



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 993 246 743
Organisasjonsform: Kommandittselskap
Foretaksnavn: NMI FRONTIER FUND 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, 18.06.2022



Resultatregnskap

Beløp i: USD	Note	2020	2019
RESULTATREGNSKAP			
Kostnader			
Avskrivning på varige driftsmidler og immaterielle eiendeler		334 000	365 000
Sum kostnader		334 000	365 000
Driftsresultat		-334 000	-365 000
Finansinntekter og finanskostnader			
Inntekt på andre investeringer		312 000	154 000
Annen renteinntekt		5 000	167 000
Annen finansinntekt		29 000	55 000
Verdiøkning andre finansielle instrumenter vurdert til virkelig verdi		1 221 000	3 626 000
Sum finansinntekter		1 567 000	4 002 000
Netto finans		1 567 000	4 002 000
Ordinært resultat før skattekostnad		1 233 000	3 637 000
Skattekostnad på ordinært resultat	7	31 000	13 000
Ordinært resultat etter skattekostnad		1 202 000	3 624 000
Årsresultat		1 202 000	3 624 000



Balanse

Beløp i: USD	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Finansielle anleggsmidler			
Investeringer i aksjer og andeler	3,4,6	30 709 000	29 740 000
Sum finansielle anleggsmidler		30 709 000	29 740 000
Sum anleggsmidler		30 709 000	29 740 000
Omløpsmidler			
Varer			
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	10	3 216 000	2 978 000
Sum bankinnskudd, kontanter og lignende		3 216 000	2 978 000
Sum omløpsmidler		3 216 000	2 978 000
SUM EIENDELER		33 925 000	32 718 000
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital		17 296 000	17 296 000
Sum innskutt egenkapital		17 296 000	17 296 000
Opptjent egenkapital			
Annen egenkapital		16 624 000	15 422 000
Sum opptjent egenkapital		16 624 000	15 422 000
Sum egenkapital		33 920 000	32 718 000
Sum langsiktig gjeld		0	0



Balanse

Beløp i: USD	Note	2020	2019
Kortsiktig gjeld			
Annen kortsiktig gjeld		5 000	
Sum kortsiktig gjeld		5 000	
Sum gjeld		5 000	0
SUM EGENKAPITAL OG GJELD		33 925 000	32 718 000



NORWEGIAN
MICROFINANCE
INITIATIVE

Annual Financial Statements

NMI Frontier Fund KS

2020





Contents

Directors' report	page	3
Total comprehensive income for the financial year	page	5
Statement of financial position	page	6
Statement of cash flows and changes in equity	page	7
Notes	page	8
Auditor's report	page	25





DIRECTORS' REPORT FOR 2020

General

NMI Frontier Fund KS was established on October 20th 2008 and has a registered business address in Oslo.

The objective of the company is to invest in and provide loans to newly established and promising microfinance institutions in the start-up phase. In addition, the company may invest in innovative products in existing microfinance institutions and interests in fund managers who manage microfinance funds.

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

During 2016, the general partner NMI AS demerged leading to a new general partner for the fund, Norwegian Microfinance Initiative AS. The new general partner also acts as a portfolio manager for the fund.

The company made no new investment in 2020 but made payments for fulfilment of investments in existing fund commitments. At year end the fund had committed investments of USD 30.7 million, which represents 91% of the company's capital.

In addition to direct and indirect investments in financial assets, the company's assets also include bank deposits. Bank deposits are achieving a satisfactory return based on the time horizon for when the assets are expected to be available for investments and operations.

The profit for the year consists primarily of changes in the valuation of the equity investments. In addition, the company has paid fees to the portfolio manager Norwegian Microfinance Initiative AS, which is also the company's general partner.

The company made a total positive return to investors of 3,6% in 2020, calculated as Profit divided by average Total Equity.

Outlook

In 2021, the company will primarily follow up investments already made in accordance with the investment strategy prepared for the company as the investment period ended in October 2013. The company will also pursue exit strategies for the direct equity investments. The closed end fund investments will mature in 2021-2022.

The spread of COVID-19 virus will impact the short-term valuation of the investment portfolio in 2021. At the point of issuing the Financial Statement, 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. Due to the Covid pandemic, the fund-in-fund investments are facing less attractive markets for exits and some funds have notified the need for extension of funds life.





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, MFI sizes and instruments. The company's current strategy may include the use of financial instruments.

Currency risk

The company is exposed to currency exchange rate fluctuations, especially USD, since the capital is paid 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 is currently not into forward contracts or other agreements in order to reduce the company's foreign exchange risk. The company is exposed to fluctuations in interest rates, since certain portions of the company's financial assets has floating interest rates.

Credit risk

The short-term credit risk is essentially related to the bankruptcy risk associated with bank deposits. The long-term credit risk will be related to the company's investments and lending activity.

Liquidity risk

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


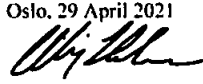
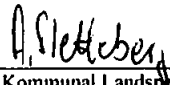



Allocation of profit/(loss) for the year

The financial statements for 2020 show a profit USD 1.202 million, which has been allocated as follows:

<u>Allocated to retained earnings</u>	<u>USD 1.202 million</u>
Total allocations	USD 1.202 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
 Storebrand Livsforsikring AS	 DNB Livsforsikring ASA	 Norwegian Microfinance Initiative AS General Partner





NMI Frontier Fund KS - Income Statement

<i>Amounts in USD thousands</i>		01.01.2020	01.01.2019
		-	-
Total Comprehensive Income	Notes	31.12.2020	31.12.2019
Operating Income			
Interest Income		5	167
Dividend revenue		312	154
Net Gain / (Loss) on Financial Assets and Liabilities at Fair Value through Profit or Loss	4	1 221	3 626
Net Gain / (Loss) on Financial Derivatives		-	-
Net Foreign Exchange Gain / (Loss)		29	55
	3	<u>1 567</u>	<u>4 002</u>
Operating Expenses			
Management Fees	13	(321)	(355)
Transaction costs		-	-
Other General Expense	12	(13)	(10)
		<u>(334)</u>	<u>(365)</u>
Operating Profit / (Loss)		<u>1 233</u>	<u>3 638</u>
Withheld tax	7	(31)	(14)
Profit / (Loss) for the year		<u>1 202</u>	<u>3 624</u>
Other Income		-	-
Total Comprehensive Income / (Loss)		<u>1 202</u>	<u>3 624</u>





NMI Frontier Fund KS - Statement of Financial Position

Assets	Notes	31.12.2020	31.12.2019
<i>Amounts in USD thousands</i>			
Non-Current Assets			
Financial Assets			
At Fair Value through Profit and Loss	3,4,6	30 709	29 740
		<u>30 709</u>	<u>29 740</u>
Current Assets			
Cash and Cash Equivalents	10	3 216	2 978
		<u>3 216</u>	<u>2 978</u>
Total Assets		<u>33 925</u>	<u>32 718</u>
Equity and Liabilities			
Equity			
General Partner Capital		1 502	1 502
Limited Partner Capital		15 793	15 793
Uncalled Capital from Partners		-	-
	8	<u>17 296</u>	<u>17 296</u>
Retained Earnings		16 624	15 422
Total Equity		<u>33 920</u>	<u>32 718</u>
Current Liabilities			
Other Payables and Accrued Expenses		5	-
Total Current Liabilities		<u>5</u>	<u>-</u>
Total Liabilities		<u>5</u>	<u>-</u>
Total Equity and Liabilities		<u>33 925</u>	<u>32 718</u>

Oslo, 29 April 2021

Norfund

Ferd AS

Kommunal Landspensjonskasse

Storebrand Livsforsikring AS

DNB Livsforsikring ASA

Norwegian Microfinance
Initiative AS
General Partner





NMI Frontier Fund KS - Statement of Cash Flows

	01.01.2020	01.01.2019
<i>Amounts in USD thousands</i>	Notes	31.12.2019
Cash Flows from Operating Activities		
Profit / (Loss) after Tax	1 202	3 624
Net changes in Operating Assets and Liabilities		
(Increase)/Decrease in Other Receivable	-	-
Increase/(Decrease) in Other Payables	5	(8)
(Increase)/Decrease in Financial Assets at Fair Value through Profit and Loss	(1 221)	(3 626)
Net Cash Flow from Operating Activities	<u>(15)</u>	<u>(9)</u>
Investment Activities		
Proceeds from redemptions and exits	253	29
Purchase of Financial Assets available at Fair Value through Profit and Loss	-	(11)
(Increase)/Decrease in Loans and Receivables	-	-
Net Cash Flow from Investment Activities	<u>253</u>	<u>19</u>
Repayment of capital		(10 196)
Net Increase in Cash and Cash Equivalents	238	(10 186)
Cash and Cash Equivalents as of Beginning of Period	2 978	13 164
Cash and Cash Equivalents as of End of Period	10 <u>3 216</u>	<u>2 978</u>

NMI Frontier Fund KS - Statement of Changes in Equity

<i>Amounts in USD thousands</i>	Notes	Committed Capital General Partner	Committed Capital Limited Partners	Uncalled Committed Capital of Limited Partners	Retained Earnings	Total Equity
As of 1 January 2020		1 502	15 793	-	15 423	32 718
Profit / (Loss) for the Period		-	-	-	1 202	1 202
Other Income		-	-	-	-	-
Total Comprehensive Income / (Loss)		-	-	-	1 202	1 202
Repayment of Capital		-	-	-	-	-
Revaluation of Uncalled Capital		-	-	-	-	-
As of 31 December 2020		<u>1 502</u>	<u>15 793</u>	<u>-</u>	<u>16 625</u>	<u>33 920</u>
As of 1 January 2019		3 358	32 443	8 310	11 799	39 290
Profit / (Loss) for the Period		-	-	-	3 624	3 624
Other Income		-	-	-	-	-
Total Comprehensive Income / (Loss)		-	-	-	3 624	3 624
Repayment of Capital		- 1 856	- 16 650	8 310	-	- 10 196
Revaluation of Uncalled Capital		-	-	-	-	-
As of 31 December 2019		<u>1 502</u>	<u>15 793</u>	<u>-</u>	<u>15 423</u>	<u>32 718</u>





Notes – NMI Frontier Fund KS

Note 1 – Accounting policies

General information

The annual financial statements for NMI Frontier Fund KS for 2020 were adopted at the partnership meeting of 29 April 2021. NMI Frontier Fund 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 Frontier Fund 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 of 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.

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 Company classifies all of 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

9





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 amortised 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 amortised 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 amortised 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 recognises 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 recognises 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 amortised 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 amortised 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.

11





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 company's operating revenue is presented by geographic area and investment class in Note 3.

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 fulfil 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 been hedged by interest rate swaps to the USD LIBOR rate with a fixed margin.

The table below illustrates the various accounting items that are exposed to interest rate risk. The company's accounting items are recognised at fair value and classified according to the earlier of the contractual renewal or maturity date as of 31 December 2020.

	0-3 months	3-6 months	6 months - 1 year	1-5 years	Non-interest bearing	Total
<i>Amounts in USD thousands</i>						
Assets						
Cash and Cash Equivalents	3 216	-	-	-	-	3 216
Prepayments and Other Receivables	-	-	-	-	-	-
Financial Assets						
Derivatives at Fair Value through Profit and Loss	-	-	-	-	-	-
Designated at Fair Value through Profit and Loss	-	-	-	-	30 709	30 709
Loans and Receivables	-	-	-	-	-	-
Total Assets	3 216	-	-	-	30 709	33 925
Liabilities						
Other Payables and Accrued Expenses	-	5	-	-	-	5
Total Liabilities	-	5	-	-	-	5
Total Interest Sensitivity Gap	3 216	(5)	-	-	30 709	33 920

Comparable figures as of 31 December 2019:

	0-3 months	3-6 months	6 months - 1 year	1-5 years	Non-interest bearing	Total
<i>Amounts in USD thousands</i>						
Assets						
Cash and Cash Equivalents	2 978	-	-	-	-	2 978
Prepayments and Other Receivables	-	-	-	-	-	-
Financial Assets						
Derivatives at Fair Value through Profit and Loss	-	-	-	-	-	-
Designated at Fair Value through Profit and Loss	-	-	-	-	29 740	29 740
Loans and Receivables	-	-	-	-	-	-
Total Assets	2 978	-	-	-	29 740	32 718
Liabilities						
Other Payables and Accrued Expenses	-	-	-	-	-	-
Total Liabilities	-	-	-	-	-	-
Total Interest Sensitivity Gap	2 978	-	-	-	29 740	32 718

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 recognised 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 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
Currency				
KES	2.3 %	0.0 %	4.4 %	0.0 %
XOF	16.1 %	0.0 %	14.6 %	0.0 %
NOK	0.1 %	100.0 %	0.1 %	0.0 %
EUR	21.1 %	0.0 %	17.0 %	0.0 %
INR	48.5 %	0.0 %	51.7 %	0.0 %
USD	11.8 %	0.0 %	12.2 %	100.0 %
	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>

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. For further information on investment obligations and trading restrictions, see Note 6.

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 realised. 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 realised.

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 recognised at the carrying amount, since the effect of the discounted values is considered insignificant. Amounts related to derivatives are based on the spot prices for indices as of 31 December 2020.

<i>Amounts in USD thousands</i>	Less than 1 month	1-3 months	3-6 months	6 months - 1 year	1-5 years	Total
Assets						
Cash and Cash Equivalents	3,216	-	-	-	-	3,216
Prepayments and Other Receivables	-	-	-	-	-	-
Financial Assets						
Designated at Fair Value through Profit and Loss	-	-	-	-	30,709	30,709
Loans and Receivables	-	-	-	-	-	-
Derivatives Net Settled	-	-	-	-	-	-
Total Assets (excluding Gross Settled Derivatives)	3,216	-	-	-	30,709	33,925
Liabilities						
Derivatives Net Settled	-	-	-	-	-	-
Other Payables and Accrued Expenses	5	-	-	-	-	5
Total Liabilities (excluding Gross Settled Derivatives)	5	-	-	-	-	5
Liquidity gap	3,211	-	-	-	30,709	33,920

Comparable figures as of 31 December 2019:

<i>Amounts in USD thousands</i>	Less than 1 month	1-3 months	3-6 months	6 months - 1 year	1-5 years	Total
Assets						
Cash and Cash Equivalents	2,978	-	-	-	-	2,978
Prepayments and Other Receivables	-	-	-	-	-	-
Financial Assets						
Designated at Fair Value through Profit and Loss	-	-	-	-	29,740	29,740
Loans and Receivables	-	-	-	-	-	-
Derivatives Net Settled	-	-	-	-	-	-
Total Assets (excluding Gross Settled Derivatives)	2,978	-	-	-	29,740	32,718
Liabilities						
Other Payables and Accrued Expenses	-	-	-	-	-	-
Total Liabilities (excluding Gross Settled Derivatives)	-	-	-	-	-	-
Liquidity gap	2,978	-	-	-	29,740	32,718

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 fulfil 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 honour 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>	31 December 2020	31 December 2019
Credit risk exposure		
Assets		
Cash at Banks	3,216	2,978
Other Cash Equivalents	-	-
Prepayments and Other Receivables	-	-
Derivative Financial Assets	-	-
Loans and receivables	-	-
Total	3,216	2,978

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

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>	31 December 2020	31 December 2019
Asia	(407)	3,120
Africa	1,941	715
Europe	33	167
Total Income	1,567	4,002

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

<i>Amounts in USD thousands</i>	31 December 2020	31 December 2019
Equity securities	1,221	3,780
Debt instruments	-	-
Cash and cash equivalents	345	222
Total Income	1,567	4,002





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

<i>Amounts in USD thousands</i>	31 December 2020		31 December 2019	
	Amount	%	Amount	%
Country				
India	16,455	54%	16,863	57%
Total Asia	16,455	54%	16,863	57%
Ivory Coast	0	0%	748	3%
Kenya	2,887	9%	3,366	11%
Uganda	393	1%	590	2%
Nigeria	2,719	9%	1,286	4%
Ghana	0	0%	90	0%
Senegal	5,479	18%	4,759	16%
Burkina Faso	448	1%	512	2%
Other countries in Africa	2,328	8%	1,527	5%
Total Africa	14,253	46%	12,877	43%
Total portfolio	30,709	100%	29,740	100%

Note 4 – Fair value of financial instruments

The following table shows financial instruments at fair value by the measurement category:

- 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 makes use of recognised valuation methods to determine the fair value of interest rate swaps, currency swaps and forward foreign exchange contracts. The most commonly used valuation method includes future pricing and swap models based on present value models. The models include various factors such as the credit quality of counterparties, spot and future currency prices and interest rate curves. For these financial instruments, the data is observable in the market and therefore they are included at Level 2.

At year end 2020 the company has no instrument at level 2.





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 utilized 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.

	Goodwell West Africa Microfinance Development Company Ltd	FEFISOL SICAV - SIF SA	Progression Eastern Africa Microfinance Fund	MicroCred Senegal SA	Utkarsh Micro Finance Private Ltd	Kenya Women Microfinance Bank	Total
<i>Amounts in USD thousands</i>							
Specification of level 3							
Balance at 1 January 2020	1 337	4 044	1 300	4 759	16 863	1 437	29 740
Additions	-	-	-	-	-	-	-
Dividends	-	-	-	-219	-	-	-219
Disposals and redemptions	-	-	-253	-	-	-	-253
Total gain and loss through P&L	1 092	227	244	938	-407	-653	1 441
Balance at 31 December 2020	<u>2 429</u>	<u>4 271</u>	<u>1 291</u>	<u>5 478</u>	<u>16 456</u>	<u>784</u>	<u>30 709</u>
Balance at 1 January 2019	1 338	3 935	1 656	4 059	13 744	1 401	26 133
Additions	-	-	11	-	-	-	11
Dividends	-	-	-	-154	-	-	-154
Disposals and redemptions	-	-	-29	-	-	-	-29
Total gain and loss through P&L	-1	109	-338	855	3 119	36	3 779
Balance at 31 December 2019	<u>1 337</u>	<u>4 044</u>	<u>1 300</u>	<u>4 759</u>	<u>16 863</u>	<u>1 437</u>	<u>29 740</u>

The following table shows the fair value in relation to the cost price of financial instruments classified as Level 3 as of 31 December 2020.

	Goodwell West Africa Microfinance Development Company Ltd	FEFISOL SICAV - SIF SA	Progression Eastern Africa Microfinance Fund	MicroCred Senegal SA	Utkarsh Micro- finance Private Ltd	Kenya Women Micro- finance Bank	Total
<i>Amounts in USD thousands</i>							
Invested amount	1 549	4 097	2 006	1 540	5 526	3 006	17 724
Fair Value	<u>2 428</u>	<u>4 271</u>	<u>1 291</u>	<u>5 479</u>	<u>16 455</u>	<u>784</u>	<u>30 709</u>
Gain / loss on invested amount	<u>879</u>	<u>174</u>	<u>-715</u>	<u>3 939</u>	<u>10 930</u>	<u>-2 222</u>	<u>12 985</u>





Comparable figures as of 31 December 2019:

	Goodwell West Africa Microfinance Development Company Ltd	FEFISOL SICAV - SIF S.A	Progression Eastern Africa Microfinance Fund	MicroCred Senegal SA	Utkarsh Micro- finance Private Ltd	Kenya Women Micro- finance Bank	Total
<i>Amounts in USD thousands</i>							
Invested amount	1 549	4 097	2 259	1 540	5 526	3 006	17 977
Fair Value	1 337	4 044	1 300	4 759	16 863	1 437	29 740
Gain / loss on invested amount	-213	-52	-959	3 219	11 337	-1 569	11 763

Note 5 – Derivatives

Derivatives may be used in the company's investment strategy and primarily used to structure, hedge and reduce the fund's risk. The fund does not designate any derivatives as hedging instruments for hedge accounting.

The fund uses financial derivatives primarily to reduce risk in connection with currency fluctuations.

However, these instruments have a high underlying commitment and may be very volatile. A relatively small change in the underlying derivatives contract may have a significant impact on the company's income statement.

Over-the-counter derivatives (OTC) may expose the fund to the risks associated with an inadequate currency market to close an open position.

The fund's articles of association place restrictions on investments in derivatives with a high-risk profile. The portfolio manager is required to monitor the fund's exposure related to derivatives as an integral part of the fund's risk management.

Swaps

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts. Interest rate swaps relate to contracts taken out by the Partnership with major brokers in which the Partnership either receives or pays a floating rate of interest in return for paying or receiving, respectively, a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other. In a currency swap, the Fund pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are gross-settled.

The nominal amount indicates the volume of the outstanding transaction on the balance sheet date and is not an indication of the market risk or credit risk.

At year end the company did not have any derivative exposure.





Note 6 – Equity investments, committed amounts and trading restrictions

Comments on the obligations to funds as of 31 December 2020:

	Capital Investment as of 31 December 2020	Committed Capital Investment	Timing	Redemption Constraint
	USD 000			
Equity Investments				
Goodwell West Africa Microfinance Development Company Ltd	1,549	EUR 1 600 000	Completion by 2020	Transfer rights with constraints exists
Fonds Européen de Financement Solidaire SA SICAV-FIS	4,097	EUR 3 300 000	Completion by 2020	Transfer rights with constraints exists
MicroCred Senegal	1,540	XOF 776 550 869	Fully paid	Transfer rights with constraints exists
Progression East Africa	2,006	USD 3 500 000	Completion by 2020	Transfer rights with constraints exists
Utkarsh Micro Finance Private Limited	5,526	INR 224 000 000	Fully paid	Transfer rights with constraints exists
Kenya Women Microfinance Bank	3,006	KES 257 025 000	Fully paid	Transfer rights with constraints exists
Total Equity Investments	17,724			

Comparable figures as of 31 December 2019:

	Capital Investment as of 31 December 2019	Committed Capital Investment	Timing	Redemption Constraint
	USD 000			
Equity Investments				
Goodwell West Africa Microfinance Development Company Ltd	1,549	EUR 1 600 000	Completion by 2020	Transfer rights with constraints exists
Fonds Européen de Financement Solidaire SA SICAV-FIS	4,097	EUR 3 300 000	Completion by 2020	Transfer rights with constraints exists
MicroCred Senegal	1,540	XOF 776 550 869	Fully paid	Transfer rights with constraints exists
Progression East Africa	2,259	USD 3 500 000	Completion by 2020	Transfer rights with constraints exists
Utkarsh Micro Finance Private Limited	5,526	INR 224 000 000	Fully paid	Transfer rights with constraints exists
Kenya Women Microfinance Bank	3,006	KES 257 025 000	Fully paid	Transfer rights with constraints exists
Total Equity Investments	17,977			

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 owners' hands.

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 withheld tax expense for the year originates from Senegal.





Note 8 – Partnership capital and partners

The table shows each investor commitment and shareholding as of 31 December 2020:

Partners (Amounts in NOK thousands)	Ownership interest	Voting share	Committed capital	Paid-in capital	Uncalled capital	Ownership fee as a % of the paid-in capital
Norfund	45.00%	45.00%	35 900	35 900	-	39.13%
Ferd AS	11.25%	11.25%	8 975	8 975	-	9.78%
KLP	11.25%	11.25%	8 975	8 975	-	9.78%
Storebrand Livsforsikring AS	11.25%	11.25%	8 975	8 975	-	9.78%
DNB Livsforsikring ASA Norwegian Microfinance Initiative AS (General Partner)	11.25%	11.25%	8 975	8 975	-	9.78%
	10.00%	10.00%	7 978	7 978	-	21.74%
Total	100.00%	100.00%	79 778	79 778	-	100.00%

Comparable figures as of 31 December 2019:

Partners (Amounts in NOK thousands)	Ownership interest	Voting share	Committed capital	Paid-in capital	Uncalled capital	Ownership fee as a % of the paid-in capital
Norfund	45.00%	45.00%	71 900	71 900	-	39.13%
Ferd AS	11.25%	11.25%	17 975	17 975	-	9.78%
KLP	11.25%	11.25%	17 975	17 975	-	9.78%
Storebrand Livsforsikring AS	11.25%	11.25%	17 975	17 975	-	9.78%
DNB Livsforsikring ASA Norwegian Microfinance Initiative AS (General Partner)	11.25%	11.25%	17 975	17 975	-	9.78%
	10.00%	10.00%	24 000	24 000	-	21.74%
Total	100.00%	100.00%	167 800	167 800	-	100.00%

Note 9 – Capital management

The total partnership capital is approximately USD 17 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

<i>Amounts in USD thousands</i>	31 December 2020	31 December 2019
Cash at Banks	<u>3,216</u>	<u>2,978</u>
Total	<u>3,216</u>	<u>2,978</u>

Note 11 – Employees

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

Note 12 – Auditor's fees

<i>Amounts in USD thousands</i>	2020	2019
Audit Related Services	11	8
Other fees	-	2
Total	<u>11</u>	<u>10</u>

Note 13 – Related parties

The general partner Norwegian Microfinance Initiative AS is the company's portfolio manager in accordance with the limited partnership agreement. Remuneration of the portfolio manager is at arms-length and has been set at 2%.

<i>Amounts in USD thousands</i>	2020	2019
Remuneration to the Investment Manager	321	355
Due from /(to) Investment Manager	-	-

The company has appointed an Investment Committee that consists of representatives from each of the partners and a representative from NORAD. Each member of the Investment Committee has equal voting rights. The Investment Committee is authorised to approve investments on behalf of the company.





The partners have a proportionate ownership interest in the investments made by the company based on their ownership interest in the company as of 31 December 2020.

Investment	NMI Frontier stake	Norfund (45.00%)	Ferd (11.25%)	KLP (11.25%)	Storebrand (11.25%)	DNB Livsforsik- ring (11.25%)	General Partner (10.00%)
Goodwell West Africa Microfinance Development Company Ltd	13,62 %	6,1 %	1,5 %	1,5 %	1,5 %	1,5 %	1,4 %
Fonds Européen de Financement Solidaire S.A SICAV-FIS	15,00 %	6,8 %	1,7 %	1,7 %	1,7 %	1,7 %	1,5 %
MicroCred Senegal SA	10,01 %	4,5 %	1,1 %	1,1 %	1,1 %	1,1 %	1,0 %
Progression East Africa	9,94 %	4,5 %	1,1 %	1,1 %	1,1 %	1,1 %	1,0 %
Utkarsh Micro Finance Private Limited	7,90 %	3,6 %	0,9 %	0,9 %	0,9 %	0,9 %	0,8 %
Kenya Women Microfinance Bank	4,00 %	1,8 %	0,5 %	0,5 %	0,5 %	0,5 %	0,4 %

Comparable figures 31 December 2019:

Investment	NMI Frontier stake	Norfund (45.00%)	Ferd (11.25%)	KLP (11.25%)	Storebrand (11.25%)	DNB Livsforsik- ring (11.25%)	General Partner (10.00%)
Goodwell West Africa Microfinance Development Company Ltd	13,62 %	6,1 %	1,5 %	1,5 %	1,5 %	1,5 %	1,4 %
Fonds Européen de Financement Solidaire S.A SICAV-FIS	15,00 %	6,8 %	1,7 %	1,7 %	1,7 %	1,7 %	1,5 %
MicroCred Senegal SA	10,01 %	4,5 %	1,1 %	1,1 %	1,1 %	1,1 %	1,0 %
Progression East Africa	9,94 %	4,5 %	1,1 %	1,1 %	1,1 %	1,1 %	1,0 %
Utkarsh Micro Finance Private Limited	9,00 %	4,1 %	1,0 %	1,0 %	1,0 %	1,0 %	0,9 %
Kenya Women Microfinance Bank	4,00 %	1,8 %	0,5 %	0,5 %	0,5 %	0,5 %	0,4 %

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 transactions after the reporting period are considered to be natural with regard to their type and frequency.

The spread of COVID-19 virus has impacted 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.





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INDEPENDENT AUDITOR'S REPORT

To the Partnership Meeting of NMI Frontier Fund KS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of NMI Frontier Fund 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.

Independent auditor's report - NMI Frontier Fund KS

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3

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 Frontier Fund 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

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Skattedirektoratet

Saksbehandler	Deres dato	Var dato
Torstein Kinden Helleland	07.05.2014	16.05.2014
Telefon	Deres referanse	Var referanse
22078139	Ole Sandbraaten	2014/327687

NMI AS
Akersgata 20
0158 OSLO

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk

Det vises til deres e-post av 7. og 13. mai 2014 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for følgende selskaper:

NMI AS	org. nr. 993 147 044
NMI Global Fund KS	org. nr. 993 246 735
NMI Frontier Fund KS	org. nr. 993 246 743
NMI Fund III KS	org. nr. 912 348 644

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering de overnevnte selskaper dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd. Dispensasjonen forutsetter at opplysningene som vedtaket baserer seg på ikke endres vesentlig.

Kopi av dette brevet må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

Bakgrunn

NMI er et samarbeid mellom det offentlige og private investorer og har som visjon å styrke fattiges stilling i utviklingsland ved å bidra til å skape arbeid og velferd på bærekraftig grunnlag. Dette oppnås ved å investere i mikrofinansinstitusjoner i identifiserte fokusland gjennom å yte lån og egenkapital til disse.

Virksomheten er organisert gjennom komplementaren NMI AS som forestår forvaltningen av fondene NMI Global Fund KS, NMI Frontier Fund KS og NMI Fund III KS. Fondene har ulik risikoprofil og geografisk investeringsfokus. Et hovedmål for virksomheten er å yte kapital i lokal valuta i de landene fondene investerer i. Dette gjøres ved samarbeid med investeringsrådgivere, utenlandske banker og betalingsformidlere som opererer i de respektive land. I disse prosesser har det i de senere år vært et økende fokus på identifisering av og kjennskap til avsendere og mottagere av betalingsstrømmene særlig fra sentralbankene i de respektive land. Videre er det for de

Postadresse	Besøksadresse:	Sentralbord
Postboks 9200 Grønland	Se www.skatteetaten.no	800 80 000
0134 Oslo	Org.nr: 996250318	Telefaks
	E-post: skatteetaten.no/sendepost	22 17 08 60



utenlandske samarbeidspartnere av betalingsformidling et krav at det avleveres periodiske økonomiske rapporter, herunder avlagt årsregnskap og revisjonsberetning.

Siden oppstarten i 2008 har eierne av NMI AS og fondene vært Norfund, Ferd AS, Storebrand Livsforsikring ASA, DNB Livsforsikring ASA og KLP. Disse eiere har god kunnskap om investeringer i utlandet og har således god språklig kompetanse.

Andre brukere av regnskapet foruten eierne, er det særlig interessenter og samarbeidspartnere i utlandet som krever tilsendt årsregnskap på engelsk for de respektive selskaper de har samarbeid med. De aller fleste eksterne brukere av regnskapene nevnt ovenfor er lokalisert utenfor Norden. Alle sentrale aktører og samarbeidspartnere innen denne bransjen behersker og benytter engelsk. En norsk oversettelse vil kun ha til formål å oppfylle regnskapslovens språkkrav.

Skattedirektoratets 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 m.v., 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 Skattedirektoratets 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 Skattedirektoratet lagt særlig vekt på at selskapet er eiet av institusjonelle investorer. Eierkretsen er begrenset. Interessenter og samarbeidspartnere i



utlandet krever årsregnskapet tilsendt på engelsk. Videre er det vektlagt at selskapet driver virksomhet i en internasjonal bransje der alle aktører behersker og benytter engelsk språk.

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Rune Tystad

seniorrådgiver

Rettsavdelingen, foretaksskatt

Skattedirektoratet

Torstein Kinden Helleland

