Amounts in USD thousands</i>					
Invested amount	9.866	1.198	2.667	4.643	18.374
Fair Value	7.768	1.038	2.667	4.793	16.265
Gain / loss on invested amount	-2.098	-161	-	150	-2.109

31 December 2019					
	Dvara Kshetryia Gramin Fin	Light Microfinance PVT	Proximity Holding Company Pte Ltd	Sindhuja Microcredit Private Ltd	Total
<i>Amounts in USD thousands</i>					
Invested amount	9.866	1.198	-	-	11.065
Fair Value	9.823	1.193	-	-	11.016
Gain / loss on invested amount	-43	-6	-	-	-49

#### Note 5 – Equity investments, committed amounts and trading restrictions

Comments on the obligations to funds:

31 December 2020				
Capital Investment as of 31 December 2020	Committed Capital Investment	Timing	Redemption Constraint	
<i>Amounts in USD thousands</i>				
<b>Equity Investments</b>				
Dvara Kshetryia Gramin Fin	9,866	INR 700 000 000	Fully paid	Transfer rights with constraints exists
Light Microfinance PVT	1,198	INR 84 999 987	Fully paid	Transfer rights with constraints exists
Proximity Holding Company Pte Ltd	2,667	USD 2 666 358	Completion by 2023	Transfer rights with constraints exists
Sindhuja Microcredit	4,643	INR 350 000 000	Completion by 2021	Transfer rights with constraints exists
<b>Total Equity Investments</b>	<b>18,374</b>			

31 December 2019				
Capital Investment as of 31 December 2019	Committed Capital Investment	Timing	Redemption Constraint	
<i>Amounts in USD thousands</i>				
<b>Equity Investments</b>				
Dvara Kshetryia Gramin Fin	9,866	INR 700 000 000	Fully paid	Transfer rights with constraints exists
Light Microfinance PVT	1,198	INR 84 999 987	Fully paid	Transfer rights with constraints exists
<b>Total Equity Investments</b>	<b>11,065</b>			



**Note 6 – Impairment allowance for loans (debt instruments at amortised cost)**

The table below shows impairments on loans as of 31 December 2020:

	Stage 1	Stage 2	Stage 3	Total
<b>Gross carrying amount as at 1 January 2020</b>	10 916	-	-	10 916
New assets	-	-	-	-
Asset derecognition or repaid	-176	-	-	-176
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes to contractual cashflows	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
<b>Gross carrying amount at 31 December 2020</b>	<b>10 740</b>	<b>-</b>	<b>-</b>	<b>10 740</b>

	Stage 1	Stage 2	Stage 3	Total
<b>ECL allowance as at 1 January 2020</b>	-	-	-	-
New assets	-	-	-	-
Asset derecognition or repaid	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes to contractual cashflows	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
<b>ECL allowance as at 31 December 2020</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Comparable figures as of 31 December 2019:

	Stage 1	Stage 2	Stage 3	Total
<b>Gross carrying amount as at 25 January 2019</b>	-	-	-	-
New assets	10 740	-	-	10 740
Asset derecognition or repaid	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes to contractual cashflows	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
<b>Gross carrying amount at 31 December 2019</b>	<b>10 740</b>	<b>-</b>	<b>-</b>	<b>10 740</b>

	Stage 1	Stage 2	Stage 3	Total
<b>ECL allowance as at 25 January 2019</b>	-	-	-	-
New assets	-	-	-	-
Asset derecognition or repaid	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes to contractual cashflows	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
<b>ECL allowance as at 31 December 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



**Note 7 – Tax**

No payable or deferred tax is calculated on the profit or loss. The profit or loss is distributed among the company's partners and taxed on the partners.

Withheld tax is paid for income in country of origin in 2020. Each individual partner may claim a refund for withheld tax in accordance with the credit method. The income tax expense for the year originates from Cambodia and Kenya.

**Note 8 – Partnership capital and partners**

Partners	Ownership Interest	Voting Interest	Committed Capital (NOK 000)	Paid in Capital (NOK 000)	Uncalled Commitment (NOK 000)	Ownership % of Paid in Capital	Ownership % of Committed Capital
Norfund	20,03 %	20,03 %	216 000	86 400	129 600	17,42 %	20,03 %
Investment fund for developing countries	20,03 %	20,03 %	216 000	86 400	129 600	17,42 %	20,03 %
Ferd AS	11,20 %	11,20 %	120 791	48 318	72 476	9,74 %	11,20 %
KLP	11,20 %	11,20 %	120 791	48 318	72 476	9,74 %	11,20 %
DNB Livsforsikring ASA	11,20 %	11,20 %	120 791	48 318	72 476	9,74 %	11,20 %
Pædagogernes Pensjon	11,20 %	11,20 %	120 791	48 318	72 476	9,74 %	11,20 %
IF Investment ApS	4,14 %	4,14 %	44 641	17 857	26 785	3,60 %	4,14 %
TD Veen AS	1,00 %	1,00 %	10 800	4 320	6 480	0,87 %	1,00 %
NMI GP IV AS (General Partner)	10,00 %	10,00 %	107 846	107 846	0	21,74 %	10,00 %
<b>Total</b>	<b>100,00 %</b>	<b>100,00 %</b>	<b>1 078 463</b>	<b>496 093</b>	<b>582 370</b>	<b>100,00 %</b>	<b>100,00 %</b>

**Note 9 – Capital management**

The total partnership capital is approximately USD 124 million and will be paid 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 general partner cannot transfer his ownership interests.

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

- Employ the capital to make investments as described in the partnership agreement, which includes the type, risk exposure and expected return.
- 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 the use of various hedging strategies and techniques.
- Maintain satisfactory liquidity to support the company's operations.



**Note 10 – Cash and cash equivalents**

	<u>31 December 2020</u>	<u>31 December 2019</u>
<i>Amounts in USD thousands</i>		
Cash at Banks	23,164	4,031
Short-term Deposits	-	-
<b>Total</b>	<u><b>23,164</b></u>	<u><b>4,031</b></u>

**Note 11 – Employees**

The company did not have any employees in 2020 or in 2019.

**Note 12 – Auditor's fees**

<i>Amounts in USD thousands</i>	<u>2020</u>	<u>2019</u>
Audit Related Services	8	2
Other fees	7	-
<b>Total</b>	<u><b>15</b></u>	<u><b>2</b></u>

**Note 13 – Related parties**

NMI GP IV AS (General Partner) has a management agreement with Nordic Microfinance Initiative AS which operates as the company's portfolio manager in accordance with the management agreement. Remuneration of the portfolio manager is at arm's length and has been set at 2.25%.

<i>Amounts in USD thousands</i>	<u>2020</u>	<u>2019</u>
Remuneration to the Investment Manager	2,451	2,022

The investment decisions are made by the Board of Directors in the General Partner, while the Portfolio Manager carries out the investments and management of the investment portfolio. The Board of Directors in the General Partner represents the largest investors in the Fund as the Fund itself does not have a Board of Directors.





The partners have a proportionate ownership interest in the investments made by the company based on their ownership interest in the company.

	SME Fund	Norfund	Ferd	KLP	DNB Livs-	TD Veen	IF	LF	Para-	SMEGP
Investment	IV staks	(28.83%)	(11.20%)	(11.20%)	(11.20%)	(1.00%)	(20.83%)	ApS (4.14%)	Pensjon	IV AS
Dhara Kabotryia Gramin Fin	16,80 *	1,12 *	1,88 *	1,88 *	1,88 *	0,17 *	3,37 *	0,70 *	1,88 *	1,68 *
Light Microfinance PVT	7,64 *	1,57 *	0,88 *	0,88 *	0,88 *	0,08 *	1,57 *	0,32 *	0,88 *	0,78 *
Prosperity Holding Company Pte Ltd	15,00 *	1,00 *	1,68 *	1,68 *	1,68 *	0,15 *	3,00 *	0,62 *	1,68 *	1,50 *
Sndhaga Microcredit	12,83 *	0,88 *	1,68 *	1,68 *	1,68 *	0,11 *	0,88 *	1,36 *	1,68 *	1,28 *

#### Note 14 – Subsequent events

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

The spread of COVID-19 virus will impact the short-term valuation of the investment portfolio in 2020. In the longer perspective, The Fund and Fund Manager will monitor and assess the situation on an ongoing basis and make necessary steps and action to support the investees when needed.

On 26 March 2021 the Fund completed the fourth and last closing of new commitments, leading to Koldingvej 2, Billund A/S entering as investor into the Fund. Total committed capital in the Fund post fourth close is NOK 1 212 million. Post second close the distribution of commitments is outlined in the table below:

Partners	Ownership Interest	Voting Interest	Committed Capital (NOK 000)	Paid in Capital (NOK 000)	Uncalled Commitment (NOK 000)	Ownership % of Paid in Capital	Ownership % of Committed Capital
Norfund	17,81 %	17,81 %	216 000	86 400	129 600	15,81 %	17,81 %
Investment fund for developing countries	17,81 %	17,81 %	216 000	86 400	129 600	15,81 %	17,81 %
Ferd AS	9,96 %	9,96 %	120 794	48 318	72 476	8,66 %	9,96 %
KLP	9,96 %	9,96 %	120 794	48 318	72 476	8,66 %	9,96 %
DNB Livsforsikring ASA	9,96 %	9,96 %	120 794	48 318	72 476	8,66 %	9,96 %
Paragogemes Pensjon	9,96 %	9,96 %	120 794	48 318	72 476	8,66 %	9,96 %
Koldingvej 2, Billund A/S	9,96 %	9,96 %	120 794	48 318	72 476	8,66 %	9,96 %
IF Investment ApS	3,68 %	3,68 %	44 641	17 857	26 785	1,20 %	3,68 %
TD Veen AS	0,89 %	0,89 %	10 800	4 320	6 480	0,77 %	0,89 %
SMEGP IV AS (General Partner)	10,00 %	10,00 %	121 268	121 268	0	21,74 %	10,00 %
<b>Total</b>	<b>100,00 %</b>	<b>100,00 %</b>	<b>1 212 678</b>	<b>557 832</b>	<b>654 846</b>	<b>100,00 %</b>	<b>100,00 %</b>



Statsautoriserte revisorer  
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## INDEPENDENT AUDITOR'S REPORT

To the Partnership Meeting of NMI Fund IV KS

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of NMI Fund IV KS, which comprise the balance sheet as at 31 December 2020, income statement, 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 partnership is 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 partnership for the financial statements

The partnership 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 the partnership 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, the partnership 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 the partnership 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 the partnership;
- ▶ conclude on the appropriateness of the partnership'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 the partnership 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 Fund IV KS

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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)

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Independent auditor's report - NMI Fund IV KS

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*"By my signature I confirm all dates and content in this document."*

**Johan-Herman Stene**

Statsautorisert revisor

On behalf of: Ernst & Young AS

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