

**Cardano Development B.V.**  
Rotterdam  
**ANNUAL REPORT 2016**

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## **Cardano Development B.V., Rotterdam**

### **MANAGEMENT BOARD REPORT**

We are pleased to present the annual report Cardano Development B.V. (the Company) for 2016.

The Company is the sole subsidiary of Stichting Cardano Development (the Stichting) and is tasked with implementing and financing its development objectives as agreed in the group's annual strategy round. It acts as the group's holding company, on behalf of the Stichting, for the operational subsidiaries within the Cardano Development group.

The year 2016 was a watershed year for the group, with substantial growth both in the business of key subsidiaries as well as material additions in new mandates, in line with our business expansion objectives. TCX Investment Management Company B.V. (TIM), our oldest and largest subsidiary, is a mature institution experiencing steady expansion together with its exclusive client TCX. Frontclear Management B.V. (FCM), established in 2015, successfully executed the early growth and development impact ambitions of its client the Frontier Clearing Corporation. We have in 2016 consolidated certain smaller initiatives, thereby focusing our investment and management attention. During 2016, TCX experienced a first credit event leading to operational tightening within TIM.

We successfully added a third operational mandate in 2016, through a new subsidiary GuarantCo Management Company Limited (GMC) established in the United Kingdom, to provide management services to the specialized development finance organization GuarantCo Limited, a member of the Private Infrastructure Development Group, under a 10-year renewable management contract. GMC started operations on 9 May 2016, with the team inherited from its predecessor.

As requested by TIM's regulator, the reinforced management of a development capital pool on behalf of KfW and the German Ministry BMZ was transferred and from TIM to Cardano Development Services B.V.

Going forward, we intend to maintain the company's strong growth strategy and focus substantial efforts in establishing, maintaining and reinforcing the company's existing strength in local financial market development (through TCX, Frontclear and GuarantCo), using our network within the development finance institutions to provide growth capital and our market knowledge and risk management expertise to continue creating innovating solutions at scale.

Financially, two of our established subsidiaries (TIM and GMC) provided us with dividend income, which is added to our reserves. The third substantial subsidiary (FCM) is maintaining a breakeven business in its growth path and is expected to contribute to dividend revenue in the coming years. During 2016, both directors of the Company provided medium-term subordinated loans to the Company to enhance its financial position.

**Cardano Development B.V., Rotterdam**

The Cardano Development group's relationship with Cardano Holding, the establishing entity of the Stichting, remains solid and our strategy continues to benefit from the association with them.

We communicate our achievements through our website. Governance and business updates, as well as audited annual reports, can be found on our website [www.cardanodevelopment.com](http://www.cardanodevelopment.com).

Rotterdam, 14 July 2017

Frank Gosselink

managing director

Joost Zuidberg

managing director

**Cardano Development B.V., Rotterdam**

**CONSOLIDATED FINANCIAL STATEMENTS**

**Cardano Development B.V., Rotterdam**

**CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2016**

(After proposal result appropriation)

		<u>31 December 2016</u>		<u>31 December 2015</u>	
		€	€	€	€
<b>ASSETS</b>					
<b>FIXED ASSETS</b>					
<b>Tangible fixed assets</b>	1		160.540		149.326
<b>Financial fixed assets</b>					
Participations in group companies	2	1		1	
Other investments	3	820.893		-	
Deferred tax assets	4	316.397		213.675	
Frontier Clearing Fund Junior Loan	5	<u>379.604</u>		<u>366.708</u>	
			1.516.895		580.384
<b>CURRENT ASSETS</b>					
<b>Receivables</b>					
Trade debtors	6	93.580		221.460	
Receivables from group companies	7	63.820		-	
Receivables	8	209.177		139.518	
Taxes	9	9.514		24.852	
Loans receivable	10	321.909		-	
Other receivables and prepaid expenses	11	<u>3.022.650</u>		<u>1.340.652</u>	
			3.720.650		1.726.482
<b>Cash and cash equivalents</b>	12		3.636.349		2.134.992
			<u>9.034.434</u>		<u>4.591.184</u>

**Cardano Development B.V., Rotterdam**

		<u>31 December 2016</u>		<u>31 December 2015</u>	
		€	€	€	€
<b>LIABILITIES</b>					
<b>Group equity</b>	13		936.426		1.076.615
<b>Long-term liabilities</b>	14		4.186.488		1.600.000
<b>Short-term liabilities</b>					
Trade creditors	15	329.016		454.273	
Liabilities to Stichting Cardano Development	16	298.527		418.011	
Taxes	17	298.905		199.663	
Other liabilities and accrued expenses	18	<u>2.985.072</u>		<u>842.622</u>	
			3.911.520		1.914.569
			<u>9.034.434</u>		<u>4.591.184</u>

Cardano Development B.V., Rotterdam

CONSOLIDATED STATEMENT OF INCOME AND EXPENSES FOR THE YEAR 2016

		2016		2015	
		€	€	€	€
<b>Income</b>	21	13.029.454		9.072.920	
Cost of income	22	<u>-1.518.908</u>		<u>-2.223.314</u>	
<b>Gross margin</b>			11.510.546		6.849.606
Wages and salaries	23	6.054.160		3.933.678	
Social security premiums and pension costs	24	355.756		169.169	
Other staff expenses	25	614.841		254.102	
Depreciation of tangible fixed assets	26	42.109		53.536	
Other operating expenses	27	<u>4.456.151</u>		<u>3.062.573</u>	
<b>Total operating expenses</b>			<u>11.523.017</u>		<u>7.473.058</u>
<b>Operating result</b>			-12.471		-623.452
Financial income and expense	28		<u>96.599</u>		<u>-104.895</u>
<b>Consolidated result from operational activities before taxation</b>			84.128		-728.347
Taxation	29		<u>-56.033</u>		<u>153.852</u>
			28.095		-574.495
Share in result from participations	30		<u>-40.882</u>		<u>-40.425</u>
<b>Net consolidated result after taxation</b>			<u><u>-12.787</u></u>		<u><u>-614.920</u></u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**General**

The financial statements have been prepared in accordance with Title 9, Book 2 of The Netherlands Civil Code and the firm pronouncements in the Guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board.

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 items, assets and liabilities is 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.

The financial statements were authorized for issue by the Management Board on 14 July 2017

**Going concern**

Management declares the statements are prepared on going concern basis, and refers to the Management board report for substantiation.

**Foreign currency translation**

Items included in the consolidated financial statements of Cardano Development B.V. are valued with due regard for the currency in the economic environment in which the company carries out most of its activities (the functional currency).

The following companies have a functional currency which differs from Cardano Development B.V.:

- Cardecho B.V., functional currency is USD;
- GuarantCo Management Company Ltd is GBP.

The functional currencies have been translated into EUR.

**Description of the most important activities of the entity**

The activities of Cardano Development B.V., having its legal seat at Weena 690, 3012 CN Rotterdam, The Netherlands (Chamber of Commerce number 24488122), primarily consist of holding and financial activities. All entities within the Cardano Development Group provide financial risk management products in emerging markets. For detailed information, [www.cardanodevelopment.com](http://www.cardanodevelopment.com).

**Consolidation**

Financial information relating to group companies and other legal entities which are controlled by Cardano Development B.V. or where central management is conducted has been consolidated in the financial statements of Cardano Development B.V.

## **Cardano Development B.V., Rotterdam**

Financial information relating to the group companies and the other legal entities and companies included in the consolidation is fully included in the consolidated financial statements, eliminating the intercompany relationships and transactions.

In the consolidated accounts the results for the following companies are included:

- Cardano Development B.V.;
- TCX Investment Management Company B.V. 100% (2015: 100%);
- Coin-Re B.V. 100% (2015: 100%);
- Mantis B.V. 100% (2015: 100%);
- BIX Capital B.V. 100% (2015: 100%);
- Frontclear Management B.V. 100% (2015: 100%);
- Cardano Development Depository B.V. (liquidated as per 29 December 2015);
- Cardano Development Services B.V. 100% (2015: 100%);
- CD DGGF B.V. 100% (2015: 100%);
- Cardecho B.V. 100% (2015: 100%);
- Dutch Good Growth Fund Managers B.V. 100% (2015: 100%); and
- GuarantCo Management Company Ltd. 100% (since 3 May 2016) (2015: -).

Frontier Clearing Corporation B.V. is a 100% (2015: 100%) subsidiary of Frontclear Management and a group company, but excluded from the consolidation due to lack of control.

### **Currency**

The presentation and functional currency in this report is Euro.

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

#### **Tangible fixed assets**

Tangible fixed assets are valued at cost less accumulated depreciation and, if applicable, impairments. Depreciation is based on the useful life and calculated as a fixed percentage of the acquisition price, taking into account any residual value. Depreciation starts at the moment of commissioning.

#### **Financial fixed assets**

Participations in group companies

The 100% interest in Frontier Clearing Corporation B.V. is not consolidated and thus valued at cost. Any dividend distributed to Frontclear Management B.V. is recognized as dividend income.

Frontclear Management B.V. (further FCM) is the single shareholder and manager of Frontier Clearing Corporation B.V., (further FCC). FCC operates within the mandate provided to it by the investors in the Frontier Clearing Funds. The Frontier Clearing Funds are the holders of FCC's debt instruments. The voting rights attached to the interest of FCM in FCC are restricted by the Terms & Conditions of the Frontier Clearing Funds and the FCC Supervisory Board, effectively appointed by the Joint Investor Meeting of the Frontier Clearing Funds, which exercises significant control over the management and shareholder of FCC. As the Joint Investor Meeting of the Frontier Clearing Funds has control over FCC,

FCM and thus Cardano Development B.V. is not required to consolidate FCC.

## **Cardano Development B.V., Rotterdam**

### **Other investments**

The investments are loans provided and are valued at amortized cost, using the FX-rate at balance sheet date. FX results are recognized through the statement of income and expenses.

### **Deferred tax assets**

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

### **Frontier Clearing Fund Junior capital**

The Frontier Clearing Fund Junior capital is valued at amortized cost, using the FX-rate at balance sheet date. FX results are recognized through the statement of income and expenses.

### **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 receivables.

### **Cash and cash equivalents**

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

### **Equity**

A legal reserve was formed for translation differences related to subsidiaries with different functional currency. FX results due to translation of the functional currencies of the subsidiaries to Euro are directly accounted for the so-called translation reserve.

### **Long term liabilities**

Upon initial recognition, loans and liabilities recorded are stated at fair value and then valued at amortized cost.

### **Short term liabilities**

Upon initial recognition the short-term liabilities are included at fair value and then valued at amortized cost. The fair value and amortized cost equal the face 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.

## **Cardano Development B.V., Rotterdam**

### **Income**

Income represents amounts invoiced and/or awarded for services supplied during the financial year reported on, net of discounts and value added taxes.

Revenues from services are recognized in proportion to the services rendered. The cost price of these services is allocated to the same period.

### **Gross margin**

The gross margin consists of the net income, other operating income and cost of sales.

### **Depreciation and amortization**

The calculation of depreciation on fixed assets is based on the purchase price. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. Realized capital gains and losses on the disposal of fixed assets are included under depreciation and amortization expenses.

### **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 and expenses is the interest received or receivable, respectively paid or due to third parties.

### **Taxation**

Corporate income tax is calculated at the applicable rate on the result for the financial year, taking into account permanent differences between profit calculated according to the financial statements and profit calculated for taxation purposes, and with which deferred tax assets (if applicable) are only valued insofar as their realization is likely.

### **Result from participation in group companies**

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

NOTES TO THE CONSOLIDATED BALANCE SHEET

FIXED ASSETS

	<u>31-12-2016</u>	<u>31-12-2015</u>
	€	€
<b>1 Tangible fixed assets</b>		
Computers	121.736	104.719
Other office equipment	27.085	26.551
Office equipment	<u>11.719</u>	<u>18.056</u>
	<u>160.540</u>	<u>149.326</u>

**Tangible fixed assets**

	Computers	Other office equipment	Office equipment	Total
	€	€	€	€
Balance as at 1 January 2016				
Historical cost price	219.542	29.570	93.711	342.823
Accumulated depreciation	<u>-114.823</u>	<u>-3.019</u>	<u>-75.655</u>	<u>-193.497</u>
Book value as at 1 January 2016	<u>104.719</u>	<u>26.551</u>	<u>18.056</u>	<u>149.326</u>
Movements				
Investments	41.736	7.250	3.791	52.777
Depreciation	-25.106	-6.716	-10.150	-41.972
Disposal of tangible fixed assets	-5.886	-	-	-5.886
Disposal accumulated depreciation	5.749	-	-	5.749
Currency translation differences	<u>524</u>	<u>-</u>	<u>22</u>	<u>546</u>
Balance movements	<u>17.017</u>	<u>534</u>	<u>-6.337</u>	<u>11.214</u>
Balance as at 31 December 2016				
Historical cost price	255.393	36.819	97.502	389.714
Accumulated depreciation	-134.181	-9.734	-85.805	-229.720
Currency translation differences	<u>524</u>	<u>-</u>	<u>22</u>	<u>546</u>
Book value as at 31 December 2016	<u>121.736</u>	<u>27.085</u>	<u>11.719</u>	<u>160.540</u>
Depreciation percentages	<u>20%</u>	<u>20%</u>	<u>20%</u>	

## Cardano Development B.V., Rotterdam

2015	Computers	Other office equipment	Office equipment	Total
	€	€	€	€
Balance as at 1 January 2015				
Historical cost price	217.032	-	89.130	306.162
Accumulated depreciation	<u>-141.022</u>	-	<u>-63.913</u>	<u>-204.935</u>
Book value as at 1 January 2015	<u>76.010</u>	<u>-</u>	<u>25.217</u>	<u>101.227</u>
<b>Movements</b>				
Investments	92.287	29.570	5.481	127.338
Depreciation	-29.035	-3.019	-12.507	-44.561
Disposal of tangible fixed assets	-89.777	-	-900	-90.677
Disposal accumulated depreciation	<u>55.234</u>	-	<u>765</u>	<u>55.999</u>
Balance movements	<u>28.709</u>	<u>26.551</u>	<u>-7.161</u>	<u>48.099</u>
Balance as at 31 December 2015				
Historical cost price	219.542	29.570	93.711	342.823
Accumulated depreciation	<u>-114.823</u>	<u>-3.019</u>	<u>-75.655</u>	<u>-193.497</u>
Book value as at 31 December 2015	<u>104.719</u>	<u>26.551</u>	<u>18.056</u>	<u>149.326</u>
Depreciation percentages	<u>20%</u>	<u>20%</u>	<u>20%</u>	

### Financial fixed assets

	<u>31-12-2016</u>	<u>31-12-2015</u>
	€	€
<b>2 Participations in group companies</b>		
Participation in Frontier Clearing Corporation B.V., Amsterdam	<u>1</u>	<u>1</u>

The participation in Frontier Clearing Corporation B.V. refers to the 100% subsidiary of Frontclear Management B.V. Frontclear Management B.V. holds and has fully paid up the single outstanding share of Frontier Clearing Corporation B.V. at EUR 1.

	<u>2016</u>	<u>2015</u>
	€	€
<b>3 Other investments</b>		
Loan The Paradigm Project	427.054	-
Loan C-Quest Capital	<u>393.839</u>	-
	<u>820.893</u>	-

#### *Loan The Paradigm Project*

The loan, a non-revolving credit facility in the aggregate principal amount of USD 900.000 to be paid in two different instalments of each USD 450.000 is provided to The Paradigm Project, L3C. The first instalment was done on 27 December 2016. The second instalment will be paid before 30 June 2018.

## Cardano Development B.V., Rotterdam

The loan needs to be repaid in full, together with any capitalised interest when Carbon Revenue from the Approved Project is realized. The full amount of the Carbon Revenue Minus Approved Verification Costs will be paid to BIX Capital until the Principal Amount Outstanding is repaid in full on or before 31 December 2022.

The interest on the loan is 6,5% per annum on the principal amount outstanding to be paid on the last day of an interest period.

The amounts (to be) received need to be used for financing, production, marketing and distribution of the EzyStove. No collateral was provided.

### *Loan C-Quest Capital*

The loan CQC is provided to C-Quest Capital Malaysia Global Stoves Limited. The maximum available facility is USD 800.000. The first instalment of the loan amounts to USD 750.000. Repayment of the loan will take place as follows:

31 December 2017	USD 335.000
31 December 2018	USD 315.000
31 December 2019	USD 270.000
31 December 2020	any outstanding accrued interest and applicable fees

The interest on the loan is 16% per annum on the principal amount outstanding to be paid on the last day of any interest period.

The loan is to be used for the in the agreement approved projects in Nigeria, Zambia and Malawi. No collateral was provided

	<u>31-12-2016</u>	<u>31-12-2015</u>
	€	€
<b>4 Deferred tax assets</b>		
Deferred tax asset fiscal unity Cardano Development B.V.	271.964	171.487
Deferred tax asset Cardecho B.V.	8.403	-
Deferred tax asset Cardano Development Services B.V.	11.508	11.508
Deferred tax asset COIN-Re B.V.	-	21.142
Deferred tax asset BIX Capital B.V.	9.538	9.538
Deferred tax asset GuarantCo Management Company Ltd.	<u>14.984</u>	<u>-</u>
	<u>316.397</u>	<u>213.675</u>

The deferred tax assets relate to fiscal losses of COIN-Re B.V., BIX Capital B.V. and Cardano Development Services B.V. over the period before the fiscal unity with Cardano Development B.V. Due to decreased activities of COIN-Re B.V., the deferred tax asset has been released.

The expectation of TCX Investment Management Company B.V., Frontclear Management B.V. and GuarantCo Management Company Ltd. related to profitability is positive and managed by the group.

**Cardano Development B.V., Rotterdam**

	<u>31-12-2016</u>	<u>31-12-2015</u>
	€	€
<b>5 Frontier Clearing Fund Junior Loan</b>		
Loan Stichting Frontclear	<u>379.604</u>	<u>366.708</u>

The loan, originally amounting to USD 400.000 was granted to Frontier Clearing Fund Junior. The loan is valued at the FX-rate on balance sheet date (1 EUR = 0,94901 USD). The market value at 31 December 2016 is € 379.879 (USD 399.236). The FX-result is recognized through the statement of income and expenses. The loan has a duration of 15 years, which can be extended.

**CURRENT ASSETS****Receivables**

	<u>31-12-2016</u>	<u>31-12-2015</u>
	€	€
<b>6 Trade debtors</b>		
Trade debtors	95.080	221.460
Provision for doubtful debts	<u>-1.500</u>	<u>-</u>
	<u>93.580</u>	<u>221.460</u>

A provision for doubtful debtors amounting to € 1.500 is deemed necessary by the board of directors of Mantis B.V.

	<u>31-12-2016</u>	<u>31-12-2015</u>
	€	€
<b>7 Receivables from group companies</b>		
Receivable Frontier Clearing Corporation B.V.	28.096	-
Receivable Frontier Fund Junior	16.744	-
Receivable Frontier Fund Senior	9.490	-
Receivable Frontier Fund Subordinated	<u>9.490</u>	<u>-</u>
	<u>63.820</u>	<u>-</u>

	<u>31-12-2016</u>	<u>31-12-2015</u>
	€	€
<b>8 Receivables</b>		
Management fee due from Frontier Clearing Corporation B.V.	130.559	93.470
Current account Frontclear Fund Junior	30.709	15.014
Current account Stichting Frontclear	18.944	1.243
Current account Frontclear Fund Senior	14.411	14.824
Current account Frontclear Fund Subordinated	<u>14.554</u>	<u>14.967</u>
	<u>209.177</u>	<u>139.518</u>

The current accounts Frontclear Fund Senior, Junior and Subordinated originate from costs charged to these funds. All receivables are due within one year.

**Cardano Development B.V., Rotterdam**

	<u>31-12-2016</u>	<u>31-12-2015</u>
	€	€
<b>9 Taxes</b>		
Corporate income tax	-	24.852
Value added tax	9.514	-
	<u>9.514</u>	<u>24.852</u>

	<u>31-12-2016</u>	<u>31-12-2015</u>
	€	€
<b>10 Loans receivable</b>		
Loan receivable C-Quest Capital	317.918	-
Staff loans	3.991	-
	<u>321.909</u>	<u>-</u>

The loan receivable from C-Quest Capital refers to the repayment of the loan on 31 December 2017 latest, amounting to USD 335.000.

	<u>31-12-2016</u>	<u>31-12-2015</u>
	€	€
<b>11 Other receivables and prepaid expenses</b>		
Performance fee GuarantCo Ltd.	1.675.094	-
Performance fee The Currency Exchange Fund N.V.	953.283	1.004.524
Guarantee deposit	66.886	29.047
Rent	63.839	27.132
Prepaid expenses	124.804	13.091
Unbilled revenue	10.677	-
Interest receivable C-Quest Capital	31.000	-
Prepaid insurance	15.356	150.340
Prepaid expenses software contracts	-	52.773
Other	81.711	63.745
	<u>3.022.650</u>	<u>1.340.652</u>

The annual performance fee is based upon parameters agreed between the company and the Supervisory Boards and approved by the shareholders. The performance fees are accounted for on an accrual basis. The guarantee deposit is not at free disposal to the organization as long as Cardano Development Services B.V. rents the offices in Amsterdam. All receivables are due within one year.

## Cardano Development B.V., Rotterdam

	<u>31-12-2016</u>	<u>31-12-2015</u>
	€	€
<b>12 Cash and cash equivalents</b>		
ABN Amro Bank N.V., deposit	1.200.000	1.200.000
Rabobank, current accounts	1.002.823	132.728
ABN Amro Bank N.V., flexible deposit	922.487	769.738
Barclays Bank PLC.	317.991	-
Cash in transit	160.522	-
Guarantee deposits	26.335	26.335
Guarantee deposits (Creditcards)	6.187	6.187
Cash	4	4
	<u>3.636.349</u>	<u>2.134.992</u>

An amount of € 80.000 is not at the company's free disposal as this amount is restricted in favor of Calvert Social Investment Foundation, Inc. for the future obligations related to the loan they provided to BIX Capital B.V. The flexible deposit is at the company's free disposal. The deposit for the amount of € 1.200.000 (2015: € 1.200.000) is held in a separate deposit which can be withdrawn upon a 31 day notice.

An amount of € 43.558 is not at the company's free disposal as this amount is pledged as a guarantee for the office rent at KIT in Amsterdam.

The guarantee deposit of € 26.335 (2015: € 26.335) is not freely available.

## Cardano Development B.V., Rotterdam

### 13 Group equity

A specification of the equity can be found in the company financial statements which are included in this report (note 33 to 36). The consolidated shareholders equity amounting to € 936.426 differs from the company's shareholders equity (€ 1.486.562)

	<u>31-12-2016</u>	<u>31-12-2015</u>
	€	€
<b>14 Long-term liabilities</b>		
Subordinated loans	1.600.000	1.600.000
Other debentures	2.372.525	-
Private loans	<u>213.963</u>	<u>-</u>
	<u>4.186.488</u>	<u>1.600.000</u>
	<u>31-12-2016</u>	<u>31-12-2015</u>
	€	€
<b><i>Subordinated loans</i></b>		
Loan Cardano Holding Ltd. Part I	850.000	850.000
Loan Cardano Holding Ltd. Part II	400.000	400.000
Loan Cardano Holding Ltd. Part III	<u>350.000</u>	<u>350.000</u>
	<u>1.600.000</u>	<u>1.600.000</u>

On 30 January 2015 and 23 February 2015, Cardano Development B.V. and Cardano Holding Ltd. agreed a 7-year term loan of EUR 850.000 with 7% annual interest, a 3-year revolving facility EUR 400.000 with a 5% annual interest and a 10-year term loan of EUR 350.000 with 7½% annual interest. The latter refinances a Cardano Development B.V. USD 400.000 investment in Frontier Clearing Fund Junior, the former two facilities were used to refund employee loans, fund an initial capitalization of Frontclear Management B.V. and fund general business requirements.

	<u>31-12-2016</u>	<u>31-12-2015</u>
	€	€
<b><i>Other debentures</i></b>		
Loan Calvert Social Investment Foundation Inc.	1.898.020	-
Loan Echo Pilot Investments	<u>474.505</u>	<u>-</u>
	<u>2.372.525</u>	<u>-</u>

#### *Loan Calvert Social Investment Foundation, Inc.*

Calvert provided Cardecho B.V. with a loan amounting to USD 2.000.000 (€ 1.898.020) to purchase the preferred shares from BIX Capital B.V. The loan is 4% interest bearing. The loan has to be repaid in 4 instalments (1 October 2019, 1 March 2020, 1 October 2020 and 1 April 2021). Interest due will be accrued and paid on the dates mentioned above. The company shall maintain a debt service reserve guarantee as described under Cash and cash equivalents.

## Cardano Development B.V., Rotterdam

Shell foundation provided an unconditional and irrevocable guarantee in favour of Calvert Social Investment Foundation, Inc. up to an amount of USD 2.000.000. The guarantee shall be reduced with the amounts paid by Cardecho B.V. and/or paid under this guarantee. As per 31 December 216 no payments were made to Calvert Social Investment Foundation Inc.

The guarantee shall expire automatically on 15 February 2022 or earlier in case payments have been made to the maximum amount of the guarantee, no guarantees obligations are outstanding or alternative credit support has been received.

### *Loan ECHO Pilot Investments*

Envirofit Carbon Holdings One LLC. provides funding to Cardecho B.V. in an aggregate amount not exceeding USD 5.000.000 (the repayable grant). All funding needs to be invested in BIX preferred shares. The loan is 4% interest bearing. Repayment schedule depends on the Cardecho Carbon Rights revenues.

	<u>31-12-2016</u>	<u>31-12-2015</u>
	€	€
<b>Private loans</b>		
Loan J. Zuidberg	134.900	-
Loan F. Gosselink	79.063	-
	<u>213.963</u>	<u>-</u>

### *Loan J. Zuidberg*

J. Zuidberg, managing director of Cardano Development, provided a loan in 2016 amounting to € 134.900. The loan is 7,5% interest bearing. The interest was accrued and added to the loan. The loan needs to be repaid within 5 years after the date of transfer (5 May 2021 for the amount of € 100.000 respectively 29 December 2021 for the amount € 30.000 including the accrued interest).

### *Loan F. Gosselink*

F. Gosselink, managing director of Cardano Development, provided a loan in 2016 amounting to € 79.063. The loan is 7,5% interest bearing. The interest was accrued and added to the loan. The loan needs to be repaid on 2 May 2021 in full including the accrued interest.

## SHORT-TERM LIABILITIES

	<u>31-12-2016</u>	<u>31-12-2015</u>
	€	€
<b>15 Trade creditors</b>		
Trade creditors	<u>329.016</u>	<u>454.273</u>

## Cardano Development B.V., Rotterdam

	<u>31-12-2016</u>	<u>31-12-2015</u>
	€	€
<b>16 Liabilities to Stichting Cardano Development</b>		
Current account Stichting Cardano Development	<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 liability as well as interest and other certainties.

	<u>31-12-2016</u>	<u>31-12-2015</u>
	€	€
<b>17 Taxes</b>		
Company tax	144.155	-
Wage tax	139.671	133.842
Pension premiums	15.079	-
Value added tax	-	65.821
	<u>298.905</u>	<u>199.663</u>

	<u>31-12-2016</u>	<u>31-12-2015</u>
	€	€
<b>18 Other liabilities and accrued expenses</b>		
Bonus personnel GuarantCo Management Company Ltd.	859.170	-
Bonus personnel TCX Investment Management Company B.V.	464.729	499.392
Accrued expenses	508.065	17.250
Management fee payable GuarantCo Ltd.	414.306	-
Deferred bonuses	253.148	-
Audit fees	129.300	35.552
Accounting fees	85.387	-
Management fee payable toThe Currency Exchange Fund N.V.	122.721	157.530
Accrued interest	87.479	59.484
Net wages	21.962	8.120
Deferred income	15.214	7.313
Invoices to be received	12.705	-
Echo Upside reserve amount	8.013	-
Rent down payments	2.873	32.210
Invoice to be received (EBRD)	-	11.455
Other payables	-	14.316
	<u>2.985.072</u>	<u>842.622</u>

The deferred bonus relates to bonuses awarded to employees of TCX Investment Company B.V. (€ 152.925) and GuarantCo Management Company Ltd. (€ 100.223) The bonuses will be paid over a period of 3 years.

## **Cardano Development B.V., Rotterdam**

### **19 Off-balance-sheet rights, obligations and arrangements**

#### *Contingent liabilities, fiscal unity*

Cardano Development B.V. is head of the Fiscal Unity for both Value Added Tax and Corporate Income Tax. Cardano Development shares a joint liability for any tax liabilities of the fiscal unity.

The fiscal unity for Value Added Tax consists of the following companies as per 1 January 2016:

- Cardano Development B.V.;
- TCX Investment Management Company B.V.;
- Coin-Re B.V.;
- Mantis B.V.;
- Cardecho B.V.
- BIX Capital B.V.;
- Frontclear Management B.V. (added as per 1 January 2016);
- Cardano Development Services B.V. (added as per 1 January 2016).

The fiscal unity for Corporate Income Tax consists of the following companies as per 1 January 2016:

- Cardano Development B.V.;
- TCX Investment Management Company B.V.;
- Coin-Re B.V.;
- Mantis B.V.;
- BIX Capital B.V. (up to 1 February 2015 and added as per 1 January 2016);
- Frontclear Management B.V.;
- Cardano Development Services B.V.
- Cardecho B.V.

CD DGGF B.V. and Dutch Good Growth Fund Managers B.V. are added to the fiscal unity for Corporate Income Tax as per 1 April 2017 since new activities will be exploited.

#### *Operating rent commitments*

Cardano Development Services B.V. has a rental contract with KIT for rent of the facilities at Mauritskade 63, 1092 AD Amsterdam. Yearly rent is approximately € 175.000 (including VAT).

On 31 July 2016 the rental contract for TCX Investment Management Company B.V.'s former office (Sarphatikade 14, Amsterdam) expired. The office rent for 2016 amounted to € 54.330.

#### *Fund Management JODEA*

Cardano Development Services B.V. was appointed the fund manager of the JODEA account in 2016. According to the agreement, all income, proceeds as well as losses and/or liabilities are for the risk and account of JODEA (effectively KfW). The annual fee for Cardano Development Services B.V. amounts to € 25.000. As per 31 december 2016, USD 29.748 remains available on the account.

## **Cardano Development B.V., Rotterdam**

### **20 Subsequent events**

In the first Quarter of 2017, Mrs. Doets stepped down as director Impact and Investment of BIX Capital B.V.

CD DGGF B.V. and Dutch Good Growth Fund Managers B.V. are added to the fiscal unity for Corporate Income Tax as per 1 April 2017.

On 28 February 2017, the Supervisory Board of FCC has awarded FCM with a Performance Fee being the sum of USD 207.829 and EUR 140.938. The amount of EUR 140.938 relates to the variable compensation of FCM staff. The remainder of the Performance Fee is vested until FCC breaks even in accordance with the conditions set forth in the FCC Management Agreement.

On 16 February 2017, TCX Investment Management Company B.V. received in full the performance fees due to the Company at 31 December 2016, being EUR 953.283.

Referring to the ECHO Pilot Investment loan, on 13 February 2017 the next instalment of USD 500.000 was received by Cardecho B.V.

NOTES TO THE CONSOLIDATED STATEMENT OF INCOME AND EXPENSES

	<u>2016</u>	<u>2015</u>
	€	€
<b>21 Income</b>		
Management fee	9.267.740	5.897.654
Performance fee	3.004.730	1.004.524
Project JODEA	441.212	1.017.890
Subscription fees (OGR)	96.287	669.292
Grant Shell Foundation	66.597	461.598
Rent	61.518	21.962
Other income	91.370	-
	<u>13.029.454</u>	<u>9.072.920</u>

Management fee TCX Investment Management B.V. ('TIM')

The supervisory board of The Currency Exchange Fund N.V. ('TCX'). agreed to an annual budget. The budget for TCX is payable monthly in advance with reconciliation to actual cost at year end.

Management fee Frontclear Management B.V.

Annual fund management fees received from the Frontier Clearing Corporation B.V. ('FCC') and the Frontier Clearing Funds are recognized on an accrual basis. The management fee to FCC is based on actual costs incurred and is invoiced to FCC on a monthly basis. The management fee to FCC is recognized in the period it is invoiced. The part of the management fee invoiced relating to capitalized costs is recognized in the balance sheet and released in accordance with the costs it relates to. At year-end, any costs in the income statement recoverable under the management fee but not yet invoiced to FCC are recognized in the balance sheet as management fee to be invoiced

Performance fee

The annual performance fee is driven by parameters agreed between the company and the Supervisory Boards and approved by the shareholders. The performance fee for TCX Investment Management Company B.V and GarantCo Management Company Ltd. is accounted for on accrual basis. The performance fee for Frontclear Management B.V. is entirely based on discretionary elements subject to the approval of the 'FCC Supervisory Board' in 2017 and subsequently no accrual has been included as per 31 December 2016.

Project JODEA

Project JODEA income in Mantis are costs recovered from a Joint Donor Escrow Account (via TCX Fund N.V.). The JODEA account is used for projects related to local currency finance with high development potential. Eligible initiatives are presented to TCX's Donor committee for approval prior to implementation.

Grants

With respect to the grants, there are no conditions remaining and therefore the grants are not recoverable by the European Bank for Reconstruction and Development or Shell Foundation. Due to scaling down activities, Mantis received substantially less grants.

Rent

The rent income relates to rent charged to external parties (non-group companies).

## Cardano Development B.V., Rotterdam

	<u>2016</u>	<u>2015</u>
	€	€
<b>22 Cost of income</b>		
External party hire	<u>1.518.908</u>	<u>2.223.314</u>

Cardano Development entered into Service Level Agreements with external parties for back office facilities and obtaining data for macroeconomic risk modelling. Due to scaling down the activities of Mantis, the costs of OGR reduced substantially.

	<u>2016</u>	<u>2015</u>
	€	€
<b>23 Wages and salaries</b>		
Wages and salaries	4.330.647	3.418.674
Bonus personnel	1.703.513	499.323
Taxation WKR	-	15.681
Severance pay	<u>20.000</u>	-
	<u>6.054.160</u>	<u>3.933.678</u>

The severance pay was paid to a former employee of TCX Investment Management Company B.V.

### Average number of employees

	<u>2016</u>	<u>2015</u>
Cardano Development B.V.	-	1
TCX Investment Management Company B.V	15	15
Coin-Re B.V.	-	1
Mantis B.V.	-	1
Frontclear Management B.V.	5	5
BIX Capital B.V.	2	2
Cardano Development Services B.V.	4	2
Guarantco Management Company Ltd.	<u>17</u>	-
	<u>43</u>	<u>27</u>

	<u>2016</u>	<u>2015</u>
	€	€
<b>24 Social security premiums and pension costs</b>		
Social security charges	291.212	169.169
Pension costs	<u>64.544</u>	-
	<u>355.756</u>	<u>169.169</u>

The pension costs relate to GuarantCo Management Company Ltd. and is a defined contribution scheme.

**Cardano Development B.V., Rotterdam**

	<u>2016</u>	<u>2015</u>
	€	€
<b>25 Other staff expenses</b>		
Third party services	209.657	82.753
Sickness insurance	109.144	66.793
Recruitment expenses	57.273	-
Study and training expenses	50.439	51.327
Expense allowance	44.052	2.820
Allowance for travelling and hotel expenses	10.121	15.443
Compensation sickness insurance	-	-24.840
Other staff expenses	<u>134.155</u>	<u>59.806</u>
	<u>614.841</u>	<u>254.102</u>

	<u>2016</u>	<u>2015</u>
	€	€
<b>26 Depreciation of tangible fixed assets</b>		
Computers	25.106	29.035
Office equipment	10.150	12.507
Other office equipment	<u>6.716</u>	<u>3.019</u>
	41.972	44.561
Loss on disposal of fixed assets	<u>137</u>	<u>8.975</u>
	<u>42.109</u>	<u>53.536</u>

	<u>2016</u>	<u>2015</u>
	€	€
<b>27 Other operating expenses</b>		
Housing expenses	286.884	240.908
Travel and marketing expenses	1.078.521	854.254
Office expenses	806.630	651.823
General expenses	2.281.891	1.306.576
Project costs	<u>2.225</u>	<u>9.011</u>
	<u>4.456.151</u>	<u>3.062.572</u>

The general expenses mainly consist of Advisory fees ad. € 910.169 (2015: € 571.970) and insurance premium ad. € 279.069. The general increase of operating expenses is due to the new subsidiary (Guarantco Management Company Ltd.).

In the general expenses the remuneration for the Supervisory Board was recognized for the amount of € 5.200.

	<u>2016</u>	<u>2015</u>
	€	€
<b>28 Financial income and expense</b>		
Other interest and similar income	268.695	2.823
Revenues of receivables from fixed assets and securities	-	-2.439
Interest and similar expenses	<u>-172.096</u>	<u>-105.279</u>
	<u>96.599</u>	<u>-104.895</u>

**Cardano Development B.V., Rotterdam**

	<u>2016</u>	<u>2015</u>
	€	€
<b><i>Other Interest and similar income</i></b>		
FX differences	233.963	-
Interest loan C-Quest Capital	31.000	-
Other interest receivable	<u>3.732</u>	<u>2.823</u>
	<u>268.695</u>	<u>2.823</u>

	<u>2016</u>	<u>2015</u>
	€	€
<b><i>Interest and similar expenses</i></b>		
Interest loans Cardano Holding Ltd.	107.615	90.104
Upside grant Echo	8.013	-
Interest loan Calvert	46.959	-
Interest loan directors	8.963	-
FX difference	-	11.841
Other interest expenses	<u>546</u>	<u>3.334</u>
	<u>172.096</u>	<u>105.279</u>

	<u>2016</u>	<u>2015</u>
	€	€
<b>29 Taxation</b>		
Deferred tax benefit	108.660	153.852
Corporate income tax GuarantCo Management Company Ltd.	-143.551	-
Release deferred tax asset COIN-Re B.V.	<u>-21.142</u>	<u>-</u>
	<u>-56.033</u>	<u>153.852</u>

	<u>2016</u>	<u>2015</u>
	€	€
<b>30 Share in result from participations</b>		
BIX Capital B.V.	7.195	-
COIN-Re B.V.	-44.717	-
Cardano Development Services B.V.	-3.360	-
Cardano Development Depository B.V.	<u>-</u>	<u>-40.425</u>
	<u>-40.882</u>	<u>-40.425</u>

The result from participations in 2015 relates to a liquidation loss of Cardano Development Depository B.V, which was liquidated on 29 December 2015.

The result from participations in 2016 relate to differences between the valuation of the subsidiary in the stand alone annual account and the consolidated annual account.

## **Cardano Development B.V., Rotterdam**

### **Related party transactions**

Related party transactions are transfers of resources, services or obligations between related parties and Cardano Development B.V., regardless of whether a price has been charged. The transactions are at arm's length. 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 Cardano Development B.V.

#### *Stichting Cardano Development*

Stichting Cardano Development provides funding to Cardano Development B.V. to have Cardano Development achieve her objectives. The funding is provided as a current account.

#### *Cardano Development B.V.*

Cardano Development B.V. paid in 2016 amounts in total of GBP 125.000 to capitalize GuarantCo Management Company Ltd.

The management provided loans amounting to € 213.963. The loans are 7,5% interest bearing.

#### *TCX Investment Management Company B.V.*

TCX Investment Management Company B.V. entered into Service Level Agreements with Cardano Development Services B.V. with respect to RiskCo and secondment of employees amounting to € 20.000 respectively € 15.000.

Cardano Development Services B.V. charges rent for an annual amount of approximately € 194.000.

#### *Frontier Clearing Corporation B.V.*

Cardano Development B.V. is the single shareholder of Frontclear Management B.V. who is the single shareholder of Frontier Clearing Corporation B.V. The loan, originally amounting to USD 400.000 was granted to Frontier Clearing Fund Junior. The market value at 31 December 2016 is € 379.879 (USD 399.236).

#### *Frontclear Management B.V.*

Frontclear Management B.V. entered into a Service Level Agreements with Cardano Development Services B.V. for secondment of management amounting to € 52.500 and for and for operational support by a non-related CDS staff member. The secondment agreement for operational support to the FTAP program was entered into on 1 May 2016, has been extended on 1 November 2016 and is ongoing at 31 December 2016. The remuneration agreed is EUR 4,600 per quarter which have been charged to the FTAP program as approved by the Donor Committee.

Frontclear Management B.V. received a management fee from Frontier Clearing Corporation B.V. in 2016 for the amount of € 1.781.756.

#### *Cardecho B.V./Bix Capital B.V.*

BIX Capital B.V. issued 2.500.000 shares of each nominal USD 1 to Cardecho B.V. Cardecho B.V. paid the issued shares in full. The funding was not provided by a related party. An amount of USD 120.000 was received relating to USD 28.211 interest over 2016 and USD 91.789 as amounts received in advance. BIX Capital B.V. entered into an SLA with Cardano Development B.V. for € 75.000.

## Cardano Development B.V., Rotterdam

### *Cardano Development Services B.V.*

In 2016 Cardano Development Services B.V. was appointed program manager of the JODEA account and replaced TCX Mauritius. In light of this an amount of USD 2.639.472 was received from TCX Fund N.V. In accordance with the agreement and instructions by KfW, Cardano Development Services B.V. consequently invested an amount of USD 2.609.723 in Frontier Clearing Fund Subordinated.

Based on Service Level Agreements Cardano Development Services B.V. charged the following group companies:

Mantis B.V.	€ 60.000
BIX Capital B.V.	€ 17.500
Frontclear Management B.V.	€ 52.500
TCX Investment Management Company B.V.	€ 35.000
GuarantCo Management Company Ltd.	€ 201.400

Rent and other shared costs was charged amounting to € 278.359.

### *Private temporary loan*

These loans were provided in the course of 2016 by the management and employees of Cardano Development B.V. and its subsidiaries. The loans are 7,5% interest bearing.

The loan provided by J. Zuidberg to the amount of € 134.900 including accrued interest needs to be repaid within 5 years after the date of transfer (5 May 2021 for the amount of € 100.000 respectively 29 December 2021 for the amount € 30.000 including the accrued interest).

The loan provided by F. Gosselink to the amount of € 79.063 including accrued interest needs to be repaid on 2 May 2021 in full including the accrued interest.

## Cardano Development B.V., Rotterdam

### 31 Fiscal position of the Fiscal unity

As of 19 March 2013, there is fiscal unity for corporate income tax with Cardano Development B.V., TCX Investment Management Company B.V., Coin-Re B.V., Mantis B.V. and BIX Capital B.V.

As of 1 July 2014, Cardano Development Depository B.V. was added to the fiscal unity. Cardano Development Depository was liquidated on 29 December 2015.

BIX Capital B.V. is no longer part of the fiscal unity as of 1 February 2015. As of 1 January 2016, BIX Capital B.V. is part of the fiscal unity again.

As of 1 January 2016, both Frontclear Management B.V. and Cardano Development Services B.V. were added to the fiscal unity.

	<u>2016</u>
	€
<b>Calculation taxable amount</b>	
Result before taxation Cardano Development B.V.	-240.884
Result before taxation BIX Capital B.V.	-422.545
Result before taxation TCX Investment Management Company B.V.	488.554
Result before taxation CD DGGF B.V.	-
Result before taxation COIN-Re B.V.	-29.469
Result before taxation Mantis B.V.	-22.867
Result before taxation Cardano Development Services B.V.	-258.778
Result before taxation Cardecho B.V.	-42.012
Result before taxation Frontclear Management B.V.	-
Result before taxation GuarantCo Management Company Ltd.	<u>631.906</u>
	103.905
Participation exemption GuarantCo Management Company Ltd.	<u>-631.906</u>
	-528.001
Application Lump Sum (€ 3.459.233 * 0,40%)	13.837
Non deductible amounts	<u>32</u>
	-514.132
Small scale investment allowance	-4.014
Dividend on cumulative pref shares	<u>-25.152</u>
Taxable amount	<u><u>-543.300</u></u>

## Cardano Development B.V., Rotterdam

2016

€

### Statement of Income and Expenses

In the statement of income and expenses corporate tax has been processed as follows:

Corporate Income Tax payable GuarantCo Management Company	-143.551
Deferred tax benefit	108.660
Release deferred tax asset COIN-Re B.V.	<u>-21.142</u>
Accumulated company tax	<u><u>-56.033</u></u>

The corporate income tax of Cardano Development B.V. and its subsidiaries is calculated as if the companies are liable for corporate income tax themselves. The corporate income tax is settled in the current account with Cardano Development B.V.

Available  
for  
compensation  
at the end of  
the financial  
year  
€

Year

### Loss compensation

2014	68.484
2015	799.851
2016	<u>543.300</u>
	<u><u>1.411.635</u></u>

COMPANY FINANCIAL STATEMENTS

**Cardano Development B.V., Rotterdam**

**COMPANY BALANCE SHEET AS AT 31 DECEMBER 2016**

Before result appropriation

		<u>31 December 2016</u>		<u>31 December 2015</u>	
		€	€	€	€
<b>ASSETS</b>					
<b>FIXED ASSETS</b>					
<b>Tangible fixed assets</b>					
Other office equipment			2.081		2.639
<b>Financial fixed assets</b>					
Participations in group companies	32	3.099.145		2.453.446	
Deferred tax assets		126.394		171.487	
Frontier Clearing Fund Junior Loan	5	<u>379.604</u>		<u>366.708</u>	
			3.605.143		2.991.641
<b>CURRENT ASSETS</b>					
<b>Receivables</b>					
Trade debtors		-		6.306	
Receivables from group companies	33	278.597		224.675	
Taxes	34	-		25.248	
Other receivables and prepaid expenses		<u>65.811</u>		<u>17.445</u>	
			344.408		273.674
<b>Cash and cash equivalents</b>	35		2.696		15.585
			<u>3.954.328</u>		<u>3.283.539</u>

**Cardano Development B.V., Rotterdam**

		<u>31 December 2016</u>		<u>31 December 2015</u>	
		€	€	€	€
<b>LIABILITIES</b>					
<b>Shareholders' equity</b>					
Issued share capital	36	18.000		18.000	
Share premium reserve	36	1.200.000		1.200.000	
Translation reserve	36	-162.413		-	
General reserve	36	21.028		473.535	
Result for the year		<u>409.947</u>		<u>-614.920</u>	
			1.486.562		1.076.615
<b>Long-term liabilities</b>					
Subordinated loans	37	1.600.000		1.600.000	
Other debentures and private loans	38	<u>213.963</u>		<u>-</u>	
			1.813.963		1.600.000
<b>Short-term liabilities</b>					
Trade creditors		19.291		24.224	
Liabilities to group companies	39	111.666		7.539	
Liabilities to Stichting Cardano	40				
Development		298.527		418.011	
Taxes	41	71.742		72.416	
Other liabilities and accrued expenses		<u>152.577</u>		<u>84.734</u>	
			653.803		606.924
			<u>3.954.328</u>		<u>3.283.539</u>

COMPANY STATEMENT OF INCOME AND EXPENSES FOR THE YEAR 2016

	2016		2015	
	€	€	€	€
<b>Income</b>		104.559		-
Personnel expenses	44	11.760	29.129	
Depreciation of tangible fixed assets	45	558	153	
Other operating expenses	46	<u>232.119</u>	<u>208.984</u>	
<b>Total operating expenses</b>		<u>244.437</u>		<u>238.266</u>
<b>Operating result</b>		-139.878		-238.266
Financial income and expense	47	<u>-101.006</u>		<u>-103.968</u>
<b>Result from operational activities before taxation</b>		-240.884		-342.234
Taxation		<u>65.355</u>		<u>128.904</u>
		-175.529		-213.330
Share in result from participations	48	<u>585.476</u>		<u>-401.590</u>
<b>Net result after taxes</b>		<u><u>409.947</u></u>		<u><u>-614.920</u></u>

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

### **Financial fixed assets**

The group company subsidiaries are valued at net equity value. The financial statements have been prepared in accordance with Title 9, Book 2 of the Netherlands Civil Code and the firm pronouncements in the Guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board.

Financial assets are initially measured at the fair value of the identifiable assets and liabilities upon acquisition. Any subsequent valuation is based on the accounting policies that apply to these financial statements, taking into account the initial valuation.

If an asset qualifies as impaired, it is measured at its impaired value; any write-offs are disclosed in the income statement.

If Cardano Development is not liable for debts and liabilities for the subsidiary, the minimum valuation of a subsidiary will be nil in case of a negative share holders' equity.

### **Accounting principles for determining the result**

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

Where significant influence is exercised over participations, the group's share in the participation's result is included in the consolidated statement of income and expenses. Result from participation includes losses on discontinued operations.

NOTES TO THE COMPANY BALANCE SHEET

**Financial fixed assets**

**Register of participations**

For the register of participation we refer to the notes to the consolidated report

	<u>31-12-2016</u>	<u>31-12-2015</u>
	€	€
<b>32 Participations in group companies</b>		
COIN-Re B.V.	1	1
TCX Investment Management Company B.V.	2.255.680	2.230.468
Mantis B.V.	4.153	23.447
BIX Capital B.V.	1	1
Frontclear Management B.V.	198.628	199.527
Cardano Development Services B.V.	2	1
Cardecho B.V.	2	1
GuarantCo Management Company Ltd	640.678	-
	<u>3.099.145</u>	<u>2.453.446</u>

**CURRENT ASSETS**

**Receivables**

	<u>31-12-2016</u>	<u>31-12-2015</u>
	€	€
<b>33 Receivables from group companies</b>		
Current account COIN-Re B.V.	15.078	13.001
Current account BIX Capital B.V.	-	15.908
Current account TCX Investment Management Company B.V.	146.313	130.536
Current account Cardano Development Services B.V.	56.523	49.917
Current account Frontclear Management B.V.	32.460	15.311
Current account Frontier Clearing Corporation B.V.	28.223	2
	<u>278.597</u>	<u>224.675</u>

Concerning the current accounts of the above mentioned group companies, no agreements are made (in writing) in relation to the redemption of this receivable as well as interest and other securities.

Due to negative equity of COIN-Re B.V., Cardano Development Services B.V. and CD DGGF B.V. provisions were made on the current accounts equal to the negative equity of the participations.

The nominal value of the current accounts amount to:

- COIN-Re B.V.	€ 1.119.946
- Cardano Development Services B.V.	€ 295.145
- CD DGGF B.V.	€ 254

**Cardano Development B.V., Rotterdam**

	<u>31-12-2016</u>	<u>31-12-2015</u>
	€	€
<b>34 Taxes</b>		
Corporate income tax	<u>-</u>	<u>25.248</u>

	<u>31-12-2016</u>	<u>31-12-2015</u>
	€	€
<b>35 Cash and cash equivalents</b>		
Rabobank, current accounts	<u>2.696</u>	<u>15.585</u>

SHAREHOLDERS' EQUITY

36 Shareholders' equity

	Issued share capital	Share premium	Translation reserve	General reserve	Result for the year	Total
	€	€	€	€	€	€
Balance as at 1 January 2016	18.000	1.200.000	-	473.535	-614.920	1.076.615
Result for the year	-	-	-	-	409.947	409.947
Appropriation of result previous year	-	-	-	-614.920	614.920	-
Movement in financial year			-162.413	162.413		-
	<u>18.000</u>	<u>1.200.000</u>	<u>-162.413</u>	<u>21.028</u>	<u>409.947</u>	<u>1.486.562</u>

The authorized share capital amounts to € 90.000 and consists of 90.000 ordinary shares of € 1. At 31 December 2016, 18.000 ordinary shares have been issued and fully paid and this has not changed compared to 31 December 2015.

Stichting Cardano Development (the company's 100% owner) provided the Company with a share premium contribution in 2015 ad. € 1,2 million, used for capitalization of its subsidiary TCX Investment Management Company B.V.

The translation reserve is a legal reserve and is a result of the translation from the functional currency in Euro. The currency of Cardecho B.V is USD and GuarantCo Management Ltd. Is GBP.

The difference between the companies and the consolidated shareholders' equity can be specified as follows:

	Shareholders' equity as per 31 Dec. 2016	Valuation as per 31 Dec. 2016	Valuation difference	2016 €
Companies shareholders' Equity				1.486.562
Consolidated shareholders' equity				936.426
Difference				<u>550.136</u>
Bix Capital B.V.	- 353.619	1	- 353.620	
Cardecho B.V.	- 34.102	1	<u>- 34.103</u>	
Valuation differences				-387.623
Translation differences				<u>-162.413</u>
Total				-

## Cardano Development B.V., Rotterdam

### 37 Subordinated loans

For details please refer to the notes to the consolidated balance sheet.

### 38 Other debentures and private loans

For details please refer to the notes to the consolidated balance sheet.

## SHORT-TERM LIABILITIES

	<u>31-12-2016</u>	<u>31-12-2015</u>
	€	€
<b>39 Liabilities to group companies</b>		
Current account Mantis B.V.	<u>111.666</u>	<u>7.539</u>

This is a liability to Mantis B.V. There have been no agreements made (in writing) in relation to the redemption of this liability as well as interest and other securities.

	<u>31-12-2016</u>	<u>31-12-2015</u>
	€	€
<b>40 Liabilities to Stichting Cardano Development</b>		
Current account Stichting Cardano Development	<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 liability as well as interest and other securities.

	<u>31-12-2016</u>	<u>31-12-2015</u>
	€	€
<b>41 Taxes</b>		
Value added tax	69.610	65.822
Company tax	2.132	-
Wage tax	-	6.594
	<u>71.742</u>	<u>72.416</u>

## **Cardano Development B.V., Rotterdam**

### **42 Off-balance-sheet rights, obligations and arrangements**

#### *Contingent liabilities, fiscal unity*

Cardano Development B.V. is head of the Fiscal Unity for both Value Added Tax and Corporate Income Tax. Cardano Development shares a joint liability for any tax liabilities of the fiscal unity.

The fiscal unity for Value Added Tax consists of the following companies as per 1 January 2016:

- Cardano Development B.V.;
- TCX Investment Management Company B.V.;
- Coin-Re B.V.;
- Mantis B.V.;
- Cardecho B.V.;
- BIX Capital B.V. (added as per 1 January 2016);
- Frontclear Management B.V. (added as per 1 January 2016);
- Cardano Development Services B.V. (added as per 1 January 2016).

The fiscal unity for Corporate Income Tax consists of the following companies as per 1 January 2016:

- Cardano Development B.V.;
- TCX Investment Management Company B.V.;
- Coin-Re B.V.;
- Mantis B.V.;
- Cardecho B.V.;
- BIX Capital B.V.;
- Frontclear Management B.V.;
- Cardano Development Services B.V.

CD DGGF B.V. and Dutch Good Growth Fund Managers B.V. are added to the fiscal unity for Corporate Income Tax as per 1 April 2017.

### **43 Appropriation of result**

The management board of the company proposes to appropriate the result as follows:

The result for the year 2016 in the amount of € 409.947 will be added in full to the other reserves.

This proposal needs to be approved by the General Meeting and has therefore not yet been processed in the annual accounts 2016 for the company.

NOTES TO THE COMPANY STATEMENT OF INCOME AND EXPENSES

	<u>2016</u>	<u>2015</u>
	€	€
<b>44 Personnel expenses</b>		
Wages and salaries	10.000	10.646
Social security premiums and pension costs	-	10.057
Other staff expenses	<u>1.760</u>	<u>8.426</u>
	<u>11.760</u>	<u>29.129</u>

	<u>2016</u>	<u>2015</u>
	€	€
<b>Wages and salaries</b>		
Wages and salaries	10.000	170.646
Rechargeable salary costs	-	-160.000
	<u>10.000</u>	<u>10.646</u>

The rechargeable salary costs in 2015 refer to salary costs of the management which are charged to Cardano Development Services B.V. In 2016 all employees were hired by Cardano Development Services B.V. Cardano Development Services B.V. entered into SLA with subsidiaries of Cardano Development B.V.

	<u>2016</u>	<u>2015</u>
	€	€
<b>45 Depreciation of tangible fixed assets</b>		
Other office equipment	<u>558</u>	<u>153</u>

	<u>2016</u>	<u>2015</u>
	€	€
<b>46 Other operating expenses</b>		
Housing expenses	-	12.000
Travel and marketing expenses	6.423	26.967
Office expenses	17.036	27.585
General expenses	<u>208.660</u>	<u>142.432</u>
	<u>232.119</u>	<u>208.984</u>

	<u>2016</u>	<u>2015</u>
	€	€
<b>47 Financial income and expense</b>		
Revenues of receivables from fixed assets and securities	-	-2.439
Other interest and similar income	15.676	416
Interest and similar expenses	<u>-116.682</u>	<u>-101.945</u>
	<u>-101.006</u>	<u>-103.968</u>

**Cardano Development B.V., Rotterdam**

	<u>2016</u>	<u>2015</u>
	€	€
<b><i>Other interest and similar income</i></b>		
Bank charges and interest	171	416
FX differences	<u>15.505</u>	<u>-</u>
	<u>15.676</u>	<u>416</u>

In 2016 there was a FX difference on the Frontclear loan amounting to € 12.896 (2015: € 13.755 expense) which is reported on the FX difference line.

	<u>2016</u>	<u>2015</u>
	€	€
<b><i>Interest and similar expenses</i></b>		
Interest loans Cardano Holding Ltd.	107.615	90.104
FX differences	-	11.841
Other interest expenses	<u>9.067</u>	<u>-</u>
	<u>116.682</u>	<u>101.945</u>

In 2015 there was a FX difference on the Frontclear loan amounting to € 13.755 which is reported on the FX difference line.

	<u>2016</u>	<u>2015</u>
	€	€
<i>Interest loans Cardano Holding Ltd.</i>		
Interest loan Cardano Holding Ltd. Part I	59.528	50.697
Interest loan Cardano Holding Ltd. Part II	20.024	17.041
Interest loan Cardano Holding Ltd. Part III	<u>28.063</u>	<u>22.366</u>
	<u>107.615</u>	<u>90.104</u>

	<u>2016</u>	<u>2015</u>
	€	€
<b>48 Share in result from participations</b>		
TCX Investment Management Company B.V.	375.212	389.155
GuarantCo Management Company Ltd.	488.355	
Frontclear Management B.V.	-899	-396
Cardano Development Services B.V.	-207.742	-30.879
Cardecho B.V.	1	-
Cardano Development Depositary B.V.	-	-40.425
Dutch Good Growth Fund B.V.	-	-253
Mantis B.V.	-19.294	-54.715
BIX Capital B.V.	-5.440	-254.831
COIN-Re B.V.	<u>-44.717</u>	<u>-409.246</u>
	<u>585.476</u>	<u>-401.590</u>

## **Cardano Development B.V., Rotterdam**

### **Other information**

Article 19:

1. The General Meeting is authorized to allocate the profits as determined by the adoption of the annual accounts and to declare distributions.
2. A resolution to make distribution on Shares will have no effect for as long as the Management Board has not granted its approval thereto.
3. Distributions on Shares may be made only up to an amount which does not exceed the amount of the Distributable Equity.
4. Distributions may only be made up to the amount of the distributable equity.
5. A claim of a Shareholder for payment of a distribution on Shares shall be barred after five years have elapsed.
6. No distributions shall be made on Shares held by the Company in its own capital, unless these Shares have been pledged or a usufruct has been created in these Shares and the authority to collect distributions or the right to receive distributions respectively accrues to the pledgee or the usufruct respectively. For the computation of distributions, the Shares on which no distributions shall be made pursuant to this article 19.6, shall not be taken into account.

### **Auditor's report of the independent accountant**

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

## Independent auditor's report

To: the shareholders and the management board of Cardano Development B.V.

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

#### Our opinion

We have audited the financial statements 2016 of Cardano Development B.V., based in Rotterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Cardano Development B.V. 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 consolidated and company balance sheet as at 31 December 2016
- The consolidated and company 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 Cardano Development B.V. 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:

- Management board's report
- Other information.

Based on the following procedures performed, we conclude that the other information is consistent with the financial statements and does not contain material misstatements.

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 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.

The management board is responsible for the preparation of the other information, including the management board's report.

## 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 the date of our auditor's report. However, future events or conditions may cause a 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

**Cardano Development B.V., Rotterdam**

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