

Stichting Cardano Development
Amsterdam
ANNUAL REPORT 2020

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Stichting Cardano Development, Amsterdam

COMPANY INFORMATION

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

T.P. Kocken (Chairman 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

Mauritskade 63
1092 AD Amsterdam
The Netherlands

Chamber of Commerce number Stichting Cardano Development

57504091

Website

www.cardanodevelopment.com

Stichting Cardano Development, Amsterdam

REPORT OF THE FOUNDATION BOARD

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 sponsor.

Our roots lie in understanding the causes and impact of risk, and 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 approach 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 thus drift towards fragility. Or alternatively overcautiousness, missing the opportunity to support sustainable impact and the 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 Foundation Board 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 2020, this resulted again in steady growth centered around our core strength in developing products and services for 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 institutions active in developing countries, including 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 opportunities with the potential to make the largest, scalable development impact; and we aim to be an incubator in partnership with others, to realize operationally and financially sustainable solutions to close 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). Our scale ups and startups all strive towards their own different SDGs, but the overall Stichting Cardano Development denominator is SDG 17; partnerships.

Stichting Cardano Development, Amsterdam

All Cardano Development initiatives aim towards 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 to the level 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 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. It acts as the group's holding company, on behalf of the Stichting, for the operational subsidiaries within the Cardano Development group.

The year 2020 was a successful and profitable year for the group, with substantial growth both in the business of key subsidiaries as well as in the projects, 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). Markets rapidly bounced back in 2020.
- Frontclear Management B.V. (FCM), successfully executed the growth and development impact ambitions of its client the Frontier Clearing Corporation B.V. Break-even was reached after years of dedication and perseverance.
- GuarantCo Management Company Limited (GMC) manages profitably a strong, growing portfolio for GuarantCo Limited (Mauritius). The offices in Nairobi and Singapore provided further support to growth and broadening of the GuarantCo portfolio. Many clients and projects were actively supported as markets and value chains were worldwide under stress.

Our services and incubator subsidiary, Frontier Finance Solutions B.V. provides group-wide support for accounting, IT, communication and risk management, partnering with our external strategic service providers DLM Finance B.V. and Cardano Risk Management B.V.

Stichting Cardano Development, Amsterdam

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 country of activity is Kenya.
- 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 was initially financed by KfW (acting on behalf of the German Government) and consequently by DFID. ILX is supported by DGIS since November 2020.
- Cardano Development Savings (CDS) has a vision of financial inclusion and financial resilience. CDS partners with NASASA in South-Africa to offer a safe and rewarding savings solution to the Stokvels (savings groups) in South-Africa. All necessary licenses are obtained.
- IMfact offers financing solution to specific SME value chains. It explores the possibilities in Kenya. The innovation is on the edge of factoring and securitization of invoices. IMFact is the typical fintech; risk management improvement based on massive data analysis.
- AGR13 is about de-risking and catalyzing investment opportunities that will actively prevent deforestation, stimulate reforestation and contribute to efficient, sustainable agricultural production.

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.

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 practices. Our clients and partners (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.

To smooth liquidity requirements the group attracted extra capacity through crowdfunding. This allowed to create more awareness: people were offered an opportunity to finance our business and get more insights in new markets and development impact opportunities.

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 provided the extra financial capacity to expand Frontier Finance Solutions. The business model of Cardano Development as an enabling ecosystem (extended risk management platform) is in itself not very risky.

Stichting Cardano Development, Amsterdam

The Cardano Development group companies employ around 100 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.

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.

Jaap Koelewijn stepped down from the board of Cardano Development on 28 September 2020 after having served the two statutory terms. The board acknowledges his professional contribution as Treasurer of the Board and highly appreciates his personal involvement and commitment in establishing Cardano Development. The Board is in the process of selecting new Board member(s).

COVID

The future for emerging and developing countries is not clear, but it is obvious that there will be lasting impact in terms of health and economics, even as the pandemic shifts locally to endemic. Markets are recovering slowly, but worldwide value chains are still in trouble and the weakest links are often far away from the mature, deep and liquid markets where the central banks still mitigate the consequences.

For local currencies, local interest rates, local credit ratings; the risks have increased. We continue to support our existing clients, but we cannot completely avoid the negative financial implications for our investors. Many development impact initiatives have slowed down, but that is an unavoidable part of our operating environment and known reality.

For the Cardano Development group the overall financial impact is limited. Our performance fees are balanced and not dependent on growth and financial targets alone.

Our ambitions have become stronger; we foresee that in the coming years we are more needed than ever to mitigate volatility and partner to reach the SDGs.

Amsterdam, 29 June 2021

Chairman of the Board

Vice-chairman of the Board

Theo Kocken

Arjan Erkel

CONSOLIDATED FINANCIAL STATEMENTS

Stichting Cardano Development, Amsterdam

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2020

(After proposal result appropriation)

| | 31 December 2020 | | 31 December 2019 | |
|--|------------------|-------------------|------------------|-------------------|
| | € | € | € | € |
| ASSETS | | | | |
| FIXED ASSETS | | | | |
| Tangible fixed assets | 1 | 700,173 | | 888,445 |
| Financial fixed assets | | | | |
| Participations in affiliated companies | 2 | 2 | | 2 |
| Other investments | 3 | 8,072,658 | | 7,494,379 |
| Deferred tax assets | 4 | <u>290,800</u> | | <u>394,670</u> |
| | | 8,363,460 | | 7,889,051 |
| CURRENT ASSETS | | | | |
| Receivables | | | | |
| Trade debtors | 5 | 184,633 | | 434,098 |
| Receivables from affiliated companies | 6 | 143,043 | | 377,661 |
| Taxes | 7 | 126,752 | | 163,049 |
| Other receivables and prepaid expenses | 8 | <u>6,361,278</u> | | <u>7,685,047</u> |
| | | 6,815,706 | | 8,659,855 |
| Cash at bank and in hand | 9 | 11,127,006 | | 10,326,811 |
| | | <u>27,006,345</u> | | <u>27,764,162</u> |

Stichting Cardano Development, Amsterdam

| | <u>31 December 2020</u> | | <u>31 December 2019</u> | |
|--|-------------------------|-------------------|-------------------------|-------------------|
| | € | € | € | € |
| LIABILITIES | | | | |
| Foundation capital | 10 | 3,614,105 | | 3,418,295 |
| Provisions | 11 | 23,228 | | 13,391 |
| Long-term liabilities | 12 | 11,366,740 | | 12,009,537 |
| Current liabilities | | | | |
| Trade creditors | 13 | 283,257 | | 600,434 |
| Liabilities to affiliated companies | 14 | 869,411 | | 516,500 |
| Taxes | 15 | 682,458 | | 538,889 |
| Other liabilities and accrued expenses | 16 | <u>10,167,146</u> | | <u>10,667,116</u> |
| | | 12,002,272 | | 12,322,939 |
| | | <u>27,006,345</u> | | <u>27,764,162</u> |

Stichting Cardano Development, Amsterdam

CONSOLIDATED STATEMENT OF INCOME AND EXPENSES FOR THE YEAR 2020

| | | 2020 | | 2019 | |
|--|----|-------------------|-------------------|-------------------|-------------------|
| | | € | € | € | € |
| Income | 18 | 26,695,616 | | 24,949,887 | |
| Cost of income | 19 | <u>-1,747,825</u> | | <u>-1,794,514</u> | |
| Gross margin | | | 24,947,791 | | 23,155,373 |
| Wages and salaries | 20 | 15,106,249 | | 13,203,675 | |
| Social security premiums and pension costs | 21 | 1,544,232 | | 1,487,230 | |
| Other staff expenses | 22 | 1,363,136 | | 887,469 | |
| Depreciation of tangible fixed assets | 23 | 311,587 | | 246,101 | |
| Other operating expenses | 24 | <u>5,972,180</u> | | <u>6,367,232</u> | |
| Total operating expenses | | | <u>24,297,384</u> | | <u>22,191,707</u> |
| Operating result | | | 650,407 | | 963,666 |
| Financial income and expense | 25 | | <u>-69,376</u> | | <u>17,132</u> |
| Consolidated result from operational activities before taxation | | | 581,031 | | 980,798 |
| Taxation | 26 | | <u>-293,593</u> | | <u>-186,474</u> |
| Net consolidated result after taxation | | | <u>287,438</u> | | <u>794,324</u> |

Stichting Cardano Development, Amsterdam

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR 2020

| | 2020 | | 2019 | |
|---|-----------|-------------------|------------|-------------------|
| | € | € | € | € |
| Net result after taxation | | 287,438 | | 794,324 |
| <i>Adjustments for:</i> | | | | |
| Depreciation | 311,587 | | 286,629 | |
| Change in current assets | 1,844,149 | | -1,945,309 | |
| Change in current liabilities | -320,666 | | 3,721,373 | |
| Movement in deferred tax assets | 103,870 | | -52,071 | |
| Movement in provisions | 9,837 | | -20,844 | |
| Interest income | -14,659 | | -19,722 | |
| Grant income | -100,000 | | -100,000 | |
| | | <u>1,834,118</u> | | <u>1,870,056</u> |
| Cash flow from operating activities | | 2,121,556 | | 2,664,380 |
| Cash flow from investment activities | | | | |
| Investments in tangible fixed assets | -156,503 | | -253,471 | |
| Investments in financial fixed assets | -911,924 | | -1,323,161 | |
| Repayment of financial fixed assets | - | | 349,426 | |
| | | <u>-1,068,427</u> | | <u>-1,227,206</u> |
| Cash flow from financing activities | | | | |
| Disbursement long term liabilities | -588,608 | | 2,095 | |
| Redemption long term liabilities | -212,500 | | -562,500 | |
| Reclass capex account GuarantCo Ltd (note 12, page 28) | 604,987 | | - | |
| | | <u>-196,121</u> | | <u>-560,405</u> |
| Cash flow from financing activities | | -196,121 | | -560,405 |
| Net cash flow | | 857,008 | | 876,769 |
| Adjustment for FX differences | | <u>-56,813</u> | | <u>60,875</u> |
| Movement in cash | | 800,195 | | 937,644 |
| Cash at bank and in hand per 1-1 | | <u>10,326,811</u> | | <u>9,389,167</u> |
| Cash at bank and in hand per 31-12 | | <u>11,127,006</u> | | <u>10,326,811</u> |

Stichting Cardano Development, Amsterdam

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 Foundation Board on 29 June 2021.

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 solely relate to the classification of grant income in the consolidated cash flow statement, and consequently the adjustment for FX differences.

Going concern

Given the result for the year 2020, 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 Foundation Board's 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 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 balance sheet date. 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. Movements within a fiscal unity will be settled in current account.

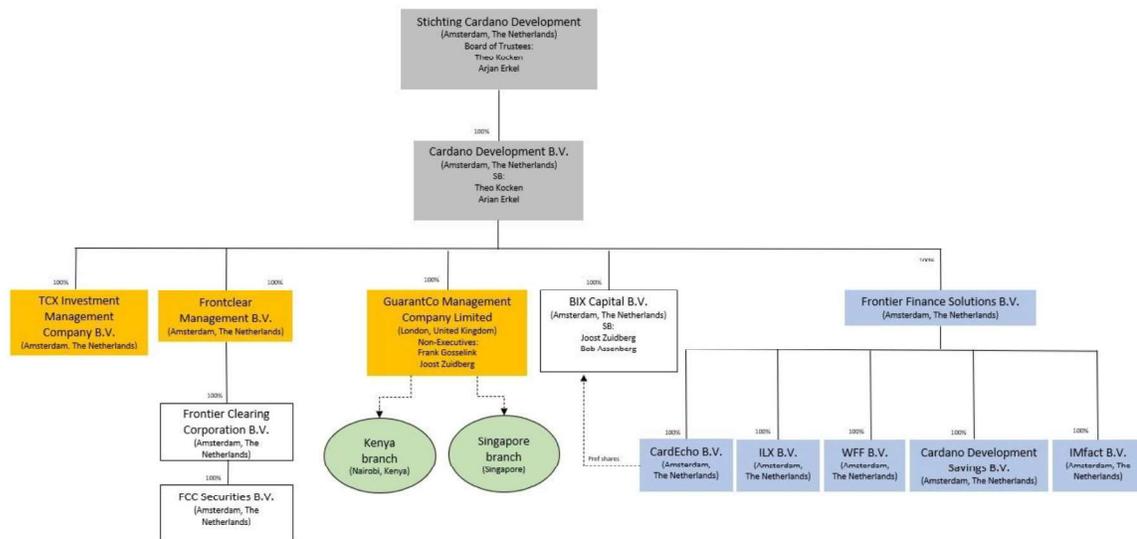
Stichting Cardano Development, Amsterdam

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, 2019: 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;
- Cardano Development Savings B.V.;
- GuarantCo Management Company Ltd., London, UK; and
- ImFACT B.V., Amsterdam

Stichting Cardano Development, Amsterdam

Non-consolidated companies

Frontier Clearing Corporation B.V. (FCC) is a 100% (2019: 100%) subsidiary of Frontclear Management B.V. but excluded from the consolidation due to lack of control. As 100% daughter of Frontier Clearing Corporation B.V., FCC Securities B.V. is also not consolidated.

BIX Capital B.V. is a 100% (2019: 100%) subsidiary of Cardano Development B.V. but excluded from the consolidation due to lack of control as per 2 May 2018. BIX Capital B.V. remains in the fiscal unity for Corporate Income Tax of Cardano Development B.V.

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.

Stichting Cardano Development, Amsterdam

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 at least 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 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 make that 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.

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 15% (2019: 15%). The 15% is a prudent rate since most of the DTA is expected to be settled past 2021.

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.

Stichting Cardano Development, Amsterdam

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 is a defined contribution plan.

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

At year-end 2020 (and 2019) 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.

Stichting Cardano Development, Amsterdam

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 considered 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.

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.

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.

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.

Stichting Cardano Development, Amsterdam**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 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. Valuation is based on future 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 2020

FIXED ASSETS

| | <u>31-12-2020</u> | <u>31-12-2019</u> |
|--------------------------------|-----------------------|-----------------------|
| | € | € |
| 1 Tangible fixed assets | | |
| Leasehold improvements | 357,982 | 490,956 |
| Computer equipment | 177,725 | 193,070 |
| Office equipment | <u>164,466</u> | <u>204,419</u> |
| | <u><u>700,173</u></u> | <u><u>888,445</u></u> |

| | Leasehold improvements | Computer equipment | Office equipment | Total |
|-----------------------------------|---------------------------|-----------------------|-----------------------|------------------------|
| | € | € | € | € |
| Balance as at 1 January 2020 | | | | |
| Historical cost price | 719,861 | 562,140 | 394,750 | 1,676,751 |
| Accumulated depreciation | -222,681 | -367,636 | -191,735 | -782,052 |
| Currency translation differences | <u>-6,224</u> | <u>-1,434</u> | <u>1,404</u> | <u>-6,254</u> |
| Book value as at 1 January 2020 | <u><u>490,956</u></u> | <u><u>193,070</u></u> | <u><u>204,419</u></u> | <u><u>888,445</u></u> |
| <i>Movements</i> | | | | |
| Investments | 30,685 | 95,685 | 30,133 | 156,503 |
| Depreciation | -140,627 | -107,053 | -63,907 | -311,587 |
| Currency translation differences | <u>-23,032</u> | <u>-3,977</u> | <u>-6,179</u> | <u>-33,188</u> |
| Balance movements | <u><u>-132,974</u></u> | <u><u>-15,345</u></u> | <u><u>-39,953</u></u> | <u><u>-188,272</u></u> |
| Balance as at 31 December 2020 | | | | |
| Historical cost price | 750,546 | 657,825 | 424,883 | 1,833,254 |
| Accumulated depreciation | -363,308 | -474,689 | -255,642 | -1,093,639 |
| Currency translation differences | <u>-29,256</u> | <u>-5,411</u> | <u>-4,775</u> | <u>-39,442</u> |
| Book value as at 31 December 2020 | <u><u>357,982</u></u> | <u><u>177,725</u></u> | <u><u>164,466</u></u> | <u><u>700,173</u></u> |
| Depreciation percentages | <u><u>10-20%</u></u> | <u><u>20-33%</u></u> | <u><u>20%</u></u> | |

Stichting Cardano Development, Amsterdam

2019:

| | Leasehold improvements | Computer equipment | Office equipment | Total |
|-----------------------------------|---------------------------|-----------------------|---------------------|----------------|
| | € | € | € | € |
| Balance as at 1 January 2019 | | | | |
| 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 1 January 2019 | <u>486,296</u> | <u>221,721</u> | <u>224,285</u> | <u>932,302</u> |
| <i>Movements</i> | | | | |
| Investments | 132,257 | 81,177 | 40,037 | 253,471 |
| Depreciation | -119,570 | -105,658 | -58,031 | -283,259 |
| Disposal of tangible fixed assets | - | -2,684 | -3,415 | -6,099 |
| Disposal accumulated depreciation | - | 2,046 | 683 | 2,729 |
| Currency translation differences | -8,027 | -3,532 | 860 | -10,699 |
| Balance movements | <u>4,660</u> | <u>-28,651</u> | <u>-19,866</u> | <u>-43,857</u> |
| Balance as at 31 December 2019 | | | | |
| Historical cost price | 719,861 | 562,140 | 394,750 | 1,676,751 |
| Accumulated depreciation | -222,681 | -367,636 | -191,735 | -782,052 |
| Currency translation differences | -6,224 | -1,434 | 1,404 | -6,254 |
| Book value as at 31 December 2019 | <u>490,956</u> | <u>193,070</u> | <u>204,419</u> | <u>888,445</u> |
| Depreciation percentages | <u>10-20%</u> | <u>20-33%</u> | <u>20%</u> | |

Stichting Cardano Development, Amsterdam

Financial fixed assets

| | <u>31-12-2020</u> | <u>31-12-2019</u> |
|--|-------------------|-------------------|
| | € | € |
| 2 Participations in affiliated companies | | |
| Participation in BIX Capital B.V., Amsterdam | 1 | 1 |
| Participation in Frontier Clearing Corporation B.V., Amsterdam | <u>1</u> | <u>1</u> |
| | <u><u>2</u></u> | <u><u>2</u></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. per 31 December 2020 amount to USD 9,177,000 (EUR 7,470,720 rate 0.81407)

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 2020 amount to EUR 2,643,412. 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>31-12-2020</u> | <u>31-12-2019</u> |
|-----------------------------------|-------------------|-------------------|
| | € | € |
| 3 Other investments | | |
| Preferred shares BIX Capital B.V. | 3,581,908 | 3,750,012 |
| Loan WIFKMC Ltd. | 4,482,609 | 3,744,367 |
| AGRI 3 Fund | 8,141 | - |
| | <u>8,072,658</u> | <u>7,494,379</u> |
| | <u>2020</u> | <u>2019</u> |
| | € | € |

Preferred shares BIX Capital B.V.

| | | |
|---------------------------|-------------------------|-------------------------|
| Balance as at 1 January | <u>3,750,012</u> | <u>3,057,460</u> |
| Movements | | |
| Investments | 179,140 | 623,161 |
| Currency translation | <u>-347,244</u> | <u>69,391</u> |
| Balance movements | <u><u>-168,104</u></u> | <u><u>692,552</u></u> |
| Balance as at 31 December | <u><u>3,581,908</u></u> | <u><u>3,750,012</u></u> |

This pertains to the USD 4,400,000 (2019: USD 4,200,000) preferred shares investment of Cardecho B.V. in BIX Capital B.V. Cardecho B.V. holds and has fully paid up the 4,400,000 preferred shares at USD 4,400,000 (EUR 3,581,908, 2019: EUR 3,750,012). These shares yield a 4% dividend, and do not give control over BIX Capital B.V. Consequently, they have been presented as investment.

Stichting Cardano Development, Amsterdam

| | <u>2020</u> | <u>2019</u> |
|-------------------------------|------------------|------------------|
| | € | € |
| <i>Loan WIFKMC Ltd</i> | | |
| Balance as at 1 January | | |
| Book value as at 1 January | <u>3,744,367</u> | <u>3,024,645</u> |
| Movements | | |
| Disbursements | 723,583 | 700,000 |
| Interest | <u>14,659</u> | <u>19,722</u> |
| Balance movements | <u>738,242</u> | <u>719,722</u> |
| Balance as at 31 December | | |
| Book value as at 31 December | <u>4,482,609</u> | <u>3,744,367</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. and recharge of expenses attributed to this entity. Approval of the funding 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 the Kenya Pooled Water Fund 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>2020</u> | <u>2019</u> |
|------------------------------|---------------|-------------|
| | € | € |
| <i>AGRI 3 Fund</i> | | |
| Balance as at 1 January | | |
| Book value as at 1 January | <u>-</u> | <u>-</u> |
| Movements | | |
| Disbursements | 9,201 | - |
| Currency translation | <u>-1,060</u> | <u>-</u> |
| Balance movements | <u>8,141</u> | <u>-</u> |
| Balance as at 31 December | | |
| Book value as at 31 December | <u>8,141</u> | <u>-</u> |

This represents a USD 10,000 investment by Cardano Development B.V. in AGRI 3 Fund to capitalise this fund as part of a commitment of the initial participants under the subscription agreement dated 17 April 2020. Cardano Development B.V. holds 33.33% interest in this fund. AGRI 3 was launched as a FGR ('*fonds voor gemene rekening*' or mutual fund) from the start, however, as of 31 December 2020 it has no investors / participants. For this reason, the 3 initial advisors have been asked to participate in the fund with a USD 10,000 participation, which will be discontinued as soon as an external investor joins (expected by the end of 2021). As a result, Cardano Development has temporarily become a participant in AGRI3 fund for as long as this starting structure is in force.

Stichting Cardano Development, Amsterdam

| | <u>31-12-2020</u> | <u>31-12-2019</u> |
|--|-----------------------|-----------------------|
| | € | € |
| 4 Deferred tax assets | | |
| Deferred tax asset fiscal unity Cardano Development B.V. | 282,169 | 386,039 |
| Deferred tax asset Frontier Finance Solutions B.V. | <u>8,631</u> | <u>8,631</u> |
| | <u><u>290,800</u></u> | <u><u>394,670</u></u> |

| | Deferred tax asset fiscal unity Cardano Development B.V. | Deferred tax asset Frontier Finance Solutions B.V. | Total |
|------------------------------|--|--|-----------------------|
| | € | € | € |
| Balance as at 1 January 2020 | 386,039 | 8,631 | 394,670 |
| Movement for the year | 16,434 | - | 16,434 |
| Derecognition | -120,304 | - | -120,304 |
| Balance per 31 December 2020 | <u><u>282,169</u></u> | <u><u>8,631</u></u> | <u><u>290,800</u></u> |

The deferred tax assets relate to fiscal losses of Frontier Finance Solutions B.V. over the period before the fiscal unity with Cardano Development B.V.

For substantiation of the balances, please refer to the calculation of the tax position (note 27.)

CURRENT ASSETS

Receivables

| | <u>31-12-2020</u> | <u>31-12-2019</u> |
|------------------------------|-----------------------|-----------------------|
| | € | € |
| 5 Trade debtors | | |
| Trade debtors | 222,903 | 434,098 |
| Provision for doubtful debts | <u>-38,270</u> | <u>-</u> |
| | <u><u>184,633</u></u> | <u><u>434,098</u></u> |

The provision for doubtful debts relates to the debtor positions at GuarantCo Management Company Ltd. Which have been outstanding for more than one year.

Stichting Cardano Development, Amsterdam

| | <u>31-12-2020</u> | <u>31-12-2019</u> |
|--|-------------------|-------------------|
| | € | € |
| 6 Receivables from affiliated companies | | |
| Receivable Frontier Clearing Fund Junior | 119,808 | 76,361 |
| Receivable Frontier Clearing Fund Subordinated | 20,078 | 10,708 |
| Receivable Stichting Frontclear | 3,157 | 4,243 |
| Receivable Frontier Clearing Corporation B.V. | - | 276,506 |
| Receivable Frontier Clearing Fund Senior | - | 9,843 |
| | <u>143,043</u> | <u>377,661</u> |

| | <u>31-12-2020</u> | <u>31-12-2019</u> |
|-----------------|-------------------|-------------------|
| | € | € |
| 7 Taxes | | |
| Value added tax | <u>126,752</u> | <u>163,049</u> |

Stichting Cardano Development, Amsterdam

| | <u>31-12-2020</u> | <u>31-12-2019</u> |
|--|-------------------|-------------------|
| | € | € |
| 8 Other receivables and prepaid expenses | | |
| Performance fee GuarantCo Ltd. | 3,728,058 | 4,678,523 |
| Performance fee The Currency Exchange Fund N.V. | 1,504,097 | 1,602,180 |
| Performance fee Frontier Clearing Corporation B.V. | 396,898 | - |
| Guarantee deposits | 224,773 | 238,149 |
| Prepaid expenses | 187,864 | 482,260 |
| Unbilled revenue | 143,860 | 520,581 |
| Staff loans | 3,915 | 17,076 |
| FX absorption pool | - | 79,387 |
| Other receivables | 171,813 | 66,891 |
| | <u>6,361,278</u> | <u>7,685,047</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.

| | <u>31-12-2020</u> | <u>31-12-2019</u> |
|--------------------------------------|-------------------|-------------------|
| | € | € |
| 9 Cash at bank and in hand | | |
| Rabobank N.V., current accounts | 2,631,319 | 3,721,759 |
| ABN AMRO Bank N.V., deposit | 1,950,000 | 1,950,000 |
| Barclays Bank Plc., current accounts | 5,612,922 | 3,498,537 |
| ABN AMRO Bank N.V., flexible deposit | 810,950 | 1,065,950 |
| Guarantee deposits | 43,578 | 43,578 |
| ABN AMRO Bank N.V., current account | 78,233 | 46,984 |
| Cash | 4 | 3 |
| | <u>11,127,006</u> | <u>10,326,811</u> |

An amount of USD 80,000 (EUR 65,126 per YE 2020) 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 deposit for EUR 1,950,000 (2019: EUR 1,950,000) 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

10 Foundation capital

A specification of the foundation capital can be found in the company financial statements which are included in this report (note 32). The consolidated capital amounting to EUR 3,614,105 (2019: EUR 3,418,295) differs from the company's capital (EUR 3,739,711, 2019: EUR 3,449,585).

| | <u>31-12-2020</u> | <u>31-12-2019</u> |
|--|-------------------|-------------------|
| | € | € |
| 11 Provisions | | |
| Deferred tax liability GuarantCo Management Company Ltd. | <u>23,228</u> | <u>13,391</u> |

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

| | <u>31-12-2020</u> | <u>31-12-2019</u> |
|---------------------------------|-------------------|-------------------|
| | € | € |
| 12 Long-term liabilities | | |
| Subordinated loans | 512,500 | 825,000 |
| Other liabilities | 10,619,240 | 10,949,537 |
| Private loans | <u>235,000</u> | <u>235,000</u> |
| | <u>11,366,740</u> | <u>12,009,537</u> |

| | <u>31-12-2020</u> | <u>31-12-2019</u> |
|------------------------------------|-------------------|-------------------|
| | € | € |
| Subordinated loans | | |
| Original loan Cardano Holding Ltd. | 300,000 | 400,000 |
| Loan Cardano Holding Ltd. Part I | <u>212,500</u> | <u>425,000</u> |
| | <u>512,500</u> | <u>825,000</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 2019 and 2020 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%.

Loan Cardano Holding Ltd. Part I

On 30 January 2015, Cardano Development B.V. and Cardano Holding Ltd. agreed a 7-year term loan of EUR 850,000 with 7% annual interest. As per 8 January 2019 it was agreed that the Part I loan shall be repaid in 4 equal tranches of the principal amount (EUR 212,500 per tranche). On 1 July 2020 the

second tranche was repaid. The remainder will be settled on 1 July 2021, and 1 July 2022. Therefore, the third tranche has been presented under the current liabilities.

Stichting Cardano Development, Amsterdam

| | <u>31-12-2020</u> | <u>31-12-2019</u> |
|--|-------------------|-------------------|
| | € | € |
| <i>Other liabilities</i> | | |
| Conditional Repayable Grant DGIS | 6,432,345 | 7,020,953 |
| Loan Calvert Social Investment Foundation Inc. | 1,628,140 | 1,785,720 |
| Loan Echo Pilot Investments | 1,953,768 | 2,142,864 |
| GuarantCo Ltd. capital expenditure account | <u>604,987</u> | <u>-</u> |
| | <u>10,619,240</u> | <u>10,949,537</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 2020 EUR 9 million of the grant has been disbursed (2019: EUR 9 million), of which 8 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. Per 31 December 2020 EUR 7,050,264 (2019: EUR 5,723,414) has been expensed, of which EUR 4,482,609 has been loaned to WIFKM (2019: 3,744,367), and EUR 2,567,655 (2019: EUR 1,979,047) has been deducted from the EUR 9 million budget not yet recovered by income (first loss). In December 2020 DGIS expanded the facility with EUR 4.7 million and stretched the grant period to 31 December 2025.

Loan Calvert Social Investment Foundation, Inc.

Calvert provided Cardecho B.V. with a loan amounting to USD 2,000,000 (EUR 1,628,140) (FX rate 31 December 2020: 1 USD = 0.81407 EUR) to purchase the preferred shares from BIX Capital B.V. The loan is 4% interest bearing. On 9 December 2020, the repayment schedule of the loan was amended following tough conditions met by ECHO. The loan has been repaid in full by the Shell foundation under its guarantee, including accrued interest on 1 April 2021. Shell foundation has replaced Calvert as lender; the balance remains unchanged.

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 2020 no payments were made to Calvert Social Investment Foundation Inc. With the 1 April 2021 repayment the guarantee has been invoked.

Stichting Cardano Development, Amsterdam

Loan ECHO Pilot Investments

Envirofit Carbon Holdings One LLC. provides funding to Cardecho B.V. in an aggregate amount not exceeding USD 4,500,000 (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 2020 USD 2,400,000 (EUR 1,953,768, FX rate 31 December 2020: 1 USD = 0.81407 EUR) has been disbursed (2019: USD 2,400,000).

GuarantCo Ltd. capital expenditure account

This represents the part of the annual budget approved by GuarantCo Ltd. to GuarantCo Management Company Ltd. for investment in capital expenditure (fixed assets). Since this amount is not repaid annually but is slowly diminished as and when the assets are depreciated, it has been reclassified to long term liabilities per 31 December 2020.

| | <u>31-12-2020</u> | <u>31-12-2019</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 2020 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.

The term loan facility has not yet been fully repaid upon (one of) the maturity dates of the loan; therefore, the maturity date of the loan is deferred until all the Cardano loans have been repaid in full. The loan needed 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.

The term loan facility has not yet been fully repaid upon (one of) the maturity dates of the loan; therefore, the maturity date of the loan is deferred until all the Cardano loans have been repaid in full. The loan needed 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.

Stichting Cardano Development, Amsterdam

CURRENT LIABILITIES

| | <u>31-12-2020</u> | <u>31-12-2019</u> |
|---|-------------------|-------------------|
| | € | € |
| 13 Trade creditors | | |
| Trade creditors | <u>283,257</u> | <u>600,434</u> |
| | <u>31-12-2020</u> | <u>31-12-2019</u> |
| | € | € |
| 14 Liabilities to affiliated companies | | |
| Current account BIX Capital B.V. | 669,971 | 516,500 |
| Payable Frontier Clearing Corporation B.V. | <u>199,440</u> | <u>-</u> |
| | <u>869,411</u> | <u>516,500</u> |

Current account BIX Capital B.V.

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. Since BIX Capital B.V. is part of the fiscal unity deferred tax losses can be offset anywhere in the group. Any changes in applicable tax rates will be charged to this account as well.

| | <u>31-12-2020</u> | <u>31-12-2019</u> |
|----------------------|-------------------|-------------------|
| | € | € |
| 15 Taxes | | |
| Wage tax | 596,880 | 394,781 |
| Corporate income tax | 55,673 | 45,681 |
| Pension premiums | <u>29,905</u> | <u>98,427</u> |
| | <u>682,458</u> | <u>538,889</u> |

Stichting Cardano Development, Amsterdam

| | <u>31-12-2020</u> | <u>31-12-2019</u> |
|--|-------------------|-------------------|
| | € | € |
| 16 Other liabilities and accrued expenses | | |
| Variable compensation staff GuarantCo Management Company Ltd. | 2,890,550 | 2,869,684 |
| Deferred compensation | 2,050,197 | 1,717,828 |
| Management fee payable GuarantCo Ltd. | 2,036,092 | 3,276,815 |
| Variable compensation staff TCX Investment Management Company B.V. | 918,968 | 855,123 |
| Accrued expenses | 534,989 | 563,695 |
| FX absorption pool | 381,277 | - |
| Deferred income | 249,849 | 56,765 |
| Variable compensation staff Frontclear Management B.V. | 238,138 | 219,335 |
| Repayment obligation Cardano Holding Ltd. loan | 212,500 | 212,500 |
| Audit fees | 194,437 | 168,921 |
| Net wages | 109,689 | 1,253 |
| ECHO Upside reserve amount | 96,874 | 106,250 |
| Accrued interest | 60,281 | 54,964 |
| Management fee payable to The Currency Exchange Fund N.V. | 55,745 | 476,298 |
| Rent down payments | 5,163 | 5,163 |
| Other liabilities | <u>132,397</u> | <u>82,522</u> |
| | <u>10,167,146</u> | <u>10,667,116</u> |

The deferred compensation relates to variable elements in the compensation of employees of TCX Investment Management Company B.V. (EUR 431,351, 2019: EUR 346,941), and GuarantCo Management Company Ltd. (EUR 1,618,846, 2019: EUR 1,370,887). The bonuses will be paid in differing instalments.

Audit fees include fees for the financial audit 2020 (EUR 164,041) and fees for the operational audits (EUR 30,396).

The FX absorption pool represents an amount reserved by the board of GuarantCo Management Company Ltd. to absorb any foreign currency exchange rate differences.

Stichting Cardano Development, Amsterdam

17 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 2021 under a management agreement with a Mauritius client that is denominated in US dollar. Purchases are expected to be made in January and June 2021. Under the terms and conditions of the forward currency contract, the group will sell USD 2,000,000 at a rate of USD 1 = GBP 0.8060 on 15 January 2021, USD 2,170,000 at a rate of USD 1 = GBP 0.7561 on 29 January 2021 and USD 2,170,000 at a rate of USD 1 = GBP 0.7544 on 30 June 2021. The unrealized gain on the forward currency contract amounted to GBP 220,050 (EUR 243,223) at 31 December 2020.

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 2020:

- 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.;
- Cardano Development Savings B.V.

The fiscal unity for Corporate Income Tax consists of the following companies as per 1 January 2020:

- 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.;
- Cardano Development Savings 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 2020.

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. Annual rent is approximately EUR 180,000 (including VAT). There are no obligations with a term of more than one or five years.

Per 1 January 2020 ILX B.V. has a rental contract for rent of the facilities at Mauritskade 63, 1092 AD Amsterdam. Annual rent is approximately EUR 40,000 (including VAT).

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 621,000 per 31 December 2020). An amount of GBP 620,563 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 2020, EUR 104,958 and USD 200,373 (EUR 163,138) remains available on the account.

Deferred performance fee

On 3 March 2021, the Supervisory Board of Frontier Clearing Corporation B.V. (FCC) awarded FCM with a Fixed Performance Fee Component ("FPFC") for its performance during 2020 of USD 203,756. The total of Fixed Performance Fee Component awarded since the inception of FCC is therefore USD 1,557,906 (2019: USD 1,354,150).

On 28 May 2021, the Supervisory Board of FCC awarded FCM with a Long-Term Incentive ("LTI") fee relating to FCC achieving a positive operational result over 2020.

An accrual has been recognized of USD 194,995 in 2020 for payment of the Fixed Performance Fee Component and an accrual of USD 292,492 for the payment of the LTI. The remaining deferred Fixed Performance Fee Component is USD 1,362,911 (2019: USD 1,354,150) and the remaining LTI is USD 557,508 (2019: nil).

NOTES TO THE CONSOLIDATED STATEMENT OF INCOME AND EXPENSES FOR THE YEAR 2020

| | <u>2020</u> | <u>2019</u> |
|----------------------------------|--------------------------|--------------------------|
| | € | € |
| 18 Income | | |
| Management fees | 16,754,400 | 15,589,153 |
| Performance fees | 6,007,823 | 6,577,811 |
| Project JODEA | 2,316,628 | 1,494,324 |
| Project Water Financing Facility | 755,698 | 1,069,511 |
| Project Impact Loan Exchange | 395,702 | - |
| Grant Cardano Holding Ltd. | 100,000 | 100,000 |
| Other income | <u>365,365</u> | <u>119,088</u> |
| | <u><u>26,695,616</u></u> | <u><u>24,949,887</u></u> |

Management fees

The supervisory boards of The Currency Exchange Fund N.V. (TCX), Frontier Clearing Corporation B.V. 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.

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 2020 and subsequently only for the fixed part an accrual has been included as per 31 December 2020.

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 12 in long term liabilities (page 27).

Project Impact Loan Exchange

This represents grants extended by 'The Department for International Development' (DFID) of the United Kingdom and 'Directoraat Generaal Internationale Samenwerking' (DGIS) of The Netherlands to cover expenses incurred by ILX B.V. in relation to the Impact Loan Exchange Project. DFID defined certain milestones before disbursement, which were all met. DGIS has stipulated to cover all expenses until 31 December 2021 up to EUR 1.5 million and requires a substantive and financial report, as well as an audit statement on the spend of the subsidy before 1 April 2022. Any underspend will be reclaimed.

Project JODEA

Project JODEA income in ILX B.V., Cardano Development Savings B.V. and ImFACT 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.

Stichting Cardano Development, Amsterdam

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.

Other income

This mainly consists of seconded staff by Frontier Finance Solutions B.V. to third parties (EUR 140K) and Advisory fees charged by Cardano Development B.V. to Agri 3 (EUR 141K).

| | <u>2020</u> | <u>2019</u> |
|--------------------------|------------------|------------------|
| | € | € |
| 19 Cost of income | | |
| External party hire | <u>1,747,825</u> | <u>1,794,514</u> |

Cardano Development entered into Service Level Agreements with external parties for back-office facilities and project management. The Water Finance Facility cut down on its expense in 2020 following the decision to lower activities in Kenya.

| | <u>2020</u> | <u>2019</u> |
|------------------------------|-------------------|-------------------|
| | € | € |
| 20 Wages and salaries | | |
| Wages and salaries | 10,503,488 | 8,302,258 |
| Bonus personnel | 4,608,103 | 4,955,340 |
| Sick pay recoveries | <u>-5,342</u> | <u>-53,923</u> |
| | <u>15,106,249</u> | <u>13,203,675</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 6,063 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 540,000 in gross salaries plus EUR 7,053 in expense allowance and working from home compensation.

Stichting Cardano Development, Amsterdam

Average number of employees

| | <u>2020</u> | <u>2019</u> |
|--|-------------|-------------|
| TCX Investment Management Company B.V. | 25 | 20 |
| Frontclear Management B.V. | 9 | 8 |
| Frontier Finance Solutions B.V. | 18 | 13 |
| Guarantco Management Company Ltd. | <u>49</u> | <u>40</u> |
| | <u>101</u> | <u>81</u> |

Of the 101 employees on average, 49 from GuarantCo Management Company Ltd. are employed outside of The Netherlands.

| | <u>2020</u> | <u>2019</u> |
|--|------------------|------------------|
| | € | € |
| 21 Social security premiums and pension costs | | |
| Social security charges | 902,276 | 1,004,072 |
| Pension costs | <u>641,956</u> | <u>483,158</u> |
| | <u>1,544,232</u> | <u>1,487,230</u> |

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

The dip in social security charges is due to part of the GuarantCo Ltd. bonus pool being attributed to cover social security charges arising from the bonus payout.

| | <u>2020</u> | <u>2019</u> |
|--------------------------------|------------------|----------------|
| | € | € |
| 22 Other staff expenses | | |
| Recruitment expenses | 369,150 | 12,719 |
| Sickness insurance | 339,650 | 269,941 |
| Third party services | 171,117 | 133,810 |
| Study and training expenses | 146,566 | 198,195 |
| Income protection | 104,243 | 82,778 |
| Commuting allowance | 81,414 | 72,182 |
| Relocation staff | 17,539 | 3,750 |
| Expense allowances | 3,092 | 7,244 |
| Other staff expenses | <u>154,039</u> | <u>151,474</u> |
| | 1,386,810 | 932,093 |
| Recovered staff expenses | <u>-23,674</u> | <u>-44,624</u> |
| | <u>1,363,136</u> | <u>887,469</u> |

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

Stichting Cardano Development, Amsterdam

| | <u>2020</u> | <u>2019</u> |
|---|----------------|----------------|
| | € | € |
| 23 Depreciation of tangible fixed assets | | |
| Leasehold improvements | 140,627 | 119,570 |
| Computer equipment | 107,053 | 105,658 |
| Office equipment | <u>63,907</u> | <u>58,031</u> |
| | 311,587 | 283,259 |
| Recovered depreciation expense | - | -39,303 |
| Loss on disposal of fixed assets | - | <u>2,145</u> |
| | <u>311,587</u> | <u>246,101</u> |

The recovered depreciation expense relates to a recharge from GuarantCo Management Company Ltd. to its co-tenant with respect to the shared office spaces on the premises at 6 Bevis Marks, London, UK. In 2020 this has been reclassified to other revenue.

| | <u>2020</u> | <u>2019</u> |
|------------------------------------|------------------|------------------|
| | € | € |
| 24 Other operating expenses | | |
| Housing expenses | 794,402 | 866,663 |
| Travel and marketing expenses | 603,532 | 1,885,964 |
| Office expenses | 1,032,736 | 800,152 |
| Project expenses | 581,515 | - |
| General expenses | <u>2,959,995</u> | <u>2,814,453</u> |
| | <u>5,972,180</u> | <u>6,367,232</u> |

The general expenses mainly consist of Advisory fees amounting to EUR 888,501 (2019: EUR 1.181.471), insurance premiums ad. EUR 501,211 (2019: EUR 403,760) and market data ad EUR 533,140 (2019: EUR 422,495).

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 projects (ILX, Cardano Development Savings and ImFACT). Because travel suffered as a result of COVID, the total expense still lowered as opposed to 2019.

Project expenses relate to working capital transfers of Cardano Development Savings B.V. and ImFACT B.V. to the respective local partners in South Africa (NASASA CD) and Kenya (ImFACT Kenya).

Audit fee

An amount of EUR 236,711 is included in the general expenses with respect to financial audit fees for the financial year 2020 audit for the group (2019: EUR 178,000). The audit fees related only to audit services provided by Ernst & Young Accountants LLP. No other services are provided by the auditor.

Stichting Cardano Development, Amsterdam

| | <u>2020</u> | <u>2019</u> |
|--|-----------------|-----------------|
| | € | € |
| 25 Financial income and expense | | |
| Other interest and similar income | 103,027 | 251,204 |
| Interest and similar expenses | <u>-172,403</u> | <u>-234,072</u> |
| | <u>-69,376</u> | <u>17,132</u> |

| | <u>2020</u> | <u>2019</u> |
|---|----------------|----------------|
| | € | € |
| Other Interest and similar income | | |
| Dividend preferred shares BIX Capital B.V. | 73,684 | 67,031 |
| Foreign currency translation | 8,617 | 12,555 |
| Interest Frontier Clearing Fund Junior loan | - | 142,412 |
| Other interest receivable | <u>20,726</u> | <u>29,206</u> |
| | <u>103,027</u> | <u>251,204</u> |

Interest or similar income from affiliated companies amounts to EUR 73,684 (2019: EUR 67,031).

| | <u>2020</u> | <u>2019</u> |
|--------------------------------------|----------------|----------------|
| | € | € |
| Interest and similar expenses | | |
| Interest loan Calvert | 72,037 | 72,218 |
| Interest loans Cardano Holding Ltd. | 61,462 | 115,848 |
| Bank charges | 19,683 | 19,021 |
| Interest loans management | 17,625 | 17,625 |
| Upside grant ECHO | - | 5,623 |
| Other interest expenses | <u>1,596</u> | <u>3,737</u> |
| | <u>172,403</u> | <u>234,072</u> |

An amount of EUR 60,281 is included in the balance sheet as accrued interest or similar expense which completely pertains to 2020.

| | <u>2020</u> | <u>2019</u> |
|--|-----------------|-----------------|
| | € | € |
| 26 Taxation | | |
| Change in deferred taxes | -185,155 | -45,978 |
| Corporate income tax GuarantCo Management Company Ltd. | <u>-108,438</u> | <u>-140,496</u> |
| | <u>-293,593</u> | <u>-186,474</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 27 for substantiation of the change in deferred taxes.

Stichting Cardano Development, Amsterdam

27 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. As per 1 January 2020 Cardano Development Savings was added to the fiscal unity as well.

| | <u>2020</u> |
|---|-----------------|
| | EUR |
| Calculation taxable amount | |
| Result before taxation TCX Investment Management Company B.V. | 585,119 |
| Result before taxation GuarantCo Management Company Ltd. | 534,466 |
| Result before taxation Frontclear Management B.V. | 158,760 |
| Result before taxation Stichting Cardano Development | 47,453 |
| Result before taxation Cardecho B.V. | 270 |
| Result before taxation Cardano Development B.V. | -280,915 |
| Result before taxation Frontier Finance Solutions B.V. | -464,122 |
| Result before taxation WFF B.V. | - |
| Result before taxation Cardano Development Savings B.V. | - |
| Result before taxation ImFACT B.V. | - |
| Result before taxation ILX B.V. | - |
| Consolidated result before taxation | <u>581,031</u> |
| Result Stichting Cardano Development (tax exempt) | <u>-47,453</u> |
| | 533,578 |
| Tax charge at 16,5%: | 88,040 |
| <i>Tax effects of:</i> | |
| Foreign currency translation loans | 57,202 |
| Capital items expensed + non-eligible depreciation | 23,443 |
| Withholding tax | 12,794 |
| Nondeductible expenses | 9,596 |
| Deviating tax rates | 6,788 |
| Foreign tax charges | 3,372 |
| Nondeductible fines | 175 |
| Investment allowances | -2,691 |
| Nontaxable dividend income | -12,158 |
| Adjustment current tax charge previous years | -13,272 |
| Derecognition losses 2014 and 2015 | <u>-120,304</u> |
| Tax charge consolidated annual report | 293,593 |

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 15% (2019: 15%, 2018: 16%, 2017 and before, 20%).

The taxable result of the fiscal unity for Corporate Income Tax of Cardano Development B.V. for the financial year 2020 results in a loss of EUR 109,562. This loss has been added to the losses to be carried forward.

Management decided to derecognize the DTA with the losses of 2014 and 2015 given the continuous losses incurred by the fiscal unity from 2014 onwards, and the uncertainty these will be recovered in time.

These for now remain as compensable losses fiscally, which total EUR 2,683,152 per 31 December 2020.

| | <u>Deductible</u> <u>losses at year</u> <u>end</u> EUR |
|---|---|
| Loss compensation fiscal unity | |
| 2014 (compensable until 31 December 2023) | - |
| 2015 (compensable until 31 December 2024) | - |
| 2016 (compensable until 31 December 2025) | 395,687 |
| 2017 (compensable until 31 December 2026) | 384,111 |
| 2018 (compensable until 31 December 2027) | 470,083 |
| 2019 (compensable until 31 December 2025) | 521,680 |
| 2020 (compensable until 31 December 2026) | <u>109,562</u> |
| | <u><u>1,881,123</u></u> |

DTA at 15%: 282,169

COMPANY FINANCIAL STATEMENTS

Stichting Cardano Development, Amsterdam

COMPANY BALANCE SHEET AS AT 31 DECEMBER 2020

After result appropriation

| | | <u>31 December 2020</u> | | <u>31 December 2019</u> | |
|-----------------------------------|----|-------------------------|-------------------|-------------------------|-------------------|
| | | € | € | € | € |
| ASSETS | | | | | |
| FIXED ASSETS | | | | | |
| Financial fixed assets | | | | | |
| Participations in group companies | 28 | 4,054,125 | | 3,811,452 | |
| Other investments | 29 | <u>8,000,000</u> | | <u>6,500,000</u> | |
| | | | 12,054,125 | | 10,311,452 |
| CURRENT ASSETS | | | | | |
| Receivables | | | | | |
| Receivables from group companies | 30 | | 55,081 | | 126,169 |
| Cash at bank and in hand | 31 | | 999,892 | | 2,500,125 |
| | | | <u>13,109,098</u> | | <u>12,937,746</u> |

Stichting Cardano Development, Amsterdam

| | <u>31 December 2020</u> | | <u>31 December 2019</u> | |
|--|-------------------------|-------------------|-------------------------|-----------|
| | € | € | € | € |
| LIABILITIES | | | | |
| Foundation capital | 32 | 3,739,711 | | 3,449,585 |
| Long-term liabilities | | | | |
| Subordinated loans | 33 | 300,000 | 400,000 | |
| Other debentures | 34 | <u>9,000,000</u> | <u>9,000,000</u> | |
| | | 9,300,000 | | 9,400,000 |
| Current liabilities | | | | |
| Trade creditors | | 34,727 | 51,425 | |
| Other liabilities and accrued expenses | 35 | <u>34,660</u> | <u>36,736</u> | |
| | | 69,387 | | 88,161 |
| | | <u>13,109,098</u> | <u>12,937,746</u> | |

Stichting Cardano Development, Amsterdam

COMPANY STATEMENT OF INCOME AND EXPENSES FOR THE YEAR 2020

| | | 2020 | | 2019 | |
|--|----|------|-----------------------|------|-----------------------|
| | | € | € | € | € |
| Income | 38 | | 100,000 | | 100,000 |
| Other operating expenses | 39 | | <u>28,232</u> | | <u>43,968</u> |
| Operating result | | | 71,768 | | 56,032 |
| Financial income and expense | 40 | | <u>-24,315</u> | | <u>-30,363</u> |
| Result from ordinary activities | | | 47,453 | | 25,669 |
| Share in result from participations | 41 | | <u>242,673</u> | | <u>746,530</u> |
| Net result | | | <u><u>290,126</u></u> | | <u><u>772,199</u></u> |

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

| | Company result for 2020 | Recognized for 2020 | Valuation difference | 2020 € |
|---------------------------------|----------------------------|------------------------|-------------------------|----------------|
| Company's result | | | | 290,126 |
| Consolidated result | | | | <u>287,438</u> |
| Difference | | | | 2,688 |
| Frontier Finance Solutions B.V. | -397,234 | -392,544 | - 4,690 | |
| Cardecho B.V. | 270 | -1,732 | <u>2,002</u> | |
| Valuation differences | | | | <u>-2,688</u> |
| Total | | | | - |

Stichting Cardano Development, Amsterdam

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, considering 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, Amsterdam

NOTES TO THE COMPANY BALANCE SHEET AS AT 31 DECEMBER 2020

Financial fixed assets

| | <u>31-12-2020</u> | <u>31-12-2019</u> |
|---|-------------------|-------------------|
| | € | € |
| 28 Participations in group companies | | |
| Cardano Development B.V. | <u>4,054,125</u> | <u>3,811,452</u> |

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

| | <u>2020</u> | <u>2019</u> |
|---|------------------|------------------|
| | € | € |
| Cardano Development B.V. | | |
| Balance as at 1 January | | |
| Book value as at 1 January | <u>3,811,452</u> | <u>3,053,062</u> |
| Movements | | |
| DTA effect FX translation loans Cardecho B.V. | - | 11,860 |
| Result financial year | <u>242,673</u> | <u>746,530</u> |
| Balance movements | <u>242,673</u> | <u>758,390</u> |
| Book value as at 31 December | <u>4,054,125</u> | <u>3,811,452</u> |

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

| | <u>31-12-2020</u> | <u>31-12-2019</u> |
|-----------------------------|-------------------|-------------------|
| | € | € |
| 29 Other investments | | |
| Loan WFF B.V. | <u>8,000,000</u> | <u>6,500,000</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 12.

Stichting Cardano Development, Amsterdam**CURRENT ASSETS****Receivables**

| | <u>31-12-2020</u> | <u>31-12-2019</u> |
|--|-------------------|-------------------|
| | € | € |
| 30 Receivables from group companies | | |
| Current account Cardano Development B.V. | <u>55,081</u> | <u>126,169</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>31-12-2020</u> | <u>31-12-2019</u> |
|------------------------------------|-------------------|-------------------|
| | € | € |
| 31 Cash at bank and in hand | | |
| Rabobank, current accounts | <u>999,892</u> | <u>2,500,125</u> |

Cash is at the company's free disposal.

Stichting Cardano Development, Amsterdam

32 Foundation capital

| | Foundation capital | Translation reserve | Total |
|-------------------------------------|--------------------|---------------------|------------------|
| | € | € | € |
| Balance as at 1 January 2020 | 3,449,807 | -222 | 3,449,585 |
| Result for the year | 290,126 | - | 290,126 |
| Currency translation | 95,716 | -95,716 | - |
| Balance per 31 December 2020 | 3,835,649 | -95,938 | 3,739,711 |

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 2020 | Valuation as per 31 December 2020 | Valuation difference | 2020 € |
|---------------------------------|--|-----------------------------------|----------------------|-----------|
| Company's capital | | | | 3,739,711 |
| Consolidated capital | | | | 3,614,105 |
| Difference | | | | 125,606 |
| Frontier Finance Solutions B.V. | -1,048,347 | -1,043,657 | -4,690 | |
| Cardecho B.V. | -69,116 | -44,138 | -24,978 | |
| Valuation differences | | | | -29,668 |
| Translation differences | | | | -95,938 |
| Total | | | | - |

Stichting Cardano Development, Amsterdam

| | <u>31-12-2020</u> | <u>31-12-2019</u> |
|----------------------------------|-------------------|-------------------|
| | € | € |
| 33 Subordinated loans | | |
| Loan Cardano Holding Ltd. | <u>300,000</u> | <u>400,000</u> |
| | | |
| | <u>2020</u> | <u>2019</u> |
| | € | € |
| <i>Loan Cardano Holding Ltd.</i> | | |
| Balance as at 1 January | 400,000 | 500,000 |
| Release | <u>-100,000</u> | <u>-100,000</u> |
| Balance as at 31 December | <u>300,000</u> | <u>400,000</u> |
| Interest percentage | 6% | 6% |

For details please refer to note 12 to the consolidated financial statements. The release is accounted for as income (see note 38).

| | <u>31-12-2020</u> | <u>31-12-2019</u> |
|----------------------------------|-------------------|-------------------|
| | € | € |
| 34 Other debentures | | |
| Conditional Repayable Grant DGIS | <u>9,000,000</u> | <u>9,000,000</u> |

For details please refer to note 12 to the consolidated balance sheet. The EUR 2,567,655 expenses (2019: 1,979,047) are not included here, since they are offset in WFF B.V.

CURRENT LIABILITIES

| | <u>31-12-2020</u> | <u>31-12-2019</u> |
|--|-------------------|-------------------|
| | € | € |
| 35 Other liabilities and accrued expenses | | |
| Interest loan Cardano Holding Ltd. | 18,820 | 23,589 |
| Audit Fee | <u>15,840</u> | <u>13,147</u> |
| | <u>34,660</u> | <u>36,736</u> |

36 Appropriation of result

The foundation board proposes to appropriate the result as follows:

The result for the year 2020 in the amount of EUR 290,126 will be added in full to the foundation capital.

37 Subsequent events

There are no subsequent events to report for the foundation.

NOTES TO THE COMPANY STATEMENT OF INCOME AND EXPENSES FOR THE YEAR 2020

| | <u>2020</u> | <u>2019</u> |
|----------------------------|----------------|----------------|
| | € | € |
| 38 Income | | |
| Grant Cardano Holding Ltd. | <u>100,000</u> | <u>100,000</u> |

The grants pledged in 2019 and 2020 were settled with the loan and therefore not paid in cash.

| | <u>2020</u> | <u>2019</u> |
|------------------------------------|---------------|---------------|
| | € | € |
| 39 Other operating expenses | | |
| Marketing expenses | - | 10,000 |
| General expenses | <u>28,232</u> | <u>33,968</u> |
| | <u>28,232</u> | <u>43,968</u> |

| | <u>2020</u> | <u>2019</u> |
|-------------------------|---------------|---------------|
| | € | € |
| General expenses | | |
| Audit fees | 24,369 | 29,799 |
| Accounting fee | 3,630 | 3,945 |
| Bank charges | <u>233</u> | <u>224</u> |
| | <u>28,232</u> | <u>33,968</u> |

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

| | <u>2020</u> | <u>2019</u> |
|--|----------------|----------------|
| | € | € |
| 40 Financial income and expense | | |
| Interest loan Cardano Holding Ltd. | <u>-24,315</u> | <u>-30,363</u> |

| | <u>2020</u> | <u>2019</u> |
|---|----------------|----------------|
| | € | € |
| 41 Share in result from participations | | |
| Result from Cardano Development B.V. | <u>242,673</u> | <u>746,530</u> |

42 Other notes

Average number of employees at the Foundation

During the year 2020, there were no employees at the foundation (2019: nil).

OTHER INFORMATION

Stichting Cardano Development, Amsterdam

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 Foundation Board of Stichting Cardano Development

Report on the audit of the financial statements 2020 included in the annual report

Our opinion

We have audited the financial statements 2020 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 2020, and of its result for 2020 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 2020
- The consolidated and company statement of income and expenses for 2020
- 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 Foundation Board (the management board)
- Other information as required by 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 report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information required by Part 9 of Book 2 of the Dutch Civil Code.

Description of responsibilities for the financial statements

Responsibilities of management for the financial statements

Management 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, management is responsible for such internal control as management 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, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management 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 management
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

We communicate with management 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 2021

Ernst & Young Accountants LLP

Signed by R.J. Bleijs