



# Financial Statements as of December 31, 2017

## **TRANSLATION - AUDITOR'S REPORT**

Blue Action Fund  
Frankfurt am Main

KPMG AG Wirtschaftsprüfungsgesellschaft

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# Blue Action Fund, Frankfurt am Main

## Balance sheet as of December 31, 2017

### Assets

	Dec. 31, 2017	Dec. 31, 2016
	EUR	EUR
<b>A. Fixed assets</b>		
<b>Property, plant and equipment</b>		
Operating and office equipment	1,060.00	0.00
<b>B. Current assets</b>		
<b>I. Other assets</b>	17,476.09	0.00
<b>II. Cash and cash equivalents</b>	48,857,317.81	24,000,000.00
	<b>48,874,793.90</b>	<b>24,000,000.00</b>
	<b>48,875,853.90</b>	<b>24,000,000.00</b>

**Equity and liabilities**

	Dec. 31, 2017		Dec. 31, 2016	
	EUR	EUR	EUR	EUR
<b>A. Equity</b>				
<b>I. Foundation capital</b>				
1. Initial endowment	2,000,000.00		2,000,000.00	
2. Spendable capital	2,700,000.00	4,700,000.00	3,000,000.00	5,000,000.00
<b>II. Reserves</b>				
Funding Capacity Reserve		39,000,000.00		19,000,000.00
<b>III. Funds carried forward</b>		5,159,978.47		0.00
		<b>48,859,978.47</b>		<b>24,000,000.00</b>
<b>B. Provisions</b>				
Other provisions		12,775.36		0.00
<b>C. Liabilities</b>				
Other liabilities		3,100.07		0.00
		<b>48,875,853.90</b>		<b>24,000,000.00</b>

# Blue Action Fund, Frankfurt am Main

## Income statement for the period from January 1 to December 31, 2017

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1. Investment income and other revenue

- a) Investment income
  - aa) Interest and similar income
- b) Investment-related expenses

**Net investment income**

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- c) Income from grants and subsidies

**Net revenue**

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2. Project and other expenses

- a) Outreach & Research
  - Program development and management
- a) Program development and management – internal
- b) Program development and management – external
- Administrative and fundraising expenses
  - a) Administrative expenses
  - b) Fundraising and communication expenses

**Total project and other expenses**

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**3. Net income for the year**

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4. Withdrawals from spendable capital

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**5. Funds carried forward**

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2017		December 7 to December 31, 2016	
EUR	EUR	EUR	EUR
	21,749.01		0.00
	-58,333.34		0.00
	<b>-36,584.33</b>		<b>0.00</b>
	5,189,252.02		0.00
	<b>5,152,667.69</b>		<b>0.00</b>
	-16,743.22		0.00
-31,344.33		0.00	
-60,000.00	-91,344.33	0.00	0.00
-162,617.62		0.00	
-21,984.05	-184,601.67	0.00	0.00
	<b>-292,689.22</b>		<b>0.00</b>
	<b>4,859,978.47</b>		<b>0.00</b>
	300,000.00		0.00
	<b>5,159,978.47</b>		<b>0.00</b>



# Blue Action Fund, Frankfurt am Main

## Notes to the financial statements for the 2017 financial year

### General disclosures and notes to the financial statements

The Blue Action Fund was established as a civil law foundation under the name of Blue Action Fund in accordance with the Foundation Charter dated December 1, 2016, by the German Development Bank [KfW]. It was recognized by the Darmstadt's district president on December 7, 2016. The financial year is the calendar year. A short financial year from December 7 to December 31, 2016, was established in the year the Company was founded. The financial statements as of December 31, 2017, were prepared according to the requirements of the Foundation's bylaws. In doing so, the regulations of the German Commercial Code [HGB] for corporations of a comparable size were applied mutatis mutandis. The Foundation met the criteria of a small-sized corporation in the financial year under review (Section 267 (1) HGB).

The breakdown of items in the balance sheet and income statement took account of the distinctive features arising from the activities of the Foundation.

The income statement was prepared on the basis of the cost of sales method pursuant to Section 275 (3) HGB taking into consideration the legal characteristics of foundations.

### Accounting policies

The accounting policies remained unchanged from the prior year.

Property, plant and equipment are stated at cost pursuant to Section 255 (1) HGB. Property, plant and equipment is depreciated using rates based on the useful life recognized for tax purposes under the straight-line method.

Other assets as well as cash at banks are stated at nominal value.

The values disclosed for other provisions take all identifiable risks and contingent liabilities into account. They are recognized at the settlement amount required according to prudent commercial judgment.

Liabilities are recognized at settlement amount.

Transactions in foreign currencies are generally recorded at the exchange rate on the date of the transaction. Foreign currency receivables and liabilities are measured at the exchange rate applicable on the date of the transaction. Foreign currency items are generally translated at the average spot exchange rates applicable on the balance sheet date in accordance with the provision set forth in Section 256a HGB.

## **Explanatory notes on the balance sheet**

The classification of and movements in fixed assets are presented in the attached statement of movements in fixed assets.

Other assets concern interest receivables and are due within one year.

The foundation capital remained unchanged at the full amount as of the reporting date. The spendable capital of EUR 300,000.00 was exhausted in the financial year under review.

The German Federal Ministry for Economic Cooperation and Development, Berlin, [BMZ] made – via the KfW – a donation of EUR 20,000,000.00 to the reserves to endow the Foundation with assets pursuant to Section 62 (3) No. 2 of the German Tax Code [AO].

The funding capacity reserve amounted to EUR 39,000,000.00 as of December 31, 2017.

Other provisions include provisions for outstanding invoices for accounting services rendered during the year under review and year-end closing expenses.

Other liabilities relate fully to Nature Trust Alliance, Frankfurt am Main, a civil law partnership, whose partners include Blue Action Fund, Prespa Ohrid Nature Trust (PONT) and the Caucasus Nature Fund (CNF).

All liabilities have a remaining term of up to one year.



## Explanatory notes on the income statement

Interest and similar income are attributable to time deposits and a current account.

Expenses for investments were incurred from charges for investment advice.

The income from grants and subsidies received in the 2017 financial year are from a subsidy granted by the Swedish International Development Cooperation Agency (Sida), Stockholm, Sweden.

Expenses for outreach and research work include the costs of external service providers for organizing knowledge sharing and the information of decision makers.

The expenses for program development and management – internal – concern personnel expenses. The expenses for program development and management – external – concern the costs for third-party services.

Administrative expenses include the costs for personnel expenses, rent and other office expenses of the Nature Trust Alliance, personnel expenses, travel expenses, auditing and external accounting costs, legal fees and other operating expenses.

The fundraising and advertising expenses include the costs for third-party services and miscellaneous fundraising expenses.

## Other disclosures

The spendable capital, the contributions to the reserve for endowing with assets and the grants and subsidies received are fully or partially used for specific expense types and changed as follows during the year under review:

Contribution	Original donation	Appropriation in 2017	Balance at December 31, 2017
	EUR	EUR	EUR
BMZ Phase 1&2 Program	19,000,000.00	0.00	19,000,000.00
BMZ Phase 1&2 Operating Expenses (spendable capital)	3,000,000.00	-300,000.00	2,700,000.00
Donation for the Sweden Program	4,540,595.52	0.00	4,540,595.52
Donation Sweden, Operating Expenses	648,656.50	-29,273.55	619,382.95
BMZ Phase 3 Program	18,400,000.00	0.00	18,400,000.00
BMZ Phase 3, Operating Expenses	1,600,000.00	0.00	1,600,000.00

1. Operating expenses (i.e. expenses for program development and administrative expenses) are financed by the spendable capital as well as by 12.5% of the grant from Sweden and 8% of the grant for BMZ Phase 3.

2. The Board of Trustees of the Blue Action Fund resolved that program expenses, which are not related to direct subsidy payments, e.g. expenses for surveys, research activities and knowledge sharing as well as information from decision makers, should be financed by the funds earmarked for covering operating expenses.

## **Executive Board**

### **Managing member of the Executive Board**

- Markus Knigge (since June 15, 2017)  
Managing member of the Executive Board, Berlin

### **Other members**

- David Morrison  
Executive Board Member, Berlin  
(until June 14, 2017, managing member of the Executive Board on an interim basis)
- Ralph Kadel  
Executive Board member, Mörlenbach

## **Number of employees**

Besides the Executive Board, the Foundation had no employees in the 2017 financial year.

## **Subsequent events**

No material events occurred after the close of the financial year.

Frankfurt am Main, April 20, 2018

Blue Action Fund

Executive Board



# Blue Action Fund, Frankfurt am Main

## Movements in fixed assets in the 2017 financial year

	Cost			
	Jan. 1, 2017	Additions	Disposals	Dec. 31, 2017
	EUR	EUR	EUR	EUR
Property, plant and equipment				
Operating and office equipment	0.00	1,316.08	0.00	1,316.08
	<b>0.00</b>	<b>1,316.08</b>	<b>0.00</b>	<b>1,316.08</b>

cumulated amortization, depreciation and impairment loss				Book value	
Jan. 1, 2017	depreciation and write- downs during the	Disposals	Dec. 31, 2017	Dec. 31, 2017	Dec. 31, 2016
EUR	EUR	EUR	EUR	EUR	EUR
0.00	256.08	0.00	256.08	1,060.00	0.00
<b>0.00</b>	<b>256.08</b>	<b>0.00</b>	<b>256.08</b>	<b>1,060.00</b>	<b>0.00</b>



# Auditor's report

To Blue Action Fund, Frankfurt am Main

We have audited the annual financial statements comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system of Blue Action Fund, Frankfurt am Main, for the financial year from January 1 to December 31, 2017. The subject matter of the audit has been extended as a result of Section 12 (3) StiftG Hess [Hesse Foundation Law]. The audit therefore also included the maintenance of the Foundation's assets and the application of the Foundation funds in accordance with its charter. The maintenance of the books and records and the preparation of the annual financial statements in accordance with German commercial law and the supplementary provisions of the Rules of Procedure are the responsibility of the Foundation's management board. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, based on our audit.

We conducted our audit of the financial statements in accordance with Section 317 of the German Commercial Code [HGB] and Section 12 (3) StiftG Hess and generally accepted standards in Germany for the audit of annual financial statements promulgated by the German Institute of Public Auditors [IDW]. Those standards require that we plan and perform the audit in such a way that any inaccuracies and breaches materially affecting the presentation of the annual financial statements are detected with reasonable assurance and that it can be assessed with reasonable certainty whether the requirements arising from the extension of the subject matter of the audit in accordance with Section 12 (3) StiftG Hess have been met. Knowledge of the business activities and the economic and legal environment of the Foundation and evaluations of possible misstatements are taken into account when determining the relevant audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records and the annual financial statements are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Executive Board as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and the supplementary provisions of the Rules of Procedure, and give a true and fair view of the net assets, financial position and results of operations of Blue Action Fund, Frankfurt am Main, in accordance with German principles of proper accounting.

Our audit of the maintenance of the Foundation's assets and the statute-related application of the Foundation's funds in compliance with Section 12 (3) StiftG Hess did not give rise to any objections.

Mainz, July 20, 2018

KPMG AG

Wirtschaftsprüfungsgesellschaft

[Original German version signed by:]

Bauer  
Wirtschaftsprüfer  
[German Public Auditor]

Schröder  
Wirtschaftsprüfer  
[German Public Auditor]