

DANISH  
MICROFINANCE  
PARTNERS K/S

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Annual report 2017

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# STATEMENTS

## STATEMENT BY MANAGEMENT

The Executive Board has today discussed and approved the annual report for Danish Microfinance Partners K/S for the financial year 1 January – 31 December 2017.

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

In our opinion, the parent financial statements and the consolidated financial statements give a true and fair view of the limited partnership's and group's assets, liabilities and financial position at 31 December 2017 and of results of their operations and cash flows for the financial year 1 January – 31 December 2017.

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

We recommend the annual report 2017 for adoption at the annual general meeting.

Copenhagen, 5 April 2018

General partner:  
Danish Microfinance Partners General Partner ApS

Executive Board:



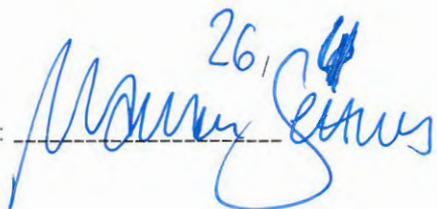
Kasper Svartter                      Thomas Riis

The annual report is presented and adopted at the annual general meeting.

on

26, 4 2018

Chairman: \_\_\_\_\_



# STATEMENTS

## Independent auditor's report

### To the limited partners of Danish Microfinance Partners K/S

#### **Opinion**

We have audited the consolidated financial statements and the parent company financial statements of Danish Microfinance Partners K/S for the financial year 1 January – 31 December 2017, which comprise accounting policies, income statement, balance sheet, statement of changes in equity, cash flow statement and notes for the Group and the Parent Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2017 and of the results of the Group's and the Parent Company's operations as well as cash flows for the financial year 1 January – 31 December 2017 in accordance with the Danish Financial Statements Act.

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***Independence***

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

#### **Management's responsibilities for the financial statements**

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Group's and the Parent 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 in preparing the financial statements unless Management either intends to liquidate the Group or the Parent 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 as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always

# STATEMENTS

## Independent auditor's report

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 the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **Statement on the Management's review**

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

# STATEMENTS

## Independent auditor's report

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

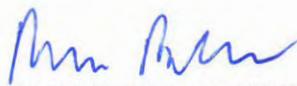
Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 5 April 2018

ERNST & YOUNG  
Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28



Ole Karstensen, mne16615  
State Authorised  
Public Accountant



Rasmus Berntsen, mne35461  
State Authorised  
Public Accountant

# MANAGEMENT COMMENTARY

## Fund information

The limited partnership	Danish Microfinance Partners K/S Gammeltorv 18 DK-1457 Copenhagen K Denmark
Contact information	E-mail: <a href="mailto:kontakt@majinvest.com">kontakt@majinvest.com</a> Website: <a href="http://www.majinvest.com">www.majinvest.com</a>
CVR no.	33 25 39 23
Financial year	1 January – 31 December
Registered office	Copenhagen
General partner	Danish Microfinance Partners General Partner ApS
Executive Board in Danish Microfinance Partners General Partner ApS	Kasper Svarrer Thomas Riis
Manager	Maj Invest Equity A/S
Depository	Private Equity Administrators Depository Services ApS
Auditors	ERNST & YOUNG Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4 DK-2000 Frederiksberg Denmark

# MANAGEMENT COMMENTARY

## KEY FIGURES AND RATIOS FOR DANISH MICROFINANCE PARTNERS K/S

'000 DKK	2017	2016	2015	2014*	2013*
<b>Key figures</b>					
<b>Profit/loss</b>					
Income from investments in portfolio companies**	29,045	100,675	90,087	104,726	7,849
Operating profit	23,181	92,820	82,304	96,266	(746)
Profit for the year	19,577	89,594	79,131	93,012	(3,254)
<b>Balance sheet</b>					
Investments in portfolio companies	502,966	478,666	443,976	326,938	164,288
Total assets	504,528	480,886	448,845	330,465	167,277
Equity	473,346	443,451	424,516	328,682	140,381
<b>Financial resources</b>					
Cash	236	937	1,396	120	729
Remaining commitment	44,093	56,671	108,745	125,250	222,905
Total financial resources	44,330	57,608	110,141	125,370	223,634
<b>Cash flow</b>					
Cash flows from operating activities	(588)	(1,814)	(1,250)	(8,359)	(10,113)
Cash flows from investing activities	122	82,157	(27,178)	(61,335)	(99,000)
Cash flows from financing activities	(235)	(80,803)	29,704	69,085	108,803
Net change in cash	(701)	(459)	1,276	(609)	(309)
<b>Ratios</b>					
Equity ratio	94%	92%	95%	99%	84%
Paid-in capital to committed capital (%)	89%	86%	73%	69%	44%

\* The key figures and ratios for 2013–2014 have not been modified cf. the Danish Financial Statements Act § 101.3.

\*\* For 2013–2014, unrealised value adjustments of investments in subsidiaries and other investments in portfolio companies are included in "Income from investments in portfolio companies". For 2015–2016, positive unrealised value adjustments of investments in subsidiaries are made directly at the equity.

# MANAGEMENT COMMENTARY

## KEY FIGURES AND RATIOS FOR THE GROUP

'000 DKK	2017	2016	2015
<b>Key figures*</b>			
<b>Profit/loss</b>			
Income from investments in portfolio companies	29,045	100,675	90,087
Operating profit	23,163	92,809	82,272
Profit for the year	19,557	89,581	79,099
<b>Balance sheet</b>			
Investments in portfolio companies	502,700	478,380	443,395
Total assets	504,540	480,895	448,855
Equity	473,346	443,451	424,516
<b>Cash flow</b>			
Cash flows from operating activities	(605)	(1,465)	(1,694)
Cash flows from investing activities	122	81,874	(26,817)
Cash flows from financing activities	(235)	(80,803)	29,704
Net change in cash	(718)	(393)	1,193
<b>Ratios</b>			
Equity ratio	94%	92%	95%

\* Key figures only comprise 2015–2017 cf. the Danish Financial Statements Act § 128.4.

# MANAGEMENT COMMENTARY

## BUSINESS REVIEW

### **Danish Microfinance Partners K/S**

The private equity fund Danish Microfinance Partners K/S (Danish Microfinance Partners) was established on 26 October 2010 as a limited partnership and is owned by The Investment Fund for Development Countries (IFU), Pension funds administered by PKA A/S (PKA) and Pensionskassen for Børne- og Ungdomspædagoger (PBU). The investors have entered into a limited partnership agreement (LPA).

Danish Microfinance Partners has a total capital commitment of DKK 401.3 million. The investment period ended in June 2015 and consequently, no investments are now being made in new portfolio companies. The Fund has invested in six portfolio companies since inception, of which one investment has been exited. As of year-end 2017, Danish Microfinance Partners has five active investments.

### **Investment policy and strategy in Danish Microfinance Partners**

The Fund has invested in financial institutions with a significant exposure to micro- and SME financial services. These microfinance institutions are characterised by having strong governance, highly qualified management and attractive growth opportunities based on a well-balanced strategy of social impact and financial return.

The microfinance institutions offer a range of financial products and services depending on country, market and regulations. All of them provide micro-credits which are small loans with short maturities. Other services are saving and insurance products. Loans are granted to groups or individual clients almost exclusively for income-generating activities. The customers are low income groups, with limited or no access to financial services in traditional commercial banks.

The Fund has invested in microfinance institutions in Latin America, Asia and Africa and the investments are both directly with equity instruments and indirectly via funds. The Fund is an active minority investor, taking a 5–15% stake and appointing a board member in the microfinance institution. Investments are mainly in unquoted companies; however, investments in listed companies are possible as well.

Danish Microfinance Partners prioritises long-term value creation and lays decisive emphasis upon each individual investment being supported by a sound and well-advised strategy and business plan. The Fund closely monitors investments to ensure that their value potential is realised and assesses exit opportunities on a continuous basis.

### **Social impact policy**

The Social Impact Policy outlines the Fund's commitment to social impact. The Fund considers social impact as an integrated part of the overall framework for responsible investment, and the Fund's perception of responsible investment is aligned with that of the United Nations (UN). More specifically, the UN has provided a framework in the form

# MANAGEMENT COMMENTARY

## BUSINESS REVIEW

of Principles for Investors in Inclusive Finance for responsible investment within the microfinance and financial inclusion sector. These principles represent the core values of the Fund's commitment to social impact and express the Fund's intent to create long-term social impact.

The Social Impact Policy of the Fund considers the provisions laid down in international social impact standards. These include the Client Protection Principles of the Smart Campaign, the Universal Standards for Social Performance Management of the Social Performance Task Force, the Anti-Money Laundering Recommendations of the Financial Action Task Force, the Principles for Investors in Inclusive Finance as well as IFC's Exclusion List and EDFI's/IFU's Exclusion List. Through earnest implementation of its Social Impact Policy, Danish Microfinance Partners strives to achieve its vision of generating a sound financial return as well as positive social impact for its investors.

### Danish Microfinance Partners organisation

The advisory team consists of one Managing Partner for Financial Infrastructure, the Executive Board of Fondsmæglerselskabet Maj Invest A/S (MI), one partner, one senior investment manager, one investment manager, one CSR manager, one associate, two analysts as well as three back-office staff involved in finance, legal matters and administrative duties.

### Ownership

Danish Microfinance Partners is owned by IFU, PKA and PBU, holding a stake of 99.7%. The Managing Partner for Financial Infrastructure and one legal back-office employee involved in investments as well as one of the external members of the Fund's Investment Committee have all invested as Special Limited Partners in Danish Microfinance Partners. Any profits earned by such Special Limited Partners are subject to tax under current Danish and local tax rules. The Special Limited Partners do not pay management fees and partnership formation costs to the Fund.

<b>Investors</b>	<b>Commitment DKKm</b>	<b>Interest in per cent</b>
Pension funds	300.0	74.8%
Other professional investors	100.0	24.9%
Management and staff in Maj Invest Equity International	1.3	0.3%
	<b>401.3</b>	<b>100.0%</b>

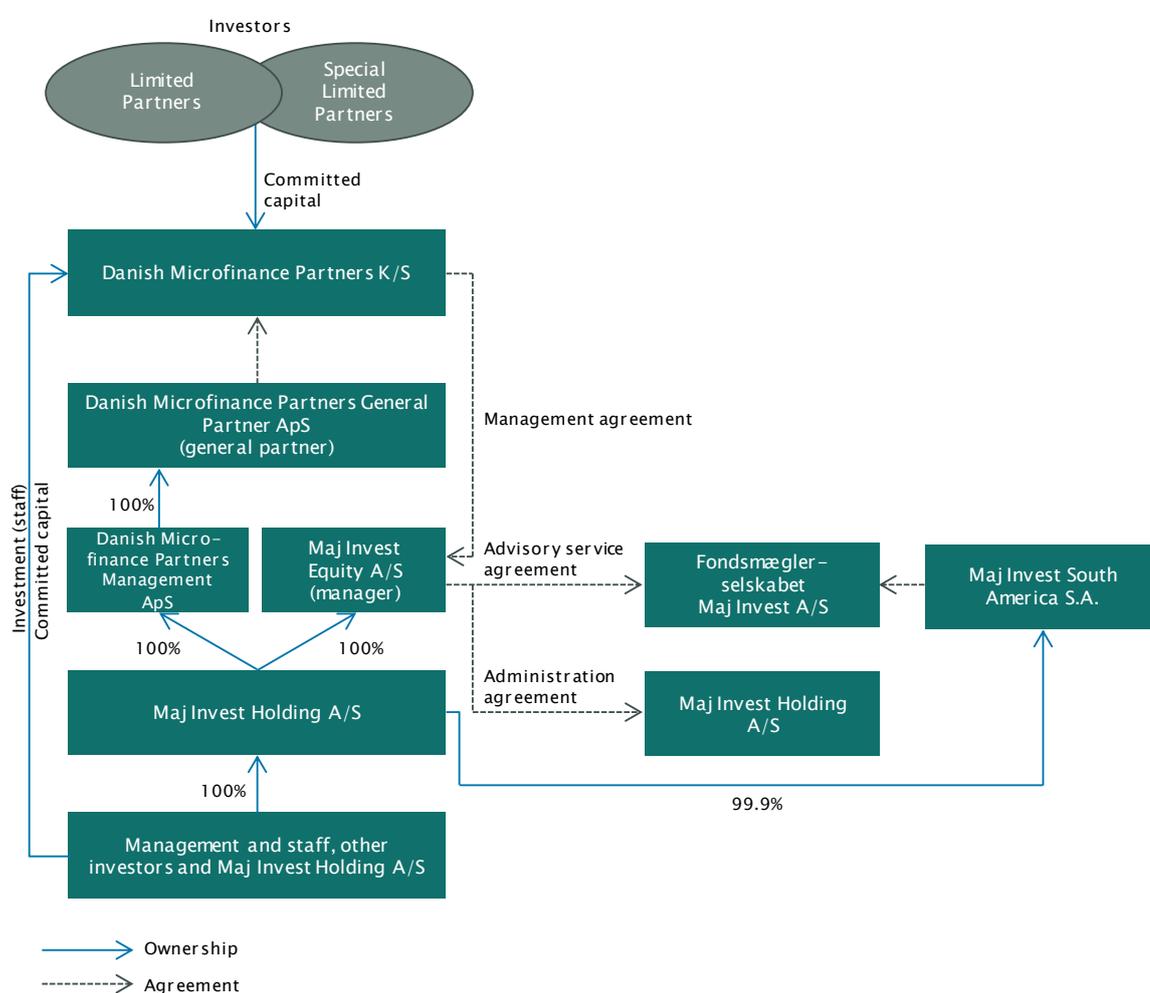
# MANAGEMENT COMMENTARY

## BUSINESS REVIEW

### Legal structure

Danish Microfinance Partners is a Danish limited partnership with a Danish private limited company as general partner. The General Partner is managed by an executive board consisting of the Managing Partner for Financial Infrastructure and a Director in MI. The General Partner is a subsidiary of the former manager Danish Microfinance Partners Management ApS which is owned by Maj Invest Holding A/S which is owned by Maj Invest Holding A/S (Maj Invest Holding).

Legal structure of Danish Microfinance Partners



The General Partner is responsible for management and also signs for the Fund. Under a management agreement, the Manager handles all investment-related and administrative tasks for Danish Microfinance Partners. Consequently, Danish Microfinance Partners has no staff employed. The Manager has made an advisory service agreement with MI in respect of some of the investment-related tasks and an agreement with Maj Invest Holding in respect of administrative tasks.

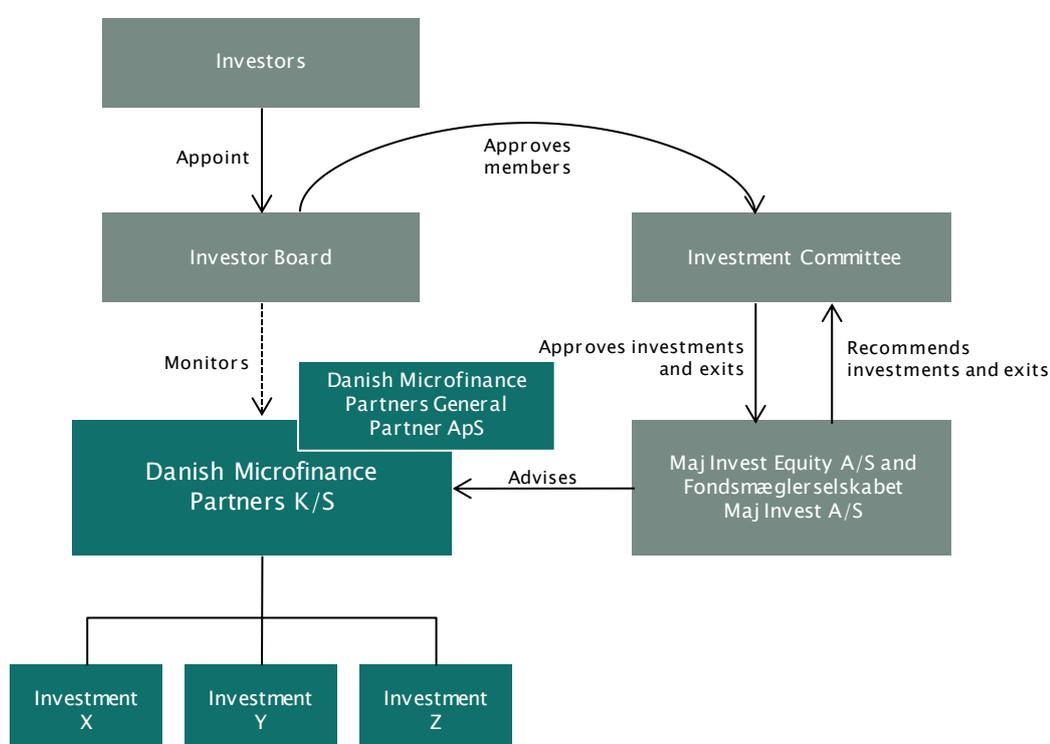
# MANAGEMENT COMMENTARY

## BUSINESS REVIEW

### Decision structure

The investors in Danish Microfinance Partners have set up an Investor Board with representatives appointed by the investors. The Investor Board acts as a supervisory body and monitors developments in the Fund. The Investor Board also approves up to three members of the Investment Committee recommended by the General Partner. Any other members of the Investment Committee are appointed by MI.

Decision structure in Danish Microfinance Partners



The Investment Committee is responsible for deciding any investments in or divestments of portfolio companies in Danish Microfinance Partners following a recommendation by Maj Invest Equity International. The Investment Committee consists of three members – two external members, with business experience and the CEO of MI. Reference is made to note 11 in the parent financial statements, which shows any other executive functions or directorships held by investment committee members. Investment committee members do not participate in the particular companies and never invest in the portfolio companies in a discretionary manner.

# MANAGEMENT COMMENTARY

## BUSINESS REVIEW

### **License as manager with the Danish FSA**

The Manager has received a license as manager (in Danish: forvalter) with the Danish FSA (in Danish: Finanstilsynet) and the Manager is under financial regulation and the Danish FSA supervision.

Danish Microfinance Partners has appointed a depositary in accordance with the provisions in FAIF.

Remuneration for the financial year paid to management and staff in Maj Invest Equity A/S is disclosed in the annual report of Maj Invest Equity A/S which is available on the website [www.majinvest.com](http://www.majinvest.com). Information is given on Manager level.

### **Carried interest**

Danish Microfinance Partners has been established with a management fee structure which is normal in relation to the private equity market. This means that the Manager receives a fixed management fee and the General Partner receives carried interest depending on the investors' returns on their investments.

Carried interest is payable if the returns on investments adjusted for costs exceed a predetermined hurdle rate of 10% p.a. The carried interest is calculated as 20% of investor profits over the predetermined hurdle rate.

No carried interest has been paid as of 31 December 2017.

### **Reporting**

One of the things governed by the LPA is the aspect of reporting on fund activities, its development and financial position in relation to investors. The Fund is obliged to report to its investors on a current basis:

- Quarterly reports on the financial situation, the development in individual investments and investment returns.
- Memoranda on investments.
- Memoranda on exits.
- Annual reports.
- Investor meetings
- Annual Social Impact Reports.
- Replies to current investor queries.

The quarterly reports to investors are prepared in compliance with the Invest Europe Investor Reporting Guidelines. Investments are valued at their fair values and in accordance with the International Private Equity and Venture Capital Valuation Guidelines.

# MANAGEMENT COMMENTARY

## BUSINESS REVIEW

### **Market development, development in activities and the financial position**

#### **Market development**

The market for financial services to the client group below the middle class in Latin America, Africa and Asia will continue to grow in the future. The client group consists of billions of people and small companies that are in huge demand for basic financial services, such as loans, savings, insurances, payments and money transfers. The Fund invests directly in financial institutions specifically targeting this client group, and thus building financial infrastructure, enabling flow of funds from large institutional investors in the developed world to individuals and small companies in Latin America, Africa and Asia. This financial infrastructure will continue to support the economic development of the client group and the target countries, and consequently, contribute to positive social impact.

In a historic perspective, the concept of microcredit evolved into microfinance, and subsequently the concept changed into financial inclusion driven by the development finance investors dominating the industry in the early stages of its development. Their mission has been to include people by ensuring access to financial services, and support the establishment of financial institutions of various kinds catering to this client group below the middle class in the developing countries. The financial inclusion industry has now gradually matured and a top-segment of financial institutions has to some extent changed its mission over time – from predominantly focused on development to focusing increasingly on financial return and secondly on social impact.

As the Fund continues to invest in financial institutions in Latin America, Asia and Africa and building financial infrastructure, the client group continues to grow at an impressive rate. In general, the client group is the large subset of people below the middle class but above extreme poverty. Over 2 billion adults globally operate outside the traditional financial system. Further, there are 1.6 billion people considered as the working poor, and of those almost 500 million are microentrepreneurs or salaried wage workers. To close this gap, financial institutions targeting the client group have attracted more than 100 million borrowers in over 75 countries and have created a USD 92 billion industry in the process.

In 2015–2016, this industry grew at 10–15% annually (Microfinance Barometer 2017). At country level, India outpaced the industry both in terms of borrower and loan growth (+18.4% and +24.4%, respectively). Significant loan growth was also observed in Cambodia (+20.7%), Bangladesh (+19.7%) and Peru (+16.3%). Zurich-based

# MANAGEMENT COMMENTARY

## BUSINESS REVIEW

responsAbility estimates that this growth pace will be maintained on a global basis (10%–15%) while the Asia–Pacific region is expected to grow by as much as 25% to 30%. This rate of growth is further fueled by the application of new technologies.

Alternative access to the financial markets is provided by a new wave of FinTech (financial technology) companies that complement traditional approaches. Some of them, for example, use mobile money agents. Usually situated in small and local retail stores, these agents partner with mobile money providers and help clients open accounts which allow savings and payments using cell phones. Digitization, smart phones and mobile money coupled with safety features as biometric identity systems are the technologies that will make it possible to increase distribution of financial services to this client segment – and at a lower cost.

Financial institutions providing financial services to the client group below the middle class need a significant supply of growth capital, coupled with an inviting regulatory framework. For the last 10–15 years, an estimated USD 34 billion globally has been committed to this funding, channeled via the financial infrastructure which has been developed, and has become increasingly diverse and sophisticated. Institutional investors, in partnership with family offices, development banks, high–net–worth individuals, and some large–scale corporations have been working with private equity funds to reach those living in the outskirts of the financial system by investing in financial institutions and financial infrastructure.

Governments also play a key role by maintaining a regulatory framework that fuels investments and growth. However, regulatory and political challenges continue to appear. For example, the demonetization reform that took place in India, i.e. the removal from circulation of the two largest denomination notes, reduced collection rates while propelling non–performing loans due to the lack of cash in the system. In other countries, like Kenya, governments have imposed interest rate caps on banks but not on microfinance institutions while in Cambodia, its government introduced caps for these firms but not for banks. In Peru, new laws open the possibility of private capital to invest in municipal savings and loans microfinance institutions.

As the demand side continues to grow there is a constant request for innovation in products and business models for low cost delivery of financial services, and of improved regulatory framework in many countries. However, in spite of the obvious challenges with investing directly in financial institutions in Latin America, Africa and Asia this strategy

# MANAGEMENT COMMENTARY

## BUSINESS REVIEW

continues to represent a very good opportunity in obtaining an attractive financial return, and at the same time contribute with social impact to the client group below the middle class.

### **Profit for the year**

The bottom-line for 2017 for Danish Microfinance Partners as well as at group level is a profit of DKK 20 million (against a profit in 2016 of DKK 90 million) which management finds satisfactory. The Funds bottom-line was affected by a net positive unrealised value adjustment of the investments of DKK 20 million (in 2016 DKK 29 million), whereof DKK 67 million is related to unrealised value adjustments in the portfolio companies and DKK -47 million is related to currency adjustments due to a declining USD exchange rate.

More information on investments is available below.

### **Development in portfolio companies in 2017**

#### **Unlisted portfolio companies**

##### **Aavishkaar Goodwell India Microfinance Development Company II Ltd (Aavishkaar)**

Aavishkaar is a micro venture capital fund who provides equity finance and hands-on support to enterprises active in the microfinance sector in India. The investment strategy is to provide commercial long-term capital and active support to entrepreneurial microfinance institutions (MFIs) either at early stage or growth stage. Aavishkaar has invested in six MFIs and has five active investments at the end of 2017. The underlying performance of the portfolio in Aavishkaar has been satisfactory. Danish Microfinance Partners has a commitment of USD 3 million, equal to an ownership interest of 10%, and has one seat in the Advisory Committee.

##### **Próspero Microfinanzas Fund L.P. (Próspero)**

Próspero is a fund, focusing on Tiers 2 MFIs in Central America and South America. The investment strategy is small MFIs (new generation or early stage) and medium size MFIs (intermediate stage). Próspero has invested in eight MFIs and has seven active investments at the end of 2017. Danish Microfinance Partners has a commitment of USD 2 million, equal to an ownership interest of 11%, and has a seat in the Advisory Committee.

##### **Banco Solidario S.A. (BancoSol)**

BancoSol is a commercial bank and has since its beginning been a leading institution of microfinance in Bolivia, with 234 branches and approximately 200 ATMs. Since the establishment in 1992, the bank has experienced a significant growth. The bank has around 926,000 clients and a loan portfolio of more than USD 1.4 billion. BancoSol has performed very well in 2017. Danish Microfinance Partners has received dividend from BancoSol in 2017.

# MANAGEMENT COMMENTARY

## BUSINESS REVIEW

### **Microcred Holding S.A. (Microcred)**

Microcred was established in 2005 and currently has 11 subsidiaries in Africa and China through 197 branches. Microcred is serving the under banked micro and small entrepreneurs through branches and outlets having a total number of clients of approximately 670,000. Microcred has continued the strong growth of expansion with gross loan portfolio, saving portfolio increasing and total number of clients increasing substantially over the last year. Microcred has improved profitability as a result of tight control on portfolio quality and expenses, which can be reflected in the significant increase net profit for the group over the last year. Microcred has started implementation of digitalization by deploying electronic filing tool and new digital products, which is expected to further improve operations efficiency and scaling.

### **Publicly listed portfolio companies**

Danish Microfinance Partners has currently invested in one listed company: Financiera Credinka S.A. which is listed on the Lima Stock Exchange. We refer to the company's website [www.credinka.com](http://www.credinka.com) for further information regarding this investment.

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### **Capital resources**

Danish Microfinance Partners has a total capital commitment of DKK 401 million. As of 31 December 2017, investors had paid DKK 357 million, equal to 89% of their capital commitments. The remaining capital commitment is DKK 44 million. Danish Microfinance Partners' equity amounted to DKK 473 million at 31 December 2017, matching an equity ratio of 94%.

Danish Microfinance Partners is able to finance follow-on investments from the time of investment and up to six months through bridge financing loans from financial institutions. A bridge loan must be repaid in connection with a capital call from investors. At year-end 2017, there is no bank debt.

### **Financial risks**

The objective of Danish Microfinance Partners is to invest in portfolio companies. The major risk factor is therefore the failure to create value in the underlying portfolio companies, currency risk and the political risk in the countries of the investments.

### **Uncertainties relating to recognition and measurement in the financial statements**

Interests in portfolio companies are valued at their fair values, according to the description in Accounting policies. The valuation includes accounting estimates and such valuation is therefore subject to some uncertainty.

# MANAGEMENT COMMENTARY

## BUSINESS REVIEW

### **Events after the balance sheet day**

There have been no events after the balance sheet day and to date that materially affect the assessment of the annual report.

### **Outlook for 2018**

In 2018, management expects a continued value creation in the portfolio companies which is expected to lead to a positive result in the Fund.

# FINANCIAL STATEMENTS

## ACCOUNTING POLICIES

### GENERAL

The annual report for Danish Microfinance Partners for 2016 is prepared in accordance with the provisions of the Danish Financial Statements Act for reporting class C entities (medium-sized) with the necessary adjustments considering that the company is a limited partnership, whose activity is private equity. Investments in portfolio companies are recognised in compliance with the International Private Equity and Venture Capital Valuation Guidelines, drawn by the IPEV Board.

In order to achieve a true and fair view of operations of the limited partnership, the presentation of the income statement and balance sheet has been changed compared with the reporting form shown in schedule 2 of the Danish Financial Statements Act. Income from investments in portfolio companies is presented as an item under operating profit/loss. The fair values of the investments are presented as one item under the balance sheet regardless of the size of the ownership interest.

The accounting policies are the same as last year.

### Recognition and measurement

All income and expenses relating to the financial year are recognised in the income statement regardless of time of payment. Negative unrealised value adjustments of investments in subsidiaries as well as unrealised value adjustments of other investments in portfolio companies are also recognised in the income statement.

Assets are recognised in the balance sheet, if, in all probability, future economic benefits will flow to the limited partnership, and the value of such assets can be measured reliably.

Liabilities are recognised in the balance sheet, if, in all probability, future economic benefits will flow out of the limited partnership, and the value of such liabilities can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Recognition and measurement of assets and liabilities have taken into account any information available after the balance sheet date but before the presentation of the financial statements, either affirming or not affirming conditions existing on the balance sheet date.

### Consolidated financial statements

The consolidated financial statements comprise the parent and the subsidiaries

# FINANCIAL STATEMENTS

## ACCOUNTING POLICIES

in which the parent directly or indirectly holds more than 50% of the voting rights or by way of agreements exercises control.

The consolidated financial statements consolidate the financial statements of the parent and its subsidiaries by adding together items of uniform nature and eliminating intercompany income and expenses, shareholdings etc.

### **Foreign currency translation**

Transactions in foreign currencies are translated into Danish kroner using the exchange rates applicable on the transaction date. Assets and liabilities in foreign currencies are translated into Danish kroner using the rates on the balance sheet date.

## **INCOME STATEMENT**

### **Income from investments in portfolio companies**

Realised gains/losses on investments, negative unrealised value adjustments of investments in subsidiaries and unrealised value adjustments of other investments in portfolio companies are recognised in the income statement. Dividends, interests and other income received from portfolio companies as well as carried interest are also recognised as "Income from investments in portfolio companies".

### **Administrative expenses**

Administrative expenses mainly consist of management fees, broken deal costs and other administrative expenses.

### **Financial income and expenses**

Financial income and expenses include interest on bank deposits, interest on bridge loans and interest on loans provided by the general partner "Danish Microfinance Partners General Partner ApS".

### **Tax**

Danish Microfinance Partners is a Danish limited partnership. The limited partnership is transparent for tax purposes and taxes are levied on the individual investor in proportion to their shares in the partnership. Consequently, no provisions for tax have been made in the financial statements. However, tax withheld on the payment of dividends and on gains from sale of shares are recognised in the income statement under "Withholding tax".

## **BALANCE SHEET**

### **ASSETS**

#### **Investments in portfolio companies**

On initial recognition, investments in subsidiaries and other investments in

# FINANCIAL STATEMENTS

## ACCOUNTING POLICIES

portfolio companies are measured at cost, with the addition of transaction costs.

On subsequent recognition, investments in subsidiaries are measured at fair value and positive unrealised value adjustments are made directly at the equity. Negative unrealised value adjustments are recognised in the income statement.

On subsequent recognition, other investments in portfolio companies are measured at fair value and any value adjustments are recognised in the income statement.

The fair value of investments in unquoted portfolio companies are measured at the most recent market price for a limited period following the date of the relevant transaction, for instance in the form of an expansion of capital or partial sale or through the use of traditional valuation methods for microfinance institutions, e.g. P/B multiples.

The fair value of investments in quoted companies will for actively traded (quoted) investments be available market prices. If shares are not actively traded, investments will be measured as investments in unquoted portfolio companies.

### **Receivables**

Other receivables are measured at the lower of amortised cost or net realisable value, which usually corresponds to the nominal value less write-downs for bad debts. Write-downs for bad debts are determined on the basis of an assessment of the individual receivables.

### **Prepayments**

Prepayments recognised under assets mainly consist of prepaid management fees.

### **Cash**

Cash includes deposits with financial institutions.

## **LIABILITIES**

### **Financial liabilities**

Bank loans regarding bridge financing are measured at amortised cost, corresponding to the outstanding debt.

Other liabilities are measured at amortised cost, usually corresponding to the nominal value.

## **CASH FLOW STATEMENT**

### **Cash flow statement**

The cash flow statements show cash flows from operating, investing and financing

# FINANCIAL STATEMENTS

## ACCOUNTING POLICIES

activities as well as the year's movements in cash flows and cash at the beginning and end of the year.

### **Cash flows from operating activities**

Cash flows from operating activities include the net profit or loss for the year, adjusted for changes in working capital and non-cash operating items, such as unrealised value adjustments of investments in portfolio companies and provisions. The working capital includes current assets less short-term liabilities, exclusive of items included in cash and bank loans.

### **Cash flows from investing activities**

Cash flows from investing activities include payments in respect of acquisitions or divestments of portfolio companies.

### **Cash flows from financing activities**

Cash flows from financing activities include payments to and from limited partners as well as any changes in bank loans.

# FINANCIAL STATEMENTS

## PARENT INCOME STATEMENT

'000 DKK	Note	2017	2016
Income from investments in portfolio companies	1	29,045	100,675
Administrative expenses		(5,864)	(7,855)
<b>Operating profit</b>		<b>23,181</b>	<b>92,820</b>
Financial income		2	649
Financial expenses	2	(101)	(425)
<b>Profit before tax</b>		<b>23,082</b>	<b>93,044</b>
Withholding tax		(3,505)	(3,450)
<b>Profit for the year</b>		<b>19,577</b>	<b>89,594</b>
<b>Proposed distribution of net profit</b>			
Retained earnings		19,577	89,594
		<b>19,577</b>	<b>89,594</b>

# FINANCIAL STATEMENTS

## PARENT BALANCE SHEET

'000 DKK	Note	31/12/2017	31/12/2016
<b>ASSETS</b>			
Investments in portfolio companies	3	502,966	478,666
<b>Total investments</b>		<b>502,966</b>	<b>478,666</b>
<b>Total non-current assets</b>		<b>502,966</b>	<b>478,666</b>
Prepayments		1,326	1,283
<b>Total receivables</b>		<b>1,326</b>	<b>1,283</b>
<b>Cash</b>		<b>236</b>	<b>937</b>
<b>Total current assets</b>		<b>1,562</b>	<b>2,220</b>
<b>Total assets</b>		<b>504,528</b>	<b>480,886</b>
<b>EQUITY AND LIABILITIES</b>			
Paid-in capital		357,207	344,629
Distributions		(135,313)	(128,771)
Fair value adjustment of investments in subsidiaries		7,395	3,112
Retained earnings		244,057	224,480
<b>Total equity</b>		<b>473,346</b>	<b>443,451</b>
Debt to general partner	4	80	80
Other payables	5	31,000	31,000
<b>Total long-term liabilities</b>		<b>31,080</b>	<b>31,080</b>
Debt to banks		-	6,271
Debt to general partner		32	32
Other payables		70	52
<b>Total short-term liabilities</b>		<b>102</b>	<b>6,355</b>
<b>Total liabilities</b>		<b>31,182</b>	<b>37,435</b>
<b>Total equity and liabilities</b>		<b>504,528</b>	<b>480,886</b>
Cash flows – adjustments	6		
Cash flows – change in working capital	7		
Contingent liabilities etc.	8		
Other notes	9–11		

# FINANCIAL STATEMENTS

## PARENT STATEMENT OF CHANGES IN EQUITY

'000 DKK	Paid-in capital	Distributions	Fair value adjustment of investments in subsidiaries	Retained earnings	Total
<b>2017</b>					
Equity 01/01	344,629	(128,771)	3,112	224,480	443,451
Paid-in capital from limited partners	12,578	-	-	-	12,578
Distributions to limited partners	-	(6,542)	-	-	(6,542)
Fair value adjustment of investments in subsidiaries	-	-	4,283	-	4,283
Profit for the year	-	-	-	19,577	19,577
<b>Equity 31/12</b>	<b>357,207</b>	<b>(135,313)</b>	<b>7,395</b>	<b>244,057</b>	<b>473,346</b>
The limited partners are liable for their share of the remaining commitment 31/12/2017					44,093
<b>2016</b>					
Equity 01/01	292,555	(3,123)	198	134,886	424,516
Paid-in capital from limited partners	52,075	-	-	-	52,075
Distributions to limited partners	-	(125,648)	-	-	(125,648)
Fair value adjustment of investment in subsidiaries	-	-	2,914	-	2,914
Profit for the year	-	-	-	89,594	89,594
<b>Equity 31/12</b>	<b>344,629</b>	<b>(128,771)</b>	<b>3,112</b>	<b>224,480</b>	<b>443,451</b>
The limited partners are liable for their share of the remaining commitment 31/12/2016					56,671

# FINANCIAL STATEMENTS

## PARENT CASH FLOW STATEMENT

'000 DKK	Note	2017	2016
Profit for the year		19,577	89,594
Adjustments	6	(16,536)	(88,707)
Change in working capital	7	(25)	526
<b>Cash flows from operating activities before net financials</b>		<b>3,016</b>	<b>1,413</b>
Financial income		2	649
Financial expenses		(101)	(425)
Paid withholding tax		(3,505)	(3,450)
<b>Cash flows from operating activities</b>		<b>(588)</b>	<b>(1,814)</b>
Purchase of investments in portfolio companies		(758)	(32,704)
Realisation of investments		880	114,861
<b>Cash flows from investing activities</b>		<b>122</b>	<b>82,157</b>
Paid-in capital from limited partners		12,578	52,075
Distributions to limited partners		(6,542)	(125,648)
Changes in bank loans		(6,271)	(7,229)
<b>Cash flows from financing activities</b>		<b>(235)</b>	<b>(80,803)</b>
<b>Cash flows for the year, net</b>		<b>(701)</b>	<b>(459)</b>
Cash at the beginning of the year		937	1,396
<b>Cash at the end of the year</b>		<b>236</b>	<b>937</b>

# FINANCIAL STATEMENTS

## PARENT NOTES

'000 DKK	2017	2016
<b>NOTE 1 Income from investments in portfolio companies</b>		
Unrealised value adjustments	20,140	29,182
Realised gain from sale of portfolio company	-	84,751
Dividend received from portfolio companies	7,781	7,383
Interest received from portfolio companies	938	1,089
Other income from portfolio companies	187	270
Carried interest	-	(22,000)
	<b>29,045</b>	<b>100,675</b>
<b>NOTE 2 Financial expenses</b>		
Financial expenses, general partner	32	32
Other financial expenses	69	393
	<b>101</b>	<b>425</b>

	Investments in subsidiaries	Other investments	Total
<b>NOTE 3 Investments in portfolio companies</b>			
Cost at 01/01/2017	89,442	168,004	257,446
Additions during the year	-	758	758
Disposals during the year	-	(880)	(880)
Cost at 31/12/2017	<b>89,442</b>	<b>167,881</b>	<b>257,323</b>
Value adjustments at 01/01/2017	17,288	203,932	221,219
Value adjustments during the year	4,128	67,494	71,622
Currency adjustments during the year	155	(47,354)	(47,199)
Value adjustments at 31/12/2017	<b>21,571</b>	<b>224,072</b>	<b>245,642</b>
<b>Carrying amount at 31/12/2017</b>	<b>111,013</b>	<b>391,953</b>	<b>502,966</b>

Other investments are minority investments with an ownership interest less than 20% which are valued according to the fair value measurements in Level 3 of the fair value hierarchy.

The fair value for each portfolio company is measured based on the following criteria: the company's growth potential, growth in equity, the company's and management's ability to accomplish the growth strategy, but also the country's economic and political conditions and legal framework. These criteria express P/B and P/E multiples also based on actual return on equity.

Investments in fund-of-fund are measured based on latest Net Asset Value reported.

# FINANCIAL STATEMENTS

## PARENT NOTES

### NOTE 3 Investments in portfolio companies (continued)

Name of investments in subsidiaries	Registered office	Ownership interest	Share capital	Equity	Profit/loss for the year
DMP Holding 1 ApS	Copenhagen	100.0%	EUR 12,724	'000 DKK 89,096	'000 DKK -13

Name of other investments	Registered office	Ownership interest	Share capital	Equity	Profit/loss for the year
Próspero Microfinanzas Fund L.P.	Cayman Island	11.1%	USD N/A	'000 DKK 100,375	'000 DKK -1,045
Aavishkaar Goodwell India Micro-finance Development Company II Ltd.*	Mauritius	10.0%	USD 19,143,100	'000 DKK 405,556	'000 DKK 125,062
Banco Solidario S.A.	Bolivia	15.0%	BOB 763,310,000	'000 DKK 1,143,799	'000 DKK 219,035
Financiera Credinka S.A.	Peru	8.4%	PEN 125,750,000	'000 DKK 272,171	'000 DKK 10,195

Share capital, equity and profit/loss for the year are from the annual reports 2016 which are the latest annual reports published. The latest annual report published for Aavishkaar Goodwell India Microfinance Development Company II Ltd. is for the financial year 2016/17.

\* Financial year is 1 April to 31 March.

# FINANCIAL STATEMENTS

## PARENT NOTES

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'000 DKK 31/12/2017 31/12/2016

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### NOTE 4 Debt to general partner

Debt to general partner is an instalment-free loan to Danish Microfinance Partners for the full term of Danish Microfinance Partners.

### NOTE 5 Other payables – long term

Other payables relate to carried interest which is expected due within the next five years.

	2017	2016
<b>NOTE 6 Cash flow statement – adjustments</b>		
Financial income	(2)	(649)
Financial expenses	101	425
Withholding tax	3,505	3,450
Carried interest	–	22,000
Realised gain from sale of portfolio company	–	(84,751)
Unrealised value adjustments in portfolio companies	(20,140)	(29,182)
	<u>(16,536)</u>	<u>(88,707)</u>

### NOTE 7 Cash flow statement – change in working capital

Change in receivables	(43)	2,190
Change in other short-term liabilities	18	(1,664)
	<u>(25)</u>	<u>526</u>

### NOTE 8 Contingent liabilities etc.

#### *Contingent liabilities*

Danish Microfinance Partners has entered into a management agreement with Maj Invest Equity A/S, for the Manager's administration of Danish Microfinance Partners as well as the provision of investment advisory services to Danish Microfinance Partners. On termination, Danish Microfinance Partners may in certain circumstances be obliged to pay management fees for a six months period. At 31 December 2017, the fee payable amounted to approx. DKK 2.6 million (at 31 December 2016 approx. DKK 2.6 million) as the management fee will be in decline after the expiry of the investment period (June 2015).

Danish Microfinance Partners has given a commitment to Aavishkaar Goodwill India Microfinance Development Company II Ltd. of USD 3.02 million. As of 31 December 2017 USD 3.01 million has been paid in to the fund.

Danish Microfinance Partners has given a commitment to Próspero Microfinanzas Fund L.P. of USD 2 million. As of 31 December 2017 USD 1.9 million has been paid in to the fund.

# FINANCIAL STATEMENTS

## PARENT NOTES

### NOTE 9 Related parties

No related parties have controlling interest on Danish Microfinance Partners.

Related parties include the general partner "Danish Microfinance Partners General Partner ApS", the manager "Maj Invest Equity A/S", "Danish Microfinance Partners Management ApS" and also the executive board of the general partner. The director of the executive board Kasper Svarrer is a special limited partner in Danish Microfinance Partners.

In addition to this, no limited partners have significant influence.

Transactions with related parties comprise interest expenses from loan provided from Danish Microfinance Partners General Partner ApS and management fee paid to Maj Invest Equity A/S.

There have been no other transactions with related parties.

### NOTE 10 Events after the balance sheet date

There have been no events that materially affect the assessment of this Annual report 2017 after the balance sheet date and up to today.

### NOTE 11 Executive board and Investment Committee

#### Executive board of the general partner:

##### *Kasper Svarrer*

##### *Director of:*

Kasper Svarrer Holding ApS, DMP Holding 1 ApS, Danish Microfinance Partners Management ApS, Management Equity Vietnam I ApS and General Partner Equity Vietnam ApS.

##### *Chairman of:*

Fonden MIFIF II GP.

##### *Board member of:*

Jutlandia Terminal A/S, A/S J. Lauritzen's Eftf., Esbjerg, Jantzen A/S, Microcred Holding S.A. and Arohan Financial Services Pvt.

##### *Member of Investment Committee of:*

Maj Invest Financial Inclusion Fund II K/S.

##### *Thomas Riis*

##### *Director of:*

ACE Capital ApS, Danish Microfinance Partners Management ApS, DMP Holding 1 ApS, General Partner Equity Vietnam ApS and Management Equity Vietnam I ApS.

In addition, managing director or directorship of various holding companies and underlying portfolio companies owned by LD Equity 3 K/S, Maj Invest Equity 4 K/S and Maj Invest Equity 5 K/S.

In addition, managing director of several holding companies owned by Maj Invest Equity Vietnam I K/S and Maj Invest Equity Southeast Asia II K/S.

# FINANCIAL STATEMENTS

## PARENT NOTES

### NOTE 11 Executive board and Investment Committee (continued)

#### Investment Committee:

##### *Jeppe Christiansen*

###### *CEO of:*

Fondsmæglerselskabet Maj Invest A/S.

###### *Director of:*

Maj Invest Holding A/S, Maj Invest Equity A/S, Emlika ApS and Det Kgl. Vajsenhus.

###### *Chairman of:*

Haldor Topsøe A/S and Emlika ApS.

###### *Vice Chairman of the boards of:*

Novo Nordisk A/S and Maj Bank A/S.

###### *Board member of:*

Kirkbi A/S, Symphogen A/S, Novo Holdings A/S, JKLE Holding ApS and Maj Invest Equity A/S.

###### *Member of Investment Committee of:*

Maj Invest Equity Vietnam I K/S, Maj Invest Equity Southeast Asia II K/S, Maj Invest Financial Inclusion Fund II K/S, Maj Invest Equity 4 K/S and Maj Invest Equity 5 K/S.

##### *Joaquin Costa*

###### *Member of Investment Committee of:*

Maj Invest Financial Inclusion Fund II K/S.

##### *Pelle Pedersen*

###### *Member of Investment Committee of:*

Danish Microfinance Partners K/S.

# FINANCIAL STATEMENTS

## CONSOLIDATED INCOME STATEMENT

'000 DKK	Note	2017	2016
Income from investments in portfolio companies	1	29,045	100,675
Administrative expenses		(5,882)	(7,866)
<b>Operating profit</b>		<b>23,163</b>	<b>92,809</b>
Financial income		2	649
Financial expenses	2	(103)	(427)
<b>Profit before tax</b>		<b>23,062</b>	<b>93,031</b>
Withholding tax		(3,505)	(3,450)
<b>Profit for the year</b>		<b>19,557</b>	<b>89,581</b>
<b>Proposed distribution of net profit</b>			
Retained earnings		19,557	89,581
		<b>19,557</b>	<b>89,581</b>

# FINANCIAL STATEMENTS

## CONSOLIDATED BALANCE SHEET

'000 DKK	Note	31/12/2017	31/12/2016
<b>ASSETS</b>			
Investments in portfolio companies		502,700	478,380
<b>Total investments</b>	<b>3</b>	<b>502,700</b>	<b>478,380</b>
<b>Total non-current assets</b>		<b>502,700</b>	<b>478,380</b>
Prepayments		1,326	1,283
<b>Total receivables</b>		<b>1,326</b>	<b>1,283</b>
<b>Cash</b>		<b>514</b>	<b>1,232</b>
<b>Total current assets</b>		<b>1,840</b>	<b>2,515</b>
<b>Total assets</b>		<b>504,540</b>	<b>480,895</b>
<b>EQUITY AND LIABILITIES</b>			
Paid-in capital		357,207	344,629
Distributions		(135,313)	(128,771)
Fair value adjustment		21,811	17,634
Retained earnings		229,641	209,959
<b>Total equity</b>		<b>473,346</b>	<b>443,451</b>
Debt to general partner	4	80	80
Other payables	5	31,000	31,000
<b>Total long-term liabilities</b>		<b>31,080</b>	<b>31,080</b>
Debt to banks		-	6,271
Debt to general partner		32	32
Other payables		82	61
<b>Total short-term liabilities</b>		<b>114</b>	<b>6,364</b>
<b>Total liabilities</b>		<b>31,194</b>	<b>37,444</b>
<b>Total equity and liabilities</b>		<b>504,540</b>	<b>480,895</b>
Cash flows – adjustments	6		
Cash flows – change in working capital	7		
Contingent liabilities etc.	8		
Other notes	9–10		

# FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

'000 DKK	Paid-in capital	Distri- butions	Fair value adjustment	Retained earnings	Total
<b>2017</b>					
Equity 01/01	344,629	(128,771)	17,634	209,959	443,451
Foreign currency translation	-	-	-	126	126
Paid-in capital from limited partners	12,578	-	-	-	12,578
Distributions to limited partners	-	(6,542)	-	-	(6,542)
Fair value adjustment	-	-	4,177	-	4,177
Profit for the year	-	-	-	19,557	19,557
<b>Equity 31/12</b>	<b>357,207</b>	<b>(135,313)</b>	<b>21,811</b>	<b>229,641</b>	<b>473,346</b>
<b>2016</b>					
Equity 01/01	292,555	(3,123)	14,434	120,650	424,516
Foreign currency translation	-	-	-	(273)	(273)
Paid-in capital from limited partners	52,075	-	-	-	52,075
Distributions to limited partners	-	(125,648)	-	-	(125,648)
Fair value adjustment	-	-	3,200	-	3,200
Profit for the year	-	-	-	89,581	89,581
<b>Equity 31/12</b>	<b>344,629</b>	<b>(128,771)</b>	<b>17,634</b>	<b>209,959</b>	<b>443,451</b>

# FINANCIAL STATEMENTS

## CONSOLIDATED CASH FLOW STATEMENT

'000 DKK	Note	2017	2016
Profit for the year		19,557	89,581
Adjustments	6	(16,533)	(88,705)
Change in working capital	7	(22)	888
<b>Cash flows from operating activities before net financials</b>		<b>3,001</b>	<b>1,763</b>
Financial income		2	649
Financial expenses		(103)	(427)
Paid withholding tax		(3,505)	(3,450)
<b>Cash flows from operating activities</b>		<b>(605)</b>	<b>(1,465)</b>
Purchase of investments in portfolio companies		(758)	(32,987)
Realisation of investments		880	114,861
<b>Cash flows from investing activities</b>		<b>122</b>	<b>81,874</b>
Paid-in capital from limited partners		12,578	52,075
Distributions to limited partners		(6,542)	(125,648)
Changes in bank loans		(6,271)	(7,229)
<b>Cash flows from financing activities</b>		<b>(235)</b>	<b>(80,803)</b>
<b>Cash flows for the year, net</b>		<b>(718)</b>	<b>(393)</b>
Cash at the beginning of the year		1,232	1,626
<b>Cash at the end of the year</b>		<b>514</b>	<b>1,232</b>

# FINANCIAL STATEMENTS

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

'000 DKK	2017	2016
<b>NOTE 1 Income from investments in portfolio companies</b>		
Unrealised value adjustments	20,140	29,182
Realised gain from sale of portfolio company	–	84,751
Dividend received from portfolio companies	7,781	7,383
Interest received from portfolio companies	938	1,089
Other income from portfolio companies	187	270
Carried interest	–	(22,000)
	<b>29,045</b>	<b>100,675</b>
<b>NOTE 2 Financial expenses</b>		
Financial expenses, general partner	32	32
Other financial expenses	71	395
	<b>103</b>	<b>427</b>

### NOTE 3 Investments in portfolio companies

Other investments are minority investments with an ownership interest less than 20% which are valued according to the fair value measurements in Level 3 of the fair value hierarchy.

The fair value for each portfolio company is measured based on the following criteria: the company's growth potential, growth in equity, the company's and management's ability to accomplish the growth strategy, but also the country's economic and political conditions and legal framework. These criteria express P/B and P/E multiples also based on actual return on equity.

Investments in fund-of-fund are measured based on latest Net Asset Value reported.

### NOTE 4 Debt to general partner

Debt to general partner is an instalment-free loan to Danish Microfinance Partners for the full term of Danish Microfinance Partners.

### NOTE 5 Other payables – long term

Other payables relate to carried interest which is expected due within the next five years.

# FINANCIAL STATEMENTS

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

'000 DKK	2017	2016
<b>NOTE 6 Cash flow statement – adjustments</b>		
Financial income	(2)	(649)
Financial expenses	103	427
Withholding tax	3,505	3,450
Carried interest	-	22,000
Realised gain from sale of portfolio company	-	(84,751)
Unrealised value adjustments in portfolio companies	(20,140)	(29,182)
	<b>(16,533)</b>	<b>(88,705)</b>
<b>NOTE 7 Cash flow statement – change in working capital</b>		
Change in receivables	(43)	2,551
Change in other short-term liabilities	21	(1,664)
	<b>(22)</b>	<b>888</b>

### NOTE 8 Contingent liabilities etc.

#### *Contingent liabilities*

Danish Microfinance Partners has entered into a management agreement with Maj Invest Equity A/S, for the Manager's administration of Danish Microfinance Partners as well as the provision of investment advisory services to Danish Microfinance Partners. On termination, Danish Microfinance Partners may in certain circumstances be obliged to pay management fees for a six months period. At 31 December 2017, the fee payable amounted to approx. DKK 2.6 million (at 31 December 2016 approx. DKK 2.6 million) as the management fee will be in decline after the expiry of the investment period (June 2015).

Danish Microfinance Partners has given a commitment to Aavishkaar Goodwell India Microfinance Development Company II Ltd. of USD 3.02 million. As of 31 December 2017 USD 3.01 million has been paid in to the fund.

Danish Microfinance Partners has given a commitment to Próspero Microfinanzas Fund L.P. of USD 2 million. As of 31 December 2017 USD 1.9 million has been paid in to the fund.

### NOTE 9 Related parties

No related parties have controlling interest on Danish Microfinance Partners.

Related parties include the general partner "Danish Microfinance Partners General Partner ApS", the manager "Maj Invest Equity A/S", "Danish Microfinance Partners Management ApS" and also the executive board of the general partner. The director of the executive board Kasper Svarrer is a special limited partner in Danish Microfinance Partners.

In addition to this, no limited partners have significant influence.

Transactions with related parties comprise interest expenses from loan provided from Danish Microfinance Partners General Partner ApS and management fee paid to Maj Invest Equity A/S.

There have been no other transactions with related parties.

# FINANCIAL STATEMENTS

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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'000 DKK

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### **NOTE 10 Events after the balance sheet date**

There have been no events that materially affect the assessment of this consolidated financial statements 2017 after the balance sheet date and up to today.