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MAIN EVENTS IN 2001

- Continuation of the investment activity with four new investments
- Foundation of the investment management company Aureos Capital
- Integration of NORAD's loan portfolio in Norfund's activities
- Became a full member of EDFI, European Development Financial Institutions
- Doubling of Norfund's staff
- Appointment of a director of development affairs
- Initiation of a HIV/ AIDS programme
- Doubling of the capital base

Key figures

(MNOK)	2001	2000	1999	1998
Profit	26.5	3	10	4
Capital from owners	225.0	150	150	175
Capital base (31.12.)	1010.0 ¹⁾	543	391	231
Employees (31.12)	17.0	10	8	5

¹⁾ At 31.12.01 Norfund's book equity stood at NOK 795 million plus the estimated value of the loan portfolio which was transferred from NORAD on 01.01.01.

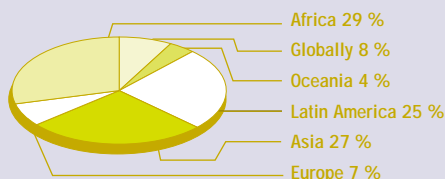
NORFUND IN BRIEF

Norfund was established in 1997. Norfund shall, by investing risk capital in profitable private enterprises together with competent co-investors, contribute to economic growth and business development in developing countries. Norfund shall contribute to the realisation of viable projects which balance economic, social and environmental considerations. Norfund's board has the sole responsibility for management of the fund.

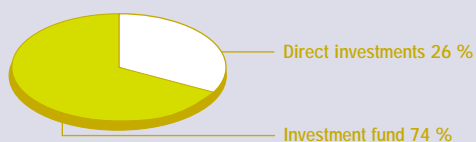
The decision to increase capital through the central government budget for 2002 in the amount of NOK 395 million will give Norfund a capital base of NOK 1.4 billion including the estimated value of the loan portfolio.

The result of Norfund's total activities for 2001 showed a profit of NOK 26.5 million. The result of Norfund's investment activities showed a loss of NOK 24.4 million, after a write-down of the value of the investment portfolio amounting to NOK 51 million was made. Net income from the loan portfolio amounted to NOK 50.9 million.

INVESTMENTS DISTRIBUTED BY REGION



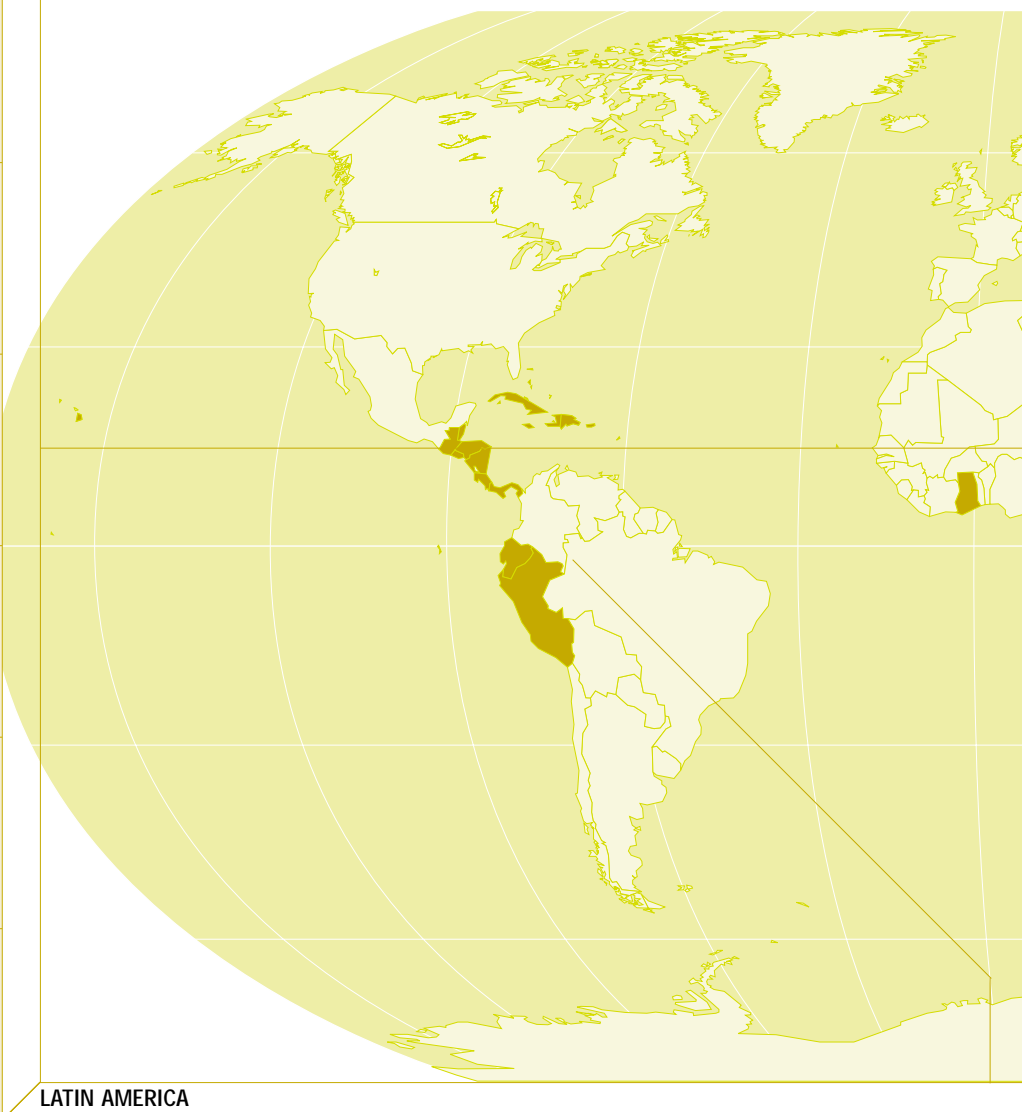



















INVESTMENTS DISTRIBUTED BY CATEGORIES

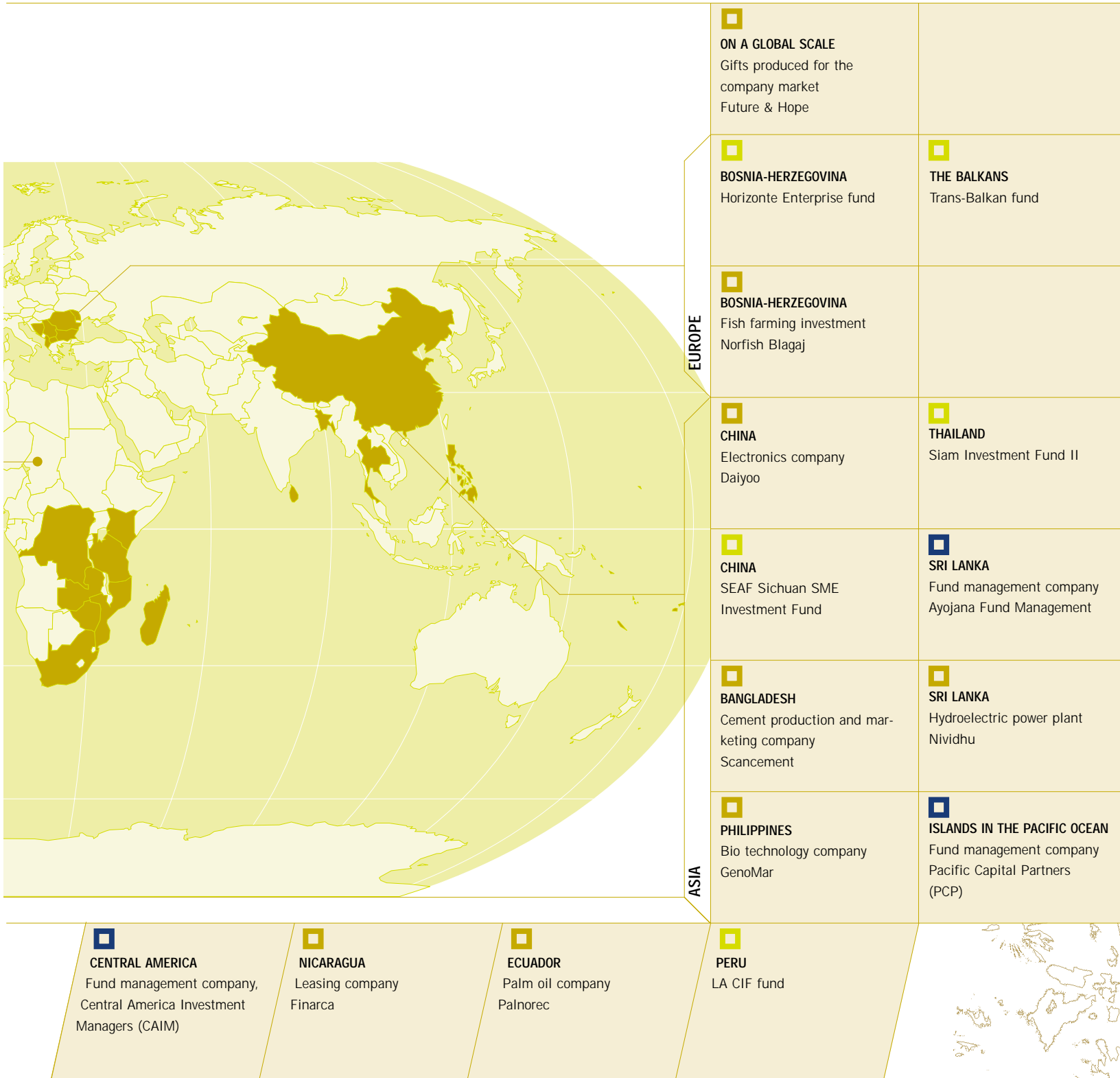


NORFUND'S ACTIVITIES

At 31.12.2001 Norfund had approved in principle a total of 30 investments, of which 13 were direct investments and 17 fund investments, for a total value of NOK 766 million. Of these, 22 investments have been implemented. In addition, Norfund is co-owner of three fund management companies: Lafise Investment Management in Nicaragua, and the international companies AMSCO and Aureos Capital. Through the subsidiary Aureos Capital, which is owned jointly by Norfund 50/50 with the British company CDC, Norfund owns 10 companies which manage 14 local funds in Africa, Asia and Central America.

<p> TANZANIA Fedha Fund</p>	<p> SOUTH AFRICA Msele Fund</p>	<p style="writing-mode: vertical-rl; transform: rotate(180deg);">AFRICA</p> 		
<p> TANZANIA Fund management company First Capital Partners (FCP)</p>	<p> SOUTH AFRICA Horizon TechVentures Fund</p>			
<p> GHANA Fund management company Venture Fund Management Company (VFMC)</p>	<p> MADAGASCAR – MAURITIUS Indian Ocean Regional Fund</p>			
<p> MOZAMBIQUE MINCO Fund</p>	<p> AFRICA SOUTH OF THE SAHARA African Management Services Company (AMSCO)</p>			
<p> MOZAMBIQUE Fund management company Mozambique Capital Partners (MCP)</p>	<p> MADAGASCAR – MAURITIUS Fund management company Venture Capital Partners (VCP)</p>			
<p> KENYA The horticultural producer Jiffy Kenya</p>	<p> ZAMBIA Fund management company Zambia Capital Partners (ZCP)</p>			
<p> KENYA Fund management company Kenya Capital Partners (KCP)</p>	<p> ZIMBABWE Fund management company Takura (TAK)</p>			
	<p> REGIONAL AFRICA African Infrastructure Fund (AIF)</p>	<p>LATIN AMERICA</p> <p> CENTRAL AMERICA Central American Small Enterprise Investment Fund (CASEIF)</p>	<p> NICARAGUA Fund management company Lafise Investment Management (LIM)</p>	<p> CENTRAL AMERICA Central American Investment Facility Ltd. (CAIF)</p>

- Direct investments
- Funds
- Fund management companies



DIRECTORS' REPORT

MAIN EVENTS

- Continuation of the investment activity with four new investments
- Foundation of the investment management company Aureos Capital
- Integration of NORAD's loan portfolio in Norfund's activities
- Became a full member of EDFI, European Development Financial Institutions
- Doubling of Norfund's staff
- Appointment of a director of development affairs
- Initiation of an HIV/AIDS programme
- Redoubling of the capital base to NOK 1.0 billion including the estimated value of the loan portfolio.

NORFUND'S ACTIVITY

Norfund is an investment fund that invests in profitable private enterprises in developing countries. Investments are made either directly in local businesses together with an industrial partner, or indirectly through investing in investment funds that are established and run locally in an individual country or region.

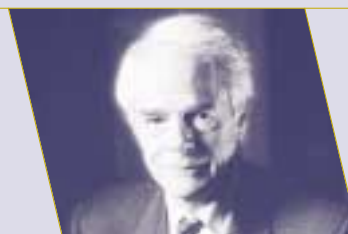
The portfolio of investments approved in principle and those implemented at the end of 2001 totalled NOK 766 million distributed among 32 investments: 13 direct investments of which 11 have been undertaken jointly with Norwegian companies, and 17 investments in funds. In addition, two follow-up investments have been undertaken in existing projects. The geographical distribution (value) is 29 per cent in Africa, 25 per cent in Latin America, 27 per cent in Asia, 7 per cent in Europe, 4 per cent in Oceania and 8 per cent on a global scale.

DIRECT INVESTMENTS

At the end of the year, Norfund's investment portfolio comprised nine different companies and a further four investments approved in principle. In 2001, three new direct investments were implemented in co-operation with Norwegian players. These are Jiffy Kenya, which supplies briquettes for the horticultural industry, Future & Hope, a producer of company gifts in accordance with ethical principles in several developing countries, and Nividhu, which will build hydroelectric power plants in Sri Lanka. In addition, Norfund undertook two additional investments in existing portfolio companies (Norfish and Sinor/Daiyoo).



Arve Johnsen



Borger A. Lenth

INVESTMENTS IN LOCAL INVESTMENT FUNDS

There is a great lack of risk capital and expertise in most of the countries in which Norfund works. The foundation of local investment funds increases the flow of risk capital to local companies and builds up local financial and business expertise. The local presence with capital and management is one of the most central means of increasing the degree of success achieved by successful companies in these markets.

At the end of the year, Norfund has invested in a total of 13 funds and approved a further four investments in principle. During 2001, investments have been made in a new fund, Horizon Tech Ventures, which invests in technology companies in South Africa.

At the beginning of the year 2002 Norfund established an office in Luanda

THE LOAN PORTFOLIO

At 01.01.01 NORAD's portfolio of 48 loans to investment activities in developing countries amounting to NOK 397 million came under Norfund's management. The management of the loan portfolio is now integrated into the activity of the fund. The legal work connected to the transfer of the loan portfolio was completed during the year. In 2001, interest and repayment of principal on the loans were somewhat higher than originally expected. Some loans have been restructured and in one case Norfund injected equity.

INTERNATIONAL NETWORK

In 2001, Norfund undertook considerable expansion of its international network. In May, Norfund founded the fund management company Aureos Capital jointly with CDC Capital Partners. The company took over CDC's network for management of local funds. Norfund owns 50 per cent of the company, and Thorbjørn Gaarder, former project director in Norfund, has been employed as managing director for Aureos' head office in London. Aureos has 10 investment management companies in Africa, Asia and Central America, with about 70 locally employed staff, in addition to five employees in London. Aureos has taken over the management of 14 existing CDC SMB funds. At the end of the year, the company managed a total of USD 185 million invested by 51 different investors. In total, these funds have invested in 115 local, private businesses.

Through initiatives for new funds and strengthened competency building, Aureos is now evolving to become an important player in the area of fund management in developing



Grete Faremo



countries. Due to their focus on companies in developing countries and resultant local financial competency building, investments through local funds provide especially good opportunities to create sustainable business development in these areas. The foundation of Aureos and fund management lays the basis for increased efforts in Africa and the least developed countries. At the same time, Norfund regards it as important that investments in local funds are followed up through efforts to ensure the best possible management of the funds – and in line with Norwegian development policy goals.

Norfund wishes to invest jointly with Norwegian businesses as much as possible. This strategy stands firm even though Norfund from and including 2002 is free to choose investments partners. Norfund represents a unique opportunity for Norwegian partners who wish to establish an activity in a developing country on a commercial basis. We offer risk capital as well as business and financial expertise. The network established through our subsidiary Aureos Capital is a resource that can be utilised. In 2002, Norfund will intensify marketing of the services and possibilities which the fund can offer to Norwegian companies.

In addition to its ordinary investment activity, Norfund owns four per cent of the shares in African Management Services Company (AMSCO) which is a company lead by the International Finance Corporation that offers management training to small- and medium-size companies in Africa.

ENVIRONMENTAL AND SOCIAL ASPECTS

Evaluations surrounding the balance between economic development, social responsibility and protection of the environment is an integral part of Norfund's activity. A separate policy document has been prepared setting out Norfund's guidelines concerning environmental questions, social conditions, human rights and corruption.

At the beginning of the year, Norfund took the initiative for an HIV/AIDS programme. This resulted in an internal seminar, integration of the AIDS aspect in Norfund's manuals, an AIDS policy and an AIDS brochure directed towards business partners at home and abroad. Norfund was also one of the main sponsors of NRK's (the Norwegian Broadcasting Corporation) "TV campaign 2001" on 21 October. The funds raised through the TV programme went to the Norwegian Church Aid's HIV/AIDS projects in developing countries.

In March, Norfund employed a person whose sole responsibility would be development, and



Gunn Wenche Andersgaard

who would co-ordinate the fund's work with development questions, including the establishment of a continuous evaluation of Norfund's goal achievement in relation to the development effects in the activity.

PERSONNEL AND ORGANISATION

At the end of the year, Norfund had 17 employees, most of them with experience in international business development. As at 31.01.01, three of these employees were stationed overseas, one in London as managing director of Aureos Capital's head office, one in Nicaragua for building up CASEIF, and one in Norsad in Zambia. The staff will be increased in 2002 to facilitate increased stationing overseas and manage the company's growth. In addition, Norfund will continue to purchase services and expertise from external sources as required.

The internal working environment is good. Total absence due to sickness has been 2.4 per cent (51 days) of the total working hours in 2001. No personal injury or damage to Norfund's property was noted in 2001. Norfund does not pollute the external environment beyond what can be said to be normal for the activity the fund carries out. The board thanks the employees for good efforts made during the past year.

ACCOUNTS

In the opinion of the board the annual accounts represent a true and fair description of the company's position at the end of the year.

At the end of 2001 Norfund's managed capital was NOK 1.0 billion including the estimated value of the loan portfolio. General uncertainty in the world economy together with the events in the US in September has entailed an increase in risk which is reflected in the provision made for bad debts in our investment portfolio for 2001. The loan portfolio has returned greater income in 2001 than expected. Norfund's capital was increased through the central government budget for 2002 by a further NOK 395 million, which increases the company's capital base to NOK 1.4 billion.

The annual profit for the year was NOK 26.5 million. This profit has been transferred to the surplus fund. The investment activities alone showed a loss of NOK 24.4 million after a write-down amounting to NOK 51.0 million of the investment portfolio. Net revenue from the investment portfolio amounted to NOK 50.9 million (see note 13). Information regarding remuneration to the board, auditor and the managing director is found in note 2 to the accounts.



Erik Arhus



ONGOING CONCERN

The accounts are based on treating the company as an ongoing concern, the board seeing no grounds for treating the company otherwise.

BOARD

Six ordinary board meetings and one extraordinary board meeting were held in 2001. In addition, the chairman travelled on an update trip to Kenya and Tanzania with representatives of Norfund's administration.

Oslo, 12 February 2002

	Arve Johnsen <i>Chairman</i>	
Grete Faremo		Gunn Wenche Andersgaard
Erik Århus		Borger A. Lenth
	Per Emil Lindøe <i>Managing Director</i>	

**PROFIT AND
LOSS ACCOUNT**

(In NOK 1 000)

Note

2001

2000

Operating Income

56 158

2 704

Operating Expenses

Payroll and related costs

2

8 619

5 994

Depreciation of tangible fixed assets

3

626

488

Write-down of investment projects

4

51 012

14 532

Other operating expenses

12 063

5 223

Total operating expenses

72 319

26 237

Operating loss

-16 162

-23 533

Result from investment in jointly controlled activity

5

387

0

Other interest received

42 257

26 408

Other financial income

127

111

Other financial expenses

99

0

Financial result

42 673

26 518

Profit for the year

26 511

2 985

Transfers

Transferred to surplus fund

10

26 511

2 985

Total disposals

26 511

2 985

BALANCE SHEET

ASSETS	(In NOK 1 000)	Note	2001	2000
Fixed assets				
Tangible fixed assets				
	Operating equipment, fixtures, fittings tools, etc.	3	1 095	1 235
	Total tangible fixed assets		1 095	1 235
Financial fixed assets				
	Investments in joint venture	5	18 726	0
	Pension funds	2	631	0
	Financial fixed assets		19 358	0
	Total fixed assets		20 453	1 235
Current assets				
Accounts receivable				
	Other accounts receivable	6	388	1 077
	Investment portfolio	6		
	Total accounts receivable		388	1 077
Investments				
	Provision for loss on investment projects	7,4	10 878	13 316
	Equity investments	8,4	148 079	144 297
	Total investments		158 957	157 614
Bank deposits, cash in hand, etc.				
	Liquid assets tied up in investments, committed and approved in principle	8,9	530 522	376 000
	Other liquidity	8,9	98 667	23 528
	Total cash at bank and in hand, etc.		629 189	399 528
	Total current assets		788 535	558 219
	Total assets		808 988	559 455

BALANCE SHEET

EQUITY AND LIABILITIES

(In NOK 1 000)

Note

2001

2000

Equity

Called-up and fully paid capital

Primary capital	10	562 500	393 750
Reserve capital	10	187 500	131 250
Total called-up and fully paid capital		750 000	525 000

Retained earnings

Surplus fund	10	44 823	18 312
Total retained earnings		44 823	18 312
Total equity		794 823	543 312

Liabilities

Provisions

Pension liabilities	2	0	178
Total provisions		0	178

Other long-term liabilities

Remaining long-term liabilities		1 370	1 370
Total other long-term liabilities		1 370	1 370

Short-term liabilities

Accounts payable		152	664
Public duties payable		1 067	548
Unused funds (Trust Fund)	11	9 802	11 300
Other short-term liabilities		1 774	2 083
Total short-term liabilities		12 795	14 595

Total liabilities

14 165 **16 143**

Total equity and liabilities

808 988 **559 455**

Oslo, 12th February 2002

Grete Faremo

Arve Johnsen
Chairman

Gunn Wenche Andersgaard

Erik Århus

Borger A. Lenth

Per Emil Lindøe
Managing Director

CASH FLOW STATEMENT

Cash flow from operating activities	(In NOK 1 000)	Note	2001	2000
	Profit before tax		26 511	2 985
	Depreciation	3	626	488
	Write-down of current assets	4	51 012	13 749
	Changes in accounts receivables and accounts payables		215	441
	Difference between pension cost and amount paid from pension scheme		-809	0
	Loss when the equity and the proportionate consolidation method is applied		-387	0
	Effect of changes in exchange rates		-323	-490
	Amounts classified as investment or financial activities		0	0
	Change in other balance sheet items		172	1 264
	Net cash flow from operating activities		77 017	18 438
Cash flow from investing activities				
	Investment in tangible fixed assets	3	-486	-566
	Proceeds from sale of investments in shares and partnerships		1 360	0
	Investment in shares and partnerships		-68 755	-65 422
	Other investments		-5 808	-13 303
	Proceeds from sale of other investments		2 748	0
	Net cash flow from investing activities		-70 941	-79 291
Cash flow from financing activities				
	Proceeds from issuance of short term debt	11	5 000	15 000
	Repayment of long term loans		0	-106
	Repayment of short term loans		-6 498	-3 700
	Increase in-/repayment of equity		225 000	150 000
	Net cash flow from financing activities		223 502	161 194
	Effects of changes in exchange rates on cash and cash equivalents		83	2
	Net change in cash and cash equivalents		229 661	100 343
	Cash and cash equivalents 01.01		399 528	299 185
	Cash and cash equivalents 31.12	9	629 189	399 528

NOTES

NOTE 1

ACCOUNTING PRINCIPLES

The financial statements have been presented in compliance with the Norwegian Companies Act, the Norwegian Accounting Act and Norwegian generally accepted accounting principles in effects as of 31. December 2001. This year, Norfund has not limited itself to preparing the accounts in accordance with the rules and requirements for notes for companies which pursuant to the Accounting Act are defined as small businesses. The most important accounting principles followed by the Fund are described below.

Principles for revenue recognition

The operating revenues include dividend, gains on the sale of shares / ownership interests in other companies, income from interest on loans granted to other companies, directors' remuneration, other project income, gains on the sale of fixed assets, interest and principal repayments from the loan scheme.

Gains from the sale of shares / ownership interests in other companies are taken to income in the year the sale takes place. Interest is taken to income as and when it is earned.

Payments of interest and principal from the investment portfolio are taken to income at the time payment is received (cash principle). When loans to investment projects are classified as doubtful commitments, posting of income from interest related to the doubtful commitment is stopped, and the default unpaid interest is reversed.

Financial income and expenses

Income from interest on the Fund's liquidity reserve held with the Bank of Norway, other Norwegian banks and the cash unit trust are entered as financial revenues.

Pension liability and pension costs

The company has a pension plan that entitles its members to defined future benefits, called defined benefit plans. Accounting of pension costs takes place in accordance with the Preliminary Norwegian Accounting Standard, Pension costs. The pension cost is classified as an ordinary operating cost and is presented together with wages, salaries and other payments.

Equity investments

Normally Norfund defines its investments in other companies as current assets, i.e. the equity method is not used, even though our ownership interest provides Norfund with considerable influence. This is because the purpose of Norfund's investments is to dispose of the whole or parts of the individual investment after completed structuring and development. This is in accordance with Norfund's purpose and is in line with the rules laid down in the Accounting Act and generally accepted accounting principles. Under generally accepted accounting principles, such investments by their nature are temporary and should therefore be included in current assets.

Equity investments in companies are valued at the lowest of cost price and market value based on a concrete assessment of each investment such that individual investments are written down where this is considered necessary because of a permanent fall in value (specified write-downs). No general provision for losses is made. See also regarding treatment of currency in the following.

Investment in Aureos Capital, however, is distinguished from Norfund's other investments since this investment is of a long-term nature. This investment is classified as a fixed asset, and posted in the accounts pursuant to the equity method in accordance with generally accepted accounting principles. To the extent that final figures are not available, estimates are used for the expected result.

By committed investments is meant that there is an external obligation to pay out a designated amount. By investments approved in principle is meant that there is a board decision regarding investment, but that Norfund is not bound externally by this.

Loans

Norfund manages two types of loan:

- Loans in connection with Norfund's equity investments, paid by Norfund.
- Loans to companies in developing countries that was taken over from NORAD (loan portfolio).

Loans to projects are entered as current assets.

Loans to investment projects are entered at the lowest of face value and the amount expected to be recovered. A commitment is regarded as being in default at the latest 90 days after the borrower has failed to pay periodic repayments of the loan on the due date. Commitments where liquidation proceedings have been started are also defined as being in default.

The loan portfolio that was taken over from NORAD is, classified as current assets, and posted in the accounts at historical cost, NOK 0. Payments of interest and principal received from the loan portfolio follow the cash principle and are taken to income at the time of receipt of payment.

Write-offs

Losses on commitments are posted in the accounts as write-offs in the event of liquidation or similar cause, or that Norfund has relinquished its claims.

Treatment of foreign currency

Cash at bank is entered at the currency exchange rate at the end of the accounting year. Loans are entered collectively at the currency exchange rate at the end of the accounting year (portfolio principle). Unrealised gains/losses are posted as operating revenues/operating costs. Value changes resulting from changes in currency exchange rate are also entered under equity investments (see above).

Short-term receivables

Short-term receivables are posted at their expected value and adjusted for irrecoverable items.

Tangible fixed assets

Based on the historical cost of the asset, straight line depreciation is applied over the useful economic life of the fixed assets.

Equity

Norfund's equity is divided into primary capital, reserve capital and surplus capital. The distribution is undertaken on the basis of framework conditions for Norfund's activity by returning a report to the Ministry if Norfund's losses are of such size that it encroaches on the primary capital. The profit for the year shall be added to the surplus capital, while any loss shall be deducted from this or the reserve capital if the first-mentioned fund is of such size that it does not cover the loss for the year.

NOTE 2 PAYROLL AND RELATED COST

Payroll and related costs: (Figures in NOK 1 000)	2001	2000
Payroll and related costs	6 613	4 274
Board remuneration	320	194
Employer's National insurance contributions	1 024	716
Personnel insurances	112	15
Pension costs	653	603
Other benefits	296	192
Refunded personnel costs from Trust Fund	-400	0
Total wages and other personnel costs	8 619	5 994

Remuneration to management

(Figures in NOK 1 000)	General Manager	Chairman of the Board
Salaries	899	80
Contribution to pension commitments	255	0
Other benefits	11	0
Total	1 165	80

The General Manager has no contract for salary after termination of employment beyond the ordinary notice period of 3 months. The Chairman of the Board has no contract for salary after termination of employment.

The Auditors' fee is carried to expense in the amount of NOK 204 232, of which NOK 117 800 is for auditing and NOK 86 432 is for accounting assistance. In addition, NOK 1 732 587 in fees to KPMG Advisory Services has been paid and charged to the Trust Fund (assistance in connection with due diligence in connection with the purchase of a share in Aureos) of which NOK 1 579 987 is the fee to KPMG FAS in England and NOK 152 600 is the fee to KPMG FAS in Norway.

Number of employees:

At the end of the year, the company had 17 employees. The average number of employees for the year has been 12.

Pensions

Pension commitments have been covered by a group pension insurance policy. The commitments are entered into the Balance Sheet from and including this year, and comparison figures for last year have also been re-calculated for the Balance Sheet. Last year's pension costs are based only on amounts paid in, and are therefore not directly comparable.

Pension costs, pension funds and commitments have been calculated by the insurance company's actuary.

Financial assumptions

Discount rate	7.0%
Expected return on pension funds	8.0%
Wage adjustment	4.0%
Pension adjustment	3.0%
Adjustment of social security basic amount	3.0%
Turnover	7.0%
Expected retirement on AFP (Early retirement pension) from age 62	0.0%
Employer's contribution to social security	14.1%

cont. NOTE 2	Net pension cost for the period	
	(Figures in NOK 1 000)	2001
	Present value of the pension accrual for the year	
	Present value of pension accrual as at 01.01	600
	Interest	96
	Present value of the pension accrual for the year	696
	Interest cost of pension commitment	
	Pension commitment at the beginning of the year	1 378
	Pensions paid out	0
	Average expected pension commitment	1 378
	Discount rate (%)	7
	Interest costs	96
	Expected return on pension funds	
	Market value of pension funds at the beginning of the year	1 222
	Pensions paid out	0
	Payments received including premiums	1 462
	Expected return (%)	8
	Amortisation of transfer effect	0
	Amortisation or direct entry of deviation into result	0
	Net pension cost	617
	Pension commitments	
	(Figures in NOK 1 000)	
	OB accrued pension commitments	1 378
	+ Present value of pension accrual for the year	696
	+ Interest on accrued pension commitments	96
	- Pensions paid out	0
	CB accrued pension commitments	2 171
	OB Pension funds	1 222
	+ Expected return	40
	+ Payments received for the year	1 462
	- Pensions paid out	0
	CB Pension funds	2 724
	Reconciliation of net pension commitments against entered	
	(Figures in NOK 1 000)	
	CB Pension funds	2 724
	CB Accrued pension commitments	2 171
	CB net pension funds	553
	Employer's contribution to social security	78
	CB net pension funds incl. employer's contribution to social security	631

NOTE 3 TANGIBLE FIXED ASSETS

(Figures in NOK 1 000)

Cost price and ordinary depreciation	Operating equipment, fixtures, fittings, etc	Art	Total
Cost price as at 01.01	2 037	0	2 037
+ acquisitions during the period	419	67	486
- disposals during the period	-24	0	-24
Cost price at end of period	2 432	67	2 499
Acc. ordinary depreciation as at 01.01	801	0	801
+ ordinary depreciation for the period	626	0	626
- acc. ord. depr. sold operating assets	-24	0	-24
Acc. ordinary depreciation at the end of the period	1 403	0	1 403
Book value for accounting purposes at the end of the period	1 029	67	1 095

Operating equipment, fixtures, etc. are depreciated by the linear depreciation. The expected lifetime of operating assets is 3–4 years. Art is not depreciated.

NOTE 4 WRITE-DOWNS

(Figures in NOK 1 000)

	Write-down at 01.01.01	Realisation of losses 2001	New write- downs 2001	Total write-downs as at 31.12.01
Provision for losses on loans to inv. projects	4 451	4 403	5 720	5 768
Provision for losses regarding equity inv.	13 595	5 890	45 292	52 997
Total	18 046	10 293	51 012	58 765

NOTE 5 INVESTMENT IN JOINT VENTURE**Aureos Capital Ltd.****Formal information:**

Date of acquisition.	30.06.01
Registered offices	Mauritius
Ownership share	50 %
Voting share	50 %

Information related to the date of acquisition:

(Figures in NOK 1 000)

Acquisition cost	18 339
Equity entered into Balance Sheet at date of purchase (our share)	18 339
Excess value / shortfall	0
Goodwill	0

cont. NOTE 5 **Information related to the figures for this year:**

(Figures in NOK 1 000)	
Opening balance 30.06.01	18 339
Deducted non-amortised excess value	0
Deducted non-amortised goodwill	0
Share of the year's result (+/-) ¹	387
Entering into result excess value / shortfall (excl. Goodwill) (+/-)	0
Amortisation of goodwill (-)	0
Closing balance 31.12.01	18 726

¹ Share of the year's result in Aureos is based on estimations

NOTE 6 **RECEIVABLES**

Other receivables: All receivables are due within one year.

The loan portfolio, entered under receivables, was taken over from NORAD without payment and has therefore been entered with a book value of NOK 0 in the accounts.

(Figures in NOK 1 000)	Opening loan balance as at 01.01.01	Income from payments of principle	Income from payments of interest	Closing loan balance as at 31.12.01
Loan portfolio				
Total	397 404	39 460	9 372	357 943
Downward adjustment to historic cost	397 404			357 943
Book value		0		0

All loans are in NOK and therefore not adjusted for agio.

In addition to the above-mentioned payments received, funds have been received from NORAD in the amount of NOK 5 040 580 , concerning payments of principle and interest during 2000.

NOTE 7 LOANS TO COMPANIES

(Figures in 1 000)	Valuta	Book value (in foreign currency)	Book value (NOK)	Income from interest (NOK)
Finarca	USD	1 200	10 814	1 421
Sinor/Dayoo	USD	500	4 441	246
Norfish Blagaj	DEM	308	1 256	0
Jambo Roses	USD	15	135	61
Total loans to companies			16 646	1 728
Write-downs of loans as at 31.12.01			-5 768	
Book value loans			10 878	1 728

Approved in principle, approved and contractual loans **20 286**

Year	2002	2003	2004-	Total
Payment plan for loans to projects	3 469	0	0	3 469

NOTE 8 EQUITY INVESTMENTS

Equity investments in funds

(Figures in 1 000)	Foreign currency	Ownership share	Contractual investment- (in foreign currency)	Book value (NOK)	Contractual amounts* (NOK)	Book value (NOK)	Dividend received (NOK)
Horizonte	NLG	3.0%	1 025	615	3 773	2 290	
Minco	USD	15.8%	2 212	840	19 157	6 793	
FEDHA Fund	USD	11.5%	1 500	1 200	12 577	9 873	
LACIF	USD	6.0%	500	500	3 921	3 921	
CAIF	USD	3.8%	1 000	1 000	7 151	7 151	
Msele Nedventures	ZAR	14.6%	12 000	12 000	15 900	15 900	
African Infrastructure Fund	USD	1.2%	5 000	990	45 117	8 978	
Indian Ocean II	USD	17.1%	3 000	1 512	27 219	13 809	
SEAF Trans-Balkan Fund	USD	22.9%	5 000	1 585	45 140	14 368	
CASEIF	USD	48.0%	5 000	967	45 153	8 813	
Siam Investment Fund II	USD	9.2%	5 000	1 194	45 164	10 870	
SEAF Sichuan SME Inv. Fund	USD	13.3%	3 000	300	27 028	2 697	
Horizon TechVentures	ZAR	18.1%	40 000	5 751	31 745	6 161	
Total invested in funds					329 045	111 625	0

Contractual investments in funds

329 045

Investments in funds approved in principle, and approved

227 993

Investments in funds approved in principle, approved and contractual**557 038**

* By contractual we mean that a binding contract on investment has been made. When an investment is approved in principle, it means that an internal decision has been taken to make an investment, but an external contract has not necessarily been entered into.

* When making payments in currency, the exchange rate at the time of payment is utilised. For the part of the committed amount that has not been paid, the exchange rate as at 31.12.2001 is used.

Equity investments in management companies

	Foreign currency	Ownership share	Book value (in foreign currency)	Book value (NOK)	Dividend received (NOK)
Lafise Investm. Managem.	USD	20%	2	17	
AMSCO	USD	4%	0	0	
Total invested in management companies				17	0

Contractual investments in management companies

17

Investments in management companies approved in principle and approved

1 802

Investments in management companies approved in principle, approved and contractual**1 819**

cont. NOTE 8

Equity investments in companies

(Figures in 1 000)	Foreign currency	Ownership share	Book value (in foreign currency)	Book value (NOK)	Dividend received (NOK)
Palnorec	USD	27.7%	400	3 097	
Scancement	USD	24.6%	5 000	40 219	
Sinor/Daiyoo	USD	34.9%	1 196	9 833	
Norfish Blagaj	DEM	30.7%	1 997	8 266	
Finarca	USD	16.8%	598	5 684	
Genomar	NOK	8.1%	20 000	20 000	
Jiffy Kenya	NOK	35.0%	770	770	
Nividhu	USD	15.0%	123	1 116	
Future & Hope	NOK	40.0%	450	450	
Total invested in companies				89 434	0

Contractual investments in companies	91 513
Investments in companies approved in principle and approved	77 587
Investments in companies approved in principle, approved and contractual	169 100

Total book investments in funds, management companies and companies	201 076
Write-downs of investments as at 31.12.01	-52 997
Book value of investments	148 079

Year	2002	2003	2004-	Total
Payment plan for equity investments	244 216	198 126	84 499	526 841

NOTE 9 CASH AT BANK, CASH IN HAND

This year, Norfund has chosen to show how much of the liquidity tied up in investments that are approved in principle and approved as at 31.12.01, was not paid out. This is shown in the Balance Sheet as "Liquid assets tied up in investments approved in principle, approved and contractual". The remainder of the liquid reserves is called "Other liquid reserves". As at 31.12.00 and 31.12.01 NOK 376 000 000 and NOK 530 522 000 respectively were approved in principle, approved and contractual, but not paid. The remaining liquid assets include the balance of the blocked employee tax withdrawal account in the amount of NOK 444 485. Further, NOK 9 801 840 of the company's liquid assets are tied up in Trust Funds. The contents of these Funds can only be used in accordance with guidelines set up for the Trust Funds.

Reconciliation between Notes 8 and 9.

(Figures in NOK 1 000)

Investments in funds approved in principle, approved and contractual	557 038
+ Investments in management companies approved in principle, approved and contractual	1 819
+ Investments in companies approved in principle, approved and contractual	169 100
+ Investments in loans approved in principle, approved and contractual	20 286
= Total investments approved in principle, approved and contractual:	748 243
- Total equity investments	201 076
- Total loans	16 646
= Investments in loans approved in principle, approved and contractual	530 522

NOTE 10**CHANGE IN CAPITAL**

(Figures in NOK 1 000)	Capital in legal			Total equity
	Primary capital	reserves	Surplus fund	
Capital as at 31.12.00	393 750	131 250	18 490	543 490
Correction for change in principles ¹			-178	-178
Capital as at 31.12.00 after correction for change in principles	393 750	131 250	18 312	543 312
Capital reserves	168 750	56 250		225 000
Profit for the year			26 511	26 511
Capital as at 31.12.01	562 500	187 500	44 823	794 823

¹ The correction in the surplus fund concerns the change in principles for accounting of pension costs.

Reserve capital is 25% of the total of called-up and fully paid capital. Reserve capital may only be used for covering losses which cannot be covered by other fund reserves outside primary capital.

The company has received NOK 750 million in capital from the State, of which NOK 225 million was received in 2001.

NOTE 11 UNUSED FUNDS (TRUST FUND)

In 2001, Norfund received NOK 5 million in Trust Fund capital. The Trust Fund is intended to cover Norfund's costs, over and above normal operating costs, for measures to stimulate increased investments in developing countries and to ensure success for the investments which have been made. The Trust Fund is treated as a short-term liability, and amounts paid are included in Norfund's liquid assets. The debt is reduced by the equivalent amount paid by the Trust Fund to cover costs. The Trust Funds paid a total of NOK 6.5 million to cover costs in 2001. The remaining balance in the Trust Funds (remaining capital) amounts to NOK 9.8 million.

NOTE 12 INFORMATION REGARDING THE FINANCIAL MARKET RISK AND USE OF FINANCIAL INSTRUMENTS

On 29 November 2001 a one-year currency futures contract was entered into regarding the sale of USD 12 000 000 at an exchange rate of NOK/USD 9.345. The amount corresponds to approximately 70% of the paid-out investment portfolio. The value of the contract as at 31.12.01 was NOK 360 000 (in Norfund's favour). The futures contract is not entered into the Balance Sheet or taken to income.

Credit risk: Loans to investment projects are written down to the expected recoverable amount. The risk on the loans is partly reflected in the interest terms for the individual loan. The loan portfolio taken over from NORAD does not entail any accounting-related risk, since it has no Balance Sheet value. The credit risk connected with these loans is regarded as relatively high.

The company's liquidity risk is attempted shown through splitting up the liquid reserves in "Liquid assets tied up in investments approved in principle, approved and contractual" and "other liquid assets". The company estimates itself the expected payment flow from contracts entered into.

NOTE 13 SEGMENT INFORMATION

With regard to segment information, Norfund has chosen only to select and give information on result items connected to the loan portfolio because the portfolio is separate and apart from other investment activity and entails another risk profile for the company.

	Norfund total	The loan portfolio	Norfund excl. the loan portfolio
Operating income	56 158	53 978	2 180
Operating expenses			
Wages, salaries and personnel costs	8 619	937	7 681
Depreciation tangible fixed assets	626	103	523
Losses on sale of operating assets	0	0	0
Provision for losses on investments	51 012	0	51 012
Other operating expenses	12 063	1 989	10 074
Total operating expenses	72 319	3 029	69 290
Operating result	-16 162	50 948	-67 110
Financial result	42 673	0	42 673
Total result	26 511	50 948	-24 438

*Revenues and expenses are partly directly attributable, partly joint expenses which are distributed according to a distribution formula fixed on the basis of the number of persons employed.

Information regarding the balance sheet items connected to segments: There are no accounting-related balance sheet values connected to the loan scheme, either as assets or liabilities.

NOTE 14 COMMITMENTS

(Figures in NOK 1 000)	Rental period	Annual rental costs
Premises in Munkedamsveien 45B	01.08.99–31.07.2009	1 729

A section of the premises is sublet up to and including 31.08.02.



KPMG AS

Statens revisor

Revisor

Statens revisor

To NORFUND (a company under special law)

AUDITOR'S REPORT FOR 2001

Respective Responsibilities of Directors and Auditors

We have audited the annual financial statements of NORFUND as of 31 December 2001, showing a profit of NOK 26.511.000. We have also audited the information in the Directors' report concerning the financial statements, the going concern assumption and the proposal for the appropriation of the profit. The financial statements comprise the balance sheet, the statements of income and cash flows and the accompanying notes. These financial statements and the Directors' report are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and other information according to the requirements of the Norwegian Act on Auditing and Auditors.

Basis of Opinion

We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and auditing standards and practices generally accepted in Norway. Those standards and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant accounting estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards and practices an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion,

- the financial statements have been prepared in accordance with law and regulations and present the financial position of the Company as of December 31, 2001, and the results of its operations and its cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the Company's management has fulfilled its obligation in respect of registration and documentation of accounting information as required by law and accounting standards, principles and practices generally accepted in Norway
- the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the appropriation of the profit is consistent with the financial statements and comply with the law and regulations.

Oslo, 12 February 2002
KPMG AS

Tom Myhre
State Authorised Public Accountant

Note: This translation of the Norwegian statutory Audit Report has been prepared for information purposes only

NORFUND'S ORGANISATION

At the beginning of 2002, Norfund's organisation consisted of 17 persons.

INVESTMENTS

Direct
Investments

SME Investment
Funds

Energy

Micro finance,
Leasing

MANAGEMENT



aureos
CAPITAL

Debt Portfolio
Management

10 National Fund
Management
Companies



TERESA SOLA KJØRVEN



ZHEN QIN



OLE MAGNUS BJERKE



MARIANNE HALVORSEN



VEGARD HALVORSEN

PRESENTASJON AV LEDELSEN



Per Emil Lindøe

Managing Director. Degree in business administration from the Norwegian School of Management. Broad experience from international business development, including Africa and Eastern Europe.



Svein Ove Faksvåg

Project director, investment funds. Head of the Investment Committee, and Deputy to the Managing Director. Cand.oecon and Higher Department Examination (HAE) from NHH, as well as education from IMD, Stanford and Darden. Broad senior executive experience from private business (investment and industry) including Orkla ASA.



Vidar Holm

Project director, direct investments. Ph.D all but dissertation from the Norwegian School of Economics and Business Administration (NHH). Broad experience from the banking and consultancy sectors.



Christoffer Christensen-Røed

Project director, loan portfolio. Master degree in Business and Economics, Norwegian School of Economics and Business Administration (NHH). Over 30 years' experience from Den norske Creditbank/Den norske Bank ASA. Bank Manager at the head office since 1980. Has held several senior positions within credit and equity investments. Stationed overseas in London and Singapore.



Kjartan Stigen

Director, development affairs. Cand.oecon., University of Oslo. Has varied experience from the Ministry of Foreign Affairs, including stationing overseas in Africa. Also has experience from UNDP and Det Norske Veritas.



Thorbjørn Johan Gaarder

Managing Director of Aureos. MBA from IMD in Switzerland. Solicitor, qualified in Norway and the UK. Has headed financial operations in several countries.



Mehraz Rafat

Director, leasing and micro finance. Degree in business administration from NHH. 7 years experience as a project leader in the consultancy company McKinsey & Co, in Europe, Africa and Latin America.



BIRGITTE KOLRUD



HENNING NESTEGÅRD



INGVILD BJØRØY



JARJEI TYSSEBOTN



MIE SKARPAAS



PRINCIPLES FOR ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

Sustainable development requires a balance between financial considerations, social responsibility and protection of the environment. Environmental considerations and social conditions are a part of Norfund's work in the investment in profitable business activities in developing countries. Norfund therefore wishes to exert a positive influence through its investment projects

Our investment projects must comply with recognised international environmental and social standards, as well as with national legislation and regulations.

We will strive to ensure that the health, safety and human rights of employees are valued and protected.

We aim to highlight and enhance the positive social and environmental consequences of our investment projects.

We seek to identify any negative social and environmental consequences of our investment projects and contribute towards mitigating any adverse effects.

We require our partners to implement appropriate procedures to deal competently with the social and environmental aspects of their projects. These issues must be considered prior to an investment decision.

Norfund will build and develop competencies to evaluate and follow-up the social and environmental aspects of investment projects. Norfund's operational guidelines will ensure that social and environmental aspects are considered in all phases of a project. Norfund will report openly on the results of efforts made in this area. In 2001, Norfund initiated a special AIDS programme (see Directors' Report), and employed a director for development affairs, responsible for undertaking a continuous evaluation of Norfund's objective achievement in relation to the development impacts of the activity.



NORFUND'S POLICY STATEMENT ON HIV/AIDS

HIV/AIDS has brought about an extensive global epidemic with serious potential implications for the productivity and profitability of businesses worldwide.

As an investment fund devoted to profitable business development in developing countries, Norfund expects HIV/AIDS issues to be considered as an integrated part of management thinking. Norfund wants to take a proactive role in the promotion of AIDS prevention and care activities in the business environment.

Norfund wants to support its business partners in the development of strategies to understand, assess and respond to the economic and social impact of HIV/AIDS in their specific sector, organization and business operation.

Norfund expects that its business partners take HIV/AIDS into consideration during planning and implementation of projects and operations.

Norfund expects that its business partners do not engage in or permit any policy or practice that discriminate individuals on the basis of real or perceived HIV status.

Norfund recommends its business partners to initiate and support programs to inform, educate and train employees about HIV/AIDS, and offers to assist in this regard.

Norfund recommends that its business partners pay special attention to female employees and HIV/AIDS because women often are more vulnerable to HIV infection than men due to biological, socio-cultural and economic reasons.

Norfund recommends that its business partners participate in local, national and international partnerships in the fight against HIV/AIDS.

EFFECTS OF NORFUND'S DEVELOPMENT MEASURES

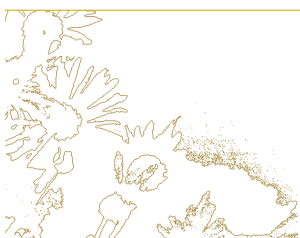
Norfund is an investment fund directed towards the private sector in developing countries and invests in profitable business activities. The activity shall give a positive return, but at the same time have a positive development effect.

Sustainable business activity has many positive development effects, including employment, technology transfer and human resource development and creation of a tax basis for financing health and education. In addition, companies operating at a profit have a considerable indirect effect on local and regional economies and will not least encourage others to take the initiative to start businesses.

In 2001 work was started to substantiate the development aspects of the fund's activity. Norfund has internal procedures to prevent involvement in companies or sectors that have possible negative environmental, ethical or social consequences. Before investment decisions are made, the companies' internal environment and working conditions are examined. The process of increased focus on positive development effects has begun by establishing a common understanding within the organisation of which development effects are of a positive nature, are naturally connected to Norfund's involvement, and which in practice can be documented over a period of time. In the first instance, emphasis has been placed on the observation of three indicators: a) the collective investment capital which is mobilised through Norfund's involvement, b) employment created by Norfund's investments, and c) the companies' turnover.

WHAT WE HAVE ACHIEVED SO FAR

Of Norfund's committed investments of NOK 766 million at the end of 2001, investments in the amount of NOK 435 million were past the preliminary stage, and had started production activity in one form or another. These investments had resulted in the creation of 2600 workplaces. Simultaneously, and in summary, Norfund's investments so far have led other actors to make investments totalling NOK 7 billion.



EXAMPLES OF THE EFFECTS OF DEVELOPMENT

□ Finarca in Nicaragua

The leasing company Finarca in Nicaragua leases production equipment to small businesses that are not able to obtain loans from banks either because they are not creditworth or because they cannot offer security. The companies that lease equipment from Finarca employ some 3000 persons. Finarca now operates partly as a bank, is regulated by the bank inspectorate, and with the aid of strong solidarity and secure returns, has managed to attract money which normally flows out of the country.

□ La-Cif in Latin-America

La-Cif is a regional bank that grants loans and credit to well-run micro-financial institutions in Latin America. In addition, La-Cif provides consultancy services to institutions which are about to become professional and which are attempting to become part of the regulated financial market. The fund operates mainly in Bolivia, Peru, Nicaragua and Ecuador, the least developed countries in Latin America. The end customers who are financed by La-Cif's clients number approximately 300 000, of whom more than half are women. The customers are granted loans instead of endowment assistance, which promotes a disciplined attitude and responsibility. The repayment rate is about 97–100 per cent.

□ Aureos

Through the foundation of the investment management company Aureos, Norfund has the opportunity of influencing the development of the business activity to a greater degree than has previously been the case. Norfund participates here in drawing up of conditions for the involvement of such companies in further business activity by means of further investments and loans, which results in a considerable catalytic effect. Through Aureos Norfund thus participates in the management of 115 companies having a total of 55 000 employees in ten countries.

□ Scancement in Bangladesh

Through the investment in a cement factory in Bangladesh, Norfund has contributed to local cement production amounting to NOK 225 million annually. Thus imports have been replaced by local production at the same time as 230 workplaces have been created. In addition, there are a number of small and medium size enterprises involved in deliveries of goods and services to the company. The investment has also contributed to the construction of a modern plant which satisfies modern environmental requirements (ISO 14001), and in this way the investment represents an environmental gain for the country.



Jiffy Kenya

The establishment of Jiffy Kenya represents a small piece of technology transfer from Norway, allowing the supply of plant cultivation briquettes from local production to the expanding horticultural industry in East Africa. At present the company employs approximately 15 people, but this is expected to increase. It is a small investment, but is a good example of how Norfund can support Norwegian trade policy measures for developing countries through private investments. Seen in an overall perspective, this strengthens the industry's competitive ability both in the region and on the export market in Europe.

LOOKING AHEAD

The overall development effect of an investment materialises over a lengthy period of time, and is difficult to quantify by a few indicators. In order to establish a more overall picture therefore, Norfund has initiated a practice of periodical financial and development-related review of all investments. Information regarding the development effects will be integrated on this basis into the fund's portfolio management system, which will be established in 2002. The fund's special efforts to increase awareness of the companies' role in connection with the HIV/AIDS epidemic, is an example of how the fund will seek to utilise its influence as a capital partner and investor to contribute to a focus on development-related aspects of the business activity.



– BUSINESS DEVELOPMENT REQUIRES COMMERCIALISATION!

A MESSAGE FROM THE MANAGING DIRECTOR

In 2002 the UN arranged “The International Conference on Financing for Development” in Monterrey in Mexico. The Conference agenda included development of the private sector. It is good there is agreement that a sustainable private sector is a pre-condition for the fight against poverty and development of common benefits such as health and education.

Under the motto: “Moving From Words To Action” the preliminary work for the conference contain a number of ideas which, in relation to the materials presented, shall ensure success by focusing on concrete measures and not only on long-term objectives. This is praiseworthy. However, it appears as though one does not wish to follow one’s own motto very far. A range of project proposals are mainly focused on reports, analyses and development of databases. Certainly important, but there is not enough focus on action!

National framework conditions which ensure inter alia predictability, transparency and good management are important in order to be able to stimulate one’s own business people to invest locally and to be able to attract foreign investments. The national governments must take the responsibility for this development, and if they do, it does not appear as though there is a lack of financial support from industrial countries. There is also plenty of opportunity for institutional co-operation between developing countries and industrial countries or regional co-operation. In most countries over the years, bottlenecks have been identified which hinder development of the private sector and foreign investments. Everything should therefore be in place for concrete joint venture projects. The goal should be more ambitious than analyses and databases.

Together with our partners, Norfund is completely dependent on satisfactory framework conditions in order to be able to invest in a given country. All our investments must be based on commercialisation in order to ensure the long term period and sustainability. No-one is served by having private activity which cannot survive because of existing framework conditions or that the investment decision has been taken based on other considerations than profitability. Some investments will always go wrong – that is a part of reality both in the north and the south.

In the years to come, Norfund will offer considerable risk capital and expertise for investments in developing countries. We will also play a pro-active role in seeing that the motto “From Words To Action” will become a more tangible reality.



HOW CAN NORFUND CONTRIBUTE?

- Risk capital
- Partnership with owners
- Financial and business-related expertise
- Broad international network
- Local knowledge through presence (Aureos)

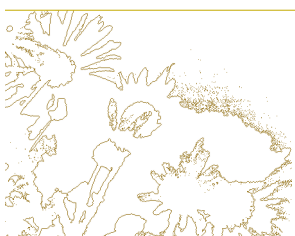
Norfund offers risk capital and expertise to profitable business development in developing countries. Our activity is commercially based. All Norfund's staff come from the private business sector, and our approach to the projects is businesslike, efficient, and customer oriented. We have substantial experience from international business activities in markets in developing countries and know what is required to succeed with investments.

Norfund's strength lies primarily in business and ownership expertise. We can assist in all phases of a project's development and establishment, including the exercise of the owner function. In addition, we can offer financial and legal expertise, as well as network expertise.

Another of Norfund's important contributions to the success of the projects is the connection to an international network of institutions with knowledge about private business in developing countries. Norfund co-operates closely with the British CDC Group plc, which has 50 years of experience from markets in developing countries. Through Aureos Capital, Norfund and CDC own and operate 10 management companies in developing countries, which invest in small and medium sized enterprises (SME).

Norfund also has a co-operation agreement with International Finance Corporation (IFC), giving opportunities for co-financing of projects, information regarding project opportunities, common project analyses, co-operation on project follow-up, utilisation of expertise in IFC and access to training opportunities.

Norfund also co-operates with companies such as Multilateral Investment Fund (MIF), Inter-American Development Bank (IDB), the European Investment Bank (EIB) and NOR-SAD. In 2001, Norfund became a full member of EDFI (European Development Financial Institutions) and thereby co-operates closely with the European sister organisations.



INVESTMENT STRATEGIES

Norfund has two main investment strategies: Direct investments, which are made in countries with a GNP per inhabitant of under USD 5295, and investments in local investment funds. Both strategies aim at stimulating profitable business development in developing countries.

DIRECT INVESTMENTS

Direct investments are made together with a business partner. From 2002 Norfund is no longer bound to make such investments with Norwegian companies, although they will continue to be the most natural partners. Norfund offers capital, network and expertise and contributes actively to the success of the projects. A well-documented business plan is required, in which the business partner must be able to refer to a good profitability potential, expertise and awareness regarding environmental and social aspects. Norfund normally invests equity, with a maximum amount equivalent to the amount invested by the main sponsor. Norfund's participation is based on risk-sharing with our partners and not subsidising.

Requirements regarding documentation:

Complete business plan, including

- Detailed description of the project and partners
- Management's/organisation's experience with regard to the product area
- Company history
- Market, competitor and customer analyses
- Analysis with regard to environmental and social effects
- Detailed investment and financing plan
- Progress plans
- Financial plans (min. 5–7 years) incl. cash flow, internal rate of return
- Company results
- Analysis of the risk factors

LOCAL INVESTMENT FUNDS

As a principal rule, Norfund makes these investments together with other institutional investors, such as IFC and IDB and private financial institutions. A substantial part of our investments takes place through our own fund management company Aureos Capital. The funds subsequently invest in local activities. Companies wishing to establish a local activity are fully entitled to contact the funds directly, or make contact through Norfund.

PROJECT PHASES:

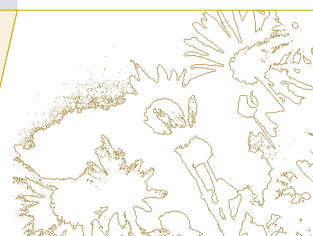
1. Project identification

2. Screening

3. Investment study

4. Negotiations and entry into contracts

5. Start-up, operation and exit



EXAMPLES OF PROJECTS 2001

Jiffy Kenya

Location:

Nairobi, Kenya

Product:

Plant cultivation briquette Jiffy Belt

Market:

East Africa

Local employees:

15

Norfund investment:

NOK 3 million in 2001

Principal investor:

Jiffy International

DIRECT INVESTMENTS

Jiffy Kenya – a company in growth. In a relatively modest factory area in Nairobi we find the premises of Jiffy Kenya AS. The company, founded in 2000, produces the plant cultivation briquette Jiffy Belt which is a product sought after by a fast increasing number of export-oriented small plant producers in the area.

We visited the newly-established production and packing plant on the same day in October as the briquette machine had its debut. Jiffy's manager, Julian Cordingley, technical manager Michael McCartney and Jiffy's Norwegian representative Arne Beisland could tell us about a project that had just started production after a year's building up phase.

The small company had met the challenges of getting the right equipment, suitable premises, a permanent supply of good quality raw material (coconut fibre dust), market surveys concerning the different briquette sizes, recruitment of staff and not least a continuous process of convincing potential customers that Jiffy Kenya would be up and running any minute.

Today the company has 15 employees, a number which is expected to increase to nearly 50 during next year. At that time, the management also calculates that turnover will be in the region of NOK 4–5 million. Jiffy has already delivered its first million Jiffy Belts to a satisfied customer. The manager, Julian, was optimistic with regard to the future prospects of the company: "With a continuing expansion of – and foreign investment in – the local horticultural industry, the market possibilities are abundant."

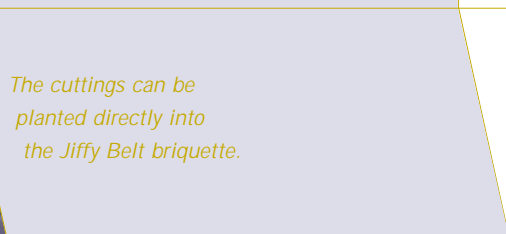
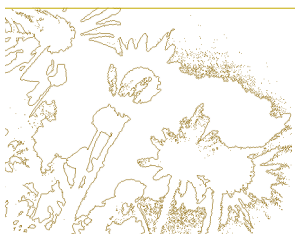
The advantages of Jiffy Belt is that the product in its original form takes very little space, and thereby reduces transport and warehouse costs. It expands 5–7 times when water is added, is free of plant diseases and the plant can be planted directly in the soil / pot by the customer.

The raw material, coconut fibre dust, is at present imported from Sri Lanka. In the long term, the company will concentrate efforts on getting this from Kenya. In addition, future plans include expansion of the export area to the whole of south-east Africa, and at the same time introduce Jiffy Belt to other cultural segments such as coffee, tea and forestry.

"Jiffy has already delivered its first million Jiffy Belts to a satisfied customer"

**"The market possibilities are abundant"
Julian Cordingley,
Manager**

The cuttings can be planted directly into the Jiffy Belt briquette.



As sure as Scancement The new cement factory Scancement International, of which Norfund owns a quarter, is located on the outskirts of Dhaka in Bangladesh. There is a large potential in the market for cement in Bangladesh. Consumption of cement is very low and a good growth is expected in the country's construction industry in the years to come. After a two-year project phase, including construction of the factory itself, cement production was started in October 2001.

Roughly speaking, 230 Bangladeshis are employed in the operation of the company in and around Dhaka, which has an expected annual turnover of NOK 225 million. The production capacity is 750000 tons annually. Scancement uses a distribution network of approximately 25 dealers in Dhaka, who sell directly to their users. Scancement itself delivers cement for larger projects.

The Vice President of Scancem Asia, Hans Fredrik Myklestu, has been involved in the Scancement project for the past five years. It has been a period with several challenges. To build up the market and distribution organisation, Scancement started importing bulk cement from Malaysia in the autumn of 1998. The first shipment to arrive in Chittagong coincided with the largest flood in the country for 100 years. A third of Bangladesh was submerged, and instead of the normal 24-hour period, it took ten days to get the cement to the distributors' warehouses. The delay was in actual fact due more to the interest of the authorities in flood preparedness than the water itself, but in any event it was not a good start.

Another awkward aspect of doing business in Bangladesh is the ownership situation concerning land. The organisation of the Bangladeshi "Land Registry" is marked by the fact that the last few years have been difficult for the country with political system changes and war. Any country must maintain order in the ownership situation concerning real property in order to achieve a good social and economic development. The first property Scancement considered building its factory on was located in Chittagong, but after having negotiated with the landowners, it became clear that there were 7 or 8 different persons claiming the property – and who all had documentation for it. The whole affair became so complicated in the end that Scancement withdrew, and instead found – quite by accident – the property at Dhaka. Which luckily had only one owner. A good piece of advice for those who are considering plans for establishment of a business entity in Bangladesh which entail purchase of real property, is to check the ownership situation thoroughly.

**Scancement International Ltd.,
Bangladesh**

Location:

Dhaka, Bangladesh

Product:

Cement

Market:

The local market in Bangladesh

Local employees:

230

Norfund investment:

NOK 40 million in 1999

**"A third of
Bangladesh was
submerged"**

**"It has been a very
good experience
working with
Norfund"**



The Fedha Fund

Type of fund:

Local fund for Tanzania

Head office:

Dar-es-Salaam, Tanzania

Product:

Invests in small and medium sized enterprises in Tanzania, such as TFL

Capital base:

NOK 113 million

Norfund investment:

NOK 13.5 million in 1998

However, the start-up problems are history, and production and sales are ongoing. As to whether the project itself has presented enough challenges, Myklestu gives the co-operation partner Norfund his best reference. "It has been a very good experience working with Norfund. Cement is probably not the thing you know most about, but you have a good knowledge of other financing organisations, which is very useful. A problem-free partnership."

INVESTMENTS THROUGH LOCAL FUNDS

Roses in Arusha One autumn day in 2001 a small Norfund delegation arrived in Arusha in Tanzania. On the programme was a visit to Tanzania Flowers Ltd. (TFL), in which Norfund has invested through the Fedha Fund. The Manager, Bastian Bruins and employee Eric Zweig willingly showed us around the rose farm, a blossoming business in both the physical and financial sense.

TFL produced 17 million roses in 2001, a figure they expect will increase to 22 million in 2002. The company's customers are mainly Norwegian, whom they supply through the company of Aalsmeer in The Netherlands. The remainder of the roses are sold at the Dutch flower auctions VBA and BVH. Employees in TFL now total 600. They recruit employees from places such as the Sokoine University in Morogoro. The students from here fulfil their practical work requirement at TFL, and some return after completing their studies to work in the company. "In general the Tanzanians all seem to have "green fingers", said Bruins. "I think this is one of the positive results of the old collective farming system in the villages during Nyerere times."

**"All Tanzanians
have 'green
fingers'"**

"In general the costs of production and transportation to Europe are favourable", Bruins informed. "The political situation in Tanzania is very stable and the general investment climate for foreign investors is very promising. The Tanzania Investment Centre is offering a great support in duty-free imports, VAT exemptions and full capital deductions for five years."

**"The Fedha Fund
participation in
TFL was our turn-
around point"**

TFL is doing very well, and has therefore started expansions. In addition to building new greenhouses for rose cultivation, Bruins has invested in Dekker & Bruins, a company cultivating chrysanthemums. "The Fedha Fund's participation in TFL was our turn around point", said Bruins. "The Fedha Fund's involvement has helped change TFL from a company in need of modernisation in order to face the challenge of a changing market, to a booming business with strong joint ventures and a promising future."



International network

Aureos Capital Fund management company owned 50/50 by Norfund and CDC Capital Partners. Owns 10 fund management companies in Africa, Asia and Central America, with total assets amounting to USD 185 million and 75 employees.

CDC CDC Group plc. British financial institution. Owns Aureos Capital together with Norfund. Invests risk capital in profitable business activities in developing countries.

IFC The International Finance Corporation is the private investment division of the World Bank group in Washington D.C. Seeks to promote economic growth in the private sector in developing countries. IFC has approximately 170 member countries, and contributes through investments in joint financing with foreign and local capital.

IDB The Inter-American Development Bank, Washington D.C. Development bank providing long-term loans to different types of development projects in Latin America and the Caribbean, with particular emphasis on the social sector. IIC, Inter-American Investment Corporation, and MIF, Multilateral Investment Fund, are both subsidiaries of IDB.

SEAF Small Enterprise Assistance Fund (SEAF) is an American fund management company based in Washington D.C. SEAF has specialised in undertaking profitable investments in small and medium sized private enterprises (SME) in developing countries.

NORSAD Loan institution owned jointly by SADC (Southern African Development Community) and the Nordic countries.



NORFUND PORTRAYED

Norfund's activities do not consist solely of investment analyses, tough negotiations, and calculation of internal rate of return. Our business also entails challenges on the human level, by interaction across cultures.

We wished to work with a Norwegian artist who could give expression to this span, and found the well-known Norwegian artist Therese Nortvedt. With her painting "Future and the Present", commissioned by Norfund, Nortvedt has taken the child's hope for the future as the theme:

"When I think about countries (amongst them in Africa and Latin America) where Norfund has projects, I always visualise a fantastic sky and unbelievable light. I have used a blue tone as the base colour for the painting, the symbol of hope and also one of Norfund's colours. To me, Norfund's involvement appears as an investment in countries giving hope to a new generation. I have therefore portrayed a child springing into the air, and hovering there. I have attempted to bring the joy and energy which people in these parts of the world radiate, into the aura surrounding the figure and the flamboyant textiles. I do believe that the positive investments made have ripple effects for the future and the present."



Future and the Present | 2001 | oil on canvas 95 x 200 cm

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