

Sophia Investments ApS

Krøjerup Overdrev 9
1250 København K

CVR no. 37 24 84 60

Annual report 2020

The annual report was presented and approved at the
Company's annual general meeting

15 July 2021

Shailendra Patel
Chairman



Contents

Statement by the Executive Board	2
Independent auditor's report	3
Management's review	6
Company details	6
Operating review	7
Financial statements 1 January – 31 December	8
Income statement	8
Balance sheet	9
Statement of changes in equity	11
Notes	12

Sophia Investments ApS
Annual report 2020
CVR no. 37 24 84 60

Statement by the Executive Board

The Executive Board has today discussed and approved the annual report of Sophia Investments ApS for the financial year 1 January – 31 December 2020.

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

In my opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2020 and of the results of the Company's operations for the financial year 1 January – 31 December 2020.

Further, in my opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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

Copenhagen, 15 July 2021
Executive Board:



Shailendra Patel



Independent auditor's report

To the shareholder of Sophia Investments ApS

Opinion

We have audited the financial statements of Sophia Investments ApS for the financial year 1 January – 31 December 2020 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2020 and of the results of the Company's operations for the financial year 1 January – 31 December 2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter regarding matters in the financial statements

We draw attention to note 2 to the financial statements describing that there is a material uncertainty relating to the value of the Company's other receivables. Our opinion is not modified in relation to this matter.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Independent auditor's report

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 the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may 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 made on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the 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 company 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 Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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.



Independent auditor's report

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

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

Copenhagen, 15 July 2021

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Jesper Bo Pedersen
State Authorised
Public Accountant
mne42778

Sophia Investments ApS
Annual report 2020
CVR no. 37 24 84 60

Management's review

Company details

Sophia Investments ApS
Krøjerup Overdrev 9
1250 Sorø
Denmark

E-mail:	shailendra.patel@projectsophia.com
CVR no.:	37 24 84 60
Established:	16 November 2015
Registered office:	Copenhagen
Financial year:	1 January – 31 December

Executive Board

Shailendra Patel

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
DK-2100 København Ø
Denmark
CVR no. 25 57 81 98

Management's review

Operating review

Principal activities

The purpose of the Company is to invest in and enable Social Enterprise projects and other Social Enterprise organisations.

Development in activities and financial position

From the start of 2020, many of our Social Enterprise partners were negatively impacted by the onset of the Covid-19 pandemic. During the first wave, the Company, referred these partners to seek assistance and guidance from Sophia Akash Foundation, CIO (UK) to reorganising their business operations and available cash, human and technological resources so that they could continue supporting their beneficiary communities while also maintaining a sustainable level of capacity and capability to serve these communities.

During 2020, the Company also made a Social Investment in Female Invest (Denmark), a start-up Social Enterprise focused upon fostering greater gender equality through greater access to Financial Literacy, improved Financial Management and increased access to Financial Services.

During 2021, in addition to providing continued support, guidance and assistance through the Company's implementation partners to the growing number of impact development initiatives, the Company has specifically focused on working closely with Kheyti (India), Trine (Sweden), Credit Enable (UK), BRCK (Kenya) and Female Invest (Denmark).

Uncertainty regarding recognition and measurement

During the financial years 2019 and 2020, the Company has granted a number of loans to companies in developing countries. The value of some of these loans is subject to uncertainty as the companies are affected by COVID-19 and have liquidity problems at year-end 2020. Reference is made to note 2 for further clarification of the matter.

Financial review

During 2020, the Company registered an operating result (financial loss) of DKK 2,095 thousand (before tax) and net operating result (financial loss) of DKK 2,095 thousand (after tax). The Company's Net Assets were DKK 7,331 thousand.

Management remains pleased with the overall progress made during 2020 and with the focus firmly on making mission aligned Social Investments as well as further strengthening the Company's overall capacity and capabilities. The Company will remain focused during 2021 on the Company's core mission objectives of facilitating access to important working and growth capital for Social Enterprises which have demonstrated their ability to sustain and scale their respective efforts while providing important access to financial and livelihood inclusion services on an affordable and sustainable basis.

The Company will either add a further DKK 2,200 thousand to the share capital through the conversion of existing loan capital from shareholders and/or through future operations.

Events after the balance sheet date

After the balance sheet date, there have not been any events that could affect the financial position of the Company.

Financial statements 1 January – 31 December

Income statement

DKK	Note	2020	2019
Gross loss	4	<u>-483,539</u>	<u>-610,443</u>
Operating loss		-483,539	-610,443
Other financial income		339,372	279,991
Other financial expenses	5	<u>-1,950,670</u>	<u>-1,043,105</u>
Loss before tax		-2,094,837	-1,373,557
Tax on loss for the year	6	<u>0</u>	<u>0</u>
Loss for the year		<u><u>-2,094,837</u></u>	<u><u>-1,373,557</u></u>
Proposed distribution of loss			
Retained earnings		<u><u>-2,094,837</u></u>	<u><u>-1,373,557</u></u>

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	<u>31/12 2020</u>	<u>31/12 2019</u>
ASSETS			
Fixed assets			
Investments			
Other equity investments	7	1,700,000	0
Other receivables		<u>2,338,771</u>	<u>3,793,578</u>
		<u>4,038,771</u>	<u>3,793,578</u>
Total fixed assets		<u>4,038,771</u>	<u>3,793,578</u>
Current assets			
Receivables			
Other receivables		<u>1,051,873</u>	<u>2,767,747</u>
Cash at bank and in hand		<u>2,240,285</u>	<u>1,856,407</u>
Total current assets		<u>3,292,158</u>	<u>4,624,154</u>
TOTAL ASSETS		<u><u>7,330,929</u></u>	<u><u>8,417,732</u></u>

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	31/12 2020	31/12 2019
EQUITY AND LIABILITIES			
Equity			
Contributed capital		120,000	110,000
Retained earnings		-2,094,837	-2,316,911
Total equity		<u>-1,974,837</u>	<u>-2,206,911</u>
Liabilities			
Current liabilities			
Trade payables		106,466	139,614
Payables to shareholder		9,199,300	10,485,029
		<u>9,305,766</u>	<u>10,624,643</u>
Total liabilities		<u>9,305,766</u>	<u>10,624,643</u>
TOTAL EQUITY AND LIABILITIES		<u><u>7,330,929</u></u>	<u><u>8,417,732</u></u>
Disclosure of material uncertainties regarding recognition and measurement	2		
Disclosure of capital resources	3		
Contractual obligations, contingencies, etc.	8		

Financial statements 1 January – 31 December

Statement of changes in equity

DKK	Contributed capital	Retained earnings	Total
Equity at 1 January 2020	110,000	-2,316,911	-2,206,911
Cash capital increase	10,000	2,316,911	2,326,911
Transferred over the distribution of loss	0	-2,094,837	-2,094,837
Equity at 31 December 2020	120,000	-2,094,837	-1,974,837

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Sophia Investments ApS for 2020 has been prepared in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act with opt-in from higher reporting classes.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Gross loss

Gross loss comprises other external costs.

Other external expenses comprise distribution, selling, advertising and administrative expenses as well as costs of premises, bad debts and operating leases.

Financial income and expenses

Financial income and expenses comprise interest income, expense and transactions denominated in foreign currencies.

Tax on profit/loss for the year

Current and deferred tax for the year is recognised in the income statement as tax for the year at the portion attributable to the net profit or loss for the year.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Balance sheet

Other equity investments

Other equity investments included in investment comprise unlisted shares that Management considers investment securities. The equity investments are measured at cost.

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment as well as equity investments in group entities and associates is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of forecast cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Cash

Cash consist of bank deposits and cash at bank and in hand.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability.

Liabilities

Other liabilities are measured at net realisable value.

Financial statements 1 January – 31 December

Notes

2 Disclosure of material uncertainties regarding recognition and measurement

During the financial years 2019 and 2020, the Company has granted a number of loans to companies in development countries.

As a result of COVID-19, some companies are affected in relation to liquidity and therefore repayment dates on loans are subject to material uncertainty. Management has made individual reviews and assessments of whether the loans follow the initial plan for repayment or whether there is uncertainty in relation to revoking the loans.

The review has resulted in a write-down of DKK 1,340 thousand of the nominal value of the loans, which is DKK 5,400 thousand. In 2019, a write-down of DKK 881 thousand was made, for which reason the total write-down is 41%. Write-down is considered a special item.

Interest has not been recognized on loans subject to uncertainty.

Management assesses that the booked value is true and fair but subject to material uncertainty.

3 Disclosure of capital resources

The Company will reestablish the equity by a debt conversions of DKK 2.2 million or future operation, and the owner will contribute further capital in 2021 if necessary.

4 Staff costs

Number of employees 2020: 0 (2019: 0)

5 Other financial expenses

DKK	2020	2019
Impairment of other receivables	-1,340,000	-881,128
Exchange rate loss	-424,308	-27,192
Interest expenses to shareholder	-186,362	-134,785
	<u>-1,950,670</u>	<u>-1,043,105</u>

6 Tax on loss for the year

Current tax for the year	<u>0</u>	<u>0</u>
	<u>0</u>	<u>0</u>

Financial statements 1 January – 31 December

Notes

7 Investments

DKK	Other securities and equity investments
Cost at 1 January 2020	0
Additions for the year	1,700,000
Cost at 31 December 2020	1,700,000
Revaluations at 1 January 2020	0
Revaluations 31 December 2020	0
Carrying amount at 31 December 2020	1,700,000

8 Contractual obligations, contingencies, etc.

No contractual obligations and contingencies at 31 December 2020.