

Stichting Cardano Development
Rotterdam
ANNUAL REPORT 2017

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Stichting Cardano Development, Rotterdam

COMPANY INFORMATION

Foundation board / Supervisory Board of Cardano Development B.V.

T.P. Kocken (Chairman of the Board)

J. Koelewijn (Treasurer of the Board)

P.A. Erkel (Vice-Chairman of the Board)

Managing Directors Cardano Development B.V.

F.J.M. Gosselink

J.M. Zuidberg

Registered Address

Weena 690,
3012 CN Rotterdam
The Netherlands

Chamber of Commerce number Stichting Cardano Development

57504091

Website

www.cardanodevelopment.com

Stichting Cardano Development, Rotterdam

REPORT OF THE BOARD OF TRUSTEES

Stichting Cardano Development is a foundation (stichting) in The Netherlands with charitable status (algemeen nut beogende instelling, or ANBI) and was established in March 2013, with Cardano Holding B.V. 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 in how this understanding 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, financial products can help mitigate risks and benefit society. 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. Or overcautiousness, missing sustainable impact and necessary development. 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 targeted financial solutions that contribute to our goals as stated above. The Board of Trustees conducts intensive discussions on the strategy with the directors of Cardano Development B.V., who are entrusted with the implementation of our objectives. In 2017, 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 private sector investors.

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 responsibly manage successfully developed concepts to serve financial markets and institutional infrastructure. We aim hereby to contribute to the Sustainable Development Goals (SDG).

Stichting Cardano Development, Rotterdam

All Cardano Development initiatives have the following characteristics:

- They are innovative and address a systemically important market gap in frontier markets;
- They apply 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 sole 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 at the supervisory board of Cardano Development B.V.

Cardano Development B.V. is the sole subsidiary of Stichting Cardano Development 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 2017 was a successful year for the group, with substantial growth both in the business of key subsidiaries as well as two new projects, in line with our business expansion objectives.

- TCX Investment Management Company B.V. (TIM), our oldest subsidiary, is a mature institution experiencing steady expansion together with its exclusive client TCX.
- Frontclear Management B.V. (FCM), successfully executed the growth and development impact ambitions of its client the Frontier Clearing Corporation.
- GuarantCo Management Company Limited (GMC) professionalized and provided management services to GuarantCo Limited, which posted a profit for the first time in its existence in 2017.
- BIX Capital B.V. achieved substantial milestones on its way to a sustainable business scale-up.

Two new projects were started:

- Water Financing Facility (WFF) mobilizes large scale private debt investments from domestic institutional investors, such as pension funds, to water and sanitation service providers in the same country, through local currency bonds. WFF's first country of activity is Kenya. It is initially funded with a EUR 10 million repayable grant in several (future) instalments provided by the Government of The Netherlands.
- Impact Loan eXchange (ILX) aims to become a platform through which leading institutional investors, such as European pension funds, can co-invest with global development banks in sustainable long-term loans in developing countries. The project is financed by the JoDEA program administered by a Cardano Development entity and funded by KfW acting on behalf of the German Government.

Stichting Cardano Development, Rotterdam

We have in 2017 further consolidated certain smaller initiatives (Coin-Re B.V. and Mantis B.V. were liquidated), thereby focusing our investment and management attention. We have reorganized Frontier Finance Solutions B.V. (formerly Cardano Development Services B.V.) to provide group-wide support for accounting, IT and risk management, partnering with our external strategic service providers DLM Finance B.V. and Cardano Risk Management B.V.

Going forward, we intend to maintain the group's strong growth strategy and focus substantial efforts in maintaining, reinforcing and expanding our 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 Cardano Development B.V. with dividend income. 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. The clear majority of revenue comes from management fees (60%) and performance fees (24%). As the impact generated and the financial sustainability of these fee generating initiatives is well managed we aim to grow these funds and companies.

For our clients the market risk is significant, but not reflected in our income. Our risk management is making sustainable impact investment possible. The perceived credit risk for our clients is high, but our processes to manage it are very extensive. Our clients (investors) are more quality driven (impact) than quantity or profit.

The Cardano Development group companies employ 50+ professionals in aggregate. 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). Cardano Development B.V. is managed by Frank Gosselink and Joost Zuidberg.

Rotterdam, 29 June 2018

Chairman of the Board

Treasurer of the Board

Vice-Chairman of the Board

Theo Kocken

Jaap Koelewijn

Arjan Erkel

CONSOLIDATED FINANCIAL STATEMENTS

Stichting Cardano Development, Rotterdam

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2017

(After proposal result appropriation)

		<u>31 December 2017</u>		<u>31 December 2016</u>	
		€	€	€	€
ASSETS					
FIXED ASSETS					
Tangible fixed assets	1		274,781		160,540
Financial fixed assets					
Participations in group companies	2	1		1	
Other investments	3	1,250,842		1,169,812	
Deferred tax assets	4	419,176		316,397	
Frontier Clearing Fund Junior Loan	5	<u>333,929</u>		<u>379,604</u>	
			2,003,948		1,865,814
CURRENT ASSETS					
Receivables					
Trade debtors	6	398,541		93,580	
Receivables from group companies	7	116,466		272,997	
Taxes	8	110,642		9,514	
Other receivables and prepaid expenses	9	<u>6,271,564</u>		<u>2,995,641</u>	
			6,897,213		3,371,732
Cash and cash equivalents	10		7,284,494		3,637,123
			<u>16,460,436</u>		<u>9,035,209</u>

Stichting Cardano Development, Rotterdam

		<u>31 December 2017</u>		<u>31 December 2016</u>	
		€	€	€	€
LIABILITIES					
Foundation capital	11		832,423		489,339
Long-term liabilities	12		8,945,815		4,886,488
Short-term liabilities					
Trade creditors	13	912,126		329,016	
Taxes	14	403,360		298,905	
Other liabilities and accrued expenses	15	<u>5,366,712</u>		<u>3,031,461</u>	
			6,682,198		3,659,382
			<u>16,460,436</u>		<u>9,035,209</u>

Stichting Cardano Development, Rotterdam

CONSOLIDATED STATEMENT OF INCOME AND EXPENSES FOR THE YEAR 2017

		2017		2016	
		€	€	€	€
Income	18	18,664,905		13,160,454	
Cost of income	19	<u>-2,861,789</u>		<u>-1,518,908</u>	
Gross margin			15,803,116		11,641,546
Wages and salaries	20	8,720,248		6,054,160	
Social security premiums and pension costs	21	656,390		355,756	
Other staff expenses	22	429,257		614,841	
Depreciation of tangible fixed assets	23	63,973		42,109	
Other operating expenses	24	<u>5,154,843</u>		<u>4,512,265</u>	
Total operating expenses			<u>15,024,711</u>		<u>11,579,131</u>
Operating result			778,405		62,415
Financial income and expense	25		<u>-637,002</u>		<u>16,765</u>
Consolidated result from operational activities before taxation			141,403		79,180
Taxation	26		<u>-14,735</u>		<u>-56,033</u>
			126,668		23,147
Share in result from participations	27		<u>-</u>		<u>-40,882</u>
Net consolidated result after taxation			<u>126,668</u>		<u>-17,735</u>

Stichting Cardano Development, Rotterdam

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR 2017

	2017		2016	
	€	€	€	€
Net result after taxation		126,668		-17,735
<i>Adjustments for:</i>				
Depreciation	64,765		42,109	
Change in current assets	-3,525,481		-1,645,250	
Change in current liabilities	2,622,816		2,102,600	
Movement in deferred tax assets	-164,734		-102,722	
		<u>-1,002,634</u>		<u>396,737</u>
Cash flow from operating activities		-875,966		379,002
Cash flow from investment activities				
Investments in tangible fixed assets	-179,812		-52,777	
Investments in financial fixed assets	-383,394		-1,096,028	
Repayment of financial fixed assets	293,605		-	
Interest income	-141,790		-31,000	
		<u>-411,391</u>		<u>-1,179,805</u>
Cash flow from financing activities				
Disbursement long term liabilities	4,809,410		2,577,525	
Redemption long term liabilities	-112,500		-100,000	
Interest expense	-8,963		8,963	
		<u>4,687,947</u>		<u>2,486,488</u>
Net cash flow		3,400,590		1,685,685
Adjustment for FX differences		<u>246,781</u>		<u>-183,625</u>
Movement in cash		3,647,371		1,502,060
Cash and cash equivalents per 1-1		<u>3,637,123</u>		<u>2,135,063</u>
Cash and cash equivalents per 31-12		<u>7,284,494</u>		<u>3,637,123</u>

Stichting Cardano Development, Rotterdam

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 considered if they have become known before preparation of the financial statements.

The financial statements were authorized for issue by the Board of Trustees on 29 June 2018.

Disclosure of deviation in prior year figures

The classification of the comparative figures for the previous financial year has only been adjusted, where applicable, for comparison and legibility. These changes mainly relate to the consolidation on the level of Stichting Cardano Development, which prompts changes in the comparative figures for the inclusion of this entity. Other changes relate to classification of accrued interest to long-term assets, tangible fixed assets and revenue.

Going concern

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

Foreign currency translation

Items included in the consolidated financial statements of Stichting Cardano Development 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 Stichting Cardano Development:

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

The functional currencies have been translated into EUR.

Description of the most important activities of the entity

The activities of Stichting Cardano Development, having its legal seat at Weena 690, 3012 CN Rotterdam, The Netherlands (Chamber of Commerce number 57504091), primarily consist of holding and financial activities, as well as helping to develop democratization of financial markets on a global scale. All entities within the Cardano Development Group provide financial risk management products in emerging markets. For detailed information, www.cardanodevelopment.com.

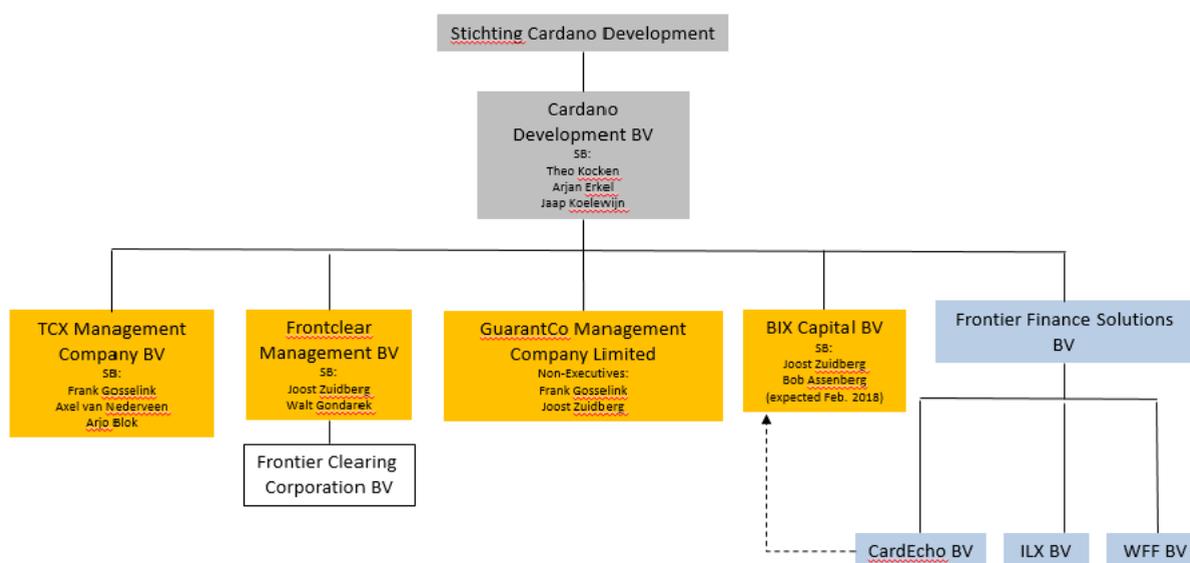
Stichting Cardano Development, Rotterdam

Consolidation

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

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 (all lines 100% ownership):



- Stichting Cardano Development, Rotterdam;
- Cardano Development B.V., Rotterdam;
- TCX Investment Management Company B.V., Amsterdam;
- COIN-Re B.V., Amsterdam; per 31 October 2017 COIN-Re B.V. was liquidated;
- Mantis B.V., Amsterdam; per 31 October 2017 Mantis B.V. was liquidated;
- BIX Capital B.V., Amsterdam;
- Frontclear Management B.V., Amsterdam;
- Frontier Finance Solutions B.V. (formerly Cardano Development Services B.V.), Amsterdam;
- WFF B.V. (formerly CD DGGF B.V.), Amsterdam;
- Cardecho B.V., Amsterdam;
- ILX B.V. (formerly Dutch Good Growth Fund Managers B.V.), Amsterdam; and
- GuarantCo Management Company Ltd., London.

Frontier Clearing Corporation B.V. is a 100% (2016: 100%) subsidiary of Frontclear Management B.V. 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.

Stichting Cardano Development, Rotterdam

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, considering any residual value. Depreciation starts at the moment of commissioning. Prepayments on tangible fixed assets are valued at cost.

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. (hereafter FCM) is the single shareholder and manager of Frontier Clearing Corporation B.V., (hereafter 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 Stichting Cardano Development is not required to consolidate FCC.

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. Deferred tax assets are valued at the nominal rate of 20%.

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 receivable

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. Unless mentioned otherwise these are at free disposal.

Stichting Cardano Development, Rotterdam

Foundation capital

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 in 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.

The FX absorption pool can be qualified as income to cover future foreign exchange losses and therefore presented under short term liabilities.

Cash flow statement

The cash flow statement is prepared according to the indirect method. The cash instruments included in the cash flow statement consist exclusively of liquid assets. Cash flows denominated in foreign currency are converted at the exchange rate at transaction date. Expenditures arising from interest and tax on profits are included in the cash flow from operating activities. Dividends paid are included under the cash flow from financing activities. The acquisition price paid for acquired participations as well as the received dividends and any selling price of participating interests are included in the cash flow from investing activities as well as the income from interest. Transactions where no exchange of cash takes place are not included in the cash flow statement. The consequences of exchange rate changes on cash instruments held or due in foreign currencies are presented in the cash flow statement to provide a reconciliation between cash at the beginning and at the end of the period.

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 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.

Stichting Cardano Development, Rotterdam

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, considering 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.

Stichting Cardano Development, Rotterdam

NOTES TO THE CONSOLIDATED BALANCE SHEET

FIXED ASSETS

	<u>31-12-2017</u>	<u>31-12-2016</u>
	€	€
1 Tangible fixed assets		
Leasehold improvements	87,709	121,736
Computer equipment	126,513	27,085
Office equipment	20,920	11,719
Deposits on tangible fixed assets	<u>39,639</u>	-
	<u>274,781</u>	<u>160,540</u>

Tangible fixed assets

	Leasehold improvements	Computer equipment	Office equipment	Deposits on tangible fixed assets	Total
	€	€	€	€	€
Balance as at 1 January 2017					
Historical cost price	255,393	36,819	97,502	-	389,714
Accumulated depreciation	-134,181	-9,734	-85,805	-	-229,720
Currency translation differences	524	-	22	-	546
Book value as at 1 January 2017	<u>121,736</u>	<u>27,085</u>	<u>11,719</u>	-	<u>160,540</u>
Reclassification historical cost price	-202,199	202,199	-	-	-
Reclassification accumulated depreciation	128,326	-128,326	-	-	-
Reclassification currency translation differences	-524	524	-	-	-
Book value as at 1 January 2017	<u>47,339</u>	<u>101,482</u>	<u>11,719</u>	-	<u>160,540</u>
Movements					
Investments	51,521	73,570	15,082	39,639	179,812
Depreciation	-11,146	-41,874	-5,826	-	-58,846
Disposal of tangible fixed assets	-	-6,280	-	-	-6,280
Disposal accumulated depreciation	-	361	-	-	361
Currency translation differences	-7	-744	-55	-	-806
Balance movements	<u>40,368</u>	<u>25,033</u>	<u>9,201</u>	<u>39,639</u>	<u>114,241</u>

Stichting Cardano Development, Rotterdam

	Leasehold improvements	Computer equipment	Office equipment	Deposits on tangible fixed assets	Total
	€	€	€	€	€
Balance as at 31 December 2017					
Historical cost price	104,715	306,308	112,584	39,639	563,246
Accumulated depreciation	-17,001	-179,573	-91,631	-	-288,205
Currency translation differences	-7	-220	-33	-	-260
Book value as at 31 December 2017	<u>87,707</u>	<u>126,515</u>	<u>20,920</u>	<u>39,639</u>	<u>274,781</u>
Depreciation percentages	<u>10-33%</u>	<u>20-33%</u>	<u>20-33%</u>	<u>0%</u>	

The deposits on tangible fixed assets pertain to newly acquired office equipment by TCX Investment Management Company B.V., which was only delivered and commissioned in 2018.

The reclassification of the leasehold improvements to computer equipment follows close scrutiny of the tangible fixed assets, after which it was found that these amounts were mostly computer equipment and therefore needed reallocation.

2016

	Leasehold improvements	Computer 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	524	-	22	546
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	524	-	22	546
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>10-33%</u>	<u>20-33%</u>	<u>20-33%</u>	

Stichting Cardano Development, Rotterdam

Financial fixed assets

	<u>31-12-2017</u>	<u>31-12-2016</u>
	€	€
2 Participations in group companies		
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>31-12-2017</u>	<u>31-12-2016</u>
	€	€
3 Other investments		
Loan C-Quest Capital	520,133	742,757
Loan The Paradigm Project	391,407	427,054
Loan Simgas IP B.V.	181,609	-
Loan BioLite	157,693	-
ECHO project	<u>-</u>	<u>1</u>
	<u>1,250,842</u>	<u>1,169,812</u>

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 and was disbursed on 29 September 2016. The final instalment of USD 50,000 was disbursed on 23 October 2017. Repayment of the loan will take place as follows, if revenues from carbon credit sales would be available. If not available, such repayments would be postponed:

31 December 2017	USD 335,000 (received in December 2017)
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. Since repayment is conditional to availability of Carbon Rights revenue, the repayment for 2018 has not been presented as current asset. No collateral was provided.

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 disbursed on 27 December 2016. The second instalment will be paid before 30 June 2018. Therefore, USD 450,000 remains as undrawn commitment. Per 28 November 2017 an amount of USD 10,935 (EUR 9,169) was repaid. The loan needs to be repaid in full, together with any capitalized interest 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.

Stichting Cardano Development, Rotterdam

Loan SimGas IP B.V.

BIX Capital B.V. provided a non-revolving credit facility to Simgas IP B.V. (including Simgas Holding B.V. as co-borrower and Simgas Kenya Ltd as co-obligor) in the aggregate principle amount of USD 581,800.

On 27 November 2017, the first instalment amounting to USD 215,800 was paid.

The principal amount is to be repaid in full on or before 31 December 2021.

The fixed interest rate on the loan is 8% per annum on the principal amount outstanding. No collateral is provided.

Loan BioLite

BIX Capital B.V. provided a non-revolving credit facility to Biolite (including Biolite Holdings Kenya Ltd., Biolite Uganda Ltd and Biolite India Private Limited as co-borrowers) in the aggregate principal amount of USD 1,147,687, which principal amount shall be made available by two separate tranches, each in several disbursements, in the respective amounts of USD 374,510 for the first tranche and USD 773,177 for the second tranche. Per 31 December 2017, USD 187,901 has been disbursed.

The Parties acknowledge that full repayment of the Principal Amount Outstanding is scheduled to occur on or before 31 December 2020. The fixed rate of interest on each loan for each interest period is 8.5% per annum.

ECHO project

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.

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.

The project finished in 2017. As there was no sufficient re-flow of the investments, no funds were received back.

	<u>31-12-2017</u>	<u>31-12-2016</u>
	€	€
4 Deferred tax assets		
Deferred tax asset fiscal unity Cardano Development B.V.	333,396	256,867
Deferred tax asset BIX Capital B.V.	62,030	24,635
Deferred tax asset Frontier Finance Solutions B.V.	11,508	11,508
Deferred tax asset Cardecho B.V.	7,454	8,403
Deferred tax asset GuarantCo Management Company Ltd.	<u>4,788</u>	<u>14,984</u>
	<u>419,176</u>	<u>316,397</u>

The deferred tax assets relate to fiscal losses of BIX Capital B.V., Frontier Finance Solutions B.V. (formerly Cardano Development Services B.V.) and Cardecho B.V., over the period before the fiscal unity with Cardano Development B.V.

The deferred tax assets of GuarantCo Management Company Ltd. relate to effects of decreased tax rates and fixed assets differences between fiscal and company financial statements.

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

	<u>31-12-2017</u>	<u>31-12-2016</u>
	€	€
5 Frontier Clearing Fund Junior Loan		
Loan Stichting Frontclear	<u>333,929</u>	<u>379,604</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 = 1.19786 USD). The market value at 31 December 2017 is EUR 333,047 (USD 398,944). 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>31-12-2017</u>	<u>31-12-2016</u>
	€	€
6 Trade debtors		
Trade debtors	398,541	95,080
Provision for doubtful debts	<u>-</u>	<u>-1,500</u>
	<u>398,541</u>	<u>93,580</u>

A provision for doubtful debts in 2017 is not deemed necessary by the board.

	<u>31-12-2017</u>	<u>31-12-2016</u>
	€	€
7 Receivables from group companies		
Receivable Frontier Clearing Fund Junior	58,677	47,453
Receivable Frontier Clearing Corporation B.V.	34,179	158,655
Receivable Frontier Clearing Fund Subordinated	10,755	24,044
Receivable Frontier Clearing Fund Senior	10,612	23,901
Receivable Stichting Frontclear	<u>2,243</u>	<u>18,944</u>
	<u>116,466</u>	<u>272,997</u>

	<u>31-12-2017</u>	<u>31-12-2016</u>
	€	€
8 Taxes		
Value added tax	<u>110,642</u>	<u>9,514</u>

The rise in Value Added Tax receivable is mainly due to exploitation of new activities in WFF B.V., which is independently liable for VAT.

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	<u>31-12-2017</u>	<u>31-12-2016</u>
	€	€
9 Other receivables and prepaid expenses		
Performance fee GuarantCo Ltd.	3,145,425	1,675,094
Cost recovery to be recharged to WIFKM (refer to note 12, page 24)	1,560,698	-
Performance fee The Currency Exchange Fund N.V.	1,230,995	953,283
Prepaid expenses	238,569	124,804
Unbilled revenue	31,763	10,677
Guarantee deposit	28,741	66,886
Staff loans	8,533	3,991
Rent	-	63,839
Prepaid insurance	-	15,356
Other	<u>26,840</u>	<u>81,711</u>
	<u>6,271,564</u>	<u>2,995,641</u>

The annual performance fee is based upon parameters agreed between the respective companies and their Supervisory Boards and approved by the shareholders. The performance fees are accounted for on an accrual basis. All receivables are due within one year.

	<u>31-12-2017</u>	<u>31-12-2016</u>
	€	€
10 Cash and cash equivalents		
Rabobank, current accounts	3,791,507	1,003,597
Barclays Bank Plc.	1,225,440	317,991
ABN AMRO Bank N.V., deposit	1,200,000	1,200,000
ABN AMRO Bank N.V., flexible deposit	1,023,966	922,487
Guarantee deposits	43,578	26,335
Cash in transit	-	160,522
Guarantee deposits (Credit cards)	-	6,187
Cash	<u>3</u>	<u>4</u>
	<u>7,284,494</u>	<u>3,637,123</u>

An amount of USD 80,000 is not at free disposal as this amount is restricted in favor of Calvert Social Investment Foundation, Inc. for the future obligations related to the loan provided to BIX Capital B.V.

The flexible deposit for the amount of EUR 1,200,000 (2016: EUR 1,200,000) is held in a separate deposit which can be withdrawn upon a 31 day notice.

An amount of EUR 43,578 is not at free disposal as this amount is pledged as a guarantee for the office rent at KIT in Amsterdam.

The remaining cash and cash equivalents are at the company's free disposal.

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11 Foundation capital

A specification of the foundation capital can be found in the company financial statements which are included in this report (note 34). The consolidated capital amounting to EUR 832,423 differs from the company's capital (EUR 1,729,041).

	<u>31-12-2017</u>	<u>31-12-2016</u>
	€	€
12 Long-term liabilities		
Subordinated loans	1,800,000	2,300,000
Other debentures	6,910,815	2,372,525
Private loans	<u>235,000</u>	<u>213,963</u>
	<u>8,945,815</u>	<u>4,886,488</u>
	<u>31-12-2017</u>	<u>31-12-2016</u>
	€	€
<i>Subordinated loans</i>		
Original loan Cardano Holding Ltd.	600,000	700,000
Loan Cardano Holding Ltd. Part I	850,000	850,000
Loan Cardano Holding Ltd. Part II	-	400,000
Loan Cardano Holding Ltd. Part III	<u>350,000</u>	<u>350,000</u>
	<u>1,800,000</u>	<u>2,300,000</u>

Original loan Cardano Holding Ltd.

For the purchase of the participation in Cardano Development B.V. Stichting Cardano Development received a loan of EUR 1,000,000 from Cardano Holding Ltd. in 2013. The grants pledged in 2016 and 2017 were settled with the loan and therefore not paid in cash. The settlement of the pledges with the loan need to be confirmed in writing. The loan will annually bear interest on the amount outstanding at a rate of 6%.

Loans Cardano Holding Ltd. Part I-III

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 7.25% 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. As per 8 January 2018 is agreed that the loans shall be repaid in 4 equal tranches of the principle amount according the following schedule: 1 July 2019, 1 July 2020, 1 July 2021 and 1 July 2022. The Cardano Holding Part II loan is an exception, and must be repaid on 23 June 2018. Therefore, this has been presented under the short-term liabilities.

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	<u>31-12-2017</u>	<u>31-12-2016</u>
	€	€
Other debentures		
Conditional Repayable Grant DGIS	3,989,365	-
Loan Calvert Social Investment Foundation Inc.	1,669,400	1,898,020
Loan Echo Pilot Investments	<u>1,252,050</u>	<u>474,505</u>
	<u>6,910,815</u>	<u>2,372,525</u>

Conditional Repayable grant DGIS

On 1 June 2017 Stichting Cardano Development received a repayable grant for an amount of maximum EUR 10,000,000 from the Directoraat-Generaal Internationale Samenwerking (hereafter DGIS), a department of the Ministry of Foreign Affairs of The Netherlands, for creation of a Water Finance Facility with the goal to provide access to safe drinking water across the globe by 2030 (based on SDG 6). The grant stretches from 1 January 2017 until 31 December 2021. At the same time a partnership has been agreed for a duration of at least 10 years. Stichting Cardano Development appointed WFF B.V. as project manager. Per 31 December 2017 EUR 4.5 million of the grant has been disbursed.

All proceeds, such as interest or dividend, are to be used in favor of the project. Should eventually less than EUR 10 million be expensed, the remainder will be reclaimed and/or used for other projects. Should the project not be successful, the entire grant will be considered lost by DGIS, except in the case of gross negligence. EUR 2.5 million has been earmarked as first loss for the KPWF bond subscribers, EUR 1 million as Technical Assistance for local water companies and EUR 6.5 million to cover operational expenses. Per 31 December 2017 EUR 2,071,333 has been expensed, of which EUR 1,560,698 can be recharged to WIFKM, and EUR 510,635 has been deducted from the 4.5 million as short-term expenses not yet recovered by income (first loss).

Loan Calvert Social Investment Foundation, Inc.

Calvert provided Cardecho B.V. with a loan amounting to USD 2,000,000 (EUR 1,669,400) (FX rate 31 December 2017: 1 EUR = 1.19786 USD) to purchase the preferred shares from BIX Capital B.V. The loan is 4% interest bearing. The loan must 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.

Shell foundation provided an unconditional and irrevocable guarantee in favor 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 2017 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.

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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. Per 31 December 2017 USD 1,500,000 (EUR 1,252,050) (FX rate 31 December 2017: 1 EUR = 1.19786 USD) has been disbursed.

	<u>31-12-2017</u>	<u>31-12-2016</u>
	€	€
Private loans		
Loan J. Zuidberg	117,500	134,900
Loan F. Gosselink	<u>117,500</u>	<u>79,063</u>
	<u>235,000</u>	<u>213,963</u>

Loan J. Zuidberg

J. Zuidberg, managing director of Cardano Development B.V., provided a loan in 2016 amounting to EUR 130,000. As per year end 2017 the loan is EUR 117,500. The loan is 7.5% interest bearing. The interest accrued is paid out semi-annually. The adjusted loan of EUR 117,500 is subordinated to the following Cardano Holding Ltd. loans:

- Frontclear Junior Term Loan Facility;
- Revolving Loan Facility and;
- Term Loan Facility.

In case the loans are not fully repaid upon the maturity date of the loan, the maturity date of the loan will be deferred until all the Cardano loans have been repaid in full. The loan needs to be repaid on 6 May 2021 (EUR 100,000) and 29 December 2021 (EUR 17,500) in full including accrued interest if applicable.

Loan F. Gosselink

F. Gosselink, managing director of Cardano Development B.V., provided a loan in 2016 amounting to EUR 75,000. On 2 January 2017 an additional EUR 30,000 was provided, and on 24 November 2017 a EUR 12,500 addition was provided to the loan. The loan is 7.5% interest bearing. The interest accrued is paid out semi-annually. The loan is subordinated to the following Cardano Holding Ltd. loans:

- Frontclear Junior Term Loan Facility;
- Revolving Loan Facility and;
- Term Loan Facility.

In case the loans are not fully repaid upon the maturity date of the loan, the maturity date of the loan will be deferred until all the Cardano loans have been repaid in full. The loan needs to be repaid on 2 May 2021 (EUR 25,000), 2 May 2021 (EUR 50,000), 2 January 2022 (EUR 30,000) and 29 December 2021 (EUR 12,500) in full including accrued interest if applicable.

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SHORT-TERM LIABILITIES

	<u>31-12-2017</u>	<u>31-12-2016</u>
	€	€
13 Trade creditors		
Trade creditors	<u>912,126</u>	<u>329,016</u>

The increase in trade creditors is mainly due to new exploitation of activities in WFF B.V.

	<u>31-12-2017</u>	<u>31-12-2016</u>
	€	€
14 Taxes		
Wage tax	187,416	139,671
Company tax	181,485	144,155
Pension premiums	34,459	15,079
	<u>403,360</u>	<u>298,905</u>

	<u>31-12-2017</u>	<u>31-12-2016</u>
	€	€
15 Other liabilities and accrued expenses		
Bonus personnel GuarantCo Management Company Ltd.	2,289,993	859,170
Bonus personnel TCX Investment Management Company B.V.	658,261	464,729
Management fee payable GuarantCo Ltd.	472,784	414,306
Deferred bonuses	426,371	253,148
Repayment obligation Cardano Holding Ltd. loan Part II	400,000	-
FX absorption pool	247,539	-
Accrued expenses	204,595	508,065
Audit fees	172,507	138,050
Accrued interest	171,384	125,118
Deferred income	138,273	15,214
Management fee payable to The Currency Exchange Fund N.V.	126,237	122,721
ECHO Upside reserve amount	44,035	8,013
Net wages	9,570	21,962
Rent down payments	5,163	2,873
Accounting fees	-	85,387
Invoices to be received	-	12,705
	<u>5,366,712</u>	<u>3,031,461</u>

The deferred bonuses relate to bonuses awarded to employees of TCX Investment Company B.V. (EUR 235,399), Frontier Finance Solutions B.V. (EUR 134,494) and GuarantCo Management Company Ltd. (EUR 56,479). The bonuses will be paid in differing instalments.

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The FX absorption pool represents an amount of USD 353,000 reserved by the board of GuarantCo Management Company Ltd. to absorb any foreign currency exchange rate differences, in anticipation of a decision by GuarantCo Ltd whether this is covered by the management agreement.

On 21 June 2018 the EUR 400,000 Part II Cardano Holding loan was repaid.

16 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 2017:

- Cardano Development B.V.;
- TCX Investment Management Company B.V.;
- Coin-Re B.V. (liquidated as per 31 October 2017);
- Mantis B.V. (liquidated as per 31 October 2017);
- BIX Capital B.V. ;
- Frontclear Management B.V.
- Frontier Finance Solutions B.V. (previously Cardano Development Services B.V.)
- Frontier Clearing Corporation B.V.

The fiscal unity for Corporate Income Tax consists of the following companies as per 1 January 2017:

- Cardano Development B.V.;
- TCX Investment Management Company B.V.;
- Coin-Re B.V. (liquidated as per 31 October 2017);
- Mantis B.V. (liquidated as per 31 October 2017);
- Frontclear Management B.V.;
- Frontier Finance Solutions B.V. (previously Cardano Development Services B.V.)
- Cardecho B.V. (as per 1 January 2017)

WFF B.V. (formerly CD DGGF B.V.) and ILX B.V. (formerly Dutch Good Growth Fund Managers B.V.) were added to the fiscal unity for Corporate Income Tax as per 1 April 2017 since new activities were to be exploited. BIX Capital B.V. was added to the fiscal unity per 7 May 2017 after being removed per 12 September 2016 due to issuance of preferred shares to Cardecho B.V.

Operating rent commitments

Frontier Finance Solutions B.V. has a rental contract with KIT for rent of the facilities at Mauritskade 63, 1092 AD Amsterdam. Yearly rent is approximately EUR 175,000 (including VAT). An amount of approximately EUR 299,000 (including VAT) remains as obligation with a term of more than one year. There are no obligations with a term of more than 5 years.

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GuarantCo Management Company Ltd. (hereafter GMC) signed an Agreement to Lease 10th Floor, 6 Bevis Marks, London on 22 December 2017. GMC will sublet part of this floor space to a Limited Liability Company ("LLC") which is yet to be incorporated but when it is will be a "sister" company of GMC (GMC's client).

Given the LLC was yet to be incorporated on the date GMC entered into the Agreement to Lease, GuarantCo entered a guarantee and indemnity with GMC on 19 December 2017 covering the obligations of the new LLC under the terms of a sub-lease to be entered by GMC as lessor and the LLC as sub-lessee.

Annual rent is approximately GBP 562,000 (approximately EUR 633,000 per 31 December 2017). An amount of GBP 2,248,194 remains as obligation with a term of more than one year. An amount of GBP 58,515 remains as obligation with a term of more than 5 years.

On 20 February 2018 BIX Capital concluded a rental agreement for 2 years and 7 months, starting 1 March 2018, for office space at the Herengracht 201 in Amsterdam. The annual obligation amounts to EUR 5,860. An amount of EUR 10,255 remains as obligation with a term of more than 1 year.

Fund Management JODEA

Frontier Finance Solutions B.V. was appointed as 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 Frontier Finance Solutions B.V. amounts to EUR 25,000. As per 31 December 2017, EUR 15,660 and USD 653,644 (EUR 545,677) remains available on the account.

17 Subsequent events

On 2 May 2018 an agreement was signed to invest USD 10,000,000 in BIX Capital B.V. as a senior loan. The amount invested will be drawn down in several tranches when a request for this is made to the investors.

On 15 February 2018, the Supervisory Board of FCC has awarded FCM with a Performance Fee. The amount of USD 181,143 is deferred in accordance with clause 5 of Schedule 2 of the FCC Management Agreement, with payment conditional on FCC achieving operational break-even.

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NOTES TO THE CONSOLIDATED STATEMENT OF INCOME AND EXPENSES

	<u>2017</u>	<u>2016</u>
	€	€
18 Income		
Management fee	11,184,095	9,267,740
Performance fee	4,545,498	3,004,730
Project Water Financing Facility	2,071,333	-
Project JODEA	524,402	441,212
Interest loans	141,790	31,000
Grant Cardano Holding Ltd.	100,000	100,000
Subscription fees (OGR)	34,803	96,287
Grant Shell Foundation	-	66,597
Rent	-	61,518
Other income	62,984	91,370
	<u>18,664,905</u>	<u>13,160,454</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 monthly. 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 companies and their respective Supervisory Boards and approved by the shareholders. The performance fee for TCX Investment Management Company B.V and GuarantCo Management Company Ltd. are 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 2018 and subsequently no accrual has been included as per 31 December 2017.

Project Water Financing Facility

This represents part of the subsidy expensed during the financial year by the Water Financing Facility Repayable Grant. All expenses are one on one covered by this grant. For the conditions of the DGIS repayable grant we refer to the notes in long term liabilities (page 24).

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Project JODEA

Project JODEA income in Mantis B.V. and ILX B.V. are costs recovered from a Joint Donor Escrow Account (managed by Frontier Finance Solutions B.V.). The JODEA account is used for projects related to local currency finance with high development potential. Eligible initiatives are presented to the JODEA Donor committee for approval prior to implementation.

Grants

Stichting Cardano Development receives an annual grant of EUR 100,000 from Cardano Holding Ltd. The Grant of Shell Foundation in 2016 relates to a last instalment of a one-time start up grant dating back to 2013.

Rent

The rent income relates to rent charged to external parties (non-group companies). Since this represents a share in the cost of rent more than actual income, in 2017 these were included in the expenses.

	<u>2017</u>	<u>2016</u>
	€	€
19 Cost of income		
External party hire	<u>2,861,789</u>	<u>1,518,908</u>

Cardano Development entered into Service Level Agreements with external parties for back office facilities, project management and obtaining data for macroeconomic risk modelling. Due to the ceasing of activities and subsequent closing down of Mantis B.V., the costs of macroeconomic risk modelling reduced substantially. This is offset by the project management of WFF B.V. and ILX B.V.

	<u>2017</u>	<u>2016</u>
	€	€
20 Wages and salaries		
Wages and salaries	5,539,259	4,330,647
Bonus personnel	3,124,578	1,703,513
Severance pay	<u>56,411</u>	<u>20,000</u>
	<u>8,720,248</u>	<u>6,054,160</u>

Directors' remuneration

The Board of Stichting Cardano Development is unpaid. The Supervisory Board of Cardano Development B.V. was paid a total of EUR 9,100 for their services and attending meetings. The Directors of Cardano Development B.V. (on the payroll in Frontier Finance Solutions B.V.) were paid a total of EUR 300,000 in gross salaries plus EUR 5,853 in expense allowance.

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Average number of employees

	<u>2017</u>	<u>2016</u>
TCX Investment Management Company B.V	16	15
Frontclear Management B.V.	6	5
BIX Capital B.V.	1	2
Frontier Finance Solutions B.V.	7	4
Guarantco Management Company Ltd.	<u>24</u>	<u>17</u>
	<u>54</u>	<u>43</u>

Of the 54 employees the 24 from GuarantCo Management Company Ltd. and 1 from Frontier Finance Solutions B.V. are employed outside of The Netherlands.

	<u>2017</u>	<u>2016</u>
	€	€
21 Social security premiums and pension costs		
Social security charges	506,880	291,212
Pension costs	<u>149,510</u>	<u>64,544</u>
	<u>656,390</u>	<u>355,756</u>

The pension costs relate to GuarantCo Management Company Ltd. (hereafter GMC) And Frontier Finance Solutions B.V. (hereafter FFS). For GMC the costs are related to a defined contribution scheme. For FFS the costs pertain to statutory pension payments for the employee living in Australia, in accordance with Australian law.

	<u>2017</u>	<u>2016</u>
	€	€
22 Other staff expenses		
Sickness insurance	136,692	109,144
Recruitment expenses	76,956	57,273
Study and training expenses	74,292	50,439
Income protection	31,448	-
Commuting allowance	19,610	10,121
Third party services	10,903	209,657
Expense allowance	-	44,052
Other staff expenses	<u>91,891</u>	<u>134,155</u>
	441,792	614,841
Recovered staff expenses	<u>-12,535</u>	<u>-</u>
	<u>429,257</u>	<u>614,841</u>

Income protection relates to premiums paid for risk insurances with respect to disability or death of employees.

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	<u>2017</u>	<u>2016</u>
	€	€
23 Depreciation of tangible fixed assets		
Leasehold improvements	11,146	25,106
Computer equipment	41,874	6,716
Office equipment	<u>5,826</u>	<u>10,150</u>
	58,846	41,972
Loss on disposal of fixed assets	<u>5,127</u>	<u>137</u>
	<u><u>63,973</u></u>	<u><u>42,109</u></u>

	<u>2017</u>	<u>2016</u>
	€	€
24 Other operating expenses		
Housing expenses	348,528	286,884
Travel and marketing expenses	1,734,974	1,078,521
Office expenses	479,819	806,630
General expenses	2,591,522	2,338,005
Project costs	<u>-</u>	<u>2,225</u>
	<u><u>5,154,843</u></u>	<u><u>4,512,265</u></u>

The general expenses mainly consist of Advisory fees amounting to EUR 951,437 (2016: EUR 910,169) and insurance premium ad. EUR 417,331. (2016: EUR 279,069).

The general increase of operating expenses is due to the first full financial year of the subsidiary Guarantco Management Company Ltd., as well as the new Water Finance Facility Project and JODEA project (ILX).

Audit fee

An amount of EUR 154,650 is included in the general expenses with respect to financial audit fees for the financial year 2017 audit for the group (2016: EUR 140,745). The audit fees related only to audit services provided by Ernst & Young Accountants LLP. No other services are provided by the auditor.

	<u>2017</u>	<u>2016</u>
	€	€
25 Financial income and expense		
Other interest and similar income	2,277	237,695
Value changes of financial fixed assets	-1	-
Interest and similar expenses	<u>-639,278</u>	<u>-220,930</u>
	<u><u>-637,002</u></u>	<u><u>16,765</u></u>

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	<u>2017</u>	<u>2016</u>
	€	€
<i>Other Interest and similar income</i>		
Foreign currency translation	-	233,963
Other interest receivable	<u>2,277</u>	<u>3,732</u>
	<u>2,277</u>	<u>237,695</u>

	<u>2017</u>	<u>2016</u>
	€	€
<i>Value changes of financial fixed assets</i>		
Write off ECHO project	<u>1</u>	-
	<u>1</u>	<u>-</u>

	<u>2017</u>	<u>2016</u>
	€	€
<i>Interest and similar expenses</i>		
Foreign currency translation	342,035	-
Interest loans Cardano Holding Ltd.	153,863	156,183
Interest loan Calvert	69,923	46,959
Upside grant ECHO	38,400	8,013
Interest loans management	17,689	8,963
Bank charges	17,269	-
Other interest expenses	<u>99</u>	<u>812</u>
	<u>639,278</u>	<u>220,930</u>

The foreign currency translations mainly relate to year-end translation of investments and bank account balances denominated in USD into the functional currency of EUR. The bank charges were included in the general expenses in 2016.

	<u>2017</u>	<u>2016</u>
	€	€
26 Taxation		
Change in deferred taxes	166,154	108,660
Corporate income tax GuarantCo Management Company Ltd.	-183,021	-143,551
Correction Corporate Income Tax previous years	2,132	-
Release deferred tax asset COIN-Re B.V.	<u>-</u>	<u>-21,142</u>
	<u>-14,735</u>	<u>-56,033</u>

Due to foreign currency translation differences the change in deferred tax assets and corporate income tax does not align with the movement in the asset itself on the balance sheet.

Stichting Cardano Development, Rotterdam

	<u>2017</u>	<u>2016</u>
	€	€
27 Share in result from participations		
BIX Capital B.V.	-	7,195
COIN-Re B.V.	-	-44,717
Cardano Development Services B.V.	-	-3,360
	<u>-</u>	<u>-40,882</u>

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.

28 Related party transactions

Stichting Cardano Development

Stichting Cardano Development has received a repayable grant of EUR 4,500,000 from Directoraat Generaal Internationale Samenwerking (hereafter DGIS) to set up a Water Financing Facility in African countries, starting in Kenya. Stichting Cardano Development has transferred EUR 2,500,000 of this grant to WFF B.V., which will act as a financier for the funds intended to cover operational expenses for setting up the Water Financing Facility in Kenya.

Cardano Development B.V.

The management provided loans amounting to EUR 235,000. The loans are 7.5% interest bearing. For details please refer to the notes to the long-term liabilities.

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 2017 is USD 398,944 or EUR 333,047. (2016: 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.

Frontclear Management B.V.

Frontclear Management B.V. received a management fee from Frontier Clearing Corporation B.V. in 2017 for EUR 1,747,855.

Cardecho B.V./BIX Capital B.V.

BIX Capital B.V. issued 1,000,000 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 114,630 was received/paid relating to interest over 2017, of which USD 43,415 was released off amounts received in advance.

Stichting Cardano Development, Rotterdam

Frontier Finance Solutions B.V.

In 2016 Frontier Finance Solutions B.V. was appointed program manager of the JODEA account and replaced TCX Mauritius. In 2017 an amount of USD 1,453,896 was received from TCX Fund N.V. as interest portion 2017. JODEA disbursed EUR 393,000 to ILX B.V. as budget 2017. In accordance with the Donor Agreement Frontier Finance Solutions B.V. received EUR 25,000 in JODEA management fee.

WFF B.V.

In 2017 WFF B.V. became a 50% member of WIFKM (Water Infrastructure Fund Kenya Management Company), a company limited by guarantee. The guarantee consists of KES 1 (EUR 0.008). WIFKM is an entity established according to Kenyan legislation and in local currency. WIFKM is not consolidated and thus valued at cost.

Even though WFF B.V. has a 50% membership in WIFKM, WFF B.V. has no significant control over the management of WIFKM. WFF B.V. is the investor in WIFKM by providing a subordinated loan and has no significant influence by its financial interest as according to the agreement.

Stichting Cardano Development, Rotterdam

29 Tax 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.

BIX Capital B.V. was no longer part of the fiscal unity as of 1 February 2015. Per 1 January 2016 BIX Capital B.V. was part of the fiscal unity again. As of 7 May 2017, BIX Capital B.V. is part of the fiscal unity again, after being removed per 12 September 2016 due to issuance of preferred shares to Cardecho B.V.

As of 1 January 2016, both Frontclear Management B.V. and Cardano Development Services B.V. (now Frontier Finance Solutions B.V.) were added to the fiscal unity.

	<u>2017</u>
	EUR
Calculation taxable amount	
Result before taxation Cardano Development B.V.	-408,959
Result before taxation BIX Capital B.V.	-708,727
Result before taxation TCX Investment Management Company B.V.	572,734
Result before taxation Frontier Finance Solutions B.V.	-214,278
Result before taxation Cardecho B.V.	-13,363
Result before taxation COIN-Re B.V.	-314
Result before taxation Mantis B.V.	-11,344
Result before taxation WFF B.V.	-
Result before taxation ILX B.V.	-
Result before taxation Frontclear Management B.V.	-
Result before taxation GuarantCo Management Company Ltd.	<u>995,288</u>
	211,037
Participation exemption GuarantCo Management Company Ltd.	-995,288
Part of result BIX Capital B.V. before inclusion in the fiscal unity	186,976
<i>Partially deductible amounts</i>	
Application Lump Sum (EUR 3,591,763 * 0,40%)	14,367
<i>Nondeductible amounts</i>	
Fines	3,313
Small scale investment allowance	-13,313
Dividend on cumulative preferred shares	-99,509
FX differences loans Cardecho B.V.	<u>309,772</u>
Taxable amount	<u><u>-382,645</u></u>

Deferred tax asset at 20%: EUR 76,529

Stichting Cardano Development, Rotterdam

2017

EUR

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 Ltd.	-183,021
Deferred tax benefit fiscal unity	76,529
DTA effect FX loans Cardecho B.V.	61,955
Deferred tax charge GuarantCo Management Company Ltd.	-9,725
Release refund Corporate Income tax 2013	2,132
Deferred tax benefit BIX Capital B.V.	37,395
Accumulated company tax	<u>-14,735</u>

The DTA effect of the FX translation on loans of Cardecho B.V. (20% of 309,772 = 61,955) has been directly booked to the foundation capital in accordance with tax accounting rules, leaving 138,484 as charge to the profit and loss account for 2017.

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
EUR

Loss compensation

2014	68,484
2015	788,951
2016	425,799
2017	382,645
	<u>1,665,879</u>

COMPANY FINANCIAL STATEMENTS

Stichting Cardano Development, Rotterdam

COMPANY BALANCE SHEET AS AT 31 DECEMBER 2017

After result appropriation

	<u>31 December 2017</u>		<u>31 December 2016</u>	
	€	€	€	€
ASSETS				
FIXED ASSETS				
Financial fixed assets				
Participations in group companies	30	2,146,251	1,486,562	
Other investments	31	<u>2,500,000</u>	<u>1</u>	
		4,646,251	1,486,563	
CURRENT ASSETS				
Receivables				
Receivables from group companies	32	229,280	298,527	
Cash and cash equivalents	33	2,000,575	774	
		<u>6,876,106</u>	<u>1,785,864</u>	

Stichting Cardano Development, Rotterdam

		<u>31 December 2017</u>		<u>31 December 2016</u>	
		€	€	€	€
LIABILITIES					
Foundation capital	34		1,729,041		1,039,474
Long-term liabilities					
Subordinated loans	35	600,000		700,000	
Other debentures	36	<u>4,500,000</u>		<u>-</u>	
			5,100,000		700,000
Short-term liabilities					
Other liabilities and accrued expenses	37		47,065		46,390
			<u>6,876,106</u>		<u>1,785,864</u>

Stichting Cardano Development, Rotterdam

COMPANY STATEMENT OF INCOME AND EXPENSES FOR THE YEAR 2017

		2017		2016	
		€	€	€	€
Income	40		100,000		100,000
Other operating expenses	41		<u>27,637</u>		<u>56,379</u>
Operating result			72,363		43,621
Financial income and expense	42		<u>-42,485</u>		<u>-48,568</u>
Result from ordinary activities			29,878		-4,947
Share in result from participations	43		<u>659,689</u>		<u>409,947</u>
Net result			<u><u>689,567</u></u>		<u><u>405,000</u></u>

The difference between the company's and the consolidated result can be specified as follows:

	Company result for 2017	Recognized for 2017	Valuation difference	2017 €
Company's result				689,567
Consolidated result				<u>126,668</u>
Difference				562,899
BIX Capital B.V.	-548,576	-	-548,576	
Cardecho B.V.	-13,363	-36,596	<u>23,233</u>	
Valuation differences				-525,343
Interest preferred shares*				-99,511
DTA effect preferred shares**				<u>61,955</u>
Total				-

* The interest paid on preferred shares is recognized as dividend income in the accounts of Cardecho B.V. Consolidated however, this is eliminated.

** The DTA effect of the year end FX translation of the loans of Cardecho B.V. into EUR is accounted for directly in the foundation capital, and therefore excluded from the consolidated result for 2017. Please refer to note 29 for calculation.

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 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.

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.

ANBI

As of 19 March 2013 Stichting Cardano Development acquired its ANBI status (Algemeen Nut Beogende Instelling). ANBI is also described as a Public welfare institution.

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.

Stichting Cardano Development, Rotterdam

NOTES TO THE COMPANY BALANCE SHEET

Financial fixed assets

Register of participations

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

	<u>31-12-2017</u>	<u>31-12-2016</u>
	€	€
30 Participations in group companies		
Cardano Development B.V.	<u>2,146,251</u>	<u>1,486,562</u>

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

	<u>2017</u>	<u>2016</u>
	€	€
<i>Cardano Development B.V.</i>		
Balance as at 1 January		
Cardano Development B.V.	<u>1,486,562</u>	<u>1,076,615</u>
Book value as at 1 January	<u>1,486,562</u>	<u>1,076,615</u>
Movements		
Result financial year	<u>659,689</u>	<u>409,947</u>
Balance movements	<u>659,689</u>	<u>409,947</u>
Balance as at 31 December		
Cardano Development B.V.	<u>2,146,251</u>	<u>1,486,562</u>
Book value as at 31 December	<u>2,146,251</u>	<u>1,486,562</u>

Stichting Cardano Development provided Cardano Development with a share premium contribution in 2015 ad. EUR 1.2 million.

	<u>31-12-2017</u>	<u>31-12-2016</u>
	€	€
31 Other investments		
Loan WFF B.V.	2,500,000	-
ECHO project	<u>-</u>	<u>1</u>
	<u>2,500,000</u>	<u>1</u>

This represents the part of the DGIS Repayable Grant disbursed to WFF to cover expenses. For details about the DGIS Repayable Grant we refer to note 12, page 24 of the consolidated report.

Stichting Cardano Development, Rotterdam

CURRENT ASSETS

Receivables

	<u>31-12-2017</u>	<u>31-12-2016</u>
	€	€
32 Receivables from group companies		
Current account Cardano Development B.V.	<u>229,280</u>	<u>298,527</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.

	<u>31-12-2017</u>	<u>31-12-2016</u>
	€	€
33 Cash and cash equivalents		
Rabobank, current accounts	<u>2,000,575</u>	<u>774</u>

Cash and cash equivalents are at the company's free disposal.

Stichting Cardano Development, Rotterdam

34 Foundation capital

	Foundation capital	Translation reserve	Total
	€	€	€
Balance as at 1 January 2017	1,201,887	-162,413	1,039,474
Result for the year	689,567	-	689,567
Currency translation	-207,752	207,752	-
Balance per 31 December 2017	<u>1,683,702</u>	<u>45,339</u>	<u>1,729,041</u>

A substantial increase in capital for Stichting Cardano Development was funded by a EUR 1.2 million capital contribution from The Currency Exchange Fund N.V. ('TCX') in 2015. 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.

The difference between the company's and the consolidated foundation capital can be specified as follows:

	Shareholders' equity as per 31 December 2017	Valuation as per 31 December 2017	Valuation difference	2017 €
Company's capital				1,729,041
Consolidated capital				<u>832,423</u>
Difference				896,618
BIX Capital B.V.	-836,542	1	-836,543	
Cardecho B.V.	-42,623	-36,720	<u>-5,903</u>	
Valuation differences				-842,446
Interest preferred shares*				-99,511
Translation differences				<u>45,339</u>
Total				-

*The interest paid on preferred shares is recognized as dividend income in the accounts of Cardecho B.V. Consolidated however, this is eliminated.

Stichting Cardano Development, Rotterdam

	<u>31-12-2017</u>	<u>31-12-2016</u>
	€	€
35 Subordinated loans		
Loan Cardano Holding B.V.	<u>600,000</u>	<u>700,000</u>
	<u>2017</u>	<u>2016</u>
	€	€
<i>Loan Cardano Holding B.V.</i>		
Balance as at 1 January	700,000	800,000
Release	<u>-100,000</u>	<u>-100,000</u>
Balance as at 31 December	<u>600,000</u>	<u>700,000</u>
Interest percentage	6%	6%

For details please refer to note 12 to the consolidated balance sheet. The release is accounted as income (see note 40).

	<u>31-12-2017</u>	<u>31-12-2016</u>
	€	€
36 Other debentures		
Conditional Repayable Grant DGIS	<u>4,500,000</u>	<u>-</u>

For details please refer to note 12 to the consolidated balance sheet. The EUR 510,635 short term expenses are not included here, since they are offset in WFF B.V.

SHORT-TERM LIABILITIES

	<u>31-12-2017</u>	<u>31-12-2016</u>
	€	€
37 Other liabilities and accrued expenses		
Interest loan Cardano Holding Ltd.	33,025	37,640
Audit Fee	14,040	7.000
Accounting fee	-	1.750
	<u>47,065</u>	<u>46,390</u>

38 Subsequent events

No subsequent events to report for the foundation. We further refer note 17 to the consolidated balance sheet.

39 Appropriation of result

The foundation board proposes to appropriate the result as follows:

The result for the year 2017 in the amount of EUR 689,567 will be added in full to the foundation capital.

Stichting Cardano Development, Rotterdam

NOTES TO THE COMPANY STATEMENT OF INCOME AND EXPENSES

	<u>2017</u>	<u>2016</u>
	€	€
40 Income		
Grant Cardano Holding Ltd.	<u>100,000</u>	<u>100,000</u>

The grants pledged in 2016 and 2017 were settled with the loan and therefore not paid in cash.

	<u>2017</u>	<u>2016</u>
	€	€
41 Other operating expenses		
General expenses	<u>27,637</u>	<u>56,379</u>

	<u>2017</u>	<u>2016</u>
	€	€
General expenses		
Audit fees	24,795	47,989
Accounting fee	2,644	8,124
Bank charges	198	266
	<u>27,637</u>	<u>56,379</u>

The audit fees related only to audit services provided by Ernst & Young Accountants LLP. No other services are provided by the auditor.

	<u>2017</u>	<u>2016</u>
	€	€
42 Financial income and expense		
Interest loan Cardano Holding Ltd.	-42,484	-48,568
Write off ECHO project	-1	-
	<u>-42,485</u>	<u>-48,568</u>

	<u>2017</u>	<u>2016</u>
	€	€
43 Share in result from participations		
Result from Cardano Development B.V.	<u>659,689</u>	<u>409,947</u>

Stichting Cardano Development, Rotterdam

44 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.

Cardano Holding Ltd.

In 2013 Cardano Holding Ltd. granted a loan to Stichting Cardano Development originally amounting to EUR 1,000,000. The amount to be redeemed is discussed annually.

Cardano Holding Ltd. granted EUR 100,000 (EUR 100,000 in 2016) to Stichting Cardano Development (note 40). Cardano Holding Ltd. decides on its own initiative whether there is an annual grant. There is no obligation.

45 Other notes

Average number of employees at the Foundation. During the year 2017, there were no employees at the foundation (2016: nil).

OTHER INFORMATION

Stichting Cardano Development, Rotterdam

Other information

Proposal result appropriation

Article 3.4

The property of the Foundation shall be utilized in the pursuit of its objects. The Foundation shall not hold any property in excess of that which is reasonably required for the continuity of the pursuit of the objects of the Foundation.

The result will be added/distracted to the foundation capital.

Auditor's report of the independent accountant

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

Independent auditor's report

To: the board of trustees of Stichting Cardano Development

Report on the audit of the financial statements 2017 included in the annual report

Our opinion

We have audited the financial statements 2017 of Stichting Cardano Development, based in Rotterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Stichting Cardano Development as at 31 December 2017, and of its result for 2017 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 2017
- The consolidated and company statement of income and expenses for 2017
- 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 Development in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), 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
- Company 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
- 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 substantially 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 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 framework 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 engagement 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 detect all material errors and fraud during our audit.

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 among others:

- 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 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, 29 June 2018

Ernst & Young Accountants LLP

signed by R.J. Bleijs