



CMI CHR.
MICHELSEN
INSTITUTE

2015

REPORT FROM

**the board of directors and
Financial statement**

REPORT FROM THE BOARD OF DIRECTORS

ACTIVITIES AND DEVELOPMENTS

Chr. Michelsen Institute (CMI) is a multi-disciplinary social science research institute. CMI generates and communicates research-based knowledge relevant for fighting poverty, advancing human rights, and promoting sustainable social development. The geographic orientation is towards Africa, Asia, the Middle East, and Latin America.

Located in Bergen, CMI is one of the Nordic region's leading scientific communities in applied development research.

Research

Research is organized in ten thematic research groups (clusters) that constitute the Institute's long-term research priorities.

- Poverty Dynamics
- Rights and Legal institutions
- Conflict and Security
- Global Health and Development
- Gender Politics
- Democracy and Governance
- Natural Resources
- Development Aid

The last two years, CMI has been working to develop research programmes constituting long-term research priorities for the Institute. So far, we have developed research programmes linked to four of the research clusters. The research programme *Jobs and Entrepreneurship* was officially launched in the Bergen Resource Centre for International Development, with the Minister for EU Affairs, Vidar Helgesen, and a representative from the World Bank present. The program *Security and State in the Middle East* was

particularly relevant this year with the large influx of refugees from this region to Europe. We are pleased that in 2015, several of the research programmes received project funding from the Research Council of Norway (RCN), which will strengthen our work.

2015 provided a unique opportunity to highlight the importance of CMI's research through the Research Council's evaluation of the social science institutes. The five examples the Institute got the opportunity to present, showed that CMI has contributed to: the success of female entrepreneurs in Ethiopia; deeper understanding and a change of direction in the Norwegian engagement in Afghanistan; capacity building and a strengthening of the Norwegian diplomacy in Sudan; strengthening of anti-corruption efforts in international aid; and tax reforms in Africa.

CMI operates and participates in several centers. The Institute runs the *U4 Anti-Corruption Resource Centre* (U4), a resource centre assisting donor practitioners in more effectively addressing corruption challenges in health, education, natural resource management, justice system and other sectors. Through online courses and workshops in 8 countries, and 48 presentations in foras for policy makers and experts, U4 reached more than 2 500 participants in 2015. The presentations in the European Parliament illustrate U4's international recognition. The Centre is mainly funded by eight international aid donors. Switzerland became a new U4 partner in 2015.

CMI is partner in the *Centre for Intervention Science in Maternal and Child Health*, a Centre of Excellence (CoE), which started at the University of Bergen (UoB) in 2013. The centre is financed by the Research Council for a period of maximum 10 years, and provides a good platform for further development of CMI's research



on the role of the health system in improving maternal and child health. In 2015, the centre received funding from the Research Council on a major project to study the effect of measures to reduce early marriages and pregnancies among teenage girls in Zambia.

Together with the University of Bergen (the Institute for Comparative Politics), the Institute runs the *Centre on Law and Social Transformation*. There has been much activity in 2015, particularly a week long conference gathering leading international researchers in the field. The Centre has applied for Centre of Excellence status. The *Norwegian Centre for Humanitarian Studies*, where CMI is a partner together with PRIO and NUPI, has also had much activity in 2015. Research on humanitarian issues has gained increasing relevance partly through the record high number of refugees in the world. We are working to finance a continuation of this commitment.

Overall, the number of new projects from the Research Council in 2015 has been lower than usual. This reflects cuts in the Ministry of Foreign Affairs's (MFA) allocations for development research. Two projects awarded by the Research Council in 2014, started in 2015. Three additional projects received funding in 2015, in addition CMI is significant partner in two projects that were awarded to UoB.

The volume of opportunities in the commissioned market has also been weaker than we had hoped, although we assert ourselves very well in competitions. The Institute has in recent years worked systematically to strengthen our position in evaluating the market, and in 2014/2015 the Institute was involved in five of the ten studies that Norad's Evaluation Department commissioned. In 2015, CMI did an evaluation of the Peace Corps and a review of the use of performance-

based funding in Norwegian development aid. Several studies have been done as part of CMI's framework agreement with Norad on human rights issues.

In 2015, we have oriented ourselves stronger toward international markets. We submitted several EU applications, and we had the Institute's annual staff meeting in London, amongst other things also to establish closer contact with the British research community.

In 2015, CMI has played an active role in ensuring continued funding of Norwegian development research. Through dialogue with the Parliament and the Government, we succeeded in avoiding the most drastic cut proposals in the Government's proposed budget in the autumn of 2015. We have also continued working on the proposal to establish thematic framework agreements with the Ministry of Foreign Affairs.

Research Communications

CMI research communication has policy makers in the North and the South, as well as academia, as its primary target groups. We continue our work to become a more visible and influential actor by tailoring our messages and modes of communication to the needs of the target audience actively using all communication platforms. In 2015, we published 3 books, 16 peer reviewed articles, 16 book chapters, 28 reports, 23 working papers, 4 insights, 13 U4 issues and 23 briefs. This gave us 32 publication points compared to 55 points in 2014. More than 70 % of the publication points are from level 2 publications.

Analysis and comments from CMI researchers are in high demand both nationally and internationally. In particular, CMI researchers contributed with analysis

and comments related to the developments in the Middle East.

Our researchers also participate actively in debates and knowledge dissemination through feature articles, op-eds, blogs, lectures and presentations on conferences and open events. In 2015, the Communication Department in collaboration with the IT department invested a lot of work to create a new digital platform and mobile first website for the Institute. Strong sender identity and content tailored to users of our research has guided our work.

We have adapted ourselves to the new media landscape where people use smartphones and tablets to find information online. The new website is responsive with a fluid design, adapting itself to any screen size and focusing on the browser as an actor, making it easy to dial numbers, to download, read, share or send information. The design is guided by intuitive design and ease of use. We feature and encourage analyses and commentaries of current events, and prioritize reader friendly solutions with clear messages free of professional jargon. We have started using the publishing platform Atavist, which makes it easy to integrate images, infographics and videos into narrative text. The goal is to always think digital first for our publications. We promote sharing in social media through highlighted tweets and other social media icons.

Our monthly newsletter, which primarily targets policy makers and politicians with journalistic articles on our research, was set on hold while we looked for a new platform that would allow us to combine a content management system, people database, and communications hub. We invested in Nationbuilder, which will make it easier for us to target and segment our marketing and our newsletters to ensure that we reach the right people with content targeted to their interests.

In 2015, we also created an Instagram account. The idea behind this account is not only to reach out to new audiences, but also to give our users glimpses of how we work. The number of followers on Facebook and Twitter rises steadily.

Bergen Resource Centre for International Development (BRC), our event venue in collaboration with the University of Bergen, has become an important arena for research communication, analysis of

global challenges and dialogue. An increasing and heterogeneous crowd attend our events during the year. In particular, the Resource Centre has succeeded with its bi-weekly Breakfast Forums on current global events and issues.

DNB's Anniversary Fund for Chr. Michelsen Institute has awarded funds to CMI. The funds have in accordance with the board resolution of 16 March 2015 been used to promote CMI and CMI research in Norwegian media.

Cooperation

CMI enjoys close co-operation and partnership with other research institutions both nationally and internationally, especially with research institutions in the South. In particular, cooperation with researchers in the South is possible in long-term institutional cooperation agreements financed by Norwegian embassies. Projects financed by RCN are also important arenas for this kind of cooperation.

In 2015, CMI established a new three-year institutional agreement with Centro de Estudos e Investigação Científica (CEIC) in Angola. This partnership will contribute to high quality research on key social challenges in Angola, stimulate public debate in Angola and contribute to increased social science research skills in CEIC.

CMI cooperates closely with other research institutions in Bergen. Establishing cooperation projects with the University of Bergen and the Norwegian School of Economics is important to create high quality and a critical mass of researchers in our research themes.

CMI and UiB have started a dialogue aiming to find new models of cooperation, which can further strengthen development research in Bergen. The political signals to strengthen the research institutes through closer collaboration has become even stronger during the year. In 2015, CMI and UiB formalized the process to find cooperation models that can strengthen development research in Bergen further, but the talks were put on hold due to internal university processes to find a suitable model for the organization of its interdisciplinary programs.

The CMI/UiB cooperation committee allocated seed money for seven new joint projects in 2015.

CMI researchers gave important contributions to the Bergen Summer Research School also this year.

Organization

CMI had a total of 82 employees and conducted 60 FTEs. This is about the same level as last year

To facilitate that the Institute has a motivated team who wants to develop themselves further, is a priority. In 2015, we invested in several courses and education programmes for employees. There is also systematic use of employee appraisals to set goals for each employee's further development.

The project "the CMIway" which was started in 2014 to clarify procedures and improve the quality of the Institute's internal collaboration, has in 2015 focused on procedures related to project development, and safeguarding of documents at the institutional level from application to closing. Projects must also be accompanied by a project log that maintains important management information on individual projects as well as provide a basis for analysis.

The Board conducted in 2015 an external evaluation of the director, and it was decided to extend the Director's term with a further six years.

THE FOUNDATION'S FINANCIAL PERFORMANCE

Income

The Institute's total income decreased from NOK 77.3 mill in 2014 to NOK 77.2 mill in 2015. Fees revenues remained stable at \$ 45 million, while the number of researcher / project employees decreased by 1.5. In 2015, CMI carried out 155 externally funded research projects and consultancy assignments for a total of NOK 60.7 mill. The number of projects is marginally higher than in 2014, but income per project is marginally lower. Project running costs constitute most of the decrease, meaning that the share of project revenue that goes to project-specific operating costs went down from 36 to 34 %. The core funding constituted NOK 15.1 mill, a 1.2 % increase from the previous year. In addition, NOK 992 000 was transferred from the Chr. Michelsen Fund (CMF), a 2.4 % increase.

The Norwegian government administration (MFA, Norad and the embassies) represents important clients for the Institute, constituting 29 % of the revenues.

This is lower than ever. In comparison, last year the proportion was 39 %. The proportion from Norad declines by 6 percentage points to 8 %, the embassies' share fell from 18 % to 15 % and the share directly from MFA fell with 1 percentage point.

Projects with funding from the Research Council of Norway (RNC) constitutes 34 % compared to 29 % in 2014 (core funding not included). Since 2009, this share has been stable at around 30 % of the external project revenues.

Income from international sources has varied between 20 % and 30 % of the Institute's external project revenues since 2000. In 2015, this percentage was 33 %, which is higher than previous years. The international funding of the U4 Anti-Corruption Resource Center constitutes approximately 75 % of this income, an increase from 70 % in 2014.

The percentage of income from other clients, remains stable at 3–5 %, but constituted 4 % of the income in 2015.

CMI's goal is to develop an even broader funding base, and we have implemented targeted initiatives that have led to more customers in 2015, both internationally and in Norway, especially in the market for commissioned research. CMI will continue to focus on financial diversification to ensure that this development can continue.

Result and continued operation

CMI had in 2015 a negative operating result of NOK 0.8 mill and a negative annual result of NOK 1 768 794 mill. The reason for the deficit is that income did not keep up with the increase in payroll expenses, and primarily higher pension costs. The equity situation has improved somewhat in recent years, but due to this year's deficit, the net equity will go down from 26 % to 25 %. This deficit has not significantly weakened the Institute's financial solidity. However, there are clear indications that there will be a reduction in MFA and RCN-funded programs, as well as uncertainty regarding funding announcement from the MFA and Norad, which means that we have demanding years ahead. It will thus be important to follow up CMI's ambition of a broader funding base. We have favorable premises to continue to develop the organization and its research activities in 2016. In accordance with the Accounting Act, section 3-3a, the Board confirms that the requirements for continued operations are fulfilled.

Cash flow, investments, finances and liquidity

The Institute's liquidity reserves decreased with NOK 5.56 mill to NOK 29.5 mill during 2015. The Institute's short-term debt apart from public fees, increased with NOK 0.4 mill to NOK 26.2 mill and represented 40 % of the total debt at the turn of the year, an increase from 37 % at the previous turn of the year. The increase in NOK can be attributed to several advance payments for agreed studies. The greater increase in percentage is due to the fact that the Institute's long-term debt decreased with NOK 3 mill.

As of 31.12.2015, the Institute's short-term debt can in its entirety be paid off with liquid reserves.

Accounts receivable from customers, increased with NOK 1.5 mill from 2014 to 2015. This is mainly due to the fact that several payments for completed assignments arrive in January. The risk of loss is minimal as income comes mainly from Norwegian and international development cooperation authorities and from the multilateral development cooperation system, with the exception of foreign exchange losses (see below).

At year-end 2015, total capital was NOK 88 mill, compared with NOK 93 mill the previous year. The reduction is linked to reduced liquidity reserves and reduced debt. The reduction corresponds to the reduced liquidity reserves.

On 24 September 2014, CMI received a notice of possible tax liability. After a lengthy dialogue with Skatt Vest (Tax West), it is now settled that CMI is taxable on the portion of the business that relates to contracted research. In 2015, the taxable portion constituted 34 % of the business. The decision is made retroactively from 2012. CMI has charged as an expense taxes in 2015 for the entire period. The estimated tax is NOK 312 283. We refer to Note 12 in the income statement for further information.

In the view of the Board, the accounts provide an accurate picture of the Institute's assets and debt, financial position, and result.

Market and financial risks

CMI is somewhat exposed to fluctuations in exchange rates. Approximately 25 % of the Institute's income is paid in foreign currency. The Institute has in 2015 entered an exchange loss of NOK 269 046, and NOK 651 107 in exchange profit. In comparison, we entered an exchange loss of NOK 269 046 in 2014, and an exchange profit of NOK 1 049 667. So far, the Institute has not entered into future contracts or other contracts to reduce the Institute's currency risk and the operations-related market risk because it is difficult to predict the time of invoice and payment. However, CMI has an on-going dialogue with the bank regarding this matter. The Institute uses floating interest rates on its bank deposits. These rates stay low because of the general low interest level. Yet, because of continued ample liquidity, the Institute had capital gains of NOK 175 712, down from 268 672 i 2014.

Working environment and personnel

The sickness absence rate was 1,91 % in 2015 compared to 2,21 % i 2014. No occupational injuries or accidents were reported in 2015.

Gender equality

Of the Institute's 82 employees as of 31 December 2015, 33 are women. 50 % of the board members are women and three of seven persons on the management team are women. CMI has established a wage system and welfare schemes designed to provide equal opportunities for wage and career development. The election regulations for employee elected board members have been revised. Efforts will be made to ensure equal representation of the sexes in the Board through elections of members from the employees so that at any time there is an employee elected member of each sex on the Board.

Discrimination

Through recruitment both nationally and internationally, CMI seeks to ensure equal opportunities and rights, and to prevent discrimination based on a person's ethnicity, national origin, descent, colour, language, and religion or life stance.

CMI seeks to ensure that working conditions allow all individuals to enjoy equal work opportunities at the Institute regardless of functional ability.

Environmental report

The Institute's activities are not regulated by licenses or directives, and do not have a direct impact on the external environment. It should be noted, however, that extensive travel by our staff contributes to greenhouse gas emissions.

Annual profit/loss and allocations

The annual deficit of NOK 1 768 794 was deduced from existing equity. The Institute had NOK 6 867 982 in unrestricted equity as of 31 December 2015, in addition to called-up and fully paid compulsory equity of NOK 15 300 000.

Bergen 16 March 2016

Lars G. Svåsand
Chairman of the Board

Bertil Tungodden

Nanna Hvidt

Liv Tønnessen

Arne Tostensen

Karin Aslaksen

Ottar Mæstad
Director

INCOME STATEMENT 2015

	Note	2015	2014
Operating revenues			
Project revenues	1	76 822 133	77 121 947
Other revenues	2	412 290	196 753
		77 234 423	77 318 699
Operating expenses			
Project expenses		15 524 978	16 257 630
Payroll expenses	3,4	53 735 363	50 146 319
Depreciation	5	1 302 237	1 398 614
Other operating expenses	2,3	7 486 295	6 726 845
		78 048 873	74 529 407
Operating result		- 814 450	2 789 292
Financial income/expenses			
Interest income		175 712	268 672
Other financial income		651 107	1 049 667
Interest cost to enterprise in same firm		-1 194 000	-1 269 200
Other interest costs		-5 834	-1 860
Other financial costs		-269 046	-109 243
		-642 061	-61 964
NET RESULT before tax		-1 456 511	2 727 328
Tax on net result	12	-312 283	0
ANNUAL RESULT		-1 768 794	2 727 328

BALANCE SHEET AS OF 31 DECEMBER 2015

	Note	2015	2014
ASSETS			
Fixed assets			
Tangible fixed assets			
Building at Jekteviksbakken	5	44 795 588	45 823 451
Equipment, inventory etc.	5	935 433	1 209 807
		45 731 021	47 033 258
Financial fixed assets			
Long term receivables	7	902 507	898 903
Total fixed assets		46 633 528	47 932 161
Current assets			
Debtors			
Accounts receivable	8	11 241 705	9 696 420
Others debtors		481 193	376 468
		11 722 898	10 072 888
Investments			
Shares in other companies	6	183	358
Cash and bank deposits	9	29 517 825	35 077 354
Total current assets		41 240 906	45 150 600
TOTAL ASSETS		87 874 434	93 082 760

EQUITY AND LIABILITIES AS OF 31 DECEMBER 2015

	Note	2015	2014
EQUITY			
Paid-in capital			
Original fund	10	15 300 000	15 300 000
Retained earnings			
Other equity	10	6 867 982	8 636 778
TOTAL EQUITY		22 167 982	23 936 778
LIABILITIES			
Pension funds	4	327 613	1 004 409
Long term liabilities			
Long term loans	11	35 000 000	38 000 000
Current liabilities			
Accounts payable		810 411	2 137 166
Public duties payable		4 143 981	4 296 232
Other short term liabilities		25 112 163	23 708 175
Tax payable	12	312 283	0
		30 378 838	30 141 574
TOTAL LIABILITIES		65 706 451	69 145 983
TOTAL EQUITY AND LIABILITIES		87 874 434	93 082 760

CASH FLOW STATEMENT 1 OF JANUARY–31 OF DECEMBER

	2015	2014
Cash flow from operating activities		
Annual result	-1 768 795	2 727 328
Depreciations	1 302 237	1 398 614
Changes in pension scheme assets/liabilities	-676 796	-402 757
Changes in long term receivables	-3 604	92 301
Changes in trade receivables	-1 545 285	-503 043
Changes in other short term receivables	-104 725	535 644
Changes in trade payable and other short term liabilities	237 264	1 669 482
Net cash flow from operating activities	-2 559 704	5 517 570
Cash flow from investments		
Purchase of tangible fixed assets	-	-66 678
Net cash flow from investments	-	-66 678
Cash flow from financing activities		
Repayment of long term loans	-3 000 000	-
Changes of shares	-	-
Changes in value, shares and bonds	176	-
Net cash flow from financing activities	-2 999 824	-
NET CHANGE IN CASH FLOW TOTAL	-5 559 528	5 450 892
Cash and cash equivalents at 1 January	35 077 354	29 626 462
Cash and cash equivalents at 31 December	29 517 825	35 077 354
Change in cash and cash equivalents	-5 559 528	5 450 892

NOTES TO THE ACCOUNTS AS OF 31 DECEMBER 2015

ACCOUNTING PRINCIPLES

The annual accounts are produced in accordance with the Accounting Act and sound accounting practice.

PROJECT REVENUES

Grants and other contributions are in their entirety credited to income in the period of allocation. Project revenues from external commissioned research are credited according to the level of completion in every project. The level of completion is an estimate based on accrued hours and other costs held against estimated total hours and other costs.

CLASSIFICATION AND VALUATION OF ASSETS AND LIABILITIES

Items due for payment within one year from the balance day are classified as current assets and liabilities. Other items are classified as fixed assets/long-term debt. Outstanding account with Chr. Michelsen Fund (CMF) is classified as long-term debt. Outstanding accounts due within one year is classified as short-term debt.

RECEIVABLES

Accounts receivable and other receivables are listed in the balance sheet at nominal value.

CURRENCY

Closed projects/accounts receivable held in foreign currency are valued by the exchange rate on 31 December.

SHORT-TERM INVESTMENTS

Short-term investments (funds) are estimated at market value on 31 December. Dividends are recorded as other financial income.

FIXED ASSETS

Investments in fixed assets are recognised in the balance sheet and depreciated during the asset's useful life when this exceeds 3 years.

CASH FLOW

The cash flow statement uses the indirect method.

PENSIONS

The enterprise has both a defined-benefit pension scheme and a defined-contribution pension scheme for its employees.

Defined-benefit pension scheme

Pension costs and pension liabilities are calculated linearly based on expected salary at pension age. The calculations are based on a line of presumptions regarding discount rate, future salary changes, pensions and benefits from the National pension scheme in Norway (Folketrygden), future returns on the pension funds, and actuary presumptions of mortality and voluntary retirement and turn-over. Pension means are valued to fair value and deducted in the net pension liabilities in the balance sheet. Changes in the pension liabilities which are due to the change of pension plans will be distributed over the expected remaining time of earning. Estimate changes can occur by changes in the pension liabilities and pension means which are due to changes and deviations in the calculatory presumptions. If the estimate deviation exceeds 10 % of the highest amount of the pension liabilities included employer's national insurance contributions and the pension means, the excess is amortized over the average remaining time of earning.

Defined-contribution pension scheme

The pension costs during the period corresponds with the premiums paid.

TAX

The tax in the income statement includes both the payable tax for the year and a change in deferred tax. Deferred tax is calculated with 25 % on the basis of the temporary differences between book values and tax values, and the assessed losses carried forward by the end of the fiscal year. Tax increasing and tax reducing temporary differences which is reversing or may reverse in the same period, are counterbalanced and net recorded. The net deferred tax advantage is recognized in the balance sheet by the degree of recognition of it being used.

NOTE 1 PROJECT REVENUES

	2015	2014
Project revenues exclusive of cooperating partners	60 753 133	61 248 947
Grants	15 077 000	14 904 000
Chr. Michelsen Fund	992 000	969 000
	76 822 133	77 121 947

External project revenues are stated without contributions to cooperating partners, NOK 15 755 556.

Geographic distribution	2015	2014
Norway	53 504 835	61 549 425
Abroad	23 317 298	15 572 521
	76 822 133	77 121 947

NOTE 2 JOINT PROPERTY

CMI and Nygårdshøyden Eiendom (Nygårdshøyden Real Estate, a company under the University of Bergen) own the building in Jekteviksbakken 31. They have established a joint housing ownership, Sameiet Jekteviksbakken 31, to manage the property. The joint ownership's income is first and foremost contributions to a maintenance fund for future upgrading and maintenance of the building, and the owners' parts of the costs. The costs are related to insurance premium and accounting.

CMI owns 44.41 % of the joint property. Income and costs from the joint property are included in the CMI accounts according to the owner's share. CMI's part of the 2015 income constitutes NOK 99 374 and the costs constitute NOK 24 715. This is included in the income statement under respectively Other operating revenue and Other operating expenses.

NOTE 3 SALARIES AND SOCIAL COSTS

	2015	2014
Salaries	39 230 473	37 673 631
Social security taxes	6 575 630	6 114 670
Pension costs	6 648 285	5 193 320
Other benefits	548 212	474 084
	53 002 600	49 455 705
Other social costs	732 763	690 614
Total salaries and social costs	53 735 363	50 146 319
Employees full-time equivalent	60	59
Leadership remuneration etc.	2015	2014
Director's salary	976 609	957 806
Other benefits	13 630	10 467
Pension costs	206 520	143 030
	1 196 759	1 111 303
<p>CMI and CMF share the same Board. Board members' fees are paid with 2/3 by CMI, NOK 207 236, and 1/3 by CMF, NOK 103 618, in 2015.</p> <p>There are no contractual obligations (bonuses or shares) in the event of termination of employment.</p> <p>Loans to employees amount to NOK 430 628. The interest rate equals the standard rate offered in employment relationships.</p>		
Auditor's fees (excluding VAT)	2015	2014
Audit of the accounts	198 100	155 000
Other audit related services	0	0
	198 100	155 000
Consultant fees regarding tax	98 000	0
Other services	30 700	43 500

NOTE 4 PROVISION FOR PENSION LIABILITIES, PENSION COSTS

CMI has a defined-benefit pension scheme for 32 regular employees as of 31 December 2015. The scheme fulfills the requirements set by the Act on mandatory occupational pensions. The benefits are calculated according to number of years in service, salary at time of retirement and the benefits from the National pension scheme in Norway.

CMI participate in the LO/NHO-agreements, which enables all employees to choose to retire and receive AFP (Early retirement agreement) from the age of 62.

A new AFP arrangement applies from 01.01.2011. This is not an early retirement scheme, but an arrangement which gives a life-lasting addition to the ordinary pension. This arrangement is financed by payment of a premium, which for 2015 is 2.4 % of all salary between 1G and 7.1G, for the company's employees under the age of 62. This is a defined contribution pension scheme where the premium is charged as expenses continuously. It is expected that the level of this premium will increase in the years to come.

The actuary presumptions are based on normally used presumptions in the insurance industry regarding demographic factors and retirement.

Defined-benefits pension scheme and AFP	2015	2014
<i>Pension costs incl. social security taxes (SST)</i>		
Pension rights earned during the year	3 234 719	2 704 397
Interest charged on pension liabilities	1 767 895	2 439 675
Yield on pension funds	-1 724 242	-2 115 320
Administration costs	484 169	381 212
Net pension costs ex social security	3 762 541	3 409 964
Social security taxes on pension costs	530 518	480 805
Actuarial loss/earnings	1 905 420	706 030
Net pension costs	6 198 479	4 596 799
 <i>Pension liabilities recognized in the balance sheet</i>		
Earned pension liabilities	78 460 919	77 392 584
Pension plan assets	57 938 835	51 639 399
Net pension liability (underfinanced)	-20 522 084	-25 753 185
Social security taxes on net pension liability	-2 893 614	-3 631 199
Net pension liability inc. social security taxes	-23 415 698	-29 384 384
Estimate deviations not recognized	20 393 733	25 031 674
Social security taxes deviation	2 875 516	3 529 466
Net pension funds	-146 449	-823 244

Economic presumptions	2015	2014
Discount interest	2,50 %	2.30 %
Expected returns on funds	3,30 %	3.20 %
Expected salaries regulations	2,50 %	2.75 %
Expected G-regulations	2,25 %	2.50 %
Expected pensions regulations	1,13 %	1.25 %
Amortization factor	10,89	10.93
Wanted size on corridor in %	10,00 %	10.00 %
Social security taxes	14,10 %	14.10 %

Defined-benefits pension scheme – employees' share is NOK 410 534.

Defined-contribution pension scheme

A new pension scheme was introduced for all new employees who started after 1 April 2007.

36 persons at CMI are enrolled in this scheme by 31 December 2015.

	2015	2014
Deposits	1 257 463	1 216 001
Administrative costs	108 262	100 283
Net costs before social security taxes	1 365 725	1 316 284
Social security taxes	192 567	185 596
Result	1 558 292	1 501 880

NOTE 5 TANGIBLE FIXED ASSETS

	Property Jekteviken	Office machinery	Investments, inventory	Sum
Cost at 1 January	51 393 154	3 883 615	4 124 896	59 401 665
Purchased assets	-	-	-	-
Sold assets	-	-	-	-
Cost at 31 December	51 393 154	3 883 615	4 124 896	59 401 665
Accumulated depreciation	-6 597 566	-3 835 995	-3 237 083	-13 670 644
Balance value 31 December	44 795 588	47 620	887 813	45 731 021
Depreciation 2015	-1 027 863	-30 957	-243 417	-1 302 237

Depreciation of property is related to the new building in Jekteviken as from 1 August 2009. The depreciation is calculated linearly with 2 % per year. Depreciation of investments in machinery is applied linearly over 3 years. Investments in fixtures, inventory etc. is depreciated linearly over 3-10 years. CMI rents copy machines from Canon and Ricoh. Annual costs in 2015 was NOK 134 065.

NOTE 6 CURRENT ASSETS

Shares	Number	Cost price	Market value
Novel Diagnostics AS	145	30 193	183
		30 193	183

NOTE 7 FINANCIAL FIXED ASSETS

Loans to employees, NOK 430 628 by 31 December.

CMI has a running account with Sameiet Jekteviksbakken 31.
The balance by 31 December 2015 is NOK 436 131.

NOTE 8 RECEIVABLES

Invoiced, not paid sales	5 974 174
Sales, not yet invoiced	5 267 531
	11 241 705

NOTE 9 DEDUCTED INCOME TAX

By 31 December NOK 1 808 188 is deposited on a separate bank account. Unpaid deducted income tax as of the same date is NOK 1 700 454.

NOTE 10 EQUITY

	Retained earnings	Paid-in capital	Total
Equity as of 1 January 2015	8 636 777	15 300 000	23 936 777
Net result of the year	-1 768 794		-1 768 794
Equity as of 31 December 2015	6 867 983	15 300 000	22 167 983

NOTE 11 DEBT DUE LATER THAN 5 YEARS

	2015	2014
Chr. Michelsen Fund	35 000 000	38 000 000

CMF provides a long-term loan to CMI for the building in Jekteviksbakken 31. NOK 3 mill was paid to CMF 1 April 2015. The loan is secured by a mortgage registered on CMI's part of the building. According to the deed, CMI owns a part of the building and of the building site in accordance with CMI's fraction of the joint property. At the same time, an underlying ground lease was prepared securing UiB/Magør the right to receive payment for the value of the building site at a potential resale.

NOTE 12 TAX

On 24 September 2014 CMI received a notice of possible tax liability. After a lengthy dialog with the tax office, Skatt Vest, their decision was that CMI is taxable for the part of the enterprise that concerns commissioned research. In 2015 this was 34.04 % of the enterprise's results. The decision was made with retroactive effect from 2012. CMI has in 2015 charged as expense the taxes for the years 2012–2014.

Tax this year

Tax payable	-
Tax payable 2012–2014	312 283
Change in deferred tax	-
Effect of change in tax rate	-
Sum tax	312 283

Calculating tax base

Result before tax	-495 797
Permanent differences	-353 980
Change in temporary differences	62 516
Sum tax base	-787 261

Temporary differences

Receivables	-
Goods	-
Fixes assets	-1 665 785
Provisions	-
Pensions	-111 519
Profit and loss account	-
Loss carry-forward	-787 260
Sum	-2 564 564

Deferred tax/tax assets	-641 141
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Deferred tax assets are not recognized in the balance sheet as future taxable income is not made probable.

Explanation of why tax for 2015 is not 27 % of the result before tax

Result before tax	-495 797
27 % tax of result before tax	-133 865
Permanent differences (27 %)	-95 575
Correction of tax payable previous years	-312 283
Deferred tax assets not recognized in the balance sheet (27 %)	178 148
Effect of change in tax rate	51 292
Calculated tax	-312 283

Tax calculation for 2012-2014

Skatt Vest's decision that the enterprise is taxable was made retroactive from 2012. Below are the tax calculations for 2012-2014. The tax is charged as expenses in the 2015 accounts.

	2014	2013	2012	Sum
Taxable part of the enterprise	36,94 %	32,49 %	33,25 %	

Tax of the year

Tax payable	140 494	-	171 789	312 283
Tax payable 2012-2014	-	-	-	-
Change in deferred tax	-	-	-	-
Effect of change in tax rate	-	-	-	-
Sum tax	140 494	-	171 789	312 283

Calculating tax base

Result before tax	1 007 395	348 141	501 479
Permanent differences	-144 669	58 911	21 171
Change in temporary differences	11 923	-761 353	90 883
Sum tax base	874 649	-354 300	613 533

Temporary differences

Receivables	-	-	6 152
Goods	-	-	-
Fixes assets	-1 343 789	-1 245 733	-1 369 232
Provisions	-	-	-
Pensions	-370 999	-457 132	-1 101 139
Profit and loss account	-	-	-
Loss carry-forward	-	-354 300	-
Sum	-1 714 788	-2 057 166	-2 464 218

Deferred tax/tax assets	-462 993	-555 435	-689 981
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To the Board of Directors of
Chr. Michelsens Institutt

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements of Chr. Michelsens Institutt, which comprise the balance sheet as at 31 December 2015, the statements of income and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

The Board of Directors' and Managing Director's responsibility for the financial statements

The Board of Directors and Managing Director are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as the Board of Directors and Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Til styret i
Stiftelsen Chr. Michelsen Institutt

REVISORS BERETNING

Uttalelse om årsregnskapet

Vi har revidert årsregnskapet for Stiftelsen Chr. Michelsen Institutt, som består av balanse per 31. desember 2015, resultatregnskap og kontantstrømoppstilling for regnskapsåret avsluttet per denne datoen og en beskrivelse av vesentlige anvendte regnskapsprinsipper og andre noteopplysninger.

Styrets og daglig leders ansvar for årsregnskapet

Styret og daglig leder er ansvarlig for å utarbeide årsregnskapet og for at det gir et rettviseende bilde i samsvar med regnskapslovens regler og god regnskapsskikk i Norge, og for slik intern kontroll som styret og daglig leder finner nødvendig for å muliggjøre utarbeidelsen av et årsregnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller feil.

Revisors oppgaver og plikter

Vår oppgave er å gi uttrykk for en mening om dette årsregnskapet på bakgrunn av vår revisjon. Vi har gjennomført revisjonen i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder International Standards on Auditing. Revisjonsstandardene krever at vi etterlever etiske krav og planlegger og gjennomfører revisjonen for å oppnå betryggende sikkerhet for at årsregnskapet ikke inneholder vesentlig feilinformasjon.

En revisjon innebærer utførelse av handlinger for å innhente revisjonsbevis for beløpene og opplysningene i årsregnskapet. De valgte handlingene avhenger av revisors skjønn, herunder vurderingen av risikoene for at årsregnskapet inneholder vesentlig feilinformasjon, enten det skyldes misligheter eller feil. Ved en slik risikovurdering tar revisor hensyn til den interne kontrollen som er relevant for selskapets utarbeidelse av et årsregnskap som gir et rettviseende bilde. Formålet er å utforme revisjonshandlinger som er hensiktsmessige etter omstendighetene, men ikke for å gi uttrykk for en mening om effektiviteten av selskapets interne kontroll. En revisjon omfatter også en vurdering av om de anvendte regnskapsprinsippene er hensiktsmessige og om regnskapsestimaterne utarbeidet av ledelsen er rimelige, samt en vurdering av den samlede presentasjonen av årsregnskapet.

Etter vår oppfatning er innhentet revisjonsbevis tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.



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