



# 2009

## A N N U A L R E P O R T

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## THE BOARD OF DIRECTORS' REPORT

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### ***The West Nordic Foundation's Activities:***

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In 2009, the West Nordic Foundation paid out new loans totalling 22.475 MDKK. The average of the loans paid out during the past three years is a good 20 MDKK. The amount of the loans granted in 2009 is in keeping with the target set in the activities' programme during the past few years.

In 2009, there was a profit before appropriations of 3,747,202 DKK and after appropriations 28,035 DKK.

The global negative economic development has influenced the Faroese and Greenlandic economies, although they have been less affected than other Western European countries. As far as the West Nordic Foundation is concerned, the negative economic outlook is reflected in the increased appropriations for 2009.

The Faroese economy is, as most other economies, in recession after the financial crisis became an economic crisis in the autumn of 2008. A combination of external influences and structural conditions had a negative affect on the main industries, fishing and fish production. Export prices have been decreasing and, even though oil prices in 2009 were lower than in 2008, they were still high compared to those before 2008. As a result, the exporters have struggled to make a profit.

The public sectors' budgets show considerable losses and it will be a challenge to work their way out of these conditions in the years to come without significantly affecting the whole economy. The Faroese Exchequer's loss will be financed by issuing bonds. During the past few years, there has been a surplus on the balance of payments and the community has net assets abroad of about 4 billion DKK.

During recent years, the salmon-farming industry has been growing and, in 2009, the value of exports reached an all-time high. It was approximately one third of total exports. Furthermore, at the beginning of 2010, fish prices are higher than they have been for a long time.

At the end of 2009, the GNP is estimated at 11,784 MDKK, which is a decrease of 4.2% from the end of 2008. Projections, according to the latest official prognosis, show an increase in the GNP of approximately 3% per year in 2010 and 2011.

Since the start of the crisis, unemployment has been increasing. In the summer of 2008, it was 1.2% and, at the end of 2009, unemployment had increased to 5.4%. The average rate of inflation was -0.1% in 2009.

In the Faroe Islands, the West Nordic Foundation has had the majority of its loan portfolio tied up in the land-based fishing industry. Most of these businesses will have an unsatisfactory result for 2009 which means that their accounts will show a loss.

The global economic crisis has also hit Greenland. However, the effect has been less than in most other countries. This is due to the Greenlandic government receiving a State grant from Denmark, which amounts to approximately half of the public revenue.

The public economy is under pressure. The national accounts show a loss in 2009. The loss is significantly larger than expected since the Government was forced to provide funds for the Royal Greenland A/S fishing company, which is owned by the Government. The loss for 2010 is expected to be approximately 200 MDKK, but, in the Budget, it is estimated to decrease until 2013. Up until now, the loss has been covered by the liquidity, accumulated in earlier years, when there was a surplus on the Budget.

From 2004 to 2008, the Greenlandic economy has been growing. In 2009, there was a decline and a negative growth as a result of the global economic crisis. It is estimated that there has been a drop in the GNP of up to a couple of percent. In the fishing industry, which is the largest exporter in Greenland with 85% of total exports, a drop in shrimp catches is expected for 2010 resulting in a decrease in production in 2010. For several years, the price of shrimps has been falling. Since the shrimp fishing industry is approximately 60% of total Greenlandic fish exports, the changes in this fishing can negatively influence the GNP in 2010. A decrease in the raw products as a result of the financial crisis can, in the same way, have a negative effect on the development of the GNP.

In 2009, the average rate of unemployment per month in 2009 was 4.6% of the potential work force compared to 4.0% in 2008. Inflation dropped in 2009 compared to 2008. In 2010, the rate of inflation is also expected to be at a lower level. In 2009, the number of tourists was 10% less than in 2008. The outlook for 2010 is a slight increase in numbers compared to 2009.

In 2009, the West Nordic Foundation financed 6 projects with 7 loans totalling 22.475 MDKK. The loans were granted to a hotel for 8 MDKK, a company selling boats for 4.5 MDKK, a tourist boat for 2.9 MDKK, a building for an accountant's office for 3.5 MDKK, 2 loans for a motor repairs business for 2.375 MDKK and for an oil delivery truck for 1.2 MDKK.

The West Nordic Foundation has, within its activities' programme, also worked purposefully towards finding projects outside the tourism sector. This is reflected in the composition of the loans granted, which covers various branches of industry.

The West Nordic Foundation's net income from interest decreased in 2009 by 388,324 DKK compared to the previous year. This is mainly due to the sharp decline in the international rate of interest.

The total operating expenditure for administration was 3,376 MDKK (3,241 MDKK in 2008).

The amount appropriated to offset on loans and expenses in connection with offset bought to cover debts was 3,719 MDKK (4,083 MDKK in 2008). The operating net income for 2009, before the contribution to NORA was 28,035 DKK (125,149 DKK in 2008). After the contribution to NORA, it was 0 DKK (0 DKK in 2008). According to the articles of association, a profit of up to 1.5 MDKK shall be

allotted to NORA. For this purpose, 28,035 DKK has been allocated in the accounts.

**Offices and staff:**

The West Nordic Foundation has offices in Reykjavik, Nuuk and the Faroes. The Foundation had 2 employees. The office in the Faroes is run from Nuuk. The total capacity was two man-year.

## LOANS PAID OUT

**Five loans were paid out to Greenlandic projects in the service sector:**

Autonord ApS	• motor repairs	2,000,000 DKK	12 years
Autonord ApS	• motor repairs	375,000 DKK	5 years
Yama Tek A/S	• sales showroom	4,500,000 DKK	15 years
Sisimiut Olie	• oil delivery truck	1,200,000 DKK	7 years
BK Revision ApS	• office building	3,500,000 DKK	15 years

**Two loans were paid out to Greenlandic projects in the tourism sector:**

Ame Niemann	• passenger boat	2,900,000 DKK	10 years
Arctic Invest ApS	• hotel	8,000,000 DKK	15 years

Total loans paid out to projects in West Nordic countries: 22,475,000 DKK

## FUTURE PROSPECTS

The West Nordic Foundation will continue to increase its contacts with trade and industry in all three West Nordic countries, not only in connection with individual projects in Faroes and Greenland, but also in connection with collaborative projects.

In the Faroe Islands, the West Nordic Foundation is working on making contact with businesses from several sectors of industry. In future, the portfolio will comprise a more diverse selection of industries.

In Greenland, the West Nordic Foundation has, as in recent years, been involved in financing within several different sectors of industry. However, it should be mentioned that the tourism sector still receives the largest part of the West Nordic Foundation's loans. The West Nordic Foundation will also, in future, focus on finding possible collaboration projects.

The profit for 2009 was 28,035 DKK before the contribution to NORA. The board of directors considers it satisfactory that a positive result was achieved under the given circumstances.

The board of directors expects the total amount of new loans in 2010 to be on a lower level than the amount that the West Nordic Foundation paid out in 2009. The result before appropriations in 2010 is expected to be on a

lower level than in 2009, as a result of the significant fall in the rate of interest in 2009.

Should the Faroese fishing industry continue to be in a period of decline and should the Greenlandic tourism sector be affected negatively by economic developments in Western Europe in 2010, then the businesses, financed by the Foundation risk a loss. This could result in the Foundation having to increase the amount of appropriations to cover losses on loans and, therefore, the result after appropriations would be less than in 2009.

The West Nordic Foundation now has a large part of its equity placed in loans. This situation together with the uncertain economic outlook has led to intensive discussions by the Board. These circumstances have been the basis for the Board deciding on a new activities' programme. Furthermore, the West Nordic Foundation has acquired a credit facility of 10 MDKK, which should help to ensure that the West Nordic Foundation has the necessary liquid assets to be able to operate according to the agreed activities' programme. The activities' programme is available on the West Nordic Foundation's website. The Board expects the West Nordic Foundation to have the necessary funds to be able to keep activity at an acceptable level, even though new loans to new businesses are expected to be lower than in recent years.

## SIGNATURES OF THE BOARD AND THE MANAGING DIRECTOR

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**Jørn Birk Olsen**  
Greenland - Chairman

**Jens Erik Magnussen**  
Faroe Islands - Vice-chairman

**Claus Juul Nielsen**  
Denmark

**Elina Selinheimo**  
Finland

**Haukur Halldórsson**  
Iceland

**Bjørn Normann Hansen**  
Norway

**Inga Thoresson - Hallgren**  
Sweden

Signed at the board meeting in Allinge, on 20th. April 2010:

**Sverri Hansen**  
Managing Director

## AUDITORS' REPORT

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### **The Independent Auditors' Report.**

To the Board of Directors and the owners of the West Nordic Foundation

We have audited the Annual Report of the West Nordic Foundation for the financial year from 1st January to 31st December 2009. The Annual Report comprises the signatures of the Board and the Managing Director, the Board of Directors' Report, the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the applied accounting policies and the notes.

### **The Board of Directors' responsibility for the Annual Report**

The Board of Directors is responsible for the preparation and presentation of the Annual Report in accordance with the law. This responsibility includes the design, implementation and maintenance of internal controls, which are relevant to the preparation and presentation of an Annual Report, which gives a fair representation without significant misstatement, whether due to fraud or error. The Board of Directors' responsibility also includes the selection and application of appropriate accounting policies and the making of accounting estimates, which, in the circumstances, are reasonable.

### **The Auditor's responsibility**

Our responsibility is to draw a conclusion about the Annual Report based on our audit. We have conducted our audit according to international auditing standards. These standards demand that we meet ethical requirements as well as plan and perform the audit in such a way as to reach a high degree of assurance for the annual report not containing

any significant misstatement. An audit involves procedures which will produce audit evidence of the figures and disclosures in the Annual Report. The selected procedures depend on the auditors' judgement, including the assessment of the risk of significant misstatement in the Annual Report, whether due to fraud or error. While making these risk assessments, the auditors consider the internal controls relevant to the preparation and presentation of an annual report, which gives a fair representation. This is done in order to design audit procedures, which are appropriate in the circumstances, but not for the purpose of drawing a conclusion about the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of the accounting policies used by the management, whether the accounting estimates made by the management are reasonable and, also, evaluating the overall presentation of the Annual Report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

### **Conclusion**

In our opinion, the Annual Report provides a true and fair view of the West Nordic Foundation's operation in 2009, its assets and liabilities at the end of 2009 and its cash flow statement for the financial year from 1st January to 31st December 2009 in accordance with the law and the Foundation's articles of association.

Reykjavík, 8th. April 2010

**Árni Snæbjörnsson**  
Certified Public Accountant

**Sveinn Arason**  
Auditor General

## PROFIT AND LOSS ACCOUNT *from 1st. January to 31st. December 2009*

	Note	2009 DKK	2008 DKK
<i>INCOME FROM INTEREST</i>			
Interest from bank deposits		160,476	1,043,261
Interest from loans		6,924,301	7,343,189
Exchange and currency adjustments		(22,367)	(935,715)
<b>Total income from interest</b>		7,062,410	7,450,735
<i>INTEREST PAYABLE</i>			
Interest payable on loans		1,089	0
<b>Total interest payable</b>		1,089	0
<b>Net income from interest</b>		7,061,321	7,450,735
<i>OTHER INCOME</i>			
Other income		62,157	0
<b>Total other income</b>		62,157	0
<b>Operating revenue</b>		7,123,478	7,450,735
<i>OPERATING EXPENSES</i>			
Pay etc. for administration and management		1,627,138	1,551,047
Administration	1	1,697,167	1,689,619
Depreciation, apartment		51,972	0
<b>Total administrative expenses</b>		3,376,277	3,240,666
Loss and appropriations for the year	2	3,719,166	4,084,920
<b>Total loss and appropriations</b>		3,719,166	4,084,920
<b>Total operating expenses</b>		7,095,443	7,325,586
<b>Operational profit</b>		28,035	125,149
Contribution to NORA	3	28,035	125,149
		28,035	125,149
<b>NET PROFIT</b>		0	0

## BALANCE SHEET *as at 31st. December 2009*

<b>Assets</b>	<b>Note</b>	<b>2009 DKK</b>	<b>2008 DKK</b>
<b>LIQUID ASSETS</b>			
Cash in bank		7,172,046	12,936,555
<b>Total liquid assets</b>		7,172,046	12,936,555
<b>LOANS</b>			
Loans		111,410,562	105,453,255
Redeemed mortgages		0	191,061
<b>Total loans</b>		111,410,562	105,644,316
<b>FIXED ASSETS</b>			
Apartment		2,835,372	2,887,344
<b>Total fixed assets</b>		2,835,372	2,887,344
<b>OTHER ASSETS</b>			
Debtors		201,558	73,502
<b>Total other assets</b>		201,558	73,502
<b>TOTAL ASSETS</b>		121,619,538	121,541,717
<b>Liabilities</b>			
<b>OTHER DEBTS</b>			
Creditors		119,900	70,114
Appropriated to NORA	3	153,185	125,149
<b>Total other debts</b>		273,085	195,263
<b>LOANS</b>			
Loan - apartment		567,000	567,000
<b>Total loans taken</b>		567,000	567,000
<b>EQUITY</b>			
Capital stock		91,284,091	91,284,091
Legal reserve, opening balance		29,495,362	29,495,363
Profit for the year carried forward		0	0
<b>Total equity</b>		120,779,453	120,779,454
<b>TOTAL LIABILITIES</b>		121,619,538	121,541,717

## CASH FLOWS STATEMENT *from 1st. January to 31st. December 2009*

	<b>2009 DKK</b>	<b>2008 DKK</b>
<i>CASH FLOW FROM OPERATING ACTIVITIES</i>		
Profit for the year	0	0
Items without influence	3,938,980	3,125,902
<b>Adjustments from operating activities</b>	<b>3,938,980</b>	<b>3,125,902</b>
<i>CASH FLOW FROM INVESTMENTS</i>		
Loan repayments	12,707,307	14,602,732
Loan disbursements	(22,475,000)	(28,450,000)
Redeemed securities	67,474	(55,109)
Debtors	(53,056)	68,500
Apartment	0	(2,320,344)
<b>Adjustments in investments</b>	<b>(9,753,275)</b>	<b>(16,154,221)</b>
<i>CASH FLOW FROM FINANCING</i>		
Creditors	49,786	7,412
<b>Adjustments in financing</b>	<b>49,786</b>	<b>7,412</b>
<b>Cash flow for year from operation, investments and financing</b>	<b>(5,764,509)</b>	<b>(13,020,907)</b>
<b>Cash and cash equivalents, opening balance</b>	<b>12,936,555</b>	<b>25,957,462</b>
<b>Cash and cash equivalents, year end</b>	<b>7,172,046</b>	<b>12,936,555</b>

## NOTES

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**1) Division of administration expenses**

Rent and office equipment	375,455
Meetings and travel expenses	711,477
Office expenses etc.	610,235
<b>Total</b>	<b>1,697,167</b>

**2) Adjustment of loss account**

Appropriations opening balance 2009	13,444,484
Appropriations for the year	3,719,166
Ascertained loss for the year	(548,435)
<b>Appropriations end 2009</b>	<b>16,615,215</b>

- 3)** The directors propose that, in 2009, the contribution in accordance with the articles of association, which is equal to the profit of 28,035 DKK, be paid to NORA. This amount has been allocated in the accounts. The Foundation's contribution to NORA in 2008 was 125,149 DKK. The contribution to NORA for 2008 was paid in February 2010.