

**Stichting Cardano Development**  
Rotterdam  
**Annual report 2016**

## Stichting Cardano Development, Rotterdam

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## **REPORT OF THE BOARD OF TRUSTEES**

Stichting Cardano Development is a Netherlands foundation (stichting) with charitable status (algemeen nut beoogende instelling, or ANBI) and was established in March 2013, with Cardano Holding BV acting as its establishment sponsor. Cardano Holding retains the right to appoint one of our three board members.

Our roots are in understanding the causes and impact of risk, and how this can be used to significantly improve financial resilience in developing countries. On a broader level, we want to educate the wider market about the importance of financial risk and how, when well-managed, it can benefit society as a whole. That is why we believe in sharing our views on risk and its many causes. We believe that many human behavioral biases present an obstacle to sound financial decision-making. Widely acknowledged traits, such as overconfidence, or the tendency to ignore evidence that leads to uncomfortable conclusions, often lead institutions to take too much risk and so drift towards fragility. Through the right combination of education, risk management, and an effective link between strategy and implementation, we believe that financial institutions can become resilient to financial shocks. The compound effect of doing this is greater stability in the overall financial system and for society as a whole.

The Cardano Development group is exclusively focused on developing countries, through a strategy of establishing specialized mandates to deliver a targeted financial product that contributes to our goals as stated above. The Board of Trustees conducts intensive discussions on the strategy with the directors of Cardano Development BV, who are entrusted with the implementation of our objectives. In 2016, this resulted in an explicit refocus on a steady growth strategy centered around our core strength in developing products and services to strengthen local financial markets.

Cardano Development's aim is to develop and act as a catalyst for establishing scalable solutions. We use our expertise in risk management to develop a sound market-based approach. We seek to partner with and leverage the strengths and financial clout of the various existing institutions active in developing countries, including official donors, development finance institutions and the private sector.

Our own role is three-fold. We apply our expertise in risk and financial markets; we use our network to identify those opportunities with the potential to make the biggest development impact; and we aim to be the incubator in partnership with others to realize operationally and financially sustainable solutions to the identified market gaps. We consequently manage very responsibly successfully developed concepts to serve markets and institutional infrastructure.

All Cardano Development initiatives have the following characteristics:

- They are innovative and address a systemically important market gap in frontier markets;
- They applying a state-of-the-art financial approach to markets, risk management and operational effectiveness;
- The solution is scalable to become relevant on a macro-economic level;
- They are financially sustainable on a level as required by its financial partners.

The Stichting is the ultimate beneficial owner of Cardano Development B.V. and its subsidiaries. It does not itself perform any operational activities, other than governing Cardano Development B.V. The governance role of the members of the Stichting's Board of Trustees is formalized among others through their simultaneous membership of the supervisory board of Cardano Development B.V.

Rotterdam, 14 July 2017

Chairman of the Board  
Board

Treasurer of the Board

Vice-Chairman of the

Theo Kocken

Jaap Koelewijn

Arjan Erkel

## **FINANCIAL STATEMENTS**

Stichting Cardano Development, Rotterdam

BALANCE SHEET AS AT 31 DECEMBER 2016

	<u>31 December 2016</u>		<u>31 December 2015</u>	
	€	€	€	€
<b>ASSETS</b>				
<b>FIXED ASSETS</b>				
<b>Financial fixed assets</b>				
Participations in Cardano Development B.V.	1	1.486.562	1.076.615	
Other amounts receivable	2	<u>1</u>	<u>1</u>	
		1.486.563	1.076.616	
<b>CURRENT ASSETS</b>				
<b>Receivables</b>				
Receivables from associated companies	3	298.527	418.011	
<b>Cash and cash equivalents</b>				
Rabobank		774	71	
		<u>1.785.864</u>	<u>1.494.698</u>	

**Stichting Cardano Development, Rotterdam**

		<u>31 December 2016</u>		<u>31 December 2015</u>	
		€	€	€	€
<b>LIABILITIES</b>					
<b>Equity</b>	4		1.039.474		634.474
<b>Long-term liabilities</b>					
Subordinated loans	5		700.000		800.000
<b>Short-term liabilities</b>					
Other liabilities and accrued expenses	6		46.390		60.224
			<u>1.785.864</u>		<u>1.494.698</u>

Stichting Cardano Development, Rotterdam

STATEMENT OF INCOME AND EXPENSES FOR THE YEAR 2016

		2016		2015	
		€	€	€	€
<b>Income</b>	7		100.000		98.685
Other operating expenses	8		<u>56.379</u>		<u>10.237</u>
<b>Operating result</b>			43.621		88.448
Financial income and expense	9		<u>-48.568</u>		<u>-54.216</u>
<b>Result from ordinary activities</b>			-4.947		34.232
Share in result from participations	10		<u>409.947</u>		<u>-614.920</u>
<b>Net result</b>			<u>405.000</u>		<u>-580.688</u>

## **Stichting Cardano Development, Rotterdam**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **General**

The financial statements have been prepared according to Title 9, Book 2 BW of the Netherlands Civil Code. For foundations article 2:10 BW is applicable instead of Title 9, Book 2 BW. However, if a foundation holds subsidiaries with substance, we apply Title 9 Book 2 BW.

Valuation of assets and liabilities and determination of the result takes place under the historical cost convention. Unless presented otherwise, the relevant principle for the specific balance sheet item, assets and liabilities are presented at face value.

Income and expenses are accounted for on accrual basis. Profit is only included when realized on balance sheet date. Losses originating before the end of the financial year are taken into account if they have become known before preparation of the financial statements.

#### **Activities**

The activities of Stichting Cardano Development are maintaining its interest in Cardano Development B.V. and helping to develop democratization of financial markets on a global scale. For detailed information, [www.cardanodevelopment.com](http://www.cardanodevelopment.com).

#### **ANBI**

As of 19 March 2013 Stichting Cardano Development acquired its ANBI status. ANBI is also described as a Public welfare institution.

#### **Consolidation**

Cardano Development B.V. is a 100% subsidiary of Stichting Cardano Development and a group company, but excluded from the consolidation in accordance with article 2:407 2a BW.

#### **Currency**

The presentation and functional currency in this report is EURO.

## **Stichting Cardano Development, Rotterdam**

### **Accounting policies in respect of the valuation of assets and liabilities**

#### **Financial assets**

The group company subsidiaries are valued at net equity value.

Financial assets are carried at cost and the investor recognizes its share of the profits and losses of the investee in the periods when these profits and losses occur.

#### **Accounts receivables**

Upon initial recognition the receivables are included at fair value and then valued at amortized cost. The fair value and amortized cost equal the face value. Any provision for doubtful accounts deemed necessary is deducted. These provisions are determined by individual assessment of the receivable.

#### **Cash and cash equivalents**

Cash and cash equivalents are stated at face value. Unless indicated otherwise, they are at the company's free disposal.

#### **Long term liabilities**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost. Gains and losses are recognized in profit or loss when the liabilities are derecognized.

#### **Short term liabilities**

Trade payables are not interest bearing and stated at their nominal value. Amounts due to group companies are measured at face value.

### **Accounting policies in respect of result determination**

#### **General**

Income and expenses are accounted for on accrual basis. Profit is only included when realized on the balance sheet date. Losses originating before the end of the financial year are taken into account if they have become known before preparation of the financial statements.

#### **Income**

Income represents amounts received during the financial year reported on, net of discounts and value added taxes.

## **Stichting Cardano Development, Rotterdam**

### **Other operating expenses**

Expenses are based on the historical cost convention and attributed to the financial year to which they pertain.

### **Net financial result**

Interest income or expenses is the interest received or receivable, respectively paid or due to third parties.

### **Result from participations in group and affiliated companies**

Where significant influence is exercised over participations, the group's share in the participations' result is included in the statement of income and expenses.

**Stichting Cardano Development, Rotterdam**  
**NOTES TO THE BALANCE SHEET**

**FIXED ASSETS**

**Financial fixed assets**

	<u>31-12-2016</u>	<u>31-12-2015</u>
	€	€
<b>1 Participations in Cardano Development B.V.</b>		
Cardano Development B.V.	<u>1.486.562</u>	<u>1.076.615</u>

Stichting Cardano Development holds a 100% interest in Cardano Development B.V. at Rotterdam.

	<u>2016</u>	<u>2015</u>
	€	€
<b>Cardano Development B.V.</b>		
Balance as at 1 January		
Cardano Development B.V.	<u>1.076.615</u>	<u>491.535</u>
Book value as at 1 January	<u>1.076.615</u>	<u>491.535</u>
<b>Movements</b>		
Share premium	-	1.200.000
Result annual year	<u>409.947</u>	<u>-614.920</u>
Balance movements	<u>-409.947</u>	<u>585.080</u>
Balance as at 31 December		
Cardano Development B.V.	<u>1.486.562</u>	<u>1.076.615</u>
Book value as at 31 December	<u>1.486.562</u>	<u>1.076.615</u>

Stichting Cardano Development provided Cardano Development with a share premium contribution in 2015 ad. € 1,2 million.

## Stichting Cardano Development, Rotterdam

	<u>31-12-2016</u>	<u>31-12-2015</u>
	€	€
<b>2 Other amounts receivable</b>		
Echo project	<u>1</u>	<u>1</u>

In July 2013 the Board of Stichting Cardano Development approved the development of a strategic partnership with the Shell Foundation with the objective to form a fund (BIX Fund) that provides Impact-based Pre-finance for Essential Household Products and –Services. This fund is based on a pilot (Envirofit Carbon Holdings One or “ECHO”) developed in 2010 by Shell Foundation in association with Envirofit International (“Envirofit”) to proof the concept of Carbon-based Pre-finance for Envirofit cookstoves.

ECHO is wholly owned by Envirofit and is created as an SPV for the provision of aforementioned Carbon-based Pre-finance. By the end of 2013, Shell Foundation had funded ECHO directly USD 3.65 million grant support and in the course of 2013 Shell Foundation granted Stichting Cardano Development USD 1 million to provide grant support to ECHO, in order to get familiar with the details of portfolio, investment process and details of carbon pre-finance. Stichting Cardano Development has provided the USD 1 million received from Shell Foundation in accordance with the Memorandum of Understanding. Total grant funding provided to ECHO was USD 4.65 million, and the entire available funding has been invested in 17 different programs in mainly Sub-Sahara Africa.

If there is sufficient re-flow of investments back to ECHO, such funds will be used to invest in the junior tranche of BIX Fund B.V.

As there are no future liabilities, the Echo project will not affect the balance sheet of the Stichting.

## CURRENT ASSETS

### Receivables

	<u>31-12-2016</u>	<u>31-12-2015</u>
	€	€
<b>3 Receivables from associated companies</b>		
Current account Cardano Development B.V.	<u>298.527</u>	<u>418.011</u>

Stichting Cardano Development provided funding to have Cardano Development B.V. achieve her objectives. There have been no agreements made (in writing) in relation to the redemption of this receivable as well as interest and other securities.

## Stichting Cardano Development, Rotterdam

### 4 Equity

	<u>31-12-2016</u>	<u>31-12-2015</u>
	€	€
Balance as at 1 January	634.474	15.162
Result for the year	405.000	-580.688
Capital contribution TCX Fund N.V.	<u>-</u>	<u>1.200.000</u>
Total	<u>1.039.474</u>	<u>634.474</u>

A substantial increase in capital for Stichting Cardano Development was funded by a € 1.2 million capital contribution from The Currency Exchange Fund N.V. ('TCX'). The contribution is to be used for capitalizing TCX Investment Management Company B.V.

Repay of the capital contribution will occur as soon as TCX Investment Management Company B.V is no longer the fund manager of TCX.

### 5 Subordinated loans

	<u>31-12-2016</u>	<u>31-12-2015</u>
	€	€
	<u>2016</u>	<u>2015</u>
	€	€
<b>Loan Cardano Holding B.V.</b>		
Balance as at 1 January	800.000	898.685
Release	<u>-100.000</u>	<u>-98.685</u>
Balance as at 31 December	<u>700.000</u>	<u>800.000</u>
Interest percentage	6%	6%

For the purchase of the participation in Cardano Development B.V. Stichting Cardano Development received a loan of € 1.000.000 from Cardano Holding B.V. in 2013. The grants pledged in 2015 and 2016 were settled with the loan and therefore not paid in cash. The grant is not a release of interest due. The loan will annually bear interest on the principal amount at a rate of 6%.

### SHORT-TERM LIABILITIES

	<u>31-12-2016</u>	<u>31-12-2015</u>
	€	€
<b>6 Other liabilities and accrued expenses</b>		
Interest loan Cardano Holding Ltd.	37.640	42.398
Audit fee (PWC)	-	9.076
Audit Fee (EY)	7.000	7.000
Accounting fee	<u>1.750</u>	<u>1.750</u>
	<u>46.390</u>	<u>60.224</u>

## Stichting Cardano Development, Rotterdam

### NOTES TO THE STATEMENT OF INCOME AND EXPENSES

	<u>2016</u>	<u>2015</u>
	€	€
<b>7 Income</b>		
Grant Cardano Holding Ltd.	<u>100.000</u>	<u>98.685</u>

The grants pledged in 2015 and 2016 were settled with the loan and therefore not paid in cash.

	<u>2016</u>	<u>2015</u>
	€	€
<b>8 Other operating expenses</b>		
General expenses	<u>56.379</u>	<u>10.237</u>

	<u>2016</u>	<u>2015</u>
	€	€
<b>General expenses</b>		
Audit fees	47.989	7.000
Accounting fee	8.124	2.020
Insurance premium	-	1.018
Bank expenses	<u>266</u>	<u>199</u>
	<u>56.379</u>	<u>10.237</u>

	<u>2016</u>	<u>2015</u>
	€	€
<b>9 Financial income and expense</b>		
Interest loan Cardano Holding Ltd.	<u>-48.568</u>	<u>-54.216</u>

	<u>2016</u>	<u>2015</u>
	€	€
<b>10 Share in result from participations</b>		
Result from Cardano Development B.V.	<u>409.947</u>	<u>-614.920</u>

### 11 Related party transactions

Related party transactions are transfers of resources, services or obligations between related parties and Stichting Cardano Development, regardless of whether a price has been charged. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions or is part of key management of Stichting Cardano Development.

## **Stichting Cardano Development, Rotterdam**

### *Cardano Holding Ltd.*

In 2013 Cardano Holding Ltd. granted a loan to Stichting Cardano Development originally amounting to € 1.000.000. The amount to be redeemed is discussed annually.

Cardano Holding N.V. granted € 100.000 (€ 98.685 in 2015) to Stichting Cardano Development (note 7). Cardano Holding Ltd. decides on its own initiative whether there is an annual grant. There is no obligation.

## **12 Other notes**

### Average number of employees

During the year 2016, there were no employees at the company (2015: nil).

**Stichting Cardano Development, Rotterdam**

**OTHER INFORMATION**

## **Stichting Cardano Development, Rotterdam**

### **1. Other information**

Stichting Cardano Development is exempt from mentioning other information in accordance to Article 392 paragraph 5 BW 2.

The Board of a foundation or association as referred to in Article 360 paragraph 3 is not required to add the information, referred to in paragraph 1 under b and c, to the financial statements and the annual report.

The auditor's report is included on the next page of this annual report.

**Stichting Cardano Development, Rotterdam**

## Independent auditor's report

To: the board of trustees of Stichting Cardano

### Report on the audit of the financial statements 2016 included in the annual report

#### Our opinion

We have audited the financial statements 2016 of Stichting Cardano, based in Rotterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Stichting Cardano as at 31 December 2016, and of its result for 2016 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- The balance sheet as at 31 December 2016
- The statement of income and expenses for 2016
- The notes comprising a summary of the significant accounting policies and other explanatory information.

#### Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Stichting Cardano in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

### Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- Report of the board of trustees ('the management board')
- Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

## Stichting Cardano Development, Rotterdam

The management board is responsible for the preparation of the other information, including the management board's report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

## Description of responsibilities for the financial statements

### Responsibilities of the management board for the financial statements

The management board is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the management board is responsible for such internal control as the management board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the management board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the management board should prepare the financial statements using the going concern basis of accounting unless the management board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The management board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

### Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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
- Obtaining 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
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management board
- Concluding on the appropriateness of the management board's use of the going concern basis of accounting, 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

## **Stichting Cardano Development, Rotterdam**

the date of our auditor's report. However, future events or conditions may cause an company to cease to continue as a going concern

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

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

The Hague, 14 July 2017

Ernst & Young Accountants LLP

signed by R.J. Bleijs