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The NIS Approach

NIS works with international donors and key national stakeholders to support the state-building and reconciliation processes necessary to help move conflict and post-conflict environments away from fragility and towards stability. First and foremost, NIS seeks to achieve stabilising effects, in addition to any humanitarian or development benefits. This is done by working closely with key stakeholders – primarily the local community and authorities.

- **Political** – projects must be implemented in close cooperation with the authorities in ways that boost their legitimacy and political reputation among the population.
- **Relevant** – projects must provide benefits that cater to the most immediate needs of the people, including security, basic amenities/infrastructure, and livelihoods.
- **Opportune** – in terms of timing, partners and location, projects should be implemented in ways that provide maximum strategic stabilisation benefits that respond to – and counter – the loss of trust in the ability of the state to meet essential needs.

- **Verified** – projects must meet a genuine need of the local population, including security, basic amenities/infrastructure, and livelihoods, and thus must be verified with the local community and authorities.
- **Expedited** – once identified and verified, projects must be implemented quickly and with minimal time lag between initial discussions and actual project implementation.

NIS’ projects are in line with the PROVE principles. The PROVE projects bring authorities and communities closer together by providing concrete benefits to conflict-affected societies in conjunction with the authorities. Please visit our website www.nis-foundation.org to read more about the NIS approach.

Importantly for NIS, the PROVE Principles help ensure our work is helping to fill the “Stabilisation Gap” that exists in many conflict-affected countries. There is often a heavy focus on humanitarian-style interventions in fragile environments, but these alone do not help to address the underlying causes of conflict or help build the institutions necessary to sustain a country’s path towards long-term social and economic development and stability.

Letter from the Senior Partners

Nordic International Support Foundation (NIS) carries out peace and reconciliation activities in war and conflict zones, as well as institutional development, social measures and conflict resolution. The Foundation has its offices in Oslo. In 2017, the Foundation carried out projects in Somalia, Mali and Burma (Myanmar). Since 2011, NIS has carried out more than 80 projects in 4 countries.

NIS carries out peace and reconciliation activities in conflict and post-conflict environments. Most of the world’s poor population live in fragile states, which are characterised by political instability, weak or non-existent social institutions, insecurity and corruption. The international community – UN and other international organizations – often have limited access in such countries, especially outside the major urban areas.

NIS works to improve community trust in a country’s government institutions by helping them offer basic services that have a direct influence on the lives of the population. This is done through improving security, implementing light infrastructure projects, contributing to increased economic opportunities and by strengthening social cohesion. Trust is increased further by including all parties in all phases of our projects, including the authorities and representatives from different segments of the population. This increased trust bolsters confidence in the authorities’ legitimacy and works as a social binding agent that supports increased stability. The Foundation’s driving force lies in carrying out projects that meet immediate needs and produce highly visible results.

NIS navigates effectively through complex political and security landscapes, thanks to highly professional and talented employees in the field. First and foremost, our projects must be politically relevant and support larger processes underpinning stabilisation and reconciliation. Without this relevance, our projects would not have any stabilising effect. Working closely with the authorities and downplaying the Foundation’s own profile allows our projects to have a positive political effect on communities’ perceptions of government. The Foundation seeks to assist the authorities to meet their society’s expectations, reminding conflict-affected populations that peace can have positive, immediate and concrete effects on the quality of their lives. NIS believes the best place to begin is by assisting the authorities in meeting the basic needs of their populations. This helps strengthen trust and bolster the legitimacy of the authorities, which is necessary for the success of reconciliation and state building processes. Our involvement in the full or partial management of project funding mechanisms that support peace-building and social cohesion in Myanmar, on behalf of our donors, is based on similar principles and aims to provide flexible and tailored systems to give relevant organizations access to funding within a very dynamic context.

Development in Funding and Position

For NIS, 2017 was a year of growth and restructuring its offices in Oslo, which resulted in a significant reduction (approx. 50%) of administrative costs and a boost to in-field capacity. In line with our strategy, we continued our work to secure long-term funding during 2017, securing financing from three new donors: Germany (GIZ), IOM and the Energizing Development Fund – EndEv. In addition, our collaboration with the World Bank grew considerably in 2017. Overall, we see continuing positive developments in the coming year.

We continued our work to document and verify the results of our projects, and to further consolidate our monitoring and evaluation systems (M&E). In dynamic and potentially rapidly changing contexts such as Somalia, Myanmar and Mali, it is important to maintain flexible M&E systems that consistently identify relevant experiences and document the effects.
of our work as best as possible. A focus on systems and management will continue to be a strong management focus into the future.

Expanding access and reach in challenging environments

Since 2011, NIS has been working to generate meaningful benefits for populations affected by conflict and help the authorities build legitimacy with their constituents. Working in such environments requires talented, dedicated and professional personnel and partners to achieve results. Through NIS’ work across Somalia, Mali and Myanmar, we have cooperated with hundreds of local and international organisations and contractors, as well as dozens of government agencies at all levels. As a result, NIS’ work has reached thousands of primary and secondary beneficiaries. It is only through developing strong relationships with local partners that the greatest risks can be effectively managed, and the benefits of a project successfully delivered. As NIS’ network of partners continues to expand, our ability to access difficult locations and manage complex risk environments will continue to increase.

Sincerely,
Eric Sevrin & Christopher Eads
Senior Partners

Here are some of NIS’ cooperation statistics:

<table>
<thead>
<tr>
<th>Programme</th>
<th>ALL Regions and States Reached</th>
<th>Implementing Partners</th>
<th>Donors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peace Support Fund/Paung Sie Facility</td>
<td>98</td>
<td>62</td>
<td>3</td>
</tr>
<tr>
<td>GPS Window (PSF)*</td>
<td>10</td>
<td>18</td>
<td>4</td>
</tr>
<tr>
<td>Joint Peace Fund</td>
<td>25</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>5</td>
<td>3</td>
</tr>
</tbody>
</table>

* Gender, Peace and Security Window of the PSF.

Highlights from our Programme in 2017

**Somalia**

In Somalia, our work to reach new areas continued in cooperation with our institutional donors and private sector partners in Somalia. We focused on project innovations, which resulted in two new pilot projects in 2017. One new and innovative component of our BLIS programme (Bilateral Labour-Intensive Stabilization Programme, financed by Norway) consisted of introducing cobblestone technology in Somalia. Road construction based on cobblestones has many advantages, such as creating jobs along the entire value chain, use of local labour and resources and sustainability compared to asphalt roads which require expensive imported materials and heavy equipment. The pilot project aimed to build 1.5 km of road in the city of Baidoa and mobilising a work force of 437 workers for 5 months. The quarry from which the rocks are taken for this project is located beside IDP settlements to the southwest of the city of Baidoa. The local population are calling the quarry the “cobblestone farm”. This quarry was chosen for the quality of the stone, and due to its proximity to the project. The IDP settlements consist of eight camps, and representatives from all the camps were involved in selecting the workers. At the start of 2018, 5 paving engineers (3 from...
NIS and 2 from relevant ministries in the Somali government participated in a workshop to learn how to lay the pavers at the Kenya Institute for Highway and Building Technology (KIHBT). These engineers are now teaching workers in Baidoa in anticipation of construction scheduled for the middle of 2018. The success of our project will promote job creation, reduce dependence on imported road construction materials and introduce a new means of improving transport infrastructure in the country.

Another innovative project which started in Somalia in 2017 aims to improve energy supply via a public-private partnership in the city of Luuq, in southwest Somalia near the border to Ethiopia and Kenya. The main goal of the pilot project is to improve universal access to energy throughout Somalia by demonstrating the effectiveness of a public-private partnership model which makes electricity more affordable in Somalia. The model aims to reduce the cost per kWh in rural areas by hybridising existing diesel-powered grids with solar power. Increased access to modern energy services would significantly improve the quality of life for many people and stimulate economic opportunities in the target areas. The pilot project builds on the existing operations of the only power provider in Luuq by adding solar power to the grid. This will reduce diesel consumption and help lower the cost of electricity. This is the first time a project in Somalia aims to convert an existing diesel-powered electrical grid into a hybrid system using renewable energy. We believe that this is a very exciting model with potential for applications in other cities around the country.

During the first half of 2017, the Peace Support Fund (PSF) changed its focus away from supporting peace processes in Myanmar and over to social cohesion as an umbrella concept for the projects and initiatives that the fund supports. This change in focus required a name change – from Peace Support Fund to Paung Sie Facility – incorporating a local expression paung sie into the fund’s vision, which means “living and working together in harmony”. The projects being implemented with this new focus include work to strengthen capacities of local social organisations to better understand and attend to the needs of marginalised groups such as minorities, women and young people, and increase their engagement in conflict resolution at a local/regional level.

PSF allowed us to further development our focus on women, peace and security. Our focus in this area throughout 2017 involved a total of 18 ongoing projects that focus on organisational development and strengthening the participation of women in the peace process and political negotiations (with direct economic support for all projects amounting to USD 247,028 coming from 5 different donors).

Following the recommendations of the 2016 PSF discussion paper, “The Women are Ready”, the PSF opened a dedicated Gender, Peace and Security (GPS) funding window which offers sub-national and grassroots organisations with a commitment to Gender, Peace and Security initiatives, the opportunity to receive core operations, strategy and organisational development support. The GPS window benefited from additional donor support from Canada and Norway, in addition to the three primary PSF donors.

The Joint Peace Fund (JPF), which is managed by NIS together with UNOPS (NIS is responsible for JPF’s Technical Secretariat), received a large number of applications for project grants in the course of 2017: 192 applications were submitted.
through an open call for applications, of which 160 were processed by the end of 2017. The projects that were selected to receive support fall within at least one of JPF’s five focus areas: ceasefire, negotiation, political dialogue, civil engagement and public awareness. In addition, JPF provided advice within areas including Federalism, security, and management of land and natural resources. Beyond this increase in project activity, we have been using the year to consolidate our criteria for project support and fund management processes and the provision of technical support to local and international organizations.

**Mali**

In Mali, NIS provided support for projects in four cities and densely populated urban areas: two in Gao Province (Bamba and Bourem) and two in Mopti Province (Youwarou and Tenankou). The latter sits in the middle of the country in a region that has been facing increased instability over time and attacks from groups associated with Al-Qaeda in the Islamic Magreb (AQIM). These projects posed significant challenges due to limited access and increasing insecurity. However, thanks to good planning, risk-mitigating measures and constant adaptation to the situation in the field – NIS and its collaborative partners managed to complete these four projects on schedule, effectively delivering peace dividends in areas where no other organisations have delivered such interventions. We also expanded our streetlight programme in 2017 in Gao, thanks to funding provided by a new sponsor, Energizing Development (EndEv). Conversations with the authorities to expand our streetlight programme into Timbuktu and nine other cities continued in 2017, and we hope to secure the necessary funding for these interventions in 2018.
Funding: Charts

**Funds Acquired by Year (NOK)**

**Funds Acquired by Project Type in 2017**

**NIS Donors and Funding Partners by Year**

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### Activity Account

#### ACQUISITION OF FUNDS

| Subsidies | 3 | 183,270,307 | 119,824,516 |
| Subsidies administration | 3 | 7,680,451 | 10,056,053 |
| Consultancy earnings | 3 | 0 | 140,461 |

**Total acquired funds**

| 2017 | 190,950,758 |
| 2016 | 130,021,030 |

**Financial revenues**

| 2017 | 729,167 |
| 2016 | 10,026,307 |

**Total acquired funds**

| 2017 | 191,679,925 |
| 2016 | 140,047,337 |

#### USED FUNDS

**Costs for organisational purposes**

| Relief work | 4, 6 | 176,914,744 | 132,878,501 |
| Total costs organisational purposes | 176,914,744 | 132,878,501 |
| Administrative costs | 4 | 6,501,422 | 10,966,258 |

**Total used funds**

| 2017 | 183,416,166 |
| 2016 | 143,844,759 |

**Results from activities for the year**

| 2017 | 8,263,758 |
| 2016 | -3,797,422 |

**Supplement/reduction of organisational capital**

| Transferred to/from Other organisational capital | 8 | 8,263,758 | -3,797,422 |
| Total supplement/reduction of organisational capital | 8 | 8,263,758 | -3,797,422 |
### Balance Sheet

<table>
<thead>
<tr>
<th>Notes</th>
<th>31 December 2017</th>
<th>31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventory</td>
<td>6</td>
<td>2,879,459</td>
</tr>
<tr>
<td>Total fixed assets</td>
<td></td>
<td>2,879,459</td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>Subsidies</td>
<td>3</td>
<td>33,794,056</td>
</tr>
<tr>
<td>Other current receivables</td>
<td>7</td>
<td>1,603,398</td>
</tr>
<tr>
<td>Total receivables</td>
<td></td>
<td>35,397,453</td>
</tr>
<tr>
<td>Cash and bank deposits</td>
<td>7</td>
<td>63,346,950</td>
</tr>
<tr>
<td>Total current assets</td>
<td></td>
<td>98,744,404</td>
</tr>
<tr>
<td>Total assets</td>
<td></td>
<td>101,623,862</td>
</tr>
<tr>
<td><strong>Organisational capital and liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paid-in organisational capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Initial capital</td>
<td></td>
<td>100,000</td>
</tr>
<tr>
<td>Total paid-in capital</td>
<td></td>
<td>100,000</td>
</tr>
<tr>
<td>Earned project capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other project capital/ uncovered losses</td>
<td>-1,629,143</td>
<td>1,908,789</td>
</tr>
<tr>
<td>Total earned organisational capital</td>
<td>-1,629,143</td>
<td>1,908,789</td>
</tr>
<tr>
<td>Total organisational capital</td>
<td>8</td>
<td>-1,629,143</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subordinated loans</td>
<td>8</td>
<td>2,317,500</td>
</tr>
<tr>
<td>Total, Long-term liabilities</td>
<td></td>
<td>2,317,500</td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td></td>
<td>96,309</td>
</tr>
<tr>
<td>Public charges payable</td>
<td></td>
<td>273,297</td>
</tr>
<tr>
<td>Subsidies</td>
<td>3</td>
<td>98,113,464</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td></td>
<td>472,215</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td></td>
<td>100,835,506</td>
</tr>
<tr>
<td>Total organisational capital and liabilities</td>
<td></td>
<td>101,623,862</td>
</tr>
</tbody>
</table>

### Cash Flow Statement

**Items in the activity account with no direct liquidity effect:**
- Results from activities for the year: 8,263,759, -3,797,422
- Ordinary depreciations: 794,541, 575,564
- **Total items in the activity account with no direct liquidity effect:** 9,058,300, -3,221,858

**Investments, disposals and financing:**
- Acquisition of other tangible fixed assets: 965,937, -1,844,664
- Acquisition/increase in long-term and short-term liabilities: 67,500, 2,250,000
- **Total investments, disposals and financing:** 898,437, 405,336

**Other changes:**
- Changes in accounts receivables: -1,81,019
- Changes to accounts payable: 1,771,483, -14,400,569
- Changes in other accrual accounting items: 13,632,424, 15,255,905
- **Total, other changes:** 15,403,907, 936,355

**Total, changes in liquidity throughout the year:** 23,563,769, -1,880,167

**Liquid assets 1.1:**
- 39,783,181, 41,663,347

**Liquid assets 31.12:**
- 63,346,950, 39,783,181
Notes to the Accounts at 31 December 2017

NOTE 1 ACCOUNTING PRINCIPLES:
The annual accounts are presented in accordance with regulations in the Norwegian Accounting Act and generally accepted accounting principles for idealistic organizations and consist of the following:

- Activity account
- Balance Sheet
- Notes

The annual accounts are presented in accordance with regulations in the Norwegian Accounting Act and generally accepted accounting principles for other types of enterprises.

Subsidiaries
Subsidies are recorded as income proportionate with use in the project for which they have been allocated. Unused subsidies which apply to future periods are recorded as a liability on the balance sheet. Not yet received/ not reported subsidies are recorded similarly as a receivable in the Balance Sheet.

Financial revenues
Interest income is recorded as income as it is earned.

Costs
Costs are distributed as project costs (relief work) and administrative costs based on direct use.

Taxes
The Foundation’s activities are not taxable; cf. § 2-32 of the Taxation Act.

Current assets/Current liabilities
Current assets and current liabilities normally include items that are due for payment within one year of balance sheet date, as well as items related to the circulation of goods. Current assets are assessed at the lowest of procurement cost and assumed fair value.

Fixed assets/Long-term liabilities
Fixed assets include assets specified for permanent ownership and use. Fixed assets are assessed at procurement cost. Tangible fixed assets are recorded in the Balance Sheet and written off over the economic life of the asset. Tangible fixed assets are depreciated at the recoverable amount when the reduction in value is not expected to be temporary. The recoverable amount is the higher of net sales value and value in use. Value in use is the present value of future cash flows associated with the asset. A depreciation is reversed when the basis for the depreciation no longer exists.

Receivables
Accounts receivables and other receivables are recorded at face value, less deductions for projected losses. Provisions for losses are made based on an individual assessment of each receivable, and a supplemental provision intended to cover other foreseeable losses.

Currency
Transactions in foreign currencies are converted to the rate of exchange on the date of the transaction. Monetary items in foreign currencies are converted to Norwegian kroner using the exchange rate on balance sheet date. The exchange rate fluctuations are recorded as they occur during the accounting period as Other financial items.

Cash Flow Statement
The company’s Cash Flow Statement is prepared according to the indirect method. Cash and cash equivalents include cash, bank deposit and other short-term liquid placements.

Notes to the Accounts at 31 December 2017 (continued)

Total financial revenues 729,167 10,026,307
Other interest costs 68,223 53,001
Currency losses 1,608,081 1,756,889
Total financial costs 1,676,304 1,809,890
Net financial items -947,138 8,216,417

The Activity Account shows earnings and costs to the extent that it is possible to distinguish the earnings by separate activities.

This also includes financial items. Used funds consist of the sum of operating costs and financial costs. Financial revenues are listed as Financial Revenues.

NOTE 3 SUBSIDIES
Subsidies
The Norwegian Ministry of Foreign Affairs, including the Royal Norwegian Embassies in Nairobi and Yangon 31,218,538
UK, EU, Somalia Stability Fund, World Bank, Sweden (SIDA), UNOPS, MINUSMA, Australia (DFAT), FAO 122,074,684
DFID including Adam Smith 51,196,000
Accrued additions/subsidies -13,557,770
Consultancy services 0
Other earnings 19,305
Total 190,950,758

Unused funds at the end of the project shall be refunded in full. Unused funds as of the date 31.12.17 amounted to NOK 583,113,464, and are recorded as a liability on the Balance Sheet. Not yet received/ not reported funds as of 31.12.17 amounted to NOK 33,917,576, and are recorded as a receivable on the Balance Sheet.

NOTE 4 REMUNERATIONS/ALLOWANCES TO GENERAL MANAGER, BOARD OF DIRECTORS AND AUDITOR
Cost of labour 2017 2016
Salaries 33,432,529 28,813,330
Employer’s contribution 585,864 909,928
Pension costs 198,423 119,004
Other pay-related benefits 8,466,084 9,050,264
Total 42,673,000 38,891,526
Average of FTEs in Norway 8 11
Average of FTEs outside of Norway 99 58
Managing Director 154,285 -
Other remunerations 847 -
Total 155,132 -

Ordinary auditor fees for 2017 were charged as an expense, amounting to NOK 118,500. Other auditing fees amounted to NOK 16,700. These were mainly associated with the confirmation of projects. These figures include VAT.

The Foundation is obliged to have in place an occupational pension scheme in accordance with the Norwegian Mandatory Occupational Pensions Act. The Foundation has a pension scheme that satisfies the requirements set by this Act.
Notes to the Accounts at 31 December 2017 (continued)

NOTE 5 KEY FIGURES
The percent dedicated to projects and the percent dedicated to administration are considered funds used for the project, respective of administration costs in relation to the total of used funds.

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project</td>
<td>96.5 %</td>
<td>92.4 %</td>
<td>93.8 %</td>
<td>95.5 %</td>
</tr>
<tr>
<td>Admin.</td>
<td>3.5 %</td>
<td>7.6 %</td>
<td>6.2 %</td>
<td>4.5 %</td>
</tr>
</tbody>
</table>

The percent of funds collected via fundraising is calculated using guidelines provided by the Norwegian Control Committee for Fundraising to calculate the percentage of funds raised for the project in question. The Foundation’s only source of earnings is subsidies. According to the guidelines provided by The Norwegian Control Committee for Fundraising, subsidies do not form part of the calculation base for fundraising percentages. This is why no fundraising percentages are provided for the Foundation.

NOTE 6 TANGIBLE FIXED ASSETS

<table>
<thead>
<tr>
<th>Tangible fixed assets</th>
<th>Cars</th>
<th>Machines and inventory</th>
<th>Total fixed assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase price as of 01.01.17</td>
<td>1,401,836</td>
<td>2,059,250</td>
<td>3,903,913</td>
</tr>
<tr>
<td>Addition of purchased fixed assets</td>
<td>-</td>
<td>965,937</td>
<td>965,937</td>
</tr>
<tr>
<td>Disposal of solid fixed assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Purchase price as of 31.12.17</td>
<td>-668,887</td>
<td>1,321,505</td>
<td>-1,990,392</td>
</tr>
<tr>
<td>Accumulated depreciations as of 31.12.17</td>
<td>506,406</td>
<td>689,445</td>
<td>-1,195,851</td>
</tr>
</tbody>
</table>

Values recognised in the balance sheet as of 31.12.17: 732,950, 2,146,510, 2,879,459

Depreciations for 2017: 162,481, 632,060, 794,541

Depreciation period: 10 years, 3-5 years

NOTE 7 TIED-UP BANK DEPOSITS

<table>
<thead>
<tr>
<th>Tied-up bank deposits</th>
<th>2016</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits in the tax withholding account</td>
<td>219,356</td>
<td>359,541</td>
</tr>
<tr>
<td>Initial capital</td>
<td>105,700</td>
<td>105,279</td>
</tr>
<tr>
<td>Subsidies accounts</td>
<td>63,021,894</td>
<td>39,318,361</td>
</tr>
<tr>
<td>Deposit for property rentals</td>
<td>195,600</td>
<td>275,055</td>
</tr>
<tr>
<td>Total</td>
<td>40,058,236</td>
<td>40,058,236</td>
</tr>
</tbody>
</table>

NOTE 8 ORGANISATIONAL CAPITAL AND SUBORDINATED LOANS

<table>
<thead>
<tr>
<th>Initial capital</th>
<th>Other EQ</th>
<th>Subordinate loans</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organisational capital as of 31.12.2015</td>
<td>100,000</td>
<td>-1,908,789</td>
<td>-1,808,789</td>
</tr>
<tr>
<td>Recognised incorrectly in previous years</td>
<td>-7,984,113</td>
<td>-7,984,113</td>
<td></td>
</tr>
<tr>
<td>Annual Result</td>
<td>8,263,758</td>
<td>8,263,758</td>
<td></td>
</tr>
</tbody>
</table>

Subordinate loans: Two of the Foundation’s board members provided the Foundation with a subordinate loan as of 31.12.17 amounting to NOK 2,317,500, including interest. The loan amounts to all other debts and it is classified as a subordinate loan. This loan is irredeemable, with an interest cost of 3 % per annum. The loan is to be repaid before 31.12.2018.

Correcting errors from previous years applies to accrual accounting errors on subsidies from previous years.
Auditor's Report

In preparing the financial statements, management is responsible for assessing the foundation’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting as it is not likely that the enterprise will cease operations.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with accounting standards and auditing standards and practices generally accepted in Norway, including ISAs, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with accounting standards and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We 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.

Basis of Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the foundation as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the Board of Directors’ report, but does not include the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of The Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the presentation of financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, 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.

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In preparing the financial statements, management is responsible for assessing the foundation’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting as it is not likely that the enterprise will cease operations.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We 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 other errors because of the risk of bias.

Basis of Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the foundation as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the Board of Directors’ report, but does not include the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of The Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the presentation of financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, 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.

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Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000. Assurance Engagements Other than Audits or Reviews of Historical Financial Information, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the foundation's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Opinion regarding the distributions and management

Based on our audit of the financial statements as described above, and control procedures we have found necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, we believe the foundation is managed in accordance with law, the Foundation's purpose and bylaws.

Oslo, 30 June 2018
RSM Norge AS

Trine Angell-Hansen
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only.
Working in conflict and post-conflict environments, we lay the utmost importance in conducting our work to the highest ethical standards. If you wish to raise a concern, please see our whistleblowing form on our website at www.nis-foundation.org