

Stichting Cardano Development
Amsterdam
ANNUAL REPORT 2018

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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

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.

Philosophy

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 and services can help mitigate risks and benefit society. That is why we believe in sharing our views on risk, its many causes and often unexpected consequences. We take a value chain view to design effective and efficient solutions. 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.

Market

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 two managing directors of Cardano Development B.V., who are entrusted with the implementation of our objectives. In 2018, this resulted in steady growth centered around our core strength in developing products and services for local financial markets.

Partners

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 donors, development finance institutions and private sector investors.

Approach

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, scalable 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), in particular SDG 17 (Partnership for the Goals).

Cardano Development group

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 and international 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. 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 2018 was a successful and profitable year for the group, with substantial growth both in the business of key subsidiaries, in line with our business expansion objectives.

- TCX Investment Management Company B.V. (TIM), our oldest subsidiary, is a recognized mature institution experiencing steady profitable expansion together with its exclusive client, The Currency eXchange Fund N.V. (TCX).
- Frontclear Management B.V. (FCM), successfully executed the growth and development impact ambitions of its client the Frontier Clearing Corporation B.V.
- GuarantCo Management Company Limited (GMC) manages profitably a very strong growing portfolio for GuarantCo Limited (Mauritius). The offices in Nairobi and Singapore provided further support to growth and broadening of the GuarantCo portfolio.
- BIX Capital B.V. achieved financial close on 2 May 2018. Entering this new and stable phase allows BIX to look forward to growth. The direct consequence is deconsolidation from the group as per 2 May 2018.

Stichting Cardano Development, Amsterdam

Two projects:

- Water Financing Facility (WFF) aims to mobilize 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 Cardano Development and funded by KfW acting on behalf of the German Government.

Our services subsidiary, Frontier Finance Solutions B.V., provides 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, 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.

Risk

For our clients the market risk and credit risk is significant; we explore and innovate in underdeveloped financial markets and, operationally and risk management wise, we use, create and define best practice. Our clients (institutions, investors and funds) share our ambitions and are more impact (quality) driven than profit driven (quantity).

Reputational risk is important, equally for our clients and partners: we invest time and money in know your customer and the prevention and management of fraud, money laundering, corruption and tax evasion. All employees and systems are actively protecting our partners' and our clients' interest.

Business model

Financially, our initiatives (companies and projects) operate with approved budgets from the investors and donors. The financial risk for Cardano Development is limited. Dividends from GMC and TIM provide the extra financial capacity to expand Frontier Finance Solutions.

The business model of Frontier Finance Solutions as an enabling ecosystem (risk management platform) is in itself not very risky. Ambitious solutions can be tested: we support to convince donors, we involve risk management from a very early stage, we can count on a dedicated back-office (system) and all Cardano Development professionals support with knowledge, experience and a worldwide network.

Stichting Cardano Development, Amsterdam

Employees

The Cardano Development group companies employ 50+ professionals in aggregate. We are convinced that our working environment stimulates our much in demand and skilled professionals to gain the necessary experience to shine in our financial markets.

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 it.

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, 21 June 2019

Chairman of the Board

Treasurer of the Board

Vice-Chairman of the Board

Theo Kocken

Jaap Koelewijn

Arjan Erkel

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2018

(After proposal result appropriation)

	<u>31 December 2018</u>		<u>31 December 2017</u>	
	€	€	€	€
ASSETS				
FIXED ASSETS				
Tangible fixed assets	1	932,302		274,781
Financial fixed assets				
Participations in affiliated companies	2	2		1
Other investments	3	6,082,105		1,250,842
Deferred tax assets	4	341,536		419,176
Frontier Clearing Fund Junior Loan	5	<u>349,426</u>		<u>333,929</u>
		6,773,069		2,003,948
CURRENT ASSETS				
Receivables				
Trade debtors	6	503,536		398,541
Receivables from affiliated companies	7	232,017		116,466
Taxes	8	75,102		110,642
Other receivables and prepaid expenses	9	<u>5,903,891</u>		<u>6,271,564</u>
		6,714,546		6,897,213
Cash at bank and in hand	10	9,389,167		7,284,494
		<u>23,809,084</u>		<u>16,460,436</u>

		31 December 2018		31 December 2017	
		€	€	€	€
LIABILITIES					
Foundation capital	11		2,570,823		832,423
Provisions	12		34,235		-
Long-term liabilities	13		12,165,681		8,945,815
Current liabilities					
Trade creditors	14	455,732		912,126	
Liabilities to affiliated companies	15	309,131		-	
Taxes	16	383,219		403,360	
Other liabilities and accrued expenses	17	<u>7,890,263</u>		<u>5,366,712</u>	
			9,038,345		6,682,198
			<u>23,809,084</u>		<u>16,460,436</u>

CONSOLIDATED STATEMENT OF INCOME AND EXPENSES FOR THE YEAR 2018

		2018		2017	
		€	€	€	€
Income	20	21,017,852		18,664,905	
Cost of income	21	<u>-1,900,719</u>		<u>-2,861,789</u>	
Gross margin			19,117,133		15,803,116
Wages and salaries	22	10,409,729		8,720,248	
Social security premiums and pension costs	23	960,114		656,390	
Other staff expenses	24	618,100		429,257	
Depreciation of tangible fixed assets	25	214,404		63,973	
Other operating expenses	26	<u>5,773,594</u>		<u>5,154,843</u>	
Total operating expenses			<u>17,975,941</u>		<u>15,024,711</u>
Operating result			1,141,192		778,405
Financial income and expense	27		<u>-155,716</u>		<u>-637,002</u>
Consolidated result from operational activities before taxation			985,476		141,403
Taxation	28		<u>-242,376</u>		<u>-14,735</u>
Net consolidated result after taxation			<u><u>743,100</u></u>		<u><u>126,668</u></u>

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR 2018

	2018		2017	
	€	€	€	€
Net result after taxation		743,100		126,668
<i>Adjustments for:</i>				
Depreciation	214,404		64,765	
Change in current assets	182,667		-3,525,481	
Change in current liabilities	2,106,867		2,622,816	
Movement in deferred tax assets	77,640		-164,734	
Movement in provisions	34,235		-	
Deconsolidation BIX Capital B.V.	-971,320			
		<u>1,644,493</u>		<u>-1,002,634</u>
Cash flow from operating activities		2,387,593		-875,966
Cash flow from investment activities				
Investments in tangible fixed assets	-868,464		-179,812	
Investments in financial fixed assets	-3,024,645		-383,394	
Repayment of financial fixed assets	-		293,605	
Interest income	-44,633		-141,790	
		<u>-3,937,742</u>		<u>-411,391</u>
Cash flow from financing activities				
Disbursement long term liabilities	3,833,136		4,809,410	
Redemption long term liabilities	-400,000		-112,500	
Interest expense	-		-8,963	
Cash flow from financing activities		<u>3,433,136</u>		<u>4,687,947</u>
Net cash flow		1,882,987		3,400,590
Adjustment for FX differences		<u>221,686</u>		<u>246,781</u>
Movement in cash		2,104,673		3,647,371
Cash at bank and in hand per 1-1		<u>7,287,494</u>		<u>3,637,123</u>
Cash at bank and in hand per 31-12		<u>9,389,167</u>		<u>7,284,494</u>

ACCOUNTING POLICIES USED IN PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

General

The registered office according to the Articles of Association of Stichting Cardano Development is Weena 690, 3012 CN Rotterdam. Stichting Cardano Development is listed in the Commercial Register of the Chamber of Commerce under the file number 57504091. The address of Stichting Cardano Development is Mauritskade 63, 1092 AD Amsterdam.

The financial statements have been prepared in accordance with Title 9, Book 2 of The Dutch 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 21 June 2019.

Going concern

Given the result for the year 2018, capital position of the foundation, and expectations for the future there are no indications for discontinuity. Therefore, management declares the consolidated financial statements are prepared on going concern basis and refers to the Board of Trustees report for substantiation.

Functional currency

The consolidated financial statements are prepared in euros, the functional and presentation currency of the company. Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Foreign currency translation

Transactions denominated in foreign currencies are initially carried at the functional exchange rates ruling at the date of transaction. Monetary balance sheet items denominated in foreign currencies are translated at the functional exchange rates ruling at the balance sheet date. Non-monetary balance sheet items that are measured at historical cost in a foreign currency are translated at the functional exchange rates ruling at the date of transaction. Non-monetary balance sheet items that are measured at current value are translated at the functional exchange rates ruling at the date of valuation.

Exchange differences arising on the settlement or translation of monetary items denominated in foreign currencies are taken to the profit and loss account, except for exchange differences resulting from net investments in foreign activities, or from loans obtained to finance or effectively hedge net investments in foreign activities. These exchange differences are taken directly to the foreign currency translation reserve. The foreign currency translation reserve is included under the foundation capital.

Stichting Cardano Development, Amsterdam

Group activities

The activities of the foundation primarily consist of 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.

Judgments, estimates, assumptions and uncertainties

The management of the group makes various judgments and estimates when applying the accounting policies and rules for preparing the financial statements. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the consolidated financial statements in future periods.

Judgment

In the process of applying the accounting policies, management has made the following judgments, which have the most significant effect on the financial statements:

Consolidation of group company

The group holds 100% of voting shares in the entity BIX Capital B.V. and Frontier Clearing Corporation B.V. The assessment of whether the group has control of these companies includes potential voting rights and related agreements. The group concludes it has no control of these entities. Please refer to the separate section about consolidated companies.

Estimates and assumptions

Management based its assumptions and estimates on circumstances and information available when the financial statements were prepared. Assumptions about future developments (or future developments that do not occur, may change due to market changes or circumstances arising that are beyond the control of the Group. These changes in estimates will be accounted for prospectively. The key estimates and assumptions are described below.

Impairments

At each balance sheet date, the group assesses whether an active asset or a group of assets has undergone impairment. The assessment did not result in an impairment in the current financial year. The recoverable amount is based on the cash-generating unit's value in use at 31 December 2018. The cash flow projections contain assumptions and estimates of future expectations.

Deferred tax assets and liabilities

Deferred tax assets are carried based on the tax consequences of the realization or settlement of assets, provisions, liabilities or accruals and deferred income as planned by the group at the balance sheet date. A deferred tax asset is recognized to the extent that it is probable that future taxable profit will be available for set-off.

In this assessment, the group includes the availability of deferred tax liabilities set-off, the possibility of planning of fiscal results and the level of future taxable profits in combination with the time and/or period in which the deferred tax assets are realized.

Stichting Cardano Development, Amsterdam

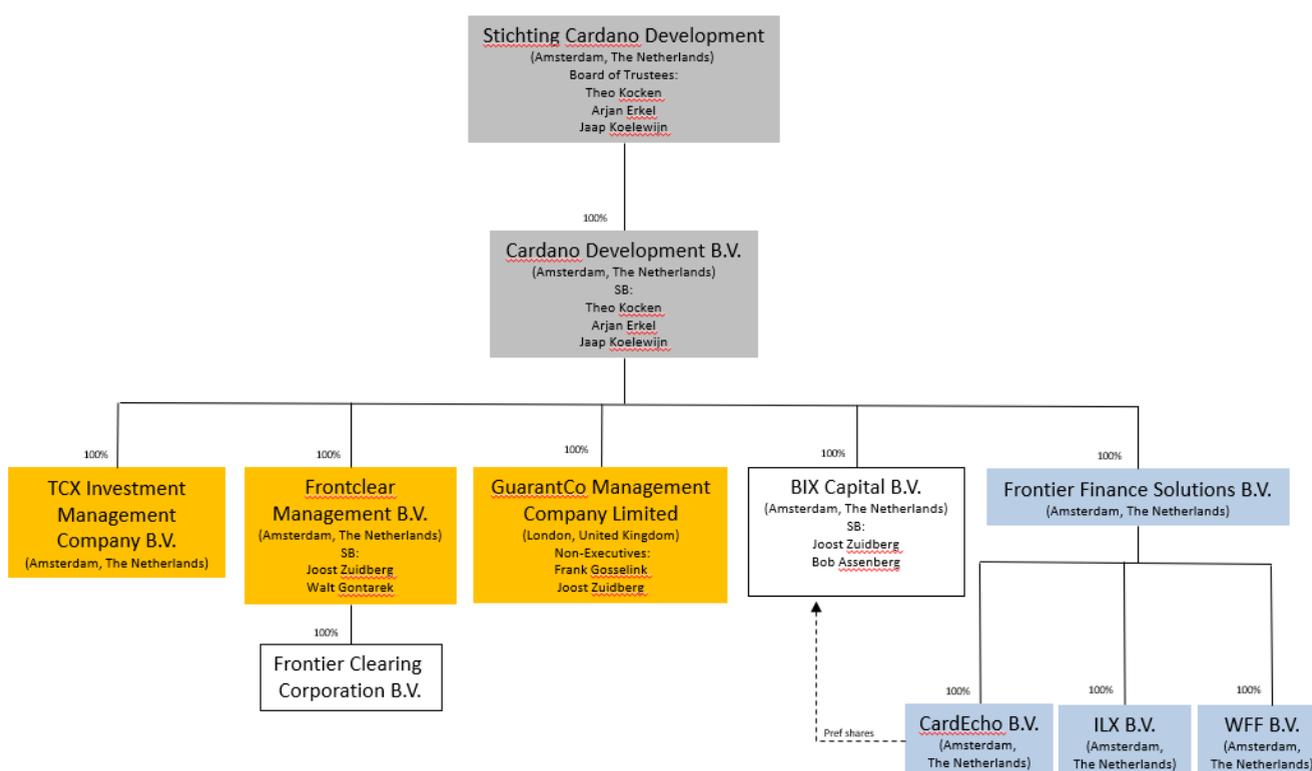
Equity interests

Consolidated companies

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, 2017: 100%):



- Stichting Cardano Development, Amsterdam;
- Cardano Development B.V., Amsterdam;
- TCX Investment Management Company B.V., Amsterdam;
- Frontclear Management B.V., Amsterdam;
- Frontier Finance Solutions B.V., Amsterdam;
- WFF B.V., Amsterdam;
- Cardecho B.V., Amsterdam;
- ILX B.V., Amsterdam; and
- GuarantCo Management Company Ltd., London, UK.

Stichting Cardano Development, Amsterdam

Non-consolidated companies

Frontier Clearing Corporation B.V. (FCC) is a 100% (2017: 100%) subsidiary of Frontclear Management B.V. but excluded from the consolidation due to lack of control.

BIX Capital B.V. is a 100% (2017: 100%) subsidiary of Cardano Development B.V. but excluded from the consolidation due to lack of control as per 2 May 2018.

Please refer to 'participation in affiliated companies' on the next page for further substantiation.

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 affiliated companies

Participating interests over whose financial and operating policies no significant influence is exercised are carried at cost less any impairment. Dividend is designated as income and recognized under financial income and expense.

Frontier Clearing Corporation B.V.

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.

BIX Capital B.V.

The 100% interest in BIX Capital B.V. is not consolidated and valued at net asset value.

On 2 May 2018 BIX Capital B.V. concluded an investment agreement with three senior investors.

These investors agreed to invest USD 10 million in senior debt into BIX Capital B.V.

Among others, the investors stipulated a threshold of 75% of capital invested to approve decisions with respect to the choice of investment and amendments to the investment policy and investment criteria and restrictions. Each Lender has a veto right in respect of these amendments. Furthermore, the annual budgets, significant deviations from these budgets and appointment of new members or replacement of existing members of the investment committee are subject to prior approval of the Annual Investor

Stichting Cardano Development, Amsterdam

Meeting. With these restrictions investors effectively have control over BIX Capital B.V. Although Cardano Development B.V. holds 100% of the ordinary shares in BIX Capital B.V., the separate management board of this entity and decision-making control lying with the investors makethat Cardano Development B.V. no longer holds predominant control over BIX Capital B.V., and consequently this entity has been deconsolidated from the annual accounts of Cardano Development B.V. per 2 May 2018 due to lack of control. The results for the period up to 2 May 2018 have been consolidated into the annual accounts of Cardano Development B.V. and result in a loss of EUR 143,735, applying the principles as set out under 'general'.

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 16% (2017: 20%). The 16% is an average of the basic tax rate for the coming 3 years as prevailing in The Netherlands. For 2019 19%, for 2020 16.5% and for 2021 15% (The latter remains a proposal). Average of these three is 16.83%, which is rounded downward since the forecasts predict the biggest taxable result in 2021.

Frontier Clearing Fund Junior loan

The Frontier Clearing Fund Junior loan 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 at bank and in hand

Cash at bank and in hand includes cash in hand, bank balances, notes and checks and carried at face value. It also includes deposits if these are effectively at the group's free disposal, even if interest income may be lost.

Cash at bank and in hand not expected to be at the group's free disposal for over twelve months is classified as financial fixed assets

Foundation capital

A 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.

Provisions

A provision is formed if the group has a legal or constructive obligation as at the balance sheet date if it is probable that an outflow of resources will be required to settle the obligation and the amount of the liability can be reliably estimated.

Deferred tax liabilities

Deferred income taxes arise from temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements, which will result in taxable or deductible amounts in the future. Deferred tax liabilities are not discounted.

Long term liabilities

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

Current 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.

Pensions

These schemes are funded by payments to insurance companies. The pension obligations are valued according to the "obligation to the pension provider approach". In this approach, the premium to be paid to the pension provider is recognized as an expense in the income statement. The pension plan provided by the fund is a defined contribution plan.

The company cannot be held liable for any deficits within the pension fund and the company cannot assert any rights to any surpluses other than that future premiums can be adjusted.

At year-end 2018 (and 2017) the group had no pension claims and no obligations in addition to the payment of the annual premium due to the pension provider.

Consolidated cash flow statement

The cash flow statement is prepared according to the indirect method. The cash at bank and in hand 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. 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.

Services

If the result of a transaction relating to a service can be reliably estimated and the income is probable to be received, the income relating to that service is recognized in proportion to the service delivered. Stage of completion is based on the costs incurred in providing the services up to the balance sheet date in proportion to the estimated costs of the total services to be provided.

Interest

Interest income is recognized pro rata in the profit and loss account. The effective interest rate for the asset concerned is taken into account, provided the income can be measured and the income is probable to be received.

Dividend

Dividends are recognized in the profit and loss account if the group is entitled to them and the dividends are probable to be received.

Government grants

Government grants are recognized in the profit and loss account in the year in which the subsidized expenditure is incurred, in which the reduction of income is recognized or in which the operating loss is incurred for which the grant was received.

Gross margin

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

Personnel expenses

Wages, salaries and social security charges are recognized in the profit and loss account according to the terms of employment to the extent they are due to either employees or the tax authorities.

The group recognizes an obligation if it has demonstrably committed paying a termination benefit or transition payment. If the termination is part of a reorganization, the group includes the costs of a termination benefit or transition payment in a provision for reorganization costs.

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.

Interest

Interest is allocated to successive financial reporting periods in proportion to the outstanding principal. Premiums and discounts are treated as annual interest charges so that the effective interest rate, together with the interest payable on the loan, is recognized in the profit and loss account, with the amortized (net) cost of the liabilities being recognized in the balance sheet. Period interest charges and similar charges are recognized in the year in which they fall due.

Taxation

Current taxes

Taxes are calculated on the profit as disclosed in the profit and loss account based on current tax rates, allowing for tax-exempt items and cost items which are non-deductible, either in whole or in part.

Tax assets and liabilities are netted if the general conditions for netting are met.

Deferred taxes

A deferred tax liability is recognized for all taxable temporary differences between the valuation for tax and financial reporting purposes. A deferred tax asset is recognized for all deductible temporary differences between the valuation for tax and financial reporting purposes, and carry-forward losses, to the extent that it is probable that future taxable profit will be available for set-off. Deferred tax assets and liabilities are recognized under financial fixed assets and provisions, respectively.

Deferred tax liabilities and deferred tax assets are carried on the basis of the tax consequences of the realization or settlement of assets, provisions, liabilities or accruals and deferred income as planned by the group at the balance sheet date. Valuation is based on current tax rates. Deferred tax liabilities and deferred tax assets are carried at non-discounted value.

NOTES TO THE CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2018

FIXED ASSETS

	<u>31-12-2018</u>	<u>31-12-2017</u>
	€	€
1 Tangible fixed assets		
Leasehold improvements	486,296	87,709
Computer equipment	221,721	126,513
Office equipment	224,285	20,920
Deposits on tangible fixed assets	-	39,639
	<u>932,302</u>	<u>274,781</u>

Tangible fixed assets

	Leasehold improvements	Computer equipment	Office equipment	Deposits on tangible fixed assets	Total
	€	€	€	€	€
Balance as at 1 January 2018					
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 1 January 2018	<u>87,707</u>	<u>126,515</u>	<u>20,920</u>	<u>39,639</u>	<u>274,781</u>
<i>Movements</i>					
Investments	482,889	179,670	205,905	-	868,464
Depreciation	-86,110	-85,538	-42,756	-	-214,404
Reclassification deposits	-	-	39,639	-39,639	-
Deconsolidation of tangible fixed assets	-	-2,331	-	-	-2,331
Deconsolidation accumulated depreciation	-	1,087	-	-	1,087
Currency translation differences	1,810	2,318	577	-	4,705
Balance movements	<u>398,589</u>	<u>95,206</u>	<u>203,365</u>	<u>-39,639</u>	<u>657,521</u>
Balance as at 31 December 2018					
Historical cost price	587,604	483,647	358,128	-	1,429,379
Accumulated depreciation	-103,111	-264,024	-134,387	-	-501,522
Currency translation differences	1,803	2,098	544	-	4,445
Book value as at 31 December 2018	<u>486,296</u>	<u>221,721</u>	<u>224,285</u>	<u>-</u>	<u>932,302</u>
Depreciation percentages	<u>10-20%</u>	<u>20-33%</u>	<u>20%</u>	<u>0%</u>	

2017

	Leasehold improvements	Computer equipment	Office equipment	Deposits on tangible fixed assets	Total
	€	€	€	€	€
Balance as at 1 January 2017					
Historical cost price	53,194	239,018	97,502	-	389,714
Accumulated depreciation	-5,855	-138,060	-85,805	-	-229,720
Currency translation differences	-	524	22	-	546
Book value as at 1 January 2017	<u>47,339</u>	<u>101,482</u>	<u>11,719</u>	-	<u>160,540</u>
<i>Movements</i>					
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>
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>20-33%</u>	

Financial fixed assets

	<u>31-12-2018</u>	<u>31-12-2017</u>
	€	€
2 Participations in affiliated companies		
Participation in BIX Capital B.V., Amsterdam	1	-
Participation in Frontier Clearing Corporation B.V., Amsterdam	<u>1</u>	<u>1</u>
	<u>2</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. The total of unrecognized losses for Frontier Clearing Corporation B.V. amount to USD 4,954,511 (EUR 4,328,063, rate 0.87356)

The participation in BIX Capital B.V. refers to the 100% subsidiary of Cardano Development B.V. Cardano Development B.V. holds and has fully paid up the single outstanding share of BIX Capital B.V. at USD 1. The total of unrecognized losses for BIX Capital B.V. per 31 December 2018 amount to EUR 1,648,110. This excludes the preferred shares owned by Cardecho, as these do not give control over BIX Capital and are therefore classified as investment rather than a participation.

	<u>31-12-2018</u>	<u>31-12-2017</u>
	€	€
3 Other investments		
Preferred shares BIX Capital B.V.	3,057,460	-
Loan WIFKMC Ltd.	3,024,645	-
Loan C-Quest Capital	-	520,133
Loan The Paradigm Project	-	391,407
Loan Simgas IP B.V.	-	181,609
Loan BioLite	<u>-</u>	<u>157,693</u>
	<u>6,082,105</u>	<u>1,250,842</u>

Due to the deconsolidation of BIX Capital B.V. all loans from 2017 are derecognized as per year end 2018.

	<u>2018</u>	<u>2017</u>
	€	€
Preferred shares BIX Capital B.V.		
Balance as at 1 January		
Book value as at 1 January	<u>-</u>	<u>-</u>
Movements		
Deconsolidations	<u>3,057,460</u>	<u>-</u>
Balance movements	<u>3,057,460</u>	<u>-</u>
Balance as at 31 December		
Book value as at 31 December	<u>3,057,460</u>	<u>-</u>

This pertains to the 3,500,000 preferred shares investment of Cardecho B.V. in BIX Capital B.V. Cardecho B.V. holds and has fully paid up the 3,500,000 preferred shares at USD 3,500,000 (EUR 3,057,460, 2017: EUR 2,921,450). These shares yield a 4% dividend, and do not give control over BIX Capital B.V. Consequently, they have been presented as investment.

	<u>2018</u>	<u>2017</u>
	€	€
Loan WIFKMC Ltd		
Balance as at 1 January		
Book value as at 1 January	<u>-</u>	<u>-</u>
Movements		
Disbursements	3,020,648	
Interest	<u>3,997</u>	<u>-</u>
Balance movements	<u>3,024,645</u>	<u>-</u>
Balance as at 31 December		
Book value as at 31 December	<u>3,024,645</u>	<u>-</u>

On 20 July 2018 WFF B.V. concluded a loan agreement with Water Infrastructure Fund Kenya Management Company Ltd. (WIFKMC) for at least the aggregate amount of EUR 1,560,698. The loan has increased with amounts requested under funding requests of WIFKMC Ltd. Approval of these requests is at the discretion of WFF B.V. The interest percentage is 0.5% per annum. Repayment of the loan will take place once 0.04% of the funds issued by institutions to WIFKM Ltd. and the available cash (being cash available after deductions and reservations for the proper conduct of business) exceed the repayment obligation under this loan.

	<u>31-12-2018</u>	<u>31-12-2017</u>
	€	€
4 Deferred tax assets		
Deferred tax asset fiscal unity Cardano Development B.V.	332,330	333,396
Deferred tax asset Frontier Finance Solutions B.V.	9,206	11,508
Deferred tax asset Cardecho B.V.	-	7,454
Deferred tax asset GuarantCo Management Company Ltd.	-	4,788
Deferred tax asset BIX Capital B.V.	-	62,030
	<u>341,536</u>	<u>419,176</u>

	Deferred tax asset fiscal unity Cardano Develop- ment B.V.	Deferred tax asset Frontier Finance Solutions B.V.	Deferred tax asset Cardecho B.V.	Deferred tax asset GuarantCo Management Company Ltd.	Deferred tax asset BIX Capital B.V.
	€		€	€	€
Balance as at 1 January 2018	333,396	11,508	7,454	4,788	62,030
Movement for the year	66,814	-	-7,845	-39,389	-
FX translation loans Cardecho	27,202	-	-	-	-
Effects of decreased tax rate	-83,082	-2,302	-	-	-
Adjustments previous years	-12,000	-	-	-	-
Deconsolidations	-	-	-	-	-62,030
Reclass to deferred tax liability	-	-	-	34,235	-
Currency translation	-	-	391	366	-
Balance per 31 December 2018	<u>332,330</u>	<u>9,206</u>	<u>-</u>	<u>-</u>	<u>-</u>

The deferred tax assets relate to fiscal losses of Frontier Finance Solutions B.V. and Cardecho B.V., over the period before the fiscal unity with Cardano Development B.V. In 2018 the deferred tax asset at Cardecho B.V. was released due to the unlikelihood of future individually taxable results.

For substantiation of the balances, please refer to the calculation of the tax position (note 28.)

	<u>31-12-2018</u>	<u>31-12-2017</u>
	€	€
5 Frontier Clearing Fund Junior Loan		
Loan Stichting Frontclear	<u>349,426</u>	<u>333,929</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 (per 31-12-18: 1 EUR = 1.14379 USD). The market value at 31 December 2018 is EUR 348,474 (USD 398,581). 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>31-12-2018</u>	<u>31-12-2017</u>
	€	€

6 Trade debtors

Trade debtors	<u>503,536</u>	<u>398,541</u>
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A provision for doubtful debts in 2018 is not deemed necessary by the board.

	<u>31-12-2018</u>	<u>31-12-2017</u>
	€	€

7 Receivables from affiliated companies

Receivable Frontier Clearing Corporation B.V.	141,130	34,179
Receivable Frontier Clearing Fund Junior	67,413	58,677
Receivable Frontier Clearing Fund Subordinated	10,687	10,755
Receivable Frontier Clearing Fund Senior	10,544	10,612
Receivable Stichting Frontclear	<u>2,243</u>	<u>2,243</u>
	<u>232,017</u>	<u>116,466</u>

	<u>31-12-2018</u>	<u>31-12-2017</u>
	€	€

8 Taxes

Value added tax	<u>75,102</u>	<u>110,642</u>
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	<u>31-12-2018</u>	<u>31-12-2017</u>
	€	€
9 Other receivables and prepaid expenses		
Performance fee GuarantCo Ltd.	3,461,447	3,145,425
Performance fee The Currency Exchange Fund N.V.	1,551,396	1,230,995
Prepaid expenses	453,281	238,569
Guarantee deposits	211,619	28,741
Unbilled revenue	110,186	31,763
FX absorption pool	52,225	-
Staff loans	13,700	8,533
Cost recovery to be recharged to WIFKM (please refer to note 3)	-	1,560,698
Other receivables	<u>50,037</u>	<u>26,840</u>
	<u><u>5,903,891</u></u>	<u><u>6,271,564</u></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.

The FX absorption pool represents an amount reserved by the board of GuarantCo Management Company Ltd. to absorb any foreign currency exchange rate differences. Due to the fluctuation of these translation differences the pool has flipped into a debit position in 2018.

	<u>31-12-2018</u>	<u>31-12-2017</u>
	€	€
10 Cash at bank and in hand		
Rabobank, current accounts	5,196,664	3,708,491
ABN AMRO Bank N.V., deposit	1,950,000	1,200,000
Barclays Bank Plc., current accounts	1,627,476	1,225,440
ABN AMRO Bank N.V., flexible deposit	540,950	1,023,966
Guarantee deposits	43,578	43,578
ABN AMRO Bank N.V., current account	30,496	83,016
Cash	<u>3</u>	<u>3</u>
	<u><u>9,389,167</u></u>	<u><u>7,284,494</u></u>

An amount of USD 80,000 (EUR 69,885 per YE 2018) 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 Cardecho B.V.

The flexible deposit for EUR 1,950,000 (2017: EUR 1,200,000) is freely available and 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 in Amsterdam.

The remaining cash is at the company's free disposal.

Stichting Cardano Development, Amsterdam

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 2,570,823 differs from the company's capital (EUR 2,665,526).

Total taxes recognized directly in equity are set out below. These pertain to the FX translation of loans in Cardecho B.V. which are included directly in the foundation capital. In accordance with tax accounting rules the tax effect of these FX translations needs to be included here as well.

	<u>2018</u>	<u>2017</u>
Taxes recognized directly in equity	EUR -27,802	-61,954
	<u>31-12-2018</u>	<u>31-12-2017</u>
	€	€

12 Provisions

Deferred tax liability GuarantCo Management Company Ltd.	<u>34,235</u>	-
	<u>34,235</u>	-

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

	<u>31-12-2018</u>	<u>31-12-2017</u>
	€	€

13 Long-term liabilities

Subordinated loans	1,487,500	1,800,000
Other liabilities	10,443,181	6,910,815
Private loans	<u>235,000</u>	<u>235,000</u>
	<u>12,165,681</u>	<u>8,945,815</u>

	<u>31-12-2018</u>	<u>31-12-2017</u>
	€	€

Subordinated loans

Original loan Cardano Holding Ltd.	500,000	600,000
Loan Cardano Holding Ltd. Part I	637,500	850,000
Loan Cardano Holding Ltd. Part III	<u>350,000</u>	<u>350,000</u>
	<u>1,487,500</u>	<u>1,800,000</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 2017 and 2018 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%.

Stichting Cardano Development, Amsterdam

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, 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 facility was used to refund employee loans, fund an initial Capitalization of Frontclear Management B.V. and fund general business requirements. As per 8 January 2018 it was agreed that the Part I loan shall be repaid in 4 equal tranches of the principle amount (EUR 212,500 per tranche) according the following schedule: 1 July 2019, 1 July 2020, 1 July 2021 and 1 July 2022. Therefore, the first tranche has been presented under the current liabilities.

	<u>31-12-2018</u>	<u>31-12-2017</u>
	€	€
<i>Other liabilities</i>		
Conditional Repayable Grant DGIS	7,822,501	3,989,365
Loan Calvert Social Investment Foundation Inc.	1,310,340	1,669,400
Loan Echo Pilot Investments	<u>1,310,340</u>	<u>1,252,050</u>
	<u>10,443,181</u>	<u>6,910,815</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 2018 EUR 9 million of the grant has been disbursed (2017: EUR 4.5 million), of which 4.5 million has been distributed to WFF B.V.

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 2018 EUR 4,202,144 (2017: EUR 2,071,333) has been expensed, of which EUR 3,024,645 has been loaned to WIFKM, and EUR 1,177,499 (2017: EUR 510,635) has been deducted from the EUR 9 million budget 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 1,747,120) (FX rate 31 December 2018: 1 EUR = 1.14379 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). Therefore, the first instalment due has been presented under the short-term liabilities. 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 at bank and in hand.

Stichting Cardano Development, Amsterdam

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 2018 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. Per 31 December 2018 USD 1,500,000 (EUR 1,310,340, FX rate 31 December 2018: 1 EUR = 1.14379 USD) has been disbursed.

	<u>31-12-2018</u>	<u>31-12-2017</u>
	€	€
Private loans		
Loan J. Zuidberg	117,500	117,500
Loan F. Gosselink	<u>117,500</u>	<u>117,500</u>
	<u>235,000</u>	<u>235,000</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 2018 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.

Stichting Cardano Development, Amsterdam

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.

CURRENT LIABILITIES

	<u>31-12-2018</u>	<u>31-12-2017</u>
	€	€
14 Trade creditors		
Trade creditors	<u>455,732</u>	<u>912,126</u>
	<u>31-12-2018</u>	<u>31-12-2017</u>
	€	€
15 Liabilities to affiliated companies		
Current account BIX Capital B.V.	<u>309,131</u>	<u>-</u>

This is a liability of Cardano Development B.V. Movements as of date of settlement relate to value added tax as part of the fiscal unity with Cardano Development B.V. and deferred tax movements within the fiscal unity for corporate income tax. No interest is paid over the amount payable. There are no agreements (in writing) as to the settlement of this amount.

	<u>31-12-2018</u>	<u>31-12-2017</u>
	€	€
16 Taxes		
Wage tax	248,450	187,416
Corporate income tax	97,245	181,485
Pension premiums	37,524	34,459
	<u>383,219</u>	<u>403,360</u>

	<u>31-12-2018</u>	<u>31-12-2017</u>
	€	€
17 Other liabilities and accrued expenses		
Variable compensation staff GuarantCo Management Company Ltd.	2,685,320	2,289,993
Deferred compensation	1,040,579	426,371
Management fee payable GuarantCo Ltd.	952,325	472,784
Variable compensation staff TCX Investment Management Company B.V.	829,992	658,261
Accrued expenses	538,077	204,595
Repayment obligation Calvert Social Investment Foundation Inc.	436,780	-
Management fee payable to The Currency Exchange Fund N.V.	236,569	126,237
Repayment obligation Cardano Holding Ltd. loan	212,500	400,000
Audit fees	196,815	172,507
Accrued interest	192,402	171,384
Deferred income	153,414	138,273
Variable compensation staff Frontclear Management B.V.	130,913	-
ECHO Upside reserve amount	98,498	44,035
Rent down payments	5,163	5,163
Net wages	1,491	9,570
FX absorption pool	-	247,539
Other liabilities	<u>179,425</u>	<u>-</u>
	<u><u>7,890,263</u></u>	<u><u>5,366,712</u></u>

The deferred compensation relates to variable elements in the compensation of employees of TCX Investment Management Company B.V. (EUR 292,175), Frontier Finance Solutions B.V. (EUR 171,594) and GuarantCo Management Company Ltd. (EUR 576,811). The bonuses will be paid in differing instalments. Of the 2017 amounts EUR 227,725 has been paid out in 2018.

Audit fees include fees for the financial audit 2018 (EUR 127,925) and fees for the operational audits (EUR 68,890).

18 Off-balance-sheet rights, obligations and arrangements

Forward currency contracts

The group had a forward currency contract in place at the year-end date with a carrying amount of nil. The contract serves to hedge future income in 2019 under a management agreement with a Mauritius client that is denominated in US dollar. Purchases are expected to be made in January, February and March 2019. Under the terms and conditions of the forward currency contract, the group will purchase USD 1,300,000 at a rate of USD 1 = GBP 0.7675 on 10 January 2019, USD 1,750,000 at a rate of USD 1 = GBP 0.7874 on 31 January 2019 and USD 1,300,000 at a rate of USD 1 = GBP 0.7643 29 in March 2019. The unrealized loss on the forward currency contract amounted to GBP 58,220 (EUR 64,899) at 31 December 2018.

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 2018:

- Cardano Development B.V.;
- TCX Investment Management Company B.V.;
- BIX Capital B.V.;
- Frontclear Management B.V.;
- Frontier Finance Solutions B.V.;
- Frontier Clearing Corporation B.V.;
- ILX B.V.

The fiscal unity for Corporate Income Tax consists of the following companies as per 1 January 2018:

- Cardano Development B.V.;
- TCX Investment Management Company B.V.;
- Frontclear Management B.V.;
- Frontier Finance Solutions B.V.;
- Cardecho B.V.;
- BIX Capital B.V.;
- WFF B.V.;
- ILX B.V.;

BIX Capital B.V. remains in the fiscal unity for Corporate Income Tax since for tax purposes the percentage of shares held by a company is leading in determining whether decisive control exists, and Cardano Development B.V. still holds 100% of the normal shares in BIX Capital B.V. as per 31 December 2018.

Stichting Cardano Development, Amsterdam

Operating rent commitments

Frontier Finance Solutions B.V. has a rental contract 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 124,000 (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.

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. Annual rent is approximately GBP 562,000 (approximately EUR 623,000 per 31 December 2018). An amount of GBP 1,934,828 remains as obligation with a term of more than one year.

Fund Management JODEA

Frontier Finance Solutions B.V. was appointed as the fund manager of the JODEA account in 2016. All 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 2018, EUR 215,597 and USD 1,025,762 (EUR 896,802) remains available on the account.

19 Subsequent events

There were no subsequent events to report.

NOTES TO THE CONSOLIDATED STATEMENT OF INCOME AND EXPENSES FOR THE YEAR 2018

	2018	2017
	€	€
20 Income		
Management fees	13,237,775	11,184,095
Performance fees	5,373,294	4,545,498
Project Water Financing Facility	1,365,429	2,071,333
Project JODEA	881,721	524,402
Grant Cardano Holding Ltd.	100,000	100,000
Interest loans	44,633	141,790
Subscription fees (OGR)	-	34,803
Other income	15,000	62,984
	<u>21,017,852</u>	<u>18,664,905</u>

Management fees

The supervisory boards of The Currency Exchange Fund N.V. (TCX) and GuarantCo Ltd. (GC) agree to an annual budget. The budget for TCX is payable monthly in advance with reconciliation to actual cost at year end. The budget for GC is payable quarterly in advance with reconciliation to actual cost at year end.

Annual fund management fees received by Frontclear Management B.V. 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.

Performance fees

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 partly based on discretionary elements subject to the approval of the 'FCC Supervisory Board' in 2019 and subsequently only for the fixed part an accrual has been included as per 31 December 2018.

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 note 13 in long term liabilities (page 26).

Stichting Cardano Development, Amsterdam

Project JODEA

Project JODEA income in ILX B.V. concerns 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. This grant is not paid in cash, but settled with the loan amount outstanding.

	<u>2018</u>	<u>2017</u>
	€	€
21 Cost of income		
External party hire	<u>1,900,719</u>	<u>2,861,789</u>

Cardano Development entered into Service Level Agreements with external parties for back office facilities and project management. Due to the takeover of the water finance facility project in 2017 additional costs were incurred to reimburse the to-date expense. In 2018 the expense therefore lowered substantially with no legacy to reimburse. This is partly offset by the higher expense in project management of ILX B.V.

	<u>2018</u>	<u>2017</u>
	€	€
22 Wages and salaries		
Wages and salaries	6,578,455	5,539,259
Bonus personnel	3,831,274	3,124,578
Severance pay	-	56,411
	<u>10,409,729</u>	<u>8,720,248</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 7,250 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.

Stichting Cardano Development, Amsterdam

Average number of employees

	<u>2018</u>	<u>2017</u>
TCX Investment Management Company B.V.	18	16
Frontclear Management B.V.	7	6
BIX Capital B.V.	-	1
Frontier Finance Solutions B.V.	9	7
Guarantco Management Company Ltd.	<u>28</u>	<u>24</u>
	<u>62</u>	<u>54</u>

Of the 62 employees on average, 28 from GuarantCo Management Company Ltd. and 2 from Frontier Finance Solutions B.V. are employed outside of The Netherlands.

	<u>2018</u>	<u>2017</u>
	€	€
23 Social security premiums and pension costs		
Social security charges	755,384	506,880
Pension costs	<u>204,730</u>	<u>149,510</u>
	<u>960,114</u>	<u>656,390</u>

The pension costs relate to GuarantCo Management Company Ltd. (hereafter GMC). The costs relate to a defined contribution scheme.

	<u>2018</u>	<u>2017</u>
	€	€
24 Other staff expenses		
Sickness insurance	165,255	136,692
Study and training expenses	151,530	74,292
Third party services	97,250	10,903
Income protection	54,236	31,448
Commuting allowance	42,688	19,610
Recruitment expenses	30,071	76,956
Relocation staff	15,188	-
Expense allowances	10,033	-
Other staff expenses	<u>95,744</u>	<u>91,891</u>
	661,995	441,792
Recovered staff expenses	<u>-43,895</u>	<u>-12,535</u>
	<u>618,100</u>	<u>429,257</u>

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

	<u>2018</u>	<u>2017</u>
	€	€
25 Depreciation of tangible fixed assets		
Leasehold improvements	86,110	11,146
Computer equipment	85,538	41,874
Office equipment	<u>42,756</u>	<u>5,826</u>
	214,404	58,846
Loss on disposal of fixed assets	<u>-</u>	<u>5,127</u>
	<u>214,404</u>	<u>63,973</u>

	<u>2018</u>	<u>2017</u>
	€	€
26 Other operating expenses		
Housing expenses	637,132	348,528
Travel and marketing expenses	1,587,914	1,734,974
Office expenses	598,968	479,819
General expenses	<u>2,949,580</u>	<u>2,591,522</u>
	<u>5,773,594</u>	<u>5,154,843</u>

The general expenses mainly consist of Advisory fees amounting to EUR 1,005,365 (2017: EUR 951,437), insurance premiums ad. EUR 391,848. (2017: EUR 417,331).

The general increase of operating expenses is due to the rapid growth of the subsidiary Guarantco Management Company Ltd., as well as the increase in expenses for the JODEA project (ILX).

Audit fee

An amount of EUR 168,733 is included in the general expenses with respect to financial audit fees for the financial year 2018 audit for the group (2017: EUR 154,650). The audit fees related only to audit services provided by Ernst & Young Accountants LLP. No other services are provided by the auditor.

	<u>2018</u>	<u>2017</u>
	€	€
27 Financial income and expense		
Other interest and similar income	138,304	2,277
Value changes of financial fixed assets	-	-1
Interest and similar expenses	<u>-294,020</u>	<u>-639,278</u>
	<u>-155,716</u>	<u>-637,002</u>

	<u>2018</u>	<u>2017</u>
	€	€
<i>Other Interest and similar income</i>		
Dividend preferred shares BIX Capital B.V.	119,559	-
Foreign currency translation	14,745	-
Other interest receivable	4,000	2,277
	<u>138,304</u>	<u>2,277</u>

Interest or similar income from affiliated companies amounts to EUR 119,559.

	<u>2018</u>	<u>2017</u>
	€	€
<i>Value changes of financial fixed assets</i>		
Write off ECHO project	-	1
	<u>-</u>	<u>1</u>

	<u>2018</u>	<u>2017</u>
	€	€
<i>Interest and similar expenses</i>		
Interest loans Cardano Holding Ltd.	138,196	153,863
Interest loan Calvert	68,547	69,923
Upside grant ECHO	51,779	38,400
Bank charges	17,994	17,269
Interest loans management	17,504	17,689
Foreign currency translation	-	342,035
Other interest expenses	-	99
	<u>294,020</u>	<u>639,278</u>

An amount of EUR 290,900 is included in the balance sheet as accrued interest or similar expense, of which EUR 109,965 pertains to 2018.

	<u>2018</u>	<u>2017</u>
	€	€
28 Taxation		
Change in deferred taxes	-96,574	166,154
Correction Corporate Income Tax previous years	-	2,132
Corporate income tax GuarantCo Management Company Ltd.	-145,802	-183,021
	<u>-242,376</u>	<u>-14,735</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. Please refer to note 28 for substantiation of the change in deferred taxes.

Stichting Cardano Development, Amsterdam

29 Tax position of the consolidated financial statements

As of 19 March 2013, there is fiscal unity for corporate income tax with Cardano Development B.V., TCX Investment Management Company 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. was 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 Frontier Finance Solutions B.V. were added to the fiscal unity. As of 1 January 2017, Cardecho B.V. was added to the fiscal unity as well.

As of 1 April 2017, WFF B.V. and ILX B.V. were added to the fiscal unity.

	<u>2018</u>
	EUR
Calculation taxable amount	
Result before taxation Stichting Cardano Development	29,674
Result before taxation Cardano Development B.V.	-332,166
Result before taxation BIX Capital B.V.	-573,550
Result before taxation TCX Investment Management Company B.V.	721,404
Result before taxation Frontier Finance Solutions B.V.	-105,524
Result before taxation Cardecho B.V.	-5,662
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>821,485</u>
	555,661
Result Stichting Cardano Development (tax exempt)	<u>-29,674</u>
	525,987
Tax charge at 20%:	105,197
<i>Tax effects of:</i>	
Deviating tax rates	-8,355
Nondeductible expenses	6,696
Nondeductible fines	593
Investment allowances	-3,173
Nontaxable dividend income	-23,912
Capital items expenses + non-eligible depreciation	30,860
Deconsolidation BIX Capital B.V.	85,636
Tax rate changes	28,452
Release deferred tax asset Cardecho B.V.	7,845
Withholding tax	15,138
Adjustment deferred tax assets previous years	<u>-2,601</u>
Tax charge consolidated annual report	242,376

Stichting Cardano Development, Amsterdam

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

Since the government of The Netherlands lowered the tax rates for future Corporate Income Tax (lowest rate 2019: 19%, 2020: 16.5%, 2021: 15%, for up to EUR 200,000 in taxable profit) the DTA has been adjusted to reflect this lower offset. The DTA is now calculated at 16%. Also, the Dutch Tax Office has not accepted the fiscal classification of the preferred shares as liability (thus making the dividend paid an interest expense), thereby lowering the losses within the fiscal unity attributed to BIX Capital B.V. For the fiscal unity the classification change of the dividend has no effect, since both BIX Capital B.V. and Cardecho B.V. are part of the fiscal unity.

	<u>Deductible</u> <u>losses at year</u> <u>end</u> EUR
Loss compensation fiscal unity	
2014	68,831
2015	733,198
2016	420,839
2017	384,111
2018	<u>470,083</u>
	<u>2,077,062</u>

DTA at 16%: 332,330

COMPANY FINANCIAL STATEMENTS

COMPANY BALANCE SHEET AS AT 31 DECEMBER 2018

After result appropriation

		<u>31 December 2018</u>		<u>31 December 2017</u>	
		€	€	€	€
ASSETS					
FIXED ASSETS					
Financial fixed assets					
Participations in group companies	30	3,053,062		2,146,251	
Other investments	31	<u>4,500,000</u>		<u>2,500,000</u>	
			7,553,062		4,646,251
CURRENT ASSETS					
Receivables					
Receivables from group companies	32		159,955		229,280
Cash at bank and in hand	33		4,500,350		2,000,575
			<u>12,213,367</u>		<u>6,876,106</u>

		<u>31 December 2018</u>		<u>31 December 2017</u>	
		€	€	€	€
LIABILITIES					
Foundation capital	34		2,665,526		1,729,041
Long-term liabilities					
Subordinated loans	35	500,000		600,000	
Other debentures	36	<u>9,000,000</u>		<u>4,500,000</u>	
			9,500,000		5,100,000
Current liabilities					
Other liabilities and accrued expenses	37		47,841		47,065
			<u>12,213,367</u>		<u>6,876,106</u>

COMPANY STATEMENT OF INCOME AND EXPENSES FOR THE YEAR 2018

		2018		2017	
		€	€	€	€
Income	40		100,000		100,000
Other operating expenses	41		<u>33,583</u>		<u>27,637</u>
Operating result			66,417		72,363
Financial income and expense	42		<u>-36,743</u>		<u>-42,485</u>
Result from ordinary activities			29,674		29,878
Share in result from participations	43		<u>872,659</u>		<u>659,689</u>
Net result			<u><u>902,333</u></u>		<u><u>689,567</u></u>

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

	Company result for 2018	Recognized for 2018	Valuation difference	2018 €
Company's result				902,333
Consolidated result				<u>743,100</u>
Difference				159,233
Frontier Finance Solutions B.V.	-113,266	-80,000	-33,266	
BIX Capital B.V.	-114,988	-	-114,988	
Cardecho B.V.	-13,507	-2,528	-	
			<u>10,979</u>	
Valuation differences				<u>-159,233</u>
Total				-

ACCOUNTING POLICIES USED IN PREPARING 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.

NOTES TO THE COMPANY BALANCE SHEET AS AT 31 DECEMBER 2018

Financial fixed assets

	<u>31-12-2018</u>	<u>31-12-2017</u>
	€	€
30 Participations in group companies		
Cardano Development B.V.	<u>3,053,062</u>	<u>2,146,251</u>

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

	<u>2018</u>	<u>2017</u>
	€	€
Cardano Development B.V.		
Balance as at 1 January		
Book value as at 1 January	<u>2,146,251</u>	<u>1,486,562</u>
Movements		
DTA effect FX translation loans Cardecho B.V.	34,152	-
Result financial year	<u>872,659</u>	<u>659,689</u>
Balance movements	<u>906,811</u>	<u>659,689</u>
Book value as at 31 December	<u>3,053,062</u>	<u>2,146,251</u>

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

	<u>31-12-2018</u>	<u>31-12-2017</u>
	€	€
31 Other investments		
Loan WFF B.V.	<u>4,500,000</u>	<u>2,500,000</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 13.

CURRENT ASSETS

Receivables

	<u>31-12-2018</u>	<u>31-12-2017</u>
	€	€
32 Receivables from group companies		
Current account Cardano Development B.V.	<u>159,955</u>	<u>229,280</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>31-12-2018</u>	<u>31-12-2017</u>
	€	€
33 Cash at bank and in hand		
Rabobank, current accounts	<u>4,500,350</u>	<u>2,000,575</u>

Cash is at the company's free disposal.

34 Foundation capital

	Foundation capital	Translation reserve	Total
	€	€	€
Balance as at 1 January 2018	1,683,702	45,339	1,729,041
Result for the year	902,333	-	902,333
Tax effect FX translation loans Cardecho B.V.	34,152	-	34,152
Currency translation	-27,283	27,283	-
Balance per 31 December 2018	<u>2,592,904</u>	<u>72,622</u>	<u>2,665,526</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 2018	Valuation as per 31 December 2018	Valuation difference	2018 €
Company's capital				2,665,526
Consolidated capital				<u>2,570,823</u>
Difference				94,703
Frontier Finance Solutions B.V.	-546,612	-513,346	-33,266	
BIX Capital B.V.	-114,988	-	-114,988	
Cardecho B.V.	-58,319	-39,248	-19,071	
Valuation differences				-167,325
Translation differences				<u>72,622</u>
Total				-

	<u>31-12-2018</u>	<u>31-12-2017</u>
	€	€
35 Subordinated loans		
Loan Cardano Holding Ltd.	<u>500,000</u>	<u>600,000</u>
	<u>2018</u>	<u>2017</u>
	€	€
<i>Loan Cardano Holding Ltd.</i>		
Balance as at 1 January	600,000	700,000
Release	<u>-100,000</u>	<u>-100,000</u>
Balance as at 31 December	<u>500,000</u>	<u>600,000</u>
Interest percentage	6%	6%

For details please refer to note 13 to the consolidated financial statements. The release is accounted as income (see note 38).

	<u>31-12-2018</u>	<u>31-12-2017</u>
	€	€
36 Other debentures		
Conditional Repayable Grant DGIS	<u>9,000,000</u>	<u>4,500,000</u>

For details please refer to note 13 to the consolidated balance sheet. The EUR 1,177,499 expenses (2017: 510,635) are not included here, since they are offset in WFF B.V.

CURRENT LIABILITIES

	<u>31-12-2018</u>	<u>31-12-2017</u>
	€	€
37 Other liabilities and accrued expenses		
Interest loan Cardano Holding Ltd.	28,304	33,025
Audit Fee	<u>19,537</u>	<u>14,050</u>
	<u>47,841</u>	<u>47,065</u>

38 Appropriation of result

The foundation board proposes to appropriate the result as follows:

The result for the year 2018 in the amount of EUR 902,333 will be added in full to the foundation capital.

39 Subsequent events

There are no subsequent events to report for the foundation.

NOTES TO THE COMPANY STATEMENT OF INCOME AND EXPENSES FOR THE YEAR 2018

	<u>2018</u>	<u>2017</u>
	€	€
40 Income		
Grant Cardano Holding Ltd.	<u>100,000</u>	<u>100,000</u>

The grants pledged in 2017 and 2018 were settled with the loan and therefore not paid in cash.

	<u>2018</u>	<u>2017</u>
	€	€
41 Other operating expenses		
General expenses	<u>33,583</u>	<u>27,637</u>

	<u>2018</u>	<u>2017</u>
	€	€
General expenses		
Audit fees	29,123	24,795
Accounting fee	4,235	2,644
Bank charges	<u>225</u>	<u>198</u>
	<u>33,583</u>	<u>27,637</u>

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

	<u>2018</u>	<u>2017</u>
	€	€
42 Financial income and expense		
Interest loan Cardano Holding Ltd.	-36,743	-42,484
Write off ECHO project	<u>-</u>	<u>-1</u>
	<u>-36,743</u>	<u>-42,485</u>

	<u>2018</u>	<u>2017</u>
	€	€
43 Share in result from participations		
Result from Cardano Development B.V.	<u>872,659</u>	<u>659,689</u>

44 Other notes*Average number of employees at the Foundation*

During the year 2018, there were no employees at the foundation (2017: nil).

OTHER INFORMATION

Other information

Proposal result appropriation

Article 3.4

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

The result will be added/subtracted to/from 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 2018 included in the annual report

Our opinion

We have audited the financial statements 2018 of Stichting Cardano Development, based in Amsterdam.

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 2018, and of its result for 2018 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 2018
- The consolidated and company statement of income and expenses for 2018
- 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, 21 June 2019

Ernst & Young Accountants LLP

signed by R.J. Bleijs