Frontier Energy II Alpha K/S

c/o Bech-Bruun

Langelinie Allé 35

2100 Copenhagen Ø

CVR no. 35 44 58 62

Annual Report 2019

Approved at the limited partnership's annual general meeting on 22 April 2020

Chairman:

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Anders Michael Hauch

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Statement by the General Partner

The General Partner has today discussed and approved the annual report of Frontier Energy II Alpha K/S for the financial year 1 January – 31 December 2019.

The annual report has been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements in the Danish Financial Statements Act.

It is our opinion that the financial statements give a true and fair view of the limited partnership's financial position at 31 December 2019 and of the results of the limited partnership's operations and cash flows for the financial year 1 January – 31 December 2019.

Further, in our opinion, the Management's review gives a fair review of the development in the limited partnership's operations and financial matters and the results of the limited partnership's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 30 March 2020

General Partner:
FE II GP ApS

Tyge Korsgaard | Søren Piilgaard Barkholt | Erik Sejersen

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FE II GP ApS

Tyge Korsgaard

Søren Piilgaard Barkholt

Erik Sejersen

Independent auditor's report

To the limited partners and the general partner of Frontier Energy II Alpha K/S

Opinion

We have audited the financial statements of Frontier Energy II Alpha K/S for the financial year 1 January – 31 December 2019, which comprise statement of comprehensive income, statement of financial position, statement of changes in equity and capital commitment, statement of cash flows and notes, including accounting policies. The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the limited partnership at 31 December 2019 and of the results of the limited partnership's operations and cash flows for the financial year 1 January – 31 December 2019 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Basis for opinion

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

Independence

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

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

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

Independent auditor's report (continued)

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the limited partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the limited partnership or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

Independent auditor's report (continued)

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

Copenhagen, 30 March 2020
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR-nr. 30 70 02 28

Jens Thordahl Nøhr
State Authorised Public Accountant
mne32212

Kristian Bjerge
State Authorised Public Accountant
mne40740

Management's review

Details of the limited partnership

Name	Frontier Energy II Alpha K/S
Address	c/o Bech-Bruun law firm Langelinie Allé 35 2100 Copenhagen Ø Denmark
Registration no.:	CVR no. 35 44 58 62
Registered office:	Copenhagen
Financial year:	1 January – 31 December
Date of establishment:	15 December 2016
Initial closing date:	21 March 2017
Final closing date:	30 November 2018
Total commitment:	USD 202,904,000
Term:	10 years
Investment period:	5 years
General Partner:	FE II GP ApS (from 28 June 2019, former General Partner: Frontier Energy Erhvervsdrivende Fond)
Investment Manager:	Frontier Investment Management ApS
Auditors:	Ernst & Young Godkendt Revisionspartnerselskab Dirch Passers Alle 36 P.O. Box 250 2000 Frederiksberg Denmark

Management's review

Financial highlights

USD'000	2019	2018	2017
Key figures			
Value adjustment of investments in portfolio companies	1,762	0	0
Loss before financial income and expenses	-2,942	-5,743	-2,459
Financial income and expenses	2,338	734	-12
Loss for the year	-604	-5,009	-2,471
Investments in portfolio companies	74,000	38,902	10,174
Total assets	79,732	51,178	10,331
Equity (net asset value)	79,314	44,731	9,072
Cash flows from operating activities	-7,241	-3,533	-2,034
Cash flows from investing activities	-34,944	-24,676	-9,879
Cash flows from financing activities	31,782	40,568	11,499
Total cash flows	-10,403	12,359	-414
Financial ratios			
Equity ratio	99.5	87.4	87.8
Return on equity (average)	neg.	neg.	neg.

Management's review

Operating review

Principal activities

Frontier Energy II Alpha K/S is a private equity limited partnership, which was established on 15 December 2016.

The objective of Frontier Energy II Alpha K/S is to achieve the highest possible financial return on the commitments of the partners by engaging in the following activities:

1) make, develop and realise investments in renewable energy and energy efficiency assets in countries in Sub-Saharan Africa.

Frontier Energy II Alpha K/S has capital commitments totalling USD 202,904 thousand.

An Investment Management Agreement has been entered into with Frontier Investment Management ApS, under which Frontier Investment Management ApS as Investment Manager is responsible for the administration of and for providing investment advisory services to Frontier Energy II Alpha K/S. The limited partnership has therefore no employees.

Development in financial position

During 2019, Frontier Energy II Alpha K/S invested an additional USD 34,944 thousand (2018: USD 24,676 thousand) in portfolio companies and related projects.

In 2019, one project (Ndugutu) started commercial operation and is accordingly measured at fair value determined based on an assessment of future cash flows discounted with the required rate of return.

During 2018, 10 portfolio companies were transferred from the predecessor fund of Frontier Energy II Alpha K/S. An additional 2 portfolio companies are expected to be transferred to the successor fund during 2020.

Loss for the year

In 2019, value adjustment of investments in portfolio companies amounted to USD 1,762 thousand (2018: USD 0 thousand).

In 2019, Frontier Energy II Alpha K/S realised a loss of USD 604 thousand (2018: USD 5,009 thousand). Cost of USD 3,863 thousand relates to management fee, including VAT (2018: USD 5,248 thousand) and USD 41 thousand relates to general partner fee (2018: USD 48 thousand). Cost incurred in 2018 was impacted by final closing of the limited partnership in 2018.

Balance sheet and capital structure

At 31 December 2019, the limited partnership had called a total net amount of USD 87,398 thousand (31 December 2018: USD 52,211 thousand) of the total capital commitment of USD 202,904 thousand, corresponding to 43% (31 December 2018: 26%).

At year-end 2019, total equity (net asset value) amounted to USD 79,314 thousand (31 December 2018: USD 44,731 thousand).

Management's review

Operating review (continued)

Uncertainty about the measurement of investments

Portfolio companies are small or medium sized, unlisted companies which make and develop projects within renewable energy, energy efficiency, and carbon credit generating assets in countries in Sub-Saharan Africa. Accordingly, the valuation of investments, including receivables is subject to uncertainty.

The investments are subject to individual risks, including but not limited to local operational risks, environmental risks, political risks, social risks as well as compliance risks and other related risks for projects within the renewable energy sector in countries in Sub-Saharan Africa. These risks may materialize negatively compared to the investment manager's expectations, impacting the future valuation.

Investments are measured at fair value, however, during the first years of operation (development stages), it is typically not possible to determine a reliable fair value and accordingly, such investments are measured at cost less any impairment losses. Impairment losses are determined based on whether in the long term, the individual portfolio company will be able to generate adequate positive net cash flows in the future to support (recover) cost. Owing to the size, activities and the early stage in the normal life cycle of the companies, the cash flow projections are subject to significant uncertainty.

For investments which have commenced commercial operations, the fair value is determined using a discounted cash flow model based on the expected cash flow generation from the underlying assets during the operational life.

In connection with the year-end closing, Management has reviewed all investment projects and assessed that the individual portfolio company will be able to generate adequate positive net cash flows in the future to support (recover) cost. Accordingly, no impairment losses have been recognised.

Environmental aspects and Corporate Social Responsibility

Frontier Energy is dedicated to developing and implementing projects that are environmentally and socially sustainable. When developing and building a project, Frontier strives to benefit the neighbouring community and to adhere to global best practice, including IFC performance standards. As part of this work, Frontier's community relationship officers engage with the neighbouring community and make an Environmental & Social Impact Assessment.

Events after the balance sheet date

The outcome and potential impact on the limited partnership's investments due to the corona virus (COVID-19) outbreak in 2020 are uncertain as of the date of the approval of the annual report. The investment manager follows the situation closely.

No other events have occurred after the balance sheet date that may have a significant influence on the assessment of the annual report.

Outlook

The limited partnership expects to make additional investments in the coming years. The limited partnership will call capital from the limited partners as needed in connection with the ongoing execution of activities in accordance with the Limited Partnership Agreement.

The future results of the limited partnership depend, in all material respects, on the development in the value of the limited partnership's investments in portfolio companies. The implications of the coronavirus outbreak are uncertain.

Financial statements for the period 1 January – 31 December 2019

Statement of comprehensive income

Note	USD'000	2019	2018
6	**Value adjustment of investments in portfolio companies**	1,762	0
13	Management fee	-3,863	-5,248
13	General partner fee	-41	-48
	Set-up costs incurred in connection with the establishment of the limited partnership	-42	-48
	Other external costs	-758	-399
	Loss before financial income and expenses	-2,942	-5,743
4	Financial income	2,379	781
5	Financial expenses	-41	-47
	Loss for the year and total comprehensive income for the year	-604	-5,009

Financial statements for the period 1 January – 31 December 2019

Statement of financial position

Note	USD'000	2019	2018
	ASSETS		
	Non-current assets		
	Investments		
6,13	Investments in portfolio companies	74,000	38,902
	Total non-current assets	74,000	38,902
	Current assets		
	Receivables		
	Receivables from limited partners	3,549	165
	Other receivables from portfolio companies	0	166
7	Other receivables	141	0
8	Prepayments	500	0
		4,190	331
	Cash at bank and in hand	1,542	11,945
	Total current assets	5,732	12,276
	TOTAL ASSETS	79,732	51,178
	EQUITY AND LIABILITIES		
9	**Equity**		
	Contributed capital	87,398	52,211
	Retained earnings	-8,084	-7,480
	Total equity	79,314	44,731
	Liabilities		
	Current liabilities		
13	Payable to the investment manager	96	2,625
9,13	Other payables	322	3,822
	Total current liabilities	418	6,447
	Total liabilities	418	6,447
	TOTAL EQUITY AND LIABILITIES	79,732	51,178

Financial statements for the period 1 January – 31 December 2019

Statement of changes in equity and capital commitment

	Contributed capital					
USD'000	**Commitment**	**Uncalled**	**Committed and called capital**	**Retained earnings**	**Distributions**	**Total equity**
Equity at 15 December 2016	0	0	0	0	0	0
Committed at initial closing	95,540	-95,540	0	0	0	0
Paid through cash calls during the year	0	11,543	11,543	0	0	11,543
Loss for the period	0	0	0	-2,471	0	-2,471
Equity at 1 January 2018	95,540	-83,997	11,543	-2,471	0	9,072
Committed during the year	107,364	-107,364	0	0	0	0
Paid through cash calls during the year	0	40,668	40,668	0	0	40,668
Loss for the year	0	0	0	-5,009	0	-5,009
Equity at 1 January 2019	202,904	-150,693	52,211	-7,480	0	44,731
Paid through cash calls during the year	0	35,187	35,187	0	0	35,187
Loss for the year	0	0	0	-604	0	-604
Equity at 31 December 2019	202,904	-115,506	87,398	-8,084	0	79,314

The limited partners are liable for their share of the uncalled capital commitment.

Financial statements for the period 1 January – 31 December 2019

Statement of cash flows

USD'000	2019	2018
Loss before financial income and expenses	-2,942	-5,743
Value adjustment of investments in portfolio companies	-1,762	0
Changes in working capital	-2,613	2,203
Cash flows from primary activities before financial income and expenses	-7,317	-3,540
Financial expenses paid	-31	-33
Financial income received	107	40
Cash flows from operating activities	-7,241	-3,533
Non-current investments in portfolio companies, etc.	-31,086	-28,001
Change in payable to Frontier Energy II Beta K/S	-3,737	3,715
Cash collateral towards banks on behalf of portfolio companies	-117	113
Change in payable to DI Frontier Market Energy and Carbon Fund K/S	-4	-503
Cash flows from investing activities	-34,944	-24,676
Paid-up contributed capital	35,187	40,668
Change in receivables from limited partners	-3,384	-121
Change regarding interest payable to parallel partnership pursuant to section 6.2 (ii)	-21	21
Cash flows from financing activities	31,782	40,568
Cash flows for the period	-10,403	12,359
Cash and cash equivalents at the beginning of the period	11,945	-414
Exchange rate adjustments of cash and cash equivalents	0	0
Cash and cash equivalents at year end	1,542	11,945
Cash and cash equivalents at year end can be specified as:		
Cash at bank and in hand	1,542	11,945

Financial statements for the period 1 January – 31 December 2019

Note summary

1 Summary of significant accounting policies
2 Significant accounting judgements, estimates and assumptions
3 Standards issued not yet effective
4 Financial income
5 Financial expenses
6 Investments
7 Other receivables
8 Capital management and contributed capital
9 Other payables
10 Bank loans and overdrafts
11 Financial risk
12 Contingencies, etc.
13 Related party disclosures
14 Events after the balance sheet date

Financial statements for the period 1 January – 31 December 2019

Notes to the financial statements

1 Summary of significant accounting policies

Corporate information

The financial statements of Frontier Energy II Alpha K/S (the limited partnership) for the year ended 31 December 2019 were approved and authorised for issue by the General Partner on 30 March 2020. Frontier Energy II Alpha K/S is a limited partnership incorporated and domiciled in Denmark.

Basis of preparation

The separate financial statements of Frontier Energy II Alpha K/S (the limited partnership) have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the provisions applying to reporting class c medium-sized enterprises under the Danish Financial Statements Act. These separate financial statements have been prepared as the only financial statements of the limited partnership.

The financial statements are prepared based on the standards and interpretations that are effective as of 31 December 2019. The accounting policies are unchanged from 2018.

The separate financial statements have been prepared on a historical-cost basis, except for financial assets held at fair value through profit or loss. The separate financial statements are presented in USD and all values are rounded to the nearest thousand USD, except where otherwise indicated.

The limited partnership presents its balance sheet in order of liquidity.

Basis of consolidation

The limited partnership is an investment entity, therefore, it holds its investments in subsidiaries as well as investments at fair value rather than consolidating them. Accordingly, the limited partnership does not prepare consolidated financial statements. Investments are classified as fair value through profit or loss in accordance with IFRS 9.

Functional and presentation currency

The limited partnership's majority of returns are USD related, the capital is raised in USD and the performance is evaluated in USD terms and the liquidity of the limited partnership is also managed in USD. Therefore, the limited partnership concludes that USD is its functional currency. The limited partnership’s presentation currency is also USD.

Statement of comprehensive income

Foreign currency translation

Transactions denominated in foreign currencies (non-USD) are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies (non-USD) are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose is recognised in the income statement as financial income or financial expenses.

Value adjustment of investments in portfolio companies

Realised and unrealised fair value adjustments of investments in portfolio companies, receivables from portfolio companies, other receivables from portfolio companies and interest-bearing loans are recognised in a separate item in the income statement.

Financial statements for the period 1 January – 31 December 2019

Notes to the financial statements

1 Summary of significant accounting policies (continued)

Fees, set-up costs and other external costs

Other external costs include travel, administration, auditor and legal, costs for broken deals, etc. Fees are recognised on an accrual basis.

Financial income and expenses

Financial income and expenses comprise interest income and expenses, realised and unrealised gains and losses on securities as well as payables and transactions denominated in foreign currencies (non-USD).

Statement of financial position

Investments

Investments in portfolio companies

Portfolio companies are the companies in which the limited partnership invests in order to create added value for the investors of the limited partnership.

In accordance with the exception under IFRS 10 Consolidated Financial Statements, the limited partnership does not consolidate subsidiaries in the separate financial statements. Investments in subsidiaries are accounted for as financial instruments at fair value through profit or loss in accordance with IFRS 9.

In accordance with the exception within IAS 28 Investments in Associates and Joint Ventures, the limited partnership does not account for its investments in associates using the equity method. Instead, the limited partnership has elected to measure its investments in associates at fair value through profit or loss.

Initial measurement

Investments in portfolio companies, comprising subsidiaries and their investments in subsidiaries as well as associates, are upon initial recognition measured at fair value, typically based on cash injections into the portfolio companies or the fair value of contributions-in-kind into the portfolio companies (typically equal to the monetary equivalent of directly attributable costs incurred by the limited partnership on behalf of the portfolio companies for the development of new projects, including detailed technical and commercial evaluations, environmental approvals and other licenses, etc., related to the project activities of the portfolio companies).

For new projects under development, directly attributable project costs incurred are recognised as prepayments, when there is a high probability that a project will be implemented through the establishment or acquisition of a portfolio company.

Subsequent measurement

Subsequently, investments in portfolio companies are measured at fair value through profit or loss. Value adjustments are recorded in the income statement.

Dividends from investments in portfolio companies are recognised in the income statement at the time of declaration (usually at the time of adoption at the annual general meeting).

Financial statements for the period 1 January – 31 December 2019

Notes to the financial statements

1 Summary of significant accounting policies (continued)

Fair value measurement

The limited partnership measures its investments in subsidiaries and associates at fair value at each reporting date. Fair value is determined in accordance with IFRS using the International Private Equity and Venture Capital (IPEV) Valuation Guidelines.

The portfolio companies are small or medium-sized companies which make and develop projects within renewable energy, energy efficiency and carbon credit generating assets in countries in Sub-Saharan Africa. Accordingly, the valuation of investments is subject to uncertainty as such portfolio companies are not traded in an active market. Investments are measured at fair value, however, during the first years of operation (development stages), it is typically not possible to determine a reliable fair value, and accordingly, such investments are measured at cost less any impairment losses which are considered to be the best estimate of fair value during this phase/stage. Impairment losses are determined based on whether in the long term, the individual portfolio company will be able to generate adequate positive net cash flows in the future to support (recover) cost. Owing to the size, activities and the early stage in the normal life cycle of the companies, the cash flow projections are subject to significant uncertainty.

After the early project and development stages (i.e. the operation stage), fair value is determined by using valuation methods deemed to be appropriate in the circumstances. Valuation methods include the market approach (i.e., using recent arm's Iength market transactions adjusted as necessary) and the income approach (i.e., discounted cash flow analysis making as much use of available and supportable market data as possible).

Receivables from portfolio companies and other receivables from portfolio companies, interest-bearing loans

In addition to equity investments, the limited partnership holds investments in receivables on a fair value basis for investment income and fair value gains. The receivables from portfolio companies, other receivables from portfolio companies and interest-bearing loans are managed, and their performance evaluated based on fair value.

Initial measurement

Receivables from portfolio companies, other receivables from portfolio companies and interest-bearing loans are recognised at the trade date, initially measured at fair value.

Subsequent measurement

Subsequently, receivables from portfolio companies, other receivables from portfolio companies and interest-bearing loans are measured at fair value through profit or loss. Value adjustments are recorded in the income statement.

Other receivables

Other receivables are recognised at the trade date, initially measured at fair value.

The limited partnership holds other receivables other than those classified at fair value through profit and loss with the objective of collecting the contractual cash flows, and therefore, measures them subsequently at amortised cost using the effective interest method.

The limited partnership applies the simplified approach to measure the expected credit loss and a lifetime expected loss allowance for all other receivables.

Financial statements for the period 1 January – 31 December 2019

Notes to the financial statements

1 Summary of significant accounting policies (continued)

Other receivables (continued)

The limited partnership's approach to expected credit loss reflects a probability-weighted outcome, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

As a practical expedient and due to the limited number of other receivables, the expected credit loss is based on days past due, historically observed loss rates, the nature of the other receivable and adjusted for forward-looking factors specific to the debtor and the economic environment.

Financial liabilities

Non-current liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost using the effective interest method. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement under financial expenses over the term of the loan.

Other financial liabilities are measured at amortised cost.

Tax

The limited partnership is not an independent tax entity, and therefore tax is not recognised in the financial statements.

Statement of cash flows

The cash flow statement shows the limited partnership's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the limited partnership's cash and cash equivalents at the beginning and the end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as profit/loss for the year adjusted for non-cash operating items and changes in working capital, excluding payments in connection with acquisition and disposal of portfolio companies.

Cash flows from investing activities

Cash flows from investing activities comprise cash payments in connection with acquisition and disposal of portfolio companies, etc., including loans in this respect.

Cash flows from financing activities

Cash flows from financing activities comprise payment of contributed capital as well as rising of loans, repayment of interest-bearing debt, and payments to limited partners.

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank overdraft facilities used as part of the short-term liquidity management.

Financial statements for the period 1 January – 31 December 2019

Notes to the financial statements

2 Significant accounting judgements, estimates and assumptions

The preparation of the limited partnership's financial statements requires Management to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements and disclosure of contingent liabilities. However, uncertainty as to these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements

In the process of applying the limited partnership's accounting policies, Management has made the following judgements, which have impacted the amounts recognised in the financial statements at the most:

Assessment as investment entity

Entities that meet the definition of an investment entity within IFRS 10 are required to measure their subsidiaries at fair value through profit or loss (FVPL) rather than to consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment management services
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis

The Limited Partnership Agreement details the limited partnership's objective of achieving the highest possible financial return on the commitments of the limited partners (investors) by making, developing and realising investments in renewable energy and energy efficiency assets in countries located in Sub-Saharan Africa.

The limited partnership reports to its investors via quarterly investor information. All investments are reported at fair value to the extent allowed by IFRS in the limited partnership's annual reports.

Management has also concluded that the limited partnership meets the additional characteristics of an investment entity, in that it has more than one investment; the limited partnership's ownership interests are predominantly in the form of equities and convertible shareholder loans; it has more than one investor and has investors that are not related parties.

Management has concluded that the limited partnership meets the definition of an investment entity.

Estimates and assumptions

The key assumptions concerning future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. The limited partnership based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the limited partnership. Such changes are reflected in the assumptions when they occur.

Fair value

For fair value of investments in portfolio companies, including receivables from portfolio companies, please refer to note 6.

Financial statements for the period 1 January – 31 December 2019

Notes to the financial statements

3 Standards issued but not yet effective

In the opinion of Management, no standards or interpretations that are issued, but not yet effective, up to the date of issuance of the limited partnership's financial statements, will significantly impact the limited partnership.

4 Financial income

USD'000	2019	2018
Interest income	130	54
Interest income from receivables from portfolio companies measured at fair value through profit or loss	2,249	727
	2,379	781

5 Financial expenses

USD'000	2019	2018
Interest expense	31	19
Foreign exchange rate loss	2	14
Other	8	14
	41	47

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6 Investments

USD'000	Equity investments in portfolio companies	Other receivables from portfolio companies, interest-bearing loans	Other receivables from portfolio companies	Total investments
Cost at 1 January	22,138	10,772	5,265	38,175
Reclassification	-13,486	13,486	0	0
Additions during the year	4,162	11,007	15,918	31,087
Cost at 31 December	12,814	35,265	21,183	69,262
Value adjustment at 1 January	0	713	14	727
Accrued interest income	0	2,249	0	2,249
Unrealised value adjustment for the year	1,762	0	0	1,762
Value adjustment at 31 December	1,762	2,962	14	4,738
Carrying amount at 31 December	14,576	38,227	21,197	74,000

The limited partnership measures its investments at fair value at each reporting date.

During 2018, 10 portfolio companies were transferred from the predecessor fund, Frontier Energy II Alpha K/S. Two more portfolio companies are expected to be transferred to the successor fund during 2020.

Other receivables relate to costs directly incurred for the development of new portfolio companies or loans to such, which are expected to be converted into equity instruments in new portfolio companies within the following years.

Net changes in fair value of financial assets and financial liabilities through profit or loss can be specified as:

USD'000	2019	2018
Realised value adjustments for the year	0	0
Unrealised value adjustments for the year	1,762	0
Value adjustment of investments	1,762	0

Financial statements for the period 1 January – 31 December 2019

Notes to the financial statements

6 Investments (continued)

Fair value of investments

Equity investments in portfolio companies and related receivables are measured at fair value through profit or loss.

After the early project and development stages (i.e. the operation stage), fair value is determined by using valuation methods deemed to be appropriate in the circumstances. Valuation methods include the market approach (i.e., using recent arm's length market transactions adjusted as necessary) and the income approach (i.e., discounted cash flow analysis making as much use of available and supportable market data as possible).

The inputs to this are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. The estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), correlation and volatility.

Changes in assumptions about these factors could affect the reported fair value of items in the statement of financial position and the level where the items are disclosed in the fair value hierarchy.

Investments are classified based on the fair value hierarchy, see below:

Level 1: Value in an active market for similar assets/liabilities

Level 2: Value based on recognised valuation methods on the basis of observable market information

Level 3: Value based on recognised valuation methods and reasonable estimates (non-observable market information).

If a reliable fair value cannot be identified, measurement is alternatively made at cost less any impairment losses.

The following table shows the classification of financial instruments recognised at fair value:

	2019			
USD'000	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments				
Equity investments in portfolio companies	-	-	14,576	14,576
Other receivables from portfolio companies, interest-bearing loans	-	-	38,227	38,227
Other receivables from portfolio companies	-	-	21,197	21,197
Total financial assets	-	-	74,000	74,000

	2018			
USD'000	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments				
Equity investments in portfolio companies	-	-	22,138	22,138
Other receivables from portfolio companies, interest-bearing loans	-	-	11,485	11,485
Other receivables from portfolio companies	-	-	5,279	5,279
Total financial assets	-	-	38,902	38,902

The limited partnership's investments are not quoted in an active market and transactions in such investments do not occur on a regular basis. Therefore, the limited partnership classifies the fair value of these investments as Level 3.

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Notes to the financial statements

6 Investments (continued)

During 2019, one project (Ndugutu) started commercial operations and is accordingly measured at fair value determined based on an assessment of future cash flows discounted by the required rate of return (WACC).

The material non-observable inputs and assumptions used in the calculation of fair value of the operational portfolio companies are summarised below:

	Valuation technique	2019	2018
Ndugutu			
5.9 MW installed			
Average remaining operational life	DCF	19 years	

The rate of return (WACC) is approximately 6 percent after tax.

Valuation is the responsibility of the Management. The valuation of investments is performed on a quarterly basis by the Investment Manager and reported in the quarterly investor information.

The discount rate is based on multiple inputs, including country risk premium, risk-free rate, unlevered beta, cost of equity, cost of debt and equity/debt leverage. In connection with the year-end closing, Management has updated inputs for the calculation of the discount rate. In addition, Management has obtained input from other transactions in East Africa occurring for similar types of projects. It is not possible to obtain benchmarks for the sale of projects in operation. Thus, inputs from other transactions have only been used as a benchmark for the calculated discount rate. The Investment Manager is of the opinion that there is a general tendency of increasing appetite for investments into renewables among private as well as public sector investors in East Africa. Further, the Investment Manager is of the opinion that the overall trend in terms of return levels for the Region is decreasing. The following inputs have been used by the Investment Manager:

- Country risk premium is set between 7-8%. The risk premium is based on ratings based on credit default swaps spreads and the relative volatility for the specific countries.
- Unlevered beta below 0.5 based on an assessment of the general risk in relation to the independent power producer. This is substantiated by the fact that the generation of revenue is expected to be relatively stable in volume and price, including long-term agreement with typically one customer (the local off-taker) which is expected to consume all the power generated by the independent power producer.
- Cost of debt is set based on the interest rates for the external loans used to fund the specific project.
- Equity/debt ratio is set based on the current capitalization of the portfolio company.

Financial statements for the period 1 January – 31 December 2019

Notes to the financial statements

6 Investments (continued)

Uncertainty about the measurement of investments

Portfolio companies are small or medium-sized, unlisted companies, which make and develop projects within renewable energy, energy efficiency and carbon credit generating assets in countries in Sub-Saharan Africa. Accordingly, the valuation of investments, including receivables is subject to uncertainty.

The investments are subject to individual risks, including but not limited to local operational risks, environmental risks, political risks, social risks as well as compliance risks and other related risks for projects within the renewable energy sector in countries in Sub-Saharan Africa. These risks may materialize negatively compared to the Investment Manager's expectations, impacting the future valuation.

Investments are measured at fair value, however, during the first years of operation (development stages), it is typically not possible to determine a reliable fair value and accordingly, such investments are measured at cost less any impairment losses. Impairment losses are determined based on whether the individual portfolio company in the long term will be able to generate adequate positive net cash flows in the future to support (recover) cost. Owing to the size, activities and the early stage in the normal life cycle of the companies, the cash flow projections are subject to significant uncertainty.

For investments which have commenced commercial operations, the fair value is determined using a discounted cash flow model based on the expected cash flow generatedt from the underlying assets during the operational life.

In connection with the year-end closing, Management has reviewed all investment projects and assessed that the individual portfolio company will be able to generate adequate positive net cash flows in the future to support (recover) their carrying value. Accordingly, no impairment losses have been recognised.

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Notes to the financial statements

6 Investments (continued)

The limited partnership meets the definition of an investment entity. Therefore, it does not consolidate its subsidiaries but, recognises them as investments at fair value through profit or loss. At 31 December 2019, the limited partnership had invested in the following portfolio companies:

Subsidiaries and associates	Country	Ownership interest a)	Equity (100%/ USD'000)	Profit/loss for the year (100%/ USD'000)	Operational start date	Investment project description
Rwenzori Hydro Power Ltd. (1	Uganda	91%	10,400	-245		Development of a hydro power plant
Greenewus Energy Africa Ltd. (1	Uganda	93%	5,355	-211		Development of a hydro power plant
BVC Geothermal Kenya Ltd (2	Kenya	58%	-217	-218		Development of a geothermal power plant
Ndugutu Power Company Uganda Ltd. (3	Uganda	60%	1,139	-151	Q4 2019	Operation of a hydro power plant
Esikipeto Power Generation Ltd. (4	Kenya	100%**	0	0		Development of a wind power plant
Esidai Wind Power Generation Company Ltd. *	Kenya	40%**	-	-		Development of a wind power plant
Nithi Hydro Power Ltd. (4	Kenya	100%	1	-		Development of a hydro power plant
Selenkei Investment Limited (4	Kenya	51%	839	-242		Development of a solar power plant
Cedate Limited (4	Kenya	51%	822	-115		Development of a solar power plant
DC Frontier Energy Ltd.*	Rwanda	95%	-	-		Development of hydro power plants
Wind for Prosperity Kenya Ltd. (4	Kenya	53%	224	-		Development of small off-grid wind power plants
Olsuswa Energy Ltd.(4	Kenya	42%	-16	3		Development of a geothermal power plant
Rekarara VI HPP Ltd. (1	Rwanda	70%	-86	-76		Development of a hydro power plant
Frontier Energy Hydro Power Limited*	Zambia	100%	-	-		Development of a hydro power plant
Bukwo HPP Ltd*	Uganda	100%	-	-		Development of a hydro power plant
Enventure Africa S.A.*	Mozambique	55%	-	-		Development of a wind power plant
Range Wind Park Limited*	Kenya	85%	-	-		Development of a wind power plant
Momba Hydropower Ltd.	Tanzania	0%***				Development of a hydro power plant
Kiwira Energy Ltd.	Tanzania	0%***				Development of a hydro power plant
Elemental Energy Ltd.	Uganda	0%***				Development of a hydro power plant
Chania Green Generation Ltd.	Kenya	0%***				Development of a wind power plant
Ziba Ltd.	Uganda	0%***				Development of a hydro power plant
G-E Djibouti Holding 1 Limited 2) (holding company for the 35% investment in Djibouti Solar Park 1 Ltd. SAS*)	Cyprys	100%	0	-1		Holding company for the investment in Djibouti Solar Park 1 Ltd. SAS, Djibouti, which invests in development of a solar power plant

a) The ownership interest is based on the consolidated ownership percentage of Frontier Energy II Alpha K/S and Frontier Energy II Beta K/S (the parallel partnership). According to the Limited Partnership Agreement, each parallel partnership shall invest in the same Investments, and divest such Investments, in each case at the same time, and on the same terms and conditions. At 31 December 2019, the pro-rate share of Investments is 89.35/10.65, respectively for Frontier Energy II Alpha K/S and Frontier Energy II Beta K/S.

Financial statements for the period 1 January – 31 December 2019

Notes to the financial statements

6 Investments (continued)

1) According to the latest approved financial statements for the financial year 1 July 2018 - 30 June 2019
2) According to the latest approved financial statements for the financial year 1 January - 31 December 2017
3) According to the latest approved financial statements for the financial year 1 July 2017 - 30 June 2018
4) According to the latest approved financial statements for the financial year 1 January - 31 December 2018

* The company has not yet presented its first approved and audited annual report.
** Shares are held in trust by legal counsel.
*** No shares subscribed. Cost directly incurred for the development of new portfolio companies or loans to such, which are expected to be converted into equity instruments in new portfolio companies within the following years. Classified as 'Other receivables within Investments'.

The portfolio companies are subject to special restrictions and obligations in relation to distribution of dividend, etc.

Specification by investments of the respective Limited Partners:

USD'000	Share of total investment costs	Share of accrued interest income	Share of total value adjustment	Share of carrying amount
AZL-Argos 83	16,384	703	417	17,504
APKV-Argos 84	3,414	147	87	3,648
CDC Group plc	10,240	440	261	10,941
GEEREF	7,124	306	181	7,611
Proparco	5,120	220	130	5,470
Swedfund	4,438	191	113	4,742
Skopos Impact Fund SICAF-SIF, S.A	4,096	176	104	4,376
CAF Invest A/S	3,414	147	87	3,648
Obviam DFI AG "SIFEM"	3,414	147	87	3,648
Belgian Investment Company for Developing Countries NV/SA	3,414	147	87	3,648
Triodos Groenfonds N.V.	3,414	147	87	3,648
OeEB	1,707	73	43	1,823
FAPBM	768	33	20	821
OGA Holding ApS	683	29	17	729
Holdingselskabet Ridehusvej ApS	341	15	9	365
Giraf ApS	205	9	5	219
Marlin ApS	205	9	5	219
Veronica Valentine Berbers	171	7	4	182
Aggregate team commitment	707	30	18	755
FE II CIV K/S	3	0	0	3
Balance at 31 December 2019	69,262	2,976	1,762	74,000

Financial statements for the period 1 January – 31 December 2019

Notes to the financial statements

7 Other receivables (current assets)

USD'000	2019	2018
Collateral cash account	117	0
Other receivables	10	0
Receivable from Frontier Energy II Beta K/S (the parallel partnership)	14	0
	141	0

At 31 December 2019, restrictions on the use of balances of cash at bank with a carrying amount of USD 117 thousand exist, as the limited partnership had provided the balance as collateral to banks on behalf of one of the portfolio companies.

8 Prepayments

USD'000	2019	2018
Management fee paid in advance to the Investment Manager	500	0

As of 31 December 2019, management fee of USD 500 thousand has been paid in advance in respect of services covering the period 1 January – 31 March 2020.

9 Capital management and contributed capital

For the purpose of the limited partnership's capital management, capital includes contributed capital and all other equity reserves attributable to the limited partners of the partnership. The commited capital from the limited partners amounted to USD 202,940 thousand at 31 December 2019, of which USD 115,506 thousand was uncalled. Quantitative information about the limited partnership's capital is provided in the statement of changes in equity and capital commitment and below.

The limited partnership's objective for managing capital is to achieve the highest possible financial return on the commitments of the limited partners by making, developing and realising investments in renewable energy and energy efficiency assets in countries located in Sub-Saharan Africa.

The limited partnership will call capital from the limited partners as needed in connection with the execution of activities in accordance with the Limited Partnership Agreement.

Financial statements for the period 1 January – 31 December 2019

Notes to the financial statements

9 Capital management and contributed capital (continued)

Specification by capital accounts of the respective limited partners:

	Committed and contributed capital			Retained earnings			
USD'000	Commitment	Uncalled	Called	Allocation of cost incurred, net	Unrealised gains on investments	Total retained earnings	Total equity
AZL-Argos 83	48,000	27,547	20,453	-2,329	417	-1,912	18,541
APKV-Argos 84	10,000	5,739	4,261	-485	87	-398	3,863
CDC Group plc	30,000	17,021	12,979	-1,457	261	-1,196	11,783
GEEREF	20,874	11,844	9,030	-1,014	181	-833	8,197
Proparco	15,000	8,511	6,489	-728	130	-598	5,891
Swedfund	13,000	7,376	5,624	-631	113	-518	5,106
Skopos Impact Fund SICAF-SIF, S.A	12,000	6,809	5,191	-582	104	-478	4,713
CAF Invest A/S	10,000	5,674	4,326	-485	87	-398	3,928
Obviam DFI AG ”SIFEM”	10,000	5,674	4,326	-485	87	-398	3,928
Belgian Investment Company for Developing Countries NV/SA	10,000	5,674	4,326	-485	87	-398	3,928
Triodos Groenfonds N.V.	10,000	5,674	4,326	-485	87	-398	3,928
OeEB	5,000	2,837	2,163	-243	43	-200	1,963
FAPBM	2,250	1,277	973	-109	20	-89	884
OGA Holding ApS	2,000	1,135	865	-97	17	-80	785
Holdingselskabet Ridehusvej ApS	1,000	567	433	-49	9	-40	393
Giraf ApS	600	340	260	-29	5	-24	236
Marlin ApS	600	340	260	-29	5	-24	236
Veronica Valentine Berbers	500	284	216	-24	4	-20	196
Aggregate team commitment	2,071	1,178	893	-100	18	-82	811
FE II CIV K/S	9	5	4	0	0	0	4
Balance at 31 December 2019	202,904	115,506	87,398	-9,846	1,762	-8,084	79,314

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Notes to the financial statements

9 Capital management and contributed capital (continued)

Since the establishment, the committed capital has developed as follows:

	USD'000
Balance at the establishment on 15 December 2016	0
Commitments at initial closing at 21 March 2017	95,540
Additional commitments during 2018	107,364
Balance at 31 December 2019	202,904

10 Other payables

USD'000	2019	2018
Payable amount to DI Frontier Market Energy & Carbon K/S (the predecessor fund)	3	4
Payable to Frontier Energy II Beta K/S (the parallel partnership) [1)]	0	3,737
Adjustments according to LPA (payable to Frontier Energy II Beta K/S) [2)]	0	21
Payable to the general partner	21	36
Other payables	298	24
	322	3,822

1) Payable to Frontier Energy II Beta K/S (the parallel partnership) related mainly to equalisation of investments and costs paid between Frontier Energy II Alpha K/S and the parallel partnership due to the increased commitment in 2018. The equalization was based on each limited partnership's commitment of the total aggregate commitment in both partnerships.

2) Adjustment pursuant to the Limited Partnership Agreement ("LPA"), section 6.2 (ii). The payable related to net interest paid by additional limited partners which has been settled with the parallel partnership.

11 Financial risk

The limited partnership's objective in managing risk is the creation and protection of the limited partners' investment and return. The limited partnership calls capital based on the limited partners' commitments for the use of making equity investments in portfolio companies. Some risks are inherent in the limited partnership's investment activities, refer to note 6 for details. The limited partnership is exposed to interest rate risk, liquidity risk and credit risk.

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Notes to the financial statements

11 Financial risk (continued)

Risk management structure

The limited partnership's Investment Manager is responsible for identifying and controlling risks and to secure that investments are made in accordance with the Limited Partnership Agreement. The established Investment Committee reviews all proposals made by the investment manager relating to the making or realizing of investments.

The general partner supervises the investment manager and is ultimately responsible and liable for the overall risk management of the limited partnership.

Risk mitigation

The limited partnership has investment policies that set out its overall business strategies, its risk tolerance and its general risk management philosophy for the investments. The Investment Manager assesses the risk profile before entering into investments.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The limited partnership has limited interest-bearing debt, and the limited partnership's interest rate risk primarily relates to the position of cash in banks and bank overdraft facility.

Liquidity risk

Liquidity risk is the risk that the limited partnership will not be able to meet its financial obligations as they fall due. The Investment Manager monitors risk of a shortage of funds on an ongoing basis. The general partner reviews the liquidity position on a quarterly basis based on the quarterly reports prepared by the Investment Manager.

The limited partnership will call capital from the limited partners based on an as-needed basis to enable the limited partnership to make investments, pay expenses incurred by the limited partnership and comply with any obligations undertaken.

The table on the following page summarises the maturity profile of the limited partnership’s financial assets and liabilities based on contractual undiscounted receipts and payments:

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Notes to the financial statements

11 Financial risk (continued)

USD'000	Falling due within 1 year	Falling due between 1-5 years	Falling due after 5 years	No fixed maturity	Total	Carrying amount
2019						
Investments						
Equity investments in portfolio companies	-	-	-	14,576	14,576	14,576
Other receivables from portfolio companies, interest-bearing loans	-	-	-	38,227	38,227	38,227
Other receivables from portfolio companies	-	-	-	21,197	21,197	21,197
Receivables						
Receivables from limited partners	3,549	-	-	-	3,549	3,549
Other receivables	141	-	-	-	141	141
Cash at bank and in hand	1,542	-	-	-	1,542	1,542
Total financial assets	5,232	-	-	74,000	79,232	79,232
Obligations						
Payable to the Investment Manager	96	-	-	-	96	96
Other payables	322	-	-	-	322	322
Total financial liabilities	418	-	-	-	418	418

Repayment of receivables relating to Investments (other receivables and interest-bearing loans from portfolio companies) depend on start of commercial operations. If commercial operation has not been initiated at year end, the total balance towards the individual portfolio company is included as 'no fixed maturity' in above table. The actual repayment is further dependent on available liquid funds, including continued energy production and fulfilment of the power purchase agreements with the local off-taker when commercial operation has commenced. Besides the financial assets and liabilities presented in the table above, the limited partnership has entered into certain agreements about investments in portfolio companies in which the limited partnership may be commited to provide capital. The limited partnership will call capital from the limited partners as necessary to comply with these commitments. Refer to note 12 for further description.

USD'000	Falling due within 1 year	Falling due between 1-5 years	Falling due after 5 years	No fixed maturity	Total	Carrying amount
2018						
Investments						
Equity investments in portfolio companies	-	-	-	22,138	22138	22,138
Other receivables from portfolio companies, interest-bearing loans	-	-	-	11,485	11485	11,485
Other receivables from portfolio companies	-	-	-	5,279	5279	5,279
Receivables						
Receivables from limited partners	165	-	-	-	165	165
Total financial assets	157	-	-	38,902	51,178	51,178
Obligations						
Payable to the investment manager	2,625	-	-	-	2,625	2,625
Other payables	3,822	-	-	-	3,822	3,822
Total financial liabilities	6,447	-	-	-	6,447	6,447

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Notes to the financial statements

11 Financial risk (continued)

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the limited partnership by failing to discharge an obligation. The limited partnership is exposed to the risk of credit-related losses that can occur as a result of a counterparty or limited partner being unable or unwilling to honour its contractual obligations. These credit exposures exist within receivables and cash and cash equivalents.

It is the limited partnership's policy to enter into financial instruments with reputable counterparties.

In 2018 and 2019, the limited partnership accounted for an impairment loss of receivables of USD 0 (nil).

The carrying amount of the limited partnership's financial instruments, as disclosed in the statement of financial position represents the maximum credit exposure, hence, no separate disclosure is provided. Reference is made to the statement of financial position.

12 Contingencies, etc.

The limited partnership has entered into an Investment Management Agreement with Frontier Investment Management ApS under which Frontier Investment Management ApS as investment manager is to be responsible for the administration of and for providing investment advisory services to Frontier Energy II Alpha K/S. If this agreement is terminated, the limited partnership may under certain circumstances be under an obligation to pay six months' management fees.

Portfolio transfer agreement

In 2017, the limited partnership entered into a portfolio transfer agreement with DI Frontier Market Energy & Carbon Fund K/S (the predecessor fund to Frontier Energy II Alpha K/S). According to this agreement, a part of the portfolio companies in DI Frontier Market Energy & Carbon Fund K/S, including related commitments, will be transferred to the limited partnership. The limited partnership expects that the transfer of remaining two portfolio companies under the portfolio transfer agreement will be finalised during 2020.

The agreed amount that the limited partnership and Frontier Energy II Beta K/S (the parallel partnership) is commited to pay under the portfolio transfer agreement for the two portfolio companies awaiting transfer is USD 695 thousand. At 31 December 2019, unconditional commitments related to the two portfolio companies awaiting transfer to the limited partnership amounted to USD 2,140 thousand. At 31 December 2019, the pro-rate share between the partnerships is 89.35/10.65, respectively, for Frontier Energy II Alpha K/S and Frontier Energy II Beta K/S.

Commitments regarding investments in portfolio companies

The limited partnership and Frontier Energy II Beta K/S (the parallel partnership) have entered into certain agreements about investments in portfolio companies. At 31 December 2019, total unconditional commitments amounted to USD 2,017 thousand (31 December 2018: USD 6,448 thousand). At 31 December 2019, total conditional commitments amounted to USD 61,444 thousand (31 December 2018: USD 77,395 thousand), which the limited partnerships under certain conditions are committed to contribute to portfolio companies for project funding. At 31 December 2019, the pro-rate share between the partnerships is 89.35/10.65, respectively, for Frontier Energy II Alpha K/S and Frontier Energy II Beta K/S.

The limited partnership does not expect all conditional commitments to materialise and will call capital from the limited partners as needed based on the ongoing investment activities.

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Notes to the financial statements

13 Related party disclosures

No individual companies or persons exercise control over Frontier Energy II Alpha K/S.

The following parties are considered related parties of the limited partnership:

Investment Manager – Frontier Investment Management ApS

Frontier Investment Management ApS (the Investment Manager), which provides administrative services and investment advisory services to the limited partnership and its management are considered a related party.

The Investment Manager is entitled to receive a management fee for its services beginning from the initial closing date (21 March 2017). The management fee is payable quarterly in advance.

Total management fee for 2019 and set-up costs incurred are disclosed separately in the statement of comprehensive income.

In performing the daily activities on behalf of the limited partnership, the InvestmentMmanager incurs expenses on behalf of the limited partnership, which are settled from time to time. The balance at 31 December 2019 with the InvestmentMmanager is disclosed separately in the statement of financial position. Payroll taxes paid to the Investment Manager during 2019 amount to USD 197 thousand and are reported as part of other external costs (2018: USD 5 thousand).

In accordance with the Limited Partnership Agreement, the InvestmentMmanager may under certain circumstances be entitled to compensation of six months' management fee, if the agreement is terminated.

General Partner – FE II GP ApS (from 28 June 2019)

FE II GP ApS (the general partner), which has direct and unlimited liability for the limited partnership's debts and liabilities, and its management are considered as related parties.

The general partner has the sole power and responsibility for all decisions pertaining to the acquisition and realisation of investments, including all final decisions to commit the limited partnership to an investment and any realisations of an investment.

The general partner is entitled to receive a fee, which constitutes the financial entitlement in the limited partnership.

The general partner fee is payable quarterly in arrears, beginning at the expiry of the first calendar quarter following the initial closing date.

Total general partner fee for 2019 is disclosed directly in the statement of comprehensive income.

The balance with the general partner at 31 December 2019 is disclosed in note 9.

General Partner - Frontier Energy Erhvervsdrivende Fond (up until 28 June 2019)

Frontier Energy Erhvervsdrivende Fond (former general partner), had up until 28 June 2019 direct and unlimited liability for the limited partnership's debts and liabilities, and its management was therefore considered as related parties.

Until 28 June 2019, Frontier Energy Erhvervsdrivende Fond had sole power and responsibility for all decisions pertaining to the acquisition and realisation of investments, including all final decisions to commit the limited partnership to an investment and any realisation of an investment.

Frontier Energy Erhvervsdrivende Fond was entitled to receive a fee, which constituted the financial entitlement in the limited partnership.

The general partner fee was payable quarterly in arrears, beginning at the expiry of the first calendar quarter following the initial closing date.

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Notes to the financial statements

13 Related party disclosures (continued)

Total general partner fee for 2019 is disclosed directly in the statement of comprehensive income.

The balance with the former general partner at 31 December 2019 is disclosed in note 9.

Portfolio companies

Transactions and balances with portfolio companies (subsidiaries and associates) are disclosed in note 6.

Other related parties

Other related parties comprise the following:

Frontier Energy II Beta K/S

Frontier Energy II Beta K/S and its management are considered as related parties to the limited partnership. Frontier Energy II Beta K/S is a parallel partnership of Frontier Energy II Alpha K/S and has the same general partner, FE II GP ApS.

As Frontier Energy II Beta K/S is a parallel partnership to Frontier Energy II Alpha K/S, transactions within the normal activity of the limited partnership is typically made by Frontier Energy II Alpha K/S and subsequently, for the pro rata share, paid by Frontier Energy II Beta K/S to Frontier Energy II Alpha K/S.

The balance at 31 December 2019 with Frontier Energy II Beta K/S is disclosed in notes 7 and 9.

FE II CIV K/S

FE II CIV K/S and its management are considered as related parties to the limited partnership. FE II CIV K/S is the founding partner of the limited partnership and has the same general partner as Frontier Energy II Alpha K/S, FE II GP ApS.

FE II CIV K/S is entitled to carried interest subject to and in accordance with the Limited Partnership Agreement.

Transactions with FE II CIV K/S are disclosed in note 9.

14 Events after the reporting period

The outcome and potential impact on the limited partnership's investments due to the coronavirus outbreak in 2020 is uncertain as of the date of the approval of the annual report. The Investment Manager follows the situation closely.

There are no other events after the reporting period to be disclosed.