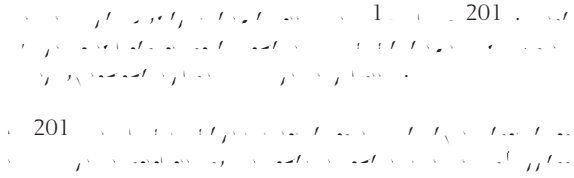
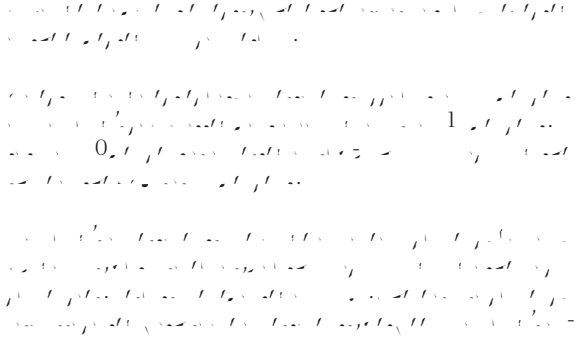
Nor

2017

ANNUAL REPORT





6. OUTLOOK FOR THE FUTURE

BALANCE SHEET

BALANCE SHEET

[illegible 1000 illegible]		[illegible]		[illegible] [illegible]	
		01	01	01	01
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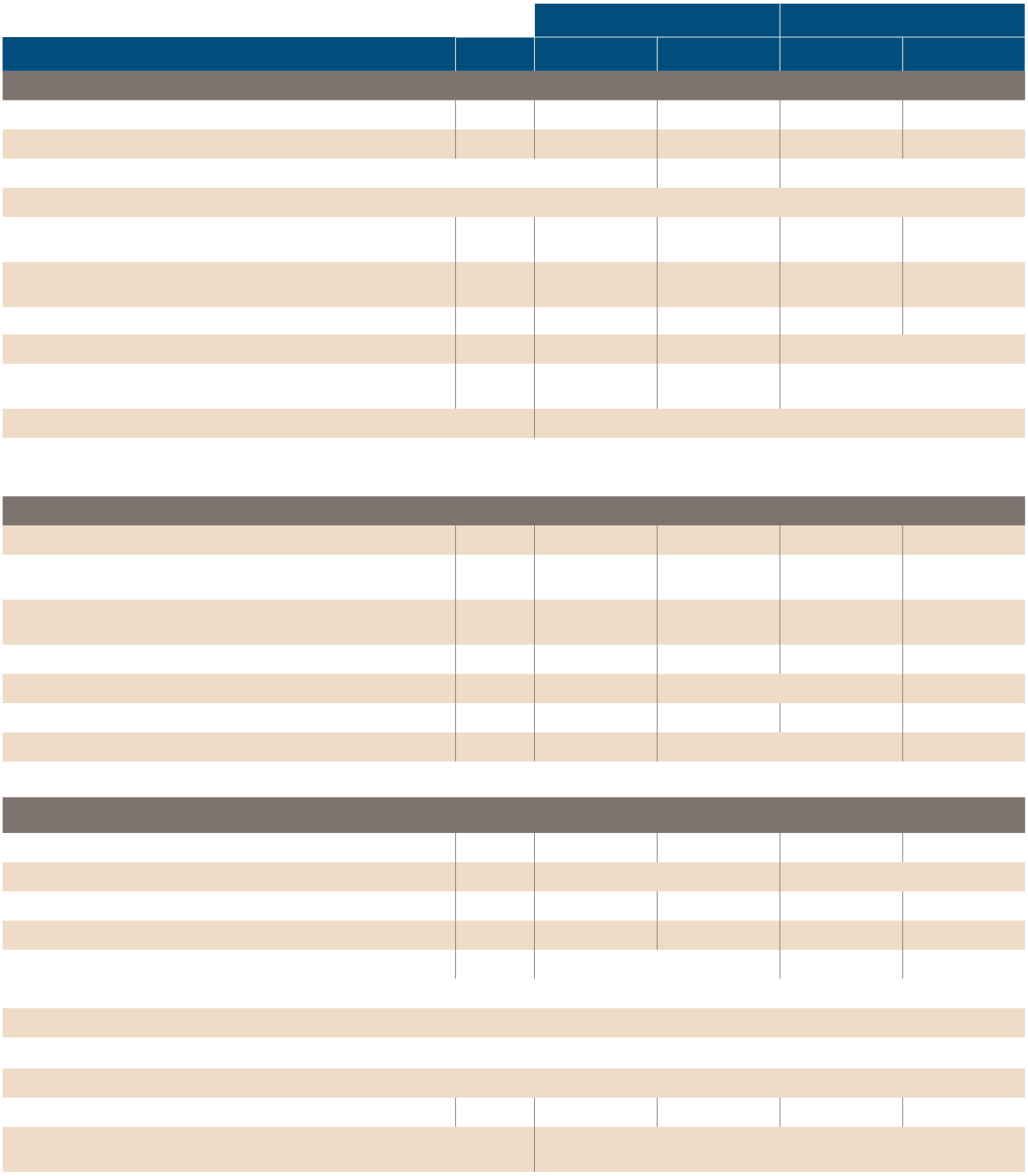
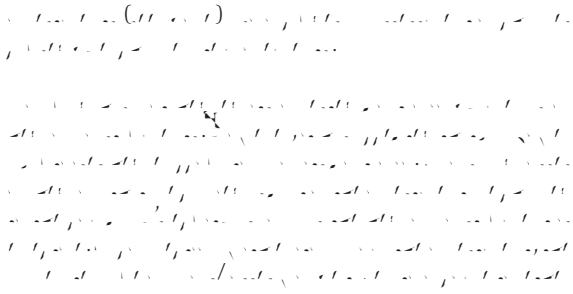
[illegible]					
Primary capital	13	10 514 750	9 389 750	10 514 750	9 389 750
Reserve capital	13	3 680 250	3 305 250	3 680 250	3 305 250
[illegible]		1 1 000	1 000	1 1 000	1 000
[illegible]					
Surplus fund	13	8 179 767	3 714 835	8 179 767	3 899 527
[illegible]		1	1	1	
[illegible]				1 0	1
[illegible]			1 0		

CASH FLOW STATEMENT





NOTES NORFUND

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The table below presents an overview of the results of Norfund's investment departments, the loan portfolio taken over from Norad (see note 6), shared functions and other activities. The costs of shared functions have largely been allocated in accordance with the number of employees in each area, and are recorded as part of other operating expenses.

**Income is directly attributable. Expenses are partly directly attributable and partly shared costs allocated in accordance with*

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Wages and salaries/fees	2 508 742	212 750	576 000
Pension contributions	1 004 708		
Other remuneration	101 863		
	1 1	1 0	000

The managing director is not covered by any agreement for pay a f er termination of employment beyond the ordinary three-month period of notice. The chair does not have an agreement for pay a f er termination of employment. Neither the managing director nor the chair has a bonus agreement.

The chair received NOK 212 500 (NOK 205 000) for board-room work for Norfund in 2017. The board members each received remuneration of NOK 115 200 (NOK 110 700).

The company has no share or option schemes for its employees, and there are no plans for such schemes.

Norfund has a variable bonus scheme for all employees excluding the managing director. The schemes account for a total of 1.8 per cent of Norfund's payroll expenses. Bonuses are paid for extraordinary performance, and the average payment in 2017 was NOK 43 895. The highest bonus payment represented 8 per cent of salary and is thus far lower than the requirement in Report no. 27 (2013–2014) to the Storting on Diverse and Value-creating Ownership (Eierskapsmeldingen) that bonuses be a maximum of 50 per cent of the employee's salary.

Fees in the amount of NOK 1 895 181 (NOK 2 123 644) were recorded for the auditor, of which NOK 685 063 (NOK 532 442) is related to auditing that is required by law, NOK 12188 (NOK 88 125) for other attestation services and NOK 1 191 931 (NOK 1 502 967) for services other than auditing. All fgures include VAT.

The company had 71 employees at the end of 2017. The number of person-years was 66.

Pursuant to the Norwegian Act on Mandatory Occupational Pensions, Norfund is required to have an occupational pension plan. Norfund has a defned-beneft scheme for all employees in Norway. The scheme entitles employees to defned future benefts. The size of the benefts depends primarily on the number of qualifying years, pay level on reaching retirement age and the size of National Insurance benefts. The full pension entitlement is based on 30 qualifying years, and is equivalent to 70 per cent of pay up to a maximum of 12 times the National Insurance base rate (G). This scheme satisfes the requirements of the Act on Mandatory Occupational Pensions. Norfund also has a general scheme which entitles employees to pension rights for pay in excess of 12 G. This scheme was closed to new members in 2012. This scheme, which is funded from operations, consists of 66 per cent of pay above 12 G and uses a retirement of age of 67 in the calculation base. On termination of employment or on reaching retirement age, employees receive a settlement for the value of the amount saved. The cost of this scheme is included in the calculation of pension expenses.

Local employees at Norfund's regemp

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	01	01
Discount rate	2,4 %	2,1 %
Expected return on pension capital	4,1 %	3,0 %
Salary adjustment	2,5 %	2,25 %
Pension adjustment	2,25 %	2,0 %
Adjustment of the basic amount (G) in the National Insurance System	2,25 %	2,0 %
Turnover	9,0 %	9,0 %
Employer's social insurance contribution	19,1 %	19,1 %

	01	01
Net present value of pension earnings in the period	8 899	8 549
Capital cost of previously earned pensions	1 822	1 888
Expected return on pension capital	-1 973	-1 853
Administrative costs	945	917
Recorded actuarial gain/loss (-)		-1 225
Accrued employer's social insurance contribution*	1 852	1 340
	11	**1**

**Employer's social insurance contribution is calculated on the amount paid in.*

			01
Estimated pension liabilities	70 646	20 730	91 376
Estimated plan assets	69 892		69 892
Net pension liabilities 31 December	754	20 730	21 484
Unrecorded actuarial gain/loss(-)	144	3 959	4 103
Accrued employer's social insurance contribution*			0

** Accrued employer's social security contribution is calculated on net pension liability.*

	01	01
Capitalised net pension liabilities 1 January incl. payroll tax	26 767	24 422
Net pension expenses for the year incl. payroll tax	11 545	9 617
Actuarial gain/loss charged directly to equity	−240	3 642
Pensions paid, early retirement / unfunded, incl. payroll tax	−402	−385
Investment in pension assets, etc., incl. payroll tax	-12 083	-10 528

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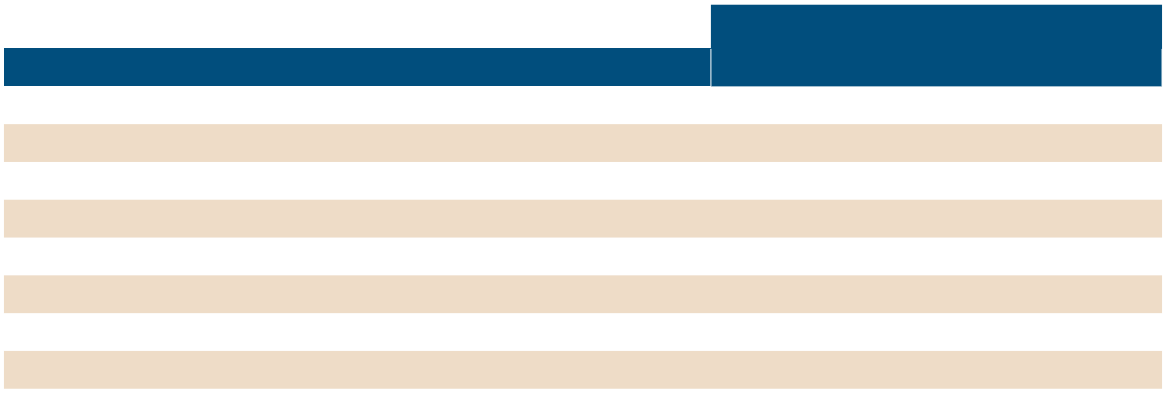

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Cost price, ordinary depreciation and write-downs Cost price at 1 January	13 604	0	971	1 278	15 853
+ acquisitions during the period	1 045			185	1 231
- disposals during the period				0	0
Cost price at 31 December	14 649	0	971	1 463	17 084
Accumulated ordinary depreciation at 1 January	7 451	0	633	0	8 085
+ ordinary depreciation for the period	2 040		194		2 234
- acc. ord. depreciation, operating assets disposed of	0			0	0
Accumulated ordinary depreciation at 31 December	9 491	0	828	0	10 319
Write-down of operating assets at 1 January	0	0	0	0	0
+ write-downs for the period		0		0	0
- accumulated depreciation, operating assets disposed of	0	0	0	0	0
Accumulated write-downs at 31 December	0	0	0	0	0
[illegible]	**1**	**0**	**1**	**1**	

Operating assets, fxtures and fttings etc. are depreciated on a straight-line basis. The expected life of operating assets is 3-4 years. O f ce fxtures and fttings are depreciated over the life of the lease. Works of art are not depreciated. Vehicles are depreciated on a straight-line basis over 8 years.

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The loan portfolio is recorded under receivables. When acquired from NORAD, it was valued at zero in the Norfund accounts pursuant to Proposition no. 1 to the Storting (2000-2001), where the loan portfolio was transferred to Norfund without an appropriation decision. Pursuant to the Norwegian Accounting Act, receipts (interest and principal repayments) from this portfolio are recorded as income in Norfund's accounts.

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Capitalised project development costs	34 179	

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(1000)		( ) *	( ) *
LAAD	USD	5 833	47 863
CIFI	USD	25 000	205 125
European Financing Partners EUR**	EUR	882	8 675
European Financing Partners USD**	USD	9 147	75 050
Green Resources	USD	21 905	179 730
Sathapana Ltd.	USD	10 000	82 072
Africado	EUR	1 270	12 497
E+CO	USD	989	8 112
DFCU Limited	UGS	1 757 143	3 954
TPS (Dar) Ltd.	USD	1 691	13 874
Great Lakes Agricultural Development Ltd	USD	150	1 231
Interact Climate Change Facility	USD	6 546	53 713
Amret Co Ltd	USD	3 600	29 538
Alios Finance Tanzania ltd	USD	500	4 103
Banco Ficosha	USD	2 211	18 143
Agrica Limited	USD	3 948	32 393
Afrinord Hotels Investment USD	USD	1 842	15 117
Yara Tanzania Ltd	USD	1 800	14 769
Prasac	USD	1 667	13 675
First Finance Plc	USD	3 000	24 615
Fondo de Desarrollo Local FDL	USD	4 188	34 358
UAP Properies Limited	USD	3 667	30 085
NMBZ Holdings Limited	USD	1 400	11 487
Alios Finance Zambia Ltd.	USD	1 500	12 308
Trustco	ZAR	50 000	33 230
Interact Climate Change Facility	EUR	1 940	19 095
Housing Finance Company of Kenya Ltd	KES	875 000	68 985
Ficohsa Guatemala	USD	900	7 385
Focus Financial Services	ZMW	25 000	20 384
ACLEDA Bank Lao Ltd	USD	3 090	25 352
African Century Infrastructure Services Ltd	USD	1 800	14 769
Sunripe (1976) Limited	USD	3 700	30 359
AMC/Confanza	USD	2 500	20 513
Cape Dairy Biogas Plant (Pty) Ltd	ZAR	8 084	5 373
Banco Terra S.A.	EUR	490	4 826
Banco Lafse Bancetro S.A.	USD	8 000	65 640
Across Forest AS	NOK	2 437	2 437
Banco Industrial El Salvador	USD	6 667	54 700
Nam Sim Power Company	USD	4 060	33 312

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(1000)			( )	( )*	( )	( )*
Agri-Vie Fund II (Pty) Ltd	USD	14,9 %	14 925	2 575	122 244	20 912
FIPA II	USD	40,0 %	18 000	2 880	148 556	24 496
Fanisi Capital Fund II	USD	35,0 %	15 000	371	123 132	3 101
*						1 0

"Committed" means that an external commitment exists for the specified amount. For conversions to NOK, the exchange rate at the time of disbursement is used for the part of the amount that has been disbursed. The exchange rate at 31.12.2017 is used for the part that has not been disbursed.

** Figures at 31.12.2017 and before any write-downs.*

*** Fund investments with more than 35 per cent ownership share:*
NMI Global Fund, NMI Frontier Fund and NMI Fund III are Norfund's most important microfinance investments. Norwegian private commercial investors have contributed considerable equity to all three funds.

Norfund was the promoter of FIPA, the first private equity fund in Angola, in 2009. In 2016, Norfund invested 40 per cent of the capital in FIPA II, and the investment is a continuation of Norfund's engagement and strategic interest in the development of the market for private equity funds in Angola.

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(1000)			( )	( )*	( )	( )*
Lafse Investment Management	USD	20,0 %	2	2	17	17
Nordic Microfnance Initiative AS	NOK	33,3 %	28 370	24 192	28 370	24 192
European Financing Partners mgm	EUR	7,6 %	25	25	194	195
Angola Capital Partners LLC	USD	47,5 %	250	250	1 417	1 417
Interact Climate Change Facility S.A.	EUR	7,7 %	6	6	47	47
Fanisi Venture Capital management	USD	50,0 %	275	124	2 154	913
Norwegian Microfnance Initiative AS	NOK	50,0 %	30 000	30 000	30 000	30 000
Fanisi GP II	USD	25,0 %	75	15	615	122
Aureos Capital						
					1	0

** Figures at 31.12.2017 and before any write-downs.*

*** Joint ventures with 50 per cent ownership share:*
Angola Capital Partners is a capital management company for investment in small and medium-sized enterprises in Angola. Norfund was one of the promoters of the company, which is a joint venture project with a local Angolan bank, BAI. Norfund has thereby contributed to realising its own objectives by fur1ll0w12.1 (estment in sma

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(1000)			( )	( )*	( )	( )*
CIFI	USD	32,0 %	16 500	16 500	116 182	116 182
TPS Afghanistan (Kabul Serena Hotel) Ltd	USD	17,1 %	5 000	2 000	38 129	13 514
Afrinord Hotels Africa	EUR	20,0 %	50	50	392	392
Banco Terra	MZN	6,5 %	456 700	456 700	96 568	96 568
Tourism Promotion Services TPS	RWF	11,1 %	1 287 434	1 287 434	12 510	12 510
Basecamp Explorer Kenya Ltd	NOK	38,9 %	9 000	0	18 000	9 000
TPS (Dar) Ltd	USD	28,5 %	6 800	6 800	39 089	39 089
AgBT8 0/LangiFa Ltd						

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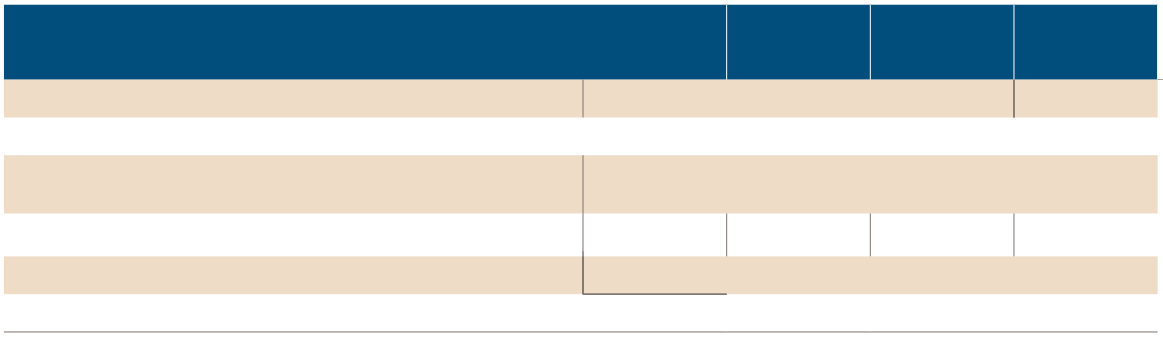

	1.1 .1	1.1 .1	1.1 .1	1.1 .1	1.1 .1	1.1 .1
Carried over from previous year	**0**	4 633	0	0	3 588	5 621
Received during the year	15 000	0	24 057		0	0
Repaid grant resources			0	0	0	0
	1 000		**0**	**0**		**1**

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Norfund's investments are made in developing countries in which the country itself, markets and companies are characterised by high risk. Future returns depend on the ability to manage opportunities and risk during the investment period.

Norfund's investments are largely made in USD, but in some cases in other currencies. Since Norfund's base currency is NOK, its future returns are strongly influenced by the exchange rate between NOK and USD (or other currency where relevant). The various objects in which Norfund invests may also be subject to fluctuations between local currencies and USD.

Norfund's investment agreements are largely denominated in USD, while its liquid assets are placed in NOK-denominated interest-bearing accounts in Norges Bank.

		1.1 .1	1.1 .1	
US Dollars	USD	8,205	8,620	-4,8 %
South African Rand	ZAR	0,665	0,629	5,7 %
Rwanda Franc	RWF	0,010	0,010	-6,4 %
Kenyan Shilling	KES	0,079	0,083	-4,5 %
Uganda Shilling	UGS	0,002	0,002	-5,1 %
Mozambique Metical	MZN	0,138	0,120	14,7 %

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Norfund's interest-rate risk is primarily affected through liquid assets placed in Norwegian banks. Interest rates on loans to projects may also be affected by interest-rate risk, depending on the rate of interest charged on the various loans. Loans to projects are usually based on the variable LIBOR rate plus a margin.

Project loans are assessed at their estimated fair value. The risk associated with these loans is also partly reflected in the terms for the individual loan. What Norfund defines as its "Loan portfolio" entails no credit risk in accounting terms, since its value on the balance sheet is zero. As a rule, the risk associated with loans is regarded as relatively high, and to be considered more as equity risk than traditional loan risk.

Norfund has no interest-bearing debt. An attempt has been made to render Norfund's liquidity risk visible by quantifying the committed investments.

financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements.

We are responsible for the direction, supervision and performance of the group audit. We remain

solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters 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

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