



20 November 2020

# Base Listing Particulars

Audacia Capital (Ireland) plc

A company established and registered in Ireland whose registered office is at 31-32 Leeson Street Lower, Dublin 2, Ireland

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**AUDACIA CAPITAL (IRELAND) PLC**(the “**Issuer**”)

(Incorporated with limited liability in Ireland under registered number 622442)

**BASE LISTING PARTICULARS****NOTES DUE 31 DECEMBER 2025**

The aggregate nominal amount of Notes issued by the Issuer under these Listing Particulars at any one time outstanding will not at any time exceed EUR 250,000,000.

The Notes issued with effect from the date of this document, being the applicable Listing Particulars, will be issued on the terms and conditions as set out herein.

This document constitutes the base listing particulars (these “**Listing Particulars**”) for the purposes of a listing on the Official List of Euronext Dublin and, in their ordinary course, on the Global Exchange Market of Euronext Dublin.

An application has been made to Euronext Dublin for the approval of this document as the Listing Particulars in relation to the admission to listing on the Official List of Euronext Dublin and to trading on the Global Exchange Market of Euronext Dublin of certain Notes and Series issued by the Issuer.

A Pricing Supplement, in the respect of each Series will also specify whether or not the relevant Series of Notes will be listed on Euronext Dublin and the fact that the relevant Notes are to be governed by this document.

Notes of each Series may be issued in registered form or uncertificated and dematerialised book-entry form with a Relevant Clearing System. Beneficial interests in the Notes may be shown in records maintained by a Relevant Clearing System and transfers thereof may only be effected through the Relevant Clearing System and its participants. Notes of each Series may otherwise be issued in registered form represented by definitive registered certificates. Because of their nature, Notes are intended to be bought and traded by a limited number of investors who are particularly knowledgeable in investment matters.

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available at any time to any retail investor (and, for the avoidance of doubt, this means any retail investor within or outside the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in Article 4(1)(11) of Directive 2014/65/EU (as amended, “**MiFID II**”); or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the “**Prospectus Regulation**”). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRiIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRiIPs Regulation.

Except as stated in the relevant Pricing Supplement for each Series of Notes, all Notes shall mature on 31 December 2025 but may be redeemed prior thereto at the option of the Issuer.

Payments on the Notes will be made without deduction for or on account of taxes unless such deduction is required by law. See the section 16 (*Taxation*) for more information.

Particular attention is also drawn to the sections 3 (*Risk Factors Generally*), 4 (*Risk Factors in Relation to the Issuer*), 5 (*Risk Factors in Relation to the Notes*) and to the Terms and Conditions of the Notes, which shall apply as regards any potential investment in Notes or any decision to buy, hold or sell Notes.

This document is dated 20 November 2020.

The Issuer accepts responsibility for the information contained in these Listing Particulars. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case) the information contained in these Listing Particulars is in accordance with the facts and does not omit anything materially likely to affect the import of such information.

The Trustee has not separately verified the information contained herein. The Trustee makes no representation, express or implied, and accepts no responsibility with respect to the accuracy or completeness of any of the information in these Listing Particulars. Neither these Listing Particulars nor any other information supplied in connection with the Notes is intended to provide the basis of any credit, risk or other evaluation and should not be considered as a recommendation by the Issuer or the Trustee that any recipient of these Listing Particulars or any other information should subscribe or purchase the Notes. Each potential subscriber or purchaser of the Notes should determine for itself the relevance of the information contained in these Listing Particulars and its subscription or purchase of Notes should be based upon such investigation as it deems necessary. It is recommended that each potential subscriber or purchaser of the Notes should seek independent legal and financial advice before entering into any obligations under these Listing Particulars. The Trustee does not undertake to review the financial condition or affairs of the Issuer or any other entity whatsoever during the life of the arrangements contemplated by these Listing Particulars or to advise any investor or potential investor in the Notes of any information coming to the attention of the Trustee.

Neither the Trustee nor any person other than the Issuer has any obligation to any Noteholders to ensure payment or discharge of principal, interest and / or any other obligations in respect of the Notes. The Notes will be obligations solely of the Issuer and are not guaranteed by or the responsibility of any other entity.

These Listing Particulars are distributed in connection with one or more Offerings of Notes, the terms of which are described below, and are issued by the Issuer, a company incorporated under the laws of Ireland. The Issuer will, subject to these Listing Particulars, use substantially all of the proceeds of the Offering to acquire Collateral. The Collateral of a Series will in the first instance comprise cash or liquid assets of the Issuer held in a segregated account for application to the Series, and debt instruments issued by the Collateral Obligor(s) for that Series, whether traded on a Regulated Market or otherwise.

The minimum capital commitment to the Issuer by an investor will be EUR 10,000. Each Offering is continuous. The Issuer has the right to reject applications for Notes in whole or in part for any reason.

These Listing Particulars are only delivered as accurate as at the date hereof.

The distribution of these Listing Particulars and the offering or sale of or grant of a participation in the Notes in certain jurisdictions may be restricted by law. Persons into whose possession these Listing Particulars come are required by the Issuer to inform themselves about and to observe any such restrictions. These Listing Particulars do not constitute, and may not be used for the purposes of, an offer or solicitation by any person in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation and no action is being taken to permit an offering of the Notes or the distribution of these Listing Particulars in any jurisdiction where such action is required. The Notes are, further, not promoted by these Listing Particulars and a listing is not induced or invited. Each interested subscriber acts on them on its own initiative. Because of their nature, Notes are intended to be bought and traded by a limited number of investors who are particularly knowledgeable in investment matters.

An Offer of Notes by the Issuer, as described in these Listing Particulars, will be addressed to fewer than one hundred and fifty persons in each EU Member State. The Issuer shall avail of the exemptions contained in the Prospectus Regulation from the requirement to publish a prospectus in accordance with the Prospectus Regulation. These Listing Particulars do not constitute a prospectus published in accordance with the Prospectus Regulation and accordingly, they have not been approved by the Central

Bank of Ireland and the Issuer has not been authorised and is not supervised by the Central Bank of Ireland.

The Notes, because of their nature, are intended to be bought and traded by a limited number of investors who are particularly knowledgeable in investment matters. These Listing Particulars are not and shall not constitute an invitation to the public in Ireland, or to the Issuer's knowledge, anywhere, to purchase Notes and the Issuer does not provide facilities for open participation by the public to purchase Notes.

The Issuer is not, and will not be, regulated by the Central Bank of Ireland by virtue of the issue of the Notes. Any investment in the Notes does not have the status of a bank deposit and is not subject to the deposit protection scheme operated by the Central Bank of Ireland.

Investors should conduct such independent investigation and analysis regarding the Issuer and the Notes as they deem appropriate to evaluate the merits and risks of an investment in the Notes, as the investment described in these Listing Particulars may not be suitable for all investors. Investors should have, or have access to, sufficient knowledge and experience in financial, taxation, accounting, capital treatment and business matters to evaluate the information contained in these Listing Particulars and the merits and risks of investing in the Notes in the context of their financial and regulatory position and circumstances. These Listing Particulars do not describe all of the risks and investment considerations applicable to an investment in the Notes. The risks and investment considerations identified in these Listing Particulars are provided as general information only and the Issuer disclaims any responsibility to advise investors of the risks and investment considerations associated with the purchase of the Notes as they may exist at the date hereof or as they may from time-to-time alter.

Nothing in these Listing Particulars is, or should be relied upon as, a promise or representation as to the future. Any projections contained herein are for illustrative purposes only and are intended to show possible outcomes based on stated assumptions. There can be no assurances that the stated assumptions will prove correct or that the projections will be achieved or that unforeseen developments or events will not occur.

If these Listing Particulars have been sent to you in an electronic form you are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently the Issuer (nor any person who controls either of them nor any director, officer, employee nor agent of either of them nor affiliate of either of them) does not accept any liability or responsibility whatsoever in respect of any difference between the Listing Particulars distributed to you in electronic format and the hard copy version.

THESE LISTING PARTICULARS DO NOT CONSTITUTE AN OFFER OR SOLICITATION IN ANY STATE OR JURISDICTION IN WHICH SUCH AN OFFER OR SOLICITATION IS UNLAWFUL. AN INVESTMENT IN THE NOTES OF ANY SERIES INVOLVES THE RISK OF LOSS OF ALL OR SOME OF AN INVESTOR'S INVESTMENT.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER, ANY COLLATERAL RELATED TO THE NOTES AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED WITH AN INVESTMENT IN THE NOTES TO BE ISSUED BY THE ISSUER, OR THE SERIES GENERALLY.

AN INVESTMENT IN THE NOTES IS NOT INTENDED AS A COMPLETE INVESTMENT PROGRAM. PROSPECTIVE INVESTORS ARE NOT TO CONSTRUE THESE LISTING PARTICULARS AS LEGAL OR TAX ADVICE. EACH INVESTOR SHOULD CONSULT ITS OWN COUNSEL AND PROFESSIONAL REPRESENTATIVES FOR ADVICE CONCERNING VARIOUS LEGAL, ECONOMIC AND TAX CONSIDERATIONS IN CONNECTION WITH AN INVESTMENT IN THE NOTES.

THE ISSUER SHALL ALLOW EACH INVESTOR OR ITS AGENT, DURING THIS OFFERING AND PRIOR TO THE SALE OF ANY NOTES, THE OPPORTUNITY TO ASK QUESTIONS OF AND RECEIVE ANSWERS FROM REPRESENTATIVES OF THE ISSUER CONCERNING ANY AND ALL ASPECTS OF THE ISSUER AND THE NOTES TO THE EXTENT THE ISSUER POSSESSES SUCH INFORMATION OR CAN ACQUIRE SUCH INFORMATION

WITHOUT UNREASONABLE EFFORT OR COST AND, PROVIDED FURTHER, THAT THE ISSUER SHALL NOT BE OBLIGED TO DISCLOSE PROPRIETARY INFORMATION SUCH AS TRADING OR PURCHASING STRATEGIES OR TECHNIQUES.

A PROSPECTIVE INVESTOR SHOULD NOT SUBSCRIBE FOR NOTES UNLESS SATISFIED THAT IT OR ITS REPRESENTATIVE HAS REQUESTED, RECEIVED, UNDERSTOOD AND ANALYZED ALL INFORMATION WHICH WOULD ENABLE IT TO MAKE AN INFORMED DECISION OF THE MERITS AND RISKS OF AN INVESTMENT IN THE NOTES.

THESE LISTING PARTICULARS SUPERSEDE ALL PRIOR INFORMATION WITH RESPECT TO THE NOTES OFFERED HEREIN. NEITHER THE DELIVERY OF THESE LISTING PARTICULARS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE OF THESE LISTING PARTICULARS.

THIS DOCUMENT AND ANY OFFER PURSUANT TO IT CAN BE WITHDRAWN AT ANY TIME BEFORE CONSUMMATION AND IS SPECIFICALLY MADE SUBJECT TO ALL THE CONDITIONS DESCRIBED IN THESE LISTING PARTICULARS. THE ISSUER RESERVES THE RIGHT, IN ITS SOLE AND ABSOLUTE DISCRETION, TO REJECT ANY SUBSCRIPTION FOR NOTES, IN WHOLE OR IN PART, FOR ANY REASON OR NO REASON AT ALL.

NEITHER THE ISSUER NOR ANY OF ITS REPRESENTATIVES OR AGENTS IS MAKING ANY REPRESENTATION TO ANY OFFEREE OR PURCHASER OF NOTES IN THE ISSUER REGARDING THE LEGALITY OF ANY INVESTMENT THEREIN BY SUCH OFFEREE OR PURCHASER.

## 1. DEFINITIONS

Capitalised words used in these Listing Particulars have the following meanings unless the context requires otherwise:

Accrued Interest Balance	means, with respect to a Calculation Date, any interest accrued in prior Interest Periods but not yet paid to Noteholders plus the Current Interest amount.
Agent	each of the Settlement Agents, the Paying Agent, the Cash Manager, the Registrar, and the Calculation Agent.
Agency Agreement	the agency agreement entered into on 4 March 2020 pursuant to which the Issuer appointed the Paying Agent, the Cash Manager, the Registrar, the Calculation Agent and the Trustee to undertake certain functions in relation to the Notes as modified and / or supplemented from time-to-time, or any other similar agreement entered into by the Issuer and any of the Paying Agent, the Cash Manager, the Registrar, and the Calculation Agent from time-to-time.
Aggregate Nominal Amount	means the money raised by the Issuer from the initial sale of the Notes in a Series which is, as soon as is reasonably practicable, applied by the Issuer to purchase the Collateral linked to the relevant Series, after deduction of the costs of the issue and the Issuer's (pro rata) general administrative costs and initial fees payable to Agents and, where applicable, a Relevant Clearing System, for such Series.
Business Day	a day: (a) other than a Saturday or Sunday; and (b) on which the Relevant Clearing System is open for the acceptance and execution of settlement orders and (c) where required for the Relevant Clearing System on which the TARGET2 System is operating.
Calculation Agent	Trustmoore Ireland Limited or such other person as is appointed as a replacement or additional calculation agent by the Issuer from time-to-time.
Calculation Date	the last Business Day of every calendar quarter or such other Business Day as the Issuer may from time-to-time in its absolute discretion notify to the Noteholders.
Calculation Period	the period beginning on (and including) the Issue Date and ending on (but excluding) the first Calculation Date and each successive period beginning on (and including) a Calculation Date and ending on (but excluding) the following Calculation Date.
Calculation Point	approximately 4:00 pm Dublin Ireland time on the relevant Calculation Date or as otherwise determined by the Issuer.
Cash Manager	Trustmoore Ireland Limited or such other person as is appointed as a replacement or additional cash manager by the Issuer from time-to-time.
Collateral Annex	Appendix 3 of these Listing Particulars.

Collateral Obligor	<p>the issuer or issuers of any Collateral identified as such in the Pricing Supplement in relation to a Series.</p> <p>Where there is more than one issuer of Collateral, they may act jointly or severally, in equal shares or otherwise, as may specified in the relevant Pricing Supplement (it being presumed unless otherwise stated that multiple parties act jointly).</p>
Collateral	the assets specified as such in the Pricing Supplement in relation to a Series, and including any alternative assets acquired by the Issuer to substitute the said assets.
Corporate Services Provider	Trustmoore Ireland Limited or such other person as is appointed as a replacement or additional corporate services provider by the Issuer from time-to-time.
Corporate Services Agreement	the corporate services agreement dated 18 December 2019 pursuant to which the Issuer has appointed the Corporate Services Provider to undertake certain administrative functions in relation to the Issuer and any other similar agreement entered into by the Issuer and Corporate Services Provider from time-to-time.
Certificates	the certificates evidencing the ownership of registered Notes, where applicable.
CREST	the Relevant Clearing System operated by EUI for Irish listed securities as at the date of these Listing Particulars.
Currency Disruption	the occurrence or official declaration of an event impacting one or more currencies that the Issuer determines would materially disrupt or impair its ability to meet its obligations, in whole or in part, under the Notes.
Dealing Charge	shall be an amount determined by or on behalf of the Issuer reflecting the expenses charges or costs incurred by the Issuer in selling assets to realise sufficient funds to discharge the Redemption Amount in respect of any Note.
Declaration of Trust	the Declaration of Trust dated 13 June 2018 (as may be modified, supplemented, amended or restated from time-to-time and including any side letter related thereto) made by the Share Trustee, which states that the Share Trustee holds the benefit of the shares of the Issuer on trust for charitable purposes.
Deductions	shall mean, with respect to any Note, the expenses in relation to the Collateral acquired by the Issuer and financed by way of the proceeds of that Note.
Directors	the directors for the time being of the Issuer.
Disruption Event	<p>certain Issuer-specific or external events which may have an impact on the Terms and Conditions of the Notes or on their redemption, including:</p> <p>(a) a change in applicable law, a Currency Disruption, an Extraordinary Market Disruption or any other event</p>

affecting the Issuer's ability to fulfil its obligations under the Notes;

- (b) a disruptive event relating to the existence, continuity, trading, valuation, pricing or publication of Collateral;
- (c) a disruption or other material impact on the Issuer's ability to hedge its obligations under the Notes; or
- (d) a determination by the Issuer that the performance of any of its absolute or contingent obligations under the Notes has become illegal, in whole or in part, for any reason.

Where possible, all reasonable steps will be taken to bring any Disruption Period to an end as soon as possible. Noteholders will be notified of any Disruption Period or of any reinstatement following a Disruption Period, in each case within 15 days of the relevant event.

Disruption Period	means a calendar period from when a Disruption Event crystallises to when such Disruption Event ceases, which shall be determined at the sole discretion of the Issuer.
EUI	means Euroclear UK & Ireland Limited (formerly known as CRESTCO Limited) incorporated in England and Wales under number 2878738.
Euro or €	the lawful currency of the participating member states of the European Union which have adopted the single currency in accordance with the EC Treaty of Rome dated 25 March, 1957 (as amended by the Maastricht Treaty dated 7 February, 1992).
Euronext Dublin	means The Irish Stock Exchange plc trading as Euronext Dublin.
Events of Default	has the meaning given to it in Condition 12.1 of the Terms and Conditions of the Notes.
Extraordinary Market Disruption	an extraordinary event or circumstance, including any legal enactment (domestic or foreign), the intervention of a public authority (domestic or foreign), a natural disaster, an act of war, strike, blockade, boycott or lockout which the Issuer determines has prevented it from performing its obligations, in whole or in part, under the Notes.
Extraordinary Resolution	shall mean a resolution passed at a meeting of Noteholders duly convened and held in accordance with Condition 13.1 of the Terms and Conditions of the Notes by at least 75% of the votes cast or a resolution in writing signed by or on behalf of all Relevant Noteholders (such resolution in writing may be in one document or several documents in like form each signed by or on behalf of one or more of the Relevant Noteholders).
FATCA or Foreign Account Tax Compliance Act	shall mean Sections 1471 through 1474 of the Internal Revenue Code (the "Code") and the U.S. Treasury regulations



thereunder (whether proposed, temporary or final) or official interpretations thereof, the Common Reporting Standard issued by the Organisation for Economic Cooperation and Development and any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of these Sections of the Code.

Global Exchange Market or GEM

the Multilateral Trading Facility operated by Euronext Dublin on which the Notes of the Issuer will be admitted to trading, subject to the approval of Euronext Dublin.

Insolvency Event

with respect to any Person, that such Person:

- (a) is dissolved (other than pursuant to a solvent consolidation, amalgamation, restructuring, reorganization or merger);
- (b) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due;
- (c) makes a general assignment, arrangement or composition with or for the benefit of its creditors;
- (d) institutes or has instituted against it, by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official;
- (e) has instituted against it a proceeding seeking a judgment of insolvency, bankruptcy or the appointment of an examiner or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and such proceeding or petition is instituted or presented by a person or entity not described in clause (d) above and either:
  - (i) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation; or
  - (ii) is not dismissed, discharged, stayed or restrained in each case within 30 calendar days of the institution or presentation thereof;



- (f) has a resolution passed for its winding-up, examinership, official management or liquidation (other than pursuant to a solvent consolidation, amalgamation, restructuring, reorganisation or merger);
- (g) seeks or becomes subject to the appointment of an examiner, administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets;
- (h) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 calendar days thereafter;
- (i) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in subsections (a) through (h) of this definition (inclusive) other than, for the avoidance of doubt, any such event that occurs pursuant to a solvent consolidation, amalgamation, restructuring, reorganisation or merger; or
- (j) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts.

Instrument	any instrument which may be issued by any of the Collateral Obligors referred to in the Collateral Annex and acquired by the Issuer as Collateral linked to Notes in a Series, as further specified in the relevant Pricing Supplement.
Interest	means, with respect to a Calculation Date, an amount of interest due for the immediately preceding Interest Period, calculated as follows:  Target Interest Rate x Notional Principal Amount.
Interest Period	means the period from the Issue Date of a Series to the next calendar quarter end date and each subsequent calendar quarter end date thereafter.
Investment Parameters	the investment parameters as set out in section 6.1 ( <i>Use of Proceeds – the Investment Parameters</i> ) of these Listing Particulars.
ISIN or International Securities Identification Number	the ISIN for each Series of Notes, which is outlined in such Series' Pricing Supplement.

Issue Date	for any Noteholder, the date on which Notes of the relevant Series held by that Noteholder are issued by the Issuer, as specified in the Pricing Supplement.
Issuer	Audacia Capital (Ireland) plc.
Listing Agent	J&E Davy or such other person as may be appointed as a replacement or additional listing agent by the Issuer from time-to-time.
Maturity Date	31 December 2025 or such earlier date as determined by the Issuer and notified to the Noteholders.
Minimum Trading Amount	the amount, if any, as specified in the Pricing Supplement.
Multilateral Trading Facility	shall have the same meaning given to it in Article 4(1)(22) of Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU.
Note Acceleration Notice	means a notice given by the Trustee to the Issuer under Condition 12.1 of the Terms and Conditions of the Notes declaring the Notes to be due and repayable.
Notes (and Securities)	any note of a particular Series which may from time-to-time be issued pursuant to the Programme in accordance with the terms of these Listing Particulars.
Noteholder (and Holder)	means a registered holder from time to time of Notes in accordance with and subject to these Listing Particulars.
Noteholder Direction	shall mean a resolution passed at a meeting of Noteholders duly convened and held in accordance with Condition 13.1 of the Terms and Conditions of the Notes by a simple majority of at least 50% of the votes cast or a resolution in writing signed by or on behalf of all Relevant Noteholders (such resolution in writing may be in one document or several documents in like form each signed by or on behalf of one or more of the Relevant Noteholders). A Noteholder Direction can also be given by way of Extraordinary Resolution.
Notional Principal Amount	with respect to a Note, means for each Calculation Date, the outstanding principal amount of such Note together with any unpaid interest amounts in respect of any prior Interest Periods excluding the immediately preceding Interest Period.
Offering	means an offering of Notes made under these Listing Particulars and to be taken up in accordance with the relevant Pricing Supplement.
Offering Period	shall have the meaning given to it in the relevant Pricing Supplement.
Outstanding	in relation to the Notes, all Notes issued other than: <ul style="list-style-type: none"> <li>(a) those Notes which have been redeemed pursuant to the Terms and Conditions of the Notes;</li> </ul>

- (b) those Notes in respect of which the date for redemption in accordance with the Terms and Conditions of the Notes has occurred and the Redemption Amount has been duly paid to the Paying Agent in the manner provided for in the Agency Agreement and remain available for payment against presentation for the relevant Notes;
- (c) those Notes which have been purchased, cancelled or become void in accordance with the Terms and Conditions of the Notes;
- (d) those mutilated or defaced Notes which have been surrendered and cancelled and in respect of which replacements have been issued in accordance with the Terms and Conditions of the Notes; or
- (e) for the purpose only of ascertaining the notional amount of Notes outstanding and without prejudice to the status for any other purpose of the relevant Notes those Notes which are alleged to have been lost, stolen or destroyed and in respect of which replacements have been issued pursuant to the Terms and Conditions of the Notes.

Paying Agent	Avenir Registrars Limited or such other person as may be appointed as a replacement or additional paying agent by the Issuer from time-to-time and notice of whose appointment has been given to the Relevant Noteholders.
Payment Date	for a Series of Notes, each Payment Date specified in the applicable Pricing Supplement.
Permitted Holder	<p>unless otherwise agreed in writing by the Issuer and a Noteholder, a person who is and will remain for so long as it holds any interest in the Notes:</p> <ul style="list-style-type: none"> <li>(a) where the Notes are Quoted Eurobonds, a person who is not a Specified Person;</li> <li>(b) where the Notes are not Quoted Eurobonds, a person who is both: <ul style="list-style-type: none"> <li>(i) a Qualifying Recipient; and</li> <li>(ii) a Qualifying Person;</li> </ul> </li> </ul> <p>a qualified investor as defined in the Prospectus Regulation; and</p> <p>not a retail client as defined in Article 4(1)(11) of Directive 2014/65/EU (as amended, “MiFID II”).</p>
Permitted Expenses	<p>all fees and expenses necessary for the Issuer to operate its business, including without limitation:</p> <ul style="list-style-type: none"> <li>(a) all applicable taxes, including any applicable value added tax and all payments to Euronext Dublin which</li> </ul>

are necessary to maintain the listing of the Notes of the Issuer;

- (b) all payments to the Trustee pursuant to the Trust Deed;
- (c) all fees and expenses necessary for the Issuer to operate its business in Ireland including the maintenance of required financial records, the filing of tax returns, the fees and reasonable expenses of the directors of the Issuer, the retention of legal counsel and the retention of auditors and tax advisers by the Issuer;
- (d) all payments to the Corporate Services Provider pursuant to the Corporate Services Agreement;
- (e) all payments to the Agents pursuant to the Agency Agreement;
- (f) all payments to the Listing Agent;
- (g) all amounts payable by the Issuer pursuant to the Terms and Conditions of the Notes;
- (h) following the occurrence of an Event of Default, all fees associated with the orderly winding up of the Issuer, an estimate of such amounts by the Issuer to be regarded as immediately payable;
- (i) the costs relating to the sourcing of appropriate collateral obligors of Series from time-to-time, the conducting of due diligence and production of documents to support the relevant Collateral Annex, and other ordinary expenditure according to generally accepted accounting principles in Ireland; and
- (j) the repayment of any borrowings incurred by the Issuer for the purpose of funding any Permitted Expenses, including interest on any such borrowings.

Person	any individual, trustee, receiver, conservator, custodian, corporation, limited liability company, partnership (whether general or limited), association, company, joint-stock company, trust, business trust, estate, joint venture, governmental authority, or any other entity, in its own or any representative capacity.
Programme	the programme for the issuance of debt securities as established by, and contemplated in, these Listing Particulars, as the same may be from time-to-time amended, supplemented or modified.
Pricing Supplement	shall mean the drawdown document, which in conjunction with the Subscription Form (where applicable), outlines the terms of the offer of the Issuer which supplement the

provisions of these Listing Particulars. The form of the Pricing Supplement is available at Appendix 1.

#### Qualifying Person

shall mean, unless otherwise agreed in writing by the Issuer:

- (a) a Person, (not being a Specified Person) who is a pension fund, government body or other person resident for the purposes of tax in a Relevant Territory who, under the laws of the Relevant Territory, is exempted from tax (which corresponds to Irish income tax or corporation tax) which generally applies to profits, income or gains in the Relevant Territory; or
- (b) a Person that is by virtue of the law of a Relevant Territory, resident for the purposes of tax (i.e. tax in the Relevant Territory which corresponds to Irish income tax or corporation tax) in the Relevant Territory provided that under the laws of the Relevant Territory, Interest payable by a qualifying company (within the meaning of Section 110 of the Taxes Consolidation Act 1997) to a person resident in that relevant territory is subject (without any reduction computed by reference to the amount of the Interest including a full or partial reduction or exemption from tax pursuant to a participation exemption regime or entitlement to a notional tax deduction) to a tax (i.e. tax in the Relevant Territory which corresponds to Irish income tax or corporation tax) on the Interest on the Notes which generally applies to profits, income or gains received in the Relevant Territory, by persons, from sources outside the Relevant Territory.

For these purposes, “**Interest**” shall comprise the Redemption Amount or any other amount of coupon, return, or payment in respect of the Notes (other than a repayment of principal).

#### Qualifying Recipient

shall mean, unless otherwise agreed in writing by the Issuer, a Person who is the beneficial owner of the Interest payable in respect of the Note (“**Interest**”) where that Person is by virtue of the law of a Relevant Territory, resident for the purposes of tax (i.e. tax in the Relevant Territory which corresponds to Irish income tax or corporation tax) in the Relevant Territory, and, in a case where the person is a company, will not receive the Interest in connection with a trade or business which is carried on in Ireland by the company through a branch or agency.

For these purposes, “**Interest**” shall comprise the Redemption Amount or any other amount of coupon, return, or payment in respect of the Notes (other than a repayment of principal).

Quoted Eurobond	<p>shall mean a security which:</p> <p>(a) is issued by a company;</p> <p>(b) is quoted on a recognised stock exchange; and</p> <p>(c) carries a right to Interest.</p> <p>For these purposes, “<b>Interest</b>” shall comprise the Redemption Amount or any other amount of coupon, return, or payment in respect of the Notes (other than a repayment of principal).</p>
Redemption Amount	shall have the meaning given to it as described in section 8 ( <i>Investor Returns</i> ) of the Listing Particulars.
Redemption Notice	means the prescribed notification form which shall be annexed to the Pricing Supplement as Annex B thereto and which shall be made available to investors and which is to be completed and duly executed by an investor for submission to the Issuer in order to request that the Issuer redeem all or part of that investor’s Notes.
Redemption Valuation Day	shall mean a Business Day on which the Redemption Amount may be calculated and which shall, in respect of a Series, be identified in the Pricing Supplement.
Redemption Notice Period	shall mean five (5) Business Days or such other number as specified in the Pricing Supplement (which shall not be less than five (5)) prior to a Redemption Valuation Day.
Register	has the meaning given to it in Condition 2.5 of the Terms and Conditions of the Notes.
Registrar	Avenir Registrars Limited or such other person as may be appointed as a replacement or additional registrar by the Issuer and notice of whose appointment has been given to the Relevant Noteholders.
Registrar Agreement	shall mean the agreement for the provision of registry and associated services between the Issuer and the Avenir Registrars Limited dated 4 March 2020 and any other similar agreement entered into by the Issuer and a Registrar from time-to-time.
Regulated Market	shall have the same meaning given to it in Article 4(1)(21) of Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU.
Relevant Clearing System	a system for the paperless settlement of trades and the holding of uncertificated securities operated in accordance with the Uncertificated Regulations, as amended from time-to-time.
Relevant Clearing System Rules	the rules and procedures governing access to and the use of the Relevant Clearing System, as updated from time-to-time.

Relevant Debt	any present or future indebtedness in whatsoever form of the Issuer.
Relevant Noteholders	has the meaning given to it in Condition 13.1 of the Terms and Conditions of the Notes.
Relevant Territory	shall mean (i) a Member State of the European Union (other than Ireland) or (ii) not being such a Member State, a country with which Ireland has a double tax treaty which has force of law pursuant to Section 826(1) of the Taxes Consolidation Act 1997 in effect or will come into effect upon the completion of the procedures set out in Section 826(1) of the Taxes Consolidation Act 1997.
Repayment Day	shall mean the later of the following: <ul style="list-style-type: none"><li>(a) the fifteenth (15th) Business Day following the relevant Redemption Valuation Day; or</li><li>(b) the fifteenth (15th) Business Day subsequent to the Issuer's receipt of the proceeds (including pursuant to realisation as the case may be) from the Collateral comprised in the relevant Series as would suffice to finance the settlement of the Redemption Amount.</li></ul>
Securities	any note of a particular Series which may from time-to-time be issued pursuant to the Programme in accordance with the terms of these Listing Particulars.
Securitisation Bond	any bond which may be issued by the Collateral Obligors and acquired by the Issuer as Collateral linked to Notes in a Series, as further specified in the relevant Pricing Supplement.
Securitisation Transaction	a transaction or scheme defined as such in terms of Article 1(2) of Regulation (EC) No. 24/2009 of the European Central Bank of 19 December 2008 concerning statistics on the assets and liabilities of financial vehicle corporations engaged in securitisation transactions.
Series	a series of Notes having one or more Issue Dates and on terms otherwise identical, the Notes of each series being intended to be interchangeable with all other Notes of the same series. Each series may be issued in tranches (each a "Tranche") on the same or different Issue Dates.
Settlement Agency Agreement	means the: <ul style="list-style-type: none"><li>(a) settlement agency agreement dated 26 July 2019 between (1) the Issuer and (2) SVS Securities plc; and</li><li>(b) in respect of Avenir Registrars Limited, the agency agreement dated 4 March 2020 between, amongst others, (1) the Issuer and (2) Avenir Registrars Limited,</li></ul> (as each may be modified, supplemented, amended or restated from time-to-time and including any side letter related thereto) pursuant to which the Issuer has appointed the Settlement Agent(s) to undertake certain functions in

relation to the issuance of Notes through a Relevant Clearing System and any other similar agreement entered into between the Issuer and a Settlement Agent from time-to-time.

Settlement Agent

each of SVS Securities plc, Avenir Registrars Limited, Credo Capital plc, and such other person as is appointed as a replacement or additional Settlement Agent from time-to-time, as the context shall require.

Share Trustee

DMS Governance Risk and Compliance Services Limited.

Specified Person

means:

- (a) a company which directly or indirectly:
- (i) controls the Issuer;
  - (ii) is controlled by the Issuer; or
  - (iii) is controlled by a third company which also directly or indirectly controls the Issuer,

where “**control**”, in relation to the Issuer, means the power of a person to secure:

- (i) by means of the holding of shares or the possession of voting power in or in relation to the Issuer or any other company; or
- (ii) by virtue of any powers conferred by the articles of association or other document regulating the Issuer or any other company,

that the affairs of the Issuer are conducted in accordance with the wishes of that person (and “**controlled**” shall be construed accordingly); or

- (b) a person, or persons who are connected with each other:
- (i) from whom assets were acquired; or
  - (ii) to whom the Issuer has made loans or advances; or
  - (iii) with whom the Issuer has entered into specified agreements,

where the aggregate value of such assets, loans, advances or agreements represents not less than 75 per cent of the aggregate value of the qualifying assets of the Issuer. For this purpose, a specified agreement means any agreement, arrangement or understanding that:

- (i) provides for the exchange, on a fixed or contingent basis, of one or more payments based on the value, rate or amount of one or more interest or other rates, currencies, commodities, securities, instruments of



	<p>indebtedness, indices, quantitative measures, or other financial or economic interests or property of any kind, or any interest therein or based on the value thereof; and</p> <p>(ii) transfers to a person who is a party to the agreement, arrangement or understanding or to a person connected with that person, in whole or in part, the financial risk associated with a future change in any such value, rate or amount without also conveying a current or future direct or indirect ownership interest in an asset (including any enterprise or investment pool) or liability that incorporates the financial risk so transferred.</p>
Subscription Date	the date specified in a Pricing Supplement of the Issuer by which applications for Notes of the Issuer must be received in order to participate in the relevant Offering.
Subscription Form	a form by which an investor indicates the number of Notes for which the investor wishes to subscribe, the relevant Series, and any other information necessary for the investor to accept an Offering, in each case, as set out in the relevant Pricing Supplement.
Target Interest Rate	the target interest rate as specified in the Pricing Supplement as determined by the Calculation Agent at or about the Calculation Date for an Interest Period.
Temporary Suspension Event	<p>the Directors may suspend the right of any investors to require redemption of any Notes in a Series in such circumstances as the Directors may, in their exclusive discretion, deem appropriate including (but without prejudice to the generality of the foregoing):</p> <p>(a) when the realisation of Collateral comprised in the relevant Series relating to that Series at that particular moment in time could adversely affect and prejudice the interests of investors;</p> <p>(b) when for any reason the market value of Collateral comprised in the relevant Series cannot be reasonably, promptly or accurately ascertained or obtained; or</p> <p>(c) when the disposal or realisation of Collateral comprised in the relevant Series is not practically feasible or possible (each a “<b>Temporary Suspension Event</b>”).</p>
Terms and Conditions	means the terms and conditions of the Notes set out at Appendix 2 as may be supplemented, amended or modified by the relevant Pricing Supplement and/or Note Purchase

	Agreement, and reference to a “ <b>Condition</b> ” shall be interpreted accordingly.
Transaction Account	the Transaction Account as defined in the Agency Agreement.
Transaction Document	the Listing Particulars, a Subscription Form, the Agency Agreement, the Trust Deed, the Declaration of Trust, the Registrar Agreement, the Corporate Services Agreement or a Settlement Agreement (and “ <b>Transaction Documents</b> ” means all of them or the relevant Transaction Documents having regard to the context of the reference).
Trust Deed	shall mean the amended and restated trust deed entered into by the Issuer and the Trustee dated 13 June 2018, as modified and / or supplemented from time-to-time.
Trustee	DMS Governance Risk and Compliance Services Limited or such other person as may be appointed as a replacement trustee by the Issuer from time-to-time.
Uncertificated Regulations	means the Uncertificated Securities Regulations 2001 and the Irish Companies Act 1990 (Uncertificated Securities) Regulations 1996 (S.I. No. 68 of 1996), as amended by the Irish Companies Act 1990 (Uncertificated Securities) (Amendment) Regulations 83 2005 (S.I. No. 693 of 2005) and such other regulations made under Section 1086 of the Irish Companies Act 2014 having force within Ireland as are applicable to EUI and / or the CREST “relevant system” (as defined in such regulations) and are from time-to-time in force or any successor Relevant Clearing System.

## 2. SUMMARY

This section 2 (*Summary*) does not purport to be an exhaustive summary and is qualified in its entirety by reference to the detailed information appearing elsewhere in these Listing Particulars and related documents referred to herein. Without limitation, for a discussion of certain risk factors to be considered in connection with an investment in the Notes, see sections 3 (*Risk Factors Generally*), 4 (*Risk Factors in Relation to the Issuer*) and 5 (*Risk Factors in Relation to the Notes*).

### 2.1 THE ISSUER

#### The Issuer

Audacia Capital (Ireland) plc, a public limited company which was incorporated in Ireland on 9 March 2018 with registered number 622442. The authorised share capital of the Issuer is €100,000 divided into 100,000 ordinary shares of €1.00 each, of which 25,000 ordinary shares have been issued and paid up as to one quarter.

#### Shareholders of the Issuer

All of the issued and outstanding shares are owned by the Share Trustee, DMS Governance Risk and Compliance Services Limited, which is a company incorporated in Ireland. Under the terms of the Declaration of Trust, the Share Trustee holds the benefit of the shares on trust for charitable purposes. The Share Trustee has no beneficial interest in, and derives no benefit from its holding of the shares other than its fees for acting as Share Trustee.

#### Activities of the Issuer

The Issuer has been established as a special purpose vehicle for the purpose of issuing asset-backed securities, acquiring assets in accordance with the Investment Parameters and entering into and carrying out its obligations in relation to the Notes.

The Issuer has not previously carried on any business or any activities other than those incidental to its registration and the authorisation and issue of the Notes, including under the base listing particulars document dated 14 June 2018 and later 29 July 2019.

The objects and purposes of the Issuer are limited to such matters which were, have been and are necessary to carry out all or any transactions intended or required to implement or participate in a Securitisation Transaction and all related and ancillary acts including, without limitation, the acquisition, management and collection of credits and other receivables or other securitisation assets, the assumption of risks, the granting of secured loans, the issue of financial instruments or the borrowing of funds to finance the acquisition of assets or assumption of risks, the engagement of service providers to administer or support its activities and the entering into derivative instruments.

The main business focus of the Issuer is to issue financial instruments in the form of asset-backed securities whose value or yield is linked, in the ordinary course, to the related Securitisation Bonds of the relevant Series, all of which are to

be repaid by the Collateral Obligor(s) of that Series (or any guarantor(s), if applicable) in the ordinary course of their business activities as stated in the relevant Collateral Annex – or other assets having regard to the same objective.

Collateral held or acquired by the Issuer in the course of a Securitisation Transaction will in the first instance comprise cash or other liquid assets of the Issuer held in a segregated account for application to the Series, and debt instruments issued by the Collateral Obligor(s) of that Series, as specified in the relevant Pricing Supplement.

None of the Collateral Obligors are owned or controlled, whether directly or indirectly, by the Issuer.

## 2.2 SUMMARY OF THE NOTES

Issue Price	The Issue Price shall be fixed in the Pricing Supplement but shall not be less than €1,000 in aggregate per investor, or its equivalent in any other currency as shall be specified in the relevant Pricing Supplement.
Aggregate Nominal Amount	The aggregate nominal amount of a Series is the money raised by the Issuer from the initial sale of the Notes in a Series which is, as soon as is reasonably practicable, applied by the Issuer to purchase the Collateral linked to the relevant Series, after deduction of the costs of the issue and the Issuer's (pro rata) general administrative costs and initial fees payable to Agents and, where applicable, a Relevant Clearing System, for such Series.
Series	Notes may be issued in a series of Notes having one or more Issue Dates and on terms otherwise identical, the Notes of each series being intended to be interchangeable with all other Notes of the same series. Each series may be issued in tranches (each a " <b>Tranche</b> ") on the same or different Issue Dates.
Subscription Form and Pricing Supplement	<p>Each Series of Notes under these Listing Particulars will be offered by a Settlement Agent, or otherwise the investor shall apply to the relevant Offering through a Subscription Form, as stated in the relevant Pricing Supplement which should be read in conjunction with these Listing Particulars.</p> <p>Each Pricing Supplement will outline the terms specific to that Offering of Notes including:</p> <ul style="list-style-type: none"> <li>(a) Issue Price;</li> <li>(b) Issue Date;</li> <li>(c) Series Maturity Date (if different to the Maturity Date);</li> <li>(d) Target Interest Rate;</li> </ul>

- (e) the Settlement Agent for the relevant Notes (if any); and
- (f) any other Series-specific information.

#### The Notes

The Notes may be issued in one or more Series of Collateral-backed dematerialised securities or registered certificated securities, as subscribed in accordance with these Listing Particulars.

Alternatively, the Notes may be issued in one or more Series of Collateral-backed registered form securities represented by definitive registered certificates.

For each Series, the Notes constitute direct, unsecured and unsubordinated obligations of the Issuer and rank equally amongst other Notes in that Series. A Series may be simultaneously comprised of dematerialised Notes and of Notes represented by definitive registered certificates. A Noteholder of a security in registered form may require the Issuer to convert such Note into a dematerialised security.

The value or yield of Notes issued in any Series shall be linked to the securitised Collateral comprised in that Series. The Notes are limited recourse obligations of the Issuer which are payable solely out of amounts received (cash flow) by or on behalf of the Issuer in respect of the Collateral comprised by that Series. The Notes shall otherwise represent debt obligations incumbent upon the Issuer.

Repayment of the principal under the Notes would be subject to the Issuer having received payments from the Collateral comprised in the relevant Series. The Notes are not insured or guaranteed by any government or government agency.

#### Form of the Notes

The Notes will be issued as uncertificated, dematerialised registered securities and no certificates shall be delivered to investors.

The Notes shall be held in uncertificated registered form in accordance with the Uncertificated Regulations and as such are dematerialised and not constituted by any physical document of title.

Alternatively, the Notes may be issued, if indicated in the relevant Subscription Form and accepted by the Issuer, in registered certificated form.

The Notes are issued in Series and each Series may be issued in Tranches on the same or different Issue Dates.

The Issuer may issue further Tranches of Notes of each Series which will be fungible with other Notes of that Series and backed by the same assets backing the other Notes of that Series.

The specific terms of each Tranche will be specified in the Pricing Supplement and, except for the Issue Date, Issue Price,

	<p>first payment of interest, accrued interest and notional amount of the Tranche, and Settlement Agent (if any) each Tranche terms will be identical to others of the same Series.</p>
Currencies	<p>Subject to compliance with all applicable laws and regulations, Notes may be issued in any currency as shall be specified in the relevant Pricing Supplement.</p>
Proceeds of the Notes	<p>The Notes seek to provide investors with attractive risk-adjusted returns over time.</p> <p>The proceeds of the Notes of a relevant Series will be used to acquire Collateral.</p> <p>The Collateral of a Series may comprise cash or liquid assets held by the Issuer in segregated accounts for the Series and debt instruments issued by the Collateral Obligor(s) of that Series, whether traded on a Regulated Market or otherwise. Collateral shall not comprise equity securities, units or shares in collective investment schemes or real estate.</p> <p>Except for the Cash Reserve, the Issuer will use all the Aggregate Nominal Amount to subscribe for the Collateral comprised in the relevant Series such that the level of collateralisation in each Series shall be approximately 100%.</p> <p>For each Series, the Collateral shall be comprised exclusively of cash and debt instruments issued by the Collateral Obligor(s) of that Series (the “<b>Securitisation Bonds</b>”) such that the Notes shall not be backed by an actively managed pool of assets.</p> <p>In all cases, the rate of interest accruing upon the Securitisation Bonds shall be sufficient to service the Target Interest Rate, notwithstanding the Cash Reserve, as shown in the Collateral Annex and the Pricing Supplement for each Series. The Collateral, therefore, has inherent characteristics that demonstrate the <u>capacity</u> to produce funds to service any payments due and payable on the Notes of all Series. This is different to the factual <u>likelihood</u> of any given Series being repaid as monies fall due, which will depend on the business underlying that Series, primarily the Collateral Obligor(s) and any guarantor of the Series, and any risks associated therein (whether or not set out in sections 3 (<i>Risk Factors Generally</i>), 4 (<i>Risk Factors in Relation to the Issuer</i>) and 5 (<i>Risk Factors in Relation to the Notes</i>)).</p>
Cash Reserve	<p>Having regard to the potentially limited liquidity of the Collateral, the Issuer shall retain a reserve in cash of at least 8 per cent of the Aggregate Nominal Amount in order to cover potential redemption requests or other events requiring or bringing about liquidity among the Notes and the Collateral.</p>
Limited Recourse Nature of the Notes	<p>The claims of the Noteholders of a Series against the Issuer in respect of the Notes or the Transaction Documents shall be limited to the value from time-to-time of the assets or the</p>

proceeds of sale of assets of the Issuer for that Series. Each Noteholder agrees and accepts that the Noteholders of any Series shall not look to the sums which are attributable to another Series in satisfaction of the obligations of the Issuer.

Following the distribution of such assets or proceeds in accordance with the Priorities of Payments, the Noteholders may not take any further step against the Issuer, or any of its assets to recover any sums due but unpaid to it on its own right, and all claims and all rights to claim of the Noteholders against the Issuer in respect of each such sum unpaid shall be extinguished.

Other than the lodging of a claim in the liquidation of the Issuer which is initiated by another party or taking proceedings to obtain a declaration or judgment as to the obligations of the Issuer under the Notes and the Transaction Documents, the Noteholders may not institute against, or join any person in instituting against, the Issuer any bankruptcy, winding up, reorganisation, examinership, arrangement, insolvency or liquidation proceeding or other proceeding under any similar law.

None of the Agents have any obligation to the Noteholders for payment of any amount by the Issuer in respect of the Notes or the Transaction Documents and no recourse for or under any obligation, covenant or agreement of the Issuer contained in the Notes or the Transaction Documents shall be had against any shareholder, officer, director, employee or agent of the Issuer or the Agents, by the enforcement of any assessment or by any proceeding, by virtue of any statute or otherwise; it being expressly agreed and understood that the Notes and the Transaction Documents are a corporate obligation of the Issuer.

#### Settlement and Clearing

Notes of the Issuer will be issued as uncertificated registered securities.

Uncertificated registered securities shall be held in uncertificated registered form in accordance with the Uncertificated Regulations and as such are dematerialised and not constituted by any physical document of title. Uncertificated registered Notes shall be cleared through a Relevant Clearing System and are participating securities for the purposes of the Uncertificated Regulations. Title to the uncertificated registered Notes is recorded on the Register and shall pass by registration in the Register.

## 2.3 NOTEHOLDERS

### Status of Noteholders

Each Noteholder by subscribing for and purchasing Notes of a Series will be deemed to represent, warrant and agree that that it is and that for so long as it remains the registered holder of the Notes it shall remain a Permitted Holder.

Each Noteholder will be required to immediately notify the Issuer in the event that it ceases to be a Permitted Holder and the Issuer may then (and for so long as the Noteholder remains other than a Permitted Holder) demand that the Noteholder sell the Notes to a Person who is a Permitted Holder and if the Noteholder does not comply with such a demand within 20 Business Days, the Issuer may sell the Notes.

### Requirement for a Permitted Holder

Unless otherwise agreed in writing by the Issuer, all Noteholders must be Permitted Holders.

### Role of the Trustee

The Trustee acts as a representative of the Noteholders with a right of access to relevant information relating to the Notes and the investments of the Issuer.

## 2.4 REDEMPTION

### Redemption

Unless otherwise redeemed, Notes will be repaid in full on their Maturity Date by the Issuer.

### Maturity Date

The Notes are constituted for a limited duration ending on 31 December 2025 or such date as outlined in the relevant Pricing Supplement or as determined by the Issuer and notified to Noteholders.

### Early Redemption at the Option of the Noteholder

Where stated as applicable in the relevant Pricing Supplement, Notes may be redeemed by the investor by submitting a Redemption Notice to the Issuer and the Calculation Agent at least one (1) Business Day prior to the commencement of the Redemption Notice Period.

The Notes may be redeemed by the Issuer provided that investors are notified as prescribed.

### Redemption Amount

Notes will be redeemed at the Redemption Amount as described in section 8 (*Investor Returns*) of these Listing Particulars.

### Redemption Values

The value or yield of the Notes shall be linked to the securitised Collateral comprised in the Series. The Notes are limited recourse obligations of the Issuer which are payable solely out of amounts received by or on behalf of the Issuer in respect of the Collateral. The payment of principal under the Notes is subject to the Issuer having received payments and / or realisation proceeds from the Collateral comprised in the Series.

If the Issuer is not able to redeem or realise the Collateral, the Issuer may be unable to redeem the linked Notes in full. If



the Collateral comprised in the Series or the proceeds from the disposal thereof are insufficient for the final and full settlement of the claims of investors, the Issuer will not be liable for any shortfalls. Should the value of the Collateral decline, the Notes would decline in value and an investor should be prepared to sustain a total loss of his investment in the Notes.

Dealing Charge

On a redemption of the Notes with respect to the Maturity Date, a dealing charge may be deducted from the Redemption Amount, the amount of which will be determined by or on behalf of the Issuer and which will reflect the expenses charges or costs incurred by the Issuer in selling assets to realise sufficient funds to discharge the Redemption Amount in respect of the Note.

## 2.5 INTEREST

Interest

While the Issuer has no obligation to pay interest on the Notes prior to a redemption or realisation from the Collateral acquired with the Aggregate Nominal Amount of Notes, it proposes to pay Interest on each Payment Date at the Target Interest Rate included in the Pricing Supplement for those Notes.

Payment of Interest

On each Payment Date, the Issuer will pay the Interest coupon to the Noteholder. This will be specified in the Series' Pricing Supplement.

Deferral of Interest

Non-payment of interest amounts due and payable on the Notes as a result of the insufficiency of available funds will not constitute an Event of Default. To the extent that interest payments on the Notes are not made on the relevant Payment Date, such unpaid interest will be deferred and with effect from, and including, such Payment Date, interest will accrue on such unpaid amount at the rate of interest applicable to such Notes and will be paid as part of the Payment Amount on the next Payment Date to the extent that sufficient funds are available to do so in accordance with the Priorities of Payments. Any such accrued interest that remains unpaid on any Payment Date will itself be deferred and interest will accrue thereon and be payable in accordance with the foregoing.

Failure on the part of the Issuer to pay the Interest Payment Amounts due and payable on any Note as the result of any deduction therefrom or the imposition of any withholding tax thereon shall not be an Event of Default.

Extended Maturity Date

The Issuer may, in its sole discretion, defer the date for final redemption of the Notes:

- (a) without the consent of the Noteholders, to any Business Day falling not later than the first anniversary of the Maturity Date; and / or
- (b) with the consent of the Noteholders of that Series acting by Extraordinary Resolution from time-to-time, to the latest Business Day proposed by the Issuer and confirmed in any such ordinary Resolution from time-to-time.

## 2.6 TRANSFERS OF NOTES

### Dematerialised Notes

- 2.6.1 All transactions in respect of dematerialised Notes in the open market or otherwise must be effected through an account within a Relevant Clearing System for which the Issuer or any Settlement Agent has an account. All transfers of the Notes shall be subject to and made in accordance with the Uncertificated Regulations and the rules, procedures and practices in effect of the Registrar and the Relevant Clearing System. The Uncertificated Regulations and such rules, procedures and practices may change from time-to-time.
- 2.6.2 If at any time the Notes cease to be held in uncertificated form and / or accepted for clearance through a Relevant Clearing System, or notice is received by or on behalf of the Issuer that the Notes will cease to be held in uncertificated form and cleared through a Relevant Clearing System and / or the Relevant Clearing System is closed for business for a continuous period of 14 calendar days (other than by reason of holidays, statutory or otherwise) or the Relevant Clearing System announces an intention permanently to cease business or does in fact do so, the Notes may in the Issuer's discretion be made available through another Relevant Clearing System and in any event shall continue to have registered form.
- 2.6.3 The Issuer, the Registrar, the Paying Agent and any other relevant party may agree such procedures as they determine necessary in relation to the transfer of the Notes and shall as soon as reasonably practicable give notice thereof to the Noteholders in accordance with Condition 14 of the Terms and Conditions of the Notes.
- 2.6.4 If the rules and procedures of the Registrar and / or for so long as the Notes are held in a Relevant Clearing System the rules and procedures of the Relevant Clearing System include any closed period in which no Noteholder may require the transfer of a Note to be registered in the Register, such closed periods shall apply to the Notes. Details of any such closed period are available from the Registrar.
- 2.6.5 Transactions in the Notes will be transferable only in a number not being less than the Minimum Tradable Amount. Notes may be transferred in whole or in part in a Minimum Trading Amount or multiples of a Minimum Trading Amount (provided that following any transfer in part, the Notes retained by the transferor must be equal to the Minimum Trading Amount).
- 2.6.6 The Minimum Trading Amount for each Note is specified in the relevant Pricing Supplement for that Series of Notes.

### Registered certificated Notes

- 2.6.7 Any Notes which are issued in registered form and represented by definitive registered certificates may only be transferred:

- (a) where the transferee is a Permitted Holder; and
- (b) upon delivery to the Registrar of the current Certificate for cancellation and together with a form of transfer duly completed and executed and any other evidence or documentation that the Issuer or Registrar may reasonably require whereupon the Registrar will update the Register accordingly.
- 2.6.8 Transactions in the Notes will be transferable only in a number not being less than the Minimum Tradable Amount. Notes may be transferred in whole or in part in a Minimum Trading Amount or multiples of a Minimum Trading Amount (provided that following any transfer in part, the notes retained by the transferor must be equal to the Minimum Trading Amount).
- 2.6.9 The Minimum Trading Amount for each Note is specified in the relevant Pricing Supplement for that Series of Notes.
- 2.6.10 The Issuer reserves the right to require that one or more Notes are converted to dematerialised form prior to registering any transfer.

## 2.7 DISTRIBUTIONS

### Method of Issue

The Notes of each Series are expected to be distributed by way of private placements by the Issuer or by the Settlement Agent on the Issuer's behalf.

### Subscription

Where a Settlement Agent is appointed in the Pricing Supplement for a particular Tranche, the Notes shall be subscribed from the Settlement Agent, who shall issue them to investors on a delivery versus payment basis and subsequently transfer the Issue Price of the Notes allocated to each investor from the Issuer's account held with the Settlement Agent to the bank account notified to the Settlement Agent in accordance with the terms of the Agency Agreement or Settlement Agency Agreement.

Where no Settlement Agent is appointed in the Pricing Supplement for a particular Tranche, pursuant to an application for Notes by a prospective investor, the said investor shall subscribe for the Notes and shall transfer funds in settlement of the aggregate Issue Price of the Notes allocated to him within three (3) Business Days from the date on which such allocation is notified to him.

The Issuer thereafter, and as soon as is reasonably practicable, shall (subject to the Cash Reserve) subscribe for the Securitisation Bonds of the Series by virtue of a true sale transaction and shall accordingly acquire the Securitisation Bonds directly from the Collateral Obligor against cash consideration.

The Notes shall be issued in the course of a Securitisation Transaction to be undertaken by the Issuer will use the proceeds from the issue of the Notes solely for the purpose of investing in the Collateral to be allocated to that Series of Notes and in the settlement

of the Issuer's (pro rata) Permitted Expenses and initial fees chargeable by the Agents and the Relevant Clearing System.

Minimum Subscription of Notes      The minimum subscription amount for the Notes will be specified in the relevant Pricing Supplement of that Series of Notes but will not be less than EUR 10,000.

## 2.8 **BORROWING**

Permitted Borrowings      The Issuer shall not be permitted to incur indebtedness, other than by the issue of the Notes, except for borrowing or raising funds to discharge its Permitted Expenses.

## 2.9 **GENERAL**

Equal ranking of Notes      The Notes of each Series will constitute unsecured obligations of the Issuer ranking pari passu and without any preference amongst themselves.

The payment obligations of the Issuer under the Notes shall, save for such exceptions as may be provided by applicable legislation and subject to the Priorities of Payments and the Limited Recourse, Non-Petition and No Recourse provisions applicable to them, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future.

Priorities of Payments      In accordance with the terms of the Agency Agreement, payments by the Issuer are subject to a prescribed Priorities of Payments whereby payments of Permitted Expenses will be made ahead of any payments on the Notes of each Series.

Permitted Expenses      Permitted Expenses are all fees and expenses necessary for the Issuer to operate its business.

Withholding Tax      The Issuer will not pay any additional amounts to Noteholders in the event of the imposition of any withholding tax.

Governing Law      Irish.

Listing      The Issuer intends to apply for the Notes issued by the Issuer pursuant to these Listing Particulars to the Official List of Euronext Dublin and admitted to trading on GEM. The Issuer also has the ability to issue Series of Notes which are not listed on GEM and not covered within the scope of these Listing Particulars.

Application may also be made to admit the Notes for listing on any other Regulated Market and / or a Multilateral Trading Facility as shall be specified in the relevant Pricing Supplement.

### Selling Restrictions

A Noteholder is responsible for ascertaining the relevant subscription, sales and transfer restrictions applicable.

The offer and sale of the Notes may be restricted in certain jurisdictions.

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available at any time to any retail investor (and, for the avoidance of doubt, this means any retail investor within or outside the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in Article 4(1)(11) of Directive 2014/65/EU (as amended, “MiFID II”); or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the “Prospectus Regulation”). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.

## 3. RISK FACTORS GENERALLY

The purchase of any investment involves substantial risks. Each prospective purchaser of the Notes should be familiar with instruments having characteristics similar to the Notes and should fully understand the terms of the Notes and the nature and extent of its exposure to risk of loss.

Before making an investment decision, prospective purchasers of the Notes should conduct such independent investigation and analysis regarding the Issuer, the Notes and all other relevant persons and such market and economic factors as they deem appropriate to evaluate the merits and risks of an investment in the Notes. However, as part of such independent investigation and analysis, prospective purchasers of the Notes should consider carefully all the information set forth in these Listing Particulars and the considerations set out below.

THE CONSIDERATIONS SET OUT BELOW ARE NOT, AND ARE NOT INTENDED TO BE, A COMPREHENSIVE LIST OF ALL CONSIDERATIONS RELEVANT TO A DECISION TO PURCHASE OR HOLD ANY NOTES. YOU SHOULD ALSO READ CAREFULLY THE INFORMATION SET OUT ELSEWHERE IN THESE LISTING PARTICULARS (INCLUDING ANY DOCUMENTS INCORPORATED BY REFERENCE) AND REACH YOUR OWN VIEWS (TAKING SUCH ADVICE AS YOU THINK NECESSARY AND APPROPRIATE) BEFORE YOU INVEST IN THE NOTES.

## 4. RISK FACTORS IN RELATION TO THE ISSUER

### 4.1 Limited Resources of the Issuer

The rights of investors holding Notes in any Series to participate in the assets of the Issuer is limited to the Collateral relating to that Series. If payments received by the Issuer in respect of such Collateral are not sufficient to make all payments due in respect of the linked Notes, the obligations of the Issuer in respect of the Notes in that Series will be limited to such Collateral and the income or proceeds derived or realised by the Issuer therefrom.

Following application of such realisation proceeds in accordance with the Terms and Conditions of the Notes, the claims of the relevant investors holding linked Notes and any other persons for any shortfall shall be extinguished and the relevant investors and such other persons may not take any further action to recover such shortfall.

Failure to make any payment in respect of any such shortfall shall not constitute an event of default and any shortfall shall be borne by the relevant investors holding linked Notes and any other persons as the case may be according to the priorities specified in the Listing Particulars.

Investors should be aware that, in the event of any such shortfall:

- (a) the Issuer shall be under no obligation to make any additional payments and the other assets (if any) of the Issuer including, in particular, Collateral comprised in a Series relating to the Notes issued in any other Series, will not be available for payment of such shortfall;
- (b) all claims in respect of such shortfall shall be extinguished; and
- (c) the investors and any counterparty of the Issuer in respect of such Series shall have no further claim against the Issuer or in respect of such unpaid amounts.

The Issuer will seek to contract with parties on a 'limited recourse' basis such that claims against the Issuer in relation to each Series would be restricted to the Collateral relating to the relevant Series. In addition, the Issuer will seek to contract with parties on a 'non-petition' basis. Provided such parties have agreed a non-petition clause, no such party will be able to petition or take any other step for the winding-up, the liquidation or the bankruptcy of the Issuer or any other similar insolvency related proceedings.

However, there is no guarantee that the Issuer will be able to contract on a limited recourse and non-petition basis with respect to all agreements that the Issuer may enter into from time-to-time in relation to any particular Series. There may be creditors whose claims are preferred by law. The Collateral may be subject to claims by creditors other than the Relevant Noteholders holding Notes relating to that Collateral – resulting in a shortfall in the amounts available to meet the claims of the Relevant Noteholders.

#### **4.2 Risk of Loss and Market Fluctuation**

An investor may potentially lose a substantial portion or all of its investment in the Notes if the underlying assets fail to perform in line with expectations.

#### **4.3 Dependence on Directors**

The Directors will make all decisions regarding the general management of the Issuer. The Directors will also make all decisions with respect to the Collateral comprised in a Series. As a result, the success of your investment in the Notes depends largely upon the ability of the Directors. Investors have no right or power to take part in the management of the Issuer. Subject to the Directors' fiduciary responsibilities to the Issuer, the Directors shall have no personal liability to the Noteholders for the return of any capital invested, it being understood that any such return shall be made solely from the Collateral relating to such Notes.

#### **4.4 Illiquid Market for Notes**

The Notes have no established trading market. Furthermore, there can be no assurance that a secondary market will develop or, if it does develop, that it will provide Noteholders with substantial liquidity or that any such liquidity will continue for the life of the Issuer. The Issuer is not obligated to make a market for any Series of Notes, and may or may not do so. Limited liquidity will adversely affect the timing of a Noteholders resale of Notes or the price obtainable in the case of a resale.

#### **4.5 Not a Bank Deposit**

Any investment in the Notes does not have the status of a bank deposit in Ireland and is not within the scope of the deposit protection scheme operated by the Central Bank of Ireland. The Issuer is not regulated by the Central Bank of Ireland by virtue of the issue of the Notes.

#### 4.6 Rating of the Notes

No Series of Notes nor Collateral Obligor is rated by a credit rating institution for the purpose of the Programme except as stated in the relevant Pricing Supplement or Collateral Annex for the Series or as otherwise announced from time to time.

On 30 June 2020, the Issuer has obtained a credit rating of BBB+ from EuroRating Sp. z o.o. in relation to its activities as issuer of the Programme, for which the rating report is available at: <https://www.eurorating.com/en/ratings/corporate/audacia-capital-ireland-plc>.

#### 4.7 Liability for the Notes

The Notes are the obligations of the Issuer only and do not establish any liability or other obligation of any other person mentioned in these Listing Particulars including but not limited to the Agents, or any of their directors, officers or shareholders of the Issuer or the Agents. None of the foregoing or any other person has assumed any obligation in case the Issuer fails to make a payment due under any of the Notes.

#### 4.8 Limited Liquidity of the Underlying Assets on Liquidation of the Issuer

In the event of the liquidation of the Issuer, the assets of the Issuer may be realised by the Issuer at a value agreed between the Issuer and the relevant purchaser of such assets. As some of the assets in which the Issuer invests may attract a limited number of potential purchasers in the market, the amount realised by the Issuer in respect of the transfer of its assets to a purchaser in such circumstances may not be sufficient to make payments to redeem all of the Notes in full at their then outstanding principal amount.

The Issuer is subject to the risk of the failure or default of any Collateral Obligor or counterparty.

#### 4.9 Credit Risk

Credit risk will affect the performance of, and investor return on, the Notes. Performance may be affected, inter alia, by the default or perceived credit impairment of any individual assets of the Issuer. In addition, performance of, and investor return on, the Notes may be affected by the credit quality and performance of any counterparties with which the Issuer may contract.

#### 4.10 Redemption Risk

The Noteholders will not have the option to have the Notes redeemed prior to the Maturity Date.

As the Redemption Amount on the Notes of a particular Series will be affected by movements in the value of the assets of the Issuer attributable to the relevant Series of Notes, investors may lose part of or the entire value of their investment.

Investors should also note that the Directors may in certain circumstances suspend valuation calculations in respect of the Notes. The circumstances in which such a suspension may be made are essentially based on force majeure or generally systemic issues leading to a major lessening of the liquidity of the Issuer's assets from which the Notes derive value. In such circumstances, valuations in respect of "suspended" Notes of a Series will be made as soon as practicable after the end of the suspension period. Should circumstances exist which meet the suspension criteria above, then suspension periods may be contiguous.

#### 4.11 Regulatory Risk

Regulatory risk arises from a failure or inability to comply fully with the laws or regulations applicable to the Issuer. Non-compliance could lead to fines, public reprimands, damage to



reputation, enforced suspension of operations or, in extreme cases, withdrawal of authorisation to operate.

#### 4.12 **General Data Protection Regulation**

The General Data Protection Regulation (EU) 2016/679 of the European Parliament and of the Council (as amended or replaced from time-to-time, the “**GDPR**”), applicable across the European Union from 25 May 2018, introduces new compliance obligations in relation to the commercial use of customer data (with significant fines of up to 4% of global turnover for certain aspects of non-compliance). The GDPR ascribes a strict timeline to breach notification with companies required to inform the relevant supervisory authority within 72 hours of any data loss. Furthermore, the GDPR provides for extensive individual rights in relation to personal data, including rights of access, correction, deletion, blocking, objection, erasure and data portability. Amongst other requirements, the GDPR requires that companies implement technical and organisational data security measures to ensure a level of security appropriate to the risk involved in the data usage. It is possible that the GDPR will affect the operations of the Issuer.

#### 4.13 **Taxation**

##### 4.13.1 *Irish Withholding Taxes on Interest paid in respect of the Notes*

The Issuer will not make any additional payments to Noteholders for any withholding or deduction that is required under applicable law on payments on the Notes. If the Issuer is required to make a withholding or deduction on the Notes, it will make commercially reasonable efforts to avoid the application of withholding taxes. If the Issuer cannot avoid the withholding taxes, it may, but is not required to, redeem the Notes. If withholding taxes are imposed on the Notes and the Issuer does not redeem them, the withholding taxes will reduce the amount of Interest that each Noteholder will receive by the amount of such withholding taxes. The application of withholding taxes is discussed in more detail under section 16 (*Taxation*) of these Listing Particulars.

##### 4.13.2 *Irish Corporate Taxation of the Issuer*

The Issuer intends that it will conduct its business so that it should be considered tax-resident in Ireland. The Issuer intends to satisfy the criteria to be a ‘Qualifying Company’ (as defined in Section 110 of Ireland’s Taxes Consolidation Act 1997) and to elect into that Securitisation Regime. As a Qualifying Company for the purposes of the Irish Securitisation Regime, after calculating net taxable income for Irish tax purposes, the Issuer expects that it will be taxable at a rate of 25 percent on its income and gains. The Issuer also expects to be entitled to a corporate tax deduction for its operating expenses as well as the Interest paid to the Noteholders in respect of the Notes. However, there is a risk that the interest would not be deductible if it is paid on a Quoted Eurobond to a ‘specified person’ within the meaning of Section 110 of the Taxes Consolidation Act 1997, or that where the instrument is not a Quoted Eurobond, that interest paid would only be deductible if paid to certain other persons; therefore, the deductibility of interest on the Notes is subject to the owners of the Notes being Permitted Holders for these purposes.

The Issuer cannot guarantee that it will meet, on an ongoing basis, all of the relevant conditions of Section 110, Taxes Consolidation Act 1997. Where the Issuer does not meet the relevant conditions, its Irish corporation tax liability may increase thereby reducing the amount of returns to investors. There may also be adverse tax impacts under other tax heads including stamp duty, value added tax and withholding taxes.

##### 4.13.3 *OECD Action Plan on Base Erosion and Profit Shifting (“**BEPS**”)*

In July 2013, the OECD released a Comprehensive Action Plan on BEPS (the “**BEPS Plan**”). They set out the timetable to work with governments in approximately 40 participating countries,



taxing authorities and business representatives to develop and implement these actions over the course of 2014, 2015 and beyond.

The BEPS Plan covers a wide ranging list of actions which could potentially have far reaching tax consequences for all businesses. Discussion papers have been issued on all of the topics (e.g., prevention of abuse of tax treaties; deductibility of interest costs; determination of permanent establishments; transfer pricing of services, intangibles and risk; treatment of hybrid mismatches), and final papers issued on several matters.

One of the main objectives of the BEPS Action Plan is to combat “base erosion” of tax revenues including situations where tax treaties are used for this purpose. The recommendations include two specific measures in this regard.

The objectives of Action 6 of the BEPS Plan are to (i) develop model treaty provisions and recommendations regarding the design of domestic rules to prevent the granting of treaty benefits in inappropriate circumstances; (ii) clarify that tax treaties are not intended to be used to generate “double non-taxation”; and (iii) identify tax policy considerations for jurisdictions to consider before entering into treaties.

The OECD concluded in its final report in October 2015 that the preferred approach to preventing the granting of treaty benefits in inappropriate circumstances is to include in treaties both a limitation of benefits (“**LOB**”) article and a general anti-abuse rule in the form of a principal purpose test (“**PPT**”). The ‘minimum standard’ required by Action 6 may also be met through the use of a PPT alone or through the use of an LOB in conjunction with other anti-abuse rules in the treaty or domestic law that address conduit arrangements.

The aim of Action 7 of the BEPS Plan is to develop changes to the definition of permanent establishment (“**PE**”) to prevent abuses of that threshold, including through the use of commissionaire arrangements and the specific activity exemptions to avoid PE status where core activities are involved. In its final report, the OECD has recommended, inter alia, an expanded scope of what is proposed to constitute a PE, focusing on the negotiation and final conclusion of contracts. As a result, under certain circumstances, sales support and marketing type activities may constitute a PE. Furthermore, the exception for independent agents will no longer apply for companies belonging to the same group, if that person acts exclusively or almost exclusively on behalf of one or more related enterprises.

In addition, the OECD has also recommended that new rules be introduced to restrict interest deductions in certain circumstances. These include situations where the interest has so-called ‘hybrid’ characteristics or is paid as part of, or within, a ‘hybrid’ structure such that it is treated as exempt income in the hands of the recipient, where a tax deduction has been taken. Ireland has already introduced certain restrictions on the tax deductibility of interest on profit-participating debt paid by companies within the Securitisation Regime (Section 110, Taxes Consolidation Act 1997) which apply where certain recipients are not subject to tax on the interest income. In order to avoid this restriction applying, all Noteholders must be Permitted Holders.

The OECD proposals also include recommendations to restrict interest deductibility to an amount determined as a percentage of the payer’s Earnings Before Interest, Taxation, Depreciation, and Amortisation (“**EBITDA**”).

While final recommendations have been issued, the timetable for, and practical implications of, implementation of these proposals is not clear. Consequently, it is very difficult to predict with any degree of certainty what changes may ultimately result from the BEPS Plan and therefore no assurance can be given as to the impact of the BEPS proposals on the Issuer.

#### 4.13.4 *Implementation of the recommendations in the Final Report*

The OECD Action Plan noted the need for a swift implementation of any measures which are finally decided upon and suggested that Actions 6 and 7, among others, could be implemented by way of multilateral instrument, rather than by way of negotiation and amendment of individual tax treaties.

Subsequently, therefore, on 24 November 2016, the OECD published the text and explanatory statement of the “Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting”, developed by an ad hoc group of 99 countries which included Ireland and the UK (the “**Multilateral Instrument**”). The Multilateral Instrument is to be applied alongside existing tax treaties (rather than amending them directly), modifying the application of those existing treaties in order to implement BEPS measures. The first high-level signing ceremony for the Multilateral Instrument took place on 7 June 2017. The United Kingdom and Ireland signed the Multilateral Instrument with both countries indicating that the double tax treaty entered into between the United Kingdom and Ireland is to be designated as a Covered Tax Agreement (the “**CTA**”), being a tax treaty that is to be modified by the Multilateral Instrument. The United Kingdom and Ireland have submitted their preliminary lists of reservations and notifications. However, the definitive positions of the United Kingdom and Ireland will be provided upon the deposit of its instrument of ratification, acceptance or approval of the Multilateral Instrument. The OECD Frequently Asked Question on the Multilateral Instrument dated June 2017 notes that the PPT is expected to apply to all treaties covered by the Multilateral Instrument.

Accordingly, at least some of the recommendations of the Final Reports on Actions 6 and 7 may be applied to existing tax treaties in a relatively short time. However, the Multilateral Instrument generally allows participating countries to opt in or out of various measures which are not a BEPS “minimum standard”. It remains to be seen, therefore, precisely which options participating countries will choose and, as the Final Report on Action 6 observed, there are various reasons why countries may not implement the proposed amendments in an identical manner and / or to the same extent.

In particular it remains to be seen what specific changes will be made to the UK/ Ireland double tax treaty and any other double tax treaty on which the Issuer may rely (for example, in receiving interest from an overseas borrower at a potentially reduced rate of withholding tax under an applicable double tax treaty). A change in the application or interpretation of these double tax treaties (as a result of the adoption of the recommendations of the Final Report by way of the Multilateral Instrument or otherwise) might result in the Issuer being treated as having a taxable permanent establishment outside of Ireland, in denying the Issuer the benefit of Ireland’s network of double tax treaties or in other tax consequences for the Issuer. In each case, this could have a material adverse effect on the Issuer’s business, tax and financial position.

#### 4.13.5 *EU Anti-Tax Avoidance Directive*

Council Directive (EU) 2016/1164 (the “**EU ATAD**”) lays down measures to combat tax avoidance practices that directly affect the functioning of the internal market. Many of these measures are ultimately derived from the OECD’s BEPS initiative and there are a number of similarities between the OECD proposals and EU ATAD. The BEPS recommendations relating to interest limitations (Action 4) and hybrid instruments and entities (Action 2), both of which were not mandatory, are addressed in the EU ATAD and are mandatory for EU member states. However, even where there are common concepts between the OECD BEPS initiative and EU ATAD, there are a number of differences in detail.

While the provisions in the EU ATAD have been agreed, additional details on the operation of the provisions and how Member States will adopt them into local law are required. Most of the measures are due to be implemented with effect from January 1, 2019 though some may be

deferred at the discretion of the relevant member state. In addition, it has been signalled that some further initiatives are likely.

EU ATAD contemplates the introduction of a net interest restriction based on 30% of tax EBITDA. However, member states will have the option of applying a 'group ratio rule' whereby the allowable percentage of EBITDA that would be allowed as a deduction in respect of interest could be increased to reflect the group's overall third-party interest payments (as a percentage of group EBITDA). Further relief would be available to the extent that the individual entity's equity-to-assets ratio is 98% or higher of the group's equivalent ratio. The implementation of this provision may be deferred until 2024 where a Member State has measures in place to address base erosion through financing. The Irish Government has confirmed that they believe they can defer the implementation of this provision.

EU ATAD contemplates the introduction of anti-avoidance measures in respect of certain 'hybrid' entities and financial instruments which result in either tax deductions arising in two member states for the same expense or a tax deduction arising in one country for a payment where the receipt of that payment is not taxable in the other country. EU ATAD contemplates a denial of one of the tax deductions in the former instance and a denial of the (only) tax deduction in the latter case. The proposals also deny a deduction where interest is paid to certain connected persons (25% or greater ownership of capital, voting rights or profit participation, directly or indirectly) or where the instrument on which the payment is made has priced in a tax saving arising from its hybrid nature, or the instrument is designed to create hybrid mismatch outcomes. Ireland has already introduced certain restrictions on the tax deductibility of interest on profit-participating debt paid by companies within the Securitisation Regime (Section 110, Taxes Consolidation Act 1997) which apply where certain recipients are not subject to tax on the interest income. In order to avoid this restriction applying, all Noteholders must be Permitted Holders.

EU ATAD contemplates the introduction of an 'exit charge' whereby a change of residence of that entity or the disposal of assets or a business by an entity to or from its head-office and foreign branches should give rise to a deemed disposal of the relevant assets / business at market value. This exit charge would only apply where, as a result of the transfer of residence or assets / business, the jurisdiction of the transferor ceases to have taxing rights over the assets/business. On the basis that it is not contemplated that the Issuer will migrate residence, this provision should not have any application.

Finally, EU ATAD contemplates the introduction of a general anti-avoidance rule by all EU member states. This rule would only apply to a transaction where the main purpose is to achieve a tax advantage in situations where it defeats the object or purpose of the law concerned. The rule can only apply where the underlying transactions are not genuine i.e. not put in place for valid commercial reasons which reflect economic reality. As Ireland already has a general anti-avoidance rule, it is unlikely that this creates any incremental obligations.

#### 4.13.6 *EU Anti-Tax Avoidance Directive 2*

On 21 February 2017, the Economic and Financial Affairs Council of the European Union agreed an amendment to the Anti-Tax Avoidance Directive to provide for minimum standards for counteracting hybrid mismatches involving EU Member States and third countries (the "**Anti-Tax Avoidance Directive 2**"). Anti-Tax Avoidance Directive 2 requires EU Member States to either delay deduction of payments, expenses or losses or include payments as taxable income, in case of hybrid mismatches. Anti-Tax Avoidance Directive 2 needs to be implemented in the EU Member States' national laws and regulations by 31 December 2019 and will have to apply as of 1 January 2020, except for the provision on reverse hybrid mismatches for which implementation can be postponed to 31 December 2021, and will apply as of 1 January 2022.

#### 4.13.7 *Risk of U.S. Withholding Tax*

The Issuer will be required to comply (or be deemed compliant) with the reporting and withholding requirements (known as “**FATCA**”) designed to inform the U.S. Department of the Treasury of U.S.-owned foreign investment accounts. Failure to comply (or be deemed compliant) with these requirements will subject the Issuer to U.S. withholding taxes on certain U.S.-sourced income and gains with effect from July 1, 2014. Pursuant to an intergovernmental agreement between the United States and Ireland, the Issuer may be deemed compliant, and therefore not subject to the withholding tax, if it identifies and reports U.S. Reportable Account information directly to the Irish government. Noteholders may be requested to provide additional information to the Issuer to enable the Issuer to satisfy these obligations. Failure to provide requested information may subject a Noteholder to liability for any resulting U.S. withholding taxes, U.S. tax information reporting, and / or mandatory redemption, transfer or other termination of the Noteholder’s interest in its Notes. Detailed guidance as to the mechanics and scope of this new reporting and withholding regime is continuing to develop. There can be no assurance as to the timing or impact of any such guidance on future operations of the Issuer. The administrative cost of compliance with FATCA may cause the operating expenses of the Issuer to increase, thereby reducing returns to investors. FATCA may also require the Issuer to provide to the U.S. Internal Revenue Service private and confidential information relating to certain investors. See paragraph 16.1.28 (*Foreign Account Tax Compliance Act – Application of FATCA to the Issuer*) of these Listing Particulars.

#### 4.13.8 *Insolvency of the Issuer*

Under Irish law, upon an insolvency of an Irish company such as the Issuer, the claims of a limited category of preferential creditors will take priority over the claims of general unsecured creditors. These preferred claims include the remuneration, costs and expenses properly incurred by any examiner of the company (which may include any borrowings made by an examiner to fund the company's requirements for the duration of his appointment) which have been approved by the Irish courts (see paragraph 4.13.9 (*Examinership*) below).

The Irish Revenue Commissioners may also attach any debt due to an Irish tax resident company by another person in order to discharge any liabilities of the company in respect of outstanding tax whether the liabilities are due on its own account or as an agent or trustee.

Enforcement of rights of Noteholders against the Issuer may also be limited by bankruptcy, insolvency, liquidation, reorganisation and other laws of general application in Ireland relating to or affecting the rights of creditors including, without limitation the power of the Irish High Court, if it deems it just and equitable to do so, to order any person who appears to have the use, control or possession of such property or the proceeds of the sale or development thereof to deliver it or pay a sum in respect of it to the liquidator on such terms or conditions as the court sees fit.

Furthermore, an Irish court has jurisdiction to order “if it is satisfied that it is just and equitable to do so” that a company related to the company in liquidation (such as its parent) should pay to the liquidator an amount equal to the whole or part of the debts of the subsidiary.

#### 4.13.9 *Examinership*

Examinership is a court procedure available under the Irish Companies Act 2014, as amended, to facilitate the survival of Irish companies in financial difficulties.

The company, the directors of the company, a contingent, prospective or actual creditor of the company, or shareholders of the company holding, at the date of presentation of the petition, not less than 1/10th of the voting share capital of the company are each entitled to petition the court for the appointment of an examiner. The examiner, once appointed, has the power to set aside contracts and arrangements entered into by the company after his appointment and, in certain circumstances, can avoid a negative pledge given by the company prior to his appointment. Furthermore, he may sell assets the subject of a fixed charge. However, if such power is exercised

he must account to the holders of the fixed charge for the amount realised and discharge the amount due to them out of the proceeds of sale.

During the period of protection, the examiner will compile proposals for a compromise or scheme of arrangement to assist the survival of the company or the whole or any part of its undertaking as a going concern.

A scheme of arrangement may be approved by the Irish High Court when at least one class of creditors has voted in favour of the proposals and the Irish High Court is satisfied that such proposals are fair and equitable in relation to any class of members or creditors who have not accepted the proposals and whose interests would be impaired by implementation of the scheme of arrangement. In considering proposals by the examiner, it is likely that secured and unsecured creditors would form separate classes of creditors.

The primary risks to the Noteholders if an examiner were to be appointed to the Issuer are as follows:

- (a) the potential for a scheme of arrangement being approved involving the writing down of the debt due by the Issuer to the Noteholders;
- (b) the potential for the examiner to seek to set aside any negative pledge in the terms of the Notes prohibiting the creation of security or the incurrence of borrowings by the Issuer to enable the examiner to borrow to fund the Issuer during the protection period; and
- (c) in the event that a scheme of arrangement is not approved and the Issuer subsequently goes into liquidation, the examiner's remuneration and expenses (including certain borrowings incurred by the examiner on behalf of the Issuer and approved by the Irish High Court) will take priority over any amounts owed to the Noteholders under the terms of the Notes.

#### *4.13.10 Exchange Rates*

Investors whose assets are not denominated in the currency of the Notes which they acquire will be exposed to changes in the exchange rate between their local currency and the currency in which the Notes of a particular Series are denominated which might affect the returns available to them positively or negatively.

#### *4.13.11 Fees and Expenses*

Investors should note that, in relation to a Series of Notes, fees and expenses (including fees payable to any Agent or person as set out in these Listing Particulars and / or in the Pricing Supplement), may rank senior to payments on the Notes.

#### *4.13.12 External Factors*

The Issuer is subject to certain risks inherent in the economy in general and which are beyond its control, including but not limited to changes in interest rates and inflation and the markets in which it operates and may operate in the future. The returns on the Collateral may also be adversely affected by the political, social and economic climate in any relevant country.

#### *4.13.13 Brexit*

The prospective withdrawal of the United Kingdom from the European Union could adversely affect the economic conditions in the UK, Europe and globally and thus, may have a negative impact on the Issuer's ability to make payments under the Notes.

## **5. RISK FACTORS IN RELATION TO THE NOTES**

### **5.1 General**

Any payment by the Issuer in respect of the Notes is dependent upon receipt by the Issuer of payments or proceeds from the Collateral (or the realisation of the Collateral, in whole or in part) relating to the said Notes of that Series and acquired by the Issuer with the proceeds of issue of the said Notes. Such payments or proceeds may be restricted under their terms with the result that any return on the Notes will be similarly restricted.

Notes will be redeemed by the Issuer by payment of the Redemption Amount. The Issuer will pay the Redemption Amount from the proceeds that it has received from the Collateral comprised in the relevant Series and / or the redemption, cancellation, surrender or other disposal of such Collateral. Hence the redemption of the Notes is dependent on payment received by the Issuer from the Collateral comprised in the relevant Series and / or upon the redemption, cancellation, surrender or other disposal of such Collateral.

Investors may lose up to the entire value of their investment in the Notes as a result of the occurrence of any one or more of the following events:

- (a) the Terms and Conditions of the Notes do not provide for full repayment of the Redemption Amount upon redemption of the Notes and the Collateral comprised in the relevant Series performs in such a manner that the Redemption Amount is less than the Issue Price;
- (b) a redemption of Notes requires the realisation of Collateral comprised in the relevant Series at a sub-optimal time such that the Redemption Amount payable by the Issuer may be less than the Issue Price;
- (c) assets acquired to substitute Collateral comprised in the relevant Series perform worse than the substituted assets such that the proceeds derived therefrom are less than those that would have been derived had no substitution been effected;
- (d) investors sell their Notes in the secondary market at an amount that is less than the Issue Price;
- (e) the Issuer is subject to insolvency or bankruptcy proceedings or some other event which negatively affects the Issuer's ability to meet its obligations under the Notes; or
- (f) the Terms and Conditions of the Notes are adjusted (in accordance with the Terms and Conditions of the Notes) with the result that the amount payable to investors and / or the valuation of the Notes is reduced.

Following redemption of the Notes for any reason, investors may be unable to reinvest the Redemption Amount at an effective yield as the yield on the Notes being redeemed.

The Issuer shall not procure any insurance in connection with the Collateral. Nor shall the Issuer seek to secure any credit enhancements or liquidity supports. The Issuer shall not make any provision to cover principal shortfall risks.

The Notes are not protected by any public or private compensation scheme.

## 5.2 Limited Liquidity

There is currently no market for the Notes and, even if Notes are admitted to trading on the GEM of Euronext Dublin and any other Regulated Market or multilateral trading facility, there can be no assurance that any secondary market for any of the Notes will develop or, if a secondary market does develop, that it will provide investors with liquidity of investment or that it will continue for the life of such Notes. Consequently, an investor must be prepared to hold such Notes for an indefinite period of time.

Even if a secondary market for the Notes does develop, it is not possible to predict the prices at which the Notes will trade in such secondary market. Such prices may not accurately reflect the theoretical value of the Notes.



The Issuer is under no obligation to make a market in the Notes. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. The number of Notes of any Series may be relatively small, further adversely affecting the liquidity of such Notes. The Issuer shall list the Notes on GEM. Application may also be made to admit the Notes for listing on any other Regulated Market and / or a Multilateral Trading Facility as shall be specified in the relevant Pricing Supplement. Still, the fact that Notes are listed will not necessarily lead to greater liquidity. No assurance is given that any such listing or quotation will be maintained. A lack of liquidity in the secondary market for the Notes may have a severely adverse effect on the market value of Notes and may result in investors: (i) being unable to sell their Notes on the secondary market, or (ii) receiving less than the initial price paid for the Notes. The liquidity of such Notes may also be affected by restrictions on offers and sales of such Notes in some jurisdictions.

### 5.3 Temporary Suspension of Redemptions

The Directors may suspend the right of any investors to require redemption of any Notes in a Series in such circumstances as the Directors may, in their exclusive discretion, deem appropriate including (but without prejudice to the generality of the foregoing):

- (a) when the realisation of Collateral comprised in the relevant Series relating to that Series at that particular moment in time could adversely affect and prejudice the interests of investors;
- (b) when for any reason the market value of Collateral comprised in the relevant Series cannot be reasonably, promptly or accurately ascertained or obtained; or
- (c) when the disposal or realisation of Collateral comprised in the relevant Series is not practically feasible or possible (each a “**Temporary Suspension Event**”).

Any such suspension shall take effect at such time as the Directors shall declare and shall apply thereafter until the Directors shall declare the suspension to be at an end.

No redemption of Notes in a Series shall take place for the duration of any period during which the redemption of such Notes is suspended. In such circumstances an investor would accordingly be unable to redeem Notes held within the normal timeframes specified in these Listing Particulars and the Pricing Supplement.

### 5.4 Issue of Further Notes

If additional Notes with the same characteristics or linked to similar or identical underlying Collateral are subsequently issued, either by the Issuer or another issuer, the supply of Notes with such characteristics or linked to such Collateral in the primary and secondary markets will increase and may cause the price at which the relevant Notes trade in the secondary market to decline.

If the Issuer were to issue further Notes of this nature, the Noteholders would be notified either through an announcement to Euronext Dublin or through the notice provisions contained in the Subscription Form.

### 5.5 Withdrawal of the Offering

In case of published Offerings, the Issuer may, in the Pricing Supplement, reserve the right to withdraw an Offering for reasons beyond its control, such as an Extraordinary Market Disruption, substantial change of the political, financial, economic, legal, monetary or market conditions at national or international level and / or adverse events regarding the financial or commercial position of the Issuer or any relevant Collateral Obligor and / or other relevant events that in the reasonable discretion of the Issuer may be prejudicial to the offer. In such case, investors who have already paid or delivered subscription monies for the relevant Notes will be entitled to reimbursement of such amounts, but will not receive any remuneration that may have accrued in

the period between their payment or delivery of subscription monies and the reimbursement of the Notes.

#### 5.6 **Amendment of Terms and Conditions**

The Terms and Conditions of the Notes may be amended by the Issuer in certain circumstances (such as to cure a manifest error or where the amendment is of a minor or technical nature and / or where such amendment will not materially and adversely affect the interests of investors) without the consent of the investors and in certain other circumstances, with the required consent of a defined majority of the investors.

#### 5.7 **Adjustment or Mandatory Redemption**

There are certain Issuer-specific or external events which may have an impact on the Terms and Conditions of the Notes or on their redemption, including: (i) a change in applicable law, a Currency Disruption, an Extraordinary Market Disruption or any other event affecting the Issuer's ability to fulfil its obligations under the Notes; (ii) a disruptive event relating to the existence, continuity, trading, valuation, pricing or publication of Collateral; (iii) a disruption or other material impact on the Issuer's ability to hedge its obligations under the Notes; (iv) a determination by the Issuer that the performance of any of its absolute or contingent obligations under the Notes has become illegal, in whole or in part, for any reason. Should a Disruption Event occur, the Issuer may adjust the Terms and Conditions of the Notes (without the consent of investors) or elect to redeem the Notes on the next Redemption Valuation Day and to pay investors holding relevant Notes an amount equal to the Redemption Amount. Any adjustment made to the Terms and Conditions of the Notes may have a negative effect on the value of the Notes, and any Redemption Amount received by investors in such circumstances may be less than their initial investment.

#### 5.8 **Issuer Default**

On an event of default by the Issuer (that is, a failure to return capital, or if the Issuer is subject to a winding-up order) investors may choose to require the redemption of their Notes on the next Redemption Valuation Day and at the Redemption Amount. Any amount received by investors in such circumstances may be less than their initial investment.

#### 5.9 **Costs of Redemption**

The Issuer may take into account when determining the relevant Redemption Amount, and deduct therefrom, an amount in respect of all costs, losses and expenses (if any) incurred (or expected to be incurred) by or on behalf of the Issuer in connection with the realisation of the Collateral comprised in the relevant Series and / or the redemption of the Notes. Such costs, losses and expenses will reduce the amount received by investors on redemption.

#### 5.10 **Determination**

Any determination made by the Issuer or, if applicable, the Calculation Agent will, if exercised in good faith and in a commercially reasonable manner, and in the absence of manifest error, be conclusive and binding on all persons (including, without limitation, the investors), notwithstanding the disagreement of such persons or other financial institutions, rating agencies or commentators. Any such determination could adversely affect the value of the Notes.

#### 5.11 **Exchange Rates**

An investment in the Notes may involve exchange rate risks. For example: (i) the Notes may be denominated in a currency other than the currency of an investor's home jurisdiction; and / or (ii) the Notes may be denominated in a currency other than the currency in which an investor may wish to receive funds. Exchange rates between currencies are determined by factors of supply and demand in the international currency markets which are influenced by macro-economic



factors, speculation and central bank and government intervention (including the imposition of currency controls and restrictions). Fluctuations in exchange rates may affect the value of the Notes.

#### 5.12 **Market Value**

The market value of the Notes depends primarily on the level and the volatility of the Collateral comprised in the relevant Series.

The level of market volatility is not purely a measurement of the actual volatility, but is largely determined by the prices for instruments which offer investors protection against such market volatility. The prices of these instruments are determined by forces of supply and demand in the options and derivative markets generally. These forces are, themselves, affected by factors such as actual market volatility, expected volatility, macroeconomic factors and speculation.

If the performance and / or creditworthiness of Collateral comprised in a Series changes in such a way as would reduce the likelihood that the Redemption Amount would at least be equal to the Issue Price and / or there is a market perception that the performance and / or creditworthiness of the Collateral is likely to change in this way during the remaining life of the Notes, all other factors being equal, the market value of the Notes will fall under normal conditions.

Investors should note that the market value of the Notes can fall below their Specified Denomination.

Other factors which may influence the market value of the Notes include changes in market expectations regarding the performance and / or creditworthiness of the linked Collateral and / or the Notes. Volatility will be affected by a wide range of factors, including economic, political and market conditions. Accordingly, investors should note that they could lose part or all of their invested capital if they try to sell the Notes prior to their maturity.

If, following the purchase of the Notes, the market value of the Notes falls below the purchase price paid for the Notes, investors should not expect the market value of the Notes to increase to or above the purchase price paid by the investor.

Investors should be aware that the assets representing the Collateral comprised in a relevant Series will not be held by the Issuer for the benefit of the investors holding Notes relating to that Series and investors will not have any claim in respect of any such assets or any rights of ownership, including, without limitation, any voting rights or rights to receive dividends or any other distributions in respect of the relevant underlying assets. In addition, investors will have no claim against any Collateral Obligor in relation to any asset representing the Collateral held in the relevant Series. Collateral Obligors have no obligation to act in the interests of investors.

#### 5.13 **Market Price of the Collateral**

Investors should be aware that they may be exposed to fluctuations in the market price of the Collateral comprised in the Series relating to their Notes. If a Collateral Obligor defaults on payment, the Issuer may have no other assets with which to meet its obligations to the Relevant Noteholders, and may have to sell the relevant Collateral at its market price at that time. The market price of the Collateral will generally fluctuate with, among other things, the liquidity and volatility of the financial markets, general economic conditions, domestic and international political events, developments or trends in a particular industry and the financial condition of the relevant Collateral Obligor.

#### 5.14 **Hedging**

Investors intending to purchase Notes to hedge against the market risk associated with investing in a product linked to the performance of Collateral comprised in the relevant Series should recognise the complexities of utilising Notes in this manner. Due to fluctuating supply and

demand for the Notes and various other factors, investors should be aware of the risk that the value of the Notes may not correlate with movements of assets representing the Collateral comprised in the relevant Series.

#### 5.15 **Country and Regional Risk**

The price and value of Collateral may be influenced by the political, financial and economic stability of the country and / or region in which any relevant Collateral Obligor is incorporated or has its principal place of business or of the country in the currency of which the Collateral is denominated. The value of securities and other assets issued by entities located in, or governments of, emerging market countries is generally more volatile than the value of similar assets issued by entities in well-developed markets. However, in certain cases the price and value of assets originating from countries not ordinarily considered to be emerging markets countries may behave in a manner similar to those of assets originating from emerging markets countries.

#### 5.16 **Redemption**

If the Issuer is not able to redeem or realise Collateral comprised in a relevant Series, the Issuer will be unable to redeem the Notes relating to that Series. In this case, to the extent that the Issuer or any other person would not be able to realise the Collateral on the secondary market or only at a lower price than the Issue Price, investors will only receive a pro rata share of the realisation proceeds in respect of the Collateral. Such amounts may be substantially lower than the Issue Price of the Notes.

#### 5.17 **Securitisation Bonds as Collateral**

The Collateral may comprise Securitisation Bonds issued by the Collateral Obligors. Such Securitisation Bonds do not offer a principal protection but get redeemed at a predetermined price linked to a specified asset. Securitisation Bonds may be linked to reference assets that may be unpredictable and volatile, and the Collateral Obligor of the Securitisation Bonds does not guarantee that these changes will be beneficial to the holders of the Securitisation Bonds. Therefore, the holders of the Securitisation Bonds may receive less than the amount initially invested in the Securitisation Bonds, or may experience other losses in connection with investment in the Securitisation Bonds.

Securitisation Bonds are derivative securities and, as such, the holders of Securitisation Bonds bear not only the risk of the underlying asset but also the Collateral Obligor's risk.

#### 5.18 **Taxation**

Potential investors should be aware that they may be required to pay stamp taxes or other documentary charges in accordance with the laws and practices of the country where the Notes are acquired or transferred.

Investors will not receive grossed-up amounts to compensate for any withholding or other tax or duties suffered.

Any change in the Issuer's (as appropriate) tax status or in taxation legislation in Ireland or any other tax jurisdiction could affect the value of the Collateral held by the Issuer or affect the Issuer's ability to achieve its investment objective for the relevant Notes or alter the post-tax returns to investors. If, on the occasion of a payment due in respect of a Series, the Issuer would be required by law to withhold or account for tax or would suffer tax in respect of its income so that it would be unable to make payment of the full amount due, the Issuer will, subject to the Terms and Conditions of the Notes use all reasonable endeavours to arrange the substitution of a company incorporated in another jurisdiction as the principal obligor or to change its residence for taxation purposes or, to the extent permitted by law, change its domicile to another jurisdiction.

Investors should be aware that tax regulations and their application by the relevant taxation authorities are subject to change, possibly with retrospective effect, and that this could negatively affect the value of the Notes. Any such change may cause the tax treatment of the Notes to change from the tax position at the time of purchase. It is not possible to predict the precise tax treatment which will apply at any given time and changes in tax law may give the Issuer the right to amend the Terms and Conditions of the Notes, or redeem the Notes.

FATCA is particularly complex. Investors should consult their own tax advisors to obtain a more detailed explanation of FATCA and to learn how this legislation might affect each investor in his or her particular circumstance, including how FATCA may apply to payments received under the Notes.

#### 5.19 **Legality of Purchase**

No person (including the Issuer) has or assumes responsibility for the lawfulness of the acquisition of Notes by a prospective investor, whether under the laws of the jurisdiction of its incorporation or residence or the jurisdiction in which it operates (if different), or for compliance by that prospective investor with any law, regulation or regulatory policy applicable to it.

#### 5.20 **Irish law**

The Issuer is a public limited company incorporated in Ireland under Irish law. The Terms and Conditions of the Notes are binding on the Issuer and the investors and are valid as against third parties in the event of the liquidation of one or more Series of Notes, of bankruptcy proceedings in respect of the Issuer or more generally in determining the competing rights for payment of creditors, except that they are not binding on any creditors of the Issuer who have not expressly agreed to be bound by such conditions.

#### 5.21 **Potential Conflicts of Interest**

The Issue Price of the Notes received by the Issuer may be used to pay certain fees, commissions and expenses payable to, or incurred by, the Agents.

Except as stated below, the Issuer shall not be affiliated to any Agent, Collateral Obligor or other person referred to in these Listing Particulars or any Pricing Supplement.

One (1) or more Directors may hold shares in and / or may be appointed to the board of directors (whether as executive or non-executive directors) of any Agent or Agents. Potential conflicts of interest may arise as a result. In fact, any such person may have an interest in securing maximum profits for the Agent(s) in which he holds shares or of which he is a director to the detriment of the Issuer and investors. In this respect, please note the following:

- (a) Andrew Murphy is a director of the Issuer and also a director of the Corporate Services Provider. He was not involved on behalf of the Issuer in relation to the negotiation of the Corporate Services Agreement, and derives no personal remuneration for acting as a director of the Issuer. Rather, his acting in that capacity furthers efficient administration of the Issuer.
- (b) Matthew Tracey is a director of the Issuer and also a representative of the Noteholder Trustee. While there is a theoretical conflict between the corporate interests of the Issuer and those of the Noteholders of a given Series, it is built into the corporate governance processes of the Issuer that none of these interests can prevail without respecting the other interest.

The Agents, along with their respective affiliates, whether by virtue of the types of relationships described herein or otherwise, may acquire non-public information with respect to the Collateral that is or may be material in the context of the Notes. None of the Agents, along with their respective affiliates, undertakes to disclose any such information to any investor.

In addition, subject always to their regulatory or other obligations in performing each or any role or function, the Issuer, its affiliates and the Agents shall not act on behalf of, or accept any duty of care or any fiduciary duty to, any investor. The Issuer and each of its affiliates and each Agent will pursue actions and take steps that it deems appropriate to protect its interests without regard to the consequences for the investors or any other person.

## 6. USE OF PROCEEDS

### 6.1 The Investment Parameters

6.1.1 The Issuer will use the proceeds of the Notes of each Series to allow the Collateral Obligor(s) to acquire the Collateral for that Series.

6.1.2 The Investments Parameters also permit the Issuer to invest in the following investments:

(a) money market instruments being those classes of instruments which are normally traded on the money market, such as treasury bills, certificates of deposit and commercial papers, but does not include instruments of payment; and

(b) deposits with credit institutions authorised in the European Economic Area, however such investments shall be made for interim and / or hedging purposes only.

### 6.2 Amendments to the Investment Parameters

The Issuer may amend the Investment Parameters from time-to-time where it considers that such amendments are desirable or otherwise in the interests of the Issuer or the Noteholders.

### 6.3 Underlying Assets of the Issuer – the Collateral

6.3.1 On or about the Issue Date of Notes in a Series, the Issuer will use approximately 92% of the Aggregate Nominal Amount to purchase the Collateral which would be allocated to the Series relating to the said Notes. As such, the level of collateralisation shall be approximately one hundred per cent (100%), less the Permitted Expenses from time-to-time.

6.3.2 The Issuer's directly held Collateral for a Series will in the first instance comprise cash or liquid assets of the Issuer held in accounts segregated for the relevant Series and any instrument issued by a Collateral Obligor(s) for that Series as stated in the Collateral Annex.

6.3.3 Collateral shall be issued by the relevant Collateral Obligor in the normal course of its business unless specified otherwise in the Collateral Annex and the relevant Pricing Supplement.

6.3.4 Collateral may form a pool of debt instruments issued by different Collateral Obligors or include only one debt instrument issued by a Collateral Obligor or multiple debt instruments issued by the same Collateral Obligor, as specified in the Pricing Supplement.

6.3.5 Collateral may pay a fixed and / or floating interest rate and / or may be zero coupon debt instruments. Collateral may be zero coupon debt instruments or debt instruments paying a coupon, and having a repayment value linked to the performance of an underlying asset such as the Securitisation Bonds. Collateral may include senior, unsecured and secured debt instruments.

6.3.6 The Collateral may comprise obligations not traded on any Regulated Market – but issued by Collateral Obligors identified in the Collateral Annex. The principal terms and conditions applicable in respect of non-listed obligations are reproduced in the Collateral Annex to this Listing Particulars or included in the relevant Pricing Supplement. In case of non-listed obligations, Annex A of the relevant Pricing Supplement will disclose the terms and conditions of such non-listed obligations.

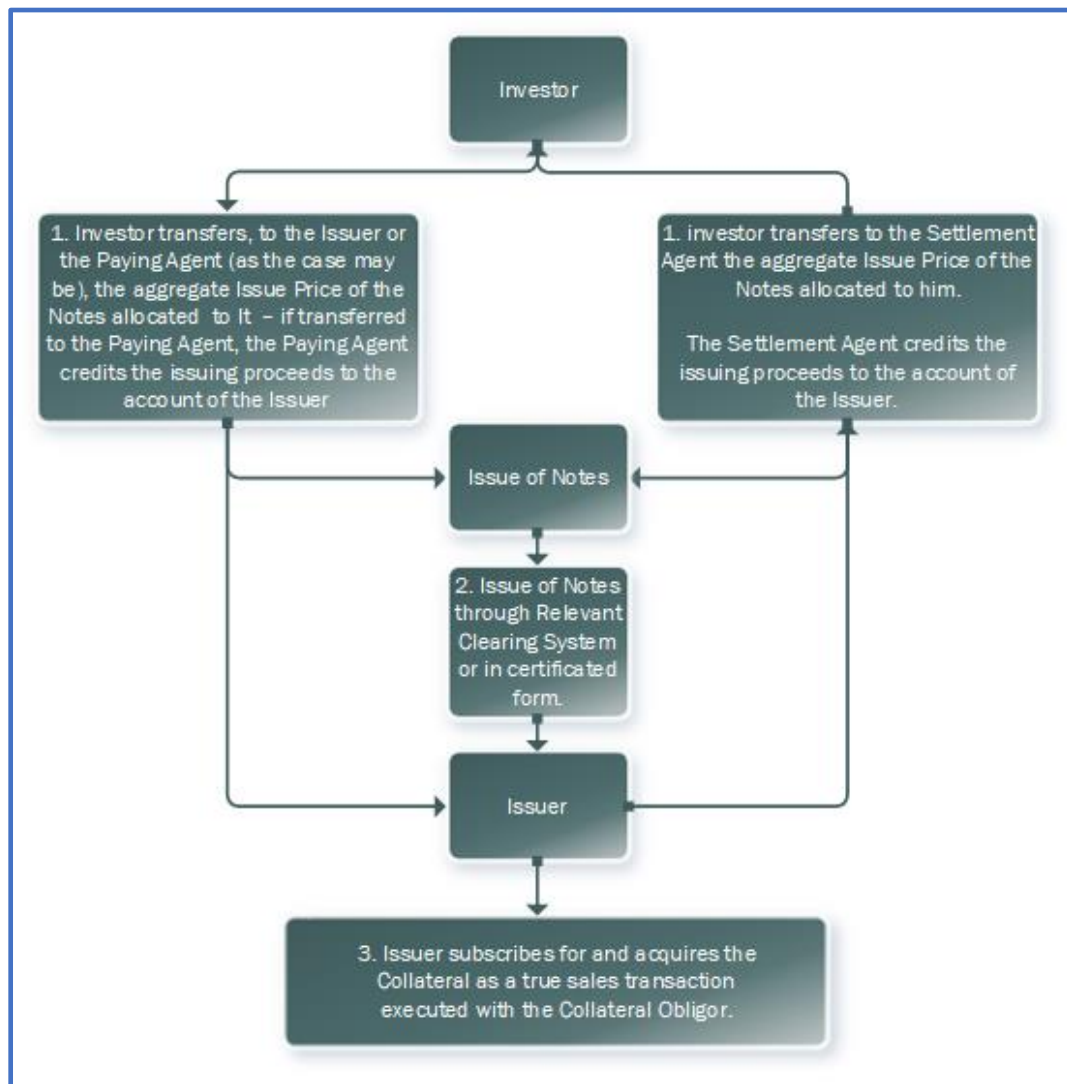
6.3.7 Collateral shall not comprise equity shares, units or shares in collective investment schemes, loans, credit agreements or real estate and the assets comprised in the Collateral shall not be actively managed. However, Collateral may be secured against the rights, assets and undertaking

- of the Collateral Obligors, which may hold directly or themselves take security over equity shares, units or shares in collective investment schemes, loans, credit agreements or real estate.
- 6.3.8 The Collateral Obligor(s) shall be required to undertake to repay the Collateral on the maturity date (if any) of such Collateral at the nominal amount or repayment value of the Collateral.
- 6.3.9 The Issuer's directly held assets and undertaking shall, at any rate, have characteristics that demonstrate capacity to produce funds to service any payments due and payable on the Notes. The Issuer shall be entitled (with notice to the affected investors holding linked Notes but without requiring their approval) to substitute the Collateral held within a Series, in whole or in part, should the Issuer deem, at any time and in its exclusive discretion, that the Collateral may not, for any reason or reasons whatsoever, produce funds to service any payments due and payable on the linked Notes.
- 6.3.10 In the circumstances, the Issuer shall be entitled to substitute such Collateral for any alternative eligible asset (representing the same or a different class or classes or quality of assets and whether issued by the same or any other Collateral Obligor(s) which the Issuer deems, in its exclusive discretion, would produce the funds to service any payments due and payable on the Notes. Provided however that, except for a Collateral Obligor in default under the Securitisation Bonds, (a) any such alternative eligible Collateral must be disclosed as such in the Collateral Annex and (b) no such substitution shall be effected or effective except subsequent to the next Redemption Valuation Day – so as to allow affected investors an opportunity to redeem their Notes prior to any such substitution. For a Collateral Obligor in default under the relevant Securitisation Bonds, the Issuer retains the absolute and unconditional discretion to substitute Collateral with other eligible assets in order to produce the funds available to service any payments due and payable on the Notes.
- 6.3.11 Collateral may be denominated in a currency other than the currency in which the Notes are issued.
- 6.3.12 A description of each Collateral Obligor is set out in the Collateral Annex for all Series for which there are five or fewer Collateral Obligors and for which any person represents more than 20% of the receivables of the Issuer in relation to the Series.
- 6.3.13 The Collateral comprised in a Series may, for liquidity reasons and / or the investment of temporary liquidity surpluses (including pursuant to receipt by the Issuer of proceeds of the issue of Notes) and in the exclusive discretion of the Issuer, also comprise cash held in one (1) or more bank accounts with credit institutions within the European Economic Area and / or money market funds and / or asset backed Notes having a maturity of less than one (1) year and principal protection. Such assets shall likewise represent assets backing the Notes and would accordingly be taken into account in the determination of the Redemption Amount.
- 6.3.14 The Issuer shall not issue further Notes in a Series backed by the same Collateral. However, the Issuer may issue new Notes to finance the acquisition of additional Collateral allocated to the relevant Series.

## **7. THE NOTES OF THE ISSUER**

### **7.1 General**

- 7.1.1 The Notes will be issued in an aggregate principal amount not to exceed EUR €250,000,000. The Notes will be issued in fully registered form, without coupons, in amounts equal to or exceeding the minimum denomination of EUR 10,000.
- 7.1.2 The issuance of the Notes was authorised by resolutions of the board of directors of the Issuer passed on 13 November 2020. Upon an expression of interest communicated to the Issuer by a Settlement Agent, Notes are issued under the relevant Offering to the Settlement Agent for



onward transmission. In all other respects, Notes will be issued pursuant to a Subscription Form, entered into between the Issuer and a Noteholder for the purchase of Notes.

7.1.3 Notes may be issued in a series of Notes having one or more Issue Dates and on terms otherwise identical, the Notes of each Series being intended to be interchangeable with all other Notes of the same Series. The Issuer may issue further Tranches of Notes of each Series which will be fungible with other Notes of that Series and backed by the same assets backing the other Notes of that Series.

7.1.4 The specific terms of each Tranche will be specified in the Pricing Supplement and, except for the Issue Date, Issue Price, first payment of interest, accrued interest and notional amount of the Tranche, each Tranche terms will be identical to others of the same Series.

## 7.2 Cash flow model: Creation of Notes

7.2.1 In accordance with the terms of the Notes and the Agency Agreement, payments in respect of the Notes will be made by or at the instance of the Cash Manager. The Noteholders will be entitled to the benefit of, will be bound by and will be deemed to have notice of, all the provisions of any Subscription Form between the Issuer and the investor. In all other respects, payments will be governed by the Terms and Conditions of the Notes and the relevant Pricing Supplement.



- 7.2.2 Where there is no Settlement Agent appointed according to the relevant Pricing Supplement, following an application directly to the Issuer for Notes by a prospective investor, the said investor shall transfer funds in settlement of the aggregate Issue Price of the Notes allocated to him within three (3) Business Days from the date on which such allocation is notified to him.
- 7.2.3 Where there is a Settlement Agent appointed according to the relevant Pricing Supplement, the investor shall transfer funds to an account with the Settlement Agent, which shall be transferred to the Issuer's account with the Settlement Agent upon issue of the Notes on a delivery-versus-payment basis.
- 7.2.4 An investor purchases Notes and settles the consideration therefor with the Issuer the Paying Agent or the Settlement Agent (as the case may be), depending on the basis of subscription for the Notes.
- 7.2.5 Where the Notes are issued in registered, uncertificated and dematerialised form, clearing is done through a Relevant Clearing System. Otherwise, the Notes are issued in registered form represented by definitive registered certificates.
- 7.2.6 The Issuer thereafter, and as soon as is reasonably practicable, subscribes for the Collateral by virtue of a true sale transaction and thus acquires the Collateral directly from the Collateral Obligor(s) against cash consideration.
- 7.2.7 The Notes are not underwritten by any person and no entity has agreed to place the Notes with a firm commitment or under 'best efforts' arrangements as to the final financial transactions to be undertaken in their ordinary course. No underwriting or other such arrangement is necessary for admission to trading at Euronext Dublin.
- 7.2.8 The Notes are designed for sophisticated investors. It is highly recommended that prospective investors consult a licensed financial advisor prior to making any order to subscribe for Notes within the Offering Period or otherwise prior to purchasing Notes on the secondary market subsequent to the lapse of the Offering Period.
- 7.2.9 The Notes will trade on the GEM of Euronext Dublin one (1) Business Day after the Issue Date.
- 7.2.10 Application may also be made to admit the Notes for listing on any other Regulated Market and/or a Multilateral Trading Facility as shall be specified in the relevant Pricing Supplement.

### 7.3 Status of Notes

- 7.3.1 The Notes of each Series are direct, limited recourse and unsecured obligations of the Issuer and rank pari passu and without preference among themselves. The Notes of each Series rank behind obligations of the Issuer under the Transaction Agreements and any secured obligations which the Issuer may enter into for any purpose and without restriction, and which as a matter of law or by agreement rank in priority to the Notes, along with any other such obligations given priority pursuant to any applicable statutory or other legal provisions.
- 7.3.2 For more information, please see Condition 4.4 of the Terms and Conditions of the Notes.

### 7.4 Term/Currency

The Notes will mature on 31 December 2025 (or such earlier date as determined by the Issuer in the Pricing Supplement and notified to Noteholders) and will be available in the currency outlined in the relevant Pricing Supplement for those Notes.

### 7.5 Interest

- 7.5.1 The Notes give each investor the right to receive a potential return (that is, interest and the Redemption Amount) on the Notes upon redemption together with certain ancillary rights such as the right to receive notice of certain determinations and events and the right to vote on future

amendments to the terms governing the Notes should the Issuer call a meeting of investors for the purposes.

7.5.2 The Notes shall have a value or yield which is linked to the securitised Collateral comprised in the Series. Such value or yield shall be calculated and published by the Calculation Agent.

7.5.3 An investor shall have a right to receive the Redemption Amount upon a redemption of the Notes.

7.5.4 The Redemption Amount ultimately payable to investors shall not be subject to amortisation.

7.5.5 Where investors are entitled to coupon payments on the Notes, this will be specified in the Pricing Supplement.

#### **7.6 Redemption at the option of the investor or the Issuer**

Investors shall be granted an option to redeem Notes at such periods and on such terms specified in the Pricing Supplement.

#### **7.7 Noteholder Representation**

The Noteholders' interests are represented by the Trustee who has a right to information from the Issuer. The Noteholders will also have direct contractual obligations with the Issuer following the entry of the Noteholder into a Subscription Form with the Issuer.

#### **7.8 Noteholder Acknowledgements**

7.8.1 By subscribing for Notes or otherwise acquiring the Notes, an investor expressly acknowledges and accepts that the Issuer: (i) acts in compliance with Irish law and any other applicable law; and (ii) has created a specific Series in respect of the Notes to which all assets, rights, claims and agreements relating to the Notes will be allocated.

7.8.2 Furthermore, an investor acknowledges and accepts that it only has recourse to the Collateral comprised in the Series and not to the assets allocated to other Series created by the Issuer or to any other assets of the Issuer. The investor accordingly acknowledges and accepts that once all the assets allocated to the Series have been realised, he shall not be entitled to take any further steps against the Issuer to recover any further sums due and the right to receive any such sum shall be extinguished.

7.8.3 The investor hereby accepts not to attach or otherwise seize the assets of the Issuer allocated to the Series or to other Series of the Issuer or other assets of the Issuer. In particular, the investor shall not be entitled to petition or take any other step for the winding-up, liquidation or bankruptcy of the Issuer, or any similar insolvency related proceedings.

7.8.4 If a Noteholder makes an application for the dissolution of the Issuer, insolvency proceedings against the assets of the Issuer, or the institution of similar proceedings aimed at liquidating the Issuer, or if an Noteholder joins such application made by a third party, such Noteholder will ipso jure (by operation of law) lose all rights under the Notes.

### **8. INVESTOR RETURNS**

#### **8.1 General**

The Notes will enable investors to participate in the performance of the assets of the Issuer over the term of the Notes.

#### **8.2 Interest payments**

8.2.1 Each Series of Notes will seek to provide a return to investors. The Interest will be payable on a Payment Date. The Interest will either be a fixed return at the Target Interest Rate specified in Pricing Supplement or on each Payment Date and interest is payable on an available funds basis



from the Collateral in accordance with the Priorities of Payments of Condition 4.4 of the Terms and Conditions of the Notes, based on the previous Calculation Date.

- 8.2.2 Interest will begin to accrue, where there are available funds, from the Issue Date and ending on (but excluding) the first Calculation Date and each successive period beginning on (and including) a Calculation Date and ending on (but excluding) the following Calculation Date.
- 8.2.3 For any Calculation Date, the Notional Amount of a Note shall be the outstanding principal amount of such Note plus any interest amounts not yet paid from the previous Calculation Periods. There is no assurance that on any Payment Date there will be sufficient available funds to pay the interest or principal on the Notes and interest and principal shall (in any event) only be paid where funds available to pay interest and principal exceed a threshold amount which will be €500 for Euro denominated Series, £500 for Sterling denominated Series and US\$500 for US dollar denominated Series (each a “**Threshold Amount**”).
- 8.2.4 If there are not sufficient available funds to pay the Accrued Interest Balance, Interest will continue to accrue at the Target Interest Rate and payment will be deferred until the following Payment Date, and that deferral will not constitute an Event of Default.
- 8.2.5 The Payment Dates will be outlined in the Pricing Supplement.

### 8.3 The Redemption Amount

- 8.3.1 On or as soon as is reasonably practicable subsequent to a Redemption Valuation Day, the Calculation Agent shall calculate the Redemption Amount (which, for the avoidance of doubt, shall be an amount less the Permitted Expenses attributable in whole or in part to that Series of Notes). The calculations are (in the absence of manifest error) final and binding upon all parties.
- 8.3.2 The amount payable to an investor pursuant to his redemption of Notes (the “**Redemption Amount**”) shall be determined as follows:

VoLS(t)

Redemption Amount = ----- \* Specified Denomination

Aggregate Nominal Amount

VoLS(t): Value of Series [●] as at the Redemption Valuation Day.

Value of Series [●]: means the value of cash flows derived by the Issuer from the securitised Collateral comprised in that Series less fees and any liabilities attributable in whole or in part to the Notes of that Series as computed by the Calculation Agent

The Redemption Amount shall be determined by the Calculation Agent in accordance with the provisions of the Agency Agreement and by reference to such factors as the Calculation Agent considers in good faith to be appropriate including, without limitation:

- (a) market prices or values for the assets representing the Collateral comprised in that Series and other relevant economic variables (such as interest rates and, if applicable, exchange rates) at the time;
- (b) internal pricing models; and
- (c) the costs, losses and expenses which may be or which are committed or incurred by or on behalf of the Issuer or otherwise in connection with the disposal or realisation of the Collateral comprised in that Series and / or the redemption of the Notes.

The Calculation Agent shall not be required to determine the Redemption Amount should the Issuer, the Calculation Agent and the Paying Agent not have received any Redemption Notice for the redemption of any Notes or should the redemption of Notes be suspended during Temporary Suspension Events.

The Issuer shall cause notice of the Redemption Amount and of the Repayment Day to be given to the Paying Agent and any agent thereof (if appointed), and to the investors, not less than four (4) Business Days prior to the relevant Repayment Day.

#### 8.4 Reduction of Amounts Payable

- 8.4.1 The claims of investors against the Issuer under the Notes may be satisfied only from the Collateral comprised in that Series.
- 8.4.2 The Redemption Amount shall be paid from the proceeds received from the Collateral comprised in that Series of Notes or from the redemption, cancellation, surrender or other disposal of such Collateral.
- 8.4.3 As a result, the redemption of the Notes is dependent on payments received by the Issuer from the Collateral comprised in that Series of Notes or upon its redemption, cancellation, surrender or other disposal of the said Collateral.
- 8.4.4 If the Issuer is not able to redeem or realise any such Collateral, the Issuer may be unable to redeem the linked Notes. If the Collateral comprised in that Series of Notes or the proceeds from the disposal thereof are insufficient for the final and full settlement of the claims of investors, the Issuer will not be liable for any shortfalls.
- 8.4.5 In the circumstances, the investors cannot assert any further claims against the Issuer. In such case, the claim to full repayment of capital is lost without compensation. Investors cannot take recourse against other accounts or assets of the Issuer. The investors are not entitled to any direct legal claims whatsoever against the relevant Collateral Obligor.

#### 8.5 Application of Proceeds

- 8.5.1 In accordance with Condition 4.4 of the Terms and Conditions of the Notes, prior to the occurrence of an Event of Default, the Issuer shall or shall direct that the proceeds available for distribution in relation to a particular Series shall for each Payment Date and each other distribution date, be applied in the following order:
- (a) in or towards payment or discharge of that Series pro rata portion of the Permitted Expenses in the order specified in the definition of Permitted Expenses;
  - (b) in or towards payment or discharge of that Series pro rata portion of a profit fee of €1,000 per annum to the Issuer, which shall be retained by the Issuer and available for distribution to its shareholders as directed from time-to-time by the Issuer;
  - (c) to the Paying Agent for the discharge pro rata and pari passu to the Noteholders in or towards the payment or discharge of all amounts of interest then due and payable under or in respect of the Notes of that Series; and
  - (d) pro rata and pari passu to the Noteholders in or towards the payment or discharge of all amounts of principal and any other amounts then due and payable under or in respect of the Notes of that Series.
- 8.5.2 Following the occurrence of an Event of Default, the Cash Manager shall or shall direct that proceeds received from time-to-time in the Transaction Account with respect to Collateral acquired with the Aggregate Nominal Amount of Notes in a particular Series shall, in relation to that Series, be applied in the following order:
- (a) to the payment of that Series pro rata portion of Permitted Expenses in the order specified in the definition of Permitted Expenses;
  - (b) for the discharge pro rata and pari passu to the Noteholders in or towards the payment or discharge of all amounts of interest then due and payable under or in respect of the Notes of that Series; and

(c) pro rata and pari passu to the Noteholders in or towards the payment or discharge of all amounts of principal and any other amounts then due and payable under or in respect of the Notes of that Series.

8.5.3 In respect of the above paragraphs, where any reference is made to a Series pro rata portion of any amount, such pro rata portion shall be determined by or on behalf of the Issuer based on the ratio of the outstanding principal amount of such Series to the outstanding principal amount of all Series.

8.5.4 The Notes of each Series are direct, limited recourse and unsecured obligations of the Issuer and rank pari passu and without preference among themselves.

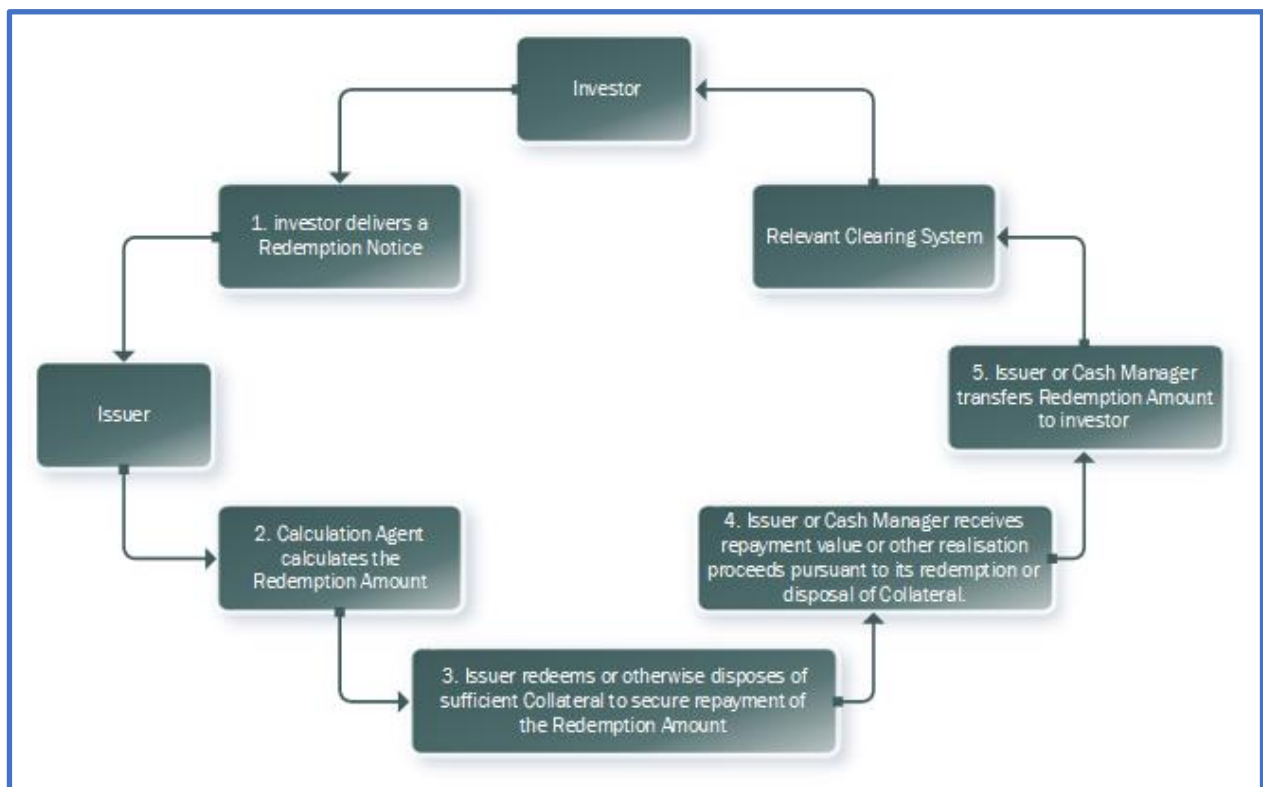
## 9. FLOW OF FUNDS

### 9.1 Source of Funds received by the Issuer

9.1.1 The source of funds for the payment of principal and interest amounts in respect of the Notes will be the Issuer's interest in the Collateral.

9.1.2 Any distributions made will be made in the currency outlined in that Series' relevant Pricing Supplement.

### 9.2 Cash Flow Model – Redemption of Notes by investors



### 9.3 Redemption of Notes by investors

9.3.1 Investors may seek to redeem all or part of their Notes by submitting a Redemption Notice to the Issuer, the Calculation Agent and the Paying Agent at least one (1) Business Day prior to the commencement of the Redemption Notice Period. Such a request for the redemption of Notes must contain the following information:

(a) full name and address of the investor;

(b) the International Security Identification Number (ISIN) of the Notes to be redeemed;

- (c) the quantity of Notes to be redeemed; and
  - (d) the account of the investor with a bank in a member state of the European Economic Area, to which any payments owed under the Notes are to be credited.
- 9.3.2 The Redemption Notice may be obtained from the Issuer.
- 9.3.3 No Redemption Notice may be withdrawn once received by the Issuer and, if accepted, will be effective as at the next Redemption Valuation Day.
- 9.3.4 A Redemption Notice must be received at the registered office of the Issuer, the Calculation Agent and the Paying Agent during office hours at least one (1) Business Day prior to commencement of the Redemption Notice Period. Redemption Notices received at any time during the Redemption Notice Period will, unless the Issuer otherwise determines, be held over until the following Redemption Valuation Day.
- 9.3.5 Notwithstanding the aforesaid, a Redemption Notice shall have no effect:
- (a) should it seek to secure the redemption of such number of Notes being less than the Minimum Tradable Amount, if any, applicable in respect of the Notes and specified in the Pricing Supplement;
  - (b) whilst redemptions are temporarily suspended in the circumstances identified during Temporary Suspension Events.
- 9.4 Payments to Investors**
- 9.4.1 Payments made in respect of the Notes shall be subject to the Priorities of Payment outlined in Condition 4.4 of the Terms and Conditions of the Notes.
- 9.4.2 The Redemption Amount will be paid on the Repayment Day and any interest payments will be made on a Payment Date.
- 9.4.3 Once sufficient proceeds are received as aforesaid, the Cash Manager will arrange for the transfer and payment, through the Relevant Clearing System, of the Redemption Amount to the account of the investor. The Paying Agent will arrange for the transfer and payment, through the Relevant Clearing System, of any sums payable to the account of the investor prior to the redemption of Notes.
- 9.4.4 All currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with half a unit being rounded up). For these purposes 'unit' means the lowest amount of such currency that is available as legal tender in the country of such currency.
- 9.4.5 Any payment effected by or on behalf of the Issuer in respect of Notes shall be subject to deduction, or conditional upon payment by the relevant recipient/s, of any applicable taxes, settlement expenses, bank charges and any other amounts payable as specified in the Terms and Conditions of the Notes.
- 9.4.6 If the date on which any amount is payable is not a Business Day then payment will not be made until the next succeeding day which is a Business Day and the recipient of any such payment shall not be entitled to any further payment in respect of such delay.
- 9.4.7 Redemption of the Notes and any payments by the Issuer or Cash Manager and any Agent will be subject in all cases to all applicable fiscal and other laws, regulations and practices in force at such time (including, without limitation, any relevant exchange control laws or regulations and the Relevant Clearing System Rules) and the Issuer, a Relevant Clearing System or any Agent shall not incur any liability whatsoever if it is unable to effect any payments or deliveries contemplated, after using all reasonable efforts, as a result of any such laws, regulations and practices.

9.4.8 Neither the Issuer nor any Agent shall, under any circumstances, be liable for any acts or defaults of the Relevant Clearing System in the performance of their respective duties in relation to the Notes.

9.4.9 If the Issuer determines that any condition to payment to be satisfied by an investor has not been satisfied in respect of the Notes on or prior to the date on which payment would otherwise have been scheduled to occur, such payment shall not become due until the date on which all conditions to payment have been satisfied in full. No additional amounts shall be payable or deliverable as a result of any such delay or postponement. The conditions to payment to be satisfied by an investor may include, without limitation, receipt of all instructions, certifications, documentation and information by the Issuer, any Agent and a Relevant Clearing System, as applicable, required by the Issuer, the relevant Agent and / or the Relevant Clearing System to effect such payment to the investor (or to its order) within the required time period.

## 9.5 Liquidity Provisions

The Issuer's ability to meet its obligations in respect of each Series of the Notes, its operating expenses and its administrative expenses is wholly dependent upon the performance of its portfolio of assets.

## 9.6 Issuer's Transaction Account

9.6.1 The Issuer will maintain a Transaction Account. The Transaction Account is currently with Northern Trust to facilitate the collection of the noteholder proceeds, investment in the Collateral and the payment of ongoing expenses.

9.6.2 This bank account will be maintained by the Cash Manager.

## 9.7 Collection of payments

Redemption of the Notes and any payments by the Issuer or Cash Manager and any Agent will be subject in all cases to all applicable fiscal and other laws, regulations and practices in force at such time (including, without limitation, any relevant exchange control laws or regulations and, where applicable, the Relevant Clearing System Rules) and the Issuer, the Relevant Clearing System or any Agent shall not incur any liability whatsoever if it is unable to effect any payments or deliveries contemplated, after using all reasonable efforts, as a result of any such laws, regulations and practices.

## 10. FORM OF THE NOTES

10.1.1 Notes of each Series may be issued in registered, uncertificated and dematerialised book-entry form with the Relevant Clearing System. Beneficial interests in the Notes will be shown on, and transfers thereof will be effected only through, records maintained by the Relevant Clearing System and their participants.

10.1.2 Where the Notes are issued in registered, uncertificated and dematerialised form, no certificates shall be delivered to investors. The Notes shall be and remain dematerialised and, as such, notwithstanding anything contained in this document: (i) terms and conditions relating to such Notes, including without prejudice to the generality of the foregoing, their issuance, transfer, exchange, redemption and / or cancellation, shall be governed in accordance with the Relevant Clearing System Rules and any applicable rules and procedures set out by the Relevant Clearing System in so far as they affect the dematerialised nature of such Notes, and any other provisions of this Listing Particulars and the relevant Pricing Supplement shall apply only to the extent that they are not inconsistent with the Relevant Clearing System Rules and / or any such applicable rules and procedures; and (ii) any amendment, variation or deletion of the terms of this section 10 (*Form of the Notes*) shall be subject to the prior express written approval of the Relevant

Clearing System. Title to Notes will be evidenced merely by virtue of registration in the books of the Relevant Clearing System.

- 10.1.3 Alternatively, Notes may be represented by definitive registered certificates with one Certificate being issued in respect of each Noteholder's entire holding of Notes, following the entry into a Note Purchase Agreement between the Issuer and a Noteholder.
- 10.1.4 The Issuer will cause to be kept at the registered office of the Registrar and maintained by the Registrar the Register on which shall be entered the names and addresses of the holders of the Notes, the particulars of such Notes and all transfers and redemptions of such Notes.

## **11. PROCEDURE FOR ISSUE / SUBSCRIPTION**

### **11.1 Procedure for Issue**

- 11.1.1 Where there is no Settlement Agent appointed according to the relevant Pricing Supplement, a prospective investor interested in acquiring Notes must deliver to the Cash Manager, a Subscription Form, in the form available from the Issuer, together with such evidence and such certifications as may be specified by the Issuer as required in relation to the prospective investor's eligibility to invest in the Notes.
- 11.1.2 The Issuer may elect, in its absolute discretion, to offer Notes to any of the prospective investors that have delivered a Subscription Form, and offers may be made by the Issuer sending Pricing Supplement to the prospective investors for which the Issuer accepts the Subscription Form. Each prospective investor will have agreed in the Subscription Form to acquire Notes in accordance with the procedure set out in the Subscription Form. The Issuer reserves the right to reject any Subscription Form by a prospective investor by issuing a rejection notice to the Issuer at least 10 Business Days prior to the Issue Date specified in the Pricing Supplement.
- 11.1.3 Where there is a Settlement Agent appointed under the relevant Pricing Supplement, a prospective investor interested in acquiring Notes must deliver to the Settlement Agent such evidence and such certifications as may be specified by the Settlement Agent as required in relation to the prospective investor's eligibility to invest in the Notes, following which the investor may subscribe for Notes in accordance with the standard terms of business of the Settlement Agent.
- 11.1.4 Investors may not be allocated all of the Notes for which they apply, for example if the total amount of orders exceeds aggregate amount of the Notes ultimately issued.
- 11.1.5 Where there is no Settlement Agent appointed in the relevant Pricing Supplement, investors will be notified by the Registrar of their allocations of Notes and the settlement arrangements in respect thereof as soon as practicable after the Offer Period has ended. The Issuer does not intend to make any arrangements to facilitate dealing of the Notes before this notification has been made.
- 11.1.6 Where there is a Settlement Agent appointed in the relevant Pricing Supplement, the Settlement Agent will be allocated the aggregate of the Notes to be issued under the Pricing Supplement and the Settlement Agent will issue the Notes to the investors on a delivery-versus-payment basis in accordance with the terms of the Agency Agreement or the Settlement Agency Agreement.
- 11.1.7 The Issuer has included a data privacy notice in the Subscription Form, outlining its approach under the GDPR.
- 11.1.8 Where the Notes are issued and held through a Relevant Clearing System, investors should follow the procedures from time-to-time of the Relevant Clearing System (as the case may be).

### **11.2 Issue Price of Notes**



The Issue Price of the Notes will be 100% of the nominal value unless otherwise specified in the applicable Pricing Supplement and except as adjusted for subsequent Tranches in order to reflect interest accrued.

## 12. CLEARING AND SETTLEMENT

Custodial and depositary or safekeeping links have been (or will be) established with the Settlement Agent and / or a Relevant Clearing System to facilitate the initial issuance of Notes. Transfers within the Relevant Clearing System will be in accordance with the usual rules and operating procedures of the Relevant Clearing System.

### 12.1 Book-Entry Ownership

#### **Uncertificated, dematerialised, registered Notes**

All transactions in respect of the uncertificated, dematerialised, registered Notes in the open market or otherwise must be effected through an account with the Relevant Clearing System. All transfers of such Notes shall be subject to and made in accordance with the Uncertificated Regulations and the rules, procedures and practices in effect of the Registrar and the Relevant Clearing System. The Uncertificated Regulations and such rules, procedures and practices may change from time-to-time.

If at any time the Notes cease to be held in uncertificated form and / or accepted for clearance through the Relevant Clearing System, or notice is received by or on behalf of the Issuer that the Notes will cease to be held in uncertificated form and cleared through the Relevant Clearing System and / or the Relevant Clearing System is closed for business for a continuous period of 14 calendar days (other than by reason of holidays, statutory or otherwise) or the Relevant Clearing System announces an intention permanently to cease business or does in fact do so, the Notes shall continue to be in registered form and the Issuer, the Registrar, the Paying Agent and any other relevant party may agree such procedures as they determine necessary in relation to the transfer of the Notes and shall as soon as reasonably practicable give notice thereof to the Noteholders in accordance with Condition 14 of the Terms and Conditions of the Notes.

If the rules and procedures of the Registrar and / or for so long as the Notes are held in a Relevant Clearing System the rules and procedures of the Relevant Clearing System include any closed period in which no Noteholder may require the transfer of a Note to be registered in the Register, such closed periods shall apply to the Notes. Details of any such closed period are available from the Registrar.

### 12.2 Registrar as participant in a Relevant Clearing System

The Registrar is a participant in a Relevant Clearing System, being at least one system of paperless settlement trades and the holding of uncertificated securities. The Relevant Clearing System enables securities (including debt securities) to be evidenced otherwise than by written instrument, and to be transferred electronically and the Notes are participating securities. Accordingly, to the extent that the Notes are issued as Uncertificated Registered Securities, settlement of transactions in such Notes will thereafter take place within a Relevant Clearing System.

Where the Issuer decides to issue securities into a Relevant Clearing System, it shall notify the Registrar of the proposed issuance. Upon issuance of the Notes, the Registrar will deliver the Notes to the specified broker in that Relevant Clearing System or an appropriate Settlement Agent in respect of the Relevant Clearing System.

## 13. THE ISSUER

### 13.1 General

- 13.1.1 The Issuer, Audacia Capital (Ireland) plc, was incorporated on 9 March 2018 as a public limited company under the Irish Companies Acts 2014 (with registered number 622442). The registered office of the Issuer is 31-32 Leeson Street Lower, Dublin 2, Ireland.
- 13.1.2 The Directors of the Issuer are Charles Goldsmith, John Ferguson, Howard Chapman, Patrick Gibbons, Andrew Murphy and Matthew Tracey. The address of Mr Ferguson and Mr Goldsmith is 15 Irish Town, Gibraltar, GZ11 1AA. The address of Mr Chapman is Klimentska 1216/46, Prague 110 00, Czech Republic. The address of Mr Gibbons, Mr Murphy and Mr Tracey is the registered office of the Issuer.
- 13.1.3 The Issuer was incorporated with authorised share capital of €100,000 divided into 100,000 ordinary shares with par value of €1 each. The issued share capital of the Issuer is €25,000, which has been quarter paid up. All of the issued shares are owned by DMS Governance Risk and Compliance Services Limited which is a company incorporated in Ireland, who hold the shares on trust for the Share Trustee. Under the terms of a Declaration of Trust made by the Share Trustee, the Share Trustee holds the benefit of the shares on trust for charitable purposes. The Share Trustee has no beneficial interest in, and derives no benefit other than its fees for acting as Share Trustee, from its holding of the shares.
- 13.1.4 The auditors of the Issuer are EisnerAmper Audit Limited, a company established and registered in Ireland (registered number 561070) whose registered office is at 6 The Courtyard Building, Carmanhall Road, Sandyford, Dublin 18, D18 CA22, Ireland. EisnerAmper Audit Limited is a member of Chartered Accountants Ireland.
- 13.1.5 The Issuer has been validly incorporated and the issue of Notes hereunder has been authorised on 13 November 2020.
- 13.1.6 One (1) or more Directors may hold shares in and / or may be appointed to the board of directors (whether as executive or non-executive directors) of any Agent or Agents. Potential conflicts of interest may arise as a result. In fact, any such person may have an interest in securing maximum profits for the Agent(s) in which he holds shares or of which he is a director to the detriment of the Issuer and investors. In this respect, please note the following:
- (a) Andrew Murphy is a director of the Issuer and also a director of the Corporate Services Provider. He was not involved on behalf of the Issuer in relation to the negotiation of the Corporate Services Agreement, and derives no personal remuneration for acting as a director of the Issuer. Rather, his acting in that capacity furthers efficient administration of the Issuer.
  - (b) Matthew Tracey is a director of the Issuer and also a representative of the Noteholder Trustee. While there is a theoretical conflict between the corporate interests of the Issuer and those of the Noteholders of a given Series, it is built into the corporate governance processes of the Issuer that none of these interests can prevail without respecting the other interest.

## 13.2 Business

- 13.2.1 The Issuer was established as a special purpose vehicle for the purpose of issuing the Notes and does not undertake any business other than the acquisition, holding, financing, selling, hedging and granting of security over its assets, the investment thereof in accordance with the terms of the Investment Parameters set out in section 6.1 (*Use of Proceeds – The Investment Parameters*) of these Listing Particulars, the issue and redemption of the Notes and other related transactions, and will not issue any further shares, declare any dividends, have any subsidiaries, merge with or be voluntarily acquired by any other entity, give any guarantee and, so long as any of the Notes remains outstanding, the Issuer will not petition for winding-up or bankruptcy.
- 13.2.2 The Notes are obligations of the Issuer alone and not of the Agents.



### 13.3 Financial Statements

So long as any Note remains outstanding, copies of the most recent annual audited financial statements of the Issuer, when published, can be obtained at the registered office of the Issuer during normal business hours. The first and latest available audited financial statements of the Issuer are in respect of the financial period from incorporation 9 March 2018 to 30 June 2019. The Issuer has produced management accounts to 30 June 2020, which are current in the process of being audited, which shall be announced in due course.

## 14. THE TRUSTEE

### 14.1 Information

14.1.1 DMS Governance Risk and Compliance Services Limited has been appointed by the Issuer as trustee for the noteholders pursuant to the Trust Deed. The Trustee, a company incorporated with limited liability and registered in Ireland (registered number 573252) whose registered address is at 3rd floor, 76 Lower Baggot Street, Dublin 2, Ireland.

14.1.2 The Trustee is appointed under the terms of the Trust Deed to act as trustee and independent representative for the benefit of the Noteholders of the Programme.

14.1.3 Under the terms of the Trust Deed, the Issuer is required to provide regular information to the Trustee including:

(a) The Issuer shall provide written confirmation to the Trustee annually and otherwise on request that no Event of Default or other matter that should be brought to the Trustee's attention has occurred.

(b) The Issuer must inform the Trustee of any intended cancellation of the Notes.

(c) Before issuing any Notes, the Issuer shall deliver or cause to be delivered to the Trustee a copy of the applicable Subscription Form and Pricing Supplement in relation to the relevant issue and shall notify the Trustee in writing without delay of the relevant Issue Date and the notional amount of the Notes to be issued.

(d) The Issuer must provide the Trustee with copies of all supplements and / or amendments and / or restatements of the Agency Agreement and the Corporate Services Agreement.

### 14.2 Powers of the Trustee

14.2.1 The Trustee may without the consent or sanction of the Noteholders and without prejudice to its rights in respect of any subsequent breach or Event of Default from time-to-time and at any time but only if and in so far as in its opinion the interests of the Noteholders shall not be materially prejudiced thereby waive or authorise any breach or proposed breach by the Issuer of any of the covenants or provisions contained in the Trust Deed or determine that any Event of Default shall not be treated as such for the purposes of the Trust Deed provided that the Trustee shall not exercise any powers conferred on it in contravention of any express direction given by Extraordinary Resolution or by a request under Condition 14 of Terms and Conditions of the Notes but so that no such direction or request shall affect any waiver or authorisation or determination previously given or made. Any such waiver or authorisation or determination may be given or made on such terms and subject to such conditions (if any) as the Trustee may determine, shall be binding on the Noteholders and, if, but only if, the Trustee shall so require, shall be notified by the Issuer to the Noteholders in accordance with Condition 14 of Terms and Conditions of the Notes as soon as practicable thereafter.

14.2.2 The Trustee may without the consent or sanction of the Noteholders at any time and from time-to-time concur with the Issuer in making any modification (a) which in the opinion of the Trustee it may be proper to make provided that the Trustee is of the opinion that such modification will not be materially prejudicial to the interests of the Noteholders or (b) if in the opinion of the

Trustee such modification is of a formal, minor or technical nature or to correct a manifest error or an error which is, in the opinion of the Trustee, proven. Any such modification may be made on such terms and subject to such conditions (if any) as the Trustee may determine, shall be binding upon the Noteholders and, if, but only if, the Trustee shall so require, shall be notified by the Issuer to the Noteholders in accordance with Condition 14 of Terms and Conditions of the Notes as soon as practicable thereafter.

### 14.3 Termination of the Appointment of the Trustee

The Trustee may retire at any time on giving not less than 90 days' prior written notice to the Issuer without giving any reason and without being responsible for any Liabilities incurred by reason of such retirement. The Noteholders may remove any trustee or trustees. The Issuer undertakes that in the event of the only trustee appointed under the Trust Deed giving notice under this Clause or being removed by the Noteholders it will use its best endeavours to procure that a new trustee is appointed as soon as reasonably practicable thereafter. The retirement or removal of any such trustee shall not become effective until a successor trustee is appointed. If, in such circumstances, no appointment of such a new trustee has become effective within 60 days of the date of such notice or Noteholder resolution, the Trustee shall be entitled to appoint a trustee, but no such appointment shall take effect unless previously approved by a Noteholder resolution.

## 15. THIRD PARTIES

### 15.1 Paying Agent, Calculation Agent, Settlement Agent, Registrar and Cash Manager

15.1.1 Trustmoore Ireland Limited has been appointed by the Issuer as Cash Manager and Calculation Agent pursuant to the Agency Agreement dated 4 March 2020 ("**Trustmoore**"). Trustmoore was incorporated in Ireland as a private limited company on 9 May 2019 with registered number 649599 under the Companies Act 2014.

15.1.2 Avenir Registrars Limited has been appointed by the Issuer as Settlement Agent, Paying Agent, and Registrar, pursuant to the Agency Agreement dated 4 March 2020 ("**Avenir**"). The registered office of Avenir Registrars Limited is 5 St. John's Lane, London, EC1M 4BH. The Companies House number is 09009850.

15.1.3 Credo Capital plc has been appointed by the Issuer as Settlement Agent pursuant to standard terms of business ("**Credo**"). Credo are authorised and regulated by the Financial Conduct Authority ("**FCA**") in the UK in the conduct of its designated investment business, with FCA Register No 192204. Credo's registered address is 8-12 York Gate, 100 Marylebone Road, London NW1 5DX.

15.1.4 Trustmoore, Avenir and Credo are referred to as the Agents.

15.1.5 Under the Agency Agreement dated 4 March 2020, and Credo's standard terms of business, the Agents provide the Issuer with certain paying agency, calculation agency, registration, cash management, settlement and related services.

### 15.2 Termination of the Appointment of the Agents

15.2.1 The Agents may resign their appointment at any time by giving the Issuer at least 60 days' notice to that effect, which notice shall expire at least 30 days before or after any due date for payment in respect of the Notes.

15.2.2 Upon receipt of notice of resignation or upon notice of any other termination or removal of the Paying Agent or any other Agent required pursuant to the Conditions the Issuer shall procure the appointment of a substitute Agent by not later than the due date of such resignation or (as the case may be) as soon as practicable after such termination or removal. If following receipt of such a notice, a substitute Agent has not been appointed by the tenth day before the due date of such

resignation, the Agent in respect of which the notice has been received may itself appoint as its replacement any reputable and experienced financial institution.

- 15.2.3 No such resignation or termination of the appointment of the Paying Agent, Registrar or Calculation Agent shall, however, take effect until a new Paying Agent or, as the case may be, Registrar or Calculation Agent has been appointed and no termination of the appointment of a Paying Agent or Registrar shall take effect if there would not then be a Paying Agent or Registrar as required by the Conditions.
- 15.2.4 The appointment of an Agent shall forthwith terminate if an Agent becomes incapable of acting, is adjudged bankrupt or insolvent, files a voluntary petition in bankruptcy, makes an assignment for the benefit of its creditors, administrator or other similar official of all or a substantial part of its property or admits in writing its inability to pay or meet its debts as they mature or suspends payment thereof, or if a resolution is passed or an order made for the winding up or dissolution of an Agent, a receiver, administrator or other similar official of an Agent or all or a substantial part of its property is appointed, a court order is entered approving a petition filed by or against it under applicable bankruptcy or insolvency law, or a public officer takes charge or control of an Agent or its property or affairs for the purpose of rehabilitation, conservation or liquidation.

## 16. TAXATION

### 16.1 IRISH TAXATION

#### *Certain Irish Tax Considerations*

- 16.1.1 Comments below are of a general nature and are based on Irish laws, regulations, rulings, practice and decisions of the Irish Revenue Commissioners (and interpretations thereof) in effect as at the date hereof (all of which are subject to prospective and retroactive change). They do not purport to be a complete description of all of the tax considerations that may be relevant to a decision to purchase the Notes. This summary does not constitute legal or tax advice nor does it discuss all aspects of Irish taxation that may be relevant.
- 16.1.2 This summary does not address all Irish tax principles that may apply to all categories of Noteholders (such as dealers in securities), some of which may be subject to special rules. This summary relates only to the position of persons who are the absolute beneficial owners of the Notes and may not apply to certain other classes of persons. Prospective investors are advised to consult their own tax advisors as to the tax consequences of acquiring, owning and disposing of the Notes.
- 16.1.3 For the purposes of this summary of Irish tax considerations:

**“Qualifying Company for the purposes of the Irish Securitisation Regime”** means a company which satisfies the conditions to be a “Qualifying Company” as defined in Section 110 of Ireland's Taxes Consolidation Act 1997.

**“Relevant Territory”** is defined as (i) a country with which Ireland has concluded a double tax treaty which is currently in force pursuant to Section 826(1) of the Taxes Consolidation Act 1997, or (ii) a country with which Ireland has concluded a double tax treaty which is subject to the completion of administrative procedures set out in Section 826(1) of the Taxes Consolidation Act 1997 before it comes into force, or (iii) or a member state of the European Union other than Ireland. As at the date of publication, Ireland is a party to in-force double tax treaties with 73 countries: Albania, Armenia, Australia, Austria, Bahrain, Belarus, Belgium, Bosnia & Herzegovina, Botswana, Bulgaria, Canada, Chile, China, Croatia, Cyprus, Czech Republic, Denmark, Egypt, Estonia, Ethiopia, Finland, France, Georgia, Germany, Greece, Hong Kong, Hungary, Iceland, India, Israel, Italy, Japan, Kazakhstan, Korea (Republic of), Kuwait, Latvia, Lithuania, Luxembourg, Macedonia, Malaysia, Malta, Mexico, Moldova, Montenegro, Morocco, the Netherlands, New Zealand, Norway, Pakistan, Panama, Poland, Portugal, Qatar, Romania, Russia, Saudi Arabia,

Serbia, Singapore, Slovak Republic, Slovenia, South Africa, Spain, Sweden, Switzerland, Thailand, Turkey, Ukraine, the United Arab Emirates, the United Kingdom, the United States, Uzbekistan, Vietnam and Zambia. As at the date of publication, Ireland is a party to double tax treaties with a further one state which are subject to the completion of administrative procedures before they come into force: Ghana.

“**Interest**” shall comprise the Redemption Amount or any other amount of coupon, return, or payment in respect of the Notes (other than a repayment of principal).

#### ***Irish Taxation of the Noteholders***

##### *Irish Withholding Taxes on Interest on the Notes*

16.1.4 In general, Irish withholding tax (currently at the rate of 20%) must be deducted from Interest payments made by the Issuer. However, there is an exemption from Irish withholding tax in respect of interest paid by a Qualifying Company for the purposes of the Irish Securitisation Regime to a person who is resident for tax purposes in a Relevant Territory under the domestic law of that territory.

16.1.5 There is also an exemption where interest is paid on a Quoted Eurobond. A Quoted Eurobond is defined as a security which:

- (a) is issued by a company;
- (b) is quoted on a recognised stock exchange; and
- (c) carries a right to interest.

16.1.6 GEM is a “recognised stock exchange” for the purposes of the Quoted Eurobond exemption.

16.1.7 Any interest paid on such Quoted Eurobonds can be paid free of withholding tax provided:

- (a) the person by or through whom the payment is made is not in Ireland; or
- (b) the payment is made by or through a person in Ireland, and either:
  - (i) the Quoted Eurobond is held in a clearing system recognised by the Revenue, or
  - (ii) the person who is the beneficial owner of the Quoted Eurobond and who is beneficially entitled to the interest is not resident in Ireland and has made a declaration to the person by or through whom the payment is made in the prescribed form.

16.1.8 So long as the Notes are quoted on a recognised stock exchange and are held in a recognised clearing system (or, if not so held, payments on the Notes are made through a paying agent not in Ireland), interest on the Notes can be paid by the Issuer and any paying agent acting on behalf of the Issuer without any withholding or deduction for or on account of Irish income tax.

##### *Irish Income Taxes on Interest on the Notes*

16.1.9 In general, tax residents of Ireland are liable to Irish taxation on their worldwide income; whereas non-tax residents of Ireland are only liable to Irish taxation on their Irish source income, including any income from the Notes.

16.1.10 Individuals who are tax resident or ordinarily tax resident in Ireland will, in general, be subject to income tax at their marginal rate on income from the Notes. Social charges and levies may also apply depending on the particular circumstances of the beneficial owner. Irish domiciled individuals who are neither resident nor ordinarily tax resident in Ireland may be subject to the domicile levy as a consequence of owning the Notes.

16.1.11 Irish tax resident companies and non-tax resident companies which hold Notes in connection with a trade carried on in Ireland through a branch or agency will, in general, be subject to corporation

tax on income from the Notes. The standard rate of tax applying to the trading profits of companies is 12.5%. The rate of corporation tax applying to non-trading income is 25%. In certain circumstances a surcharge of 20% can apply to investment income earned by Irish tax resident companies which are considered to be “close companies” for Irish tax purposes.

16.1.12 Certain persons are exempt from Irish tax on all income and gains including approved charities and approved pension funds.

16.1.13 All persons are under a statutory obligation to account for Irish taxation on a self-assessment basis and there is no requirement for the Revenue Commissioners to issue or raise an assessment.

16.1.14 A registered security is treated as being situated where the principal register is located. As the Notes issued will be registered in Ireland, they may be regarded as property situated in Ireland. Where Interest payments made by the Issuer on the Notes have an Irish source, irrespective of whether the interest thereon is paid gross, the Noteholders may be chargeable to Irish income tax by self-assessment. However, certain categories of taxpayer may be exempt from taxation of interest as follows:

(a) A person who is not resident in Ireland will be exempt from Irish income tax in respect of interest paid on the Notes where there is no withholding tax or deduction from the interest by virtue of the Quoted Eurobond exemption detailed above and the person is resident for purposes of tax in a member state of the EU (other than Ireland) or a country with which Ireland has signed a double tax treaty provided the person does not carry on a trade in Ireland through a branch or agency to which this interest is attributable.

(b) A person will be exempt from Irish income tax in respect of interest paid on the Notes where the Notes qualify for the Quoted Eurobond exemption from withholding tax (as outlined above) and where the person is either:

- (i) a company which is under the control, whether directly or indirectly, of persons(s) who by virtue of the laws of a member state of the EU (other than Ireland) or a country with which Ireland has signed a double taxation agreement are resident for the purposes of tax in that jurisdiction and are not under the control of persons(s) who are not so resident in a member state of the EU (other than Ireland) or a country with which Ireland has signed a double taxation agreement; or
- (ii) a company, or a 75 per cent subsidiary of a company or companies, the principal class of shares in which is substantially and regularly traded on a recognised stock exchange in an EU member state or in a country with which Ireland has signed a double tax agreement,

provided in respect of (a) and (b) above, the company does not carry on a trade in Ireland through a branch or agency to which the interest is attributable.

16.1.15 Even if the Quoted Eurobond exemption does not apply, on the basis that the Issuer will be a Qualifying Company for the purposes of the Irish Securitisation Regime, the Interest earned on such notes should be exempt from income tax if paid to a non-resident of Ireland who does not carry on a trade in Ireland through a branch or agency to which the Interest is attributable and who for the purposes of Section 198(1), Taxes Consolidation Act 1997 is regarded as being a resident of a Relevant Territory.

(a) A company will not be chargeable to Irish income tax in respect of interest paid on the Notes where:

- (i) the company is not resident in Ireland and is resident for the purposes of tax either in a member state of the EU or in a country with which Ireland has signed

a double taxation agreement and that jurisdiction imposes a tax that generally applies to interest receivable in that territory by companies from sources outside that territory; or

- (ii) the interest is exempted from the charge to Irish income tax under the relevant double tax agreement (or would be so exempt if the relevant double tax agreement had the force of law),

provided, in respect of (i) and (ii) above, the company does not carry on a trade in Ireland through a branch or agency to which this interest is attributable and the Issuer is making the interest payments in the ordinary course of its trade or business.

- (b) An exemption from Irish income tax in respect of interest paid on the Notes may also be available (subject to administrative formalities) under the terms of an applicable double taxation treaty to certain persons entitled to the benefits of such a treaty.

16.1.16 Interest on the Notes which does not fall within the above exemptions is within the charge to income tax, and, in the care of Noteholders who are individuals, is subject to the universal social charge. In the past, the Irish Revenue Commissioners have not pursued liability to income tax in respect of persons who are not regarded as being resident in Ireland except where such persons have a taxable presence of some sort in Ireland or seek to claim any relief or repayment in respect of Irish tax. However, there can be no assurance that the Irish Revenue Commissioners will apply this treatment in the case of any Noteholder.

#### *Encashment Tax*

16.1.17 In certain circumstances, Irish encashment tax may be required to be withheld at the standard rate of Irish income tax (currently 20%) from Interest on the Notes, where such Interest is collected by a person in Ireland on behalf of any holder of the Notes. However, a non-Irish paying agent should not be obliged to deduct Irish encashment tax. If a Noteholder appoints an Irish collecting agent, then an exemption from Irish encashment tax will be available where the beneficial owner of the Interest is not tax resident in Ireland and has made a declaration to this effect in the prescribed form to the collecting agent.

#### *Deposit Interest Retention Tax ("DIRT")*

16.1.18 The Interest on the Notes should not be liable to DIRT on the basis that the Issuer is not a relevant deposit taker as defined in Irish tax law.

#### *Taxation of Capital Gains*

16.1.19 Capital gains tax is chargeable at the current rate of 33% on taxable capital gains with allowance being made for acquisition costs, enhancement expenditure and certain incidental costs of disposal. A Noteholder who is resident or ordinarily resident in Ireland for Irish tax purposes may be subject to Irish capital gains tax on any gain realised on the disposal or redemption of the Notes.

16.1.20 A Noteholder who is neither resident nor ordinarily resident in Ireland for Irish tax purposes is not subject to Irish capital gains tax unless the Notes:

- (a) have been used for the purposes of a trade carried on by such a person in Ireland through a branch or agency or acquired for use by or for the purposes of the branch or agency; or
- (b) derive their value or greater part of their value from land, mineral rights or exploration rights in Ireland.

#### *Domicile Levy*

16.1.21 Irish domiciled individuals (irrespective of whether they are tax resident and / or ordinarily tax resident in Ireland) may be subject to the domicile levy as a consequence of owning the Notes.



*Irish Capital Acquisitions Tax (“CAT”)*

- 16.1.22 Irish CAT applies to gifts and inheritances where the disponent or the beneficiary is tax resident or ordinarily tax resident in Ireland at the date of the gift or inheritance or to the extent that the property of which the gift or inheritance consists is considered situated in Ireland at that date. The current rate of CAT is 33%. Consequently, if the Notes are comprised in a gift or inheritance taken from an Irish tax resident or ordinarily tax resident disponent or if the beneficiary is tax resident or ordinarily tax resident in Ireland (special rules with regard to residence apply where the disponent and / or beneficiary is not domiciled in Ireland), or if any of the Notes are regarded as property situate in Ireland, the beneficiary may be liable to Irish CAT.
- 16.1.23 A registered security is generally treated as being situated where the principal register is located. As the Notes will have an Irish register, they should be regarded as property situated in Ireland for CAT purposes.

*Irish Stamp Duty*

- 16.1.24 On the basis that the Issuer will be a Qualifying Company for the purposes of the Irish Securitisation Regime, no stamp duty or other similar documentary tax imposed by any government department or other taxing authority of or in Ireland should be payable on the creation, initial issue, delivery or transfer of the Notes.

**Irish Taxation of the Issuer***Irish Corporation Tax*

- 16.1.25 The Issuer intends that it will conduct its business so that it should be considered tax resident in Ireland.
- 16.1.26 In general, Irish tax resident companies pay corporation tax at the rate of 12.5 percent on trading income, 25 percent on non-trading income and 33 percent on non-trading capital gains. However, the Issuer intends to satisfy the criteria to be a Qualifying Company for the purposes of the Irish Securitisation Regime and to elect into that regime. As a Qualifying Company for the purposes of the Irish Securitisation Regime, the Issuer expects that it will be taxable at a rate of 25 percent on its income and gains. The Issuer also expects to be entitled to a corporate tax deduction for the Interest paid to the Noteholders in respect of the Notes. However, the Issuer’s interest expenses in respect of the Notes would not be deductible if it is paid to a “specified person” where, at the time the Notes were issued, the Issuer was in possession, or aware, of information, including information about any arrangement or understanding in relation to ownership of the instrument after that time, which could reasonably be taken to indicate that interest which would be payable in respect of the Notes would not be subject, without any reduction computed by reference to the amount of such interest or other distribution, to a tax in a Relevant Territory which generally applies to profits, income or gains received in that territory, by persons, from sources outside that territory. In order to mitigate against this risk, the Issuer has restricted ownership of the Notes to Permitted Holders.

*Irish Value Added Tax (“VAT”)*

- 16.1.27 Ireland generally imposes VAT on the supply of goods and services. No Irish VAT should apply to the acquisition on the issue or transfer of the Notes, or on the acquisition or disposal of the Collateral.

*Foreign Account Tax Compliance Act (“FATCA”)**Application of FATCA to the Issuer*

- 16.1.28 Ireland has an intergovernmental agreement with the United States of America (the “IGA”) in relation to FATCA, of a type commonly known as a ‘model 1’ agreement. Ireland has also enacted regulations to introduce the provisions of the IGA into Irish law. The Issuer intends to carry on its

business in such a way as to ensure that it is treated as complying with FATCA, pursuant to the terms of the IGA. Unless an exemption applies, the Issuer shall be required to register with the US Internal Revenue Service as a 'reporting financial institution' for FATCA purposes and report information to the Irish Revenue Commissioners relating to Noteholders who, for FATCA purposes, are specified US persons, non-participating financial institutions or passive non-financial foreign entities that are controlled by specified US persons. Exemptions from the obligation to register for FATCA purposes and from the obligation to report information for FATCA purposes are available only in limited circumstances. Any information reported by the Issuer to the Irish Revenue Commissioners will be communicated to the US Internal Revenue Service pursuant to the IGA. It is possible that the Irish Revenue Commissioners may also communicate this information to other tax authorities pursuant to the terms of any applicable double tax treaty, intergovernmental agreement or exchange of information regime.

- 16.1.29 The Issuer should generally not be subject to FATCA withholding tax in respect of its US source income for so long as it complies with its FATCA obligations. FATCA withholding tax would only be envisaged to arise on US source payments to the Issuer if the Issuer did not comply with its FATCA registration and reporting obligations and the US Internal Revenue Service specifically identified the Issuer as being a 'non-participating financial institution' for FATCA purposes.

*Application of FATCA to investors*

- 16.1.30 Each existing and prospective investor in the Notes is expected to be required to provide the Issuer such information as the Issuer may deem necessary to determine whether such Noteholder is a U.S. Reportable Account or otherwise qualifies for an exemption under FATCA. If Notes are held in a nominee account by a non-foreign financial institution nominee for the benefit of their underlying beneficial owner, the underlying beneficial owner is an accountholder under FATCA, and the information provided must pertain to the beneficial owner.
- 16.1.31 Please note that the term "U.S. Reportable Account" under FATCA applies to a wider range of investors than the term "U.S. Person" under Regulation S of the Securities Act 1933. Investors should consult their legal counsel or independent tax advisors regarding whether they fall under either of these definitions.

*European Union Savings Directive ("EUSD")*

- 16.1.32 On 10 November 2015, the Council of European Union adopted a Directive repealing the EUSD. As a result of the repeal of the EUSD, Irish paying agents will no longer be required to report interest payment information to the Irish Revenue Commissioners on payments made to individuals resident in another EU Member State under the EUSD. The final period for which information is required to be exchanged under the EUSD for Irish paying agents is the period to 31 December 2015. The EU has adopted the Common Reporting Standard (see below) as the standard for automatic exchange of financial information for member states from 1 January 2016.

*OECD Common Reporting Standard*

- 16.1.33 As noted above, the Council of the EU has recently adopted Directive 2014/107/EU, which amends Directive 2011/16/EU on administrative cooperation in the field of taxation. This 2014 directive provides for the implementation within the EU of the regime known as the "Common Reporting Standard". The global standard proposed by the OECD generalises the automatic exchange of information within the European Union as of 1 January 2016. Ireland signed a Multilateral Competent Authority Agreement on 29 October 2014, which activated the automatic exchange of information under the Common Reporting Standard, based on the Multilateral Convention on Mutual Administrative Assistance in Tax Matters. The Common Reporting Standard took effect in Ireland (and other early adopter jurisdictions) from 1 January 2016, and the first reporting took place in 2017 (with respect to 2016 calendar year). Under these measures, the Issuer may be required to report information relating to Noteholders, including the identity and residence of



Noteholders, and income, sale or redemption proceeds received by Noteholders in respect of the Notes. This information may be shared with tax authorities in other EU member states and jurisdictions which implement the OECD Common Reporting Standard.

## 16.2 UNITED KINGDOM TAXATION

16.2.1 The following applies only to persons who are the beneficial owners of Notes and in an overview of the Issuer's understanding of current United Kingdom law and published HM Revenue and Customs practice relating only to the United Kingdom withholding tax treatment of payments of principal and interest in respect of Notes. It does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Notes. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Prospective Noteholders who may be subject to tax in a jurisdictions other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.

## 16.3 INTEREST ON THE NOTES

16.3.1 Payments of interest on the Notes may be made by the Issuer without withholding or deduction for or on account of United Kingdom income tax where such interest is not regarded as having a United Kingdom source for United Kingdom tax purposes. In the case of interest on Notes which are regarded as having a United Kingdom source. Such payments of interest may be made by the Issuer without deduction of or withholding on account of United Kingdom income tax where the Notes are listed on a "recognised stock exchange", within the meaning of Section 1005 of the Income Tax Act 2007. Euronext Dublin is a recognised stock exchange. The Notes will satisfy this requirement if they are officially listed in Ireland and in accordance with provisions corresponding to those generally applicable in the European Economic Area states and are admitted to trading on the Global Exchange Market of Euronext Dublin. Provided, therefore, that the Notes remain so listed, interest on the Notes will be payable without withholding or deduction on account of United Kingdom tax.

16.3.2 In other cases, an amount must generally be withheld from payments of interest on the Notes on account of United Kingdom income tax at the basic rate (currently 20 per cent). However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HM Revenues and Customs can issue a notice to the Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

## 17. GENERAL INFORMATION

### 17.1 Listing

Application has been made to Euronext Dublin for the approval of this document as base listing particulars and to admit certain Series of Notes, within twelve months after the date hereof, to listing on the Official List of Euronext Dublin and to trading on the Global Exchange Market of Euronext Dublin. The relevant Pricing Supplement, in the respect of any Series will specify whether or not the relevant Series of Notes will be listed on Euronext Dublin.

### 17.2 Consents and Authorisations

The Issuer has obtained all necessary consents, approvals and authorisations in Ireland (if any) in connection with the issue and performance of the Notes. The issue of the Notes was authorised by a resolution of the Board of Directors of the Issuer passed on 13 November 2020.

### 17.3 No Significant or Material Change

Save as disclosed in these Listing Particulars, there has been no significant change in the financial or trading position of the Issuer and no material adverse change in the financial position or prospects of the Issuer since 30 June 2019 the date of last published audited financial statements.

#### 17.4 **No Litigation**

The Issuer is not involved, and has not been involved in any legal, governmental or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have or have had since the date of the Issuer's incorporation a significant effect on the Issuer's financial position or profitability.

#### 17.5 **Accounts**

So long as any Notes remains outstanding, copies of the most recent annual audited financial statements of the Issuer, when published, can be obtained at the specified offices of the Issuer during normal business hours. The first and latest available audited financial statements of the Issuer are for the financial period from date of incorporation 9 March 2018 to 30 June 2019. The Issuer has also prepared management accounts for the period ended 30 June 2020 which are currently being audited.

#### 17.6 **Documents Available**

For so long as any Notes are listed on the Official List of Euronext Dublin and admitted to trading on GEM, physical copies of the following documents (or copies thereof) will be available from the date of the first issue of the Notes during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for inspection at the registered office of the Issuer:

- (1) these Listing Particulars, any supplements to the Listing Particulars, any Series Drawdown documents and any Pricing Supplement of Series of Notes;
- (2) the Memorandum and Articles of Association of the Issuer;
- (3) the Trust Deed;
- (4) the Agency Agreement;
- (5) Corporate Services Agreement;
- (6) the Memorandum and Articles of Association of the Collateral Obligors;
- (7) all reports, letters, and other documents, valuations and statements prepared by any expert at the Collateral Obligors request any part of which is included or referred to in these Listing Particulars; and
- (8) the historical financial information of the Collateral Obligors or, in the case of a group, the historical financial information of the issuer and its subsidiary undertakings for each of the two financial years preceding the publication of these Listing Particulars.

The noteholders may inspect reports prepared from time-to-time by the Issuer regarding the performance of the investments (in either physical or electronic format) during usual business hours on any weekday (excluding Saturdays, Sundays and public holidays) at the registered office of the Issuer.

**18. CONTACT DETAILS****REGISTERED OFFICE OF THE ISSUER**

31-32 Leeson Street Lower  
Dublin 2  
Ireland

**TRUSTEE**

DMS Governance Risk and Compliance Services Limited  
3rd Floor, 76 Baggot Street  
Dublin 2  
Ireland

**LISTING AGENT**

Davy  
Davy House  
49 Dawson St  
Dublin 2  
Ireland

**PAYING AGENT AND REGISTRAR**

Avenir Registrars Limited  
5 St. John's Lane  
London  
EC1M 4BH  
United Kingdom

**CASH MANAGER AND CALCULATION AGENT**

Trustmoore Ireland Limited  
92 Coliemore Road  
Dalkey  
Co. Dublin  
Ireland

**CORPORATE SERVICES PROVIDER AND COMPANY SECRETARY**

Trustmoore Ireland Limited  
92 Coliemore Road  
Dalkey. Co. Dublin  
Ireland

**LEGAL ADVISERS**

To the Issuer as to Irish law  
LK Shields Solicitors LLP  
40 Upper Mount Street  
Dublin 2, Ireland

**AUDITORS**

EisnerAmper  
6, The Courtyard Building,  
Carmanhall Rd, Sandyford,  
Dublin, D18 CA22,  
Ireland

## 1. APPENDIX 1 – Form of the Pricing Supplement

### AUDACIA CAPITAL (IRELAND) PLC

*(Incorporated with limited liability in Ireland under registered number 622442)*

**EUR €250,000,000**

**Note Programme**

**Pricing Supplement dated [     ]**

Terms used herein shall have the meanings ascribed to them in the Terms and Conditions of the Notes set forth in the Listing Particulars dated 20 November 2020. This document constitutes the Pricing Supplement of the Notes described herein. This Pricing Supplement must be read in conjunction with the Listing Particulars and, if applicable, the relevant Note Purchase Agreement. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement, the Listing Particulars and, if applicable, the relevant Note Purchase Agreement. The Listing Particulars is available for viewing at the offices of the Issuer during normal office hours.

By subscribing to the Notes or otherwise acquiring the Notes, the investor expressly acknowledges and accepts that the Issuer: (i) acts in compliance with Irish law and any other applicable law; and (ii) has created a specific Series in respect of the Notes to which all assets, rights, claims and agreements relating to the Notes will be allocated.

Furthermore, the investor acknowledges and accepts that it only has recourse to the claims, assets and rights of the Issuer as against the Collateral Obligor(s) of this Series entitled " [●] "and not to the claims, assets and rights of the Issuer against any other Collateral Obligor(s) or any other assets allocated to any other series created by the Issuer or to any other assets of the Issuer generally. The investor accordingly acknowledges and accepts that once all the claims, assets and rights of the Issuer as against the Collateral Obligor(s) of this Series entitled "[●]" have been realised or the assets of the relevant Collateral Obligor(s) have been exhausted, it is not entitled to take any further steps against the Issuer to recover any further sums due and the right to receive any such sum shall be extinguished.

The investor hereby accepts not to attach or otherwise seize the assets of the Issuer allocated to Series entitled "[●]" or to other Series of the Issuer or other assets of the Issuer. In particular, the investor shall not be entitled to petition or take any other step for the winding-up, liquidation or bankruptcy of the Issuer, or any similar insolvency related proceedings.

The Series, the Notes to be issued under it, and the related Securitisation Bonds and Collateral shall have the following particulars:

#### THE SERIES

- |   |                                      |  |
|---|--------------------------------------|--|
| 1 | Issuer:                              | Audacia Capital (Ireland) plc                |
| 2 | Series Name and Number:              | [     ]                                      |
| 3 | Tranche Number:                      | [     ]                                      |
| 4 | Collateral Obligor(s) of the Series: | [** To be stated for the relevant Series **] |
| 5 | Specified Currency:                  | [EUR]/[USD]/[GBP]                            |

- 6 Aggregate Nominal Amount of Notes [EUR]/[USD]/[GBP] [ ]  
being issued: [I] or [Up to [I]], or otherwise announced by the  
Series: Issue from time to time.
- Tranche: [I] or [Up to [I]]. The aggregate nominal amount of  
Notes to be issued will depend on the amount of  
the Notes for which offers to subscribe are  
received and will be specified by announcements  
to be published on the website of Euronext Dublin  
during the Offer Period. As of the date hereof, no  
Notes have been subscribed to.
- 7 Issue Date of the Notes: [ ] or such other date as will be specified in  
an announcement to be published on the website  
of Euronext Dublin.
- 8 8.1 Minimum Denomination: EUR[ ] /GBP[ ]/ USD [ ]
- 8.2 Minimum Trading Amount: Within the offering period €100,000. On the  
secondary market they are freely transferable,  
tradeable and can be offered without any  
minimum.
- 9 Issue Price of the Notes under this  
Tranche: [ ] per Security
- 10 Maturity Date of the Notes: [ ] or such earlier date as determined by the  
Issuer and notified to the Noteholders.
- 11 In Specie Subscription: [Not Applicable]/[Applicable by way of off-market  
subscription only, where a specific break-down of  
the assets to be subscribed is appended to the  
Subscription Form, together with such evidence as  
to the valuation of the assets as the Issuer may in  
its absolute discretion require.]
- 12 Governing law: Irish
- 13 Form of Notes: Registered

**PROVISIONS RELATING TO INTEREST PAYABLE FOR THE SERIES (ALL NOTES IN THE SERIES RANKING PARI  
PASSU)**

- 14 Target Interest Rate: [●]
- On each Payment Date, interest is payable on an  
available funds basis calculated in accordance with  
the Priorities of Payments.

- 15 Calculation Date(s):  
The last Business Day of every calendar month or such other Business Day as the Issuer may from time-to-time in its absolute discretion notify to the Noteholders.
- 16 Payment Dates  
Within 15 Business Days of each of 31 March, 30 June, 30 September, 31 December in each year of the notes until Maturity Date, and then on the Maturity Date or the date of prior redemption (if applicable) of Notes within this Series.
- 17 Redemption Valuation Day:  
[ ] / [31 December 2025 unless redeemed earlier in accordance with the terms of the Series, in which case the Redemption Valuation Day shall be the last Business Day before the proposed redemption.]
- 18 Redemption Notice Period:  
[...] [5 Business Days prior to a Redemption Valuation Day]

#### PROVISIONS RELATING TO OPTIONAL EARLY REDEMPTION (IF ANY)

- 19 Optional Early Redemption Event:  
[●] [N/A][The Series may be redeemed in the discretion of the Issuer, pro rata to the holders of all Notes within this Series, or in relation to Notes held by any holder of such Notes, in the Issuer's discretion. Redemption may also occur upon request of any Noteholder or under the Issuer's own initiative, or in the event of a default of the terms of the Series.]
- 20 Exercise of Early Redemption Option:  
[details where applicable]/[Not applicable. There is no right to require early redemption of the Notes, although a Noteholder may at any time request early redemption.]

#### PROVISIONS RELATING TO UNDERLYING LINKED COLLATERAL

- 21 Collateral:  
The assets, rights and undertaking of the Collateral Obligor(s) of the Series, from time-to-time.
- 22 Currency of the Securitisation Bonds:  
The Collateral is denominated in [●]
- 23 General Description of Collateral Obligor(s) (full legal name, registered address and, as applicable, the economic environment as well as global statistical data referred to the Collateral):  
[Insert details from the Collateral Annex or supplement to the Listing Particulars as the case may be]  
Information disclosed herein about a Collateral Obligor which is not involved in the issue of Notes

*has been accurately reproduced from information published by the Collateral Obligor. So far as the Issuer is aware and is able to ascertain from information published by the Collateral Obligor, no facts have been omitted which would render the reproduced information misleading.*

24	Rating of the Securitisation Bonds:	[●] [not rated]
25	Country of incorporation of the Collateral Obligor(s):	[Insert details from the Collateral Annex or supplement to the Listing Particulars as the case may be]
26	Nature of Business of the Collateral Obligor:	Nature of Business: [Insert details from the Collateral Annex or supplement to the Listing Particulars as the case may be]
27	Market on which the Collateral Obligor(s) has securities admitted to trading:	[The Collateral Obligor(s) has issued securities admitted to trading on [●] insert name, address, country of incorporation, nature of business and name of the market in which the securities are admitted]/[The Collateral Obligor(s) has not issued securities admitted to trading on a regulated market]
28	Legal nature of the Securitisation Bonds and Collateral:	[The Securitisation Bonds [ISIN: ([●])] will comprise [Securitisation Bonds] [Instruments]  [The Securitisation Bonds are in [registered] [book entry] form]  [The Securitisation Bonds are a [senior] [secured] [unsecured] [subordinated] [unsubordinated] obligation of the Collateral Obligor]
29	Significant Representations and collaterals given to the Issuer in connection with the Collateral:	[●] [N/A] [to be transposed from the Collateral Annex]
30	Regular Payments on the Securitisation Bonds:	[Interest on the Collateral is [●] per annum payable by the Collateral Obligor on [[●], [●], [●] and [●]]  The Collateral shall be repaid by the Collateral Obligor on [the maturity date] [●] of the Collateral at [its nominal amount] [●]
31	Details of any relationship that is material to the issue of Notes:	[●]
32	Method and date of the Issuer's acquisition of the Collateral:	[●]



33	Collateral:	<p>The assets, rights and undertaking of the Collateral Obligor(s) of the Series, from time-to-time.</p> <p>The Collateral Obligor(s) may upon the terms of one or more series of Securitisation Bonds (as summarized above) subscribe to the Issuer to borrow up to 92% in aggregate of the proceeds of subscriptions for the Notes of this Series. The proceeds of subscriptions of the Notes of this Series are exclusively to be available from time to time to the Collateral Obligor(s) of this Series (subject to the Issuer's right to reject any subscription for Securitisation Bonds from time to time).</p>
34	Manner and time period in which the proceeds from the issue of Notes will be invested by the Issuer:	[In particular whether there is a specific investment target or project for the Series, or whether this forms part of the general pre-disclosed strategy going forward] / [If there is to be a non-cash subscription for the Notes, the following provisions 34-42 should be included in order to set out the nature of the Collateral acquired under the subscription for Notes. Otherwise, provisions 34-42 are not required.]
35	Issue Date of the Securitisation Bonds:	[●]
36	Maturity Date or Expiry Date of the Securitisation Bonds:	[●]
37	Amount of Securitisation Bonds:	A nominal amount equal to the Aggregate Nominal Amount of the Notes] [●]
38	Date of transfer of the Collateral:	[Date of the sale, transfer, novation or assignment of the Collateral or of any rights and / or obligations in the Collateral to the Issuer or, where applicable, the time period in which the proceeds from the issue of Notes will be fully invested by the Issuer]
39	Method of creation of the underlying Collateral:	[The Collateral was issued by the Collateral Obligor(s) in the normal course of its business] [●]
40	Manner of collection of payments in respect of the Collateral:	[●]
41	Description of principal terms and conditions of obligations comprised in the Collateral and which are not admitted to	[The principal terms and conditions are reproduced in Annex A to this Pricing Supplement] [N/A, the Collateral does not

- |    |   |  |
|----|---|--|
|    | trading on a regulated or equivalent market:                | comprise obligations that are not admitted to trading on a regulated or equivalent market] |
| 42 | Governing law of the Collateral:                            | [●]  |
| 43 | Jurisdiction for proceedings in relation to the Collateral: | [●]  |

This Pricing Supplement comprises the pricing supplement required for issue and admission to trading on Global Exchange Market of Euronext Dublin of the Notes described herein pursuant to the Listing Particulars.

The Issuer accepts responsibility for the information contained in this Pricing Supplement which, when read together with the Listing Particulars referred to above, contains all information that is material to the issue of the Notes.

Signed on behalf of the Issuer:

By: \_\_\_\_\_  
Duly authorised

**OPERATIONAL INFORMATION**

44	ISIN Code:	[ ]
45	Delivery:	As agreed with investors
46	The Agents appointed in respect of the Notes are:	<p><b>PAYING AGENT:</b> [Avenir Registrars Limited] / [●]</p> <p><b>REGISTRAR:</b> [Avenir Registrars Limited] / [●]</p> <p><b>CALCULATION AGENT:</b> [Trustmoore Ireland Limited] / [●]</p> <p><b>SETTLEMENT AGENT:</b> [SVS Securities plc] / [Avenir Registrars Limited] / [Credo Capital plc] / [●]</p> <p><b>CASH MANAGER:</b> [Trustmoore Ireland Limited] / [●]</p> <p><b>TRUSTEE:</b> [DMS Governance Risk and Compliance Services Limited] / [●]</p> <p><b>CORPORATE SERVICES PROVIDER:</b> [Trustmoore Ireland Limited] / [●]</p>
47	Relevant Clearing System	[●]/[CREST] / [N/A]
48	Banks with which the main accounts relating to the transaction are held:	[●]
	<b>Listing and admission to trading</b>	
49	Listing:	[Ireland] [Unlisted]
50	Admission to trading:	Listing of the Series of Notes on the Global Exchange Market of Euronext Dublin is expected to occur on or about the date that the Notes have received initial subscription.
51	Rating and Rating Agency:	[●] [The Notes to be issued have not been rated]

**TERMS AND CONDITIONS OF THE OFFER**

52	Offer Price:	Issue Price
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- 53 Total amount of the issue: [●] [If the amount is not fixed, description of the arrangements and time for announcing to the public the definitive amount of the offer]
- 54 Minimum Subscription: [●]
- 55 Maximum subscription amount/number of Notes: [●]
- 56 Conditions to which the offer is subject: [Offers of the Notes are conditional on their issue] [●]
- 57 Description of the application process: Applications for Notes should be made directly to the Issuer.
- 58 Offering Period  
The Offering Period shall run on and from the [●] and shall end on the [●]. Applications to subscribe for Notes may be made on a Business Day prior to the lapse of the Offering Period.  
The Issuer reserves the right for any reason to reduce the number of Notes offered.
- 59 Cancellation of the issuance of Notes: [The Issuer reserves the right for any reason to cancel the issuance of Notes] [The issuance of Notes is conditional, amongst other matters, on the Issuer receiving valid subscriptions for Notes amounting to [an aggregate subscription value of at least [●]] [●] In any such case, investors or prospective investors who have already paid or delivered subscription monies for Notes will be entitled to reimbursement of such amounts, but will not receive any remuneration that may have accrued in the period between their payment or delivery of subscription monies and such reimbursement.
- 60 Early closing of the subscription of the Notes or reduction in the number of Notes offered: The Issuer reserves the right for any reason to close the Offering Period early or reduce the number of Notes offered. If the aggregate subscription of the Notes at any time on any Business Day prior to the lapse of the Offering Period reaches €10,000,000, the Issuer will close the subscription of the Notes at such time on such Business Day, without prior notification] In any such case, investors or prospective investors who have already paid or delivered subscription monies for Notes will be entitled to reimbursement of such amounts, but will not receive any remuneration that may have accrued in the period between their payment or

delivery of subscription monies and such reimbursement.

- 61 Details of the method and time limits for paying up and delivering the Notes: The Notes will be registered through the Relevant Clearing System following the Issue Date against payment to the Issuer of the subscription monies.

**ANNEX A – DISCLOSURE REQUIREMENTS IN RESPECT OF OBLIGATIONS COMPRISED IN THE COLLATERAL**  
[Terms and Conditions of Securitisation Bonds]

**ANNEX B – REDEMPTION NOTICE [●]**

## 2. APPENDIX 2 – Terms and Conditions of the Notes

*The following (other than any provisions set out in italicised text) are the Terms and Conditions of the Notes which will be incorporated by reference into each Note and, if applicable, each Certificate. The applicable Pricing Supplement in relation to any Tranche of Notes will supplement, modify and complete the following Terms and Conditions for the purpose of such Notes. Reference should be made to the "Form of Pricing Supplement for Notes" for a description of the content of a Pricing Supplement.*

### 1. DEFINITIONS

Each Note is one of a Series of Notes. Any reference herein to "Notes", "Notes of this Series", or "this Series of Notes" shall be to the Series of Notes of which this Note forms part and any reference herein to "all Series of Notes" or "Notes of all Series" shall be to all Notes (as defined below) that remain Outstanding.

Capitalised words used in relation to these Terms and Conditions of the Notes as supplemented by the relevant Pricing Supplement shall have the meanings given to them in section 1 (*Definitions*) of the Listing Particulars unless the context otherwise requires.

### 2. FORM, DENOMINATION AND TITLE

- 2.1 This Note is one of a Series of Notes that may be issued by the Issuer.
- 2.2 The Notes may be held in uncertificated registered form in accordance with the Uncertificated Regulations and as such are dematerialised and not constituted by any physical document of title. The Notes shall be cleared through a Relevant Clearing System and are participating securities for the purposes of the Uncertificated Regulations.
- 2.3 Alternatively, the Notes may be issued in registered form represented by definitive registered certificates.
- 2.4 The Note Purchaser together with any subsequent Noteholder shall be entitled to the benefits of, be bound by, and be deemed to have notice of, all the provisions of the Agency Agreement. The Agency Agreement is on file and may be inspected at the registered office of the Issuer.
- 2.5 The Issuer will cause to be kept at the registered office of the Registrar and maintained by the Registrar the register (the "**Register**") on which shall be entered the names and addresses of the holders of the Notes, the particulars of such Notes (including details of the Aggregate Nominal Amount) held by them and all transfers and redemptions of such Notes. No transfer of such Notes will be valid unless and until entered on the Register. Title to the Notes is recorded on the Register and shall pass by registration in the Register.
- 2.6 Notwithstanding anything to the contrary in these Terms and Conditions, for so long as the Notes are participating securities: (i) the Register shall be maintained in Ireland and at all times outside of the United Kingdom, (ii) the Notes may be issued in uncertificated form in accordance with and subject as provided in the Uncertificated Regulations and (iii) for the avoidance of doubt, the Terms and Conditions in respect of the Notes shall remain applicable notwithstanding that they are not endorsed on any certificate or document of title.
- 2.7 The person listed in the Register as the holder of this Note will (to the fullest extent permitted by applicable law) be deemed and treated at all times, by all persons and for all purposes (including the making of payments), as the absolute owner of this Note regardless of any notice of ownership, theft or loss, or of any trust or other interest therein or of any writing thereon (and the expression Noteholder and references to holding of Notes or the holder of Notes shall be construed accordingly).

### 3. TRANSFERS OF NOTES

- 3.1 Transfers of dematerialised Notes may only be effected through the Relevant Clearing System in accordance with the Relevant Clearing System Rules.
- 3.2 Any Notes which are issued in registered form and represented by definitive registered certificates may only be transferred:
- (a) where the transferee is a Permitted Holder; and
  - (b) upon delivery to the Registrar of the current Certificate for cancellation and together with a form of transfer duly completed and executed and any other evidence or documentation that the Issuer or Registrar may reasonably require whereupon the Registrar will update the Register accordingly.
- 3.3 Where the entire note represented by the Certificate is not the subject of the transfer, a new Certificate in respect of the balance of the Note will be issued to the transferor.
- 3.4 Each new Certificate to be issued pursuant to Condition 3.3 shall be available for delivery within three business days of the receipt of the documentation specified in Condition 3.2. Delivery of the new Certificate(s) shall be mailed by uninsured post at the risk of the Holder entitled to the new Certificate to such address as may be so specified, unless such Holder requests otherwise and pays in advance to the relevant Agent the costs of such other method of delivery and / or such insurance as it may specify.
- 3.5 Transfer of Certificates shall be effected without charge by or on behalf of the Issuer or the Registrar but upon payment (or the giving of such indemnity as the Registrar may require) of any tax or other governmental charges that may be imposed in relation to it.
- 3.6 Title to the Notes is recorded on the Register and shall pass by registration in the Register.
- 3.7 Transactions in the Notes will be transferable only in a number not being less than the Minimum Tradable Amount.
- 3.8 If, subsequent to a transfer of a Note, either the Issuer or the Registrar becomes aware of the fact that the transferee was not or no longer is a Permitted Holder such transfer will be voided absolutely and the Register will be amended to reflect the transferor's prior ownership of the Notes.
- 3.9 Notwithstanding the above, the Issuer shall have discretion to refuse to register any transfer of Notes where it considers that the effect of the transfer would be to adversely affect the interests of the Issuer or the Noteholders.
- 3.10 No transfer of a Note will be registered after any such Note has been called for redemption.

#### 4. COVENANTS OF THE ISSUER

- 4.1 Save with prior approval of the Trustee or unless otherwise permitted under any of the Transaction Documents, the Issuer shall not, so long as any Note remains outstanding:
- (a) invest its assets otherwise than in accordance with the Investment Parameters;
  - (b) carry on and conduct its affairs other than in a proper and efficient manner;
  - (c) engage in any activity whatsoever other than those contemplated or expressly provided for the Issuer in the Transaction Documents and activities required in connection with those activities or ancillary or incidental to them.
  - (d) have any subsidiaries (as defined in Section 7 of the Companies Act 2014) or any employees or premises;
  - (e) consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any other person;



- (f) create or permit to subsist any mortgage, charge, pledge, lien or other form of Encumbrance or security interest upon the whole or any part of its undertaking, assets or revenues present or future to secure any Relevant Debt, or any guarantee of or indemnity in respect of any Relevant Debt; and
- (g) incur any Relevant Debt or give any guarantee in respect of any Relevant Debt or of any other obligation of any person otherwise than by the Issue of the Notes or for the purposes of discharging its Permitted Expenses.
- 4.2 In the event that the Issuer decides (for whatever reason) not to redeem one or more Notes upon request of a Noteholder and there is no willing buyer within a reasonable time, the Issuer undertakes to appoint a market-maker to create a secondary market for the Notes.
- 4.3 In giving any consent to the foregoing, the Trustee shall act in accordance with any direction of the Noteholders passed at a meeting of the Noteholders, described further in Condition 13 which may require the Issuer to make such modifications or additions to the provisions of any of the Transaction Documents or may impose any other conditions or requirements.
- 4.4 **PRIORITIES OF PAYMENT**
- 4.5 Prior to the occurrence of an Event of Default, the Issuer shall or shall direct that the proceeds available for distribution in relation to a particular Series shall for each Payment Date and each other date on which this Agreement or the Listing Particulars provides for distribution, be applied in the following order:
- (a) in or towards payment or discharge of that Series pro rata portion of the Permitted Expenses in the order specified in the definition of Permitted Expenses;
- (b) in or towards payment or discharge of that Series pro rata portion of a profit fee of €1,000 per annum to the Issuer, which shall be retained by the Issuer and available for distribution to its shareholders as directed from time-to-time by the Issuer;
- (c) to the Paying Agent for the discharge pro rata and pari passu to the Noteholders in or towards the payment or discharge of all amounts of interest then due and payable under or in respect of the Notes of that Series within that Interest Period; and
- (d) pro rata and pari passu to the Noteholders in or towards the payment or discharge of all amounts of principal and any other amounts then due and payable under or in respect of the Notes of that Series.
- 4.6 Following the occurrence of an Event of Default, the Cash Manager shall or shall direct that proceeds received from time-to-time in the Transaction Account with respect to Collateral acquired with the Aggregate Nominal Amount of Notes in a particular Series shall, in relation to that Series, be applied in the following order:
- (a) to the payment of that Series pro rata portion of Permitted Expenses in the order specified in the definition of Permitted Expenses;
- (b) for the discharge pro rata and pari passu to the Noteholders in or towards the payment or discharge of all amounts of interest then due and payable under or in respect of the Notes of that Series; and
- (c) pro rata and pari passu to the Noteholders in or towards the payment or discharge of all amounts of principal and any other amounts then due and payable under or in respect of the Notes of that Series.
- 4.7 In respect of the above Conditions, where any reference is made to a Series pro rata portion of any amount, such pro rata portion shall be determined by or on behalf of the Issuer based on the

ratio of the outstanding principal amount of such Series to the outstanding principal amount of all Series.

- 4.8 The Notes of each Series are direct, limited recourse and unsecured obligations of the Issuer and rank *pari passu* and without preference among themselves.

## 5. INTEREST

- 5.1 The Notes give each investor the right to receive a potential return (that is, Interest and the Redemption Amount) on the Notes together with certain ancillary rights such as the right to receive notice of certain determinations and events and the right to vote on future amendments to the terms governing the Notes should the Issuer call a meeting of investors for the purposes.
- 5.2 The Notes shall have a value or yield which is linked to the securitised Collateral comprised in the Series. Such value or yield shall be calculated and published by the Calculation Agent.
- 5.3 An investor shall have a right to receive the Redemption Amount upon a redemption of the Notes.
- 5.4 The Redemption Amount ultimately payable to investors shall not be subject to amortisation.
- 5.5 Where investors are entitled to coupon payments on the Notes, this will be specified in the Pricing Supplement with reference to the Targeted Interest Rate.
- 5.6 While the Issuer has no obligation to pay interest on the Notes prior to a redemption or realisation of the Collateral acquired with the Advanced Principal Amount of Notes, any amounts received via the Collateral at any time shall be credited by the Issuer to the Transaction Account. The Paying Agent shall apply all such amounts to the Noteholders.

## 6. REDEMPTION

- 6.1 Each Note shall be redeemed at its Redemption Amount with respect to the Maturity Date of that Note promptly following receipt in the Transaction Account of the proceeds of realisation, redemption and / or disposal of the Collateral acquired with the Aggregate Nominal Amount for that Note.
- 6.2 The Notes may not be redeemed at the option of a Noteholder during the term of the Notes.

## 7. CALCULATIONS

- 7.1 The Calculation Agent will calculate the Redemption Amount. As soon as practicable on each relevant Calculation Date or such other time on such date as the Calculation Agent may be required to calculate any such value or amount, it shall calculate each such value or amount and cause any such value or amount so calculated to be made available at the offices of the Issuer and notified to the Noteholders in accordance with Condition 14.
- 7.2 The making of each calculation of any Redemption Amount by the Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties.

## 8. DETERMINATION OR CALCULATION BY THE ISSUER

If the Calculation Agent does not at any time for any reason determine or calculate any amount which it is required to calculate, the Issuer shall do so (or (at the expense of the Issuer) shall appoint an agent on its behalf to do so) and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Issuer shall apply the provisions of Condition 7, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

## 9. SUSPENSION OF CALCULATION

Calculation by the Calculation Agent or the Issuer of the Redemption Amount may be suspended during a Disruption Period.

## 10. PAYMENTS

10.1 The Cash Manager shall pay the Redemption Amount, and any amount payable under Condition 4.5, on Notes by electronic transfer to:

(a) the account specified in the Redemptions Request Form for the Notes to which that Redemption Amount relates, or

(b) the account specified by the Noteholder for payment of the Redemption Amount resulting on the Maturity Date by notice in writing given to the Paying Agent and the Issuer, which notice shall be given no later than 10 Business Days prior to the Maturity Date.

10.2 The Redemption Amount shall be paid when the Issuer has realised sufficient funds from its assets to pay that Redemption Amount and all other Redemption Amounts for which payment is due with reference to a Maturity Date. The Issuer is dependent upon realisation, redemption and / or disposals of Collateral and no undertaking or assurance is given by the Issuer or any Agent that payment will be made by a specified date after the Maturity Date and the timing of payment depends on liquidation of the assets from which the Collateral derive value and that liquidation will not be controlled by the Issuer.

10.3 Payments shall be made in the currency in which the Notes are denominated as outlined in the relevant Pricing Supplement.

10.4 All payments are subject in all cases to any applicable laws, regulations and directives (including, without limitation), requirements applicable in any place of payment to withhold or deduct for or on account of tax). Except for any Dealing Charges, no commission or expenses shall be charged to the Noteholders in respect of such payments.

10.5 Each Noteholder will provide to the Issuer such information and documentation as the Issuer may require in order to discharge reporting, tax, regulatory, FATCA and other obligations with respect to the Notes to which the Issuer is subject.

10.6 If any date for payment in respect of any Note is not a Business Day, the Noteholder shall not be entitled to payment until the next following Business Day nor shall the Noteholder be entitled to any interest or other sum in respect of such postponed payment.

## 11. PRESCRIPTION

Claims against the Issuer for payment in respect of the Notes shall be prescribed and become void unless made within 5 years from whichever is the later of (a) the date on which such payment first becomes due and (b) if the full amount payable has not been received by the Paying Agent on or prior to such due date, the date on which, the full payment having been so received and notice to that effect shall have been given to the Noteholders (the “**Relevant Date**”).

## 12. EVENTS OF DEFAULT

12.1 The Trustee may, and if so requested by the Noteholders of the relevant Series, through a Noteholder Direction, shall (subject to being pre-funded, indemnified and / or secured to its absolute satisfaction) (but in the case of the happening of any of the events mentioned in Conditions 12.1(b) and 12.1(c) inclusive below, only if the Trustee shall have certified that such event is materially prejudicial to the interests of the Noteholders), give notice to the Issuer that the Notes of that Series are, and they shall accordingly immediately become due and payable at their Redemption Amount, if any of the following events shall occur and be continuing:

(a) Default in any payment of Redemption Amount on a Maturity Date has occurred for that Series and the continuance of such default for a period of thirty five (35) Business Days

thereafter unless such default is attributable solely to the fact that there are insufficient funds standing to the credit of the Transaction Account to pay such amount in accordance with the Priorities of Payments;

(b) Default by the Issuer in the performance of any other material obligation under the Notes of that Series and the continuance of such default for a period of thirty (30) Business Days after an officer or Director of the Issuer becomes aware, or in the exercise of reasonable diligence would have become aware, of the default; or

(c) an Insolvency Event with respect to the Issuer (for which it shall be deemed an Event of Default for all Series of Notes where this Condition 12.1(c) applies for any Series);

(each an “**Event of Default**”)

then the Noteholders or the Trustee, following receipt of a Noteholder Direction, may, without further notice, institute such proceedings against the Issuer as they or any one of them may think fit (subject to the restrictions contained in this Note and in particular Condition 19, to enforce the payment of the Redemption Amount on the Notes of that Series) including the issuance of a Note Acceleration Notice, provided, however, that upon the occurrence of an Event of Default of the type described in Condition 12.1(c) above relating to the Issuer, the Redemption Amount of the Notes of all Series shall become immediately due and payable, without such declaration or notice to the Issuer. If the circumstances giving rise to any Event of Default described in Conditions 12.1(a) and 12.1(b) above shall not then be continuing and no other Event of Default shall then be continuing, then such declaration of default may be rescinded and annulled by the Trustee following a Noteholder Direction of the Noteholders of the relevant Series of Notes issued in accordance with the procedures set forth in Condition 14 below.

12.2 If an Event of Default occurs and the Redemption Amounts of the Notes of any given Series then Outstanding become due and payable immediately while the Issuer is subject to a contractual or other restriction on realising the Collateral acquired with the proceeds of the Notes, the Trustee, on behalf of the Noteholders, may require the Issuer to transfer to that Noteholder a percentage of the Collateral then owned by the Issuer that is the same as the percentage that the Redemption Amount then owing to that Noteholder constitutes of the sum of all Redemption Amounts on Notes then Outstanding, which transfer shall constitute a discharge of the Redemption Amount then owing to that Noteholder.

### 13. **MEETINGS OF NOTEHOLDERS AND MODIFICATIONS**

13.1 The Trust Deed and the Subscription Form contain provisions for convening meetings of (a) the Noteholders generally to consider matters, including the modification of these terms and conditions or the provisions of the Trust Deed, and (b) the Noteholders of Notes of a specific Series to consider matters specific to that Series. The Trustee will only be required to take action on matters considered at a meeting of Noteholders generally or the Noteholders of Notes of a specific Series (as appropriate, the “**Relevant Noteholders**”) if directed to do so following receipt of a Noteholder Direction. The Trustee will not be obliged to take action on matters considered at a meeting of the Relevant Noteholders until such time as the Trustee receives a Noteholder Direction in accordance with the notice provisions of Condition 14. The quorum at any meeting of Relevant Noteholders for passing a Noteholder Direction will be one or more persons present holding or representing by proxy a clear majority of the nominal amount of the Notes for the time being outstanding to all Relevant Noteholders, except that, at any meeting of the Noteholders generally, the business of which includes the modification of any of these terms and conditions or any of the other Transaction Documents, an Extraordinary Resolution is required. The necessary quorum for passing of an Extraordinary Resolution will be one or more persons present holding or representing by proxy not less than 75%, or at any adjourned such meeting not less than 25%, of the nominal amount of all Notes for the time being outstanding.

- 13.2 An Extraordinary Resolution passed at any meeting of Relevant Noteholders will be binding on all Relevant Noteholders, whether or not they are present at the meeting. A copy of the Extraordinary Resolution of the Relevant Noteholders must be delivered to the Trustee.
- 13.3 The Trustee may agree, without the consent of any Noteholders to (a) any modification of any of the provisions of the Trust Deed that is of a formal, minor or technical nature or is made to correct a manifest error which is proven, and (b) any other modification, and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed that is not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on all Noteholders and, if the Trustee so requires, such modification shall be notified to all Noteholders as soon as practicable.
- 13.4 In connection with the exercise by it of any of its trusts, powers or discretions (including, but without limitation, any modification, waiver or authorisation), the Trustee shall have regard to the interests of the Noteholders as a class and, in particular, but without limitation, shall not have regard to the consequences of such exercise for individual Noteholders, resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

#### 14. NOTICES

- 14.1 Notices will either be mailed to holders of Notes at their registered addresses in the Register or sent by facsimile transmission to the facsimile number in the Register and shall be deemed to have been given on the date of such mailing or facsimile transmission. All notices of meetings of holders of Notes under Condition 13 above shall specify the time and place of, and in reasonable detail the action proposed to be taken at, such meeting.
- 14.2 Notices will be mailed, emailed or sent by facsimile transmission to the Issuer at 31-32 Leeson Street Lower, Dublin 2, Ireland. Attention: The Directors, Fax: +31 20 211 9888, email: Ireland@Trustmoore.com and will be deemed to have been given upon receipt or the date of facsimile or email transmission.
- 14.3 Notices will be mailed, emailed or sent by facsimile transmission to the Trustee, 3rd Floor, 76 Lower Baggot Street, Dublin 2. Attention: Corporate Trust. email: mtracey@dmsgovernance.com and will be deemed to have been given upon receipt or the date of facsimile or email transmission.
- 14.4 Notices will be mailed, emailed or sent by facsimile transmission to the Noteholders at the contact details provided in the Subscription Form by the Noteholder.
- 14.5 If, in the opinion of the Trustee, notification in accordance with Condition 14.1 is not practicable, notice shall be validly given if published in a leading daily English language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above.
- 14.6 While the Notes are listed on Euronext Dublin, copies of all notices given in accordance with this condition shall be forwarded to the Companies Announcement Office of the Euronext Dublin.

#### 15. STATUS OF THE HOLDER

Each Noteholder by subscribing for and purchasing Notes will be deemed to represent, warrant and agree that it is and that for so long as it remains the registered holder of the Notes it shall remain a Permitted Holder.

#### 16. PURCHASE OF NOTES

The Issuer may at any time purchase Notes in the open market or otherwise at any price. The Notes so purchased, while held by or on behalf of the Issuer shall not entitle the Issuer to vote at any meeting of the Noteholders or as part of any Extraordinary Resolution. Such Notes shall not be deemed to be Outstanding for the purposes of calculating votes or quorums at any meeting of the Noteholders or as part of any Extraordinary Resolution.

**17. REPLACEMENT OF NOTES, CERTIFICATES**

If a Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange regulations, at the specified office of the Registrar, as the case may be, as may from time-to-time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, inter alia, that if the allegedly lost, stolen or destroyed Certificate is subsequently presented for payment there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Certificates) and otherwise as the Issuer may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

**18. FURTHER ISSUES**

The Issuer may from time-to-time without the consent of the Noteholders or the Trustee create and issue further notes:

(a) having substantially the same terms and conditions as the Notes (so that references in the conditions of such Notes to "Issue Date" shall be to the first issue date of the Notes) and so that the same shall be consolidated and form a single Series with such Notes, and references in the Listing Particulars to Notes shall be construed accordingly; and / or

(b) on terms different to the Notes so as to comprise a Series of Notes distinct from the Notes.

**19. LIMITED RECOURSE, NON-PETITION AND NO RECOURSE**

19.1 The claims of the Noteholders against the Issuer in respect of the Notes of a particular Series or the Transaction Documents shall be limited to the Collateral acquired by the Issuer from time-to-time with the proceeds of issuing the Notes of the relevant Series. Following the distribution of such Collateral and any proceeds of sales of such Collateral in accordance with the Priorities of Payments, the Noteholders of a particular Series may not take any further step against the Issuer, or any of its assets to recover any sums due but unpaid to it on its own right, and all claims and all rights to claim of the Noteholders of the relevant Series against the Issuer in respect of each such sum unpaid shall be extinguished.

19.2 Other than the lodging of a claim in the liquidation of the Issuer which is initiated by another party or taking proceedings to obtain a declaration or judgment as to the obligations of the Issuer under the Notes and the Transaction Documents, the Noteholders may not institute against, or join any person in instituting against, the Issuer any bankruptcy, winding up, reorganisation, examinership, arrangement, insolvency or liquidation proceeding or other proceeding under any similar law.

19.3 None of the Agents or the Trustee have any obligation to the Noteholder for payment of any amount by the Issuer in respect of the Notes or the Transaction Documents and no recourse for or under any obligation, covenant or agreement of the Issuer contained in the Notes or the Transaction Documents shall be had against any shareholder, officer, director, employee or agent of the Issuer or the Agents, by the enforcement of any assessment or by any proceeding, by virtue of any statute or otherwise; it being expressly agreed and understood that the Notes and the Transaction Documents are a corporate obligation of the Issuer.

19.4 Each Noteholder agrees and accepts that the Noteholders of any Series shall not look to the assets or monies which are attributable to another Series in satisfaction of the obligations of the Issuer.

19.5 The provisions of this Condition 19 shall survive the termination of this Note.

## 20. **TRUSTEE**

20.1 Under the Trust Deed, the Trustee is entitled to be pre-funded, indemnified and relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the Noteholders.

20.2 In addition, the Trustee is entitled to enter into business transactions with the Issuer and any entity relating to the Issuer without accounting for any profit. Notwithstanding the foregoing, whenever the Trustee enters into transactions with the Issuer on its own account, it will do so on an arm's length basis.

20.3 The Trust Deed contains provisions permitting the retirement, or the removal by the Noteholders (exercisable by Noteholder Direction) of the Trustee, subject to there remaining a trustee in office after such retirement or removal.

## 21. **SUBSTITUTION**

The Trustee may without the consent of the Noteholders at any time agree with the Issuer to the substitution in place of the Issuer (or of the previous substitute under this Clause) as the principal debtor under the Trust Deed of any other company (such substituted company being hereinafter called the "**New Company**") provided that a trust deed is executed or some other form of undertaking is given by the New Company in form and manner satisfactory to the Trustee, agreeing to be bound by the provisions of the Trust Deed with any consequential amendments which the Trustee may deem appropriate as fully as if the New Company had been named in the Trust Deed as the principal debtor in place of the Issuer (or of the previous substitute under this Condition 21) and provided further that the Issuer unconditionally and irrevocably guarantees all amounts payable under the Trust Deed to the satisfaction of the Trustee.

## 22. **GOVERNING LAW**

The Notes and any non-contractual obligations arising out of or in connection therewith shall be governed by, and construed in accordance with, the laws of Ireland.



### 3. APPENDIX 3 – Collateral Annexes

#### 3.1 AQUARION SCFI LIMITED

<b>NAME OF THE COLLATERAL OBLIGOR</b>	Aquarion SCFI Limited (for the purposes of this Collateral Annex only, the “ <b>Collateral Obligor</b> ”)
<b>JURISDICTION OF INCORPORATION</b>	Ireland
<b>REGISTERED ADDRESS</b>	40 Upper Mount Street, Dublin 2, Ireland
<b>LEGISLATION UNDER WHICH THIS OBLIGOR OPERATES</b>	Ireland
<b>LEGAL FORM</b>	Private company limited by shares
<b>DATE OF INCORPORATION</b>	17 June 2020
<b>REGISTERED NUMBER</b>	672394
<b>SHARE CAPITAL</b>	EUR 100
<b>SHAREHOLDERS</b>	Aquarion AG With its registered office and correspondence address at Zugerstrasse 76B, 6340 Baar, Switzerland (“ <b>Aquarion</b> ” and the “ <b>Guarantor</b> ”). For further details in relation to the Guarantor, please see Schedule 1.
<b>DIRECTORS</b>	Paul Jeffrey Coe with his business address at: Zugerstrasse 76B, 6340 Baar, Switzerland.
<b>FINANCIAL YEAR END</b>	31 December
<b>AUDITORS</b>	The Collateral Obligor (newly established) is to be audited by RBK Business Advisers, a member firm of Chartered Accountants Ireland and regulated by the Chartered Accountants Regulatory Board in Ireland (registration number AI3018374).
<b>HISTORICAL FINANCIAL INFORMATION / FINANCIAL STATEMENTS</b>	As a newly established financing vehicle, the Collateral Obligor has produced no financial statements and has not been required to do so.
<b>OVERVIEW OF THE PRINCIPAL ACTIVITIES OF THE COMPANY</b>	The Collateral Obligor is a financing vehicle for the purposes of retaining the proceeds from the Series to introduce a product to the market (as described below), or to on-lend the proceeds of the Series to other members of the group of companies set out at Schedule 2 (the “ <b>Aquarion Group</b> ”), with all indirect proceeds of the Notes to be applied to the Aquarion Group’s water treatment and wastewater treatment business generally.  The Aquarion Group is a leading provider of advanced water systems, solutions and technologies for the Oil & Gas industry, the energy sector and other process industries. As a total enhanced Engineering,

	<p>Procurement and Construction (EPC) solution provider, the Aquarion Group offers solutions to some of the most critical water and waste water requirements such as produced water, seawater for injection, process and potable water, cooling water, boiler feed water, spent caustic treatment and refinery waste water. The Aquarion Group considers that it provides the best available technologies, high quality engineering, international expertise and local know-how from its operations in Germany, Switzerland, Italy, UK, Ireland, Russia and South-East Asia. The Aquarion Group considers that it has developed a range of leading edge products, ahead of the general pre-existing market in the treatment of water and wastewater. The Aquarion Group is comprised in several divisions dependent on geographical location, sector and product. Some of those divisions were divested, restructured or wound up, as described earlier relating to the historical financial information.</p>
<b>MATERIAL ADVERSE CHANGE / LEGAL AND ARBITRATION</b>	<p>The Collateral Obligor has confirmed that there has been no material adverse change in the prospects of the Collateral Obligor as a whole since the date of its incorporation. It has not traded since incorporation.</p> <p>The Collateral Obligor has confirmed that there has been no significant change in the financial or trading position of the Collateral Obligor as a whole since the date of its incorporation. It has not traded since incorporation.</p> <p>The Collateral Obligor's directors are not in any event aware of any governmental, legal or arbitration proceedings during a period covering at least the previous 12 months, which may have, or have had to date, any effect on the Collateral Obligor's and / or the Aquarion Group's financial position or profitability.</p>
<b>CONFLICTS OF INTEREST</b>	<p>There is no conflict of interest between the Collateral Obligor, its officers, affiliates their officers and the Issuer or the Issuer's directors, or between the directors of the Collateral Obligor and any other duties they may have from other directorships including any private interests they may have, or between the Collateral Obligor and any of the Guarantors arising out of a crossover of directorships between the Collateral Obligor and the Guarantors, as at the date of issue of the Series.</p> <p>The directors of the Collateral Obligor have no known conflicts of interest capable of affecting the activities of this Collateral Obligor and the performance of his duties according to the applicable law.</p>
<b>LEGAL JURISDICTION OF THE COLLATERAL BEING PROVIDED</b>	England & Wales
<b>MATURITY DATE OF THE COLLATERAL BEING PROVIDED</b>	Date on which the liabilities of the Collateral Obligor to the Issuer are repaid in full.
<b>INDICATION OF SIGNIFICANT REPRESENTATIONS AND</b>	The Collateral Obligor has granted a first ranking floating charge to the Issuer over its entire assets and undertaking.

<b>COLLATERALS GIVEN TO THE ISSUER RELATING TO THE COLLATERAL</b>	<p>Aquarion, as sole shareholder of the Collateral Obligor, has also, as stated above, undertaken to pledge by way of further security 100% of the shares in the Collateral Obligor in favour of the Issuer.</p> <p>Aquarion is also acting as Guarantor of the Collateral Obligor's liabilities to the Issuer under the Programme.</p> <p>The Collateral Obligor is required to provide to the Issuer quarterly management accounts (comprised in a profit and loss account and balance sheet), and annual audited accounts, together with such other information as the Issuer may reasonably require from time to time. The Collateral Obligor will also provide a summary of its loan book to the Aquarion Group, as well as a report as to the ongoing use of funds by the Aquarion Group on a quarterly basis. Noteholders are not entitled to review such documentation, although the Issuer shall make an announcement in case there is any actual or threatened default of the Series.</p> <p>Securitisation Bonds are subscribed by the Issuer subject to a retention policy of 8% of the subscription proceeds remaining with the Issuer in cash and liquid assets in order to provide a minimum level of liquidity for the Series.</p>
<b>OVERVIEW OF THE TERMS AND CONDITIONS OF THE COLLATERAL AND SALE</b>	<p>The Collateral is comprised in cash or other liquid assets, the Securitisation Bonds and the assets and undertaking of the Collateral Obligor's business.</p> <p>The rate of interest accruing upon the Securitisation Bonds shall be sufficient to service the Interest Rate of the Series, notwithstanding the Cash Reserve. The Collateral, therefore, has inherent characteristics that demonstrate the <u>capacity</u> to produce funds to service any payments due and payable on the Notes of all Series. This is different to the factual <u>likelihood</u> of any given Series being repaid as monies fall due, which will depend on the business underlying that Series, primarily the Collateral Obligor and the Guarantor of the Series, and any risks associated therein.</p>
<b>MATURITY OF THE SERIES</b>	30 June 2025 or, by way of Early Redemption (see below), 30 June 2023
<b>INTEREST RATE OF SERIES</b>	7.2 %
<b>PRIMARY CURRENCY OF THE SERIES</b>	EUR
<b>MATURITY OF THE SECURITISATION BONDS</b>	30 June 2025 or, by way of Early Redemption (see below), 30 June 2023
<b>INTEREST RATE OF SECURITISATION BONDS</b>	8 %
<b>PRIMARY CURRENCY OF THE SECURITISATION BONDS</b>	EUR

<b>REDEMPTION VALUATIONS DAYS</b>	30 June 2023
<b>REDEMPTION NOTICE PERIOD</b>	The Redemption Notice Period shall be one calendar quarter prior to the relevant Redemption Valuation Day. Except where the Issuer and any Noteholder agree otherwise in writing, any request for redemption received in the Redemption Notice Period shall be held over until the following Redemption Valuation Day or the Final Maturity Date, as applicable.
<b>COMPANY STRATEGY AND PURPOSE OF SECURITISATION BONDS</b>	<p>The purpose of the Securitisation Bonds is primarily to provide working capital to the Aquarion Group generally including to the AquaCritox-SCFI Project (as defined below).</p> <p>Without limiting the use of proceeds of the Series, it is proposed that the Collateral Obligor shall apply proceeds from the Series towards the further development and distribution among the global oil &amp; gas market of a pre-existing and patented Aquarion Group product named "AquaCritox" (the "<b>AquaCritox – SCFI Project</b>").</p> <p>AquaCritox is an alternative to existing processes for the treatment and recycling of water, wastewater, sludges and energy. The Aquarion Group considers that this has particular relevance to the Oil &amp; Gas sector. As at the date of this document, a family of eight patents are registered to SCFI Limited (see below further information in respect of SCFI Limited) in various jurisdictions relating to AquaCritox, and 'AquaCritox' is also a registered trademark of SCFI Limited. These patents broadly relate to the sub and supercritical water oxidation or gasification of a stream containing oxidizable material, and for certain high temperature and high pressure reaction systems for the treatment of water and wastewater. Specifically, the AquaCritox process enables treatment without pre-drying and at significantly greater volumes per hour than under existing processes, and at significantly lower capital and operating costs than under existing processes. The business is fully aligned with the 17 published global sustainable development goals of the United Nations, which it treats as key performance indicators of a given product. Accordingly, the Collateral Obligor considers that there is already substantial demand for its products generally and, in particular, AquaCritox which is realistically only likely to increase.</p> <p>SCFI Limited is as at the date of this document an affiliate of Aquarion under its control, and in which Aquarion holds an equity interest of 45%. Aquarion shall acquire a further 50% equity interest in SCFI Limited on or about 19 July 2020 pursuant to a Sale and Purchase Agreement dated 26 July 2019. Accordingly, in all material respects, during the term of the Series, SCFI Limited will become a 95% subsidiary of the Guarantor.</p> <p>The budget and projections for the AquaCritox – SCFI Project are set out at Schedule 3 (the "<b>AquaCritox SCFI Project Budget and Projections</b>"), which assumes normalised working capital within the Aquarion group to finance the respective facilities, irrespective of</p>

	<p>take-up of the Series, and similar market conditions to those present at the time of preparation of the projections.</p> <p>Schedule 3 also contains a business plan for the use of the subscription proceeds for the Securitisation Bonds as at May 2020 in relation to the AquaCritox – SCFI Project. Projections contained therein are dependent on the take-up of the Notes and the Collateral Obligor has confirmed that they have been prepared on the same basis as the audited accounts of Aquarion AG (the Guarantor).</p> <p>The CVs of the management team are also open to inspection in physical form at the registered office of the Issuer, which demonstrate a blue chip background at a senior level both generally and within the specialist water and wastewater treatment sector. It is the Issuer's opinion that the team demonstrates sufficient expertise and sufficient role coverage within the team to deliver the business plan.</p>
<p><b>RISK FACTORS OF THE SECURITISATION BONDS</b></p>	<p><b>1. General</b></p> <p>There can be no guarantee that the Collateral Obligor or the Aquarion Group will achieve its stated trading objectives. The uptake and profitability of the Aquacritox product in particular is yet to be reflected in the financial statements of the Collateral Obligor, and may in any event change as against current expectations. The value of the Collateral Obligor's assets may go down as well as up in the ordinary course of the business, given its market exposures as a whole.</p> <p>The Issuer may therefore realise less than its original investment in the event that the Collateral Obligor and the Aquarion Group as a whole has insufficient assets, and therefore the Noteholders will receive less than the principal value of the Notes.</p> <p>Further, any particular division or product of the Aquarion Group or of any Aquarion Group member may suffer in the market for commercial reasons within and outside the control of the Collateral Obligor, Aquarion and the Issuer. A failure of a particular division or product or Aquarion Group member may also affect the consolidated underlying value of Aquarion as a whole and, therefore the ability of Aquarion or the Collateral Obligor to pay its debts as they fall due and generally service the Securitisation Bonds.</p> <p><b>2. Operational risks</b></p> <p>Carrying on a business imports an inherent risk of failure of that business for many reasons. Unanticipated situations may arise on site or may affect cash-flow or the net assets of any Aquarion Group member, any of which may cause increased cost or delay or cause the business to fail (in extreme circumstances). There may, for example, be costs currently unaccounted for that must be borne or recovered in connection with any part of the Aquarion Group's business.</p> <p><b>3. Unforeseen matters and withholdings of information</b></p>

Whilst the Issuer has undertaken an established due diligence process prior to the issue of Notes, there may be hidden defects which were not apparent or identified and which may later affect the value of the Aquarion Group.

#### **4. Government and legislative change and threat of litigation**

Changes in the law or regulation for the water treatment and wastewater treatment sector could affect the return on any investment in the Collateral Obligor. The additional cost burden of any change in legislation may make it uneconomic for one or more projects to proceed. Additional compliance costs, both direct or indirect, may also render the Collateral Obligor directly or indirectly unable to pay its debts or service the Securitisation Bonds in such circumstances.

#### **5. AquaCritox SCFI Project Budget and Projections**

Aquarion has based the forward-looking statements contained in the AquaCritox SCFI Project Budget and Projections on their current expectations, estimates and projections about the Aquarion Group and the industries in which we operate in general. The financial forecasts made therein include accounts that have been prepared on a consistent basis with Aquarion's audited financial statements for the years ending 31 December 2017 and 2018. Prospective Noteholders are cautioned that these statements are not guarantees of future performance as they involve assumptions that, while made in good faith, may prove to be incorrect, and involve risks and uncertainties that neither the Issuer nor the Collateral Obligor can predict. In addition, these forward-looking are based on statements and assumptions about future events that may prove to be inaccurate. Accordingly, the actual outcomes and results may differ materially from what have been expressed or forecasted in the forward-looking statements contained in the AquaCritox SCFI Project Budget and Projections.

#### **6. Covid-19 risk**

It is unclear as to what the overall impact of the Covid-19 pandemic will be for the worldwide Aquarion Group, which includes operations in Asia. The management have already experienced delays in obtaining the final audit sign-off for the financial year ended 31 December 2019 due to difficulties satisfying the auditor in relation to certain Asian operations, as a direct result of the pandemic. It is unclear whether there may be other effects on the labour force, revenue and new order book and therefore whether there may be further effects on the business of the Aquarion Group as a whole.

#### **7. Delays in Developing AquaCritox**

There may be delays in developing AquaCritox which are unknown and unforeseen at this stage, including delays beyond the control of the Aquarion Group, which could impede growth objectives and business prospects.

	<p>Such problems may include, but are not limited to, problems related to the technical development of AquaCritox, problems with the infrastructure for the distribution and delivery, the competitive environment in which the Aquarion Group operates, marketing problems, consumer and advertiser acceptance and costs and expenses that may exceed current estimates. Problems, delays or expenses in any of these areas could have a negative impact on the business of the Collateral Obligor and the Aquarion Group, financial conditions or results of operations.</p> <p><b>8. Manufacturing Risk</b></p> <p>The Aquarion Group's manufacturing efficiency in respect of AquaCritox will continue to be an important factor in its future profitability. The Collateral Obligor may not be able to maintain or increase its manufacturing efficiency. Any disruption to the Collateral Obligor's operations could have a material adverse effect on its manufacturing efficiencies, operating results and financial conditions.</p> <p><b>9. Product Liability Risk</b></p> <p>The sale of AquaCritox may involve the risk of product liability claims being brought against the Aquarion Group, including in the event of death, injury or damage to property are caused due to the sale, marketing, use or manufacture of AquaCritox.</p>
<b>INSPECTION DOCUMENTS</b>	<p>The following documents are open to physical inspection (and will remain open to inspection for as long as the securities are listed on the Official List of Euronext Dublin and admitted to trading on the Global Exchange Market) at the registered office of the Issuer in relation to this Collateral Obligor:</p> <ol style="list-style-type: none"> <li>1. Business Plan for the Aquacritox – SCFI Project dated May 2020.</li> <li>2. Management accounts for Aquarion for the period ended 31 December 2019.</li> <li>3. Management accounts for Aquarion for the period ended 31 May 2020.</li> <li>4. The biographies of:       <ol style="list-style-type: none"> <li>(a) Dr. Karl Michael Millauer;</li> <li>(b) Jennifer Wick; and</li> <li>(c) Ashok Parekh.</li> </ol> </li> <li>5. Memorandum and articles of association of the Collateral Obligor.</li> <li>6. Guarantee from Aquarion.</li> </ol>



**1 SCHEDULE 1****AQUARION AG (“AQUARION” AND THE “GUARANTOR”)**

<b>NAME OF THE GUARANTOR</b>	Aquarion AG (“ <b>Aquarion</b> ” and, in respect of this Collateral Annex only the “ <b>Guarantor</b> ”)
<b>JURISDICTION OF INCORPORATION</b>	Switzerland
<b>REGISTERED ADDRESS</b>	Zugerstrasse 76B 6340 Baar Switzerland
<b>LEGISLATION UNDER WHICH THIS OBLIGOR OPERATES</b>	Switzerland
<b>LEGAL FORM</b>	Joint stock company limited by shares
<b>DATE OF INCORPORATION</b>	6 December 2010
<b>REGISTERED NUMBER</b>	CHE-116.309.082
<b>SHARE CAPITAL</b>	CHF 9,087,720
<b>SHAREHOLDERS</b>	<p>Water Re-Use Limited (84%) Karl-Michael Millauer (14.8%) Thomas Will (1.2%)</p> <p>The contact address for Water Re-Use Limited, its registered office (see below). For the individuals specified above, the contact address shall be the registered office of Aquarion at Zugerstrasse 76B, 6340 Baar, Switzerland.</p> <p>Water Re-Use Limited is a Guernsey company (registered number: 63601), wholly owned by two nominee companies (provided according to a service agreement with domiciliation agent, Alter Domus) on trust for Sustainable Growth Fund SCSp, SICAV-CIF. The registered office of Water Re-Use Limited is La Tonnelle House Les Banques St. Sampson Guernsey GY1 3HS.</p> <p>Sustainable Growth Fund SCSp, SICAV-CIF is a Luxembourg-regulated Alternative Investment Fund Manager, which is managed by its general partner, a Luxembourg company, Sustainable Growth Management GP S.à.r.l. No individual investor in that company (limited partner directly or indirectly) owns or controls more than 25% of its voting rights. Accordingly, Sustainable Growth Management GP S.à.r.l. and therefore Sustainable Growth Fund SCSp, SICAV-CIF is controlled by its directors, Jennifer Lynn Wick (also a director of Aquarion – see below) and Michael Joseph Hammons.</p> <p>Any control exerted by Sustainable Growth Fund SCSp, SICAV-CIF over Aquarion is limited by (i) the nature of activities such regulated fund can engage with under the Alternative Investment Funds Directive (AIFMD) and other European Union legislation and (ii)</p>

	<p>representatives of the fund have been appointed as directors of Aquarion (Ashok Pararekh and Jennifer Lynn Wick) have been appointed in a supervisory capacity only and do not have authority to enter into legal obligations on behalf of Aquarion.</p> <p>The contact addresses for the directors of Sustainable Growth Management GP S.à.r.l. acting as such is 5 Rue Heienhaff, 1736 Senningerberg, Luxembourg, the registered office of that company.</p>
<b>DIRECTORS</b>	<ol style="list-style-type: none"> <li>1. Thomas Will (Director (Geschäftsführer));</li> <li>2. Karl Michael Millauer (Supervisory Board member);</li> <li>3. Ashok Parekh (Supervisory Board member);</li> <li>4. Bjorn Lamprecht (Director (Mitglied der Geschäftsleitung)); and</li> <li>5. Jennifer Lynn Wick (President of the Supervisory Board).</li> </ol> <p>each with their business address at:</p> <p>Zugerstrasse 76B, 6340 Baar, Switzerland.</p> <p>Thomas Will is the executive director of Aquarion in respect of its business management and Bjorn Lamprecht is the executive director of Aquarion in respect of its financial management.</p>
<b>FINANCIAL YEAR END</b>	31 December
<b>AUDITORS</b>	<p>In relation to the financial statements for the period ended 31 December 2019:</p> <p>PKF Wirtschaftsprüfung AG Lavaterstrasse 40 CH-8002 Zürich Switzerland</p> <p>PKF Wirtschaftsprüfung AG is a Swiss registered auditor (number: 500498) on the Swiss national register of auditors.</p> <p>In relation to the financial statements for the period ended 31 December 2018, BDO Limited (a Swiss branch of a Guernsey company):</p> <p>BDO Limited Schiffbaustrasse 2 8031, Zurich Switzerland</p> <p>Chartered accountants registered with Institute of Chartered Accountants of England &amp; Wales (ICAEW).</p>
<b>HISTORICAL FINANCIAL INFORMATION / FINANCIAL STATEMENTS</b>	<p>The audited accounts for Aquarion for the years ended 31 December 2017 and 2018 are attached at Schedule 4 and Schedule 5 respectively. Half-yearly audited accounts for Aquarion up to June 2019 are attached at Schedule 6.</p>

	<p>For reference, Aquarion is a substantial company for which the statutory accounts are required to be audited on an annual basis. The audited net asset surplus of Aquarion was EUR 40,000,000 as at 31 December 2018. Aquarion has more than 300 employees and an established global customer base including many blue-chip companies over its several divisions and many separate products.</p> <p>Management accounts for Aquarion for the period ended 31 December 2019 and 31 May 2020 are also open to inspection in physical form at the registered office of the Issuer (and the year-end for 2019 will be audited in due course).</p>
<p><b>OVERVIEW OF THE PRINCIPAL ACTIVITIES OF THE COMPANY</b></p>	<p>Aquarion is the holding company for the Aquarion Group and its water treatment and wastewater treatment business.</p> <p>The Aquarion Group is a leading provider of advanced water systems, solutions and technologies for the Oil &amp; Gas industry, the energy sector and other process industries. As a total enhanced Engineering, Procurement and Construction (EPC) solution provider, the Aquarion Group offers solutions to some of the most critical water and waste water requirements such as produced water, seawater for injection, process and potable water, cooling water, boiler feed water, spent caustic treatment and refinery waste water.</p> <p>The Aquarion Group considers that it provides the best available technologies, high quality engineering, international expertise and local know-how from its operations in Germany, Switzerland, Italy, UK, Ireland, Russia and South-East Asia.</p> <p>The Aquarion Group considers that it has developed a range of leading edge products, ahead of the general pre-existing market in the treatment of water and wastewater. The Aquarion Group is comprised in several divisions dependent on geographical location, sector and product. Some of those divisions were divested, restructured or wound up, as described earlier relating to the historical financial information.</p>
<p><b>NATURE AND SCOPE OF GUARANTEE</b></p>	<p>Aquarion as Guarantor and the Issuer as obligee have agreed to enter into a guarantee for the purpose of providing credit support to the Issuer for the liabilities from time to time outstanding of the Collateral Obligor to the Issuer (the “<b>Guarantee</b>”).</p> <p>The Guarantee provides that in consideration of the Issuer subscribing to the Securitisation Bonds issued by the Collateral Obligor, Aquarion guarantees to the Issuer, if the Collateral Obligor does not pay when due any sums owing under the Securitisation Bonds, to pay on demand all sums due to the Issuer.</p>
<p><b>MATERIAL ADVERSE CHANGE / LEGAL AND ARBITRATION</b></p>	<p>Aquarion has confirmed that there has been no material adverse change in the financial position or prospects of Aquarion as a whole since its incorporation.</p>

	<p>Aquarion has confirmed that there has been no significant change in the financial or trading position of Aquarion as a whole since the date of its incorporation.</p> <p>Aquarion's directors are not aware of any governmental, legal or arbitration proceedings during a period covering at least the previous 12 months, which may have, or have had to date, any effect on Aquarion's and / or the Aquarian Group's financial position or profitability.</p>
<b>CONFLICTS OF INTEREST</b>	<p>There is no conflict of interest between Aquarion, its officers, affiliates their officers and the Issuer or the Issuer's directors as at the date of issue of the Series. Aquarion AG is the parent company of an extended worldwide group of companies subject to a unified corporate governance regime, control structure and management. There is no conflict of interest in that respect.</p> <p>The directors of the Guarantor have no known conflicts of interest capable of affecting the activities of this Collateral Obligor and the performance of their duties according to the applicable law.</p>
<b>LEGAL JURISDICTION OF THE COLLATERAL BEING PROVIDED</b>	England & Wales (the governing law of the corporate guarantee relating to the Programme)
<b>MATURITY DATE OF THE COLLATERAL BEING PROVIDED</b>	Date on which the liabilities of the Collateral Obligor to the Issuer are repaid in full.
<b>INDICATION OF SIGNIFICANT REPRESENTATIONS AND COLLATERALS GIVEN TO THE ISSUER RELATING TO THE COLLATERAL</b>	<p>The Collateral Obligor is required to provide to the Issuer quarterly management accounts of Aquarion (comprised in a profit and loss account and balance sheet), and annual audited accounts of Aquarion, together with such other information as the Issuer may reasonably require from time to time. The Collateral Obligor will also provide a summary of its loan book to the Aquarion Group, as well as a report as to the ongoing use of funds by the Aquarion Group on a quarterly basis. Noteholders are not entitled to review such documentation, although the Issuer shall make an announcement in case there is any actual or threatened default of the Series.</p> <p>Securitisation Bonds are subscribed by the Issuer subject to a retention policy of 8% of the subscription proceeds remaining with the Issuer in cash and liquid assets in order to provide a minimum level of liquidity for the Series.</p>
<b>OVERVIEW OF THE TERMS AND CONDITIONS OF THE COLLATERAL AND SALE</b>	The Collateral is comprised in cash or other liquid assets, the Securitisation Bonds and the assets and undertaking of the Collateral Obligor's business.
<b>COMPANY STRATEGY AND PURPOSE OF SECURITISATION BONDS</b>	<p>The purpose of the Securitisation Bonds is primarily to provide working capital to the Aquarion Group generally including to the AquaCritox-SCFI Project, as described above.</p> <p>The Issuer has seen a business plan for the initial use of the subscription proceeds for the Securitisation Bonds as at May 2020, for the AquaCritox Project – SCFI, which is attached at Schedule 3 to</p>

	<p>this Collateral Annex. The Collateral Obligor has confirmed that projections contained therein have been prepared on the same basis as the audited financial statements of Aquarion AG and are dependent on take-up of the Notes.</p> <p>The CVs of the management team are also open to inspection in physical form at the registered office of the Issuer, which demonstrate a blue chip background at a senior level both generally and within the specialist water and wastewater treatment sector. It is the Issuer's opinion that the team demonstrates sufficient expertise and sufficient role coverage within the team to deliver the business plan.</p> <p>Please refer to the section 'Company Strategy and Purpose of Securitisation Bonds' in the Collateral Annex.</p>
<p><b>RISK FACTORS OF THE SECURITISATION BONDS</b></p>	<p><b>1. General</b></p> <p>There can be no guarantee that the Guarantor or the Aquarion Group will achieve its stated trading objectives. The value of the Guarantor's assets may go down as well as up in the ordinary course of the business, given its market exposures as a whole. The business of the Aquarion Group may be carried on through subsidiaries and not the Guarantor directly. There is no guarantee that any profit generated by such subsidiaries will be distributed or otherwise transferred to the Guarantor in order to enable it to meet any liabilities as Guarantor.</p> <p>The Issuer may therefore realise less than its original investment in the event that the Guarantor, the Collateral Obligor and the Aquarion Group as a whole has insufficient assets, and therefore the Noteholders will receive less than the principal value of the Notes.</p> <p>Further, any particular division or product of the Aquarion Group or of any Aquarion Group member may suffer in the market for commercial reasons within and outside the control of the Collateral Obligor, Aquarion and the Issuer. A failure of a particular division or product or Aquarion Group member may also affect the consolidated underlying value of Aquarion as a whole and, therefore the ability of Aquarion or the Collateral Obligor to pay its debts as they fall due.</p> <p><b>2. Operational risks</b></p> <p>Carrying on a business imports an inherent risk of failure of that business for many reasons. Unanticipated situations may arise on site or may affect cash-flow or the net assets of any Aquarion Group member, any of which may cause increased cost or delay or cause the business to fail (in extreme circumstances).</p> <p><b>3. Unforeseen matters and withholdings of information</b></p> <p>Whilst the Issuer has undertaken an established due diligence process prior to the issue of Notes, there may be hidden defects which were not apparent or identified and which may later affect the value of the Aquarion Group.</p>

**4. Protection of intellectual property**

The Guarantor's ability to compete depends in part upon the successful protection of the Aquarion Group's intellectual property. A third party may infringe upon the intellectual property of the Aquarion Group for one or another product, or may release information considered confidential about the Aquarion Group's intellectual property and/or claim technology that is registered to the members of the Aquarion Group. In addition, the Aquarion Group may fail to discover infringement of its intellectual property, and/or any steps taken or that will be taken by it may not be sufficient to protect such intellectual property rights or prevent others from seeking to invalidate its intellectual property or block sales of one or more of its products by alleging a breach of their intellectual property. Any of these events may have a material adverse effect on the Aquarion Group's business, financial condition, capital resources, results and/or future operations, irrespective of the success of the AquaCritox product or any other product within the Aquarion Group.

**5. Loss of key clients**

The Aquarion Group is not reliant on any one client. However, the loss of one or more key clients may have a negative impact on the Aquarion Group's financial performance, whether relating to one or several products. Loss of a key client may occur for any number of reasons beyond the control of the Aquarion Group, including change in client's management, insolvency, corporate takeover activity, aggressive pricing by competitors, dissatisfaction with services provided by the Aquarion Group. The departure of a key client may adversely affect the financial performance of the Aquarion Group until such time that the foregone revenue can be replaced by the custom of a new client or the expansion of revenue derived from an existing client.

**7. Research and development risk**

The Aquarion Group's services and technology as a whole are the subject of continuous research and development and will likely need to be substantially developed further in order to enable the Guarantor to remain competitive across its product portfolio, increase sales and improve the scalability of products and new technology. There are no guarantees that the Aquarion Group will be able to undertake such research and development successfully. Failure to successfully undertake such research and development, anticipate technical problems, or estimate research and development costs or timeframes accurately may adversely affect the Aquarion Group's results and viability vis-à-vis the AquaCritox product or the Collateral Obligor's obligations under the Securitisation Bonds.

**8. Operational risk**

The Guarantor has been, and may in future be, engaged by a customer to design and develop a specific solution in accordance

	<p>with customer specifications. There is a risk that the Aquarion Group will not be able to deliver the outputs agreed upon with its customers, for example where the specification provided by the customer is not feasible in practice or the manufacture of the developed product is too complex for consistent performance to be assured. Failure to meet the demands of customers may adversely affect the Aquarion Group's business operations and financial performance as a whole, including but not only vis-à-vis that product or that project.</p> <p><b>9. Change in costs</b></p> <p>The Aquarion Group's business uses a broad range of materials and components in the manufacture of the Guarantor's products. The Aquarion Group's industry may be affected from time to time by limited supplies or price fluctuations of certain key components and materials. Such price increases could materially increase the Aquarion Group's operating costs and materially and adversely affect the Aquarion Group's profit margins.</p> <p><b>10. Product liability</b></p> <p>The Aquarion Group may incur material losses and costs as a result of product liability, warranty and recall claims that may be brought against the Aquarion Group for one or more of its products. The Aquarion Group faces risks related to product liability claims, warranty claims and recalls in the event that any of the products utilised by the Aquarion Group are actually or allegedly are defective, fail to perform as expected or the use of the such products results, or is alleged to result, in bodily injury and/or property damage.</p>
<b>INSPECTION DOCUMENTS</b>	<p>The following documents are open to physical inspection (and will remain open to inspection for as long as the securities are listed on the Official List of Euronext Dublin and admitted to trading on the Global Exchange Market) at the registered office of the Issuer in relation to this Collateral Obligor:</p> <ol style="list-style-type: none"> <li>1. Business Plan for the Aquacritox – SCFI Project dated May 2020.</li> <li>2. Management accounts for Aquarion for the period ended 31 May 2020, respectively.</li> <li>3. Management accounts for Aquarion AG for the period ended 31 December 2019.</li> <li>4. Audited Financial Statements for Aquarion AG up to June 2019.</li> <li>5. Audited Financial Statements for Aquarion AG for the year ended 31 December 2018.</li> <li>6. Audited Financial Statements for Aquarion AG for the year ended 31 December 2017.</li> <li>7. The biographies of:       <ol style="list-style-type: none"> <li>(a) Karl Michael Millauer;</li> <li>(b) Jennifer Wick; and</li> </ol> </li> </ol>



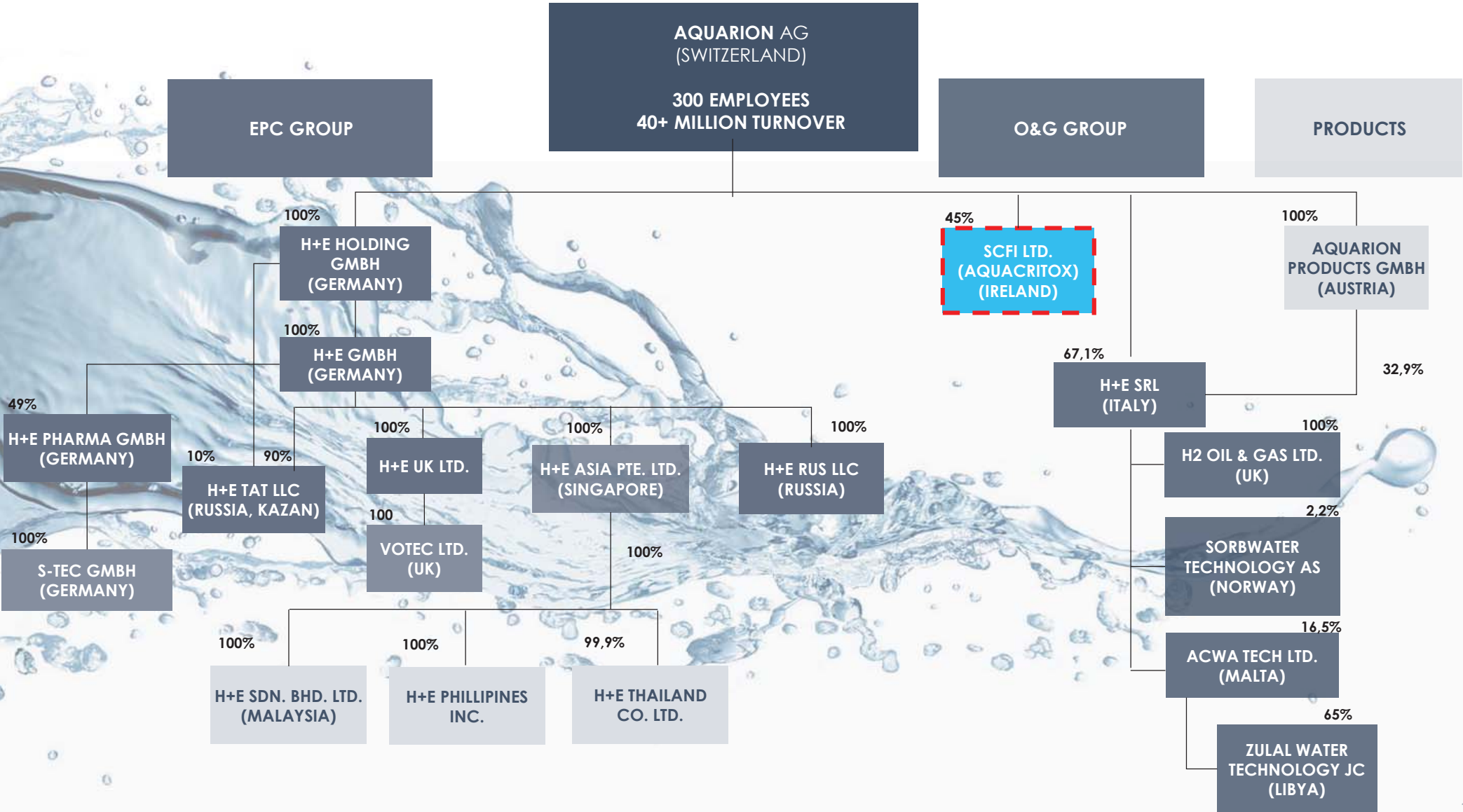
	<p>(c) Ashok Parekh.</p> <p>8. Memorandum and articles of association of Aquarion.</p> <p>9. Guarantee from Aquarion.</p>
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**2 SCHEDULE 2**

**AQUARION GROUP STRUCTURE CHART**

# Organizational structure

## AQUARION AG



**3 SCHEDULE 3**

**BUDGET AND PROJECTIONS FOR THE SCFI – AQUACRITOX PROJECT**

The most precious  
currency of all: **WATER**

# AGENDA

01 . WHY WATER

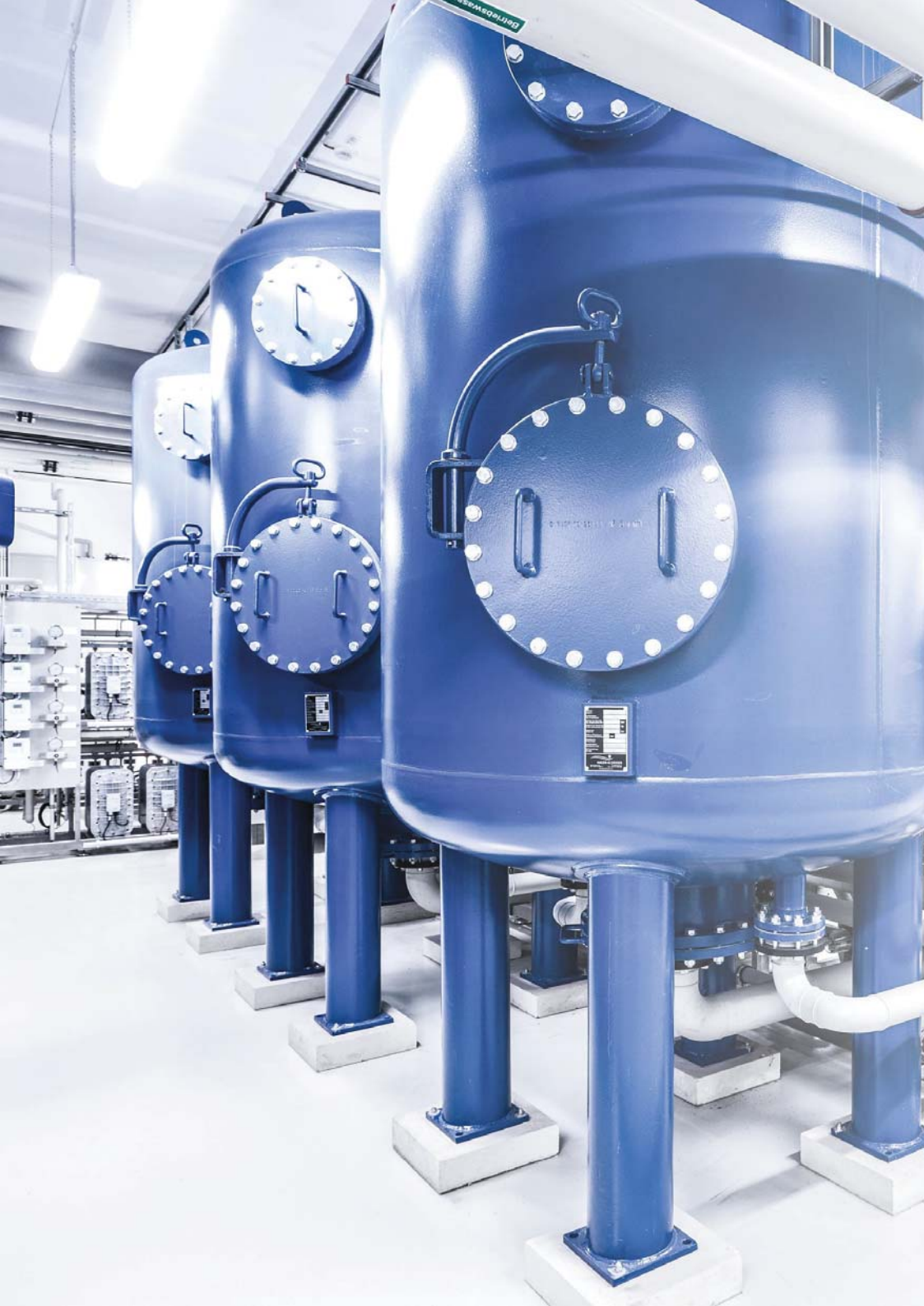
02 . WHY AQUARION

03 . DIFFERENTIATED TECHNOLOGIES

04 . KEY FINANCIALS

05 . GROWTH PROJECTIONS





# 01.

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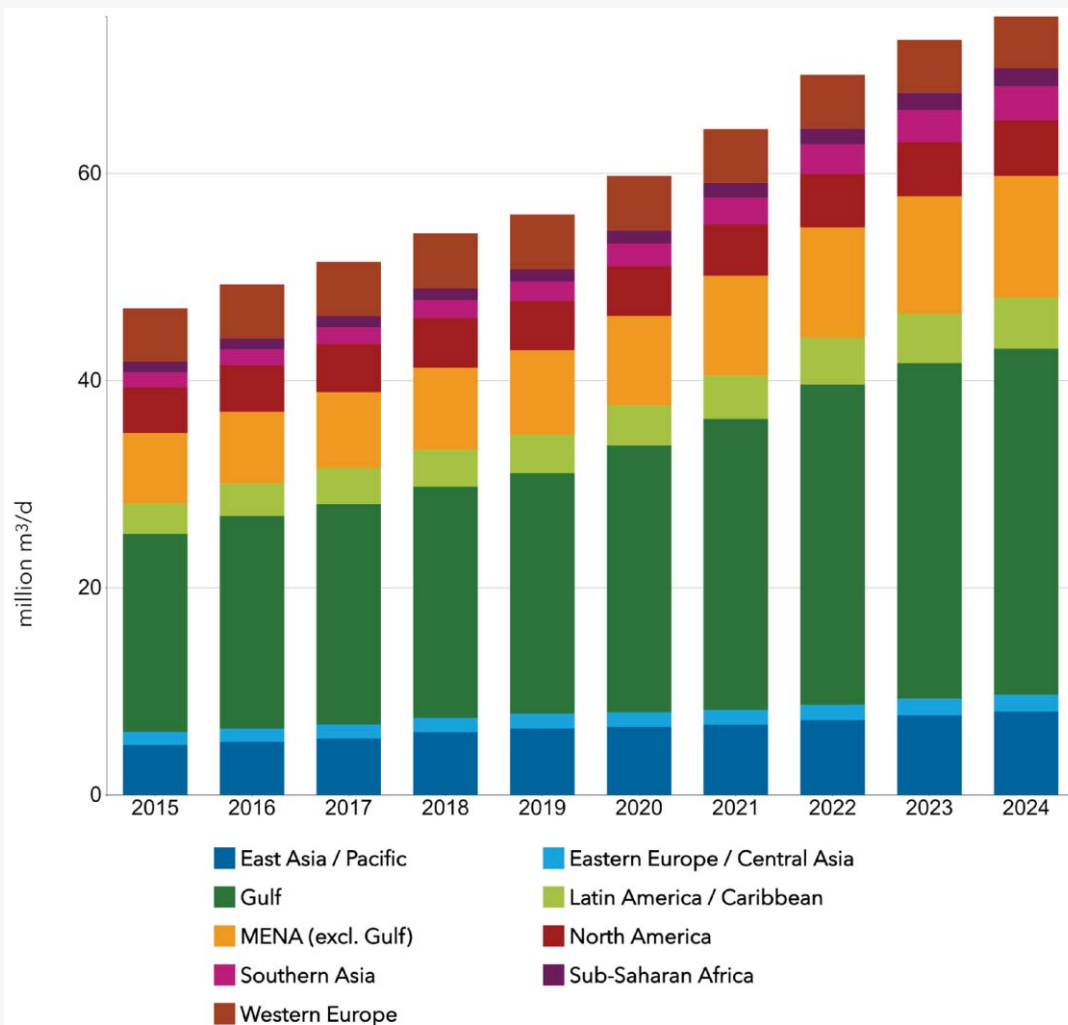
WHY WATER

*“WATER THE BLUE GOLD”*



# Growing water industry GWI statistics

Growing Water Treatment Capacity by Region.



HUGE INCREASE IN  
INSTALLED  
CAPACITY IN  
10 YEARS

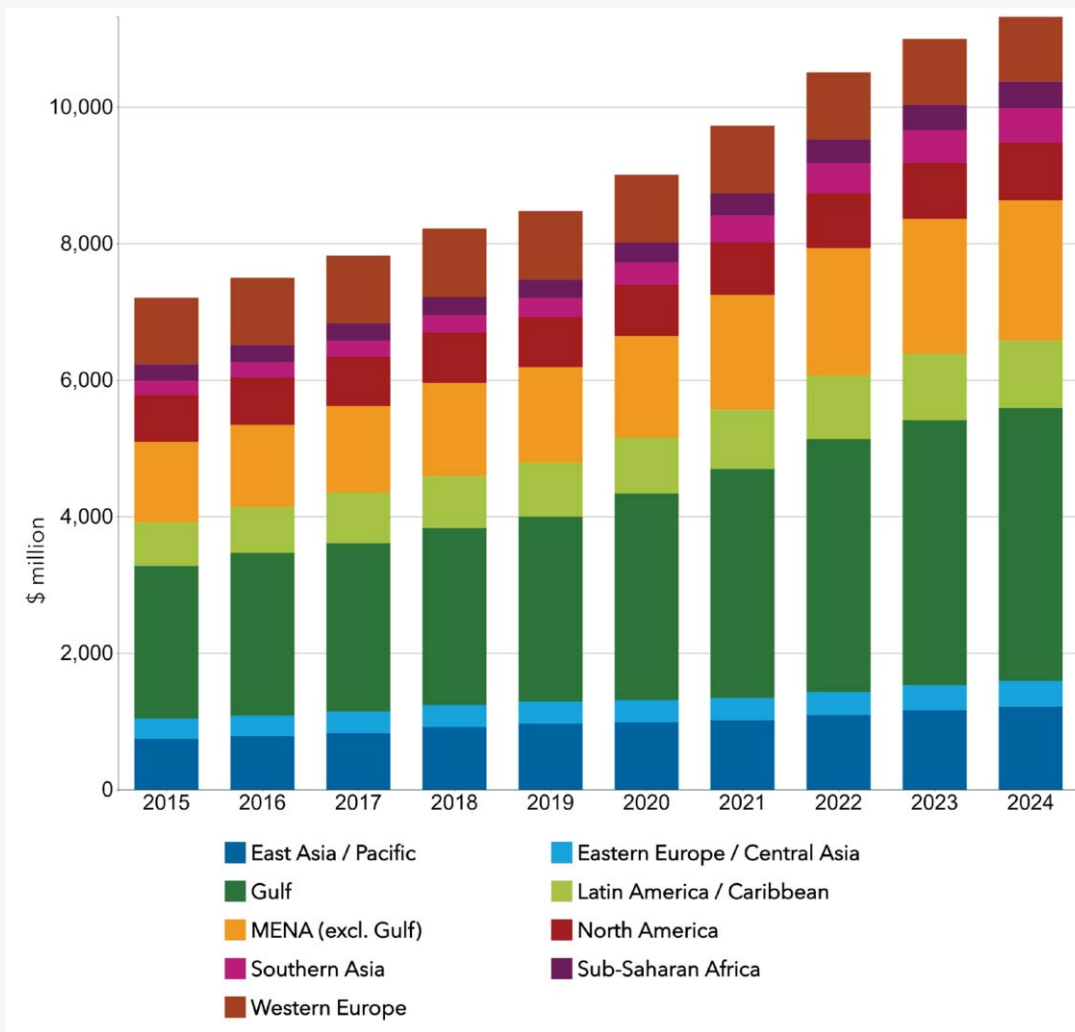
FORECAST FOR  
THE FUTURE:

- **5-7% GROWING  
PER YEAR**



# Growing water industry GWI statistics

Growing Water Market Expenditure by Region.



## MARKET SIZE

- **OPEX** → O&M is growing and leading the market amount
- **CAPEX** → will increase further in relation to increased capacity

# Sustainable Development Goals

## UN



- Aquarion follows the 17 UN Sustainable Development Goals
- For the majority of them, they are goals that can be used as KPIs to report against



# 02.




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## WHY AQUARION

# Company overview

## AQUARION AG

- Headquartered in Baar (CH), Aquarion AG ("Aquarion") is a leading provider of wastewater treatment and water purification systems.
- Aquarion offers its solution across industries including oil and gas, energy sector and other processing industries:

 Semiconductors  
 Chemicals  
 Pulp and paper

 Oil and gas  
 Food and beverage  
Other

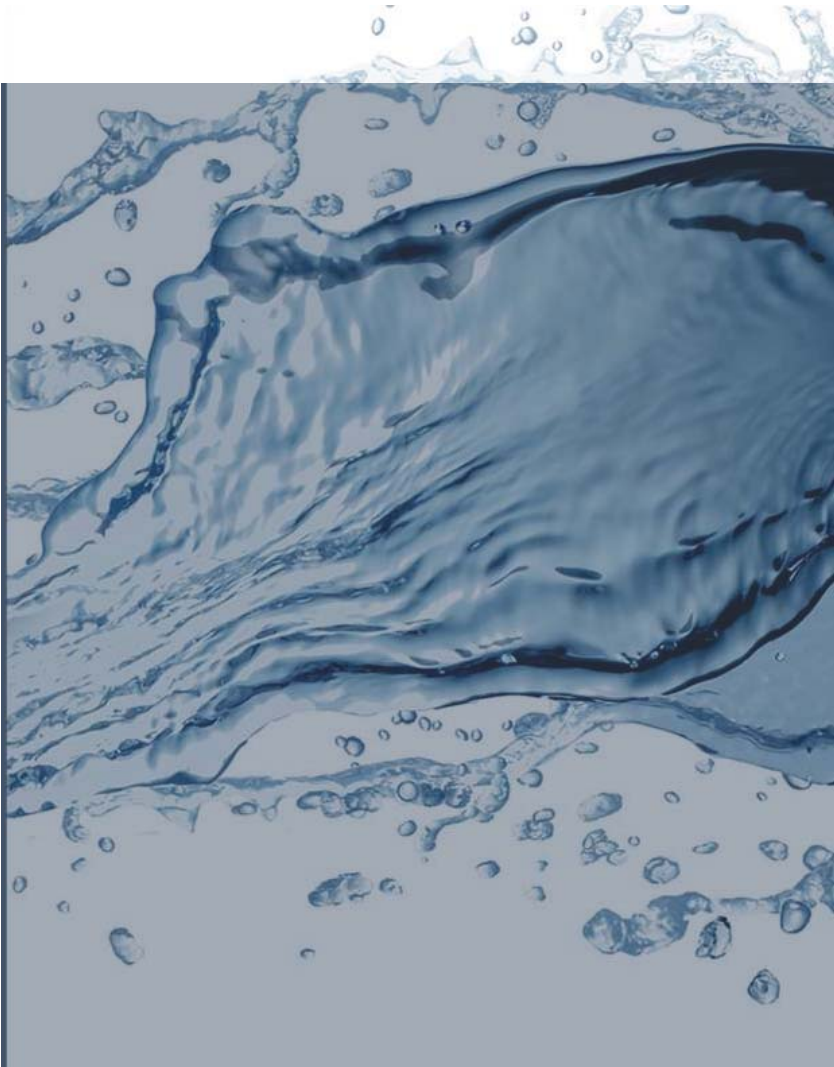
- The reuse of water is a major concern for industrial players and water cleaned in dirty industrial processes is typically measured in cubic meter
- In 2019, ScFi Ltd. ("ScFi") launched a new technology "AquaCritox"
  - AquaCritox is a distinct technology cleaning spent caustic toxic waste from oil and gas, petrochemicals and sludge
- Based in Cork (IRE), ScFi is an Irish subsidiary of Aquarion
- In addition to that, Aquarion provides great desalination technologies




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# Company milestones

## AQUARION AG



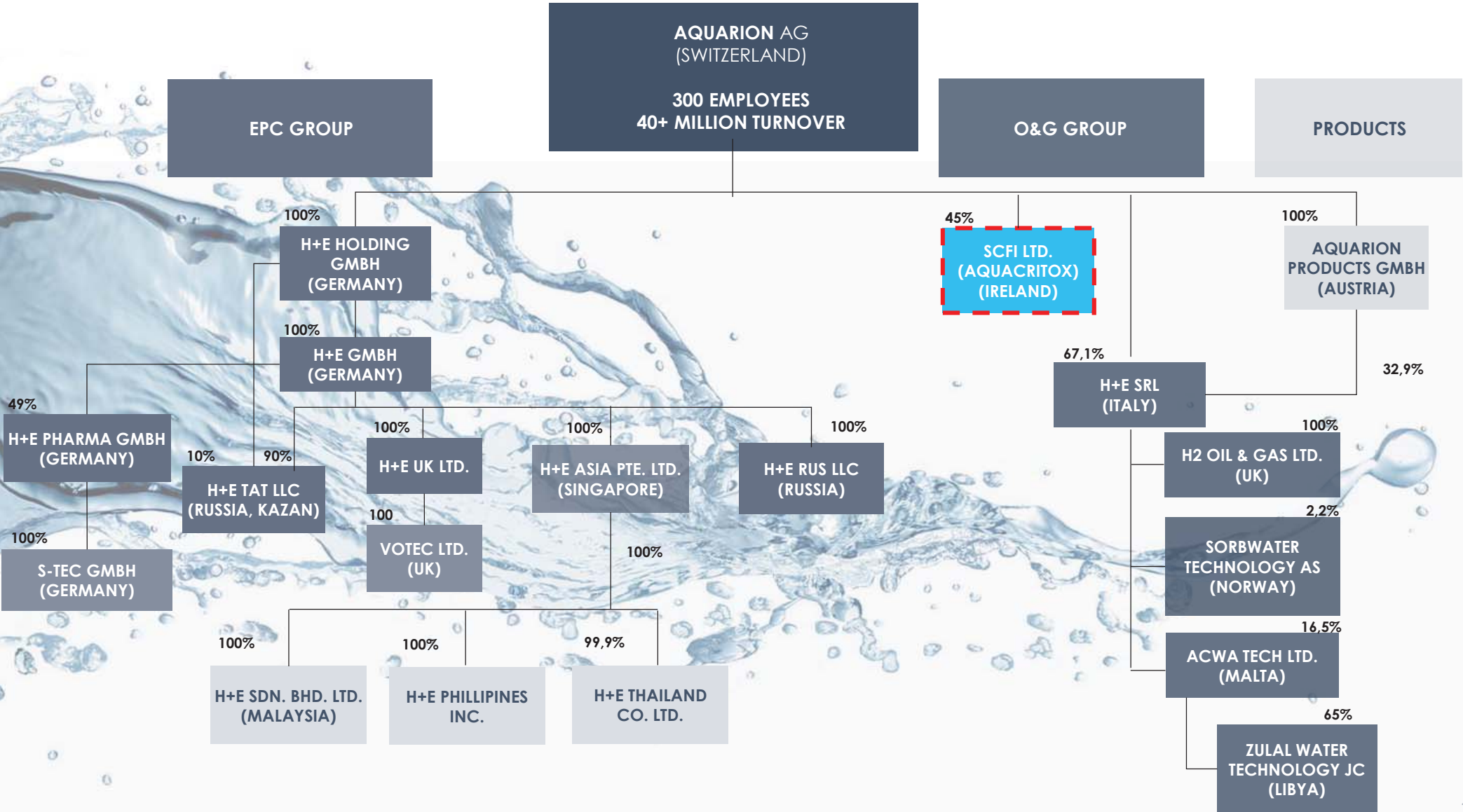
Founded only in 2010, Aquarion's roots trace back more than 100 years in the growing wastewater treatment market:

- 
- 2010 Foundation of Aquarion AG (CH)
  - 2012 Acquisition of H2Oil & Gas Ltd. (UK)
  - 2014 Acquisition of Hager + Elsässer GmbH (DE)
  - 2015 Acquisition of MFT GmbH (DE)  
Launch of ECO2 ZLD (Low cost ZLD solution)
  - 2018 Aailed convertible loan investment of €15m
  - 2019 Global launch of AquaCritox technology under ScFi  
Disinvestment of H+E Asia, MFT and S-Tec

*"When fresh water becomes process water and then wastewater, wastewater must also become fresh water again."*  
Vision of H+E founder: WILLY HAGER 1932

# Organizational structure

## AQUARION AG



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# Comprehensive **STATE OF ART SOLUTIONS**



## WASTE, WATER, RECYCLING, RESOURCE RECOVERY

- Today we rank among the providers on the world market with **THE MOST KNOW-HOW**
- Our customers often see us as a **SPARRING PARTNER**
- **BROAD TECHNOLOGY BASE**
- **AMONGST INNOVATION LEADER**
- We have installed **OVER 30,000 PLANTS**



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# Innovative **SUSTAINABLE OFFERINGS**



## THINK **SUSTAINABILITY**

## LIVE **SUSTAINABILITY**

- **Reduced carbon footprint** by energy recovery systems
- **Reduced water footprint & Reducing fresh water** consumption by water reuse and recycling
- Completely **eliminating or minimizing** wastewater discharge into the environment
- Offering **clean drinking water** to remote areas through containerized solar solutions
- **Recovering valuables** metals and minerals from wastewater

# Process technologies

## UNLIMITED PORTFOLIO



### THERMAL PROCESS TECHNOLOGIES



- » Evaporator
- » Crystallizer
- » Dryer

### CHEMICAL / PHYSICAL TREATMENT SYSTEMS



- » Flocculation / Precipitation
- » Sedimentation
- » Flotation
- » Filtration
- » Decalcification
- » Active carbon
- » Ion exchange

### MEMBRANE TECHNOLOGIES



- » MF
- » UF
- » NF
- » Reverse osmosis
- » HP-RO
- » Membrane-degassing
- » EDI

### BIOLOGICAL TREATMENT TECHNOLOGIES



- Anaerobic**
  - » Contact sludge
  - » UASB
  - » EGSB
- Aerobic**
  - » Activated sludge process (ASP)
  - » MBBR
  - » Biofiltration
  - » MBR
  - » SBR

### SPECIAL PROCESS TECHNOLOGIES



- » AOP
- » Ozone



# Customer trust WORLDWIDE

MANY DIFFERENT SECTORS BENEFIT FROM OUR EXPERTISE & SUSTAINABLE OFFERINGS.

OIL & GAS	PHARMA- CEUTICALS	FOOD & BEVERAGE	SEMI- CONDUCTOR	CHEMICAL	POWER
					
  	 	 	   	 	   

# Sustainable Development Goals

## RESULTS FOR AQUARION



### Goal 2 (Zero Hunger)

Food security and sustainable agriculture are key pillars in achieving this goal. Water purification improves global water quality and contributes to improved nutrition.



### Goal 3 (Good Health and Well-Being for people)

Attention to health also includes the prevention and treatment of hazardous chemicals, and water and soil pollution and contamination. Aquarion's water treatment solutions take part in improving global health.



### Goal 6 (Clean Water and Sanitation)

Aquarion's business is fully aligned with this particular Sustainable Development Goal, since it is involved in the sustainable management of water on a large scale.



### Goal 7 (Affordable and Clean Energy)

Water purification systems, like the ones produced by Aquarion, enable the clean production of energy. In particular, Aquarion's zero liquid discharge and membrane technology is used for energy and power plant water treatment.



### Goal 8 (Decent Work and Economic Growth)

Aquarion's products enable sustainable growth in developed and developing countries. It helps to achieve higher levels of economic productivity by improving water quality.



### Goal 9 (Industry, Innovation and Infrastructure)

Industrial wastewater systems, as well as municipal wastewater treatment systems are part of the essential infrastructure for any economy.



### Goal 11 (Sustainable Cities and Communities)

On a large scale, Aquarion is impacting cities and communities as a whole, through its work in the different industries (e.g. energy & power, pulp & paper) as well as through municipal projects.



### Goal 12 (Responsible Consumption and Production)

In the business of water purification and recycling, Aquarion is a substantial enabler of this goal, cleaning significant m<sup>3</sup> of water every day.



### Goal 14 (Life Below Water)

Oceans cover 71% of the earth's surface. They are essential for making the planet livable. Closing the water recycling loop, Aquarion works towards reducing marine pollution and acidification.



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# Recent developments

# **TECHNOLOGIES**



- **Hybrid systems:** “Merging” process combinations – capitalizing on process benefits
- **Modular, containerized systems**
- **ZLD.eco2** - Economical MLD/ ZLD incl. recycling stages for water + recycling circuits
- **Brownfield:** Retrofitting and optimization of existing plants and processes
- **O&M** Long Term Operation maintenance contracts
- **INDUSTRY 4.0**
- **AquaCritox™:** Innovative patented technology for treatment of heavy contaminated wastewater launched by ScFi

More details in next section




# 03.

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DIFFERENTIATED  
TECHNOLOGIES

# TECHNOLOGY OVERVIEW: DIFFERENTIATED TECHNOLOGIES

## OVERVIEW OF BESPOKE TECHNOLOGIES AND DIFFERENTIATING FACTORS

Technology	Differentiation	Applicable Markets	Key Clients
	<ul style="list-style-type: none"> <li>▪ Suitable for all types of spent caustics</li> <li>▪ Standard plant design: Designed to be supplied to site preassembled as a skid.</li> <li>▪ Factory assembled skid</li> <li>▪ Small foot print</li> <li>▪ Minimal onsite construction</li> <li>▪ No requirement for steam or cooling water</li> <li>▪ Fully automated</li> <li>▪ 1200% increase in oxygen transfer rate</li> </ul>	<ul style="list-style-type: none"> <li>▪ Chemical/Pharmaceutical &amp; Petrochemical Industry</li> <li>▪ Bio Pharma</li> <li>▪ Paper Industry</li> <li>▪ Toll treatment facilities</li> <li>▪ Sewage treatment plants</li> <li>▪ Food waste generator/ processor</li> <li>▪ Catalyst recovery</li> </ul>	<ul style="list-style-type: none"> <li>▪ Aughinish Alumina Limited (Rusal)</li> <li>▪ Ferrero</li> <li>▪ Saudi Aramco – Saudi Arabia</li> <li>▪ Paterna Wastewater treatment Plan, Valencia Spain</li> </ul>



# TECHNOLOGY OVERVIEW: DIFFERENTIATED TECHNOLOGIES

## OVERVIEW OF BESPOKE TECHNOLOGIES AND DIFFERENTIATING FACTORS

Technology	Differentiation	Applicable Markets	Key Clients
<b>ANAFIT®.CS</b>	<ul style="list-style-type: none"><li>▪ Reduction in organic load, and therefore its COD value,</li><li>▪ High degree of homogenization in the methane reactor guarantees the production of biogas of consistently high quality.</li><li>▪ Stability of the degradation process.</li><li>▪ Completely unaffected by mineral precipitates, especially calcium carbonate.</li></ul>	<ul style="list-style-type: none"><li>▪ Food &amp; Beverage (Sugar Industry)</li></ul>	<ul style="list-style-type: none"><li>▪ Nordic Sugar</li><li>▪ Südzucker</li><li>▪ Nobaria Sugar</li><li>▪ Delta Sugar</li></ul>
<b>BIOFIT®.Oxyd2</b>	<ul style="list-style-type: none"><li>▪ Using Ozone to remove persistent COD</li><li>▪ Reliably remove residues in wastewater from industrial production processes</li><li>▪ Breaks down the polluting substances to the point where the microorganisms will accept them as food</li></ul>	<ul style="list-style-type: none"><li>▪ Paper &amp; Pulp</li><li>▪ Chemical</li><li>▪ Oil &amp; Gas</li></ul>	<ul style="list-style-type: none"><li>▪ UPM Plattling</li></ul>

# TECHNOLOGY OVERVIEW: DIFFERENTIATED TECHNOLOGIES

## OVERVIEW OF BESPOKE TECHNOLOGIES AND DIFFERENTIATING FACTORS

Technology	Differentiation	Applicable Markets	Key Clients
<b>BIOFIT®.F</b>	<ul style="list-style-type: none"> <li>requires very little space</li> <li>operate with low power consumption</li> <li>Guarantee the highest biological conversion rates</li> <li>enable infinitely variable expansion to larger wastewater treatment plants</li> <li>Easy integration into existing plants.</li> </ul>	<ul style="list-style-type: none"> <li>Paper &amp; Pulp</li> <li>Food &amp; Beverage</li> <li>Oil &amp; Gas</li> </ul>	<ul style="list-style-type: none"> <li>IPEK KAGIT</li> <li>"Papierfabrik Wattens"</li> <li>Sappi Stockstadt</li> <li>Glatfelter</li> </ul>
<b>BIOFIT®.H</b>	<ul style="list-style-type: none"> <li>robust moving bed process for the biological pre-treatment of highly contaminated wastewater</li> <li>faster degradation rate</li> <li>Easy to accommodate and fit</li> <li>highly efficient wastewater treatment plant upgrade</li> </ul>	<ul style="list-style-type: none"> <li>Paper &amp; Pulp</li> <li>Food &amp; Beverage</li> <li>Oil &amp; Gas</li> </ul>	<ul style="list-style-type: none"> <li>"Perlen Papier AGPerlen"</li> <li>Sappi Stockstadt</li> <li>Stora Enso</li> <li>UPM Nordland</li> </ul>
<b>AEROFIT®.V</b>	<ul style="list-style-type: none"> <li>High oxygen transfer efficiency</li> <li>Long service life</li> </ul>	<ul style="list-style-type: none"> <li>Paper &amp; Pulp</li> <li>Food &amp; Beverage</li> <li>Oil &amp; Gas</li> </ul>	<ul style="list-style-type: none"> <li>W. Hamburger GmbH,Pitten"</li> <li>IlimUst-Ilimsk"</li> <li>Südzucker AGZeit</li> <li>OOO Kristall Kirsanov</li> <li>BP Gelsenkirchen</li> </ul>

# TECHNOLOGY OVERVIEW: DIFFERENTIATED TECHNOLOGIES

## OVERVIEW OF BESPOKE TECHNOLOGIES AND DIFFERENTIATING FACTORS

Technology	Differentiation	Applicable Markets	Key Clients
ZLD.eco <sup>2</sup> (1)	<ul style="list-style-type: none"> <li>World's lowest cost, unique Zero Liquid Discharge system</li> <li>Reduction in both the investment and the operating costs</li> <li>High-pressure reverse osmosis stage</li> <li>Size reduction of the evaporator</li> <li>Energy recovery devices leads to lower OPEX</li> </ul>	<ul style="list-style-type: none"> <li>Oil and gas</li> <li>Mining</li> <li>Chemical</li> <li>Power</li> <li>All industries with ZLD mandate</li> </ul>	<ul style="list-style-type: none"> <li>Alstom Power Italia S.p.a., Gissi</li> <li>GEMÜ Gebr. Müller Apparatebau</li> <li>UHDE for EHC Egypt</li> </ul>
FLOCOPAC®.L	<ul style="list-style-type: none"> <li>High performance clarifier with flocculation and sludge thickening</li> <li>Excellent treated water quality</li> <li>Reduction in chemical dosing</li> <li>Low space requirements</li> <li>Standardization capability</li> <li>FLOCOPAC® can be done as a concrete structure or in Steel</li> </ul>	<ul style="list-style-type: none"> <li>Power</li> <li>Food &amp; Beverage</li> <li>Paper &amp; Pulp</li> <li>Oil &amp; Gas</li> </ul>	<ul style="list-style-type: none"> <li>RWE Niederaussem</li> <li>"VinaKraft-SCG Group Vietnam"</li> <li>Pertamina Cilacap</li> <li>Nile Sugar Co., Nubariya"</li> </ul>

Footnotes: (1) Please note it is still a patent pending process and in development stage so I have added customers where we have provided thermal equipment.

# TECHNOLOGY OVERVIEW: DIFFERENTIATED TECHNOLOGIES

## OVERVIEW OF BESPOKE TECHNOLOGIES AND DIFFERENTIATING FACTORS

Technology	Differentiation	Applicable Markets	Key Clients
<b>TOVEKO Sand Filters</b>	<ul style="list-style-type: none"><li>▪ Continuously monitor head loss across the filter bed</li><li>▪ Continuously wash dirty sand whilst the filter is in service</li><li>▪ Have a highly efficient sand washer that copes with sticky solids including oil and polyelectrolyte</li><li>▪ Consume very little wash water</li><li>▪ Do not require large tanks, supply pumps etc. for backwashing</li><li>▪ Do not require large dirty backwash water collection and pumping systems</li><li>▪ Start stop and control the sand washing rate automatically</li><li>▪ Have a low profile (2.3m maximum for steel filters)</li><li>▪ Allow gravity feed, eliminating expensive pumping systems</li><li>▪ Are pre-assembled and tested, allowing rapid site installation and start-up</li></ul>	All market segments	<ul style="list-style-type: none"><li>▪ Gränges Aluminium</li><li>▪ Arjeplog Municipality</li><li>▪ Kramfors Municipality</li><li>▪ ABU Garcia</li><li>▪ Galvanoteknik</li><li>▪ Nyströms Metall</li><li>▪ Samhall Jokkmokk</li></ul>

# DISRUPTIVE TECHNOLOGY: ScFi's AQUACRITOX®

TREATMENT OF SPENT CAUSTIC, SLUDGE TREATMENT & TREATMENT OF HEAVY CONTAMINATED WASTEWATER



Demonstration unit successfully operating @ Ferrero, Ireland

## APPLICATION & INDUSTRY

- Spent caustic
- Water sludge
- Bio solids
- Heavy contaminated wastewater

## POTENTIAL FOR AQUARION

- Patented process
- High market potential

## BENEFITS

- Lower treatment time
- Radical reduction of sewage
- Recovery of valuable nutrients & embedded energy
- Lower CAPEX & OPEX

## MARKET APPROACH

- Turn-key project [EPC / O&M]
- **Build-Own-Transfer**
- Trailer mounted rental units

# COMPETING TECHNOLOGY: ScFi's AQUACRITOX®

**MOST EFFICIENT TREATMENT OF SPENT CAUSTIC, SLUDGE TREATMENT & TREATMENT OF HEAVY CONTAMINATED WASTEWATER**

CRITERIA	WATER					OIL & GAS
	INCINERATION	PYROLYSIS	LAND SPREADING	ANAEROBIC DIGESTION	WET AIR OXIDATION	AQUARION PATENTED PROCESS
Pre drying needed?	Yes	Yes	No	No	No	No (reduces energy cost)
Reaction time	Minutes	Medium	Weeks	15-20 days	Hours	Minutes (more waste treated/hr)
Volume reduction	95-99%	90%	None	24-35%	90%	95-99%
Operating cost	Medium	Medium	Low	Low	Low	Low
Capital Cost	High	Medium	Low	Medium	Medium	Low

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# IP RIGHTS & TRADEMARKS: Aquarion AG

AQUARION HAS INTELLECTUAL PROPERTY RIGHTS / PATENTS IN THE FOLLOWING THREE COMPANIES:

**1** H2Oil & Gas:

- 5 patents for filtration systems

**2** H+E Germany:

- ZLD Eco 2 patent pending application
- Trade marks for various technologies

**3** ScFi:

- Patent mainly for supercritical water oxidation and High pressure and high temperature reaction system

Detailed overview of  
patents on next slide



# INTELLECTUAL PROPERTY:

## ScFi's AQUACRITOX®

### PATENT PROTECTED TECHNOLOGY

Our Ref	Filing Date	Status Code	Application Number	Grant Date	Patent Number	Title
HOLL08/C/DE	31/08/2000	Granted	00959090.2	10/13/2004	600 14 943.9	High pressure and high temperature reaction system
HOLL08/C/FR	31/08/2000	Granted	00959090.2	10/13/2004	1224151	High pressure and high temperature reaction system
HOLL08/C/GB	31/08/2000	Granted	00959090.2	10/13/2004	1224151	High pressure and high temperature reaction system
HOLL08/C/IT	31/08/2000	Granted	00959090.2	10/13/2004	1224151	High pressure and high temperature reaction system
HOLL08/C/US	31/08/2000	Granted	10/070,398	10/25/2005	6,958,122	High pressure and high temperature reaction system
HOLL10/C/DE	11/11/2005	Granted	05800932.5	1/18/2012	602005032315.5	Method and system for supercritical water oxidation of a stream containing oxidizable material
HOLL10/C/ES	11/11/2005	Granted	05800932.5	1/18/2012	1812352	Method and system for supercritical water oxidation of a stream containing oxidizable material
HOLL10/C/FR	11/11/2005	Granted	05800932.5	1/18/2012	1812352	Method & system for supercritical water oxidation of a stream containing oxidizable material
HOLL10/C/GB	11/11/2005	Granted	05800932.5	1/18/2012	1812352	Method and system for supercritical water oxidation of a stream containing oxidizable material
HOLL14/C/US	02/07/2012	Granted	14/131,107	11/3/2015	9,175,314	Anaerobic Digestion with Supercritical Water Hydrolysis as Pretreatment

# WHY CHOOSE: ScFi's AQUACRITOX®



- AQUACRITOX® AS **ECONOMIC ALTERNATIVE** TO EXISTING PROCESSES
- AQUACRITOX® AS **ADDITIONAL TREATMENT FOR RECYCLING MATERIALS AND ENERGY**
- AQUACRITOX® AS POSSIBILITY TO **COMPLY WITH PENDING AND FUTURE REGULATORY DEMANDS**

-----IN **OIL & GAS SECTOR** AND OTHER APPLICATIONS



# 04.

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## KEY FINANCIALS

# GLANCE AT KEY METRICS

## Aquarion Group

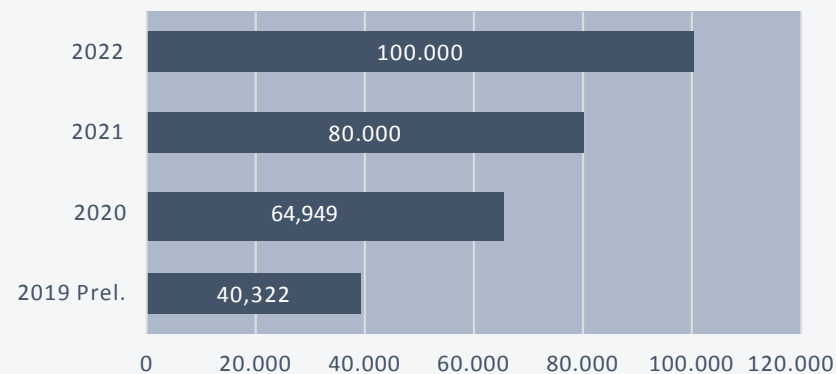
€ 60+ MILLION ORDER INTAKE IN 2019 AND € 45+ MILLION ORDER BACKLOG AT END OF 2019

### EQUITY RATIO



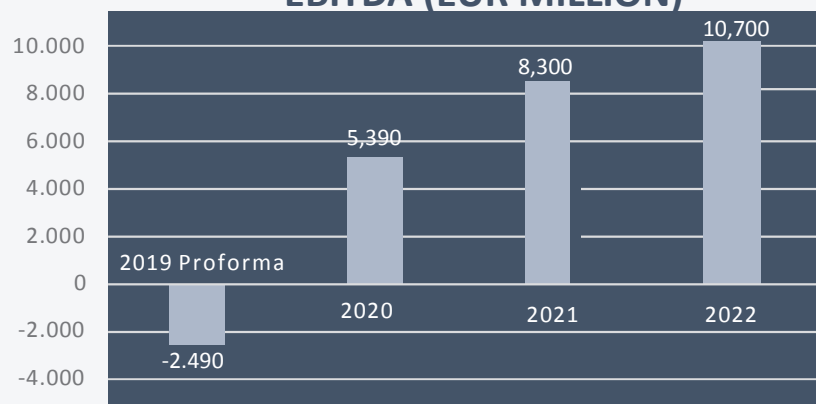
\* Including subordinated loans

### REVENUE (EUR MILLION)



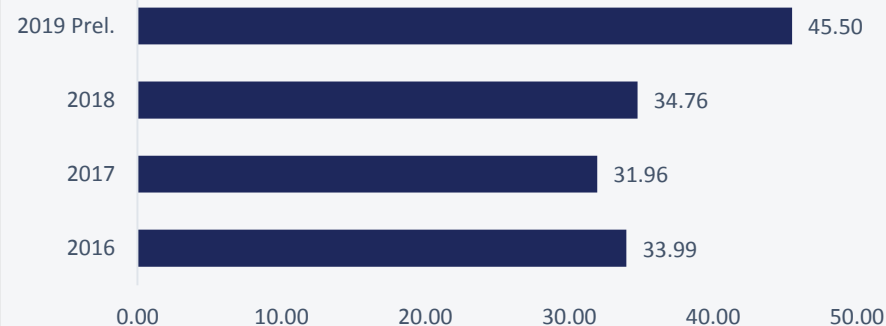
\* Results excluding ScFi

### EBITDA (EUR MILLION)



\* Results excluding ScFi

### BACKLOG (EUR MILLION)

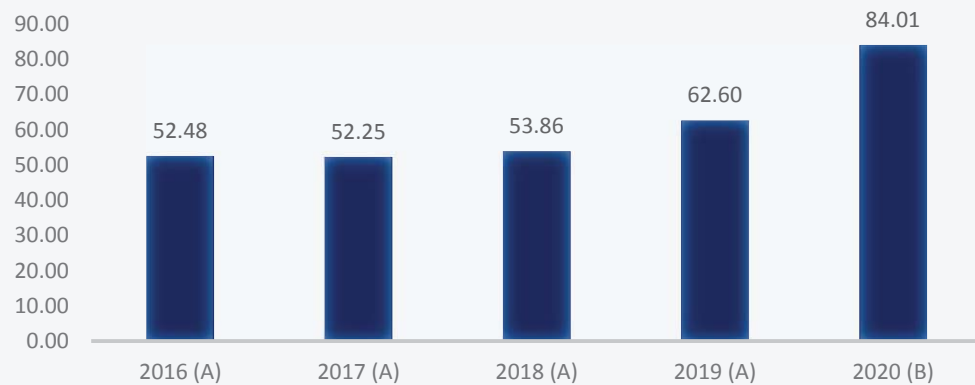


# GLANCE AT KEY METRICS

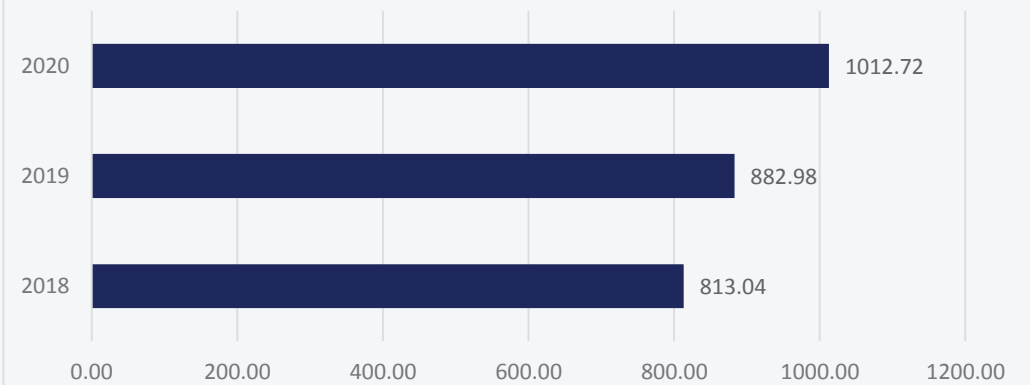
## Aquarion Group

€ 60+ MILLION ORDER INTAKE IN 2019 AND € 45+ MILLION ORDER BACKLOG AT END OF 2019

### ORDER INTAKE (EUR MILLION)




























### Pro-Forma Pipeline in EUR (Million)



# GLOBAL REFERENCES (1/3)

## Aquarion Group

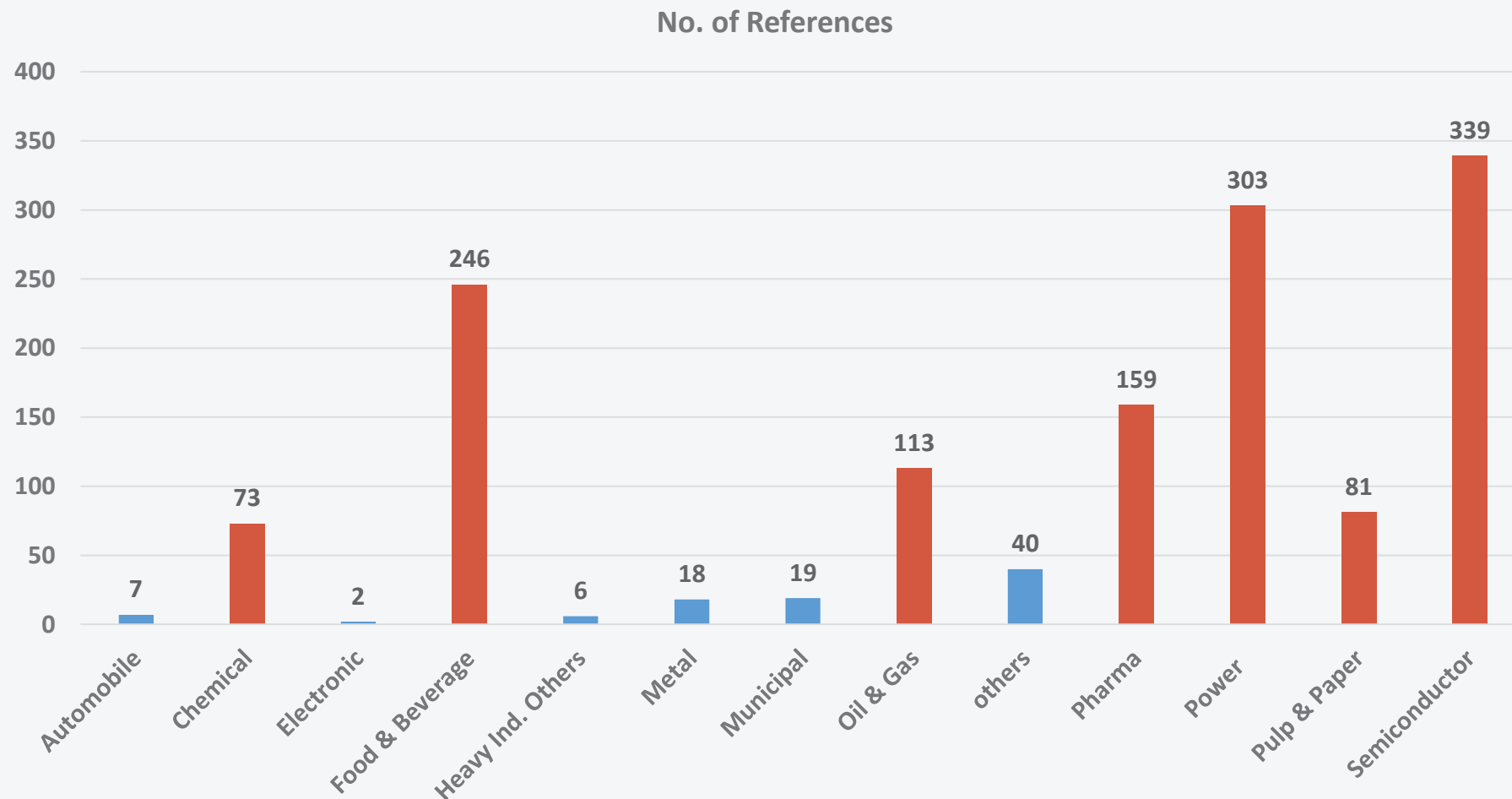
AQUARION HAS STRONG REFERENCES ACROSS INDUSTRIES WORLDWIDE

Key markets	H+E references globally	H+E Customers
 Oil & Gas Up & Downstream	113	  
 Paper & Pulp	81	 
 Energy & Solar	303	   
 Chemical	73	 
 Food & Beverage	246	 
 Semiconductor	339	 
 Municipalities	59	  

# GLOBAL REFERENCES (2/3)

## Aquarion Group

AQUARION REFERENCES FOR KEY MARKET SEGMENTS **TO TARGET**

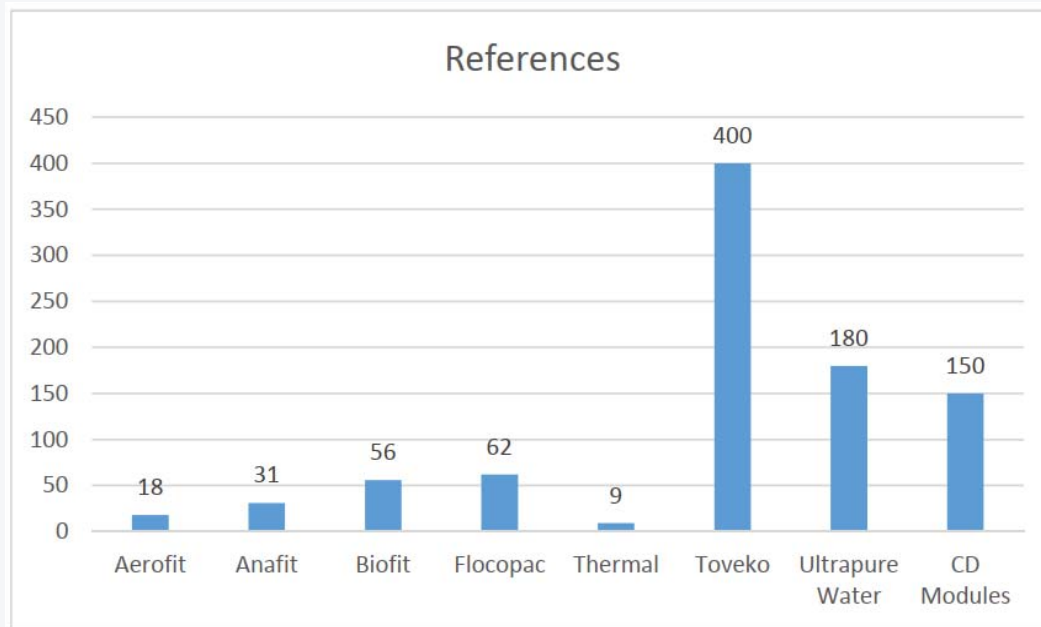




# GLOBAL REFERENCES (3/3)

## Aquarion Group

### GLOBAL REFERENCES TIED TO DIFFERENTIATED TECHNOLOGIES



Differentiated Technologies	References
Aerofit	18
Anafit	31
Biofit	56
Flocopac	62
Thermal	9
Toveko	400
Ultrapure Water	180
CD Modules	150

# REVENUE REALIZATION (1/2)

## Aquarion Group

H+E ESTABLISHED A STRONG AND ROBUST PIPELINE RESULTING IN ~€65M REVENUE REALIZATION IN 2020

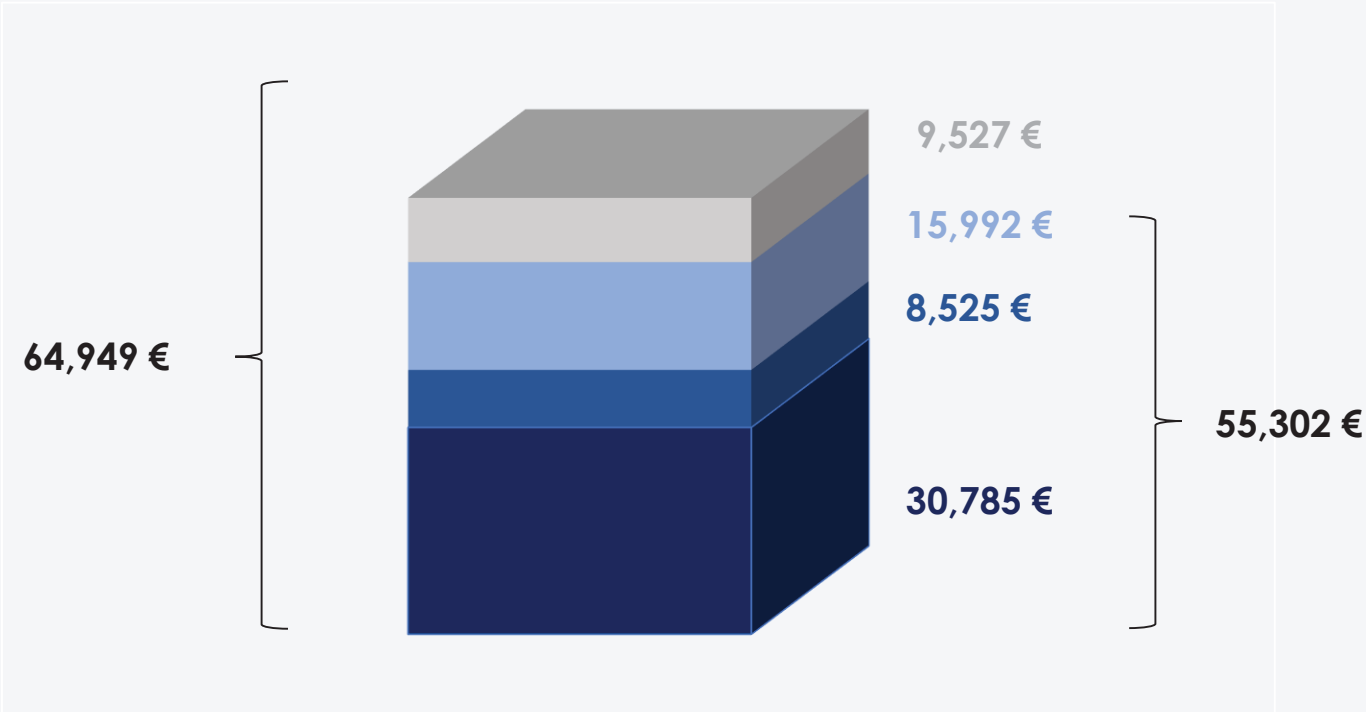
Entity	Backlog end of December 2019	Exp. Revenue from Backlog in 2020	Total Orders in Q1-2020	New Orders in Q2-2020	New Orders in Q3-2020	New Orders in Q4-2020	Total Order Intake in 2020	Exp. Revenue from New orders in 2020	Total Revenue	Remaining backlog from 2019	Backlog from new orders in 2020	Total Backlog end of 2020
H+E Italy	3,688	188	40	4,500	5,000	1,000	10,540	2,995	3,183	3,500	7,545	11,045
H2O (UK)	2,566	1,796	3,300	650	2,500	0	6,450	2,503	4,298	770	3,948	4,717
H+E (UK)	672	672	1,475	805	400	1,700	4,380	1,374	2,046	0	3,006	3,006
H+E (GER)	38,346	30,785	4,410	22,771	17,995	8,787	53,963	15,992	46,777	7,561	37,971	45,532
Service Revenue H+E (GER)	0	0	1,991	2,131	2,131	2,272	8,525	8,525	8,525	0	0	0
								<b>H+E (GER) Subtotal</b>	<b>55,302</b>			
Aquarion Austria	82	82	0	50	50	50	150	38	120	0		
	45,354	33,523	11,216	30,907	28,076	13,809	84,008	<b>Total</b>	<b>64,949</b>	<b>11,830</b>	<b>52,470</b>	<b>64,300</b>

# REVENUE REALIZATION (2/2)

## Aquarion Group

### SUMMARY OF FINANCIAL REVENUE REALIZATION 2020

€65M Revenue for 2020



- Group Companies New Orders
- GmbH New Orders
- GmbH Service
- GmbH Backlog Capital

# FINANCIAL BUDGET 2020

## Aquarion Group

### Budget 2020 : Future is Bright

Budget 2020 IFRS consolidated	Aquarion Group '000 EUR	H+E GmbH '000 EUR
<b>Income Statement (YTD)</b>	<b>Dec 2020</b>	<b>Dec 2020</b>
Revenue	<b>64,949</b>	<b>55,302</b>
POC Sales	49,900	46,625
Net Sales	15,100	8,677
Material and subcontractors	-40,050	-36,593
<b>Margin I</b>	<b>24,899</b>	<b>18,709</b>
<i>in % of total revenue</i>	38.4	34
Personnel expenses	-15,400	-10,635
Other operating expenses	-4,110	-2,750
<b>EBITDA</b>	<b>5,390</b>	<b>5,323</b>
Depreciation	-620	-637
<b>EBIT</b>	<b>4,770</b>	<b>4,686</b>
<i>in % of total revenue</i>	7.3	8.5%
Financial result	-2,375	-1,153
<b>EBT</b>	<b>2,395</b>	<b>3,533</b>
Taxes on income	-2,145	-1,587
<b>Net Income (Loss)</b>	<b>250</b>	<b>1,946</b>

- Aquarion Group and H+E follow an excellent growth path since organization has been optimized
- H+E GmbH generates approx. 80% of the total group's revenues
- High revenue growth is backed up with a substantial qualified pipeline

# FINANCIAL BUDGET 2021 & 2022

## Aquarion Group

### Budget 2021 & 2022 : Future is Bright

Budget 2021 and 2022 IFRS consolidated	Aquarion Group '000 EUR	H+E GmbH '000 EUR	Aquarion Group '000 EUR	H+E GmbH '000 EUR
<b>Income Statement (YTD)</b>	<b>Dec 2021</b>	<b>Dec 2021</b>	<b>Dec 2022</b>	<b>Dec 2022</b>
Revenue	80,000	65,000	100,000	75,000
POC Revenue	58,000	54,275	72,500	62,250
Net Revenue	22,000	10,725	27,500	12,750
Material and subcontractors	-48,000	-38,805	-59,750	-44,775
Margin I	32,000	26,195	40,250	30,225
% of Revenue	40	40	40	40
Personnel Expenses	-18,500	-15,600	-23,100	-18,000
Other Operating expenses	-5,200	-3,250	-6,450	-3,750
EBITDA	8,300	7,345	10,700	8,475
Depreciation	-650	-637	-830	-637
EBIT	7,650	6,708	9,870	7,838
% of Revenue	9.6	10.3	9.9	10.5
Financial result	-2,100	-1,153	-2,800	-1,153
EBT	5,550	5,555	7,070	6,685
Taxes on income	-2,770	-1,833	-3,415	-2,206
Net income (loss)	2,780	3,722	3,655	4,479

- Lower results at group level is due to funding of group development & expansion activities like
  - Investment in R & D
  - Investment in Demonstration units and pilot plants
  - Market introduction of new technologies.
  - Expansion in new regions

# FINANCIAL BUDGET 2020

## H+E GmbH

H+E GmbH on track to achieve budgeted revenue for 2020

H+E GmbH	Actual 2019	Actual Q1'20	Budget 2020
IFRS local	'000 EUR	'000 EUR	'000 EUR
	Preliminary	Preliminary	
Income Statement (YTD)	Dec 2019	Mar 2020	Dec 2020
Revenue	30,834	10,188	55,302
POC Sales	22,483	8,467	46,625
Net Sales	8,352	1,720	8,677
Material and subcontractors	-18,503	-7,070	-36,593
<b>Margin I</b>	<b>12,331</b>	<b>3,118</b>	<b>18,709</b>
<i>in % of total revenue</i>	40%	31%	34%
Personnel expenses	-9,687	-2,268	-10,635
Other operating expenses	-1,176	-496	-2,750
<b>EBITDA</b>	<b>1,468</b>	<b>353</b>	<b>5,323</b>
Depreciation	-518	-134	-637
<b>EBIT</b>	<b>951</b>	<b>219</b>	<b>4,686</b>
<i>in % of total revenue</i>	3.1%	2.1%	8.5%
Financial result	-206	19	-1,153
<b>EBT</b>	<b>745</b>	<b>238</b>	<b>3,533</b>
Taxes on income	-385	-3	-1,587
<b>Net Income (Loss)</b>	<b>360</b>	<b>235</b>	<b>1,946</b>

# FINANCIAL BUDGET 2020

## ScFi

### Budget 2020: Business Plan for AquaCritox – ScFi

PROFIT FORECASTS	Year	Year	Year	Year	Year
All in €'000	2020	2021	2022	2023	2024
	Forecast	Forecast	Forecast	Forecast	Forecast
<b>REVENUE</b>	<b>4,600</b>	<b>18,189</b>	<b>22,876</b>	<b>26,400</b>	<b>40,523</b>
Material Purchases	-2,070	-8,185	-10,294	-11,880	-18,235
Contract and IC Labour	-287	-1,973	-2,546	-2,815	-4,623
<b>COST OF SALES</b>	<b>-2,357</b>	<b>-10,159</b>	<b>-12,841</b>	<b>-14,695</b>	<b>-22,859</b>
<b>GROSS MARGIN i</b>	<b>2,243</b>	<b>8,031</b>	<b>10,036</b>	<b>11,705</b>	<b>17,664</b>
Gross Margin %	49%	44%	44%	44%	44%
Personnel Expenses	-600	-1,058	-1,259	-1,565	-1,875
Other Operating Expenses	-235	-483	-577	-654	-880
<b>EBITDA</b>	<b>1,408</b>	<b>6,490</b>	<b>8,199</b>	<b>9,486</b>	<b>14,909</b>
Depreciation	-3	-4	-5	-7	-8
<b>EBIT</b>	<b>1,405</b>	<b>6,486</b>	<b>8,194</b>	<b>9,479</b>	<b>14,902</b>
% of Total Revenue	31%	36%	36%	36%	37%
Interest	7	93	195	337	559
<b>EBT</b>	<b>1,412</b>	<b>6,578</b>	<b>8,389</b>	<b>9,817</b>	<b>15,461</b>
Taxation	-84	-822	-1,049	-1,227	-1,933
<b>NET RESULT</b>	<b>1,328</b>	<b>5,756</b>	<b>7,340</b>	<b>8,590</b>	<b>13,528</b>
	29%	32%	32%	33%	33%





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## GROWTH PROJECTIONS

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# RESTRUCTURING ACTIONS (1/2)

## Aquarion Group

### THE FOLLOWING OPERATIONAL RESTRUCTURING ACTIONS HAVE BEEN TAKEN:

- Appointment of a fully dedicated group CEO, CFO and CSO
- Reorganization of Aquarion Group under H+E brand (EPC Group ) and Aquarion brand (Product division).
- Reorganization of H+E Asia and formation of JV to bring in business and provide technology solutions
  - Reduction of Staff from 150 to 45
  - Improved project controlling
- Reorganization of Gemwater
  - Reduction of staff from 19 to 8
  - Appointment of Global O&G sales manager
- Focus of group to fewer operational entities: Closure of AQ (FZE), entity in Sharjah, UAE. Now pursuing Middle East Business through qualified agents

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# RESTRUCTURING ACTIONS (2/2)

## Aquarion Group

### THE FOLLOWING OPERATIONAL RESTRUCTURING ACTIONS HAVE BEEN TAKEN:

- Improvement of Sales Organization, launching group-wide CRM system, hiring of CSO, increased focus on marketing and PR activities etc.
- S-Tec, Manufacturing facility in Dresden Germany, initiated discussion with Chinese Pharmaceutical major for 50:50 JV by carving out pharma business of H+E.
- Coordination of purchasing activities
- Increase share of recurring revenues by launching Product & Service division to increase O&M, product / component, service part.
- Launch innovative technologies / applications like ScFi to treat highly contaminated wastewater like spent caustic in our markets.

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# REASON FOR IMPROVEMENTS

## Aquarion Group

### THE FOLLOWING ARE REASONS FOR IMPROVEMENT IN FUTURE YEARS:

- ✓ Loss of H+E Asia came from Micron project and will not occur anymore
- ✓ Loss of divestiture of MFT GmbH will not occur anymore
- ✓ Lot of DD costs in vain will not occur again, for acquisitions, consulting and loans
- ✓ Higher Order Intake and higher sales budgeted and expected in 2020 as many projects in 2019 have been shifted to 2020
- ✓ Pipeline of business has increased to €500m
- ✓ Lot of already awarded projects in 2019 got delayed which will contribute to Revenue and profitability in 2020
- ✓ Holding costs are being considerably reduced and put down to operative companies
- ✓ Better sales integration of all group companies
- ✓ No / Minimal Restructuring costs here onwards

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# FUTURE GROWTH EXPECTATIONS

## Aquarion Group

### THE FOLLOWING ARE REASONS FOR IMPROVEMENT IN FUTURE YEARS:

**Aquarion Group and H+E GmbH follow an excellent growth path since the sales organization has been optimized backed up with a substantial qualified pipeline**

- Qualified pipeline to:
  - Exceed year end targets
  - Achieve our 3-year Growth Strategy
- Sales Leadership focusing on a Market Strategy and Specific Targets
- Top Line Market Strategy is based on a number of themes:
  - Customer focused – Key Accounts, maximise order potential with existing clients
  - New Clients – Existing Solutions in New Markets/New Clients, represents substantial growth potential
  - Global Service Strategy, lever the 30,000 plus references
  - Develop Markets for BOO, BOT, BOOT
  - Develop Regional Markets with Strategic Partners

# USE OF PROCEEDS



- Market introduction of AquaCritox by Investment in ScFi:

*Treatment of heavy contaminated wastewater has very high potential with a revenue of around € 60 million for first year to be increased to € 140 million in next 4 years with a profit margin of more than 10%*

- Increase Recurring revenues by O&M
- Working capital for project financing
- Refinancing of short-term loans to mid term loans



# CONDITIONS FOR BONDS

TO BE UPDATED



- Name of borrower: Aquarion ScFi Limited
- Amount: up to 4.000.000 EUR
- Interest rate: 6.5 % p.a.
- Payment of Interest: Annually
- Valuate day: 15.05.2020 (to be agreed with Mel)
- Term: 5 years with early repayment after 3 years
- Repayment date: 14.05.2023 or 14.05.2025
- Subscription period: Start with 15.05.2020 with no end date (to be agreed with Mel)
- Minimum subscription: 100.000 EUR
- Stock Exchange listing: Listing of the bonds at the Dublin Stock Market
- Guarantee: The guarantor confirms to the bondholders the unconditional and irrevocable guarantee for the payment of principal and interest & all other amounts payable under these partial debentures – will be a SPV with securities.



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# DISCLAIMER

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**4 SCHEDULE 4**

**AUDITED FINANCIAL STATEMENTS FOR AQUARION AG FOR THE YEAR ENDED 31 DECEMBER 2017**



# Financial Report 2017



## Financial Report 2017

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## Consolidated Balance Sheet

Amounts in EUR	Appendix	31.12.2017	31.12.2016
<b>Assets</b>			
Intangible assets	6	5.590.877	6.349.743
Tangible assets	5	980.582	1.259.113
Financial assets	4	1.195.512	4.048.866
Deferred tax assets	11	1.490.247	511.991
<b>Total non current assets</b>		<b>9.257.218</b>	<b>12.169.713</b>
Inventories	2	1.715.531	4.322.860
Trade receivables	2	9.935.441	8.983.864
Work in progress	3	6.714.329	6.044.577
Other receivables	2	2.708.717	7.245.677
Cash and cash equivalents	1	4.638.091	3.255.321
Deferred expenses and accrued income		157.317	223.334
<b>Total current assets</b>		<b>25.869.427</b>	<b>30.075.633</b>
<b>Total assets</b>		<b>35.126.644</b>	<b>42.245.346</b>
<b>Equity and liabilities</b>			
Share capital	12	3.296.021	3.296.021
Capital Reserves		5.723.365	5.723.365
Treasury Shares	-	759.326	-
Retained earning	-	12.100.063	2.730.567
Cumulative translation adjustments		506.378	27.110
Available-for-sale financial assets	-	250.000	
<b>Total equity to the shareholders</b>		<b>3.583.625</b>	<b>6.261.709</b>
Non controlling interests	-	81.376	4.745
<b>Total equity</b>		<b>3.665.001</b>	<b>6.256.964</b>
Provisions	10	547.159	654.262
Financial liabilities	9	8.892.955	10.152.132
Other liabilities		-	6.566
Deferred tax liabilities	11	1.133.804	313.682
<b>Total non current liabilities</b>		<b>10.573.918</b>	<b>11.126.642</b>
Tax liabilities		4.885	285.379
Provisions	10	5.319.421	2.763.964
Financial liabilities	9	10.804.546	7.358.502
Trade liabilities	7	6.018.631	6.759.157
Work in progress	3	3.160.821	3.567.219
Other liabilities	8	1.613.426	2.888.319
Deferred income and accrued expenses		1.295.997	1.239.200
<b>Total current liabilities</b>		<b>28.217.727</b>	<b>24.861.740</b>
<b>Total equity and liabilities</b>		<b>35.126.644</b>	<b>42.245.346</b>

The Consolidated notes on the Financial Statements are an integral part of this Consolidated Financial Statement.

## Consolidated Income Statement

Amounts in EUR	Appendix	31.12.2017	31.12.2016
Revenue	13	52.332.539	55.803.751
Material and subcontractors	14	-30.772.251	-32.206.490
Personnel expenses	15	-19.816.470	-20.516.629
Other operating expenses	16	-6.594.460	-6.839.217
Restructuring	17	-954.129	0
<b>EBITDA</b>		<b>-5.804.771</b>	<b>-3.758.585</b>
Depreciation	5/6	-2.036.196	-709.443
<b>EBIT</b>		<b>-7.840.967</b>	<b>-4.468.028</b>
Financial expenses	18	-1.831.177	-1.043.179
Financial income	19	1.555.207	85.930
Currency gain/loss	20	-1.615.410	163.917
<b>EBT</b>		<b>-9.732.347</b>	<b>-5.261.360</b>
Tax on income	21	286.736	128.960
<b>Net Income</b>		<b>-9.445.611</b>	<b>-5.132.400</b>
Non controlling interests		76.115	71.149
<b>Net income attributable to shareholders of Aquarion AG</b>		<b>-9.369.496</b>	<b>-5.061.251</b>

The Consolidated notes on the Financial Statements is an integral part of this Consolidated Financial Statement.

## Consolidated Statement of Comprehensive Income

<b>Net income</b>	<b>-9.445.611</b>	<b>-5.132.400</b>
<b>Items that may be reclassified in the income statement</b>		
Foreign currency differences	532.972	-16.655
Fair value changes on available-for-sale financial assets	-250.000	0
<b>Other comprehensive income</b>	<b>282.972</b>	<b>-16.655</b>
<b>Comprehensive income</b>	<b>-9.162.639</b>	<b>-5.149.055</b>
Shareholders of Aquarion AG	-9.086.008	-5.090.815
Non-controlling interests	-76.631	-58.240

## Changes in Consolidated Equity

Amounts in EUR	Share capital	Capital reserves	Treasury Shares	Retained earnings	Foreign exchange differences	Available-for-sale financial assets	Equity attributable to shareholders	Non-controlling interests	Total equity
<b>31.12.2015</b>	<b>3.296.021</b>	<b>5.723.365</b>	-	<b>2.330.685</b>	<b>2.454</b>	-	<b>11.352.525</b>	<b>53.494</b>	<b>11.406.019</b>
Consolidated profit	-	-	-	5.061.251	-	-	5.061.251	71.149	5.132.400
Other comprehensive income	-	-	-	-	29.564	-	29.564	12.910	16.655
<b>Comprehensive income</b>	-	-	-	<b>5.061.251</b>	<b>29.564</b>	-	<b>5.090.815</b>	<b>58.240</b>	<b>5.149.056</b>
<b>31.12.2016</b>	<b>3.296.021</b>	<b>5.723.365</b>	-	<b>2.730.567</b>	<b>27.110</b>	-	<b>6.261.709</b>	<b>4.745</b>	<b>6.256.964</b>
Consolidated profit	-	-	-	9.369.496	-	-	9.369.496	76.115	9.445.611
Other comprehensive income	-	-	-	-	533.488	-250.000	283.488	516	282.972
<b>Comprehensive income</b>	-	-	-	<b>-9.369.496</b>	<b>533.488</b>	<b>-250.000</b>	<b>-9.086.007</b>	<b>-76.631</b>	<b>-9.162.639</b>
Purchase Treasury Shares	-	-	759.326	-	-	0	-759.326	-	-759.326
<b>31.12.2017</b>	<b>3.296.021</b>	<b>5.723.365</b>	<b>- 759.326</b>	<b>- 12.100.063</b>	<b>506.378</b>	<b>- 250.000</b>	<b>- 3.583.625</b>	<b>- 81.376</b>	<b>- 3.665.001</b>



## Consolidated Cash Flow Statement

Amounts in EUR	31.12.2017	31.12.2016
<b>Cash flow from operating activities</b>		
Profit of the period	- 9.445.611	5.132.400
Amortization / depreciation fixed assets	706.196	709.442
Depreciation Goodwill	1.330.000	-
Deferred tax expenses	- 174.120	415.460
Other non cash effective positions	- 362.847	191.744
Change in provisions	2.571.774	1.259.876
Change in trade receivables	- 1.242.954	1.718.305
Change in work in progress	- 910.543	1.087.759
Change in other current receivables and prepaid expenses and deferred income	4.576.902	6.464.956
Change in inventories	2.583.814	2.703.868
Change in trade payables, other current liabilities, advance payments, accruals and deferred income	- 2.326.706	3.499.538
Change in other liabilities (non current)	- 6.566	6.566
<b>Cash flow from operating activities</b>	<b>- 2.700.661</b>	<b>9.680.064</b>
<b>Cash flow from investing activities</b>		
Purchase of tangible assets	- 108.936	483.595
Purchase of intangible assets	- 925.919	151.973
Financial assets	2.576.019	6.358.411
Acquisitions	- 6.662	-
<b>Cash flow from investing activities</b>	<b>1.534.502</b>	<b>5.722.843</b>
<b>Cash flow from financing activities</b>		
Financial liabilities (Addition)	3.629.938	4.551.245
Financial liabilities (Decrease)	- 233.579	-
Purchase Treasury Shares	- 759.326	-
<b>Cash flow from financing activities</b>	<b>2.637.033</b>	<b>4.551.245</b>
<b>Total cash flow</b>	<b>1.470.874</b>	<b>594.024</b>
<b>Liquidity beginning of period</b>	<b>3.255.321</b>	<b>2.687.711</b>
Total cash flow	1.470.874	594.024
Impact of currency translation	- 88.104	26.414
<b>Liquidity end of period</b>	<b>4.638.091</b>	<b>3.255.321</b>

The consolidated notes to the Financial Statements are an integral part of these consolidated financial statements.

## CONSOLIDATED NOTES

### Important principles of the consolidated financial statements

Aquarion AG is an incorporated company under Swiss law, located in Baar, Zugerstrasse 76b, Switzerland. According to the Commercial Register extract the company's aim is the acquisition, management and sale of investments to companies, particularly in the field of water treatment systems and processes.

Aquarion Group is a leading provider of advanced water systems and solutions, as well as technologies for the oil & gas industry, the energy industry and other manufacturing industries.

The present consolidated financial statements of Aquarion AG (hereinafter "we", "our", "Aquarion", "the company", "the firm" or "the Group") is prepared in accordance with International Financial Reporting Standards (IFRS).

All amounts in this financial statement are - unless indicated otherwise in a particular case - stated in euros (EUR).

The following exchange rates were used:

	Exchange rates at the end of the year balance sheet		Average exchange rates year profit / loss account	
	2017	2016	2017	2016
CHF	1,17	1,07	1,11	1,09
GBP	0,89	0,86	0,88	0,82
MYR	4,85	4,73	4,85	4,58
PHP	59,80	52,27	56,94	52,55
RUB	69,39	64,30	65,88	74,22
SGD	1,60	1,52	1,56	1,53
THB	39,12	37,73	38,28	39,04
USD	1,20	1,05	1,13	1,11
CLP	737,08	-	746,55	-

The consolidated financial statement is generally based on the principle of historical cost (Group acquisition or production costs). For selected activities, the fair value is decisive from the start. The account statements are partly based on estimates. Owing to assumptions about the future development or for other reasons, these amounts are regularly subject to uncertainties. Furthermore, the application of the below accounting standards requires discretionary decisions that can have a significant effect on the amounts reported in the consolidated financial statements. Estimates for which there is a significant risk of a balance correction within twelve months, as well as other far-reaching discretionary decisions will be subsequently discussed.

## Changes in accounting standards

As of January 1, 2017 the company applies following amendments to IFRS:

- Amendment to IAS 7 – Cash Flow Statement: Disclosure Initiative (effective in 2017)
- Amendment to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses (effective in 2017)
- Amendment to IFRS 12 – Annual Improvements to IFRSs 2014-2016 Cycle (effective in 2017)

Noted amendment are concluded to have no impact on consolidated financial statements.

Following new standards and amendments have been published as of year-end, but with mandatory adoption latest in 2018. Noted new standards and amendments will be adopted as of stated date.

- Effective in 2018:
  - o IFRS 9 – Financial Instruments
  - o IFRS 15 – Revenue from Contracts with Customers
  - o Amendment to IFRS 2: Classification and Measurement of Share-based Payment Transactions
  - o Amendment to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
  - o Amendment to IAS 40: Transfers of Investment Property
  - o Amendment to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers
  - o Annual Improvements to IFRS 2014-2016 Cycle: IFRS 1 First –time Adoption of IFRS, IFRS 12 Disclosures of Interests in Other Entities; IAS 28 Investments in Associates and Joint Ventures
- Effective in 2019:
  - o IFRS 16 – Leases
  - o Amendment to IFRS 9: Prepayment Features with Negative Compensation
  - o Amendment to IAS 28: Long-term Interests in Associates and Joint Ventures

Impact of noted standards is going to be assessed. Based on assessment the changes may impact the consolidated financial statements.

## Consolidation principles

### Consolidation companies

The consolidated financial statement includes the financial statements of Aquarion AG and foreign and domestic companies (subsidiaries) directly or indirectly controlled by it. The control is done by majority vote. The financial statements of the Group of companies are fully consolidated, i.e. assets, liabilities, income and expenses are fully incorporated. Minority interests in equity and net income of a subsidiary are also recorded separately. Investments in companies in which the Group is able to exert a significant influence on operating and financial policy decisions (associated companies) are treated according to the equity method. The acquisition costs which are attributable to the equity share capital of the Company changes are updated (see consolidated income statement). The significant influence is usually given by a vote share of at least 20%. The consolidated companies include the Aquarion AG and its subsidiaries in accordance with consolidation companies below. The first-time inclusion of a company of the Group takes place from the date of acquisition (change of control) or the establishment during a fiscal year; after a sale, in the majority of cases, a last-time inclusion is done to the date of change of control (in liquidation until the liquidation date).

### Consolidation procedure

Transactions between Group companies, receivables and liabilities resulting from this, as well as interim successes in the assets of intra-group origin are eliminated.

Acquisitions are treated according to the purchase method: For the first-time consolidation at the acquisition date, the identifiable net assets and contingent liabilities of the company concerned are recognized at their fair values. The positive difference between the percentage share of the Group on revalue equity and the cost of acquisition is recognized as acquired goodwill. This is subjected to an annual impairment test - and more often in case of signs of possible impairment. To this end, at the acquisition date it is assigned to the so-called cash-generating units (smallest identifiable group of assets that are generated independent from other positive liquid means). The impairment test is ascertained by either the fair value less costs to sell or value in use per cash-generating unit is either - depending on

which of these two values is higher - the value of the net assets plus goodwill allocated to the same time, according to a consolidated balance sheet. In the Group the values in use were used, since it is not possible to determine reliably the fair values less costs to sell. A possible impairment is recognized in operating income, and shown separately. It will not be reversed in case of elimination of the impairments. If minority interests are acquired or sold in an existing subsidiary, this is deemed as a transaction with non-controlling interests in their capacity as owners. Any difference between the date of acquisition cost or the selling price of these shares and the percentage of net of equity (according to statements of the Company for the purposes of consolidation, i.e. without revaluation) is offset against the capital reserves. Any difference between the date of acquisition cost or the selling price of these shares and the percentage net of equity (according to statements of the Company for the purposes of consolidation, i.e. without revaluation) is offset against the capital reserves. Deferred variable purchase price components are revalued at the balance sheet date. Valuation adjustments are recorded in the income statement under financial result. Interest effects are recorded for all transactions as a financial expense in the income statement.

Under the equity method, the capital offsetting is done in a separate account. A re-evaluation and other consolidation transactions do not take place, because the relevant information is not usually available. As at the balance sheet date signs of possible impairment of the investment are observed, and if necessary this is subject to an impairment test in accordance with the methodology set out above. A possible impairment is recorded in the financial result. The capital account difference (goodwill) is not subject to separate impairment test, as this is included in the equity value. In the case of accounting indebtedness of the associated companies the equity method is suspended because the Group has no obligation to compensate losses (i.e. equity value of zero).

#### Separate Financial Statements

The consolidated financial statements of the consolidated companies are uniformly prepared in accordance with the following general recognition and measurement standards. Balance sheet date is consistently December 31. Presentation currency of the Group is the euro (EUR). Under the equity method the last financial statements must be carried out according to the IFRS.

#### Currency conversion

##### *a) Functional currency and reporting currency*

The items included in the financial statements of each company are measured using the currency which is the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements are presented in euro (EUR), which is the reporting currency. In tables, the monetary values, unless indicated otherwise, are shown in EUR.

##### *b) Transactions and balances*

Foreign currency transactions are converted into the functional currency at the exchange rate at the point in time in the month of transaction. Profits and losses resulting from the settlement of such transactions and from the translation at the spot exchange rates of foreign currency assets and liabilities are recorded in the income statement.

##### *c) Consolidated Companies*

The results and financial position of all companies that have a different functional currency from the recording currency are converted as follows in the reporting currency:

- Assets and liabilities are translated for each balance sheet date at the spot rate;
- Income and expenses are converted for each income statement at average annual rates which essentially correspond to the actual rates; and
- All resulting exchange differences are recorded as a separate entry under equity capital.

In the consolidated financial statements, exchange differences arising from translation of net investment in an independent foreign entity or are from financial liabilities and other currency instruments designated as hedges of such investments, are recorded directly under equity capital.

When a foreign operation is sold, such exchange differences are recognized in the income statement as part of the proceeds or loss recognized. Adjustments to the fair values, which arise through the acquisition of a foreign company, are treated as assets and liabilities of the foreign entity and converted at the spot currency exchange rate.

## Recognition and measurement principles

### a) Cash and cash equivalents

Cash and cash equivalents include cash balances, current bank accounts with credit balances and fixed deposits. These are only indicated in the cash and cash equivalents if they can be converted to predetermined payment amounts at any time, are only subject to insignificant value fluctuations and have a maximum maturity period of three months from the date of deposit. This definition is also applied to the cash flow statement or the fund indicated in the cash flow statement.

### b) Financial assets

For the purposes of subsequent evaluation, the financial instruments on the asset side must be divided into the following categories (excl. liquid assets):

– Financial assets valued at fair value with an effect on income: This includes securities held for trade and financial assets designated as "valued at fair value with an effect on income" at the time they were recorded. Derivative financial instruments are equivalent to receivables held for trade by definition (except for derivatives designated as security instruments and are effective as such). Fair value changes in the reporting year are included in the financial result.

– Financial assets held until maturity (debt securities): These are valued at so-called amortised costs in accordance with the effective interest rate method.

– Loans and receivables: These are also valued at so-called amortised costs in accordance with the effective interest rate method.

– Financial assets available for sale: All remaining financial instruments on the asset side fall into this category. Such financial assets are valued at fair value; fair value changes during the reporting year are recorded directly in the equity capital and indicated separately. In case of a withdrawal, this cumulative value adjustment is reposted in the financial result.

– Financial assets designated as hedged items include: In hedging accounting, if the application requirements have been fulfilled, hedged items and hedging instruments are valued so the respective fair value changes are compensated in the earnings statement. The group does not apply this method.

For the items valued at so-called amortised costs, whether there is impairment on the balance sheet date must be determined. If necessary, the adjustment shall be recorded in the financial result at the lower cash value of the expected payments. If the value increases at a later time, the impairment value adjustment will be reversed via the financial result. For financial assets available for sale, whether there is impairment on the balance sheet date in case of a fair value reduction must be determined. If necessary, the difference between the procurement costs and the fair value shall be recorded in the financial result, whereby the cumulative depreciation in the equity capital is reposted there. If the value increases at a later time, the impairment value adjustment will be reversed via the financial result for debt securities and it remains as is for equity capital securities. When they are recorded, financial assets are principally recorded at fair value (if necessary, except for items valued at fair value with an effect on income, plus direct transaction costs). The group currently includes only the following categories:

– Loans and receivables: This category corresponds with the receivables in accordance with the balance sheet (circulation and invested capital). The receivables primarily have short-term maturity periods; the scope of long-term loans is negligible. The classification as short or long-term depends on whether the remaining term is up to one year or more. The amortised costs correspond with nominal values in the group. These are periodically reviewed to determine if they are sufficiently secure and the value is individually adjusted accordingly in case of materiality. Establishment and dissolution of these value adjustments are recorded in other operating costs or the respective loan under financial expenses. The fair values approximately correspond with the balance sheet values since these, with the exception of the discount effect, are largely equivalent to the estimated received payments and the conditions are standard for the market.

– Financial assets available for sale: This category corresponds with the financial assets in accordance with the balance sheet. The financial assets are shares in different companies which are held long-term. They are recorded at the procurement costs since their value is generally insignificant.

c) Work in progress

Customer orders at construction sites are balanced in accordance with the percentage of completion method. The respective state of completion is defined by the order-based progress calculation. In the balance sheet, the customer orders are recorded as net assets or net liabilities from objects in progress.

If the earnings from a production order cannot be reliably estimated, the revenue will only be recorded in the amount of the incurred order costs which is likely recoverable, while simultaneously recording the incurred order costs as an expense in the respective period. This corresponds with a valuation at manufacturing costs. If it is probable that the total order costs will exceed the total order revenue, the expected losses will be immediately recorded as an expense.

d) Intangible assets

Intangible assets (except for goodwill; see consolidation principles: consolidation procedures) are valued at their procurement costs and amortised in accordance with the straight-line method from the time of operational readiness throughout the usage duration.

e) Property and equipment

Property and equipment is valued at their procurement costs and amortised in accordance with the straight-line method from the time of operational readiness throughout the following estimated, regularly reviewed usage duration:

- Production buildings (warehouses, production halls): 15-25 years
- Administrative buildings: 30-40 years
- Office equipment and furniture: 3-10 years
- Machines and machine components: 3-10 years

This applies, if significant, for subsequent expenses for increasing the value of already existing objects in these categories. Expenses for maintenance and repairs are not capitalised. There are no personal contributions in the group's property and equipment.

f) Financial assets

Financial assets are valued at their procurement costs minus the necessary value adjustments.

When acquiring shares in affiliated companies, goodwill can be generated. This corresponds to the excess acquisition costs of the shares above the proportional fair market value of the identified net assets. The goodwill is included in the shares of the affiliated companies. Affiliated companies are valued in accordance with the equity method. The earnings from affiliated companies are indicated as a part of the financial result.

g) Leasing

For contracts economically equivalent to a third-party financed purchase of the object provided for use (financial leases), the cash value of the minimal leasing rates or rents are capitalised as property and equipment and accordingly amortised. The liability in the same amount is recognised and periodically reduced by the repayment component of the leasing rate or rent and indicated in the short and long-term financial liabilities depending on when they mature. The interest component is recorded respectively as a financial expense. For all other leasing and rental agreements (operating leases), only the leasing rate or rent is debited as an operating expense in the profit and loss statement.

h) Impairment

On the balance sheet date, attention is paid to indications of a potential impairment of intangible assets with a set duration of use or tangible assets. If necessary, the balance sheet value of such an asset will be compared to its fair value minus the cost of sale or recoverable amount (value in use) (depending on which of these values is higher). Potential value impairments are recorded in the operating income and indicated separately. If there is a verifiable increase in value at a later time, the impairment value impairment will be reversed via the operating income. This does not apply to goodwill. For indefinitely usable intangible assets and goodwill, the impairment test is performed annually.



i) Financial liabilities

For the purposes of subsequent evaluation, the financial instruments on the liabilities side must be divided into the following categories:

– Other financial liabilities: These are valued at so-called amortised costs in accordance with the effective interest rate method.

When they are recorded, financial liabilities are principally recorded at fair value (if necessary, except for items valued at fair value with an effect on income, plus direct transaction costs). The group currently includes only the following categories:

– Other financial liabilities: These correspond with the financial liabilities and the other liabilities in accordance with the balance sheet (Short-term and long-term third-party capital): The majority of the accounts payable and other liabilities have short-term maturities. The classification as short or long-term depends on whether the remaining term is up to one year or more. The amortised costs correspond with nominal values in the group. This also applies for liabilities to banks with a fixed interest rate (market interest rate) and for which the pay-out and repayment amount are identical. The fair values approximately correspond with the balance sheet values since these, with the exception of the discount effect, are largely equivalent to the estimated payments made, the conditions are standard for the market and the group is capable of making the interest and capital payments in accordance with the agreement.

j) Pension liabilities

The company has a low number of employees in the Swiss company. The Swiss pension plan are so called defined benefits plans. Due to the materiality considerations, however, such a calculation was omitted.

In accordance with Italian law, the companies have the choice between a public or private occupational pension or to invest the contributions based on the old method "Fondo TFR". Gemwater S.r.l. chose the "Fondo TFR". Contributions are regularly allocated to these funds which must be charged interest at a legally stipulated interest rate.

The existing pension commitments under German law were granted to some employees of the German H+E GmbH in the past. Commitments are in place for retirement, disability and survivors' benefits. These benefit obligations are fully financed by the employer and have to be met directly by H+E GmbH, which is why H+E GmbH has to make pension provisions for these benefit obligations under German law. Special separate cover assets do not exist for these obligations.

k) Provisions

Provisions are recorded for uncertain liabilities, provided the future outflow of resources is probable and the amount can be reliably estimated. If there is a significant effect, long-term provisions are assumed based on the cash value.

l) Income taxes

Owed or deferred taxes on group company profit (or profit shares) are indicated as current tax liabilities. The corresponding expense is indicated separately. Deferred profit taxes are recorded on temporal differences between the values in the consolidated balance sheet and those in the tax balance sheet, namely, based on the effective tax rates. For deferred tax assets (those on tax-deductible, temporal differences) this only applies if it is likely that sufficiently high taxable profits will be accrued to effectively deduct these differences. In addition, deferred tax assets are recorded on tax losses insofar as in the future, it is probable that sufficiently high taxable profits will be accrued to effectively offset these tax losses ("more likely than not"). Taxes that might be incurred on retained profits from subsidiary and affiliated companies are not recorded since these profits will not be distributed or the group cannot define the distribution date. Deferred tax assets and liabilities are balanced per group company in the consolidated balance sheet insofar as current liabilities can be offset against potential recoverable profit taxes.

m) Equity

Expenses directly connected to an equity transaction (see changes in the consolidated equity capital) are directly deducted from the capital reserves. Own shares are deducted from equity at their procurement costs. In case of resale, the profit or loss is directly offset against the capital reserves. There were no such transactions at Aquarion AG. Claims waivers from shareholders are directly offset against the equity.



n) Revenue

The revenue indicated in the total consolidated income statement are due to sales or the valuation of work in progress in accordance with the POC method.

o) Materials and subcontractors

The materials and subcontractors expense are recorded based on an allocation appropriate for the period if the materials or services were procured.

p) Personnel costs

The personnel costs include all costs connected to employee remuneration and social insurances.

q) Other operating expenses

Includes the expenses for rents and maintaining office spaces and general expenses that cannot be allocated to the other expense items.

r) Depreciations and amortizations

The periodical value adjustments to the capital assets, tangible assets and intangible assets are taken into account with the depreciations and amortisations.

s) Recognition of interest and dividend earnings

Interest earnings are recorded pro rata in accordance with the effective interest rate method. Dividend earnings are recorded at the time at which the right to receive payment is established.

t) Currency conversion

Transactions in other currencies than the functional currency are recorded at the exchange rate at the time of the transaction. Exchange gains and losses realised on the transactions and unrealised exchange gains and losses from the translation of monetary receivables and liabilities in the functional currency at the year-end rate are recognised in the financial result.

u) Earnings per share

Since the company is not publicly listed, the earnings per share have been omitted.

## **Estimations and other discretionary decisions**

### Extensive uncertainties in estimates

A quantification of the effects of uncertainties (sensitivities) is hardly practical for the estimates below. However, adjustments to the actual conditions having a significant, short-term effect on the relevant balance sheet item cannot be excluded.

### Work in progress

The valuation of work in progress is connected to a discretionary decision. These can deviate from the effective assessments. If these assessments deviate, the intrinsic value of the work in progress might be impaired.

### Financial assets

The company has recognised financial loans. At the current time, there are no indications that might impair the intrinsic value of the loan. If the intrinsic value were to be impaired, the balance sheet would have to be adjusted accordingly.

#### Intangible assets

The assessment of the intangible assets is primarily based on intrinsic value tests. In this assessment, there are discretionary decisions that are based on the current conditions. If these conditions were to change, there may be impairment in this area and appropriate value adjustments would have to be made.

#### Continuation of the company

The annual financial statement was drafted based on the continuation of the company. If the continuation of the company is no longer ensured, an annual financial statement would have to be drafted based on the recoverable values. The continuation of the company depends on the financing of the company and the future earnings of the subsidiaries.

#### Miscellaneous

The accounting contains several estimates (e.g. assurance of recovery of receivables from services, duration of use from tangible assets, high provisions or potential liabilities, revenue allocated to the subsequent year from services over multiple years).

#### Other extensive discretionary decisions when applying accounting principles

#### Leasing

A leasing agreement qualifies as an operating lease because the position of the group does not correspond to that of an owner, even when considered economically and the standard criteria for a qualification as a financial lease have not been fulfilled.

#### Miscellaneous

Other discretionary decisions must also be made in the framework of the accounting principles. However, these are not significant for the consolidated annual financial statement.

### **Type, scope and management of financial risks**

Due to its operative business, the group is primarily subject to a credit risk. The group's risk management is aimed at reducing the potentially negative effects on the financial result to a minimum. Derivative financial instruments can be considered for securing financial risks, but have not been utilized to date.

The company has performed a documented risk assessment.

#### Credit risk

The credit risk is that business partners will not fulfil their obligations. All receivables are periodically reviewed to determine the degree of certainty of payment. The customers' financial situation, the experience to date and/or other factors are taken into account. In general, there are no securities. The value of not fully recoverable receivables is adjusted, whereby these value adjustments have been insignificant to date. The maximum default risk corresponds with the balance sheet value. On December 31, 2017, the group holds approximately 100% of its liquid assets at first-class banks.

#### Currency risk

The group executes the majority of its transactions in EUR, USD and SGD. Thus the group is subject to certain currency fluctuations. The following table summarises the foreign exchange risk exposure:

Amounts in EUR	EUR	GBP	CHF	USD	MYR	PHP
CHF	0	87	0	0	0	0
EUR	0	0	0	0	0	0
GBP	0	0	-11.635	-10.938	0	0
JPY	0	70.553	0	0	0	0
MYR	0	-2.148	0	-81.064	0	0
PHP	220	0	0	0	0	0
RUB	0	0	0	0	0	0
SEK	0	65	0	0	0	0
SGD	0	0	0	763.675	-7.324	0
THB	0	0	0	0	-6.801	0
USD	4.491.344	-87.758	-20.246	0	-43.839	1.653
Other	553.464	-100	-3.557	-48.787	0	0
<b>Total</b>	<b>5.045.028</b>	<b>-19.301</b>	<b>-35.438</b>	<b>622.886</b>	<b>-57.964</b>	<b>1.653</b>
<b>Net exposure</b>						

As of 31 December 2017, the Company is exposed to the SGD currency from an amount of USD 763.675. A weakening of 20% of the SGD against the USD reduces the net profit by EUR 152.735 (and a strengthening of 20% increases the net profit by EUR 152.735).

As of 31 December 2017, the Company is exposed to the USD currency from an amount of EUR 4.494.344. A weakening of 20% of the USD against the EUR increases the net loss by EUR 898.269 (and a strengthening of 20% reduces the net loss by EUR 898.269).

#### Interest rate risk

The interest rate risk contains fair value risks incurred on fix interest rate credit loans and cash flow risks incurred on variable interest rate credit loans. The composition of the financial liabilities subject to interest is detailed in the appendix. The group regularly analyses the interest rate risk by assessing the development of the variable and fixed interest rates and restructuring the financing accordingly. As of December 31, 2017, there are no significant interest rate risks.

#### Liquidity risks

The management continuously reviews the group's liquidity in close cooperation with the administrative board. An ongoing, updated liquidity plan which is based on the projected revenues, costs and investments serves to control the liquidity risks.

Financing of the Group will be secured by third party loans, as well as shareholder loans. In the course of financial reorganisation the company has restructured its loans and standardized them. Most of the loans have a term until September 30, 2019 at a uniform interest rate of 8%. Furthermore the company secured additional growth capital of 15 Mio. EUR from May 2018 by a convertible loan from "Sustainable Growth Funds".

### Financial instruments based on balance sheet items and categories

	Loans and receivables	Financial assets available for sale	Level 1	Level 2	Level 3
<b>Financial assets in EUR</b>					
<b>31.12.2016</b>					
Trade receivables	8.983.864		8.983.864		
<b>Current assets</b>	<b>8.983.864</b>	-			
Investments		638.830			638.830
Securities with banks and third parties	3.381.279		3.381.279		
Other loans and receivables	28.757				28.757
<b>Non-current assets</b>	<b>3.410.036</b>	<b>638.830</b>			
<b>Total financial assets</b>	<b>12.393.900</b>	<b>638.830</b>			
<b>31.12.2017</b>					
Trade receivables	9.935.441		9.935.441		
<b>Current assets</b>	<b>9.935.441</b>	-			
Investments		388.830			388.830
Securities with banks and third parties	781.345		781.345		
Other loans and receivables	25.337				25.337
<b>Non-current assets</b>	<b>806.682</b>	<b>388.830</b>			
<b>Total financial assets</b>	<b>10.742.123</b>	<b>388.830</b>			

The financial assets are predominantly short-term assets. The book values equal fair values of the assets. The participations correspond with the actual market value. The book value equals therefore fair value.

Valuation hierarchy:

- 1 = price listed on an active market
- 2 = factors observed directly in the market
- 3 = factors not based on any observable market data

Financial liabilities in EUR	Other financial liabilities	Level 1	Level 2	Level 3
<b>31.12.2016</b>				
Convertible bonds	-			-
Bank loans	4.757.007	4.757.007		
Other loans, liabilities and interests	2.601.495			2.601.495
Trade liabilities	6.759.157	6.759.157		
<b>Total short-term liabilities</b>	<b>14.117.659</b>			
Convertible bonds	750.000			750.000
Financial liabilities	9.402.132			9.402.132
<b>Total long-term liabilities</b>	<b>10.152.132</b>			
<b>Total financial liabilities</b>	<b>24.269.791</b>			
<b>31.12.2017</b>				
Convertible bonds	-			-
Bank loans and overdrafts	6.927.070	6.927.070		
Other loans and liabilities	3.877.476			3.877.476
Trade liabilities	6.018.631	6.018.631		
<b>Total short-term liabilities</b>	<b>16.823.177</b>			
Convertible bonds	750.000			750.000
Financial liabilities	8.142.955			8.142.955
<b>Total long-term liabilities</b>	<b>8.892.955</b>			
<b>Total financial liabilities</b>	<b>25.716.132</b>			

The financial liabilities interest rates are market-based and correspond with the effective interest rate, hence the book value essentially equals fair value.

Valuation hierarchy:

- 1 = price listed on an active market
- 2 = factors observed directly in the market
- 3 = factors not based on any observable market data

As of December 31, 2017 and 2016, the group consists of the following consolidated companies:

Company	Purpose	Share capital	Holdings in 2017	Holdings in 2016
Gemwater S.R.L., Italy	Production, trade and consultation in the water treatment systems and processes sector	EUR 300.000	100,0%	100,0%
Aquarion Water GmbH, Austria	Acquisition, management and sales of shares in companies, in particular in the water treatment systems and processes sector	EUR 35.000	100,0 %	100,0 %
H2Oil & Gas Ltd., UK	Production, trade and consultation in the water treatment systems and processes sector	GBP 300.000	100,0%	100,0%
Aquarion Water GmbH, Germany	Production, trade and consultation in the water treatment systems and processes sector	EUR 300.000	100,0%	100,0%
H+E GmbH, Germany	Production, trade and consultation in the water treatment systems and processes sector	EUR 1.000.000	100,0%	100,0%
S-Tec GmbH, Germany	Production, trade and consultation in the water treatment systems and processes sector	EUR 100.000	100,0%	100,0%
H+E UK Ltd., UK	Production, trade and consultation in the water treatment systems and processes sector	GBP 160.000	80,0%	80,0%
Hager + Elsaesser Asia Pte. Ltd., Singapore	Production, trade and consultation in the water treatment systems and processes sector	USD 70.043	100,0%	100,0%
Hager + Elsässer Sdn. Bhd. Ltd., Malaysia	Production, trade and consultation in the water treatment systems and processes sector	MYR 750.000	100,0%	100,0%
Stulz Hager + Elsaesser (Philippines) Inc., Philippines	Production, trade and consultation in the water treatment systems and processes sector	PHP 9.050.000	100,0%	100,0%
Hager + Elsaesser (Thailand) Co Ltd., Thailand	Production, trade and consultation in the water treatment systems and processes sector	THB 100.000	100,0%	100,0%
H+E RUS LLC., Russia	Production, trade and consultation in the water treatment systems and processes sector	RUB 500.000	75,0%	75,0%
H+E TAT LLC., Russia	Production, trade and consultation in the water treatment systems and processes sector	RUB 10.000	100,0%	100,0%
Membran-Filtrations-Technik GmbH, Germany	Production, trade and consultation in the water treatment systems and processes sector	EUR 50.000	100,0%	100,0%
Votec Ltd., UK	Production, trade and consultation in the water treatment systems and processes sector	GBP 99	52,8%	52,8%
H+E Chile SPA, Chile	Production, trade and consultation in the water treatment systems and processes sector	CLP 6.000	100,0%	-

Through an acquisition on 01/07/2014 the assets of Hager+Elsässer were acquired and incorporated in H+E GmbH and the S-Tec GmbH. Both H+E GmbH and S-Tec GmbH were shelf companies that have been acquired for this purpose.

The assets acquired also included 80% of the H+E UK Ltd., UK, 100% of Hager + Elsässer Sdn. Bhd. Ltd., Malaysia, 100% of Stulz Hager + Elsaesser (Philippines) Inc., Philippines, 100% of Hager + Elsaesser (Thailand) Co Ltd., Thailand and 70% of Hager + Elsaesser Asia Pte. Ltd., Singapore. Another 30% of Hager + Elsaesser Asia Pte. Ltd., Singapore was acquired against a payment of 25,000 SGD.

Another event was the founding of H+E TAT LLC. on 18/08/2014 in Kazan, Russia. Following on this was the founding of H+E RUS LLC on 16/10/2014 in Moscow, Russia.

As of January 1, 2015 66% of the capital of Votec Ltd., UK was acquired by H+E UK Ltd. for 20.000 GBP. With the same date the company was included in the group of consolidated companies for the first time.

As of January 1, 2015 100% of the capital of MFT – Membran-Filtrations-Technik GmbH, GER was acquired for 6.045.550 EUR. MFT is a mid-sized company, which is mainly concentrating on the design, construction and service of membrane equipment for clean water, drinking water and waste water applications. With the same date the company was included in the group of consolidated companies for the first time.

Another event was the founding of H+E Chile SPA on 16/02/2017 in Santiago, Chile.

The minority interests in H+E UK Ltd., Votec Ltd. and H+E RUS LLC. are shown separately in the balance sheet and income statement.

## Individual positions of consolidated financial statement

### 1 Cash and cash equivalents

in EUR	31.12.2017	31.12.2016
Cash on hand	13.041	22.762
Bank	4.625.050	3.232.559
<b>Total cash and cash equivalents</b>	<b>4.638.091</b>	<b>3.255.321</b>

The liquid asset book values are as follows with regard to currencies:

Currencies of cash and cash equivalents:	31.12.2017	31.12.2016
CHF	5.904	25.730
EUR	3.310.774	2.243.409
GBP	120.513	157.069
JPY	46.547	146.635
MYR	51.427	3.611
PHP	44.317	29.944
RUB	356.703	25.495
SEK	65	203
SGD	64.443	143.009
THB	8.622	14.114
USD	74.363	465.837
Other	554.413	265
<b>Total cash and cash equivalents</b>	<b>4.638.091</b>	<b>3.255.321</b>

The bank accounts are yield interest at customary conditions. The bank accounts are kept at first-rate banking institutions.



## 2 Inventories / Trade receivables / Other receivables

### Inventories

Amounts in EUR	31.12.2017	31.12.2016
Advances to suppliers	143.786	1.707.330
Valuation reserves finished goods	- 88.071	- 28.626
Unfinished goods	76.761	101.379
Finished goods	66.628	80.598
Purchased finished goods	119.601	624.337
Raw material and supplies	1.396.827	1.837.841
<b>Total</b>	<b>1.715.531</b>	<b>4.322.860</b>

### Trade receivables

Amounts in EUR	31.12.2017			31.12.2016		
	Gross value	Depreciation	Net value	Gross value	Depreciation	Net value
Not overdue	5.501.437 -	10.062	5.491.375	5.631.682 -	5.308	5.626.374
<b>Overdue</b>						
< 1 year	3.356.317	-	3.356.317	2.882.367 -	66.519	2.815.848
> 1 year	1.242.820 -	155.071	1.087.749	754.191 -	212.549	541.642
> 5 year	116.500 -	116.500	-	-	-	-
<b>Total trade receivables</b>	<b>10.217.074 -</b>	<b>281.633</b>	<b>9.935.441</b>	<b>9.268.240 -</b>	<b>284.376</b>	<b>8.983.864</b>

#### Allowance for doubtful receivables

	31.12.2017	31.12.2016
As of 1st January	- 284.376 -	221.887
Change to basis of consolidation	-	-
Increase	-	76.643
Decrease	-	2.628
Dissolution	2.743	11.526
Foreign exchange differences	-	-
<b>As of 31st December</b>	<b>- 281.633 -</b>	<b>284.376</b>

The validity of trade receivables is assessed regularly and the credit worthiness of new clients is assessed thoroughly. The credit risk of the Group is limited thanks to the comprehensive and diversified client base.

The division into currencies is as follows:

	31.12.2017	31.12.2016
in CHF	-	2.379
in EUR	3.464.444	4.329.966
in GBP	324.984	822.124
in MYR	24.179	694.729
in PHP	81.444	150.454
in RUB	186.173	227.728
in SGD	1.153.672	133.681
in JPY	24.006	-
in USD	4.676.539	2.622.803
<b>Total</b>	<b>9.935.441</b>	<b>8.983.864</b>

### Other short-term receivables

Amounts in EUR	31.12.2017	31.12.2016
Other financial receivables	1.608.856	6.661.106
Advances - wage and salary	11.632	99.348
Income tax refunds	278.287	60.225
VAT refunds	605.856	652.486
Refunds from other taxes	66.265	14.478
Credit balances with suppliers	95	773
Securities	11.830	4.272
Miscellaneous receivables	125.896	82.527
<b>Total</b>	<b>2.708.717</b>	<b>7.245.677</b>

### 3 Work in progress

Amounts in EUR	31.12.2017	31.12.2016
Contract revenues since start of project	19.602.048	26.982.926
Advance payment received	16.048.540	24.505.568
<b>Work in progress, net</b>	<b>3.553.508</b>	<b>2.477.358</b>
of which work in progress, assets	6.714.329	6.044.577
of which work in progress, liabilities	3.160.821	3.567.219

### 4 Financial assets

Other financial assets	Duration	Interest rate	Collateral	31.12.2017	31.12.2016
Deposit	-	0,00%	no	781.345	3.381.279
Other financial assets	unlimited	0,00%	no	25.337	28.757
<b>Total</b>				<b>806.682</b>	<b>3.410.036</b>

Participations in EUR	Participation rate	01.01.17	Change	31.12.2017	31.12.2016
Acwa Tech Ltd.	16,5%	77.490	no	77.490	77.490
Sorbwater Technology AS	2,2%	561.340	yes	311.340	561.340
<b>Total</b>		<b>638.830</b>		<b>388.830</b>	<b>638.830</b>
<b>Total financial assets</b>				<b>1.195.512</b>	<b>4.048.866</b>

An impairment of EUR 250.000 was recognized for the investment of Gemwater SRL in Sorbwater Technology AS.

## 5 Property and equipment

2016	Building	Plant and machinery	Tools and other equipment	Payments on account and assets under construction	Assets of minor value	Total
<b>Purchase values</b>						
Value at beginning of the period	91.105	621.947	1.525.190	36.576	64.627	2.339.445
Additions	43.755	293.370	135.662	15.802	2.137	490.726
Disposals	-	-18.251	-	-	-	-18.251
Reclassification	-	12.141	-	-12.141	-	-
Change in scope of consolidation	-	-	-	-	-	-
Translation differences	-8.490	4.036	-16.931	-	-2	-21.387
Value at end of period	126.370	913.243	1.643.921	40.237	66.762	2.790.533
<b>Cumulated depreciation</b>						
Value at beginning of the period	-10.853	-344.498	-772.659	-	-33.340	-1.161.350
Depreciation	-14.314	-101.758	-268.678	-	-12.704	-397.454
Disposals	-	11.121	-	-	-	11.121
Transfer	-	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-	-
Foreign exchange differences	149	-1.563	17.677	-	3	16.266
Value at end of period	-25.018	-436.698	-1.023.660	-	-46.044	-1.531.420
31.12.2016						
Net book values						-
Value at beginning of the period	80.252	277.449	752.531	36.576	31.287	1.178.095
Value at end of period	101.352	476.545	620.261	40.237	20.718	1.259.113

2017	Building	Plant and machinery	Tools and other equipment	Payments on account and assets under construction	Assets of minor value	Total
<b>Purchase values</b>						
Value at beginning of the period	126.370	913.243	1.643.921	40.237	66.762	2.790.533
Additions	2.123	22.407	131.094	3.035	6.758	165.417
Disposals	-	-	-57.428	-	-7.365	-64.793
Reclassification	-	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-	-
Translation differences	-3.852	-15.930	-61.386	-	-135	-81.303
Value at end of period	124.641	919.720	1.656.201	43.272	66.020	2.809.854
<b>Cumulated depreciation</b>						
Value at beginning of the period	-25.018	-436.698	-1.023.660	-	-46.044	-1.531.420
Depreciation	-19.617	-85.364	-239.044	-	-15.395	-359.420
Disposals	-	-	948	-	7.364	8.312
Transfer	-	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-	-
Foreign exchange differences	1.395	8.752	42.974	-	135	53.256
Value at end of period	-43.240	-513.310	-1.218.782	-	-53.940	-1.829.272
31.12.2017						
Net book values						
Value at beginning of the period	101.352	476.545	620.261	40.237	20.718	1.259.113
Value at end of period	81.401	406.410	437.419	43.272	12.080	980.582

**Leasing Commitments**

<b>Amounts in EUR</b>	<b>31.12.2016</b>	<b>0 - 1 Year</b>	<b>1 - 5 Years</b>	<b>&gt; 5 Years</b>
Land and building	2.249.131	873.296	1.375.835	-
Other leasing and rentals	1.169.613	358.964	784.368	26.281
<b>Total</b>	<b>3.418.744</b>	<b>1.232.260</b>	<b>2.160.203</b>	<b>26.281</b>

<b>Amounts in EUR</b>	<b>31.12.2017</b>	<b>0 - 1 Year</b>	<b>1 - 5 Years</b>	<b>&gt; 5 Years</b>
Land and building	2.119.850	930.732	1.188.117	1.001
Other leasing and rentals	805.741	314.822	488.960	1.959
<b>Total</b>	<b>2.925.591</b>	<b>1.245.554</b>	<b>1.677.077</b>	<b>2.960</b>

## 6 Intangible assets

2016	Franchises trademarks and licences	Goodwill from consolidation	Technology, Know How	Customer base	Total
<b>Purchase values</b>					
Value at beginning of the period	509.923	5.169.073	375.000	1.045.069	7.099.066
Additions	3.932	-	148.041	-	151.973
Disposals	-	-	-	-	-
Reclassification	-244.328	-	244.328	-	-
Change in scope of consolidation	-	-	-	-	-
Translation differences	-19.547	-	-	-63.800	-83.347
Value at end of period	249.980	5.169.073	767.369	981.269	7.167.692
<b>Cumulated depreciation</b>					
Value at beginning of the period	-209.568	-	-64.700	-267.514	-541.783
Depreciation	-25.334	-	-74.266	-212.389	-311.989
Disposals	-	-	-	-	-
Transfer	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-
Foreign exchange differences	19.659	-	-	16.164	35.823
Value at end of period	-215.243	-	-138.966	-463.739	-817.949
31.12.2016					
Net book values					
Value at beginning of the period	300.355	5.169.073	375.000	777.555	6.621.984
Value at end of period	34.737	5.169.073	628.403	517.530	6.349.743

2017	Franchises, trademarks and licences	Goodwill from consolidation	Technology, Know How	Customer base	Total
<b>Purchase values</b>					
Value at beginning of the period	249.980	5.169.073	767.369	981.269	7.167.692
Additions	793.209	-	211.524	-	1.004.733
Disposals	-	-	-78.814	-	-78.814
Reclassification	11.000	-	-11.000	-	-
Change in scope of consolidation	-	-	-	-	-
Translation differences	-4.427	-	-	-13.407	-17.834
Value at end of period	1.049.762	5.169.073	889.079	967.862	8.075.777
<b>Cumulated depreciation</b>					
Value at beginning of the period	-215.243	-	-138.966	-463.739	-817.949
Depreciation	-31.583	-1.330.000	-106.542	-208.651	-1.676.776
Disposals	-	-	-	-	-
Transfer	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-
Foreign exchange differences	4.367	-	-1	5.459	9.825
Value at end of period	-242.459	-1.330.000	-245.509	-666.931	-2.484.900
31.12.2017					
Net book values					
Value at beginning of the period	34.737	5.169.073	628.403	517.530	6.349.743
Value at end of period	807.303	3.839.073	643.570	300.931	5.590.877

During the annual impairment test conducted during the fourth quarter, the carrying amount of the cash generating units (net assets and goodwill) is compared to the value in use of the cash generating units (CGU). An impairment is booked if the carrying amount exceeds the value in use.

The impairment test has been conducted based on the following data:

The value in use of the CGU is calculated by using the Discounted Cash Flow method (DCF method). It is based on the discounted nominal pre-tax CGU net cash flows over the next 3 years. The net cash flows are calculated by using the financial plan as approved by the board of directors. The financial plans are created during the fourth quarter and reflect the current and expected future market developments. It also takes into account the expected individual revenue situation of the cash-generating unit.

The discount rate consists of the interest rates and a premium for any risks associated with the CGU. For the period after year 4, the cash flow of year 3 is capitalised at a conservative constant growth rate.

The following assumptions enter the use value calculation:

Company	31.12.17			31.12.16		
	WACC pre-tax	WACC post-tax	CAGR	WACC pre-tax	WACC post-tax	CAGR
Gemwater SRL.	8,61%	5,68%	89,0%	8,61%	5,68%	33,3%
H2Oil&Gas Ltd.	8,61%	5,68%	4,8%	8,61%	5,68%	95,5%
Membran-Filtrations-Technik GmbH	8,61%	5,68%	-36,6%	8,61%	5,68%	1,8%

in EUR	31.12.17	31.12.16
Gemwater SRL.	485.216	485.216
H2Oil&Gas Ltd.	52.257	52.257
Membran-Filtrations-Technik GmbH	3.301.600	4.631.600
<b>Total Goodwill</b>	<b>3.839.073</b>	<b>5.169.073</b>

In 2017, the impairment test for the goodwill of the Membran-Filtrations-Technik GmbH resulted in an impairment of EUR 1.330.000.

Sensitivity analysis:

A change of the basic data used for the impairment test could result in a need for additional value reduction.

The sensitivity analyses are therefore conducted with regard to possible changes in constant growth rates and the discount rates.

A discount rate increase by one percentage point would lead to a required value correction of 0,7 million EUR for Membran-Filtrations-Technik GmbH. A reduction of the constant growth rate by one percentage point would trigger a required value reduction of 0,7 million EUR.

Otherwise, no further value correction would be required for any cash-generating unit of Aquarion if the discount rate was increased by one percentage point or the growth rate was reduced by one percentage point.

## 7 Accounts payable

Amounts in EUR	31.12.2017	31.12.2016
Account payables	6.018.631	6.759.157
<b>Total</b>	<b>6.018.631</b>	<b>6.759.157</b>

The due dates of liabilities form goods and services are as follows:	31.12.2017	31.12.2016
< 1 year	6.018.631	6.759.157
> 1 year		
> 5 year		
<b>Total</b>	<b>6.018.631</b>	<b>6.759.157</b>

Breakdown by currencies:	31.12.2017	31.12.2016
in CHF	117.948	79.332
in EUR	4.120.276	3.237.375
in GBP	272.874	410.088
in MYR	587.695	1.242.012
in PHP	19.931	32.678
in RUB	3.158	2.989
in SGD	461.764	996.217
in THB	6.894	8.631
in USD	231.790	354.668
in JPY	142.908	251.525
in other currencies	53.393	143.643
<b>Total</b>	<b>6.018.631</b>	<b>6.759.158</b>

The liabilities from goods and services are not taxed. No collaterals have been submitted.



## 8 Other short-term liabilities

Amounts in EUR	31.12.2017	31.12.2016
Wages and salaries	62.550	58.987
Value added tax	351.939	264.307
Income tax	16.913	16.670
Other tax	106.335	146.059
Social plans	54.178	66.672
Payroll tax	232.878	215.834
Social security	120.260	72.324
Other liabilities	668.373	2.047.466
<b>Total</b>	<b>1.613.426</b>	<b>2.888.319</b>

## 9 Financial liabilities

### Long-term financial liabilities

Amounts in EUR	Duration 31.12.2017	Interests 31.12.2017	Duration 2018	Interests	Collateral	31.12.2017	31.12.2016
Bonds	31.01.2019	8,00%	31.01.2019	8,00%	none	750.000	750.000
Other financial liabilities third parties	30.06.2018	8,00%	30.09.2019	8,00%	none	7.000.000	5.000.000
LA-064	31.12.2017	8,00%	30.09.2019	8,00%	none	499.982	-
Other financial liabilities third parties	16.12.2017	8,00%	30.09.2019	8,00%	none	200.000	-
Loan Commerzbank AG					Shares MFT GmbH	-	2.137.500
Other Bank liabilities					none	-	5.894
Other liabilities					none	442.973	-
Earn-Out Membran-Filtrations-Technik GmbH					none	-	2.258.738
<b>Total financial liabilities</b>						<b>8.892.955</b>	<b>10.152.132</b>

Long-term financial liabilities were subordinated in the total amount of 2,5 million EUR.

### Short-term financial liabilities

Amounts in EUR	Duration 31.12.2017	Interests 31.12.2017	Duration 2018	Interests	Collateral	31.12.2017	31.12.2016
LA-053	31.01.2018	8,00%	30.09.2019	8,00%	none	200.000	200.000
LA-054	30.06.2018	8,00%	30.09.2019	8,00%	none	100.000	100.000
LA-055	31.01.2018	8,00%	30.09.2019	8,00%	none	100.000	100.000
LA-057	30.06.2018	8,00%	30.09.2019	8,00%	none	100.000	100.000
LA-058	31.01.2018	10,00%	31.12.2018	8,00%	none	300.000	300.000
LA-061	31.01.2018	10,00%	30.09.2019	8,00%	none	75.000	100.000
LA-064				8,00%	none	-	247.221
LA-066				8,00%	none	-	233.579
LA-067	31.01.2018	8,00%	30.09.2019	8,00%	none	100.000	100.000
LA-070	20.01.2018	8,00%	30.09.2019	8,00%	none	500.000	500.000
LA-071	31.01.2018	8,00%	05.02.2018	10,00%	none	200.000	200.000
LA-072	20.01.2018	9,00%	30.09.2019	8,00%	none	250.000	-
LA-073	20.01.2018	9,00%	30.09.2019	8,00%	none	500.000	-
LA-074	31.05.2018	2,00%	30.09.2019	8,00%	none	200.000	-
Loan Commerzbank AG					Shares MFT GmbH	1.425.000	-
Other Bank liabilities					none	5.502.070	4.757.007
Advance payments from customers					none	625.566	258.945
Earn-Out Membran-Filtrations-Technik GmbH					none	420.000	-
Other financial liabilities third parties					none	206.910	161.750
<b>Total financial liabilities</b>						<b>10.804.546</b>	<b>7.358.502</b>

As in 2015 and 2016, a breach of the covenants from the loan agreement with Commerzbank AG occurred also in 2017. This loan was fully repaid in May 2018 as part of the financial reorganization.

## 10 Provisions

2016	Provisions for pensions	Provisions for warranties	Provisions for legal costs	Provisions for others	Total
Amounts in EUR					
Value at beginning of the period	371.247	971.514	65.000	747.097	2.154.858
Increase	132.929	93.137	333.263	1.100.870	1.660.199
Used	-11.998	-16.495	-65.000	-256.719	-350.212
Reversed	-	-42.137	-	-7.973	-50.110
Reclassification	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-
Foreign exchange differences	120	2.842	-	529	3.491
Value at end of period	492.298	1.008.861	333.263	1.583.804	3.418.226
of which long-term accruals	492.298	-	-	161.964	654.262
of which short-term accruals	-	1.008.861	333.263	1.421.840	2.763.964

2017	Provisions for pensions	Provisions for warranties	Provisions for legal costs	Provisions for others	Total
Amounts in EUR					
Value at beginning of the period	492.298	1.008.861	333.263	1.583.804	3.418.226
Increase	99.601	416.582	-	3.758.057	4.274.240
Used	-113.285	-41.280	-231.049	-551.354	-936.968
Reversed	-	-359.311	-	-406.187	-765.498
Reclassification	-	231.009	-	-231.009	-
Change in scope of consolidation	-	-	-	-	-
Foreign exchange differences	-3.207	-6.261	-	-113.952	-123.420
Value at end of period	475.407	1.249.600	102.214	4.039.359	5.866.580
of which long-term accruals	475.407	-	-	71.752	547.159
of which short-term accruals	-	1.249.600	102.214	3.967.607	5.319.421

Other provisions mainly include project-related provisions for outstanding services.

## 11 Deferred Tax Assets and Liabilities

2016	Intangible assets	Property, plant and equipment	Pension obligations	Other assets, provisions and accruals	Tax loss carryforwards	Total
Gross deferred tax assets beginning of the period	-	93	-	45.503	175.237	220.833
Gross deferred tax liabilities beginning of the period	-359.468	-44.178	-	-25.422	-	-429.068
Net deferred tax balance beginning of the period	-359.468	-44.085	-	20.081	175.237	-208.235
Credited/(debited) to income	80.598	90.637	-	103.965	5.234	280.434
Credited/(debited) to other comprehensive income	-	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-	-
Transfer	-	39.834	-	100.426	-5.234	135.026
Translation differences	10.004	-4.340	-	897	-15.477	-8.916
Net deferred tax balance end of period	-268.866	82.046	-	225.369	159.760	198.309
31.12.2016						
Gross deferred tax assets end of the period	-	82.046	-	270.185	159.760	511.991
Gross deferred tax liabilities end of the period	-268.866	-	-	-44.816	-	-313.682
Net deferred tax balance end of period	-268.866	82.046	-	225.369	159.760	198.309
2017						
Gross deferred tax assets beginning of the period	-	82.046	-	270.185	159.760	511.991
Gross deferred tax liabilities beginning of the period	-268.866	-	-	-44.816	-	-313.682
Net deferred tax balance beginning of the period	-268.866	82.046	-	225.369	159.760	198.309
Credited/(debited) to income	66.122	-44.808	-	-603.008	883.418	301.724
Credited/(debited) to other comprehensive income	-	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-	-
Transfer	-	19.892	-	-79.669	-28.445	-88.222
Translation differences	1.669	-2.052	-	-7.754	-7.850	-15.987
Net deferred tax balance end of period	-201.075	15.697	-	-465.062	1.006.883	356.443
31.12.2017						
Gross deferred tax assets end of the period	-	25.231	-	458.133	1.006.883	1.490.247
Gross deferred tax liabilities end of the period	-201.075	-9.534	-	-923.195	-	-1.133.804
Net deferred tax balance end of period	-201.075	15.697	-	-465.062	1.006.883	356.443

## 12 Share capital

In CHF

January to December 2016	Number of share			Capital		
	circulated	own	outstanding	circulated	own	outstanding
At beginning of period	4.043.860	-	4.043.860	4.043.860	-	4.043.860
Capital increase	-	-	-	-	-	-
Purchase of own shares	-	-	-	-	-	-
Sale of own shares	-	-	-	-	-	-
At end of period	4.043.860	-	4.043.860	4.043.860	-	4.043.860

January to December 2017	Number of share			Capital		
	circulated	own	outstanding	circulated	own	outstanding
At beginning of period	4.043.860	-	4.043.860	4.043.860	-	4.043.860
Capital increase	-	-	-	-	-	-
Purchase of own shares	-	456.854	-456.854	-	456.854	-456.854
Sale of own shares	-	-	-	-	-	-
At end of period	4.043.860	456.854	3.587.006	4.043.860	456.854	3.587.006

The share capital is split into 2,021,930 registered shares with restricted transferability and 2,021,930 preference shares with a nominal value of CHF 1.00 per share. The purchase price of the treasury shares amounted to EUR 759.326 as a down payment in 2017.

## 13 Revenue

The revenue reflected in the consolidated income statement are due to sales or the valuation of work in progress in accordance with the POC method. The respective details are revealed in footnote 3 "work in progress".

Amounts in EUR	31.12.2017	31.12.2016
Revenues	13.604.256	15.195.724
POC revenues	38.728.283	40.608.027
<b>Total revenues</b>	<b>52.332.539</b>	<b>55.803.751</b>

## 14 Materials and subcontractors

Amounts in EUR	31.12.2017	31.12.2016
Increase or decrease in inventory	147.496	1.248.305
Purchased finished goods	- 1.098.504	- 2.446.504
Raw material and outside labour	- 24.465.513	- 24.830.523
Other material	-	- 1.736
Project related costs	- 5.355.730	- 6.176.032
<b>Total Material and subcontractors</b>	<b>- 30.772.251</b>	<b>- 32.206.490</b>

## 15 Personnel costs

Amounts in EUR	31.12.2017	31.12.2016
Salaries and wages	- 16.658.541	- 17.257.951
Personnel benefits	- 264.082	- 272.933
Social insurance	- 2.288.072	- 2.168.703
Outside labor	- 55.181	- 419.925
Other personnel expenses	- 550.594	- 397.117
<b>Total personnel expenses</b>	<b>- 19.816.470</b>	<b>- 20.516.629</b>

The social security employee benefits include all standard insurance of employees including reimbursements from these insurance benefits. Other personnel expenses consist primarily of expense allowances of employees.

## Key persons

Members of the Group Executive Board of Aquarion AG. receive compensation comprising a fixed annual salary, variable compensation and reimbursement of expenses. The Group pays social security contributions on these compensations as well as pension fund contributions.

The following table shows the recognised expenses for the compensation to the key management during the period under review since their appointment to the current function.

Amounts in EUR	31.12.2017	31.12.2016
Short-term benefits	- 615.651	- 647.018
Post-employment benefits	-	-
Share-based payments	-	-
<b>Total</b>	<b>- 615.651</b>	<b>- 647.018</b>

## Employee benefit obligations

Under Italian law, companies are free to choose a state or private vocational old-age provision or to set up contributions according to the old "Fondo TFR" model. GemWater S.r.l. has chosen the "Fondo TFR". Regular contributions (about 7% of the remuneration paid to the staff) are allocated to this fund, which must bear a stipulated rate of interest (composed of a fixed interest rate of 1.5% plus 75% of the change in the National Consumer Price Index).

Due to the "variable" components of the interest rate and the fact that the contributions are for the account of the employer, this "Fondo TFR" falls under the definition of IAS 19 of defined benefit plans.

It should be noted that in the event of disability of a Gemwater S.r.l. employee, the pension is covered by the national insurance office INPS, thus eliminating any obligation by the company and any already deferred amounts revert back to the company.

The existing pension commitments under German law were granted to some employees of the German H+E GmbH in the past. Commitments are in place for retirement, disability and survivors' benefits. These benefit obligations are fully financed by the employer and have to be met directly by H+E GmbH, which is why H+E GmbH has to make pension provisions for these benefit obligations under German law. Special separate cover assets do not exist for these obligations.

The evaluation of the likely liability was assessed using the projected unit credit method, with statistical assumptions regarding the future development of consumer prices and any taxation having been made. In addition, historical data

of the company and general demographic data were used to determine a forward-looking projection of entries and exits as well as retirements, deaths, disability cases and the early pay-out of contributions.

The liabilities captured in the balance sheet are determined as follows:

In EUR	31.12.2017	31.12.2016
Present value of benefit obligations	-475.407	-492.298
Fair value of the assets		
<b>Recognised employee benefit obligations</b>	<b>-475.407</b>	<b>-492.298</b>

The amount recognised in the income statement is determined as follows:

In EUR	31.12.2017	31.12.2016
Past service cost	-98.031	-102.485
Change of plans	0	0
<b>Personnel expenses</b>	<b>-98.031</b>	<b>-102.485</b>
Interest expenses	-9.599	-8.270
Expected return on assets		
<b>Financial expenses</b>	<b>-9.599</b>	<b>-8.270</b>

Movement in the present value of the benefit obligations:

In EUR	31.12.2017	31.12.2016
Balance at 01/01	-492.298	-371.246
Income statement charge for pension obligations		
Past service cost	-98.031	-102.485
Interest expenses	-9.599	-8.270
Change of plans		
Services rendered	84.023	1.720
Acquisition	0	0
Profits/Losses from reassessments recognised in other comprehensive income:		
Actuarial profits and losses from changes in demographic assumptions		
Actuarial profits and losses from changes in financial assumptions		
Experience adjustments	40.498	-12.017
<b>Balance at 31/12</b>	<b>-475.407</b>	<b>-492.298</b>

The amounts recognized in other comprehensive income are not material and are recognized in other income.

Change in fair value of the assets:

In EUR	31.12.2017	31.12.2016
Balance at 01/01	0	0
Income statement charge for plan assets		
Expected return on assets	0	0
Profits/losses from reassessments recognised in other comprehensive income:		
Returns on plan assets (excluding amounts received as interest expense)	0	0
Employer contributions paid	84.023	1.720
Employee contributions paid		
Services rendered	-84.023	-1.720
<b>Balance at 31/12</b>	<b>0</b>	<b>0</b>

Main actuarial assumptions:

In %

	2017	2016	2015
Discounting	1.80	2.40	2.40
Expected average salary increase	2.20	2.20	2.20
Inflation rate H+E GmbH	2.00	2.00	2.00
Inflation rate Gemwater SRL	1.40	1.70	1.70
Resignations	n/A	n/A	n/A
Premature withdrawal of capital	n/A	n/A	n/A
Reduction in the probability of death (SIM/SIF 2010)	10.00	10.00	10.00

Sensitivities of the main actuarial assumptions:

The discount rate and the average salary increase rate were identified as main actuarial assumption. A change in the assumption would affect the amount of the benefit obligations as on 31/12/2017 as follows:

In EUR	Discount rate		Expected average salary increase	
	Increase	Reduction	Increase	Reduction
Sensitivity level	0,5%	0,5%	0,5%	0,5%
<b>Total provisions for pension</b>	<b>-471'941</b>	<b>-567'568</b>	<b>-524'981</b>	<b>-508'638</b>

The analysis takes realistic possible changes into account in the main actuarial assumptions. The changes were examined individually. An interaction of the assumptions was not considered.



## 16 Other operating costs

Amounts in EUR	31.12.2017	31.12.2016
Expenses for outside warehousing and transportation	- 61.491 -	31.422
Energy expenses	- 196.176 -	241.287
Expenses for rent, leasing and repairs	- 1.581.790 -	1.531.812
Correction to receivables	- 48.081 -	25.476
Commissions	- 194.815 -	-
Marketing expenses	- 76.674 -	171.792
Travel expenses	- 1.136.431 -	1.149.495
Car expenses	- 370.390 -	368.367
Expenses for office supplies	- 294.516 -	375.727
Legal and consulting fees	- 1.734.813 -	2.033.262
Insurances	- 331.429 -	318.976
Miscellaneous outside services	- 1.429.325 -	1.177.801
Taxes other than income	- 11.931 -	16.813
Other expenses	- 425.464 -	552.085
Other income	1.252.284	1.093.998
Foreign currency differences	46.582	61.100
<b>Total</b>	<b>- 6.594.460 -</b>	<b>6.839.217</b>

## 17 Restructuring

In 2017, a project to restructure the Aquarion Group was started. Expenses for external advisors amounted to EUR 954.129. The project was completed in 2017.

## 18 Financial expenses

Amounts in EUR	31.12.2017	31.12.2016
Interest expenses	- 1.506.846 -	639.031
Other financial expenses	- 324.331 -	404.148
<b>Total financial expenses</b>	<b>- 1.831.177 -</b>	<b>1.043.179</b>

## 19 Financial income

Amounts in EUR	31.12.2017	31.12.2016
Interest income	12.102	41.407
Other financial income	124.367	44.523
Financial income from Earn-Out adjustments	1.418.738	-
<b>Total financial income</b>	<b>1.555.207</b>	<b>85.930</b>

## 20 Currency gain / (loss)

Amounts in EUR	31.12.2017	31.12.2016
Currency gains	1.923.239	2.058.679
Currency losses	- 3.538.648	1.894.762
<b>Total</b>	<b>- 1.615.410</b>	<b>163.917</b>

## 21 Income tax

Amounts in EUR	31.12.2017	31.12.2016
Current income taxes	- 14.989	151.476
Deferred income taxes	301.724	280.436
<b>Total income taxes</b>	<b>286.736</b>	<b>128.960</b>

The tax expenses amount up to -2,87% (prior year: -2,45%) of the earnings before taxes. The tax rate of -2.87% is significantly below the expected tax rate due to the non-capitalization of tax loss carryforwards.

Companies have non-capitalised tax loss carry-forwards with the following due dates:

Amounts in EUR	31.12.2017	0 - 1 Year	1 - 5 Years	> 5 Jahre	unlimited
Aquarion AG (CH)	14.595.749	325.682	4.740.522	9.529.545	-
Aquarion Water GmbH (GER)	798.734	-	-	-	798.734
H2Oil&Gas. Ltd. (UK)	206.785	-	-	-	206.785
Gemwater SRL. (IT)	-	-	-	-	-
Aquarion Water GmbH (AUT)	640.312	-	-	-	640.312
H+E TAT LLC. (Russia)	-	-	-	-	-
S-Tec GmbH (GER)	-	-	-	-	-
H+E GmbH (GER)	-	-	-	-	-
H+E UK Ltd. (UK)	1.155.904	-	-	-	1.155.904
Hager +Elsässer Sdn. Bhd. Ltd. (MAL)	64.677	-	-	-	64.677
Hager + Elsaesser (Thailand) Co Ltd. (THL)	-	-	-	-	-
Hager + Elsaesser (Philippines) Inc. (PHL)	17.888	-	-	-	17.888
Hager + Elsaesser Asia Pte. Ltd. (SGP)	6.828.984	-	-	-	6.828.984
H+E RUS LLC. (RUS)	-	-	-	-	-
Membran-Filtrations-Technik GmbH (GER)	-	-	-	-	-
Votec Ltd. (UK)	71.551	-	-	-	71.551

## 22 Future liabilities

There are no essential unrecorded future liabilities.

## 23 Past collaterals

Aquarion AG has pledged the shares in Membran-Filtrationstechnik GmbH to Commerzbank AG, Switzerland for a loan granted by Commerzbank AG, Switzerland.

No other past collaterals or pledging obligations exist.

## 24 Transactions with affiliated persons

Affiliated persons include members of the Administrative Council, the Management and other key persons as well as their kind, important shareholders and companies they control, associated companies and the Group's benefit plans.

In addition to this data, there are still disclosures on related parties.

### a) Group and associated companies

The transactions between parent and subsidiary companies have been eliminated in the consolidated financial statement

### b) Share-ownership ratio pursuant to art. 663c OR

At December 31, 2016, Aquarion AG had issued 4,043,860 shares at a nominal value of CHF 1.00. As member of the management and member of the Board Karl Michael Millauer is direct shareholder of Aquarion AG.

There is an indirect shareholding of Members of the Board in 2017 through schütz holding AG and a further indirect shareholding through the family of a member of the management.

By agreement dated November 03, 2017, Aquarion AG acquired the previous shares of Compagnia Tecnica SRL..

Other significant shareholders, as known to the company, with a share ownership of >5% are as follows (as of December 31, 2017):

	31.12.2017		31.12.2016	
	Nominal shares	Participation rate	Nominal shares	Participation rate
Green Gateway Fund L.P.	2.021.930	50,0%	2.021.930	50,0%
Karl Michael Millauer	661.608	16,4%	661.608	16,4%
schütz holding schweiz ag	404.785	10,0%	404.785	10,0%
Compagnia Tecnica SRL.	0	0,0%	456.854	11,3%
A.C. Mandressi SRL.	372.208	9,2%	372.208	9,2%
Aquarion AG (Treasury Shares)	456.854	11,3%	0	0,0%

### c) Transactions with affiliated persons

Transactions with affiliated persons occurred as follows:

Amounts in EUR	Duration	Interests	Duration 2018	Interests	Collateral	31.12.2017	31.12.2016
	31.12.2017	31.12.2017					
H. Birnbaumer	30.06.2018	8,00%	30.09.2019	8,00%	none	100.000	100.000
H. Birnbaumer	30.06.2018	8,00%	30.09.2019	8,00%	none	100.000	100.000
H. Birnbaumer	31.01.2018	8,00%	30.09.2019	8,00%	none	100.000	100.000
H. Birnbaumer	31.01.2018	10,00%	30.09.2019	8,00%	none	75.000	100.000
KM Millauer	31.12.2017	8,00%	30.09.2019	8,00%	none	499.982	247.221

Mr. Birnbaumer is qualified as affiliated person because he owns 12,750 common shares of Aquarion AG.

Mr. Millauer is qualified as affiliated person because he owns directly 661.608 common shares of Aquarion AG.

## **25 Subsequent events**

The bank guarantees to the amount of 6.345.000 USD in total drawn in mid-April 2016 by the Iraqi customer, the oil Ministry, were repaid for the most part in the last week of July, but only after intensive, primarily political efforts. Gemwater has received 5.140.625 USD. In January and April 2018 Gemwater SRL received further payments of 967.200 USD and 2,584,780 USD respectively from this project. The remaining amounts from the project will be paid after completion of the facilities.

The company has restructured its loan liabilities in the course of financial reorganisation.

The vast majority of all lenders have agreed to extend the loans until the end of the third quarter of 2019 and to a uniform interest rate. Furthermore the company succeeded in securing an additional growth capital of 15 million EUR by a convertible loan from "Sustainable Growth Funds" to put the future growth on a sound financial footing.

After the balance sheet date, creditors declared additional subordination in the amount of 3,7 million EUR to the already declared subordination of 2,5 million EUR. The total subordination now amounts to 6,2 million EUR.

The present consolidated financial statement has been approved by the Aquarion AG Board of Directors on May 29<sup>th</sup>, 2018.

## REPORT OF THE STATUTORY AUDITOR

To the General Meeting of Aquarion AG, Baar

### Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Aquarion AG, which comprise the consolidated balance sheet as at December 31, 2017, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement and notes to the consolidated financial statements for the year then ended.

#### Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements 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 entity's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the consolidated financial statements for the year ended December 31, 2017 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.



## Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 Code of Obligations (CO) and that there are no circumstances incompatible with our independence.

In the course of our audit performed in accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we noted that an internal control system for the preparation of financial statements designed according to the instructions of the Board of Directors has not been documented in all material respects.

In our opinion, the internal control system is not in accordance with Swiss law and accordingly we are unable to confirm the existence of the internal control system for the preparation of the financial statements.

We recommend that the consolidated financial statements submitted to you be approved.

Zurich, 29 May 2018

BDO Ltd

Christoph Tschumi  
Auditor in Charge  
Licensed Audit Expert

David Hämmerli  
Licensed Audit Expert

Enclosures  
Consolidated financial statements

**5 SCHEDULE 5**

**AUDITED FINANCIAL STATEMENTS FOR AQUARION AG FOR THE YEAR ENDED 31 DECEMBER 2018**





# Financial Report 2018



## Financial Report 2018

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## Consolidated Balance Sheet

Amounts in EUR	Appendix	31.12.2018	31.12.2017
<b>Assets</b>			
Intangible assets	6	5,441.325	5.590.877
Tangible assets	5	884.280	980.582
Financial assets	4	1.549.127	1.195.512
Deferred tax assets	11	1.403.701	1.490.247
<b>Total non current assets</b>		<b>9.278.433</b>	<b>9.257.218</b>
Inventories	2	2.421.084	1.715.531
Trade receivables	2	9.994.939	9.935.441
Contract assets	3	8.122.718	6.714.329
Other receivables	2	1.757.233	2.708.717
Deferred expenses and accrued income		345.506	157.318
Cash and cash equivalents	1	6.029.023	4.638.091
<b>Total current assets</b>		<b>28.670.503</b>	<b>25.869.427</b>
<b>Total assets</b>		<b>37.948.936</b>	<b>35.126.644</b>
<b>Equity and liabilities</b>			
Share capital	12	3.296.021	3.296.021
Capital Reserves		5.723.365	5.723.365
Treasury Shares		0	-759.326
Retained earning		-25.703.360	-12.100.063
Cumulative translation adjustments		-192.503	506.378
Available-for-sale financial assets		-505.697	-250.000
<b>Total equity to the shareholders</b>		<b>-17.382.174</b>	<b>-3.583.625</b>
Non controlling interests		-37.447	-81.376
<b>Total equity</b>		<b>-17.419.621</b>	<b>-3.665.001</b>
Provisions	10	486.147	547.159
Financial liabilities	9	26.500.000	8.892.955
Deferred tax liabilities	11	1.109.582	1.133.804
<b>Total non current liabilities</b>		<b>28.095.729</b>	<b>10.573.918</b>
Tax liabilities		1.465	4.885
Provisions	10	4.014.401	5.319.421
Financial liabilities	9	9.524.384	10.804.546
Trade liabilities	7	9.915.223	6.018.631
Contract liabilities	3	1.942.889	3.160.821
Other liabilities	8	869.060	1.613.426
Deferred income and accrued expenses		1.005.407	1.295.997
<b>Total current liabilities</b>		<b>27.272.829</b>	<b>28.217.727</b>
<b>Total equity and liabilities</b>		<b>37.948.936</b>	<b>35.126.644</b>

The consolidated notes to the Financial Statements are an integral part of these consolidated financial statements.

## Consolidated Income Statement

Amounts in EUR	Appendix	31.12.2018	31.12.2017
Revenue	13	49.921.394	52.332.539
Material and subcontractors	14	-31.676.999	-30.772.251
Personnel expenses	15	-19.411.789	-19.816.470
Other operating expenses	16	-6.851.575	-6.594.460
Restructuring	17	0	-954.129
<b>EBITDA</b>		<b>-8.018.969</b>	<b>-5.804.771</b>
Depreciation	5/6	-551.701	-2.036.196
<b>EBIT</b>		<b>-8.570.670</b>	<b>-7.840.967</b>
Financial expenses	18	-5.671.846	-1.831.177
Financial income	19	156.152	1.555.207
Currency gain/loss	20	603.196	-1.615.410
<b>EBT</b>		<b>-13.483.168</b>	<b>-9.732.347</b>
Tax on income	21	-69.176	286.736
<b>Net Income</b>		<b>-13.552.344</b>	<b>-9.445.611</b>
Non controlling interests		-50.952	76.115
<b>Net income attributable to shareholders of Aquarion AG</b>		<b>-13.603.296</b>	<b>-9.369.496</b>

The consolidated notes to the Financial Statements are an integral part of these consolidated financial statements.

## Consolidated Statement of Comprehensive Income

Amounts in EUR	31.12.2018	31.12.2017
<b>Net income</b>	<b>-13.552.344</b>	<b>-9.445.611</b>
<b>Items that may be reclassified in the income statement</b>		
Foreign currency differences	-705.903	532.972
Fair value changes on available-for-sale financial assets	-255.697	-250.000
<b>Other comprehensive income</b>	<b>-961.600</b>	<b>282.972</b>
<b>Comprehensive income</b>	<b>-14.513.944</b>	<b>-9.162.639</b>
Shareholders of Aquarion AG	-14.557.872	-9.086.008
Non-controlling interests	43.929	-76.631

## Changes in Consolidated Equity

Amounts in EUR	Share capital	Capital reserves	Treasury Shares	Retained earnings	Foreign exchange differences	Available-for-sale financial assets	Equity attributable to shareholders	Non-controlling interests	Total equity		
<b>31.12.2016</b>	<b>3.296.021</b>	<b>5.723.365</b>	-	<b>2.730.567</b>	-	<b>27.110</b>	-	<b>6.261.709</b>	-	<b>4.745</b>	<b>6.256.964</b>
Consolidated profit	-	-	-	-9.369.496	-	-	-	9.369.496	-	76.115	-9.445.611
Other comprehensive income	-	-	-	-	533.488	-250.000	-	283.488	-	516	282.972
<b>Comprehensive income</b>	-	-	-	<b>-9.369.496</b>	<b>533.488</b>	<b>-250.000</b>	-	<b>9.086.007</b>	-	<b>76.631</b>	<b>-9.162.639</b>
Purchase Treasury Shares	-	-	759.326	-	-	-	-	-759.326	-	-	-759.326
<b>31.12.2017</b>	<b>3.296.021</b>	<b>5.723.365</b>	<b>- 759.326</b>	<b>- 12.100.063</b>	<b>506.378</b>	-	-	<b>3.583.625</b>	-	<b>81.376</b>	<b>- 3.665.001</b>
Consolidated profit	-	-	-	-13.603.296	-	-	-	13.603.296	-	50.952	-13.552.344
Other comprehensive income	-	-	-	-	698.881	255.697	-	954.577	-	7.024	-961.600
<b>Comprehensive income</b>	-	-	-	<b>-13.603.296</b>	<b>-698.881</b>	<b>255.697</b>	-	<b>-14.557.872</b>	-	<b>43.929</b>	<b>-14.513.944</b>
Purchase Treasury Shares	-	-	-292.085	-	-	-	-	-292.085	-	-	-292.085
Sale Treasury Shares	-	-	1.051.411	-	-	-	-	1.051.411	-	-	1.051.411
<b>31.12.2018</b>	<b>3.296.021</b>	<b>5.723.365</b>	-	<b>- 25.703.360</b>	<b>-192.503</b>	<b>-505.697</b>	-	<b>17.382.174</b>	-	<b>37.447</b>	<b>-17.419.621</b>

## Consolidated Cash Flow Statement

Amounts in EUR	31.12.2018	31.12.2017
<b>Cash flow from operating activities</b>		
Profit of the period	-13.552.344	-9.445.611
Amortization / depreciation fixed assets	551.701	706.196
Depreciation Goodwill	0	1.330.000
Deferred tax expenses	60.264	-174.120
Non cash effective interest / redemption fee	3.015.207	0
Allowance for doubtful accounts with shareholders	1.100.000	0
Other non cash effective positions	14.885	-362.847
Change in provisions	-1.416.768	2.571.774
Change in trade receivables	-106.701	-1.242.954
Change in contract assets	-1.357.338	-910.543
Change in other current receivables and prepaid expenses and deferred income	814.636	4.576.902
Change in inventories	-695.478	2.583.814
Change in trade payables, contract liabilities, other current liabilities	1.744.004	-2.326.706
Change in other liabilities (non current)	0	-6.566
<b>Cash flow from operating activities</b>	<b>-9.827.932</b>	<b>-2.700.661</b>
<b>Cash flow from investing activities</b>		
Purchase of tangible assets	-218.563	-108.936
Purchase of intangible assets	-83.805	-925.919
Financial assets	-608.472	2.576.019
Acquisitions	0	-6.662
<b>Cash flow from investing activities</b>	<b>-910.840</b>	<b>1.534.502</b>
<b>Cash flow from financing activities</b>		
Financial liabilities (Addition)	15.114.337	3.629.938
Financial liabilities (Decrease)	-2.667.658	-233.579
Purchase Treasury Shares	-292.085	-759.326
<b>Cash flow from financing activities</b>	<b>12.154.594</b>	<b>2.637.033</b>
<b>Total cash flow</b>	<b>1.415.822</b>	<b>1.470.874</b>
<b>Liquidity beginning of period</b>	<b>4.638.091</b>	<b>3.255.321</b>
Total cash flow	1.415.822	1.470.874
Impact of currency translation	-24.890	-88.104
<b>Liquidity end of period</b>	<b>6.029.023</b>	<b>4.638.091</b>

The consolidated notes to the Financial Statements are an integral part of these consolidated financial statements.

## CONSOLIDATED NOTES

### Important principles of the consolidated financial statements

Aquarion AG is an incorporated company under Swiss law, located in Baar, Zugerstrasse 76b, Switzerland. According to the Commercial Register extract the company's aim is the acquisition, management and sale of investments to companies, particularly in the field of water treatment systems and processes.

Aquarion Group is a leading provider of advanced water systems and solutions, as well as technologies for the oil & gas industry, the energy industry and other manufacturing industries.

The present consolidated financial statements of Aquarion AG (hereinafter "we", "our", "Aquarion", "the company", "the firm" or "the Group") is prepared in accordance with International Financial Reporting Standards (IFRS).

All amounts in this financial statement are - unless indicated otherwise in a particular case - stated in euros (EUR).

The following exchange rates were used:

	Exchange rates at the end of the year balance sheet		Average exchange rates year profit / loss account	
	2018	2017	2018	2017
CHF	1,13	1,17	1,15	1,11
GBP	0,89	0,89	0,88	0,88
MYR	4,73	4,85	4,76	4,85
PHP	60,11	59,80	62,23	56,94
RUB	79,72	69,39	74,05	65,88
SGD	1,56	1,60	1,59	1,56
THB	37,05	39,12	38,16	38,28
USD	1,15	1,20	1,18	1,13
CLP	794,79	737,08	756,82	746,55
AUD	1,62	-	1,58	-

The consolidated financial statement is generally based on the principle of historical cost (Group acquisition or production costs). For selected activities, the fair value is decisive from the start. The account statements are partly based on estimates. Owing to assumptions about the future development or for other reasons, these amounts are regularly subject to uncertainties. Furthermore, the application of the below accounting standards requires discretionary decisions that can have a significant effect on the amounts reported in the consolidated financial statements. Estimates for which there is a significant risk of a balance correction within twelve months, as well as other far-reaching discretionary decisions will be subsequently discussed.



## Changes in accounting standards

As of January 1, 2018 the company applies following amendments to IFRS:

- IFRS 9 – Financial Instruments
- IFRS 15 – Revenue from Contracts with Customers
- Amendment to IFRS 2: Classification and Measurement of Share-based Payment Transactions
- Amendment to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- Amendment to IAS 40: Transfers of Investment Property
- Amendment to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers
- Annual Improvements to IFRS 2014-2016 Cycle: IFRS 1 First –time Adoption of IFRS, IFRS 12 Disclosures of Interests in Other Entities; IAS 28 Investments in Associates and Joint Ventures

IFRS 15 replaces the previous accounting standards IAS 11 and IAS 18 as well as various interpretations of the IFRS Committee. IFRS 9 replaces the previous accounting standard IAS 39. A review showed that the two amendments had no impact on the consolidated financial statements of the Group.

The other amendments also had no impact on the consolidated financial statements of the Group.

Following new standards and amendments have been published as of year-end, but not yet effective. Noted new standards and amendments will be adopted as of stated date. We do not expect the amendments to have a material impact on the consolidated financial statements of the Group.

Effective in 2019:

- IFRS 16 – Leases
- Amendment to IFRS 9: Prepayment Features with Negative Compensation
- Amendment to IAS 28: Long-term Interests in Associates and Joint Ventures
- Amendment to IAS 19: Employee Benefits – Plan Amendment, Curtailment or Settlement
- Annual Improvements to IFRS (Zyklus 2015-2017): IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs
- IFRIC 23 Uncertainty over Income Tax Treatments

Effective in 2021:

- IFRS 17 – Insurance Contracts

Impact of noted standards is going to be assessed. Based on assessment the changes may impact the consolidated financial statements.

## Consolidation principles

### Consolidation companies

The consolidated financial statement includes the financial statements of Aquarion AG and foreign and domestic companies (subsidiaries) directly or indirectly controlled by it. The control is done by majority vote. The financial statements of the Group of companies are fully consolidated, i.e. assets, liabilities, income and expenses are fully incorporated. Minority interests in equity and net income of a subsidiary are also recorded separately. Investments in companies in which the Group is able to exert a significant influence on operating and financial policy decisions (associated companies) are treated according to the equity method. The acquisition costs which are attributable to the equity share capital of the Company changes are updated (see consolidated income statement). The significant influence is usually given by a vote share of at least 20%. The consolidated companies include the Aquarion AG and its subsidiaries in accordance with consolidation companies below. The first-time inclusion of a company of the Group takes place from the date of acquisition (change of control) or the establishment during a fiscal year; after a sale, in the majority of cases, a last-time inclusion is done to the date of change of control (in liquidation until the liquidation date).

#### Consolidation procedure

Transactions between Group companies, receivables and liabilities resulting from this, as well as interim successes in the assets of intra-group origin are eliminated.

Acquisitions are treated according to the purchase method: For the first-time consolidation at the acquisition date, the identifiable net assets and contingent liabilities of the company concerned are recognized at their fair values. The positive difference between the percentage share of the Group on revalue equity and the cost of acquisition is recognized as acquired goodwill. This is subjected to an annual impairment test - and more often in case of signs of possible impairment. To this end, at the acquisition date it is assigned to the so-called cash-generating units (smallest identifiable group of assets that are generated independent from other positive liquid means). The impairment test is ascertained by either the fair value less costs to sell or value in use per cash-generating unit is either - depending on which of these two values is higher - the value of the net assets plus goodwill allocated to the same time, according to a consolidated balance sheet. In the Group the values in use were used, since it is not possible to determine reliably the fair values less costs to sell. A possible impairment is recognized in operating income, and shown separately. It will not be reversed in case of elimination of the impairments. If minority interests are acquired or sold in an existing subsidiary, this is deemed as a transaction with non-controlling interests in their capacity as owners. Any difference between the date of acquisition cost or the selling price of these shares and the percentage of net of equity (according to statements of the Company for the purposes of consolidation, i.e. without revaluation) is offset against the capital reserves. Any difference between the date of acquisition cost or the selling price of these shares and the percentage net of equity (according to statements of the Company for the purposes of consolidation, i.e. without revaluation) is offset against the capital reserves. Deferred variable purchase price components are revalued at the balance sheet date. Valuation adjustments are recorded in the income statement under financial result. Interest effects are recorded for all transactions as a financial expense in the income statement.

Under the equity method, the capital offsetting is done in a separate account. A re-evaluation and other consolidation transactions do not take place, because the relevant information is not usually available. As at the balance sheet date signs of possible impairment of the investment are observed, and if necessary this is subject to an impairment test in accordance with the methodology set out above. A possible impairment is recorded in the financial result. The capital account difference (goodwill) is not subject to separate impairment test, as this is included in the equity value. In the case of accounting indebtedness of the associated companies the equity method is suspended because the Group has no obligation to compensate losses (i.e. equity value of zero).

#### Separate Financial Statements

The consolidated financial statements of the consolidated companies are uniformly prepared in accordance with the following general recognition and measurement standards. Balance sheet date is consistently December 31. Presentation currency of the Group is the euro (EUR). Under the equity method the last financial statements must be carried out according to the IFRS.

#### Currency conversion

##### *a) Functional currency and reporting currency*

The items included in the financial statements of each company are measured using the currency which is the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements are presented in euro (EUR), which is the reporting currency. In tables, the monetary values, unless indicated otherwise, are shown in EUR.

##### *b) Transactions and balances*

Foreign currency transactions are converted into the functional currency at the exchange rate at the point in time in the month of transaction. Profits and losses resulting from the settlement of such transactions and from the translation at the spot exchange rates of foreign currency assets and liabilities are recorded in the income statement.

##### *c) Consolidated Companies*

The results and financial position of all companies that have a different functional currency from the recording currency are converted as follows in the reporting currency:

- Assets and liabilities are translated for each balance sheet date at the spot rate;
- Income and expenses are converted for each income statement at average annual rates which essentially correspond to the actual rates; and

- All resulting exchange differences are recorded as a separate entry under equity capital.

In the consolidated financial statements, exchange differences arising from translation of net investment in an independent foreign entity or are from financial liabilities and other currency instruments designated as hedges of such investments, are recorded directly under equity capital.

When a foreign operation is sold, such exchange differences are recognized in the income statement as part of the proceeds or loss recognized. Adjustments to the fair values, which arise through the acquisition of a foreign company, are treated as assets and liabilities of the foreign entity and converted at the spot currency exchange rate.

### Recognition and measurement principles

#### a) Cash and cash equivalents

Cash and cash equivalents include cash balances, current bank accounts with credit balances and fixed deposits. These are only indicated in the cash and cash equivalents if they can be converted to predetermined payment amounts at any time, are only subject to insignificant value fluctuations and have a maximum maturity period of three months from the date of deposit. This definition is also applied to the cash flow statement or the fund indicated in the cash flow statement.

#### b) Financial assets

For the purposes of subsequent evaluation, the financial instruments on the asset side must be divided into the following categories (excl. liquid assets):

In accordance with the new IFRS 9 standard, financial assets are classified as "at fair value recognised entirely in other comprehensive income" or "at fair value recognised entirely in profit".

- Financial assets valued at fair value with an effect in profit: This includes securities held for trade and financial assets designated as "valued at fair value with an effect on income" at the time they were recorded. Derivative financial instruments are equivalent to receivables held for trade by definition (except for derivatives designated as security instruments and are effective as such). Fair value changes in the reporting year are included in the financial result.
- Financial assets held until maturity (debt securities): These are valued at so-called amortised costs in accordance with the effective interest rate method.
- Loans and receivables: These are also valued at so-called amortised costs in accordance with the effective interest rate method.
- Financial assets available for sale: All remaining financial instruments on the asset side fall into this category. Such financial assets are valued at fair value; fair value changes during the reporting year are recorded directly in the other comprehensive income and indicated separately. In case of a withdrawal, this cumulative value adjustment is reposted in the financial result.
- Financial assets designated as hedged items include: In hedging accounting, if the application requirements have been fulfilled, hedged items and hedging instruments are valued so the respective fair value changes are compensated in the earnings statement. The group does not apply this method.

For the items valued at so-called amortised costs, whether there is impairment on the balance sheet date must be determined. If necessary, the adjustment shall be recorded in the financial result at the lower cash value of the expected payments. If the value increases at a later time, the impairment value adjustment will be reversed via the financial result. For financial assets available for sale, whether there is impairment on the balance sheet date in case of a fair value reduction must be determined. If necessary, the difference between the procurement costs and the fair value shall be recorded in the financial result, whereby the cumulative depreciation in the equity capital is reposted there. If the value increases at a later time, the impairment value adjustment will be reversed via the financial result for debt securities and it remains as is for equity capital securities. When they are recorded, financial assets are principally recorded at fair value (if necessary, except for items valued at fair value with an effect on income, plus direct transaction costs). The group currently includes only the following categories:

- Loans and receivables: This category corresponds with the receivables in accordance with the balance sheet (circulation and invested capital). The receivables primarily have short-term maturity periods; the scope of long-term

loans is negligible. The classification as short or long-term depends on whether the remaining term is up to one year or more. The amortised costs correspond with nominal values in the group. These are periodically reviewed to determine if they are sufficiently secure and the value is individually adjusted accordingly in case of materiality. Establishment and dissolution of these value adjustments are recorded in other operating costs or the respective loan under financial expenses. The fair values approximately correspond with the balance sheet values since these, with the exception of the discount effect, are largely equivalent to the estimated received payments and the conditions are standard for the market.

c) Inventories

Raw materials and supplies are generally valued at acquisition cost. Unfinished and finished goods and services are valued at production costs (direct costs, appropriate material and production overheads).

d) Contract assets and contract liabilities

Customer orders on construction sites are accounted for the basis of revenue recognition when the performance obligations are fulfilled over time. The respective state of completion is defined by the order-based progress calculation. In the balance sheet, customer orders are recorded as net position from contract assets and contract liabilities.

If the earnings from a production order cannot be reliably estimated, the revenue will only be recorded in the amount of the incurred order costs which is likely recoverable, while simultaneously recording the incurred order costs as an expense in the respective period. This corresponds with a valuation at manufacturing costs. If it is probable that the total order costs will exceed the total order revenue, the expected losses will be immediately recorded as an expense.

e) Intangible assets

Intangible assets (except for goodwill; see consolidation principles: consolidation procedures) are valued at their procurement costs and amortised in accordance with the straight-line method from the time of operational readiness throughout the usage duration:

- Software: 3-5 years
- Product development: 10 years

f) Property and equipment

Property and equipment is valued at their procurement costs and amortised in accordance with the straight-line method from the time of operational readiness throughout the following estimated, regularly reviewed usage duration:

- Production buildings (warehouses, production halls): 15-25 years
- Administrative buildings: 30-40 years
- Office equipment and furniture: 3-10 years
- Machines and machine components: 3-10 years

This applies, if significant, for subsequent expenses for increasing the value of already existing objects in these categories. Expenses for maintenance and repairs are not capitalised. There are no personal contributions in the group's property and equipment.

g) Financial assets

Financial assets are valued at their procurement costs minus the necessary value adjustments.

When acquiring shares in affiliated companies, goodwill can be generated. This corresponds to the excess acquisition costs of the shares above the proportional fair market value of the identified net assets. The goodwill is included in the shares of the affiliated companies. Affiliated companies are valued in accordance with the equity method. The earnings from affiliated companies are indicated as a part of the financial result.

h) Leasing

For contracts economically equivalent to a third-party financed purchase of the object provided for use (financial leases), the cash value of the minimal leasing rates or rents are capitalised as property and equipment and accordingly amortised. The liability in the same amount is recognised and periodically reduced by the repayment component of the leasing rate or rent and indicated in the short and long-term financial liabilities depending on when they mature. The interest component is recorded respectively as a financial expense. For all other leasing and rental agreements (operating leases), only the leasing rate or rent is debited as an operating expense in the profit and loss statement.

i) Impairment

On the balance sheet date, attention is paid to indications of a potential impairment of intangible assets with a set duration of use or tangible assets. If necessary, the balance sheet value of such an asset will be compared to its fair value minus the cost of sale or recoverable amount (value in use) (depending on which of these values is higher). Potential value impairments are recorded in the operating income and indicated separately. If there is a verifiable increase in value at a later time, the impairment value impairment will be reversed via the operating income. This does not apply to goodwill. For indefinitely usable intangible assets and goodwill, the impairment test is performed annually.

j) Financial liabilities

For the purposes of subsequent evaluation, the financial instruments on the liabilities side must be divided into the following categories:

– Other financial liabilities: In accordance with IFRS 9, these can be measured at amortised cost or at fair value. When measured at fair value, expenses or income can be recognised either in full in the result for the period or directly in other comprehensive income.

When they are recorded, financial liabilities are principally recorded at fair value (if necessary, except for items valued at fair value with an effect on income, plus direct transaction costs). The group currently includes only the following categories:

– Other financial liabilities: These correspond with the financial liabilities and the other liabilities in accordance with the balance sheet (Short-term and long-term third-party capital): The majority of the accounts payable and other liabilities have short-term maturities. The classification as short or long-term depends on whether the remaining term is up to one year or more. The amortised costs correspond with nominal values in the group. This also applies for liabilities to banks with a fixed interest rate (market interest rate) and for which the pay-out and repayment amount are identical. The fair values approximately correspond with the balance sheet values since these, with the exception of the discount effect, are largely equivalent to the estimated payments made, the conditions are standard for the market and the group is capable of making the interest and capital payments in accordance with the agreement.

k) Pension liabilities

The company has a low number of employees in the Swiss company. The Swiss pension plan are so called defined benefits plans. Due to the materiality considerations, however, such a calculation was omitted.

In accordance with Italian law, the companies have the choice between a public or private occupational pension or to invest the contributions based on the old method "Fondo TFR". H+E S.R.L., Italy chose the "Fondo TFR". Contributions are regularly allocated to these funds which must be charged interest at a legally stipulated interest rate.

The existing pension commitments under German law were granted to some employees of the German H+E GmbH in the past. Commitments are in place for retirement, disability and survivors' benefits. These benefit obligations are fully financed by the employer and have to be met directly by H+E GmbH, which is why H+E GmbH has to make pension provisions for these benefit obligations under German law. Special separate cover assets do not exist for these obligations.

l) Provisions

Provisions are recorded for uncertain liabilities, provided the future outflow of resources is probable and the amount can be reliably estimated. If there is a significant effect, long-term provisions are assumed based on the cash value.

m) Income taxes

Owed or deferred taxes on group company profit (or profit shares) are indicated as current tax liabilities. The corresponding expense is indicated separately. Deferred profit taxes are recorded on temporal differences between the values in the consolidated balance sheet and those in the tax balance sheet, namely, based on the effective tax rates. For deferred tax assets (those on tax-deductible, temporal differences) this only applies if it is likely that sufficiently high taxable profits will be accrued to effectively deduct these differences. In addition, deferred tax assets are recorded on tax losses insofar as in the future, it is probable that sufficiently high taxable profits will be accrued to effectively offset these tax losses ("more likely than not"). Taxes that might be incurred on retained profits from subsidiary and affiliated companies are not recorded since these profits will not be distributed or the group cannot define the distribution date. Deferred tax assets and liabilities are balanced per group company in the consolidated balance sheet insofar as current liabilities can be offset against potential recoverable profit taxes.

n) Equity

Expenses directly connected to an equity transaction (see changes in the consolidated equity capital) are directly deducted from the capital reserves. Own shares are deducted from equity at their procurement costs. In case of resale, the profit or loss is directly offset against the capital reserves. Claims waivers from shareholders are recognized directly in equity.

o) Revenue

The revenues shown in the income statement are based on sales or the valuation of work in progress over time after the revenue has been recognized when the performance obligations have been fulfilled. Revenues are allocated into the following main segments:

- Service business
- Spare parts
- Project business

Revenue from services and spare part deliveries is recognized as soon as the power of disposition is exercised at a contractually agreed time. Revenue from project business is recognized over time when the contractual performance obligations are fulfilled. The progress of the project is determined on the basis of the internal and external costs incurred to date in relation to the planned costs. The planned costs are continuously reviewed on the basis of periodic interim calculations. The transaction price is determined on the basis of the contract amount agreed with the customer.

p) Materials and subcontractors

The materials and subcontractors expense are recorded based on an allocation appropriate for the period if the materials or services were procured.

q) Personnel costs

The personnel costs include all costs connected to employee remuneration and social insurances.

r) Other operating expenses

Includes the expenses for rents and maintaining office spaces and general expenses that cannot be allocated to the other expense items.

s) Depreciations and amortizations

The periodical value adjustments to the capital assets, tangible assets and intangible assets are taken into account with the depreciations and amortisations.

t) Recognition of interest and dividend earnings

Interest earnings are recorded pro rata in accordance with the effective interest rate method. Dividend earnings are recorded at the time at which the right to receive payment is established.

u) Currency conversion

Transactions in other currencies than the functional currency are recorded at the exchange rate at the time of the transaction. Exchange gains and losses realised on the transactions and unrealised exchange gains and losses from the translation of monetary receivables and liabilities in the functional currency at the year-end rate are recognised in the financial result.

v) Earnings per share

Since the company is not publicly listed, the earnings per share have been omitted.

### **Estimations and other discretionary decisions**

Extensive uncertainties in estimates

A quantification of the effects of uncertainties (sensitivities) is hardly practical for the estimates below. However, adjustments to the actual conditions having a significant, short-term effect on the relevant balance sheet item cannot be excluded.

Contract assets and Contract liabilities

The valuation of Contract assets and Contract liabilities is connected to a discretionary decision. These can deviate from the effective assessments. If these assessments deviate, the intrinsic value of the work in progress might be impaired.

Financial assets

The company has recognised financial loans. At the current time, there are no indications that might impair the intrinsic value of the loan. If the intrinsic value were to be impaired, the balance sheet would have to be adjusted accordingly.

Intangible assets

The assessment of the intangible assets is primarily based on intrinsic value tests. In this assessment, there are discretionary decisions that are based on the current conditions. If these conditions were to change, there may be impairment in this area and appropriate value adjustments would have to be made.

Continuation of the company

The annual financial statement was drafted based on the continuation of the company. If the continuation of the company is no longer ensured, an annual financial statement would have to be drafted based on the recoverable values. The continuation of the company depends on the financing of the company and the future earnings of the subsidiaries.

Miscellaneous

The accounting contains several estimates (e.g. assurance of recovery of receivables from services, duration of use from tangible assets, high provisions or potential liabilities, revenue allocated to the subsequent year from services over multiple years).



Other extensive discretionary decisions when applying accounting principles

Leasing

A leasing agreement qualifies as an operating lease because the position of the group does not correspond to that of an owner, even when considered economically and the standard criteria for a qualification as a financial lease have not been fulfilled.

Miscellaneous

Other discretionary decisions must also be made in the framework of the accounting principles. However, these are not significant for the consolidated annual financial statement.

**Type, scope and management of financial risks**

Due to its operative business, the group is primarily subject to a credit risk. The group's risk management is aimed at reducing the potentially negative effects on the financial result to a minimum. Derivative financial instruments can be considered for securing financial risks, but have not been utilized to date.

The company has performed a documented risk assessment.

Credit risk

The credit risk is that business partners will not fulfil their obligations. All receivables are periodically reviewed to determine the degree of certainty of payment. The customers' financial situation, the experience to date and/or other factors are taken into account. In general, there are no securities. The value of not fully recoverable receivables is adjusted, whereby these value adjustments have been insignificant to date. The maximum default risk corresponds with the balance sheet value. On December 31, 2018, the group holds approximately 100% of its liquid assets at first-class banks.

Currency risk

The group executes the majority of its transactions in EUR, USD and GBP. Thus the group is subject to certain currency fluctuations. The following table summarises the foreign exchange risk exposure:

Amounts in EUR	EUR	GBP	CHF	USD	MYR	PHP
CHF	0	86	0	0	0	0
EUR	0	0	0	0	0	0
GBP	-5.767	0	-24.861	0	0	0
JPY	0	395.896	0	0	0	0
MYR	0	0	0	-42.813	0	0
PHP	0	0	0	-1.628	0	0
RUB	0	0	0	0	0	0
SEK	0	27	0	0	0	0
SGD	0	0	-52.831	186.258	-623	0
THB	0	0	0	0	-5.305	0
USD	2.552.811	118.914	207.519	0	8.006	2.927
Other	-1.580	3	-6.158	-49.575	0	-3.554
<b>Total</b>	<b>2.545.464</b>	<b>514.926</b>	<b>123.669</b>	<b>92.242</b>	<b>2.078</b>	<b>-627</b>
<b>Net exposure</b>						

As of 31 December 2018, the Company is exposed to the JPY currency from an amount of EUR 395.896. A weakening of 20% of the YPN against the GBP reduces the net profit by EUR 79.179 (and a strengthening of 20% increases the net profit by EUR 79.179).

As of 31 December 2018, the Company is exposed to the USD currency from an amount of EUR 2.552.811. A weakening of 20% of the USD against the EUR increases the net loss by EUR 510.562 (and a strengthening of 20% reduces the net loss by EUR 510.562).

#### Interest rate risk

The interest rate risk contains fair value risks incurred on fix interest rate credit loans and cash flow risks incurred on variable interest rate credit loans. The composition of the financial liabilities subject to interest is detailed in the appendix. The group regularly analyses the interest rate risk by assessing the development of the variable and fixed interest rates and restructuring the financing accordingly. As of December 31, 2018, there are no significant interest rate risks.

#### Liquidity risks

The management continuously reviews the liquidity of the group in close cooperation with the board. To manage these liquidity risks, the liquidity plan is updated on an ongoing basis which is based on the planned sales, costs, investments as well as cash flows from financing activities.

The group financing are secured on one hand by the bank credit lines and loans from third parties and on the other hand by shareholder loans and bridge loan from shareholder.

The group received a growth capital of 15 million EUR in May 2018 by a convertible loan from Water Re-Use Ltd. This loan was converted into share capital in the course of financial restructuring in the amount of 10,3 million EUR in March and April 2019, which led Water Re-Use Ltd. to become the sole shareholder of the group. The term of the remaining 4,7 million EUR was extended until 30.09.2021 at the same time and the interest payments were deferred until maturity date. Furthermore, the loan of the previous shareholder Green Gateway Fund and as well the loan of Green Shoots Ltd. were extended until 30.09.2021. For these loans the interest payments were also deferred until maturity date. This secures that the major part of debt financing does not affect the liquidity of the group until 30.09.2021.

It is planned either to extend the remaining third party loans of approx. 2,5 million EUR until their maturity date of 30.09.2019 or to replace them into the new bond to the extent of 2,0 - 3,0 million EUR.

The existing bank credit lines at Commerzbank for H+E Stuttgart and H+E Asia in the amount of 4,5 million EUR as at the end of 2018 was converted into a bank loan of H+E Stuttgart with repayment instalments of 300K EUR for each quarter until 2022. A new bank credit line to the extent of 2,0 – 3,0 million EUR is under negotiation.

In addition, we refer to the further measures described under subsequent events to secure short-term liquidity (Note 25).

**Financial instruments based on balance sheet items and categories**

	Loans and receivables	Financial assets available for sale	Level 1	Level 2	Level 3
<b>Financial assets in EUR</b>					
<b>31.12.2017</b>					
Trade receivables	9.935.441		9.935.441		
<b>Current assets</b>	<b>9.935.441</b>	-			
Investments		388.830			388.830
Securities with banks and third parties	781.345		781.345		
Other loans and receivables	25.337				25.337
<b>Non-current assets</b>	<b>806.682</b>	<b>388.830</b>			
<b>Total financial assets</b>	<b>10.742.123</b>	<b>388.830</b>			
<b>31.12.2018</b>					
Trade receivables	9.994.939		9.994.939		
<b>Current assets</b>	<b>9.994.939</b>	-			
Investments		133.133			133.133
Securities with banks and third parties	1.316.225		1.316.225		
Other loans and receivables	99.769				99.769
<b>Non-current assets</b>	<b>1.415.994</b>	<b>133.133</b>			
<b>Total financial assets</b>	<b>11.410.933</b>	<b>133.133</b>			

The financial assets are predominantly short-term assets. The book values equal fair values of the assets. The participations correspond with the actual market value. The book value equals therefore fair value.

Valuation hierarchy:

- 1 = price listed on an active market
- 2 = factors observed directly in the market
- 3 = factors not based on any observable market data

	Other financial liabilities	Level 1	Level 2	Level 3
<b>Financial liabilities in EUR</b>				
<b>31.12.2017</b>				
Convertible bonds	-			-
Bank loans	6.927.070	6.927.070		
Other loans, liabilities and interests	3.877.476			3.877.476
Trade liabilities	6.018.631	6.018.631		
<b>Total short-term liabilities</b>	<b>16.823.177</b>			
Convertible bonds	750.000			750.000
Financial liabilities	8.142.955			8.142.955
<b>Total long-term liabilities</b>	<b>8.892.955</b>			
<b>Total financial liabilities</b>	<b>25.716.132</b>			
<b>31.12.2018</b>				
Convertible bonds	750.000			750.000
Bank loans and overdrafts	2.228.213	2.228.213		
Other loans and liabilities	6.546.171			6.546.171
Trade liabilities	9.915.223	9.915.223		
<b>Total short-term liabilities</b>	<b>19.439.607</b>			
Convertible bonds	-			-
Financial liabilities	26.500.000			26.500.000
<b>Total long-term liabilities</b>	<b>26.500.000</b>			
<b>Total financial liabilities</b>	<b>45.939.607</b>			

The financial liabilities interest rates are market-based and correspond with the effective interest rate, hence the book value essentially equals fair value.

Long-term financial liabilities include a loan granted by Water Re-Use Ltd. in 2018 amounting to 15,0 million EUR. Compliance with financial covenants has been contractually agreed. The covenants were fully complied in 2018.

Valuation hierarchy:

- 1 = price listed on an active market
- 2 = factors observed directly in the market
- 3 = factors not based on any observable market data

As of December 31, 2018 and 2017, the group consists of the following consolidated companies:

Company	Purpose	Share capital	Holdings in 2018	Holdings in 2017
H+E S.R.L., Italy (formerly Gemwater S.R.L.)	Production, trade and consultation in the water treatment systems and processes sector	EUR 300.000	100,0%	100,0%
Aquarion Products GmbH, Austria (formerly Aquarion Water GmbH)	Production, trade and consultation in the water treatment systems and processes sector; Acquisition, management and sales of shares in companies with same or similar business	EUR 35.000	100,0%	100,0%
H2Oil & Gas Ltd., UK	Production, trade and consultation in the water treatment systems and processes sector	GBP 300.000	100,0%	100,0%
H+E Holding GmbH, Germany (formerly Aquarion Water GmbH)	Production, trade and consultation in the water treatment systems and processes sector	EUR 300.000	100,0%	100,0%
H+E GmbH, Germany	Production, trade and consultation in the water treatment systems and processes sector	EUR 1.000.000	100,0%	100,0%
S-Tec GmbH, Germany	Production, trade and consultation in the water treatment systems and processes sector	EUR 100.000	100,0%	100,0%
H+E UK Ltd., UK	Production, trade and consultation in the water treatment systems and processes sector	GBP 200.000	80,0%	80,0%
Hager + Elsaesser Asia Pte. Ltd., Singapore	Production, trade and consultation in the water treatment systems and processes sector	USD 2.930.901	100,0%	100,0%
Hager + Elsaesser Sdn. Bhd. Ltd., Malaysia	Production, trade and consultation in the water treatment systems and processes sector	MYR 9.271.145	100,0%	100,0%
Stulz Hager + Elsaesser (Philippines) Inc., Philippines	Production, trade and consultation in the water treatment systems and processes sector	PHP 9.050.000	100,0%	100,0%
Hager + Elsaesser (Thailand) Co Ltd., Thailand	Production, trade and consultation in the water treatment systems and processes sector	THB 100.000	100,0%	100,0%
H+ERUS LLC., Russia	Production, trade and consultation in the water treatment systems and processes sector	RUB 500.000	75,0%	75,0%
H+E TAT LLC., Russia	Production, trade and consultation in the water treatment systems and processes sector	RUB 10.000	100,0%	100,0%
Membran-Filtrations-Technik GmbH, Germany	Production, trade and consultation in the water treatment systems and processes sector	EUR 50.000	100,0%	100,0%
Votec Ltd., UK	Production, trade and consultation in the water treatment systems and processes sector	GBP 99	52,8%	52,8%
H+E Chile SPA, Chile	Production, trade and consultation in the water treatment systems and processes sector	CLP 6.000	100,0%	100,0%
HAGER + ELSAESSER PTY. LTD., Australia	Production, trade and consultation in the water treatment systems and processes sector	AUD 100	100,0%	100,0%
H+E Pharma GmbH, Germany	Production, trade and consultation in the water treatment systems and processes sector	EUR 25.000	100,0%	-

Through an acquisition on 01/07/2014 the assets of Hager+Elsässer were acquired and incorporated in H+E GmbH and the S-Tec GmbH. Both H+E GmbH and S-Tec GmbH were shelf companies that have been acquired for this purpose.

The assets acquired also included 80% of the H+E UK Ltd., UK, 100% of Hager + Elsaesser Sdn. Bhd. Ltd., Malaysia, 100% of Stulz Hager + Elsaesser (Philippines) Inc., Philippines, 100% of Hager + Elsaesser (Thailand) Co Ltd., Thailand and 70% of Hager + Elsaesser Asia Pte. Ltd., Singapore. Another 30% of Hager + Elsaesser Asia Pte. Ltd., Singapore was acquired against a payment of 25,000 SGD.

Another event was the founding of H+E TAT LLC. on 18/08/2014 in Kazan, Russia. Following on this was the founding of H+E RUS LLC on 16/10/2014 in Moscow, Russia.

As of January 1, 2015 66% of the capital of Votec Ltd., UK was acquired by H+E UK Ltd. for 20.000 GBP. With the same date the company was included in the group of consolidated companies for the first time.

As of January 1, 2015 100% of the capital of MFT – Membran-Filtrations-Technik GmbH, GER was acquired for 6.045.550 EUR. MFT is a mid-sized company, which is mainly concentrating on the design, construction and service of membrane equipment for clean water, drinking water and waste water applications. With the same date the company was included in the group of consolidated companies for the first time.

As of February 16, 2017 H+E Chile SPA was founded in Santiago, Chile. On November 24, 2017 Hager + Elsaesser Pty. Ltd. was founded in West Perth, Australia. In addition, H+E Pharma GmbH was founded on September 18, 2018 with registered office in Stuttgart.

The minority interests in H+E UK Ltd., Votec Ltd. and H+E RUS LLC. are shown separately in the balance sheet and income statement.

## Individual positions of consolidated financial statement

### 1 Cash and cash equivalents

in EUR	31.12.2018	31.12.2017
Cash on hand	10.607	13.041
Bank	6.018.416	4.625.050
<b>Total cash and cash equivalents</b>	<b>6.029.023</b>	<b>4.638.091</b>

The liquid asset book values are as follows with regard to currencies:

Currencies of cash and cash equivalents:	31.12.2018	31.12.2017
CHF	519	5.904
EUR	4.711.568	3.310.774
GBP	170.166	120.513
JPY	385.991	46.547
MYR	14.735	51.427
PHP	11.928	44.317
RUB	103.212	356.703
SEK	27	65
SGD	133.154	64.443
THB	7.387	8.622
USD	487.608	74.363
Other	2.728	554.413
<b>Total cash and cash equivalents</b>	<b>6.029.023</b>	<b>4.638.091</b>

The bank accounts are yield interest at customary conditions. The bank accounts are kept at first-rate banking institutions.



## 2 Inventories / Trade receivables / Other receivables

### Inventories

Amounts in EUR	31.12.2018	31.12.2017
Advances to suppliers	712.094	143.786
Valuation reserves finished goods	-138.581	-88.071
Unfinished goods	121.270	76.761
Finished goods	52.658	66.628
Purchased finished goods	373.877	119.601
Raw material and supplies	1.299.766	1.396.827
<b>Total</b>	<b>2.421.084</b>	<b>1.715.531</b>

### Trade receivables

Amounts in EUR	31.12.2018			31.12.2017		
	Gross value	Depreciation	Net value	Gross value	Depreciation	Net value
Not overdue	6.942.341	- 10.062	6.932.279	5.501.437	- 10.062	5.491.375
<b>Overdue</b>						
< 1 year	2.390.750	-	2.390.750	3.356.317	-	3.356.317
> 1 year	865.343	- 200.183	665.160	1.242.820	- 155.071	1.087.749
> 5 year	123.250	- 116.500	6.750	116.500	- 116.500	-
<b>Total trade receivables</b>	<b>10.321.684</b>	<b>- 326.745</b>	<b>9.994.939</b>	<b>10.217.074</b>	<b>- 281.633</b>	<b>9.935.441</b>

#### Allowance for doubtful receivables

	31.12.2018	31.12.2017
As of 1st January	- 281.633	- 284.375
Change to basis of consolidation	-	-
Increase	45.112	-
Decrease	-	-
Dissolution	-	2.742
Foreign exchange differences	-	-
<b>As of 31st December</b>	<b>- 326.745</b>	<b>- 281.633</b>

The validity of trade receivables is assessed regularly and the credit worthiness of new clients is assessed thoroughly. The credit risk of the Group is limited thanks to the comprehensive and diversified client base.

The division into currencies is as follows:

	31.12.2018	31.12.2017
in EUR	5.233.490	3.464.444
in GBP	689.258	324.984
in MYR	35.859	24.179
in PHP	73.611	81.444
in RUB	189.226	186.173
in SGD	453.015	1.153.672
in JPY	9.905	24.006
in USD	3.306.425	4.676.539
in others	4.150	-
<b>Total</b>	<b>9.994.939</b>	<b>9.935.441</b>

### Other short-term receivables

Amounts in EUR	31.12.2018	31.12.2017
Other financial receivables	294.604	1.608.856
Advances - wage and salary	6.541	11.632
Income tax refunds	311.965	278.287
VAT refunds	870.069	605.856
Refunds from other taxes	91.539	66.265
Credit balances with suppliers	699	95
Securities	6.697	11.830
Miscellaneous receivables	155.279	125.896
<b>Total</b>	<b>1.757.233</b>	<b>2.708.717</b>

### 3 Contract assets and Contract liabilities

Amounts in EUR	31.12.2018	31.12.2017
Contract revenues since start of project	25.152.827	19.602.048
Advance payment received	18.972.998	16.048.540
<b>Work in progress, net</b>	<b>6.179.829</b>	<b>3.553.508</b>
of which contract assets	8.122.718	6.714.329
of which contract liabilities	1.942.889	3.160.821

The increase in (net) assets is due to the trend towards higher pre-financing of project services provided by the Group companies.

### 4 Financial assets

Other financial assets	Duration	Interest rate	Collateral	31.12.2018	31.12.2017
Deposit	-	0,00%	no	1.316.225	781.345
Other financial assets	unlimited	0,00%	no	99.769	25.337
<b>Total</b>				<b>1.415.994</b>	<b>806.682</b>

Participations in EUR	Participation rate	01.01.18	Change	31.12.2018	31.12.2017
Acwa Tech Ltd.	16,5%	77.490	no	77.490	77.490
Sorbwater Technology AS	1,6%	311.340	yes	55.643	311.340
<b>Total</b>		<b>388.830</b>		<b>133.133</b>	<b>388.830</b>
<b>Total financial assets</b>				<b>1.549.127</b>	<b>1.195.512</b>

An impairment of EUR 250.000 was recognized in 2017 for the investment of H+E SRL, Italy in Sorbwater Technology AS. In 2018 a further impairment of EUR 255.697 was recognized.

## 5 Property and equipment

2017	Building	Plant and machinery	Tools and other equipment	Payments on account and assets under construction	Assets of minor value	Total
<b>Purchase values</b>						
Value at beginning of the period	126.370	913.243	1.643.921	40.237	66.762	2.790.533
Additions	2.123	22.407	131.094	3.035	6.758	165.417
Disposals	-	-	-57.428	-	-7.365	-64.793
Reclassification	-	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-	-
Translation differences	-3.852	-15.930	-61.386	-	-135	-81.303
Value at end of period	124.641	919.720	1.656.201	43.272	66.020	2.809.854
<b>Cumulated depreciation</b>						
Value at beginning of the period	-25.018	-436.698	-1.023.660	-	-46.044	-1.531.420
Depreciation	-19.617	-85.364	-239.044	-	-15.395	-359.420
Disposals	-	-	948	-	7.364	8.312
Transfer	-	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-	-
Foreign exchange differences	1.395	8.752	42.974	-	135	53.256
Value at end of period	-43.240	-513.310	-1.218.782	-	-53.940	-1.829.272
31.12.2017						
<b>Net book values</b>						
Value at beginning of the period	101.352	476.545	620.261	40.237	20.718	1.259.113
Value at end of period	81.401	406.410	437.419	43.272	12.080	980.582

2018	Building	Plant and machinery	Tools and other equipment	Payments on account and assets under construction	Assets of minor value	Total
<b>Purchase values</b>						
Value at beginning of the period	124.641	919.720	1.656.201	43.272	66.020	2.809.854
Additions	28.014	104.658	68.191	-	17.511	218.374
Disposals	-	-5.881	-1.923	-	-	-7.804
Reclassification	-	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-	-
Translation differences	1.278	5.642	16.072	-	-353	22.639
Value at end of period	153.933	1.024.139	1.738.541	43.272	83.178	3.043.063
<b>Cumulated depreciation</b>						
Value at beginning of the period	-43.240	-513.310	-1.218.782	-	-53.940	-1.829.272
Depreciation	-20.281	-93.238	-180.347	-	-25.557	-319.423
Disposals	-	10.113	-2.120	-	-	7.993
Transfer	-	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-	-
Foreign exchange differences	-584	-3.542	-14.308	-	353	-18.081
Value at end of period	-64.105	-599.977	-1.415.557	-	-79.144	-2.158.783
31.12.2018						
<b>Net book values</b>						
Value at beginning of the period	81.401	406.410	437.419	43.272	12.080	980.582
Value at end of period	89.828	424.162	322.984	43.272	4.034	884.280

**Leasing Commitments**

Amounts in EUR	31.12.2017	0 - 1 Year	1 - 5 Years	> 5 Years
Land and building	2.119.850	930.732	1.188.117	1.001
Other leasing and rentals	805.741	314.822	488.960	1.959
<b>Total</b>	<b>2.925.591</b>	<b>1.245.554</b>	<b>1.677.077</b>	<b>2.960</b>

Amounts in EUR	31.12.2018	0 - 1 Year	1 - 5 Years	> 5 Years
Land and building	2.430.269	838.725	1.540.397	51.147
Other leasing and rentals	710.888	288.733	422.155	-
<b>Total</b>	<b>3.141.157</b>	<b>1.127.458</b>	<b>1.962.552</b>	<b>51.147</b>

## 6 Intangible assets

2017	Franchises trademarks and licences	Goodwill from consolidation	Technology, Know How	Customer base	Total
<b>Purchase values</b>					
Value at beginning of the period	249.980	5.169.073	767.369	981.269	7.167.692
Additions	793.209	-	211.524	-	1.004.733
Disposals	-	-	-78.814	-	-78.814
Reclassification	11.000	-	-11.000	-	-
Change in scope of consolidation	-	-	-	-	-
Translation differences	-4.427	-	-	-13.407	-17.834
Value at end of period	1.049.762	5.169.073	889.079	967.862	8.075.777
<b>Cumulated depreciation</b>					
Value at beginning of the period	-215.243	-	-138.966	-463.739	-817.949
Depreciation	-31.583	-1.330.000	-106.542	-208.651	-1.676.776
Disposals	-	-	-	-	-
Transfer	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-
Foreign exchange differences	4.367	-	-1	5.459	9.825
Value at end of period	-242.459	-1.330.000	-245.509	-666.931	-2.484.900
<b>31.12.2017</b>					
<b>Net book values</b>					
Value at beginning of the period	34.737	5.169.073	767.369	517.530	6.488.710
Value at end of period	807.303	3.839.073	643.570	300.931	5.590.877

2018	Franchises, trademarks and licences	Goodwill from consolidation	Technology, Know How	Customer base	Total
<b>Purchase values</b>					
Value at beginning of the period	1.049.762	5.169.073	889.079	967.862	8.075.777
Additions	67.537	-	16.268	-	83.805
Disposals	-	-	-	-	-
Reclassification	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-
Translation differences	-1.561	-	-	-3.017	-4.578
Value at end of period	1.115.738	5.169.073	905.347	964.845	8.155.004
<b>Cumulated depreciation</b>					
Value at beginning of the period	-242.459	-1.330.000	-245.509	-666.931	-2.484.900
Depreciation	-45.351	-	-100.798	-86.129	-232.278
Disposals	-	-	-	-	-
Transfer	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-
Foreign exchange differences	1.411	-	-	2.088	3.499
Value at end of period	-286.399	-1.330.000	-346.307	-750.972	-2.713.679
<b>31.12.2018</b>					
<b>Net book values</b>					
Value at beginning of the period	807.303	3.839.073	643.570	300.931	5.590.877
Value at end of period	829.339	3.839.073	559.040	213.873	5.441.325

During the annual impairment test conducted during the fourth quarter, the carrying amount of the cash generating units (net assets and goodwill) is compared to the value in use of the cash generating units (CGU). An impairment is booked if the carrying amount exceeds the value in use.

The impairment test has been conducted based on the following data:

The value in use of the CGU is calculated by using the Discounted Cash Flow method (DCF method). It is based on the discounted nominal pre-tax CGU net cash flows over the next 3 years. The net cash flows are calculated by using the financial plan as approved by the board of directors. The financial plans are created during the fourth quarter and reflect the current and expected future market developments. It also takes into account the expected individual revenue situation of the cash-generating unit.

The discount rate consists of the interest rates and a premium for any risks associated with the CGU. For the period after year 4, the cash flow of year 3 is capitalised at a conservative constant growth rate of 2%.

The following assumptions enter the use value calculation:

Company	31.12.18			31.12.17		
	WACC pre-tax	WACC post-tax	CAGR	WACC pre-tax	WACC post-tax	CAGR
H+E SRL, Italy	8,00%	5,07%	41,8%	8,61%	5,68%	89,0%
H2Oil&Gas Ltd., UK	8,00%	5,07%	50,5%	8,61%	5,68%	4,8%
Membran-Filtrations-Technik GmbH	8,00%	5,07%	20,3%	8,61%	5,68%	-36,6%

in EUR	31.12.18	31.12.17
H+E SRL, Italy	485.216	485.216
H2Oil&Gas Ltd., UK	52.257	52.257
Membran-Filtrations-Technik GmbH	3.301.600	3.301.600
<b>Total Goodwill</b>	<b>3.839.073</b>	<b>3.839.073</b>

In 2017, the impairment test for the goodwill of the Membran-Filtrations-Technik GmbH resulted in an impairment of EUR 1.330.000.

The impairment test by 31.12.2018 confirmed the value shown in the balance sheet. Otherwise, there were no indications of impairment in the financial years presented.

Sensitivity analysis:

A change of the basic data used for the impairment test could result in a need for additional value reduction. The sensitivity analyses are therefore conducted with regard to possible changes in constant growth rates and the discount rates. A discount rate increase by one per cent would not lead to any required value correction regarding a cash-generating unit of Aquarion. A reduction of the constant growth rate by one per cent would also not trigger a required value reduction.

## 7 Accounts payable

Amounts in EUR	31.12.2018	31.12.2017
Accounts payables	9.915.223	6.018.631
<b>Total</b>	<b>9.915.223</b>	<b>6.018.631</b>

The due dates of liabilities form goods and services are as follows:	31.12.2018	31.12.2017
< 1 year	9.915.223	6.018.631
> 1 year		
>5 year		
<b>Total</b>	<b>9.915.223</b>	<b>6.018.631</b>

Breakdown by currencies:	31.12.2018	31.12.2017
in CHF	108.785	117.948
in EUR	6.577.395	4.120.276
in GBP	1.395.245	272.874
in MYR	324.559	587.695
in PHP	16.580	19.931
in RUB	8.191	3.158
in SGD	453.364	461.764
in THB	5.305	6.894
in USD	471.412	231.790
in JPY	488.736	142.908
in other currencies	65.651	53.393
<b>Total</b>	<b>9.915.223</b>	<b>6.018.631</b>

The liabilities from goods and services are interest-free. No collaterals have been submitted.



## 8 Other short-term liabilities

Amounts in EUR	31.12.2018	31.12.2017
Wages and salaries	68.224	62.550
Value added tax	231.727	351.939
Income tax	25.418	16.913
Other tax	25.307	106.335
Social plans	90.772	54.178
Payroll tax	209.456	232.878
Social security	101.585	120.260
Other liabilities	116.571	668.373
<b>Total</b>	<b>869.060</b>	<b>1.613.426</b>

## 9 Financial liabilities

### Long-term financial liabilities

Amounts in EUR	Duration 2018	Interests	Collateral	31.12.2018	31.12.2017
Bonds	31.01.2019	8,00%	none	-	750.000
Other financial liabilities third parties **)	30.09.2019	8,00%	*)	5.700.000	7.200.000
Other financial liabilities third parties	30.09.2021	8,00%	*)	15.000.000	-
LA-064 **)	30.09.2019	8,00%	none	500.000	499.982
Loan Commerzbank AG	31.03.2022	7,95% plus Euribor	none	3.300.000	-
<b>Other liabilities</b>			<b>none</b>	<b>2.000.000</b>	<b>442.973</b>
<b>Total financial liabilities</b>				<b>26.500.000</b>	<b>8.892.955</b>

\*) We refer to note 23

\*\*) These financial liabilities were subordinated (total amount of subordination 6,2 million EUR).

Interest on subordinated financial liabilities was partly not paid out as agreed.

The loan LA-064 in the amount of EUR 500.000 was extended in 2019 until 30 June 2020. The other loans in the amount of EUR 5.700.000 were extended in 2019 until 30 September 2021.

Non-current financial liabilities include a loan granted by Water Re-Use Ltd. in 2018 amounting to 15,0 million EUR.

The loan of 4,5 million EUR from Commerzbank AG replaced the existing short-term overdraft facilities. Repayments of 1,2 million EUR due in 2019 are reported as short-term financial liabilities.

### Short-term financial liabilities

Amounts in EUR	Duration 2018	Interests	Collateral	31.12.2018	31.12.2017
LA-053	30.09.2019	8,00%	none	200.000	200.000
LA-054	30.09.2019	8,00%	none	100.000	100.000
LA-055	30.09.2019	8,00%	none	100.000	100.000
LA-057	30.09.2019	8,00%	none	100.000	100.000
LA-058	31.03.2019	8,00%	none	150.000	150.000
LA-058	30.06.2019	8,00%	none	150.000	150.000
LA-061	30.09.2019	8,00%	none	75.000	75.000
LA-067	30.09.2019	8,00%	none	100.000	100.000
LA-070	30.09.2019	8,00%	none	500.000	500.000
LA-071	05.02.2018	10,00%	none	-	200.000
LA-072	30.09.2019	8,00%	none	250.000	250.000
LA-073	30.09.2019	8,00%	none	500.000	500.000
LA-074	30.09.2019	8,00%	none	200.000	200.000
LA-079	31.03.2019	13,00%	none	1.000.000	-
Bonds	31.03.2019	8,00%	none	750.000	-
Other Loans	30.09.2019	8,00%	*)	1.500.000	-
Loan Commerzbank AG			Shares MFT GmbH	-	1.425.000
Loan Commerzbank AG	31.12.2019	7,95% plus Euribor	none	1.200.000	-
Other Bank liabilities			none	1.028.213	5.502.070
Advance payments from customers			none	2.908	625.566
Earn-Out Membran-Filtrations-Technik GmbH			none	-	420.000
Other financial liabilities third parties			none	1.618.263	206.910
<b>Total financial liabilities</b>				<b>9.524.384</b>	<b>10.804.546</b>

\*) We refer to note 23

The loan from Commerzbank AG was fully repaid in May 2018 as part of the financial reorganization. It is planned to either extend or refinance the loans, which have a term until 30 September 2019. Other financial liabilities mainly include accrued interest on loans.

The other loans in the amount of EUR 1.500.000 were extended in 2019 until 30 September 2021.

## 10 Provisions

2017	Provisions for pensions	Provisions for warranties	Provisions for legal costs	Provisions for others	Total
Amounts in EUR					
Value at beginning of the period	492.298	1.008.861	333.263	1.583.804	3.418.226
Increase	99.601	416.582	-	3.758.057	4.274.240
Usage	-113.285	-41.280	-231.049	-551.354	-936.968
Reversal	-	-359.311	-	-406.187	-765.498
Reclassification	-	231.009	-	-231.009	-
Change in scope of consolidation	-	-	-	-	-
Foreign exchange differences	-3.207	-6.261	-	-113.952	-123.420
Value at end of period	475.407	1.249.600	102.214	4.039.359	5.866.580
of which long-term accruals	475.407	-	-	71.752	547.159
of which short-term accruals	-	1.249.600	102.214	3.967.607	5.319.421

2018	Provisions for pensions	Provisions for warranties	Provisions for legal costs	Provisions for others	Total
Amounts in EUR					
Value at beginning of the period	475.407	1.249.600	102.214	4.039.359	5.866.580
Increase	45.744	256.477	-	1.887.980	2.190.201
Usage	-	-217.436	-	-2.173.525	-2.390.961
Reversal	-85.199	-431.815	-92.605	-606.390	-1.216.009
Reclassification	-	47.220	-	-47.220	-
Change in scope of consolidation	-	-	-	-	-
Foreign exchange differences	-4	6.366	-	44.375	50.737
Value at end of period	435.948	910.412	9.609	3.144.579	4.500.548
of which long-term accruals	435.948	-	-	50.199	486.147
of which short-term accruals	-	910.412	9.609	3.094.380	4.014.401

Other provisions mainly include project-related provisions for outstanding services.

Project-related provisions for outstanding services are recorded in the balance sheet at the estimated remaining external costs and internal costs determined on the basis of an hourly rate. In average, the project-related provisions are used within 1 to 2 years.

## 11 Deferred Tax Assets and Liabilities

2017	Intangible assets	Property, plant and equipment	Pension obligations	Other assets, provisions and accruals	Tax loss carryforwards	Total
Gross deferred tax assets beginning of the period	-	82.046	-	270.185	159.760	511.991
Gross deferred tax liabilities beginning of the period	-268.866	-	-	-44.816	-	-313.682
Net deferred tax balance beginning of the period	-268.866	82.046	-	225.369	159.760	198.309
Credited/(debited) to income	66.122	-44.808	-	-603.008	883.418	301.724
Credited/(debited) to other comprehensive income	-	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-	-
Transfer	-	19.892	-	-79.669	-28.445	-88.222
Translation differences	1.669	-2.052	-	-7.754	-7.850	-15.987
Net deferred tax balance end of period	-201.075	15.697	-	-465.062	1.006.883	356.443
<b>31.12.2017</b>						
Gross deferred tax assets end of the period	-	25.231	-	458.133	1.006.883	1.490.247
Gross deferred tax liabilities end of the period	-201.075	-9.534	-	-923.195	-	-1.133.804
Net deferred tax balance end of period	-201.075	15.697	-	-465.062	1.006.883	356.443
<b>2018</b>						
Gross deferred tax assets beginning of the period	-	25.231	-	458.133	1.006.883	1.490.247
Gross deferred tax liabilities beginning of the period	-201.075	-9.534	-	-923.195	-	-1.133.804
Net deferred tax balance beginning of the period	-201.075	15.697	-	-465.062	1.006.883	356.443
Credited/(debited) to income	34.424	8.409	-	-164.576	43.424	-78.319
Credited/(debited) to other comprehensive income	-	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-	-
Transfer	-	18.055	-	43.424	-43.424	18.055
Translation differences	195	-384	-	1.814	-3.685	-2.060
Net deferred tax balance end of period	-166.456	41.777	-	-584.400	1.003.198	294.119
<b>31.12.2018</b>						
Gross deferred tax assets end of the period	-	41.993	-	358.510	1.003.198	1.403.701
Gross deferred tax liabilities end of the period	-166.456	-216	-	-942.910	-	-1.109.582
Net deferred tax balance end of period	-166.456	41.777	-	-584.400	1.003.198	294.119

If tax loss carryforwards exist, a three-year planning calculation is used to check whether sufficient taxable profits will be available to utilize the tax loss carryforwards. In the previous year, deferred tax assets on tax loss carryforwards were recognized for three companies. An impairment test confirmed the recoverability of these tax assets in the year under review.

## 12 Share capital

In CHF

January to December 2017	Number of share			Capital		
	circulated	own	outstanding	circulated	own	outstanding
At beginning of period	4.043.860	-	4.043.860	4.043.860	-	4.043.860
Capital increase	-	-	-	-	-	-
Purchase of own shares	-	456.854	-456.854	-	456.854	-456.854
Sale of own shares	-	-	-	-	-	-
At end of period	4.043.860	456.854	3.587.006	4.043.860	456.854	3.587.006

January to December 2017	Number of share			Capital		
	circulated	own	outstanding	circulated	own	outstanding
At beginning of period	4.043.860	456.854	3.587.006	4.043.860	456.854	3.587.006
Capital increase	-	-	-	-	-	-
Purchase of own shares	-	372.208	-372.208	-	372.208	-372.208
Sale of own shares	-	-829.062	829.062	-	-829.062	829.062
At end of period	4.043.860	-	4.043.860	4.043.860	-	4.043.860

The share capital is split into 2,021,930 registered shares with restricted transferability and 2,021,930 preference shares with a nominal value of CHF 1.00 per share. The company's share capital can be increased by an amount not exceeding CHF 2.021.930 through the issue of a maximum of 2.021.930 registered shares, to be fully paid in, each with a par value of CHF 1,00 through the voluntary exercise of conversion rights and/or warrants granted in connection with the issuance of EUR 15.000.000 Notes and 1.730.434 Warrants.

The Board of Directors is authorized to increase the share capital by a maximum of CHF 2.021.930 through the issuance of a maximum of 2.021.930 registered shares, to be fully paid up, with a par value of CHF 1,00 each.

The purchase price of the treasury shares in 2018 amounted to EUR 292.085. At the end of 2018, own shares were sold at a price of EUR 1.100.000. The receivable was fully value-adjusted at the end of December 2018.

## 13 Revenue

The revenue reflected in the consolidated income statement are due to sales or the valuation of contract assets and contract liabilities and other services. The respective details are revealed in note 3 "Contract assets and Contract liabilities".

Amounts in EUR	31.12.2018	31.12.2017
Revenues from contracts	35.912.830	38.728.283
Other revenues	14.008.564	13.604.256
<b>Total revenues</b>	<b>49.921.394</b>	<b>52.332.539</b>

Revenue from construction contracts are recognized over time in accordance with the progress of the respective project. Depending on the contract, payments by the customer are made at specified times.

Revenues from other services (service business; spare parts deliveries) are recognized after the customer has obtained power of disposition at point in time. Payments by customers are usually made after the contract has been fulfilled.

## 14 Materials and subcontractors

Amounts in EUR	31.12.2018	31.12.2017
Increase or decrease in inventory	-220.521	147.496
Purchased finished goods	-1.627.532	-1.098.504
Raw material and outside labour	-24.746.611	-24.465.513
Other material	-57	0
Project related costs	-5.082.278	-5.355.730
<b>Total Material and subcontractors</b>	<b>-31.676.999</b>	<b>-30.772.251</b>

## 15 Personnel costs

Amounts in EUR	31.12.2018	31.12.2017
Salaries and wages	-16.370.107	-16.658.541
Personnel benefits	-183.699	-264.082
Social insurance	-2.199.155	-2.288.072
Outside labor	-253.616	-55.181
Other personnel expenses	-405.212	-550.594
<b>Total personnel expenses</b>	<b>-19.411.789</b>	<b>-19.816.470</b>

The social security employee benefits include all standard insurance of employees including reimbursements from these insurance benefits. Other personnel expenses consist primarily of expense allowances of employees.

## Key persons

Members of the Group Executive Board of Aquarion AG. receive compensation comprising a fixed annual salary, variable compensation and reimbursement of expenses. The Group pays social security contributions on these compensations as well as pension fund contributions.

The following table shows the recognised expenses for the compensation to the key management during the period under review since their appointment to the current function.

Amounts in EUR	31.12.2018	31.12.2017
Short-term benefits	-715.806	-647.018
Post-employment benefits	-	-
Share-based payments	-	-
<b>Total</b>	<b>-715.806</b>	<b>-647.018</b>

## Employee benefit obligations

Under Italian law, companies are free to choose a state or private vocational old-age provision or to set up contributions according to the old "Fondo TFR" model. H+E S.R.L. has chosen the "Fondo TFR". Regular contributions (about 7% of the remuneration paid to the staff) are allocated to this fund, which must bear a stipulated rate of interest (composed of a fixed interest rate of the change in the National Consumer Price Index).

Due to the "variable" components of the interest rate and the fact that the contributions are for the account of the employer, this "Fondo TFR" falls under the definition of IAS 19 of defined benefit plans.

It should be noted that in the event of disability of a H+E S.R.L. employee, the pension is covered by the national insurance office INPS, thus eliminating any obligation by the company and any already deferred amounts revert back to the company.

The existing pension commitments under German law were granted to some employees of the German H+E GmbH in the past. Commitments are in place for retirement, disability and survivors' benefits. These benefit obligations are fully financed by the employer and have to be met directly by H+E GmbH, which is why H+E GmbH has to make pension provisions for these benefit obligations under German law. Special separate cover assets do not exist for these obligations.

The evaluation of the likely liability was assessed using the projected unit credit method, with statistical assumptions regarding the future development of consumer prices and any taxation having been made. In addition, historical data of the company and general demographic data were used to determine a forward-looking projection of entries and exits as well as retirements, deaths, disability cases and the early pay-out of contributions.

The liabilities captured in the balance sheet are determined as follows:

In EUR	31.12.2018	31.12.2017
Present value of benefit obligations	-435.948	-475.407
Fair value of the assets		
<b>Recognised employee benefit obligations</b>	<b>-435.948</b>	<b>-475.407</b>

The amount recognised in the income statement is determined as follows:

In EUR	31.12.2018	31.12.2017
Past service cost	-76.584	-98.031
Change of plans	0	0
<b>Personnel expenses</b>	<b>-76.584</b>	<b>-98.031</b>
Interest expenses	-9.828	-9.599
Expected return on assets		
<b>Financial expenses</b>	<b>-9.828</b>	<b>-9.599</b>

Movement in the present value of the benefit obligations:

In EUR	31.12.2018	31.12.2017
Balance at 01/01	-475.407	-492.298
Income statement charge for pension obligations		
Past service cost	-76.584	-98.031
Interest expenses	-9.828	-9.599
Change of plans		
Services rendered	104.443	84.023
Acquisition	0	0
Profits/Losses from reassessments recognised in other comprehensive income:		
Actuarial profits and losses from changes in demographic assumptions		
Actuarial profits and losses from changes in financial assumptions		
Experience adjustments	21.428	40.498
<b>Balance at 31/12</b>	<b>-435.948</b>	<b>-475.407</b>

The amounts recognized in other comprehensive income are not material and are recognized in other income.

Change in fair value of the assets:

In EUR	31.12.2018	31.12.2017
Balance at 01/01	0	0
Income statement charge for plan assets		
Expected return on assets	0	0
Profits/losses from reassessments recognised in other comprehensive income:		
Returns on plan assets (excluding amounts received as interest expense)	0	0
<b>Employer contributions paid</b>	<b>104.443</b>	<b>84.023</b>
Employee contributions paid		
Services rendered	-104.443	-84.023
<b>Balance at 31/12</b>	<b>0</b>	<b>0</b>

Main actuarial assumptions:

In %

	2018	2017	2016
Discounting	2.00	1.80	2.40
Expected average salary increase	2.20	2.20	2.20
Inflation rate H+E GmbH	2.00	2.00	2.00
Inflation rate H+E S.R.L.	1.70	1.40	1.70
Resignations	n/A	n/A	n/A
Premature withdrawal of capital	n/A	n/A	n/A
Reduction in the probability of death (SIM/SiF 2010)	10.00	10.00	10.00

Sensitivities of the main actuarial assumptions:

The discount rate and the average salary increase rate were identified as main actuarial assumption. A change in the assumption would affect the amount of the benefit obligations as on 31/12/2018 as follows:

In EUR	Discount rate		Expected average salary increase	
	Increase	Reduction	Increase	Reduction
Sensitivity level	0,5%	0,5%	0,5%	0,5%
<b>Total provisions for pension</b>	<b>-420'540</b>	<b>-516'740</b>	<b>-472'116</b>	<b>-458'994</b>

The analysis takes realistic possible changes into account in the main actuarial assumptions. The changes were examined individually. An interaction of the assumptions was not considered.



## 16 Other operating costs

Amounts in EUR	31.12.2018	31.12.2017
Expenses for outside warehousing and transportation	-1.741	-61.491
Energy expenses	-139.056	-196.176
Expenses for rent, leasing and repairs	-1.618.301	-1.581.790
Correction to receivables	-57.300	-48.081
Commissions	-62.418	-194.815
Marketing expenses	-296.080	-76.674
Travel expenses	-1.094.782	-1.136.431
Car expenses	-341.937	-370.390
Expenses for office supplies	-287.361	-294.516
Legal and consulting fees	-1.976.196	-1.734.813
Insurances	-328.255	-331.429
Miscellaneous outside services	-1.292.483	-1.429.325
Taxes other than income	-20.012	-11.931
Other expenses	-171.848	-425.464
Other income	824.459	1.252.284
Foreign currency differences	11.736	46.582
<b>Total</b>	<b>-6.851.575</b>	<b>-6.594.460</b>

## 17 Restructuring

In 2017, a project to restructure the Aquarion Group was started. Expenses for external advisors amounted to EUR 954.129. The project was completed in 2017.

## 18 Financial expenses

Amounts in EUR	31.12.2018	31.12.2017
Interest expenses	-4.108.878	-1.506.846
Expenses from value adjustments on receivables	-1.100.000	0
Other financial expenses	-462.968	-324.331
<b>Total financial expenses</b>	<b>-5.671.846</b>	<b>-1.831.177</b>

The expense from value adjustments on receivables is related to the receivable from the sale of treasury shares in the amount of EUR 1.100.000.

Other financial expenses in the year under review include expenses for the receipt of loans in the amount of EUR 219.853.

## 19 Financial income

Amounts in EUR	31.12.2018	31.12.2017
Interest income	9.095	12.102
Other financial income	147.057	124.367
Financial income from Earn-Out adjustments	-	1.418.738
<b>Total financial income</b>	<b>156.152</b>	<b>1.555.207</b>

## 20 Currency gain / (loss)

Amounts in EUR	31.12.2018	31.12.2017
Currency gains	3.138.144	1.923.239
Currency losses	-2.534.949	-3.538.648
<b>Total</b>	<b>603.195</b>	<b>-1.615.410</b>

## 21 Income tax

Amounts in EUR	31.12.2018	31.12.2017
Current income taxes	9.144	-14.989
Deferred income taxes	-78.319	301.725
<b>Total income taxes</b>	<b>-69.176</b>	<b>286.736</b>

Deferred income taxes in the year under review relate to temporary valuation differences. The tax expenses amount up to -0,55% (prior year: 2,95%) of the earnings before taxes. The tax rate of -0.55% is significantly below the expected tax rate due to the non-capitalization of tax loss carryforwards.

Companies have non-capitalised tax loss carry-forwards with the following due dates:

Amounts in EUR	31.12.2018	0 - 1 Year	1 - 5 Years	> 5 Jahre	unlimited
Aquarion AG (CH)	20.529.338	334.181	7.351.415	12.843.742	-
H+E Holding GmbH (GER)	1.043.908	-	-	-	1.043.908
H2OII&Gas. Ltd. (UK)	606.260	-	-	-	606.260
H+E SRL. (IT)	452.302	-	-	-	452.302
Aquarion Products GmbH (AUT)	750.003	-	-	-	750.003
H+E TAT LLC. (Russia)	-	-	-	-	-
S-Tec GmbH (GER)	352.687	-	-	-	352.687
H+E GmbH (GER)	91.021	-	-	-	91.021
H+EUK Ltd. (UK)	1.224.084	-	-	-	1.224.084
Hager + Elsaesser Sdn. Bhd. Ltd. (MAL)	1.636.979	-	-	-	1.636.979
Hager + Elsaesser (Thailand) Co Ltd. (THA)	-	-	-	-	-
Hager + Elsaesser (Philippines) Inc. (PHL)	39.997	-	39.997	-	-
Hager + Elsaesser Asia Pte. Ltd. (SGP)	9.228.821	-	-	-	9.228.821
H+ERUS LLC. (RUS)	-	-	-	-	-
Membran-Filtrations-Technik GmbH (GER)	3.377.587	-	-	-	3.377.587
Votec Ltd. (UK)	115.266	-	-	-	115.266

## 22 Future liabilities

There are no material unrecorded future liabilities.

## 23 Past collaterals

Aquarion AG has pledged the shares in H+E GmbH, H+E Holding GmbH and Membran-Filtrationstechnik GmbH to Water Re-Use Limited for a loan granted by Water Re-Use Limited. Furthermore, Aquarion AG has pledged the shares in S-Tec GmbH and H+E Asia Pte. Ltd. for loans granted by Clean Tech GP Limited and Green Shoots Limited. Furthermore Aquarion AG granted Credit Suisse AG a pledge on all current and future assets due to it from the bank on 26 July 2018.

No other past collaterals or pledging obligations exist.

## 24 Transactions with related parties

Related parties include members of the Board of Directors, the Management and other key persons as well as their close relatives, important shareholders and companies they control, associated companies and the Group's benefit plans.

In addition to this data, there are following disclosures on related parties.

### a) Group and associated companies

The transactions between parent and subsidiary companies have been eliminated in the consolidated financial statement

b) Share-ownership ratio pursuant to art. 663c OR

At December 31, 2018, Aquarion AG had issued 4,043,860 shares at a nominal value of CHF 1.00. As member of the management and member of the Board of Directors Karl Michael Millauer is direct shareholder of Aquarion AG. By agreement dated 21 May 2018, Aquarion AG acquired the shares of A.C. Mandressi SRL at a price of EUR 100.000. By agreement dated 15 December 2018 the treasury shares were sold to Mr. Lutz Seebacher, Vienna at a price of EUR 1.100.000. The receivable was fully value-adjusted at the end of December 2018.

Other significant shareholders, as known to the company, with a share ownership of >5% are as follows (as of December 31, 2018):

	31.12.2018		31.12.2017	
	Nominal shares	Participation rate	Nominal shares	Participation rate
Green Gateway Fund L.P.	2.021.930	50,0%	2.021.930	50,0%
Karl Michael Millauer	661.608	16,4%	661.608	16,4%
schütz holding schweiz ag	404.785	10,0%	404.785	10,0%
Lutz Seebacher	829.062	20,5%	0	0,0%
A.C. Mandressi SRL	0	0,0%	372.208	9,2%
Aquarion AG (Treasury Shares)	0	0,0%	456.854	11,3%

c) Transactions with related persons and entities

Transactions with related persons and entities occurred as follows:

Amounts in EUR	Duration	Interests	Collateral	31.12.2018	31.12.2017
H. Birnbaumer	30.09.2019	8,00%	none	100.000	100.000
H. Birnbaumer	30.09.2019	8,00%	none	100.000	100.000
H. Birnbaumer	30.09.2019	8,00%	none	100.000	100.000
H. Birnbaumer	30.09.2019	8,00%	none	75.000	75.000
KM Millauer	30.09.2019	8,00%	none	500.000	499.982
KM Millauer	30.09.2019	8,00%	none	200.000	0
Green Gateway Fund L.P.	30.09.2019	8,00%	*)	3.200.000	3.200.000

\*) We refer to note 23

Mr. Birnbaumer is qualified as related person because he owns 12,750 common shares of Aquarion AG.  
 Mr. Millauer is qualified as related person because he owns directly 661.608 common shares of Aquarion AG.  
 Green Gateway Fund L.P. is qualified as affiliated entity because it owns 2.021.930 common shares of Aquarion AG.

The loan of Mr. Millauer in the amount of EUR 500.000 was extended in 2019 until 30 June 2020. The loan of Green Gateway Fund L.P. in the amount of EUR 3.200.000 were extended in 2019 until 30 September 2021.

## 25 Subsequent events

In order to improve the capital structure of Aquarion AG, extensive capital measures were taken in March and April 2019.

As a first step the board of directors decided a conditional capital increase by CHF 2.021.930 to a share capital of CHF 6.065.790 by issuing 2.021.930 registered shares (ordinary shares) with restricted transferability at a par value of CHF 1,00 (the total issue price amounts to EUR 1.781.320,33). The board of directors decided also an authorized capital increase by CHF 2.021.930 to a new share capital of CHF 8.087.720 by issuing 2.021.930 registered shares (preferred shares) at a par value of CHF 1,00 (the total issue price amounts to EUR 1.781.320,33). The new shares were paid in by set-off from a part of loans as well as accrued interests of Water Re-Use Ltd. in the scope of an existing conversion option of the loan.

As a second step an extraordinary shareholders' meeting at the request of the board of directors of Aquarion AG decided a capital reduction of share capital of CHF 8.087.720 to CHF 0,00 on 05. April 2019. The capital reduction was needed to cover negative equity originating from losses. At the same time it decided a capital increase by CHF 8.087.720 by issuing 6.065.790 ordinary shares and 2.021.930 preferred shares at a par value of CHF 1,00. The total issue price amounts to EUR 8.100.000. All other shareholders except Water Re-Use Ltd. waived the preemptive rights. The new shares were paid in by set-off from the loan of Water Re-Use Ltd. After these transactions Water Re-Use Ltd. holds 100% of shares of Aquarion AG.

Furthermore Green Gateway Fund L.P. and Green Shoots Ltd. waived the receivables from loans and accrued interests in total amount of 1.0 million EUR retroactively to 31 December 2018 on 05 April 2019 in order to improve the equity of Aquarion AG. In return, Aquarion AG assumed an obligation to Green Gateway Fund L.P. and Green Shoots Ltd to repay 1,0 million EUR in the event of an exit of SGF (Sustainable Growth Fund SCSp SICAV-SIF; owner of Water Re-Use Limited) on the basis of an enterprise value higher than 58 million EUR over the next 20 years.

In addition, SGF promised to secure the liquidity of Aquarion Group in the next 12 months with up to 3,0 million EUR and issued on 22 May 2019 a letter expressing this intention.

Moreover SGF decided to provide Aquarion AG 1,0 million EUR at short notice in the form of a capital increase. In this context, SGF called on the limited partners of the Fund at the time of reporting to provide the money required for this purpose. This will be available on 07 June 2019. Immediately thereafter, the capital increase will be carried out and the money will be available to Aquarion AG.

The subsidiary H+E GmbH and Austar Bioscience GmbH are about to establish a joint venture for the joint development of the pharmaceutical market. Austar Bioscience GmbH will acquire 51% of the shares of H+E Pharma GmbH founded in 2018 in the course of a capital increase. The newly established joint venture will then acquire intangible assets for 1,0 million EUR from H+E GmbH in accordance with the contract. The transaction is expected to close at the beginning of June.

The present consolidated financial statement has been approved by the Aquarion AG Board of Directors on 04 June 2019.

## REPORT OF THE STATUTORY AUDITOR

To the General Meeting of Aquarion AG, Baar

### Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Aquarion AG, which comprise the consolidated balance sheet as at December 31, 2018, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement and notes to the consolidated financial statements for the year then ended.

#### Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements 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 entity's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the consolidated financial statements for the year ended December 31, 2018 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.



## Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 Code of Obligations (CO)) and that there are no circumstances incompatible with our independence.

In the course of our audit performed in accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we noted that an internal control system for the preparation of consolidated financial statements designed according to the instructions of the Board of Directors has not been documented in all material respects.

In our opinion, the internal control system is not in accordance with Swiss law and accordingly we are unable to confirm the existence of the internal control system for the preparation of the consolidated financial statements.

We recommend that the consolidated financial statements submitted to you be approved.

Zurich, 4 June 2019

BDO Ltd

Christoph Tschumi  
Auditor in Charge  
Licensed Audit Expert

ppa. Matthias Schauwecker  
Licensed Audit Expert

Enclosures  
Consolidated financial statements

**6 SCHEDULE 6**

**AUDITED FINANCIAL STATEMENTS FOR AQUARION AG UP TO JUNE 2019**



**Report on the preparation  
of the pro-forma-consolidated balance sheet  
and the pro-forma-consolidated income statement**

as of 30 June 2019

of

**Aquarion AG**  
Zugerstrasse 76B

6340 Baar

**Translation for our client's convenience –  
The German text is authoritative**

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## Appendices

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Appendix 3 Supplementing explanatory notes

Appendix 4 Group structure of Aquarion AG as of 24 June 2019

Appendix 5 Auditors certificate of preparation

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## Report on the preparation of the annual accounts

### 1. Order acceptance

#### 1.1 Client and order delimitation

The executive Board of

**Aquarion AG,  
Baar, Schweiz,**

- hereinafter also referred to in short as "Aquarion" or "Company" -

engaged us to prepare the pro-forma-consolidated balance sheet as of 30 June 2019 and the pro-forma-consolidated income statement for the period from 1 January to 30 June 2019. It is based on the vouchers, accounting and inventory records, which are made available to us and we did not audit, and taking into consideration the information disclosed to us in accordance with legal requirements and the client's instructions within this framework regarding the exercise of existing options.

We performed this engagement to prepare the annual financial statements without assessments in the period from July to August 2019 at our business premises in Wiesbaden. We did not perform any audit procedures with respect to accuracy and validity.

In addition to the preparation of the pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement, our assignment included the consideration of three corporate transactions according to IFRS that were carried out as part of a pro-forma analysis. Please refer to sections 2.2 to 2.5 for further details.

The content was created exclusively for illustrative purposes. Due to the nature of the pro-forma financial information, it describes only a hypothetical situation and does not reflect the assets, liabilities and profit or loss of the Group.

We have informed our client of such circumstances, which led to voting rights and have obtained from him decision guidelines for the exercise of material and formal design options (rights of approach, valuation and identification) as well as discretionary decisions.

We undertook the preparation of the pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement in accordance with the IDW Standard issued by the Institut der Wirtschaftsprüfer in Deutschland e.V. (Institute of Public Auditors in Germany - "IDW"). As no specific stipulations regarding the type and scope of our reporting were explicitly made in the engagement agreements: Principles for the Preparation of Financial Statements (IDW S7), adopted by the Main Committee of Experts (HFA) on 27 November 2009.

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Our terms of engagement stipulate that any reference to the preparation by us may only be made in connection with the pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement as well as the supplementing explanatory notes as displayed in the sections 2.2 to 2.5 and that a written liability agreement must be concluded.

When accepting the order, we stipulated from our client that the documents and clarifications required for the execution of the order would be given to us in full.

### **General Terms and Conditions**

For our responsibility and the performance of the engagement the "General Terms and Conditions of Engagement for Auditors and Auditing Companies" agreed upon and appended to this report are authoritative, also in relation to third parties.

## 1.2 Order execution

During the preparation of the pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement as well as the reporting, we have observed the relevant standards of the German Auditors' regulations (WPO) and our professional duties, including the principles of independence, conscientiousness, non-disclosure, personal responsibility and impartiality (Section 43 (1) WPO).

The preparation of the pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement does not include the necessary decisions regarding the exercise of material and formal options (recognition, measurement and disclosure rights as well as discretionary decisions). We have exercised existing design possibilities within the framework of the preparation in accordance with the requirements of the legal representatives.

In preparing the pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement, we have observed the principles of economy and materiality.

The preparation of the pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement required us to know and comply with the corresponding legal regulations including the principles of proper accounting, the relevant provisions of the articles of incorporation and the relevant technical announcements.

To execute the order, we had to acquire the necessary knowledge regarding the industry, the legal framework and the business activities of our client's company.

The pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement were prepared in accordance with IFRS as adopted by the EU and generally accepted accounting principles and the supplementing explanatory notes as displayed in the sections 2.2 to 2.5. Compliance with other statutory provisions and the detection and clarification of criminal offences and administrative offences committed outside the scope of accounting were not subject to our engagement.

### Letter of representation

The executive Board has provided us in writing with the required professional declaration of completeness regarding the accounting, receipts and inventory records as well as the information provided to us, which we have taken to file.

In addition, the executive Board confirmed to us in writing on 30 August 2019 (16 August 2019), in the standard letter of representation, which is no substitute for preparation procedures and for order-related assessments of the correctness of the underlying documents, that all assets, liabilities, risks and deferred items requiring recognition had been taken into account in the bookkeeping and the pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement, that all expenses and income had

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been included, that all necessary disclosures had been made and that all existing contingent liabilities had been disclosed.

We obtained the letter of representation associated with the preparation of the pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement by submitting the draft pro-forma-consolidated balance sheet and pro-forma-consolidated income statement as well as a draft of this preparation report to the responsible corporate body as a basis for its declaration.

## **2. Principles of the pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement**

### **2.1 Type and scope of the creation work**

The nature, scope and results of the individual preparation activities carried out during our performance of the contract have been recorded in our working papers, unless they are documented in this preparation report.

The subject of the preparation without assessments is the development of the pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement on the basis of the accounting records and the inventory as well as the specifications regarding the accounting and valuation methods to be applied. The accounting and valuation principles were applied consistently over time and are disclosed in appendix 3. Material changes in accounting and valuation methods have been reported in the supplementing explanatory notes as displayed in the sections 2.2 to 2.5.

Our engagement to develop the pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement in accordance with the standards based on the documents presented, taking into account the information received and the entries made in the financial statements, did not extend to the assessment of the appropriateness and function of internal controls or the propriety of the accounting records. In particular, the assessment of inventories, accruals, recognition and measurement were not included in the scope of our engagement.

When closing entries were prepared, they referred to the documents and information submitted without their accuracy being assessed.

Even if no evaluations of supporting documents, books and inventory records are made in the course of the preparation without assessments in accordance with the contract, we point out to our client any obvious inaccuracies in the documents submitted which are immediately apparent to us as experts in the execution of the contract, submit proposals for correction and pay attention to the corresponding implementation in the pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement.



## **2.2 Divestment of MFT Membran-Filtrations-Technik GmbH, Cologne**

### **2.2.1 Background**

The company MFT Membran-Filtrations-Technik GmbH, Cologne, Germany (hereinafter also referred to as MFT) was sold in a share deal by H+E GmbH, Stuttgart, Germany (hereinafter also referred to as H+E) to the purchaser HongKong H-M Investment Corporation Limited, Hong Kong, China. The sale comprises 100% of the shares. The transaction price comprises several components and includes an initial purchase price of EURk 3,500, less a payment into MFT's capital reserve of EURk 500, less the offsetting and assignment of intercompany receivables and liabilities of EURk 3,415 at H+E level and EURk 1,798 at Aquarion level existing prior to the date of the transfer, including payments from existing trade receivables of EURk 1,271 and potential payments from the Company's initial public offering. The uncertain payments from the possible IPO were recognized with EURk 0. The total transaction price is EURk -942. The associated "Share Purchase and Transfer Agreement" was signed and notarized on 5 June 2019.

### **2.2.2 Assessment according to IFRS**

MFT was fully included in the (subgroup)-consolidated financial statements of H+E, H+E Holding GmbH, Stuttgart (hereinafter also referred to as H+E Holding) and Aquarion as of 31 December 2018.

The loss of control of MFT by the parent company H+E as defined in IFRS 10 occurred on 5 June 2019 with the sale of all shares. At this time the investor lost his voting rights and can no longer exercise control over the company. Consequently, the company must be deconsolidated in accordance with IFRS 10 note 20.

MFT was deconsolidated in accordance with IFRS 10 note 25 and the assets and liabilities were derecognized from the consolidated balance sheet.

The balance of assets and liabilities equals EURk -2,546. In addition to an adjustment of a historical purchase price allocation of EURk 77.6 and the recognized goodwill of EURk 3,302, the total amount of the disposal equals EURk 833. By offsetting the transaction price, see 2.2.1, the disposal gain at the level of H+E equals EURk 23 and at the level of Aquarion EURk -1,775.

### **2.2.3 Accounting treatment**

The pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement were prepared exclusively for illustrative purposes. As the group has changed its structure in the financial year, the pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement were prepared to display the net assets and results of operations of the Group as if the deconsolidation had taken place at the beginning of the year.

For this reason, MFT was deconsolidated, contrary to the regulation described above (IFRS 10 note 20), with economic effect as of 1 January 2019.

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The deconsolidation result as of 30 June 2019 amounting to EURk 2,468.7 was adjusted for the netted revenues and expenses in the amount of EURk -1,432.3 that arose between 1 January 2019 and 30 June 2019. The pro-forma-consolidated income statement was reduced by MFT's expenses and revenues for the period from 1 January 2019 to 30 June 2019. The adjustment was recognized in the equity of the pro-forma-consolidated balance sheet and reduces the profit in connection with the deconsolidation of MFT.

## **2.3 Sale of S-Tec GmbH, Klipphausen**

### **2.3.1 Background**

The company S-Tec GmbH, Klipphausen, Germany (in the following also referred to as S-Tec) was sold by H+E Holding to H+E Pharma GmbH, Stuttgart, Germany (in the following also referred to as H+E Pharma) as part of a share deal. The sale comprises 100% of the shares. The transaction price amounts to EUR 1. The corresponding "Share Purchase Agreement" was signed on 9 May 2019. The agreement became effective on 3 July 2019 with the notarization of further directly referenced agreements.

### **2.3.2 Assessment according to IFRS**

S-Tec was fully included in the (subgroup)-consolidated financial statements of H+E Holding GmbH, Stuttgart (hereinafter also referred to as H+E Holding) and Aquarion as of 31 December 2018.

The loss of control of S-Tec by the parent company H+E GmbH according to IFRS 10 occurred on 3 July 2019 as a result of the sale of all shares. Thus, the investor lost his voting rights and can no longer exercise control over the company. Consequently, the company must be deconsolidated in accordance with IFRS 10 note 20. S-Tec was deconsolidated in accordance with IFRS 10 note 25 and the assets and liabilities were derecognized from the consolidated balance sheet. A gain was recognized due to the deconsolidation of S-Tec amounting to EURk 290.

As this concerns the sale of a subsidiary to a joint venture (see the following section on H+E Pharma), the deconsolidation gain must be fully eliminated if the subsidiary is a business operation as defined by IFRS 3. The withdrawn amendment of September 2014 to IFRS 10 and IAS 28 was applied (IAS 28 note 31A).

### **2.3.3 Accounting treatment**

The pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement were prepared exclusively for illustrative purposes. As the group has changed its structure in the financial year, the pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement were prepared to display the situation as if the deconsolidation had taken place at the beginning of the year.

Contrary to the description above (IFRS 10 note 20), the company was deconsolidated with economic effect as of 1 January 2019.

Furthermore, the deconsolidation result as of 30 June 2019 in the amount of EURk 290 was used as a basis and adjusted for the netted revenues and expenses in the amount of EURk -38.2 that arose between 1 January 2019 and 30 June 2019. The pro-forma-consolidated income statement was reduced by S-Tec's expenses and revenues for the period from 1 January 2019 to 30 June 2019. The adjustment was recognized in the equity of the pro-forma-consolidated balance sheet and reduces the profit in connection with the deconsolidation of S-Tec.

## **2.4 Changing status of H+E Pharma GmbH, Stuttgart**

### **2.4.1 Background**

Austar Biosciences GmbH, Stuttgart, Germany, has invested a total amount of EURk 1,500 in H+E Pharma GmbH. The amount is split between a capital increase in the subscribed capital of EURk 26 to EURk 51 (corresponds to 51% of the subscribed capital) and a payment of EURk 1,474 into the capital reserve. The associated "Share Pledge Agreement" was signed and notarized on 3 July 2019.

### **2.4.2 Assessment according to IFRS**

H+E Pharma was fully consolidated in the (sub)-consolidated financial statements of H+E, H+E Holding and Aquarion.

The loss of control of H+E Pharma GmbH by the parent company H+E in accordance with IFRS 10 occurred on 3 July 2019 in the course of the capital increase and formed the joint venture with Austar Biosciences GmbH according to IFRS 11. As the investor has 49% of voting rights and does not have sole control over the company anymore, it must be deconsolidated in accordance with IFRS 10 note 20.

H+E Pharma GmbH was deconsolidated in accordance with IFRS 10 note 25 and the assets and liabilities were derecognized from the consolidated balance sheet at their carrying amounts.

As the definition of an associated company according to IAS 28 note 32 is met, the equity method is used as the consolidation respective valuation method in the consolidated financial statements.

The remaining 49% of the shares are recognized at fair value in accordance with IFRS 13. In accordance with IFRS 13 note 9, the fair value is derived from the market price of the previous transaction. This procedure resulted in an increase in the carrying amount of the investment in the associated company to EURk 1,441.

### **2.4.3 Accounting treatment**

The pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement were prepared exclusively for illustrative purposes. As the group has changed its structure in the financial year, the pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement were prepared to display the situation as if the deconsolidation had taken place at the beginning of the year.

Contrary to the description above (IFRS 10 note 20), the company was deconsolidated with economic effect as of 1 January 2019 and treated as a joint venture.

Contrary to the initially described circumstances above regarding the sale of H+E Pharma to Austar Biosciences GmbH with the formation of the joint venture, the hypothetical situation was presented in the context of the preparation of the pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement in case that the deconsolidation of the two companies had occurred as of 1 January 2019. The presentation is

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for illustrative purposes only and is intended to present the net assets and results of operations of the Group, including H+E Pharma as a joint venture for the period from 1 January 2019 to 30 June 2019.

## **2.5 Incorporation of a joint venture and integration of the H+E Asia subgroup**

### **2.5.1 Background**

Under the terms of a joint venture agreement, the joint venture H+E Darcarion Pte. Ltd., Singapore, is to be established. H+E will hold a 49% share in the joint venture. The Joint Venture Agreement was signed on 20 June 2019. At the time this report was prepared, no payment into the subscribed capital had yet been made.

The "H+E Asia" subgroup comprises the companies Hager + Elsaesser Asia PTE. LTD, Singapore, (hereinafter also referred to as H+E Singapore) as the parent company with its wholly-owned subsidiaries:

Hager + Elsaesser Sdn. Bhd. Ltd., Malaysia,  
Hager + Elsaesser (Thailand) Co. Ltd.,  
Stulz Hager + Elsaesser (Philippines) Inc. and  
H+E Pty Ltd, Australien.

As of 30 June 2019, H+E Singapore is a wholly-owned subsidiary of H+E.

H+E plans to integrate H+E Singapore into the joint venture H+E Darcarion Pte Ltd, Singapore. The corresponding contract is neither signed nor notarized at the time of the preparation of the report.

### **2.5.2 Assessment according to IFRS**

As the joint venture H+E Darcarion Pte Ltd. was not yet established by payment into the subscribed capital as of 30 June 2019, this fact does not need to be recorded.

As the agreement to transfer H+E Singapore into the joint venture H+E Darcarion Pte. Ltd. was neither signed nor notarized as of 30 June 2019, the loss of ownership within the meaning of IFRS 10 has not yet been occurred. Therefore, this fact should not be covered.

### **2.5.3 Accounting treatment**

The pro-forma-consolidated financial statements, including the pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement, were prepared for illustrative purposes only. Since the Company intends to change its structure in the financial year through the contribution of H+E Singapore fundamentally, the pro-forma-consolidated financial statements should present the net assets and results of operations as if these circumstances had already existed at the beginning of the financial year.

The definition of a joint venture in accordance with IAS 28 para. 32 is met by the terms of the joint venture agreement.

The joint venture is valued with his fair value in accordance with IFRS 13. The fair value is measured on basis of the payment into equity (TSGD 4.9, equivalent to EURk 3.1 at the exchange rate of 1 January 2019) plus

the fair value of the contribution of the investment in H+E Singapore of EURk 2,515. The fair value of H+E Singapore is equal to the book value of the investment. The recoverability of the investment was verified by means of an impairment test as of 31 December 2018; according to the statement made by H+E management, there were no indications at the time of the preparation of this report that the investment required impairment. In accordance with our engagement we did not perform any audit procedures with respect to accuracy and validity of this statement. The capitalization of incidental acquisition costs (certification, registration and consulting costs) has been refrained from.

Contrary to the initially described circumstances above regarding the contribution of the investment of H+E Singapore into H+E Darcarion Pte. with the formation of the joint venture, the hypothetical situation was presented in the context of the preparation of the pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement in case that the deconsolidation of the company and the formation of the joint venture had occurred as of 1 January 2019. The presentation is for illustrative purposes only and is intended to present the net assets and results of operations of the Group, including H+E Singapore as a joint venture for the period from 1 January 2019 to 30 June 2019.

The loss of control of H+E Singapore by the parent company H+E in accordance with IFRS 10 presumably occurred on 1 January 2019 by the contribution of the investment of H+E Singapore into H+E Darcarion Pte. and the formation of the joint venture. As the investor indirectly holds 49% of voting rights of H+E Singapore and does not have sole control over the company anymore, it must be deconsolidated in accordance with IFRS 10 note 20. H+E Singapore was deconsolidated in accordance with IFRS 10 note 25 and the assets and liabilities were derecognized from the consolidated balance sheet at their carrying amounts.

The balance of assets and liabilities as of 30 June 2019 amounts to EURk 2,924 in the commercial balance sheet II at H+E level. As consideration for the contribution of H+E Singapore, the joint venture was recognized at EURk 2,518.

Furthermore, the deconsolidation result as of 30 June 2019 was adjusted for the netted revenues and expenses in the amount of EURk -992.2 that arose between 1 January 2019 and 30 June 2019. The pro-forma-consolidated income statement was reduced by H+E Asia's expenses and revenues for the period from 1 January 2019 to 30 June 2019. The adjustment was recognized in the equity of the pro-forma-consolidated balance sheet and reduces the profit in connection with the deconsolidation of H+E Asia.

Due to the contribution of H+E Singapore to the joint venture with another equity investor, intercompany value adjustments on loan receivables amounting to EURk 609 made at the level of the individual financial statements of H+E Singapore were reversed against H+E Singapore as their recoverability is assumed.

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### **3. Repetition of the certificate**

Based on the results of our preparation of the pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement of Aquarion AG, Baar, Switzerland as of 30 June 2019, which are attached as Appendices 1 and 2, we have issued the following certificate on 2 September 2019 that is reproduced here:

#### **Auditor's certificate of preparation**

"To the Aquarion AG

We have prepared the pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement of Aquarion AG for the period from 1 January 2019 to 30 June 2019 in accordance with our engagement, the supplementing explanatory notes and the IFRSs as adopted by the EU.

The basis for the preparation were the documents, books and inventory records submitted to us, which we did not audit in accordance with our instructions, as well as the information provided to us.

The maintenance of the books and records and the preparation of the inventory and annual financial statements in accordance with the law and supplementary provisions of the articles of incorporation are the responsibility of the Company's management.

We conducted our work in accordance with the IDW Standard: Principles for the Preparation of Financial Statements (IDW S 7). This includes the development of the pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement on the basis of the accounting records and the inventory as well as the requirements regarding the accounting and valuation methods to be applied.

Frankfurt am Main, 30 August 2019

Warth & Klein Grant Thornton AG

Wirtschaftsprüfungsgesellschaft

Manuel Selchow  
German Public Auditor

Maximilian Meyer zu Schwabedissen  
German Public Auditor

“



# **Appendix 1**

Aquarion AG  
Baar, Schweiz

Pro-forma-consolidated balance sheet as of 30 June 2019

	<b>30.06.2019</b>
	<b>EUR</b>
<b>Non current assets</b>	
Intangible assets	1.555.720
Tangible assets	862.301
Financial assets	3.955.291
Investments accounted for using the equity method	3.571.834
Other financial assets	3.675.169
Deferred tax assets	941.900
<b>Total non current assets</b>	<b>14.562.215</b>
<b>Current assets</b>	
Inventories	1.249.015
Trade receivables	5.573.848
Contract Assets	6.994.616
Other receivables	5.387.573
Cash and cash equivalents	2.578.230
Deferred expenses and current income	215.545
<b>Total current assets</b>	<b>21.998.827</b>
<b>Total assets</b>	<b>36.561.042</b>
<b>Equity and reserves</b>	
Share capital	7.198.690
Reserves	12.773.354
Retained earnings	-24.570.271
Cummulative translation adjustments	-567.602
Non controlling interests	25.444
<b>Total equity</b>	<b>-5.140.385</b>
<b>Non current liabilities</b>	
Provisions	353.944
Financial liabilities	18.366.704
Deferred tax liabilities	1.166.493
<b>Total non current liabilities</b>	<b>19.887.141</b>
<b>Current liabilities</b>	
Provisions	2.612.535
Financial liabilities	5.878.072
Trade liabilities	5.261.733
Contract liabilities	6.293.989
Other liabilities	688.804
Deferred income and accrued expenses	1.079.153
<b>Total current liabilities</b>	<b>21.814.286</b>
<b>Total equity and liabilities</b>	<b>36.561.042</b>

## **Appendix 2**

Aquarion AG  
Baar, Schweiz

Pro-forma-consolidated income statement as of 30 June 2019

	<b>30.06.2019</b>
	<b>EUR</b>
Revenue	17.205.785
Material and subcontractors	-10.492.523
Personnel expenses	-6.695.371
Other operating expenses	-1.186.710
Depreciation	-283.902
Financial expenses	-3.274.532
Financial income	5.643.553
Currency gain / loss	183.520
<b>Consolidated earnings before taxes (EBT)</b>	<b>1.099.820</b>
Taxes on income	-315.219
<b>Net income / loss</b>	<b>784.601</b>
Attributable to non controlling interests	-57.130
<b>Net loss attributable to shareholders of Aquarion AG</b>	<b>727.471</b>

## **Appendix 3**

## CONSOLIDATED NOTES

### Important principles of the consolidated financial statements

Aquarion AG is an incorporated company under Swiss law, located in Baar, Zugerstrasse 76b, Switzerland. According to the Commercial Register extract the company's aim is the acquisition, management and sale of investments to companies, particularly in the field of water treatment systems and processes.

Aquarion Group is a leading provider of advanced water systems and solutions, as well as technologies for the oil & gas industry, the energy industry and other manufacturing industries.

The present consolidated financial statements of Aquarion AG (hereinafter "we", "our", "Aquarion", "the company", "the firm" or "the Group") is prepared in accordance with International Financial Reporting Standards (IFRS).

All amounts in this financial statement are - unless indicated otherwise in a particular case - stated in euros (EUR).

The following exchange rates were used:

	Exchange rates at the end of the year balance sheet		Average exchange rates year profit / loss account	
	2018	2017	2018	2017
CHF	1,13	1,17	1,15	1,11
GBP	0,89	0,89	0,88	0,88
MYR	4,73	4,85	4,76	4,85
PHP	60,11	59,80	62,23	56,94
RUB	79,72	69,39	74,05	65,88
SGD	1,56	1,60	1,59	1,56
THB	37,05	39,12	38,16	38,28
USD	1,15	1,20	1,18	1,13
CLP	794,79	737,08	756,82	746,55
AUD	1,62	--	1,58	--

The consolidated financial statement is generally based on the principle of historical cost (Group acquisition or production costs). For selected activities, the fair value is decisive from the start. The account statements are partly based on estimates. Owing to assumptions about the future development or for other reasons, these amounts are regularly subject to uncertainties. Furthermore, the application of the below accounting standards requires discretionary decisions that can have a significant effect on the amounts reported in the consolidated financial statements. Estimates for which there is a significant risk of a balance correction within twelve months, as well as other far-reaching discretionary decisions will be subsequently discussed.

## Changes in accounting standards

As of January 1, 2018 the company applies following amendments to IFRS:

- IFRS 9 – Financial Instruments
- IFRS 15 – Revenue from Contracts with Customers
- Amendment to IFRS 2: Classification and Measurement of Share-based Payment Transactions
- Amendment to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- Amendment to IAS 40: Transfers of Investment Property
- Amendment to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers
- Annual Improvements to IFRS 2014-2016 Cycle: IFRS 1 First –time Adoption of IFRS, IFRS 12 Disclosures of Interests in Other Entities; IAS 28 Investments in Associates and Joint Ventures

IFRS 15 replaces the previous accounting standards IAS 11 and IAS 18 as well as various interpretations of the IFRS Committee. IFRS 9 replaces the previous accounting standard IAS 39. A review showed that the two amendments had no impact on the consolidated financial statements of the Group.

The other amendments also had no impact on the consolidated financial statements of the Group.

Following new standards and amendments have been published as of year-end, but not yet effective. Noted new standards and amendments will be adopted as of stated date. We do not expect the amendments to have a material impact on the consolidated financial statements of the Group.

Effective in 2019:

- IFRS 16 – Leases
- Amendment to IFRS 9: Prepayment Features with Negative Compensation
- Amendment to IAS 28: Long-term Interests in Associates and Joint Ventures
- Amendment to IAS 19: Employee Benefits – Plan Amendment, Curtailment or Settlement
- Annual Improvements to IFRS (Zyklus 2015-2017): IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs
- IFRIC 23 Uncertainty over Income Tax Treatments

Effective in 2021:

- IFRS 17 – Insurance Contracts

Impact of noted standards is going to be assessed. Based on assessment the changes may impact the consolidated financial statements.

## Consolidation principles

Consolidation companies

The consolidated financial statement includes the financial statements of Aquarion AG and foreign and domestic companies (subsidiaries) directly or indirectly controlled by it. The control is done by majority vote. The financial statements of the Group of companies are fully consolidated, i.e. assets, liabilities, income and expenses are fully incorporated. Minority interests in equity and net income of a subsidiary are also recorded separately. Investments in companies in which the Group is able to exert a significant influence on operating and financial policy decisions (associated companies) are treated according to the equity method. The acquisition costs which are attributable to the equity share capital of the Company changes are updated (see consolidated income statement). The significant influence is usually given by a vote share of at least 20%. The consolidated companies include the Aquarion AG and its subsidiaries in accordance with consolidation companies below. The first-time inclusion of a company of the Group takes place from the date of acquisition (change of control) or the establishment during a fiscal year; after a sale, in the majority of cases, a last-time inclusion is done to the date of change of control (in liquidation until the liquidation date).

#### Consolidation procedure

Transactions between Group companies, receivables and liabilities resulting from this, as well as interim successes in the assets of intra-group origin are eliminated.

Acquisitions are treated according to the purchase method: For the first-time consolidation at the acquisition date, the identifiable net assets and contingent liabilities of the company concerned are recognized at their fair values. The positive difference between the percentage share of the Group on revalue equity and the cost of acquisition is recognized as acquired goodwill. This is subjected to an annual impairment test - and more often in case of signs of possible impairment. To this end, at the acquisition date it is assigned to the so-called cash-generating units (smallest identifiable group of assets that are generated independent from other positive liquid means). The impairment test is ascertained by either the fair value less costs to sell or value in use per cash-generating unit is either - depending on which of these two values is higher - the value of the net assets plus goodwill allocated to the same time, according to a consolidated balance sheet. In the Group the values in use were used, since it is not possible to determine reliably the fair values less costs to sell. A possible impairment is recognized in operating income, and shown separately. It will not be reversed in case of elimination of the impairments. If minority interests are acquired or sold in an existing subsidiary, this is deemed as a transaction with non-controlling interests in their capacity as owners. Any difference between the date of acquisition cost or the selling price of these shares and the percentage of net of equity (according to statements of the Company for the purposes of consolidation, i.e. without revaluation) is offset against the capital reserves. Any difference between the date of acquisition cost or the selling price of these shares and the percentage net of equity (according to statements of the Company for the purposes of consolidation, i.e. without revaluation) is offset against the capital reserves. Deferred variable purchase price components are revalued at the balance sheet date. Valuation adjustments are recorded in the income statement under financial result. Interest effects are recorded for all transactions as a financial expense in the income statement.

Under the equity method, the capital offsetting is done in a separate account. A re-evaluation and other consolidation transactions do not take place, because the relevant information is not usually available. As at the balance sheet date signs of possible impairment of the investment are observed, and if necessary this is subject to an impairment test in accordance with the methodology set out above. A possible impairment is recorded in the financial result. The capital account difference (goodwill) is not subject to separate impairment test, as this is included in the equity value. In the case of accounting indebtedness of the associated companies the equity method is suspended because the Group has no obligation to compensate losses (i.e. equity value of zero).

#### Separate Financial Statements

The consolidated financial statements of the consolidated companies are uniformly prepared in accordance with the following general recognition and measurement standards. Balance sheet date is consistently December 31. Presentation currency of the Group is the euro (EUR). Under the equity method the last financial statements must be carried out according to the IFRS.

#### Currency conversion

##### *a) Functional currency and reporting currency*

The items included in the financial statements of each company are measured using the currency which is the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements are presented in euro (EUR), which is the reporting currency. In tables, the monetary values, unless indicated otherwise, are shown in EUR.

##### *b) Transactions and balances*

Foreign currency transactions are converted into the functional currency at the exchange rate at the point in time in the month of transaction. Profits and losses resulting from the settlement of such transactions and from the translation at the spot exchange rates of foreign currency assets and liabilities are recorded in the income statement.

##### *c) Consolidated Companies*

The results and financial position of all companies that have a different functional currency from the recording currency are converted as follows in the reporting currency:

- Assets and liabilities are translated for each balance sheet date at the spot rate;
- Income and expenses are converted for each income statement at average annual rates which essentially correspond to the actual rates; and



- All resulting exchange differences are recorded as a separate entry under equity capital.

In the consolidated financial statements, exchange differences arising from translation of net investment in an independent foreign entity or are from financial liabilities and other currency instruments designated as hedges of such investments, are recorded directly under equity capital.

When a foreign operation is sold, such exchange differences are recognized in the income statement as part of the proceeds or loss recognized. Adjustments to the fair values, which arise through the acquisition of a foreign company, are treated as assets and liabilities of the foreign entity and converted at the spot currency exchange rate.

## Recognition and measurement principles

### a) Cash and cash equivalents

Cash and cash equivalents include cash balances, current bank accounts with credit balances and fixed deposits. These are only indicated in the cash and cash equivalents if they can be converted to predetermined payment amounts at any time, are only subject to insignificant value fluctuations and have a maximum maturity period of three months from the date of deposit. This definition is also applied to the cash flow statement or the fund indicated in the cash flow statement.

### b) Financial assets

For the purposes of subsequent evaluation, the financial instruments on the asset side must be divided into the following categories (excl. liquid assets):

In accordance with the new IFRS 9 standard, financial assets are classified as "at fair value recognised entirely in other comprehensive income" or "at fair value recognised entirely in profit".

– Financial assets valued at fair value with an effect in profit: This includes securities held for trade and financial assets designated as "valued at fair value with an effect on income" at the time they were recorded. Derivative financial instruments are equivalent to receivables held for trade by definition (except for derivatives designated as security instruments and are effective as such). Fair value changes in the reporting year are included in the financial result.

– Financial assets held until maturity (debt securities): These are valued at so-called amortised costs in accordance with the effective interest rate method.

– Loans and receivables: These are also valued at so-called amortised costs in accordance with the effective interest rate method.

– Financial assets available for sale: All remaining financial instruments on the asset side fall into this category. Such financial assets are valued at fair value; fair value changes during the reporting year are recorded directly in the other comprehensive income and indicated separately. In case of a withdrawal, this cumulative value adjustment is reposted in the financial result.

– Financial assets designated as hedged items include: In hedging accounting, if the application requirements have been fulfilled, hedged items and hedging instruments are valued so the respective fair value changes are compensated in the earnings statement. The group does not apply this method.

For the items valued at so-called amortised costs, whether there is impairment on the balance sheet date must be determined. If necessary, the adjustment shall be recorded in the financial result at the lower cash value of the expected payments. If the value increases at a later time, the impairment value adjustment will be reversed via the financial result. For financial assets available for sale, whether there is impairment on the balance sheet date in case of a fair value reduction must be determined. If necessary, the difference between the procurement costs and the fair value shall be recorded in the financial result, whereby the cumulative depreciation in the equity capital is reposted there. If the value increases at a later time, the impairment value adjustment will be reversed via the financial result for debt securities and it remains as is for equity capital securities. When they are recorded, financial assets are principally recorded at fair value (if necessary, except for items valued at fair value with an effect on income, plus direct transaction costs). The group currently includes only the following categories:

– Loans and receivables: This category corresponds with the receivables in accordance with the balance sheet (circulation and invested capital). The receivables primarily have short-term maturity periods; the scope of long-term

loans is negligible. The classification as short or long-term depends on whether the remaining term is up to one year or more. The amortised costs correspond with nominal values in the group. These are periodically reviewed to determine if they are sufficiently secure and the value is individually adjusted accordingly in case of materiality. Establishment and dissolution of these value adjustments are recorded in other operating costs or the respective loan under financial expenses. The fair values approximately correspond with the balance sheet values since these, with the exception of the discount effect, are largely equivalent to the estimated received payments and the conditions are standard for the market.

c) Inventories

Raw materials and supplies are generally valued at acquisition cost. Unfinished and finished goods and services are valued at production costs (direct costs, appropriate material and production overheads).

d) Contract assets and contract liabilities

Customer orders on construction sites are accounted for the basis of revenue recognition when the performance obligations are fulfilled over time. The respective state of completion is defined by the order-based progress calculation. In the balance sheet, customer orders are recorded as net position from contract assets and contract liabilities.

If the earnings from a production order cannot be reliably estimated, the revenue will only be recorded in the amount of the incurred order costs which is likely recoverable, while simultaneously recording the incurred order costs as an expense in the respective period. This corresponds with a valuation at manufacturing costs. If it is probable that the total order costs will exceed the total order revenue, the expected losses will be immediately recorded as an expense.

e) Intangible assets

Intangible assets (except for goodwill; see consolidation principles: consolidation procedures) are valued at their procurement costs and amortised in accordance with the straight-line method from the time of operational readiness throughout the usage duration:

- Software: 3-5 years
- Product development: 10 years

f) Property and equipment

Property and equipment is valued at their procurement costs and amortised in accordance with the straight-line method from the time of operational readiness throughout the following estimated, regularly reviewed usage duration:

- Production buildings (warehouses, production halls): 15-25 years
- Administrative buildings: 30-40 years
- Office equipment and furniture: 3-10 years
- Machines and machine components: 3-10 years

This applies, if significant, for subsequent expenses for increasing the value of already existing objects in these categories. Expenses for maintenance and repairs are not capitalised. There are no personal contributions in the group's property and equipment.

g) Financial assets

Financial assets are valued at their procurement costs minus the necessary value adjustments.

When acquiring shares in affiliated companies, goodwill can be generated. This corresponds to the excess acquisition costs of the shares above the proportional fair market value of the identified net assets. The goodwill is included in the shares of the affiliated companies. Affiliated companies are valued in accordance with the equity method. The earnings from affiliated companies are indicated as a part of the financial result.

h) Leasing

For contracts economically equivalent to a third-party financed purchase of the object provided for use (financial leases), the cash value of the minimal leasing rates or rents are capitalised as property and equipment and accordingly amortised. The liability in the same amount is recognised and periodically reduced by the repayment component of the leasing rate or rent and indicated in the short and long-term financial liabilities depending on when they mature. The interest component is recorded respectively as a financial expense. For all other leasing and rental agreements (operating leases), only the leasing rate or rent is debited as an operating expense in the profit and loss statement.

i) Impairment

On the balance sheet date, attention is paid to indications of a potential impairment of intangible assets with a set duration of use or tangible assets. If necessary, the balance sheet value of such an asset will be compared to its fair value minus the cost of sale or recoverable amount (value in use) (depending on which of these values is higher). Potential value impairments are recorded in the operating income and indicated separately. If there is a verifiable increase in value at a later time, the impairment value impairment will be reversed via the operating income. This does not apply to goodwill. For indefinitely usable intangible assets and goodwill, the impairment test is performed annually.

j) Financial liabilities

For the purposes of subsequent evaluation, the financial instruments on the liabilities side must be divided into the following categories:

– Other financial liabilities: In accordance with IFRS 9, these can be measured at amortised cost or at fair value. When measured at fair value, expenses or income can be recognised either in full in the result for the period or directly in other comprehensive income.

When they are recorded, financial liabilities are principally recorded at fair value (if necessary, except for items valued at fair value with an effect on income, plus direct transaction costs). The group currently includes only the following categories:

– Other financial liabilities: These correspond with the financial liabilities and the other liabilities in accordance with the balance sheet (Short-term and long-term third-party capital): The majority of the accounts payable and other liabilities have short-term maturities. The classification as short or long-term depends on whether the remaining term is up to one year or more. The amortised costs correspond with nominal values in the group. This also applies for liabilities to banks with a fixed interest rate (market interest rate) and for which the pay-out and repayment amount are identical. The fair values approximately correspond with the balance sheet values since these, with the exception of the discount effect, are largely equivalent to the estimated payments made, the conditions are standard for the market and the group is capable of making the interest and capital payments in accordance with the agreement.

k) Pension liabilities

The company has a low number of employees in the Swiss company. The Swiss pension plan are so called defined benefits plans. Due to the materiality considerations, however, such a calculation was omitted.

In accordance with Italian law, the companies have the choice between a public or private occupational pension or to invest the contributions based on the old method "Fondo TFR". H+E S.R.L., Italy chose the "Fondo TFR". Contributions are regularly allocated to these funds which must be charged interest at a legally stipulated interest rate.

The existing pension commitments under German law were granted to some employees of the German H+E GmbH in the past. Commitments are in place for retirement, disability and survivors' benefits. These benefit obligations are fully financed by the employer and have to be met directly by H+E GmbH, which is why H+E GmbH has to make pension provisions for these benefit obligations under German law. Special separate cover assets do not exist for these obligations.

l) Provisions

Provisions are recorded for uncertain liabilities, provided the future outflow of resources is probable and the amount can be reliably estimated. If there is a significant effect, long-term provisions are assumed based on the cash value.

m) Income taxes

Owed or deferred taxes on group company profit (or profit shares) are indicated as current tax liabilities. The corresponding expense is indicated separately. Deferred profit taxes are recorded on temporal differences between the values in the consolidated balance sheet and those in the tax balance sheet, namely, based on the effective tax rates. For deferred tax assets (those on tax-deductible, temporal differences) this only applies if it is likely that sufficiently high taxable profits will be accrued to effectively deduct these differences. In addition, deferred tax assets are recorded on tax losses insofar as in the future, it is probable that sufficiently high taxable profits will be accrued to effectively offset these tax losses ("more likely than not"). Taxes that might be incurred on retained profits from subsidiary and affiliated companies are not recorded since these profits will not be distributed or the group cannot define the distribution date. Deferred tax assets and liabilities are balanced per group company in the consolidated balance sheet insofar as current liabilities can be offset against potential recoverable profit taxes.

n) Equity

Expenses directly connected to an equity transaction (see changes in the consolidated equity capital) are directly deducted from the capital reserves. Own shares are deducted from equity at their procurement costs. In case of resale, the profit or loss is directly offset against the capital reserves. Claims waivers from shareholders are recognized directly in equity.

o) Revenue

The revenues shown in the income statement are based on sales or the valuation of work in progress over time after the revenue has been recognized when the performance obligations have been fulfilled. Revenues are allocated into the following main segments:

- Service business
- Spare parts
- Project business

Revenue from services and spare part deliveries is recognized as soon as the power of disposition is exercised at a contractually agreed time. Revenue from project business is recognized over time when the contractual performance obligations are fulfilled. The progress of the project is determined on the basis of the internal and external costs incurred to date in relation to the planned costs. The planned costs are continuously reviewed on the basis of periodic interim calculations. The transaction price is determined on the basis of the contract amount agreed with the customer.

p) Materials and subcontractors

The materials and subcontractors expense are recorded based on an allocation appropriate for the period if the materials or services were procured.

q) Personnel costs

The personnel costs include all costs connected to employee remuneration and social insurances.

r) Other operating expenses

Includes the expenses for rents and maintaining office spaces and general expenses that cannot be allocated to the other expense items.

s) Depreciations and amortizations

The periodical value adjustments to the capital assets, tangible assets and intangible assets are taken into account with the depreciations and amortisations.

t) Recognition of interest and dividend earnings

Interest earnings are recorded pro rata in accordance with the effective interest rate method. Dividend earnings are recorded at the time at which the right to receive payment is established.

u) Currency conversion

Transactions in other currencies than the functional currency are recorded at the exchange rate at the time of the transaction. Exchange gains and losses realised on the transactions and unrealised exchange gains and losses from the translation of monetary receivables and liabilities in the functional currency at the year-end rate are recognised in the financial result.

v) Earnings per share

Since the company is not publicly listed, the earnings per share have been omitted.

### **Estimations and other discretionary decisions**

Extensive uncertainties in estimates

A quantification of the effects of uncertainties (sensitivities) is hardly practical for the estimates below. However, adjustments to the actual conditions having a significant, short-term effect on the relevant balance sheet item cannot be excluded.

Contract assets and Contract liabilities

The valuation of Contract assets and Contract liabilities is connected to a discretionary decision. These can deviate from the effective assessments. If these assessments deviate, the intrinsic value of the work in progress might be impaired.

Financial assets

The company has recognised financial loans. At the current time, there are no indications that might impair the intrinsic value of the loan. If the intrinsic value were to be impaired, the balance sheet would have to be adjusted accordingly.

Intangible assets

The assessment of the intangible assets is primarily based on intrinsic value tests. In this assessment, there are discretionary decisions that are based on the current conditions. If these conditions were to change, there may be impairment in this area and appropriate value adjustments would have to be made.

Continuation of the company

The annual financial statement was drafted based on the continuation of the company. If the continuation of the company is no longer ensured, an annual financial statement would have to be drafted based on the recoverable values. The continuation of the company depends on the financing of the company and the future earnings of the subsidiaries.

Miscellaneous

The accounting contains several estimates (e.g. assurance of recovery of receivables from services, duration of use from tangible assets, high provisions or potential liabilities, revenue allocated to the subsequent year from services over multiple years).

Other extensive discretionary decisions when applying accounting principles

Leasing

A leasing agreement qualifies as an operating lease because the position of the group does not correspond to that of an owner, even when considered economically and the standard criteria for a qualification as a financial lease have not been fulfilled.

Miscellaneous

Other discretionary decisions must also be made in the framework of the accounting principles. However, these are not significant for the consolidated annual financial statement.

**Type, scope and management of financial risks**

Due to its operative business, the group is primarily subject to a credit risk. The group's risk management is aimed at reducing the potentially negative effects on the financial result to a minimum. Derivative financial instruments can be considered for securing financial risks, but have not been utilized to date.

The company has performed a documented risk assessment.

Credit risk

The credit risk is that business partners will not fulfil their obligations. All receivables are periodically reviewed to determine the degree of certainty of payment. The customers' financial situation, the experience to date and/or other factors are taken into account. In general, there are no securities. The value of not fully recoverable receivables is adjusted, whereby these value adjustments have been insignificant to date. The maximum default risk corresponds with the balance sheet value. On December 31, 2018, the group holds approximately 100% of its liquid assets at first-class banks.

Currency risk

The group executes the majority of its transactions in EUR, USD and GBP. Thus the group is subject to certain currency fluctuations. The following table summarises the foreign exchange risk exposure:

Amounts in EUR	EUR	GBP	CHF	USD	MYR	PHP
CHF	0	86	0	0	0	0
EUR	0	0	0	0	0	0
GBP	-5.767	0	-24.861	0	0	0
JPY	0	395.896	0	0	0	0
MYR	0	0	0	-42.813	0	0
PHP	0	0	0	-1.628	0	0
RUB	0	0	0	0	0	0
SEK	0	27	0	0	0	0
SGD	0	0	-52.831	186.258	-623	0
THB	0	0	0	0	-5.305	0
USD	2.552.811	118.914	207.519	0	8.006	2.927
Other	-1.580	3	-6.158	-49.575	0	-3.554
<b>Total</b>	<b>2.545.464</b>	<b>514.926</b>	<b>123.669</b>	<b>92.242</b>	<b>2.078</b>	<b>-627</b>
<b>Net exposure</b>						

As of 31 December 2018, the Company is exposed to the JPY currency from an amount of EUR 395.896. A weakening of 20% of the YPN against the GBP reduces the net profit by EUR 79.179 (and a strengthening of 20% increases the net profit by EUR 79.179).

## Supplementing explanatory notes

### Accounting treatment of the four corporate transactions

#### 1) Divestment of MFT Membran-Filtrations-Technik GmbH, Cologne

The company MFT Membran-Filtrations-Technik GmbH, Cologne, Germany (hereinafter also referred to as MFT) was sold in a share deal by H+E GmbH, Stuttgart, Germany (hereinafter also referred to as H+E) to the purchaser HongKong H-M Investment Corporation Limited, Hong Kong, China. The sale comprises 100% of the shares. The transaction price comprises several components and includes an initial purchase price of EURk 3,500, less a payment into MFT's capital reserve of EURk 500, less the offsetting and assignment of intercompany receivables and liabilities of EURk 3,415 at H+E level and EURk 1,798 at Aquarion level existing prior to the date of the transfer, including payments from existing trade receivables of EURk 1,271 and potential payments from the Company's initial public offering. The uncertain payments from the possible IPO were recognized with EURk 0. The total transaction price is EURk -942. The associated "Share Purchase and Transfer Agreement" was signed and notarized on June 5, 2019.

MFT was fully included in the (subgroup)-consolidated financial statements of H+E, H+E Holding GmbH, Stuttgart (hereinafter also referred to as H+E Holding) and Aquarion as of 31 December 2018.

The balance of assets and liabilities equals EURk -2,546. In addition to an adjustment of a historical purchase price allocation of TEUR 77.6 and the recognised goodwill of EURk 3,302, the total amount of the disposal equals EURk 833. By offsetting the transaction price, the disposal gain at the level of H+E equals EURk 23 and at the level of Aquarion EURk -1,775.

The pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement were prepared exclusively for illustrative purposes. As the group has changed its structure in the financial year, the pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement were prepared to display the net assets and results of operations of the Group as if the deconsolidation had taken place at the beginning of the year.

For this reason, MFT was deconsolidated, contrary to the regulation described above (IFRS 10 note 20), with economic effect as of 1 January 2019.

The deconsolidation result as of 30 June 2019 amounting to EURk 2,468.7 was adjusted for the netted revenues and expenses in the amount of EURk -1,432.3 that arose between 1 January 2019 and 30 June 2019. The pro-forma-consolidated income statement was reduced by MFT's expenses and revenues for the period from 1 January 2019 to 30 June 2019. The adjustment was recognized in the equity of the pro-forma-consolidated balance sheet and reduces the profit in connection with the deconsolidation of MFT.

## Supplementing explanatory notes

### 2) Sale of S-Tec GmbH, Klipphausen

The company S-Tec GmbH, Klipphausen, Germany (in the following also referred to as S-Tec) was sold by H+E Holding to H+E Pharma GmbH, Stuttgart, Germany (in the following also referred to as H+E Pharma) as part of a share deal. The sale comprises 100% of the shares. The transaction price amounts to EUR 1. The corresponding share purchase agreement was signed on 9 May 2019. The agreement became effective on 3 July 2019 with the notarization of further directly referenced agreements.

S-Tec was fully included in the (subgroup)-consolidated financial statements of H+E Holding GmbH, Stuttgart (hereinafter also referred to as H+E Holding) and Aquarion as of 31 December 2018.

The loss of control of S-Tec by the parent company H+E GmbH according to IFRS 10 occurred on 3 July 2019 as a result of the sale of all shares. Thus, the investor lost his voting rights and can no longer exercise control over the company. Consequently, the company must be deconsolidated in accordance with IFRS 10 note 20.

As no material transactions occurred in the interim time period, S-Tec will be deconsolidated as of 30 June 2019.

S-Tec was deconsolidated in accordance with IFRS 10 note 25. The assets and liabilities were derecognized from the consolidated balance sheet. A gain was recognized due to the deconsolidation of S-Tec amounting to EURk 290.

The pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement were prepared exclusively for illustrative purposes. As the group has changed its structure in the financial year, the pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement were prepared to display the situation as if the deconsolidation had taken place at the beginning of the year. Contrary to the description above (IFRS 10 note 20), the company was deconsolidated with economic effect as of 1 January 2019.

Furthermore, the deconsolidation result as of 30 June 2019 in the amount of EURk 290 was used as a basis and adjusted for the netted revenues and expenses in the amount of EURk -38.2 that arose between 1 January 2019 and 30 June 2019. The pro-forma-consolidated income statement was reduced by S-Tec's expenses and revenues for the period from 1 January 2019 to 30 June 2019. The adjustment was recognized in the equity of the pro-forma-consolidated balance sheet and reduces the profit in connection with the deconsolidation of S-Tec.



## Supplementing explanatory notes

### 3) Changing status of H+E Pharma GmbH, Stuttgart

Austar Biosciences GmbH, Stuttgart, Germany, has invested a total amount of EURk 1,500 in H+E Pharma GmbH. The amount is split between a capital increase in the subscribed capital of EURk 26 to EURk 51 (corresponds to 51% of the subscribed capital) and a payment of EURk 1,474 into the capital reserve. The associated “Share Pledge Agreement” was signed and notarized on 3 July 2019.

H+E Pharma was fully consolidated in the (sub)-consolidated financial statements of H+E, H+E Holding and Aquarion.

The pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement were prepared exclusively for illustrative purposes. As the group has changed its structure in the financial year, the pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement were prepared to display the situation as if the deconsolidation had taken place at the beginning of the year. Contrary to the description above (IFRS 10 note 20), the company was deconsolidated with economic effect as of 1 January 2019 and treated as a joint venture.

Contrary to the initially described circumstances above regarding the sale of H+E Pharma to Austar Biosciences GmbH with the formation of the joint venture, the hypothetical situation was presented in the context of the preparation of the pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement in case that the deconsolidation of the two companies had occurred as of 1 January 2019. The presentation is for illustrative purposes only and is intended to present the net assets and results of operations of the Group, including H+E Pharma as a joint venture for the period from 1 January 2019 to 30 June 2019.

## Supplementing explanatory notes

### 4) Incorporation of a joint venture and integration of the H+E Asia subgroup

Under the terms of a joint venture agreement, the joint venture H+E Darcarion Pte. Ltd., Singapore, is to be established. H+E will hold a 49% share in the joint venture. The Joint Venture Agreement was signed on 20 June 2019. At the time this report was prepared, no payment into the subscribed capital had yet been made.

The "H+E Asia" subgroup comprises the companies Hager + Elsaesser Asia PTE. LTD, Singapore, (hereinafter also referred to as H+E Singapore) as the parent company with its wholly-owned subsidiaries:

Hager + Elsaesser Sdn. Bhd. Ltd., Malaysia,  
Hager + Elsaesser (Thailand) Co. Ltd.,  
Stulz Hager + Elsaesser (Philippines) Inc. and  
H+E Pty Ltd, Australien.

As of 30 June 2019, H+E Singapore is a wholly-owned subsidiary of H+E.

H+E plans to integrate H+E Singapore into the joint venture H+E Darcarion Pte Ltd, Singapore. The corresponding contract is neither signed nor notarized at the time of the preparation of the report.

The pro-forma-consolidated financial statements, including the pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement, were prepared for illustrative purposes only. Since the Company intends to change its structure in the financial year through the contribution of H+E Singapore fundamentally, the pro-forma-consolidated financial statements should present the net assets and results of operations as if these circumstances had already existed at the beginning of the financial year.

The definition of a joint venture in accordance with IAS 28 para. 32 is met by the terms of the joint venture agreement.

The joint venture is valued with his fair value in accordance with IFRS 13. The fair value is measured on basis of the payment into equity (TSGD 4.9, equivalent to EURk 3.1 at the exchange rate of 1 January 2019) plus the fair value of the contribution of the investment in H+E Singapore of EURk 2,515. The fair value of H+E Singapore is equal to the book value of the investment. The recoverability of the investment was verified by means of an impairment test as of 31 December 2018; according to the statement made by H+E management, there were no indications at the time of the preparation of this report that the investment required impairment. In accordance with our engagement we did not perform any audit procedures with respect to accuracy and validity of this statement. The capitalization of incidental acquisition costs (certification, registration and consulting costs) has been refrained from.

Contrary to the initially described circumstances above regarding the contribution of the investment of H+E Singapore into H+E Darcarion Pte. with the formation of the joint venture, the hypothetical situation was presented in the context of the preparation of the pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement in case that the deconsolidation of the company and the formation of the joint venture had occurred as of 1 January 2019. The presentation is for illustrative

## Supplementing explanatory notes

purposes only and is intended to present the net assets and results of operations of the Group, including H+E Singapore as a joint venture for the period from 1 January 2019 to 30 June 2019.

The loss of control of H+E Singapore by the parent company H+E in accordance with IFRS 10 presumably occurred on 1 January 2019 by the contribution of the investment of H+E Singapore into H+E Darcarion Pte. and the formation of the joint venture. As the investor indirectly holds 49% of voting rights of H+E Singapore and does not have sole control over the company anymore, it must be deconsolidated in accordance with IFRS 10 note 20. H+E Singapore was deconsolidated in accordance with IFRS 10 note 25 and the assets and liabilities were derecognized from the consolidated balance sheet at their carrying amounts.

The balance of assets and liabilities as of 30 June 2019 amounts to EURk 2,924 in the commercial balance sheet II at H+E level. As consideration for the contribution of H+E Singapore, the joint venture was recognized at EURk 2,518.

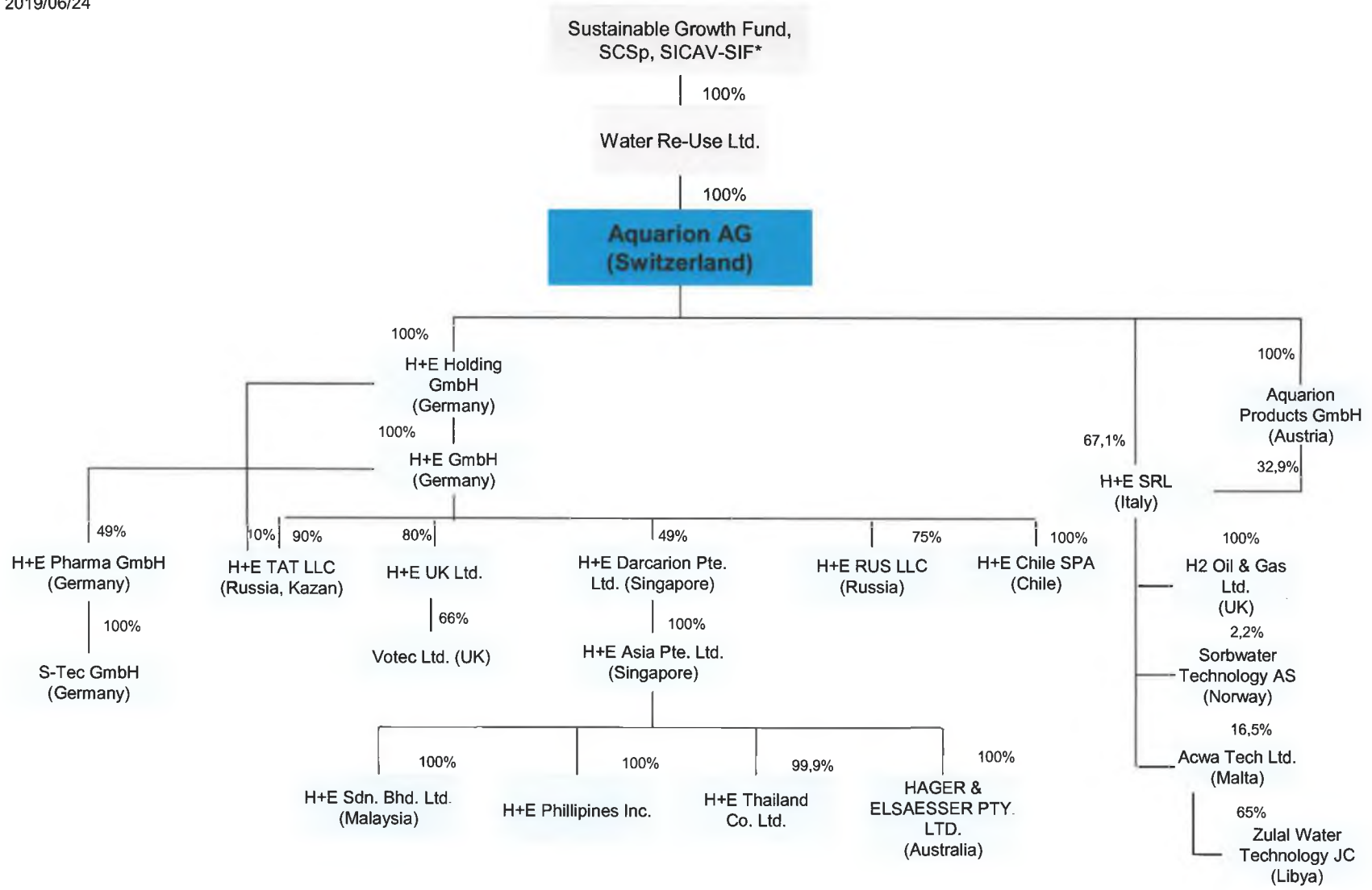
Furthermore, the deconsolidation result as of 30 June 2019 was adjusted for the netted revenues and expenses in the amount of EURk -992.2 that arose between 1 January 2019 and 30 June 2019. The pro-forma-consolidated income statement was reduced by H+E Asia's expenses and revenues for the period from 1 January 2019 to 30 June 2019. The adjustment was recognized in the equity of the pro-forma-consolidated balance sheet and reduces the profit in connection with the deconsolidation of H+E Asia.

Due to the contribution of H+E Singapore to the joint venture with another equity investor, intercompany value adjustments on loan receivables amounting to EURk 609 made at the level of the individual financial statements of H+E Singapore were reversed against H+E Singapore as their recoverability is assumed.

## **Appendix 4**

# Group Structure

2019/06/24



\* No Limited Partner owns more than 25% shares.

Karl Michael Millauer  
 CEO – Aquarion Group  
 MD – H+E GmbH

16.7.2019

# **Appendix 5**

## **Auditor's certificate of preparation**

To the Aquarion AG

We have prepared the pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement of Aquarion AG for the period from 1 January 2019 to 30 June 2019 in accordance with our engagement, the supplementing explanatory notes and the IFRSs as adopted by the EU.

The basis for the preparation were the documents, books and inventory records submitted to us, which we did not audit in accordance with our instructions, as well as the information provided to us.

The maintenance of the books and records and the preparation of the inventory and annual financial statements in accordance with the law and supplementary provisions of the articles of incorporation are the responsibility of the Company's management.

We conducted our work in accordance with the IDW Standard: Principles for the Preparation of Financial Statements (IDW S 7). This includes the development of the pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement on the basis of the accounting records and the inventory as well as the requirements regarding the accounting and valuation methods to be applied.

Frankfurt am Main, 30 August 2019

Warth & Klein Grant Thornton AG

Wirtschaftsprüfungsgesellschaft

Manuel Selchow  
German Public Auditor

Maximilian Meyer zu Schwabedissen  
German Public Auditor

## **Appendix 6**



# General Engagement Terms

## for

### Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften

#### [German Public Auditors and Public Audit Firms]

#### as of January 1, 2017

DokID:

#### 1. Scope of application

(1) These engagement terms apply to contracts between German Public Auditors (*Wirtschaftsprüfer*) or German Public Audit Firms (*Wirtschaftsprüfungsgesellschaften*) – hereinafter collectively referred to as "German Public Auditors" – and their engaging parties for assurance services, tax advisory services, advice on business matters and other engagements except as otherwise agreed in writing or prescribed by a mandatory rule.

(2) Third parties may derive claims from contracts between German Public Auditors and engaging parties only when this is expressly agreed or results from mandatory rules prescribed by law. In relation to such claims, these engagement terms also apply to these third parties.

#### 2. Scope and execution of the engagement

(1) Object of the engagement is the agreed service – not a particular economic result. The engagement will be performed in accordance with the German Principles of Proper Professional Conduct (*Grundsätze ordnungsmäßiger Berufsausübung*). The German Public Auditor does not assume any management functions in connection with his services. The German Public Auditor is not responsible for the use or implementation of the results of his services. The German Public Auditor is entitled to make use of competent persons to conduct the engagement.

(2) Except for assurance engagements (*betriebswirtschaftliche Prüfungen*), the consideration of foreign law requires an express written agreement.

(3) If circumstances or the legal situation change subsequent to the release of the final professional statement, the German Public Auditor is not obligated to refer the engaging party to changes or any consequences resulting therefrom.

#### 3. The obligations of the engaging party to cooperate

(1) The engaging party shall ensure that all documents and further information necessary for the performance of the engagement are provided to the German Public Auditor on a timely basis, and that he is informed of all events and circumstances that may be of significance to the performance of the engagement. This also applies to those documents and further information, events and circumstances that first become known during the German Public Auditor's work. The engaging party will also designate suitable persons to provide information.

(2) Upon the request of the German Public Auditor, the engaging party shall confirm the completeness of the documents and further information provided as well as the explanations and statements, in a written statement drafted by the German Public Auditor.

#### 4. Ensuring independence

(1) The engaging party shall refrain from anything that endangers the independence of the German Public Auditor's staff. This applies throughout the term of the engagement, and in particular to offers of employment or to assume an executive or non-executive role, and to offers to accept engagements on their own behalf.

(2) Were the performance of the engagement to impair the independence of the German Public Auditor, of related firms, firms within his network, or such firms associated with him, to which the independence requirements apply in the same way as to the German Public Auditor in other engagement relationships, the German Public Auditor is entitled to terminate the engagement for good cause.

#### 5. Reporting and oral information

To the extent that the German Public Auditor is required to present results in writing as part of the work in executing the engagement, only that written work is authoritative. Drafts are non-binding. Except as otherwise agreed, oral statements and explanations by the German Public Auditor are binding only when they are confirmed in writing. Statements and information of the German Public Auditor outside of the engagement are always non-binding.

#### 6. Distribution of a German Public Auditor's professional statement

(1) The distribution to a third party of professional statements of the German Public Auditor (results of work or extracts of the results of work whether in draft or in a final version) or information about the German Public Auditor acting for the engaging party requires the German Public Auditor's written consent, unless the engaging party is obligated to distribute or inform due to law or a regulatory requirement.

(2) The use by the engaging party for promotional purposes of the German Public Auditor's professional statements and of information about the German Public Auditor acting for the engaging party is prohibited.

#### 7. Deficiency rectification

(1) In case there are any deficiencies, the engaging party is entitled to specific subsequent performance by the German Public Auditor. The engaging party may reduce the fees or cancel the contract for failure of such subsequent performance, for subsequent non-performance or unjustified refusal to perform subsequently, or for unconscionability or impossibility of subsequent performance. If the engagement was not commissioned by a consumer, the engaging party may only cancel the contract due to a deficiency if the service rendered is not relevant to him due to failure of subsequent performance, to subsequent non-performance, to unconscionability or impossibility of subsequent performance. No. 9 applies to the extent that further claims for damages exist.

(2) The engaging party must assert a claim for the rectification of deficiencies in writing (*Textform*) [*Translator's Note: The German term "Textform" means in written form, but without requiring a signature*] without delay. Claims pursuant to paragraph 1 not arising from an intentional act expire after one year subsequent to the commencement of the time limit under the statute of limitations.

(3) Apparent deficiencies, such as clerical errors, arithmetical errors and deficiencies associated with technicalities contained in a German Public Auditor's professional statement (long-form reports, expert opinions etc.) may be corrected – also versus third parties – by the German Public Auditor at any time. Misstatements which may call into question the results contained in a German Public Auditor's professional statement entitle the German Public Auditor to withdraw such statement – also versus third parties. In such cases the German Public Auditor should first hear the engaging party, if practicable.

#### 8. Confidentiality towards third parties, and data protection

(1) Pursuant to the law (§ [Article] 323 Abs 1 [paragraph 1] HGB [German Commercial Code: *Handelsgesetzbuch*], § 43 WPO [German Law regulating the Profession of *Wirtschaftsprüfer: Wirtschaftsprüferordnung*], § 203 StGB [German Criminal Code: *Strafgesetzbuch*]) the German Public Auditor is obligated to maintain confidentiality regarding facts and circumstances confided to him or of which he becomes aware in the course of his professional work, unless the engaging party releases him from this confidentiality obligation.

(2) When processing personal data, the German Public Auditor will observe national and European legal provisions on data protection.

#### 9. Liability

(1) For legally required services by German Public Auditors, in particular audits, the respective legal limitations of liability, in particular the limitation of liability pursuant to § 323 Abs. 2 HGB, apply.

(2) Insofar neither a statutory limitation of liability is applicable, nor an individual contractual limitation of liability exists, the liability of the German Public Auditor for claims for damages of any other kind, except for damages resulting from injury to life, body or health as well as for damages that constitute a duty of replacement by a producer pursuant to § 1 ProdHaftG [German Product Liability Act: *Produkthaftungsgesetz*], for an individual case of damages caused by negligence is limited to € 4 million pursuant to § 54 a Abs. 1 Nr. 2 WPO.

(3) The German Public Auditor is entitled to invoke demurs and defenses based on the contractual relationship with the engaging party also towards third parties.

(4) When multiple claimants assert a claim for damages arising from an existing contractual relationship with the German Public Auditor due to the German Public Auditor's negligent breach of duty, the maximum amount stipulated in paragraph 2 applies to the respective claims of all claimants collectively.

(5) An individual case of damages within the meaning of paragraph 2 also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty regardless of whether the damages occurred in one year or in a number of successive years. In this case, multiple acts or omissions based on the same source of error or on a source of error of an equivalent nature are deemed to be a single breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the German Public Auditor is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(6) A claim for damages expires if a suit is not filed within six months subsequent to the written refusal of acceptance of the indemnity and the engaging party has been informed of this consequence. This does not apply to claims for damages resulting from scienter, a culpable injury to life, body or health as well as for damages that constitute a liability for replacement by a producer pursuant to § 1 ProdHaftG. The right to invoke a plea of the statute of limitations remains unaffected.

## 10. Supplementary provisions for audit engagements

(1) If the engaging party subsequently amends the financial statements or management report audited by a German Public Auditor and accompanied by an auditor's report, he may no longer use this auditor's report.

If the German Public Auditor has not issued an auditor's report, a reference to the audit conducted by the German Public Auditor in the management report or any other public reference is permitted only with the German Public Auditor's written consent and with a wording authorized by him.

(2) If the German Public Auditor revokes the auditor's report, it may no longer be used. If the engaging party has already made use of the auditor's report, then upon the request of the German Public Auditor he must give notification of the revocation.

(3) The engaging party has a right to five official copies of the report. Additional official copies will be charged separately.

## 11. Supplementary provisions for assistance in tax matters

(1) When advising on an individual tax issue as well as when providing ongoing tax advice, the German Public Auditor is entitled to use as a correct and complete basis the facts provided by the engaging party – especially numerical disclosures; this also applies to bookkeeping engagements. Nevertheless, he is obligated to indicate to the engaging party any errors he has identified.

(2) The tax advisory engagement does not encompass procedures required to observe deadlines, unless the German Public Auditor has explicitly accepted a corresponding engagement. In this case the engaging party must provide the German Public Auditor with all documents required to observe deadlines – in particular tax assessments – on such a timely basis that the German Public Auditor has an appropriate lead time.

(3) Except as agreed otherwise in writing, ongoing tax advice encompasses the following work during the contract period:

- a) preparation of annual tax returns for income tax, corporate tax and business tax, as well as wealth tax returns, namely on the basis of the annual financial statements, and on other schedules and evidence documents required for the taxation, to be provided by the engaging party
- b) examination of tax assessments in relation to the taxes referred to in (a)
- c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)
- d) support in tax audits and evaluation of the results of tax audits with respect to the taxes referred to in (a)
- e) participation in petition or protest and appeal procedures with respect to the taxes mentioned in (a).

In the aforementioned tasks the German Public Auditor takes into account material published legal decisions and administrative interpretations.

(4) If the German Public auditor receives a fixed fee for ongoing tax advice, the work mentioned under paragraph 3 (d) and (e) is to be remunerated separately, except as agreed otherwise in writing.

(5) Insofar the German Public Auditor is also a German Tax Advisor and the German Tax Advice Remuneration Regulation (*Steuerberatungsvergütungsverordnung*) is to be applied to calculate the remuneration, a greater or lesser remuneration than the legal default remuneration can be agreed in writing (*Textform*).

(6) Work relating to special individual issues for income tax, corporate tax, business tax, valuation assessments for property units, wealth tax, as well as all issues in relation to sales tax, payroll tax, other taxes and dues requires a separate engagement. This also applies to:

- a) work on non-recurring tax matters, e.g. in the field of estate tax, capital transactions tax, and real estate sales tax;
- b) support and representation in proceedings before tax and administrative courts and in criminal tax matters;
- c) advisory work and work related to expert opinions in connection with changes in legal form and other re-organizations, capital increases and reductions, insolvency related business reorganizations, admission and retirement of owners, sale of a business, liquidations and the like, and
- d) support in complying with disclosure and documentation obligations.

(7) To the extent that the preparation of the annual sales tax return is undertaken as additional work, this includes neither the review of any special accounting prerequisites nor the issue as to whether all potential sales tax allowances have been identified. No guarantee is given for the complete compilation of documents to claim the input tax credit.

## 12. Electronic communication

Communication between the German Public Auditor and the engaging party may be via e-mail. In the event that the engaging party does not wish to communicate via e-mail or sets special security requirements, such as the encryption of e-mails, the engaging party will inform the German Public Auditor in writing (*Textform*) accordingly.

## 13. Remuneration

(1) In addition to his claims for fees, the German Public Auditor is entitled to claim reimbursement of his expenses; sales tax will be billed additionally. He may claim appropriate advances on remuneration and reimbursement of expenses and may make the delivery of his services dependent upon the complete satisfaction of his claims. Multiple engaging parties are jointly and severally liable.

(2) If the engaging party is not a consumer, then a set-off against the German Public Auditor's claims for remuneration and reimbursement of expenses is admissible only for undisputed claims or claims determined to be legally binding.

## 14. Dispute Settlement

The German Public Auditor is not prepared to participate in dispute settlement procedures before a consumer arbitration board (*Verbraucherschlichtungsstelle*) within the meaning of § 2 of the German Act on Consumer Dispute Settlements (*Verbraucherstreitbelegungsgesetz*).

## 15. Applicable law

The contract, the performance of the services and all claims resulting therefrom are exclusively governed by German law.

## 3.2 RAINBOW GLOBAL OPERATIONS LIMITED

<b>NAME OF THE COLLATERAL OBLIGOR</b>	Rainbow Global Operations Limited (for the purposes of this Collateral Annex only, the “ <b>Collateral Obligor</b> ”)
<b>JURISDICTION OF INCORPORATION</b>	Ireland
<b>REGISTERED ADDRESS</b>	1st Floor, 9 Exchange Place, I.F.S.C., Dublin 1, D01 X8H2 Ireland
<b>LEGISLATION UNDER WHICH THIS OBLIGOR OPERATES</b>	Ireland
<b>LEGAL FORM</b>	Private company limited by shares
<b>DATE OF INCORPORATION</b>	11 March 2020
<b>REGISTERED NUMBER</b>	668270
<b>SHARE CAPITAL</b>	EUR 100
<b>SHAREHOLDERS</b>	<p>Rainbow Global Sports Consortium, Inc owns 100% of the shares in the Collateral Obligor.</p> <p>Rainbow Global Sports Consortium, Inc is a company established and registered in the State of Wyoming, USA with registration number 2020000897403 whose registered office is at 1620 Central Ave, Suite 202, Cheyenne, WY 82001, USA.</p> <p>Rainbow Global Sports Consortium, Inc is wholly owned by Kingsley Pungong, the principal of the underlying business.</p> <p>The Collateral Obligor, Southzone Holdings Limited (“<b>Southzone</b>”), Rainbow FC (Holdings) Limited (“<b>FC Holdings</b>”) and the other entities set out in Schedule 1 comprise the “<b>Rainbow Group</b>”.</p> <p>Further particulars in respect of Southzone and FC Holdings (each a “<b>Guarantor</b>” and together the “<b>Guarantors</b>”) are set out at Schedule 2 and Schedule 3 respectively.</p>
<b>DIRECTORS</b>	<p>Kingsley Pungong of 1016 Seminole Dr, Waxhaw, Nc 28173 United States</p> <p>Alexandre Morfaw of 30 Rue Professeur Florence, 69003, Lyon, France</p>
<b>FINANCIAL YEAR END</b>	31 March (to be changed in due course to 31 December in order to align with the other members of the Rainbow Group).
<b>AUDITORS</b>	The Collateral Obligor (newly established) is to be audited by Deloitte Ireland.
<b>HISTORICAL FINANCIAL INFORMATION / FINANCIAL STATEMENTS</b>	<p>As a newly established financing vehicle interposed as a holding company for the Rainbow Group, the Collateral Obligor has produced no financial statements and has not been required to do so. The Collateral Obligor presently has no liabilities save for liabilities associated with its incorporation.</p> <p>For Historical Financial Information and Financial Statements in respect of the Guarantors, see Schedule 2 in respect of FC Holdings and Schedule 3 in respect of Southzone.</p>

<p><b>OVERVIEW OF THE PRINCIPAL ACTIVITIES OF THE COMPANY</b></p>	<p>The Collateral Obligor is a newly established financing vehicle whose principal activities are (i) to act as a holding company for the Rainbow Group and (ii) to on-lend the proceeds of the Series to the Rainbow Group for use in its global football player development platform. The purpose of the Series is to scale up these activities. The Rainbow Group platform is comprised in several companies working together under the Collateral Obligor for:</p> <ol style="list-style-type: none"> <li>1. the medium- to long-term contracting of football players from Africa;</li> <li>2. the development and advancement of such players; and</li> <li>3. the purchase of ownership interests in football clubs anywhere in the world.</li> </ol> <p>The mission statement of the Rainbow Group is to take naturally gifted football players out of Africa and to place them into the global football ecosystem. Football is by far the most popular sport in the world and is actively played by billions of people throughout the world in structured and unstructured formats. African players are currently, according to the Rainbow Group, the fastest growing demographic in the professional football leagues around the world. However, there are not enough competitive leagues in Africa for them to showcase the talent that is available. The Rainbow Group seeks to empower African players to achieve the highest footballing accolades in the world's competitive football leagues and elite competitions, and to develop further their communities in Africa.</p> <p>The Rainbow Group has already received more than USD 1 million in equity investment and has an active portfolio of 24 African players among its active portfolio (set out at Schedule 4 the "<b>Active Player Portfolio</b>") contracted with Southzone, for which the forecasted contracted income for the Rainbow Group based on current earnings and player valuation over the next 5 years exceeds USD 32 million. This forecast has been prepared in a manner consistent with the International Financial Reporting Standards ("<b>IFRS</b>"), is set out in the audited accounts of both Southzone and FC Holdings and the accuracy of the methodology applied is supported by the performance of the Historic Player Portfolio.</p> <p>In addition to the Rainbow Group's Active Player Portfolio, FC Holdings holds a portfolio of contractual receivables against football players sold by the Rainbow Group owned clubs as an historic passive portfolio (the "<b>Historic Player Portfolio</b>"). The Active Player Portfolio and Historic Player Portfolio of the Rainbow Group are competing in North America, Europe, Asia and Africa, with further plans to expand the network to Latin America.</p> <p>The Rainbow Group's revenue stream generally comprises:</p> <ol style="list-style-type: none"> <li>1. share of transfer proceeds for typically the first two transfers of a player after departing a Rainbow Group-owned club;</li> <li>2. loan proceeds for the Rainbow Group clubs for ongoing player loans; and</li> <li>3. revenue deriving from licensing and image rights.</li> </ol>
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	<p>In most cases the player is signed to one of the Rainbow Group clubs (MFK Vyskov or Rainbow FC) and transferred or loaned at commercially advantageous rates. The Rainbow Group business model in some cases includes entry into profit sharing agreements between Southzone and the football player. For example, such profit sharing agreement would provide for a 50/50 division of transfer-related earnings and transfer fees between Southzone and the relevant football player. It is a key principle of the Rainbow Group's business model that the interests of the player and the Rainbow Group are aligned in this respect. Such profit sharing agreements are considered in cases where the player's image rights have been assigned to Southzone.</p> <p>The more successful the football player, the greater the overall profitability for the player and the Rainbow Group. The Rainbow Group also works together with the player to ensure the greatest likelihood of success for the player in terms of skills development, achievement of player accolades and supporting transfer market activity.</p> <p>The Rainbow Group in parallel through its pre-existing network also maintains close relationships with the player and his family back in Africa to ensure the best interests of all are well served.</p> <p>Through the Guarantors, the Rainbow Group is the owner of two football clubs: Rainbow FC Bamenda in Cameroon and MFK Vyskov in the Czech Republic, respectively, which is proposed to increase. These football clubs are valuable assets, not only as showcases for the players of the Rainbow Group, but as competitive (and economically viable) football clubs in themselves.</p> <p>The Rainbow Group is the owner of a share of the image rights of the Active Player Portfolio. To the extent that the Rainbow Group is able to acquire image rights for other players, they are to be held absolutely irrespective of the number of club transfers or the clubs where the football player is playing. Image rights extend beyond a football player's career and lifetime.</p> <p>There is an established transfer market for football players, which is commonly adopted in the sector. It is subject to the regulations of FIFA, the world governing body of football. The transfer rules underpin a football player's current open market valuation from time to time.</p> <p>In order to boost the market valuation of a player pending transfer, a player can play in the league for his club to get exposure (and the Rainbow Group seeks to acquire more such clubs throughout the world to facilitate this), or be loaned out by the player's current club to a larger club for greater exposure and skills development in another league. Alternatively, where a club must realise cash, the players can be sold immediately, potentially without ascertaining the highest market price for that footballing asset and take trail payments from future transfers.</p> <p>The Rainbow Group business model is based on:</p>
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	<ol style="list-style-type: none"> <li>1. having a wide network to search for African-based players in areas where other agencies seldom look, including through open trials;</li> <li>2. finding and following prospective players and maintaining active relationships with the player and his family;</li> <li>3. signing that player for the foreseeable future under professionally advised legal documentation;</li> <li>4. developing the player and identifying his strengths;</li> <li>5. placing the player in an established league elsewhere in the world, potentially through or separately from the clubs owned by the Rainbow Group;</li> <li>6. managing the success of that placement; and</li> <li>7. optimising the placement with further placements or consolidation.</li> </ol> <p>For further information in respect of the Guarantors, see Schedule 2 in respect of FC Holdings and Schedule 3 in respect of Southzone.</p>
<b>DEBT SERVICE OF THE NOTES</b>	<p>The Notes will be serviced with the proceeds of the Securitisation Bonds issued by the Collateral Obligor to the Issuer and, where appropriate, the proceeds of the issuance of the Notes retained by the Issuer.</p> <p>The Collateral Obligor will service the Securitisation Bonds primarily from the proceeds of its portfolio of intra-group loans with the other members of the Rainbow Group. The Collateral Obligor may also service the Securitisation Bonds with (i) profits from the assets held by the Collateral Obligor (including image rights from the players set out in the Existing Player Portfolio which are from time to time held by the Collateral Obligor), (ii) distributions from the Collateral Obligor's ownership of the various Rainbow Group companies and (iii) intra-group loans from the members of the Rainbow Group to the Collateral Obligor.</p> <p>The Rainbow Group will primarily provide the Collateral Obligor with sufficient liquidity to service the Securitisation Bonds from Southzone and FC Holdings, both of which have guaranteed the obligations of the Collateral Obligor to the Issuer under the Securitisation Bonds. Further details in respect of Southzone and FC Holdings are set out at Schedule 2 and Schedule 3 separately.</p> <p>Southzone and FC Holdings are trading companies generating revenue, which is audited, from a consistent business activity. The financial statements of Southzone for 2019 show an asset surplus of USD 1.2 million (with small liabilities) from their business activities and show revenue of over USD 2 million, and profit of over 591,000. The information furnished shows that these companies are cash-generative and can acquire assets which have an in-built income stream and a ready market for transfers that to date has immediately exceeded acquisition costs. Rainbow collectively can currently service in excess of principal and interest of at least USD 591k (over double the Euronext minimum of EUR200k in Notes) without</p>

	<p>accounting for the increase following investment or their ability to sell assets if required.</p> <p>In the event of a cash shortfall, the Rainbow Group will be forced to sell the players (through the clubs for which they are contracted to play) sooner than they would prefer in order to realise the projected maximum profit. Nonetheless, they still generate a profit through the sales, which by analogy works in the same way as a more conventional business built on improving an asset portfolio's value for onward sale (real estate development, say). Once the players leave the Rainbow Group, duly enhanced, there is an ongoing stream of passive income stream from later transfers. The initial stream derives actively from sales.</p>
<b>MATERIAL ADVERSE CHANGE / LEGAL AND ARBITRATION</b>	<p>The Collateral Obligor has confirmed that there has been no material adverse change in the prospects of the Collateral Obligor as a whole since the date of its incorporation. It has not traded since incorporation save as to acquire the Rainbow Group.</p> <p>The Collateral Obligor has confirmed that there has been no significant change in the financial or trading position of the Collateral Obligor as a whole since the date of its incorporation. It has not traded since incorporation save as to acquire the Rainbow Group.</p> <p>The Collateral Obligor's directors are not aware of any governmental, legal or arbitration proceedings during a period covering at least the previous 12 months, which may have, or have had to date, any effect on the Collateral Obligor's and /or the Rainbow Group's financial position or profitability.</p>
<b>CONFLICTS OF INTEREST</b>	<p>There is no conflict of interest between the Collateral Obligor, its officers, affiliates their officers and the Issuer or the Issuer's directors, or between the directors of the Collateral Obligor and any other duties they may have from other directorships including any private interests they may have, or between the Collateral Obligor and any of the Guarantors arising out of a crossover of directorships between the Collateral Obligor and the Guarantors, as at the date of issue of the Series.</p> <p>The Collateral Obligor is the parent company of the Rainbow Group, which is subject to a unified corporate governance regime, control structure and management. There is no conflict of interest in that respect.</p> <p>The directors of the Collateral Obligor have no known conflicts of interest capable of affecting the activities of this Collateral Obligor and the performance of their duties according to the applicable law.</p>
<b>LEGAL JURISDICTION OF THE COLLATERAL BEING PROVIDED</b>	<p>England &amp; Wales (governing law of the Securitisation Bonds and the guarantee from the Guarantors).</p> <p>Ireland (governing law of the debenture over the assets and undertaking of the Collateral Obligor and the pledge over the shares in the Collateral Obligor).</p>
<b>MATURITY DATE OF THE COLLATERAL BEING PROVIDED</b>	<p>Date on which the liabilities of the Collateral Obligor to the Issuer are repaid in full.</p>

<p><b>INDICATION OF SIGNIFICANT REPRESENTATIONS AND COLLATERALS GIVEN TO THE ISSUER RELATING TO THE COLLATERAL</b></p>	<p>The Collateral Obligor has undertaken to grant a first ranking floating charge to the Issuer over its entire assets and undertaking. The charge will be first-ranking upon its grant, subject to registration with the Registrar of Companies in Ireland.</p> <p>Rainbow World Sports Consortium, Inc, as sole shareholder of the Collateral Obligor, has also as stated above, undertaken to pledge by way of further security 100% of the shares in the Collateral Obligor in favour of the Issuer.</p> <p>Southzone and FC Holdings are also each independently acting as Guarantor of the Collateral Obligor’s liabilities to the Issuer under the Programme on an all monies first demand continuing basis.</p> <p>The Collateral Obligor is required to provide to the Issuer quarterly management accounts (comprised in a profit and loss account and balance sheet), and annual audited accounts for itself, Southzone and FC Holdings, together with such other information as the Issuer may reasonably require from time to time. The Collateral Obligor will also provide to the Issuer a summary of its loan book with the other members of the Rainbow Group, as well as a report as to the ongoing use of funds by the Rainbow Group on a quarterly basis. Noteholders are not entitled to review such documentation, although the Issuer shall make an announcement in case there is any actual or threatened default of the Series.</p> <p>Securitisation Bonds are subscribed by the Issuer subject to a retention policy of 8% of the subscription proceeds remaining with the Issuer in cash and liquid assets in order to provide a minimum level of liquidity for the Series.</p>
<p><b>OVERVIEW OF THE TERMS AND CONDITIONS OF THE COLLATERAL AND SALE</b></p>	<p>The Collateral is comprised in:</p> <ol style="list-style-type: none"> <li>1. cash or other liquid assets;</li> <li>2. the Securitisation Bonds;</li> <li>3. the assets and undertaking of the Collateral Obligor's business;</li> <li>4. pursuant to the pledge from Rainbow Global Sports Consortium, Inc, the shares in the Collateral Obligor; and</li> <li>5. pursuant to the guarantees from the Guarantors, the assets and undertaking of Southzone and FC Holdings.</li> </ol> <p>The rate of interest accruing upon the Securitisation Bonds shall be sufficient to service the Interest Rate of the Series, notwithstanding the Cash Reserve. The Collateral, therefore, has inherent characteristics that demonstrate the <u>capacity</u> to produce funds to service any payments due and payable on the Notes of all Series. This is different to the factual <u>likelihood</u> of any given Series being repaid as monies fall due, which will depend on the business underlying that Series, primarily the Collateral Obligor and the Guarantors of the Series, and any risks associated therein.</p>
<p><b>MATURITY OF THE SERIES</b></p>	<p>31 May 2025</p>
<p><b>INTEREST RATE OF SERIES</b></p>	<p>8%</p>



<b>PRIMARY CURRENCY OF THE SERIES</b>	GBP
<b>MATURITY OF THE SECURITISATION BONDS</b>	31 May 2025
<b>INTEREST RATE OF SECURITISATION BONDS</b>	9%
<b>PRIMARY CURRENCY OF THE SECURITISATION BONDS</b>	GBP
<b>REDEMPTION VALUATIONS DAYS</b>	Not applicable.
<b>REDEMPTION NOTICE PERIOD</b>	Not applicable.
<b>COMPANY STRATEGY AND PURPOSE OF SECURITISATION BONDS</b>	<p>The purpose of the Series is to raise further funds for the Rainbow Group to acquire elite footballing talent from within Africa and a portfolio of developmental clubs globally into which to place that talent. As well as growth by acquisition, the proceeds of the Series will enable the Rainbow Group to nurture its portfolio for longer than previously, thereby allowing its value to grow substantially before realising cash under the profit sharing arrangements with the players. The Collateral Obligor is also building a substantial bank of image rights from the Active Player Portfolio to be developed, for separate income streams and furtherance of the group's objectives.</p> <p>The Issuer has seen a business plan for the use of the subscription proceeds for the Securitisation Bonds as at May 2020, which is open to inspection in physical form at the registered office of the Issuer. It is not attached as a schedule to this document, because it relies on the table setting out the Active Player Portfolio, and otherwise paraphrases the provisions of this Collateral Annex. The Collateral Obligor will apply the subscription proceeds of the Securitisation Bonds directly or indirectly in order to deliver the business plan of the Rainbow Group as described in this Collateral Annex.</p> <p>Generally, the Collateral Obligor anticipates that the value of any player will increase as he matures and his skills develop. As such, the longer a player can remain in the Rainbow Group-owned clubs, the higher the transfer value of the player at the time when the player is ultimately transferred away. The Series enables the Rainbow Group to hold on to its players for considerably longer, thereby increasing the return on the investments made into these players. As the 2018 audited accounts for FC Holdings show, the Rainbow Group was previously selling players before reaching their prime value (albeit this may still generate significant income through the Historic Player Portfolio).</p> <p>The CVs of the management team are also open to inspection in physical form at the registered office of the Issuer, which demonstrate a background in global football operations which entail scouting, training and development, club operations, placement and agency and sufficient expertise and sufficient role coverage to deliver the business plan.</p>

<p><b>RISK FACTORS OF THE COLLATERAL OBLIGOR, SECURITISATION BONDS AND RAINBOW GROUP</b></p>	<p><b>1. General</b></p> <p>There can be no guarantee that the Collateral Obligor or the Rainbow Group as a whole will achieve its stated trading objectives. The assets of the Rainbow Group are primarily derived from the transfer value of football players in the open market based on specific skills, experience and market perception, as well as the intellectual property in the image rights relating to such players. Accordingly, the value of the Collateral Obligor's assets may go down as well as up in the ordinary course of the business, given its market exposures as a whole, potentially dramatically over a short-term period and potentially without any possible course of action for the Collateral Obligor to mitigate this.</p> <p>The Issuer may therefore realise less than its original investment in the event that the Collateral Obligor and the Rainbow Group as a whole have insufficient assets, and therefore the Noteholders will receive less than the principal value of the Notes.</p> <p><b>2. Operational risks</b></p> <p>Carrying on a business imports an inherent risk of failure of that business for many reasons. Unanticipated situations may arise for one or more players, the football transfer market as a whole, or the sports or media or football agency sector as a whole, which may affect cash-flow or the net assets of any Rainbow Group member, any of which may cause increased cost or delay or cause the overall business to fail (in extreme circumstances).</p> <p>This may relate to, or be entirely separate, from the rules relating to transfers between clubs of football players, rules relating to ownership of sports clubs, the health and well-being of any individual player within the Rainbow Group, the profile of African football generally, or the manner in which the Rainbow Group is managed.</p> <p><b>3. Key man risk</b></p> <p>The Rainbow Group has a relatively small team, which means that its business may be heavily dependent on the personality and specific skills of the individuals concerned.</p> <p>The Rainbow Group's Active Player Portfolio is also dependent on the players from time to time comprised in it. The larger the portfolio, the more this risk is potentially mitigated.</p> <p><b>4. Government and legislative change and threat of litigation</b></p> <p>It is unclear whether any extraneous event (by non-exhaustive example, Covid-19) can or will affect the manner in which the football transfer market operates on a global basis or the levels of transfer fees accruing. It may be that one or more aspects of the Rainbow Group's revenue-generating activities has to be materially or adversely modified or has to cease entirely due to factors outside the group's control. This may affect the ability of the Collateral Obligor to service the Securitisation Bonds.</p> <p>Market practice as to the derivation of player transfer fees vary globally and remain subject to change. Potential market practices such direct regulation, and capped or controlled transfers may have adverse material affect for the Rainbow Group, and may be to a</p>
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degree that restricts the ability of the Collateral Obligor to bring liquidity in time to service the Securitisation Bonds.

The business model of the Rainbow Group relies on the continuing free movement of persons in the manner in which it is currently occurring. Changes to laws on the free movement of persons may have an adverse material affect for the Rainbow Group, and may be to a degree that restricts the ability of the Collateral Obligor to bring liquidity in time to service the Securitisation Bonds.

#### **5. Football businesses, and the valuation of football clubs and football players**

As an asset underpinning the Notes issued in relation to this Collateral Obligor, it is unclear whether the acquisition of football clubs will in itself be sufficient to produce the necessary income to service the Notes without the accompanying transfer fees. The opposite may also be true. Accordingly, it may be that a seemingly non-material failure of any single part of the Rainbow Group has a significant effect on the ability of the entire Rainbow Group to generate the necessary revenue to service the Securitisation Bonds as obligations fall due. Risks in relation to football and the manner in which football is relied upon as a business comprise a risk inherent in any investment in a Series for this Collateral Obligor.

#### **6. Covid-19 impact**

The impact of the Covid-19 crisis on football players' market values can affect the company's business. Many football clubs have lowered players' remunerations due to financial problems caused by suspended season, closed stadiums and lack of transmission payments from television networks. Preliminary estimates show a general 25% decrease in players' market values due to the crisis. On the other hand, for emerging players, this could also comprise an opportunity that would not otherwise have existed as clubs search for the best value from the cash that they are holding to invest in players. Clubs that have never before considered signing an African player may well be available for new business from the Rainbow Group, which could paradoxically be an opportunity more than a more overt threat. While there is undoubted risk to the football sector as a whole, its impact is not for this reason specifically assessable to the Rainbow Group.

#### **7. Enforceability of security**

Due to the international nature of the football player market, following an Event of Default, the Issuer may not have sufficient funds available to pursue the assets available to enforce the Securitization Bond. Pre-funding and indemnification from Noteholders may be required.

#### **8. Global Markets Risk**

Risks of investing in different markets throughout the world may mean differing risks from, among others, greater political and economic instability, greater volatility in currency exchange rates, less developed securities markets, possible trade barriers, currency

transfer restrictions, a more limited number of potential buyers and issuers, a particular country's dependence on revenue from particular commodities or international aid, less governmental supervision and regulation, unavailability of currency hedging techniques, differences in auditing and financial reporting standards, less developed legal systems or general geographical inaccessibility to the jurisdiction as a whole or one or more institutions situated there.

There is also the potential for unfavourable action such as a state of national emergency, expropriation, nationalization, embargo, or an act of war. Market disruptions or substantial market corrections may limit very significantly the liquidity of securities of certain companies in a particular country or geographic region, or of all companies in the country or region.

By on-lending to the other members of the Rainbow Group, the Collateral Obligor will be exposed to a market counter-party risk with Rainbow Group companies established in Anguilla with assets in the Republic of Cameroon and the Czech Republic, and any future location where the Rainbow Group establishes or acquires a portfolio or facility such as a football club.

#### **9. Fluctuations in Exchange Rates**

The Collateral Obligor may on-lend the proceeds of the Securitisation Bonds to other members of the Rainbow Group. The Rainbow Group business operates in several countries with differing currencies including but not limited to the Rainbow FC Bamenda football club in Cameroon (the Central African CFA franc) and the MFK Vyskov in the Czech Republic (the Czech koruna). This presents certain risks relating to currency conversions and may adversely affect the ability of the Rainbow Group to repay the loans from the Collateral Obligor.

#### **10. Change of Law**

The structure of the issue of Notes is based on the legal systems and administrative practices in each relevant jurisdiction in effect as at the date of this Supplement. No assurance can be given as to the impact of any possible change of law or to administrative practice in any of the relevant jurisdictions after the date of this Supplement, nor can any assurance be given as to whether any such change could adversely affect the ability of the Issuer to make payments under the Notes.

#### **11. Attracting and Retaining Talent**

Achieving sports and economic results depends on the ability to attract and retain top players, and therefore requires payment of salaries in line with those of main competitors some of which can rely on higher revenues with greater purchasing power. Any inability to keep key players may have a negative impact on the Collateral Obligor's growth prospects. Competition for talented players is, and will continue to be, intense. The Collateral Obligor's ability to attract and develop players, is critical to the Collateral Obligor's business, results of operations, financial condition, cash flow and prospects.

#### **12. Transfer market and Management of Players**

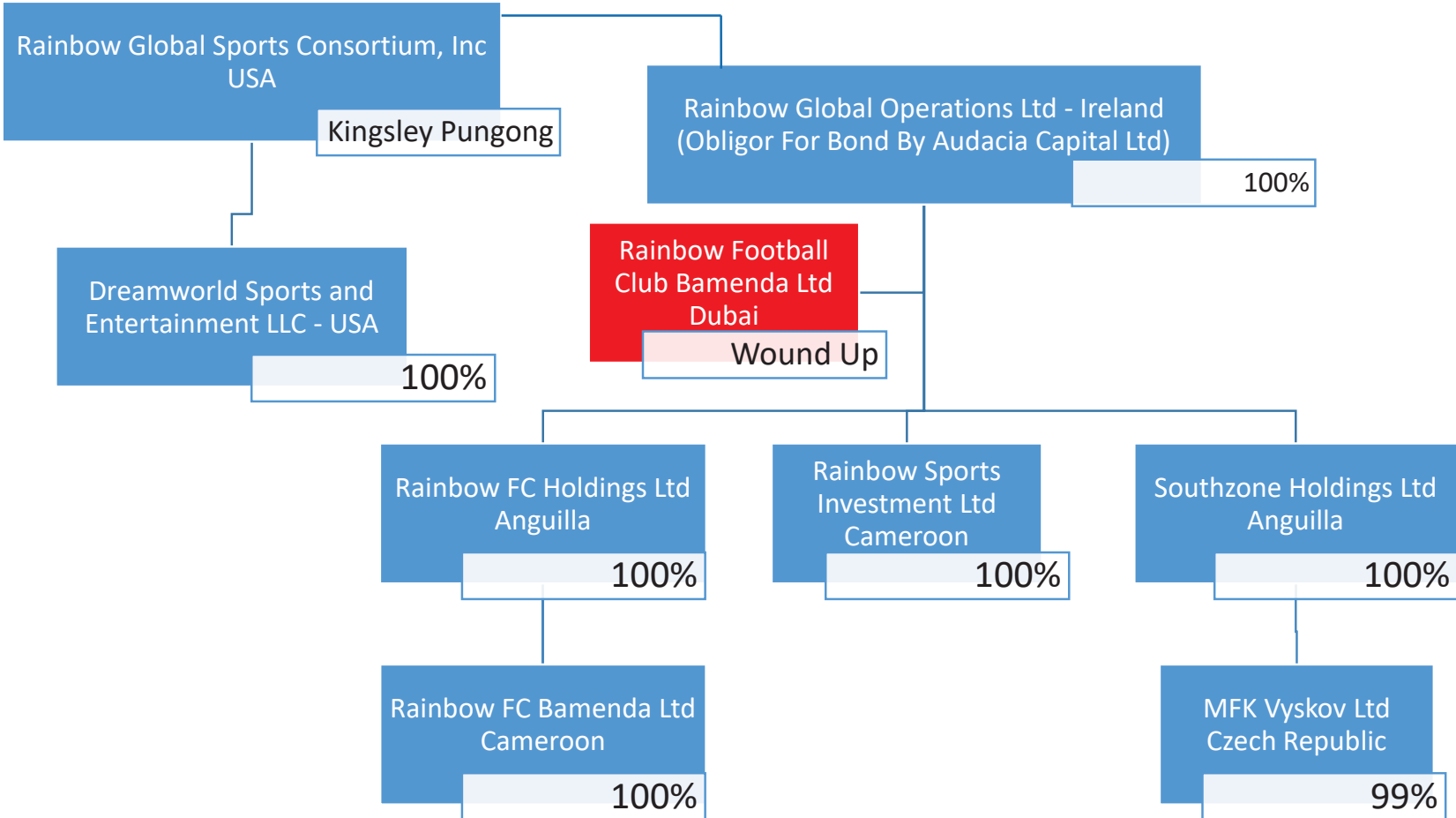
	<p>The Collateral Obligor's business and financial performance are affected significantly by the transactions made as part of the football transfer market and the management of the players' registration rights. The unforeseen purchase of a player (for example following injuries to other players), or the failure to optimise the performance of a player, which may also be the result of players not accepting a transfer to another team, can give rise to excessive, unexpected costs, amortisation charges and players' wages, which may have a negative financial impact on the ability of the Collateral Obligor to service the Securitisation Bonds.</p> <p><b>13. Risks Connected to Sporting Activities</b></p> <p>Players' registration rights represent one of the Collateral Obligor's main factors of production. Sports activities are subject to risks connected to players' physical health and fitness. In the event of an injury, especially in the case of injury to a key player, and as a result such injury may have a material adverse effect on the Collateral Obligor's business, results of operations, financial condition, cash flow and prospects. Injuries and accidents, therefore, can potentially have a significant impact at any time on the Collateral Obligor's financial position and income statement.</p> <p><b>14. Risks Connected to a Possible Decline in the Popularity of Football</b></p> <p>The Collateral Obligor cannot ensure that football will retain its worldwide popularity as a sport. If any such fall in popularity does occur, the financial position of Collateral Obligor (along with other football clubs) may be adversely affected. Any significant downturn in the popularity of football may thus result in a reduction in the level of revenue that the Collateral Obligor can obtain for its portfolio of players.</p> <p><b>15. Risks Connected to Any Unlawful Behaviour of Supporters</b></p> <p>For certain acts committed by its supporters, such as vandalism, match stoppage or racist chants, football clubs may be fined or subject to other sporting sanctions including being required to play a certain number of matches without fans present or even disqualification for competitions which would have an adverse effect on ticket sales, match-day revenue and on-pitch performance. The Collateral Obligor cannot guarantee that events outside its control could not cause the imposition of such sanctions which could have an adverse effect on the Collateral Obligor's business, results of operations, financial condition, cash flow and prospects.</p>
<b>INSPECTION DOCUMENTS</b>	<p>The following documents are open to physical inspection (and will remain open for inspection for as long as the securities are listed on the Official List of Euronext Dublin and admitted to trading on the Global Exchange Market) at the registered office of the Issuer in relation to this Collateral Obligor:</p> <ol style="list-style-type: none"> <li>1. Business Plan for the Rainbow Group dated May 2020.</li> <li>2. The biographies of: <ol style="list-style-type: none"> <li>(a) Kingsley Pungong;</li> </ol> </li> </ol>

	<ul style="list-style-type: none"><li>(b) Leo Cullen;</li><li>(c) Francis Nkwain;</li><li>(d) Tebo B. Tebo; and</li><li>(e) Alex Morfaw</li></ul> <p>3. Memorandum and articles of association of the Collateral Obligor.</p> <p>For documents available for inspection in respect of the Guarantors, see Schedule 2 in respect of FC Holdings and Schedule 3 in respect of Southzone.</p>
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**1 SCHEDULE 1**

**THE RAINBOW GROUP**

# RAINBOW GROUP





**2 SCHEDULE 2**

<b>NAME OF THE GUARANTOR</b>	Rainbow FC (Holdings) Limited (“ <b>FC Holdings</b> ” and a “ <b>Guarantor</b> ”)
<b>JURISDICTION OF INCORPORATION</b>	Anguilla
<b>REGISTERED ADDRESS</b>	MAICO Building, The Valley, Anguilla, British West Indies
<b>LEGISLATION UNDER WHICH THIS OBLIGOR OPERATES</b>	Anguilla
<b>LEGAL FORM</b>	Private company limited by shares
<b>DATE OF INCORPORATION</b>	16 February 2017
<b>REGISTERED NUMBER</b>	240948
<b>SHARE CAPITAL</b>	USD 50,000 represented in 50,000 ordinary shares of USD 1 each
<b>SHAREHOLDERS</b>	The Collateral Obligor
<b>DIRECTORS</b>	Philip Kisob of Sandy Hill Club Villa Semiria, P.O. Box 1338, The Valley, Anguilla, British West Indies, a nominee of incorporation and domiciliation agents, Athos Family Business Services (Anguilla) Limited of the same address.
<b>FINANCIAL YEAR END</b>	31 December
<b>AUDITORS</b>	Deloitte (Deloitte & Touche Afrique Centrale) Chartered Accountants and Management Consultants CNPS TOWER, 08th Floor Rue de l'Hopital 1043 Bonanjo BP 5393, Douala – Cameroon
<b>HISTORICAL FINANCIAL INFORMATION / FINANCIAL STATEMENTS</b>	<p>The audited accounts for FC Holdings for the years ended 31 December 2018 and 2019 are attached at Schedule 5 and Schedule 6 respectively.</p> <p>Management accounts for FC Holdings for the period ended 31 March 2020 are also open to inspection in physical form at the registered office of the Issuer (and will be audited in due course).</p> <p>The audited net assets of FC Holdings amount to approximately USD 548,500 as at 31 December 2019, representing an audited net asset surplus of approximately USD 350,000. The underlying club has derived historic (audited) revenue in 2018 from the sale of 10 Rainbow Group players of USD 530,551 (see the ‘Revenue’ line in the audited accounts). Having received cash from the sale of players during 2018, 2019 was used to consolidate and develop the Active Player Portfolio value by acquiring (in accordance with FIFA regulations) the rights to and loaning out new players, which occurred through Southzone and Southzone’s subsidiary football club, owned by MFK Vyskov s.r.o.. The Collateral Obligor has confirmed that the the 2018 revenue was not repeated in 2019, not because of an adverse change in the business, but due to a change of strategy to hold on to players and loan them through Southzone (rather than sell them through FC Holdings).</p>

<b>OVERVIEW OF THE PRINCIPAL ACTIVITIES OF THE COMPANY</b>	<p>FC Holdings owns the Rainbow FC Bamenda football club in Cameroon.</p> <p>Please refer to the section ‘Overview of the Principal Activities of the Company’ in the Collateral Annex.</p>
<b>NATURE AND SCOPE OF GUARANTEE</b>	<p>FC Holdings as Guarantor and the Issuer as obligee have agreed to enter into a guarantee for the purpose of providing credit support to the Issuer for the liabilities from time to time outstanding of the Collateral Obligor to the Issuer (the “<b>Guarantee</b>”).</p> <p>The Guarantee provides that in consideration of the Issuer subscribing to the Securitisation Bonds issued by the Collateral Obligor, FC Holdings guarantees to the Issuer, if the Collateral Obligor does not pay when due any sums owing under the Securitisation Bonds, to pay on demand all sums due to the Issuer.</p>
<b>MATERIAL ADVERSE CHANGE / LEGAL AND ARBITRATION</b>	<p>The Collateral Obligor has confirmed that there has been no material adverse change in the prospects of FC Holdings as a whole since its last audited financial statements dated 31 December 2019.</p> <p>The Collateral Obligor has confirmed that there has been no significant change in the financial or trading position of FC Holdings since the end of the last financial period for which either audited financial information or interim financial information have been published being 31 December 2019.</p> <p>FC Holdings' directors are not in any event aware of any governmental, legal or arbitration proceedings during a period covering at least the previous 12 months, which may have, or have had to date, any effect on FC Holdings' and / or the Rainbow Group's financial position or profitability.</p>
<b>CONFLICTS OF INTEREST</b>	<p>There is no conflict of interest between FC Holdings, its officers, affiliates their officers and the Issuer or the Issuer's directors as at the date of issue of the Series.</p> <p>The director of FC Holdings is also a director of Southzone. The Rainbow Group is subject to a unified corporate governance regime, control structure and management. There is no conflict of interest in that respect.</p> <p>The directors of the Guarantor have no known conflicts of interest capable of affecting the activities of the Guarantor and the performance of their duties according to the applicable law.</p>
<b>LEGAL JURISDICTION OF THE COLLATERAL BEING PROVIDED</b>	<p>Anguilla (in respect of the assets of the company)</p> <p>England &amp; Wales (as the governing law of the corporate guarantee).</p>
<b>MATURITY DATE OF THE COLLATERAL BEING PROVIDED</b>	<p>Date on which the liabilities of the Collateral Obligor to the Issuer are repaid in full.</p>
<b>INDICATION OF SIGNIFICANT REPRESENTATIONS AND COLLATERALS GIVEN TO THE ISSUER RELATING TO THE COLLATERAL</b>	<p>FC Holdings obtained a corporate rating of BB- from EuroRating Sp. z o.o. as at 29 May 2020.</p> <p>EuroRating Sp. zo.o. (with its registered office in Warsaw, Poland) is formally registered by the European Securities and Markets Authority (ESMA) as a credit rating agency authorized to issue credit ratings throughout the European Union (in accordance with the</p>

	Regulation of the European Parliament and of the Council No. 1060/2009 on credit rating agencies) and is under direct supervision of ESMA.
<b>OVERVIEW OF THE TERMS AND CONDITIONS OF THE COLLATERAL AND SALE</b>	The Collateral is comprised in cash or other liquid assets, the Securitisation Bonds and the assets and undertaking of the Collateral Obligor's business.
<b>COMPANY STRATEGY AND PURPOSE OF SECURITISATION BONDS</b>	<p>The Issuer has had sight of the historic 20 transfer agreements for the 2018 period which were entered into by FC Holding's football club, Rainbow FC Bamenda. They relate to transfers to the Major League Soccer and United Soccer Leagues in North America and the Eliteserien premier football league in Norway.</p> <p>Further revenue will arise for FC Holdings upon the next future transfer of these players from these clubs being realised, which is additional passive revenue to any further revenue from the current active 24 players set out in the Active Player Portfolio (which is owned by Southzone). FC Holdings is entitled to a further share of future transfer proceeds upon the next transfer occurring for the Historic Player Portfolio. This future revenue stream is represented in the latest audited accounts of FC Holdings as a mere USD 1,608 equity investment in the revenue-generating subsidiary, in the line relating to the company's investment in 100% of Rainbow Football Club Bamenda Limited. The revenue stream may be to be significantly greater than its booked amount.</p> <p>Please refer to the section 'Company Strategy and Purpose of Securitisation Bonds' in the Collateral Annex.</p>
<b>RISK FACTORS OF THE GUARANTOR AND RAINBOW GROUP</b>	<p><b>1. General</b></p> <p>There can be no guarantee that the Guarantor or the Rainbow Group as a whole will achieve its stated trading objectives. The Guarantor is the owner of the Historic Player Portfolio and the Cameroon football club, FC Bamenda. The value of the Guarantor's assets may go down as well as up in the ordinary course of the business, given its market exposures as a whole.</p> <p>The Issuer may therefore realise less than its original investment in the event that the Guarantors, the Collateral Obligor and the Rainbow Group as a whole have insufficient assets, and therefore the Noteholders will receive less than the principal value of the Notes. The Issuer may also have to seek recovery from both Guarantors simultaneously in order to have recourse to the higher value assets, which could increase the costs of recovery of amounts owing.</p> <p>It is unclear what the overall relevance and materiality of the Guarantor's assets may be for that purposes and from time to time.</p> <p><b>2. Operational risks</b></p> <p>Carrying on a business imports an inherent risk of failure of that business for many reasons. Unanticipated situations may arise for one or more players, the football transfer market as a whole, or the sports or media or football agency sector as a whole, which may affect cash-flow or the net assets of any Rainbow Group member, any</p>

	<p>of which may cause increased cost or delay or cause the overall business to fail (in extreme circumstances).</p> <p>This may relate to, or be entirely separate, from the rules relating to transfers between clubs of football players, rules relating to ownership of sports clubs, the health and well-being of any individual player within the Rainbow Group, the profile of African football generally, or the manner in which the Rainbow Group is managed. It is unclear, in particular for this Guarantor, what this risk may bring as regards the Historic Player Portfolio and the Cameroon football club, FC Bamenda.</p> <p>In any event, the Historic Portfolio is not a growing portfolio of players, which means that its significance may naturally weaken over time. However, initially, the more mature players may hold a greater short-term valuation.</p> <p><b>3. Key man risk</b></p> <p>The Rainbow Group has a relatively small team, which means that its business may be heavily dependent on the personality and specific skills of the individuals concerned.</p> <p>The principal value of the Historic Player Portfolio may also become dependent on the value from time to time of only a small number of players, which may become injured or lose popularity or form. This could render the Guarantor volatile as to its value in real time.</p> <p><b>4. Government and legislative change and threat of litigation</b></p> <p>It is unclear whether any extraneous event (by non-exhaustive example, Covid-19) can or will affect the manner in which the football transfer market operates on a global basis or the levels of transfer fees accruing. It may be that one or more aspects of the Rainbow Group's revenue-generating activities has to be materially or adversely modified or has to cease entirely due to factors outside the group's control. This may affect the ability of the Collateral Obligor to service the Securitisation Bonds.</p> <p><b>5. Football businesses, and the valuation of football clubs and football players</b></p> <p>The Guarantor is the owner of the Historic Player Portfolio and the Cameroon club, FC Bamenda. As an asset underpinning the Notes issued, it is unclear whether the acquisition of football clubs will in itself be sufficient to produce the necessary income to service the Notes without the accompanying transfer fees. The opposite may also be true. It may be that the current volatility in football as an industry primarily affects the Historic Player Portfolio more than the Active Player Portfolio which may have more time to mature and allow the market to recover. Risks in relation to football and the manner in which football is relied upon as a business comprise a risk inherent in any investment in the Series and the provision of this Guarantor does not change the fundamental risk profile.</p> <p><b>6. Covid-19 impact</b></p> <p>The impact of the Covid-19 crisis on football players' market values can affect the company's business. Many football clubs have lowered players' remunerations due to financial problems caused by</p>
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suspended season, closed stadiums and lack of transmission payments from television networks. Preliminary estimates show a general 25% decrease in players' market values due to the crisis. On the other hand, for emerging players, this could also comprise an opportunity that would not otherwise have existed as clubs search for the best value from the cash that they are holding to invest in players. Clubs that have never before considered signing an African player may well be available for new business from the Rainbow Group, which could paradoxically be an opportunity more than a more overt threat. While there is undoubted risk to the football sector as a whole, its impact is not for this reason specifically assessable to this Guarantor.

#### **7. Enforceability of security**

Due to the international nature of the football player market, following an Event of Default, the Issuer may not have sufficient funds available to pursue the assets available to enforce the Securitization Bond. Pre-funding and indemnification from Noteholders may be required.

#### **8. Global Markets Risk**

Risks of investing in different markets throughout the world may mean differing risks from, among others, greater political and economic instability, greater volatility in currency exchange rates, less developed securities markets, possible trade barriers, currency transfer restrictions, a more limited number of potential buyers and issuers, a particular country's dependence on revenue from particular commodities or international aid, less governmental supervision and regulation, unavailability of currency hedging techniques, differences in auditing and financial reporting standards, less developed legal systems or general geographical inaccessibility to the jurisdiction as a whole or one or more institutions situated there.

There is also the potential for unfavourable action such as a state of national emergency, expropriation, nationalization, embargo, or an act of war. Market disruptions or substantial market corrections may limit very significantly the liquidity of securities of certain companies in a particular country or geographic region, or of all companies in the country or region.

FC Holdings' ability to repay its obligations under the Guarantee, if it is called upon to do so, may be adversely affected by the emerging market where it incorporated, Anguilla, or any of the markets where its assets are located, currently including Rainbow FC Bamenda in the Republic of Cameroon. Further, it is unclear which specific jurisdictions may be relevant to the Historic Player Portfolio from time to time because the players are potentially liable to a further international move at any time, including to new jurisdictions.

#### **9. Fluctuations in Exchange Rates**

FC Holding's business operates in several countries with differing currencies including but not limited to Anguilla and the Republic of Cameroon (the Central African CFA franc). This presents certain risks

relating to currency conversions and may adversely affect the ability of the FC Holdings to repay the Securitisation Bonds if it called upon to do so.

#### **10. Change of Law**

The structure of the issue of Notes is based on the legal systems and administrative practices in each relevant jurisdiction in effect as at the date of this Supplement. No assurance can be given as to the impact of any possible change of law or to administrative practice in any of the relevant jurisdictions after the date of this Supplement, nor can any assurance be given as to whether any such change could adversely affect the ability of the Issuer to make payments under the Notes.

#### **11. Enforcement of Guarantee**

The Guarantee is governed by the laws of England and Wales. The courts of jurisdiction where FC Holding's assets are located, which include Anguilla and the Republic of Cameroon may not enforce any judgment obtained in a court established in a country other than that country unless there is in effect a treaty between each country providing for reciprocal enforcement of judgments and then only in accordance with the terms of such treaty.

#### **12. Unsecured Obligations of the Guarantor**

The obligations of FC Holdings to the Issuer pursuant to the Guarantee are unsecured. In the event that the Guarantee is enforced by the Issuer, the Issuer's claim will not rank ahead of any other obligations of Guarantor.

#### **13. Attracting and Retaining Talent**

Achieving sports and economic results depends on the ability to attract and retain top players, and therefore requires payment of salaries in line with those of main competitors some of which can rely on higher revenues with greater purchasing power. Any inability to keep key players may have a negative impact on the Guarantor's growth prospects. Competition for talented players is, and will continue to be, intense. The Guarantor's ability to attract and develop players, is critical to the Guarantor's business, results of operations, financial condition, cash flow and prospects.

#### **14. Transfer market and Management of Players**

The Guarantor's business and financial performance may be affected by the transactions made as part of the football transfer market and the management of the players' registration rights. The unforeseen purchase of a player (for example following injuries to other players), or the failure to optimise the performance of a player, which may also be the result of players not accepting a transfer to another team, can give rise to excessive, unexpected costs, amortisation charges and players' wages, which may have a negative financial impact on the Guarantor.

#### **15. Risks Connected to Sporting Activities**

Sports activities are subject to risks connected to players' physical health and fitness. In the event of an injury, especially in the case of injury to a key player, such injury may have a material adverse effect

	<p>on the Guarantor's business, results of operations, financial condition, cash flow and prospects. Injuries and accidents, therefore, can potentially have a significant impact at any time on the Guarantor's financial position and income statement.</p> <p><b>16. Risks Connected to a Possible Decline in the Popularity of Football</b></p> <p>The Guarantor cannot ensure that football will retain its worldwide popularity as a sport. If any such fall in popularity does occur, the financial position of Guarantor (along with other football clubs) may be adversely affected. Any significant downturn in the popularity of football may thus result in a reduction in the level of revenue that the Guarantor can obtain for its portfolio of players.</p> <p><b>17. Risks Connected to Any Unlawful Behaviour of Supporters</b></p> <p>For certain acts committed by its supporters, such as vandalism, match stoppage or racist chants, football clubs may be fined or subject to other sporting sanctions including being required to play a certain number of matches without fans present or even disqualification for competitions which would have an adverse effect on ticket sales, match-day revenue and on-pitch performance. The Collateral Obligor cannot guarantee that events outside its control could not cause the imposition of such sanctions which could have an adverse effect on the Collateral Obligor's business, results of operations, financial condition, cash flow and prospects.</p>
<p><b>INSPECTION DOCUMENTS</b></p>	<p>The following documents are open to physical inspection (and will remain open for inspection for as long as the securities are listed on the Official List of Euronext Dublin and admitted to trading on the Global Exchange Market) at the registered office of the Issuer in relation to this Collateral Obligor:</p> <ol style="list-style-type: none"> <li>1. Management accounts for FC Holdings for the period 31 March 2020.</li> <li>2. Audited accounts for FC Holdings for the year ended 31 December 2018.</li> <li>3. Audited accounts for FC Holdings for the year ended 31 December 2019.</li> <li>4. Memorandum and articles of association of FC Holdings.</li> <li>5. Guarantee from FC Holdings.</li> </ol>



**3 SCHEDULE 3**

<b>NAME OF THE GUARANTOR</b>	Southzone Holdings Limited (“ <b>Southzone</b> ” and a “ <b>Guarantor</b> ”)
<b>JURISDICTION OF INCORPORATION</b>	Anguilla
<b>REGISTERED ADDRESS</b>	Cosely Drive, MAICO Building, The Valley, Anguilla, British West Indies
<b>LEGISLATION UNDER WHICH THIS ENTITY OPERATES</b>	Anguilla
<b>LEGAL FORM</b>	Private company limited by shares
<b>DATE OF INCORPORATION</b>	20 February 2017
<b>REGISTERED NUMBER</b>	2431053
<b>SHARE CAPITAL</b>	USD 50,000 represented in 50,000 ordinary shares of USD 1 each
<b>SHAREHOLDERS</b>	The Collateral Obligor
<b>DIRECTORS</b>	Philip Kisob of Sandy Hill Club Villa Semiria, P.O. Box 1338, The Valley, Anguilla, British West Indies, a nominee of incorporation and domiciliation agents, Athos Family Business Services (Anguilla) Limited of the same address.
<b>FINANCIAL YEAR END</b>	31 December
<b>AUDITORS</b>	Deloitte (Deloitte & Touche Afrique Centrale) Chartered Accountants and Management Consultants CNPS TOWER, 08th Floor Rue de l'Hopital 1043 Bonanjo BP 5393, Douala - Cameroon
<b>HISTORICAL FINANCIAL INFORMATION / FINANCIAL STATEMENTS</b>	The audited accounts for Southzone for the years ended 31 December 2018 and 2019 are attached at Schedule 7 and Schedule 8 respectively. Management accounts for Southzone for the period ended 31 March 2020 are also open to inspection in physical form at the registered office of the Issuer (and will be audited in due course).
<b>OVERVIEW OF THE PRINCIPAL ACTIVITIES OF THE COMPANY</b>	The current active portfolio of Rainbow players set out in the Active Player Portfolio is held by Southzone. Southzone also owns a 99% interest in MFK Vyskov s.r.o., which owns the MFK Vyskov football club in the Czech Republic, which plays in a European Union league. Please refer to the section ‘Overview of the Principal Activities of the Company’ in the Collateral Annex.
<b>NATURE AND SCOPE OF GUARANTEE</b>	Southzone as Guarantor and the Issuer as obligee have agreed to enter into a guarantee for the purpose of providing credit support to the Issuer for the liabilities from time to time outstanding of the Collateral Obligor to the Issuer (the “ <b>Guarantee</b> ”). The Guarantee provides that in consideration of the Issuer subscribing to the Securitised Bonds issued by the Collateral Obligor, Southzone guarantees to the Issuer, if the Collateral Obligor does not



	pay when due any sums owing under the Securitised Bonds, to pay on demand all sums due to the Issuer.
<b>MATERIAL ADVERSE CHANGE / LEGAL AND ARBITRATION</b>	<p>The Collateral Obligor has confirmed that there has been no material adverse change in the prospects of Southzone as a whole since its last audited financial statements dated 31 December 2019.</p> <p>The Collateral Obligor has confirmed that there has been no significant change in the financial or trading position of Southzone since the end of the last financial period for which either audited financial information or interim financial information have been published being 31 December 2019.</p> <p>Southzone's directors are not in any event aware of any governmental, legal or arbitration proceedings during a period covering at least the previous 12 months, which may have, or have had to date, any effect on Southzone's and / or the Rainbow Group's financial position or profitability.</p>
<b>CONFLICTS OF INTEREST</b>	<p>There is no conflict of interest between Southzone, its officers, affiliates their officers and the Issuer or the Issuer's directors as at the date of issue of the Series.</p> <p>The director of Southzone is also a director of FC Holdings. The Rainbow Group is subject to a unified corporate governance regime, control structure and management. There is no conflict of interest in that respect.</p> <p>The directors of the Guarantor have no known conflicts of interest capable of affecting the activities of this Collateral Obligor and the performance of their duties according to the applicable law.</p>
<b>LEGAL JURISDICTION OF THE COLLATERAL BEING PROVIDED</b>	<p>Anguilla (in respect of the assets of the company)</p> <p>England &amp; Wales (as the governing law of the corporate guarantee).</p>
<b>MATURITY DATE OF THE COLLATERAL BEING PROVIDED</b>	Date on which the liabilities of the Collateral Obligor to the Issuer are repaid in full.
<b>INDICATION OF SIGNIFICANT REPRESENTATIONS AND COLLATERALS GIVEN TO THE ISSUER RELATING TO THE COLLATERAL</b>	<p>Southzone obtained a corporate rating of BBB from EuroRating Sp. z o.o. as at 29 May 2020.</p> <p>EuroRating Sp. zo.o. (with its registered office in Warsaw, Poland) is formally registered by the European Securities and Markets Authority (ESMA) as a credit rating agency authorized to issue credit ratings throughout the European Union (in accordance with the Regulation of the European Parliament and of the Council No. 1060/2009 on credit rating agencies) and is under direct supervision of ESMA.</p> <p>Please refer to the section 'Indication of Significant Representations and Collaterals Given to the Issuer Relating to the Collateral' in the Collateral Annex.</p>
<b>OVERVIEW OF THE TERMS AND CONDITIONS OF THE COLLATERAL AND SALE</b>	The Collateral is comprised in cash or other liquid assets, the Securitisation Bonds and the assets and undertaking of the Collateral Obligor's business.

<p><b>COMPANY STRATEGY AND PURPOSE OF SECURITISATION BONDS</b></p>	<p>The current active portfolio of Rainbow players set out in the Active Player Portfolio is held by Southzone. Southzone also owns a 99% interest in MFK Vyskov s.r.o., which owns the MFK Vyskov football club in the Czech Republic, which plays in a European Union league.</p> <p>The audited profit and loss account of Southzone for the year ended 31 December 2019 shows profits in excess of USD 500,000, representing over USD 2 million in various fees paid to Southzone in relation to the Active Player Portfolio. 18 of the current active players have been loaned out through Southzone’s indirectly owned club, MFK Vyskov, to play in various leagues throughout the world. Southzone has therefore an active investment in the rights attaching to these players, which will produce greater revenue once they are ultimately transferred (following which there will be a similar fee against the subsequent transfers).</p> <p>Please refer to the section ‘Company Strategy and Purpose of Securitisation Bonds’ in the Collateral Annex.</p>
<p><b>RISK FACTORS OF THE GUARANTOR AND RAINBOW GROUP</b></p>	<p><b>1. General</b></p> <p>There can be no guarantee that the Guarantor or the Rainbow Group as a whole will achieve its stated trading objectives. The value of the Guarantor’s assets may go down as well as up in the ordinary course of the business, given its market exposures as a whole. The Guarantor is the owner of the Active Player Portfolio and indirectly the Czech football club, MFK Vyskov.</p> <p>The Issuer may therefore realise less than its original investment in the event that the Guarantors, the Collateral Obligor and the Rainbow Group as a whole have insufficient assets, and therefore the Noteholders will receive less than the principal value of the Notes. The Issuer may also have to seek recovery from both Guarantors simultaneously in order to have recourse to the higher value assets, which could increase the costs of recovery of amounts owing.</p> <p>It is unclear what the overall relevance and materiality of the Active Player Portfolio and the value of MFK Vyskov may be to the amount owing under the Notes from time to time.</p> <p><b>2. Operational risks</b></p> <p>Carrying on a business imports an inherent risk of failure of that business for many reasons. Unanticipated situations may arise for one or more players, the football transfer market as a whole, or the sports or media or football agency sector as a whole, which may affect cash-flow or the net assets of any Rainbow Group member, any of which may cause increased cost or delay or cause the overall business to fail (in extreme circumstances).</p> <p>This may relate to, or be entirely separate, from the rules relating to transfers between clubs of football players, rules relating to ownership of sports clubs, the health and well-being of any individual player within the Rainbow Group, the profile of African football generally, or the manner in which the Rainbow Group is managed.</p>

While the Active Player Portfolio is a growing portfolio of assets, this is a less established asset base with less time investment, and therefore potentially a lower value from time to time.

### **3. Key man risk**

The Rainbow Group has a relatively small team, which means that its business may be heavily dependent on the personality and specific skills of the individuals concerned.

### **4. Government and legislative change and threat of litigation**

It is unclear whether any extraneous event (by non-exhaustive example, Covid-19) can or will affect the manner in which the football transfer market operates on a global basis or the levels of transfer fees accruing. It may be that one or more aspects of the Rainbow Group's revenue-generating activities has to be materially or adversely modified or has to cease entirely due to factors outside the group's control. This may affect the ability of the Collateral Obligor to service the Securitisation Bonds.

### **5. Football businesses, and the valuation of football clubs and football players**

The Guarantor is the owner of the Active Player Portfolio and the Czech club, MFK Vyskov. As an asset underpinning the Notes issued, it is unclear whether the acquisition of football clubs will in itself be sufficient to produce the necessary income to service the Notes without the accompanying transfer fees. The opposite may also be true. It may be that the long-term value inherent in the Active Player Portfolio, as less mature assets, is not as realisable in real time as in the Historic Player Portfolio. Risks in relation to football and the manner in which football is relied upon as a business comprise a risk inherent in any investment in the Series.

### **6. Covid-19 impact**

The impact of the Covid-19 crisis on football players' market values can affect the company's business. Many football clubs have lowered players' remunerations due to financial problems caused by suspended season, closed stadiums and lack of transmission payments from television networks. Preliminary estimates show a general 25% decrease in players' market values due to the crisis. On the other hand, for emerging players, this could also comprise an opportunity that would not otherwise have existed as clubs search for the best value from the cash that they are holding to invest in players. Clubs that have never before considered signing an African player may well be available for new business from the Rainbow Group, which could paradoxically be an opportunity more than a more overt threat. While there is undoubted risk to the football sector as a whole, its impact is not for this reason specifically assessable to this Guarantor.

### **7. Enforceability of security**

Due to the international nature of the football player market, following an Event of Default, the Issuer may not have sufficient funds available to pursue the assets available to enforce the

Securitization Bond. Pre-funding and indemnification from Noteholders may be required.

#### **8. Global Markets Risk**

Risks of investing in different markets throughout the world may mean differing risks from, among others, greater political and economic instability, greater volatility in currency exchange rates, less developed securities markets, possible trade barriers, currency transfer restrictions, a more limited number of potential buyers and issuers, a particular country's dependence on revenue from particular commodities or international aid, less governmental supervision and regulation, unavailability of currency hedging techniques, differences in auditing and financial reporting standards, less developed legal systems or general geographical inaccessibility to the jurisdiction as a whole or one or more institutions situated there.

There is also the potential for unfavourable action such as a state of national emergency, expropriation, nationalization, embargo, or an act of war. Market disruptions or substantial market corrections may limit very significantly the liquidity of securities of certain companies in a particular country or geographic region, or of all companies in the country or region.

Southzone's ability to repay its obligations under the Guarantee, if it is called upon to do so, may be adversely affected by the emerging market where it incorporated, Anguilla, and the emerging markets where its assets are located including in the Czech Republic, and any future location where the Rainbow Group establishes or acquires a portfolio or facility such as a football club. Further, it is unclear which specific jurisdictions may be relevant to the Active Player Portfolio from time to time.

#### **9. Fluctuations in Exchange Rates**

Southzone's business operates in several countries with differing currencies including but not limited to Anguilla and the MFK Vyskov football club in the Czech Republic (the Czech koruna). This presents certain risks relating to currency conversions and may adversely affect the ability of Southzone to repay the obligations of the Collateral Obligor if it called up on to do so.

#### **10. Change of Law**

The structure of the issue of Notes is based on the legal systems and administrative practices in each relevant jurisdiction in effect as at the date of this Supplement. No assurance can be given as to the impact of any possible change of law or to administrative practice in any of the relevant jurisdictions after the date of this Supplement, nor can any assurance be given as to whether any such change could adversely affect the ability of the Issuer to make payments under the Notes.

#### **11. Enforcement of Guarantee**

The Guarantee is governed by the laws of England and Wales. The courts of jurisdiction where Southzone's assets are located, which include Anguilla and the Czech Republic may not enforce any

judgment obtained in a court established in a country other than that country unless there is in effect a treaty between each country providing for reciprocal enforcement of judgments and then only in accordance with the terms of such treaty.

#### **12. Unsecured Obligations of the Guarantor**

The obligations of Southzone to the Issuer pursuant to the Guarantee are unsecured. In the event that the Guarantee is enforced by the Issuer, the Issuer's claim will not rank ahead of any other obligations of Guarantor.

#### **13. Attracting and Retaining Talent**

Achieving sports and economic results depends on the ability to attract and retain top players, and therefore requires payment of salaries in line with those of main competitors some of which can rely on higher revenues with greater purchasing power. Any inability to keep key players may have a negative impact on the Guarantor's growth prospects. Competition for talented players is, and will continue to be, intense. The Guarantor's ability to attract and develop players, is critical to the Guarantor's business, results of operations, financial condition, cash flow and prospects.

#### **14. Transfer market and Management of Players**

The Guarantor's business and financial performance are affected significantly by the transactions made as part of the football transfer market and the management of the players' registration rights. The unforeseen purchase of a player (for example following injuries to other players), or the failure to optimise the performance of a player, which may also be the result of players not accepting a transfer to another team, can give rise to excessive, unexpected costs, amortisation charges and players' wages, which may have a negative financial impact on the Guarantor.

#### **15. Risks Connected to Sporting Activities**

Players' registration rights represent one of the Guarantor's main factors of production. Sports activities are subject to risks connected to players' physical health and fitness. In the event of an injury, especially in the case of injury to a key player, and as a result such injury may have a material adverse effect on the Guarantor's business, results of operations, financial condition, cash flow and prospects. Injuries and accidents, therefore, can potentially have a significant impact at any time on the Guarantor's financial position and income statement.

#### **16. Risks Connected to a Possible Decline in the Popularity of Football**

The Guarantor cannot ensure that football will retain its worldwide popularity as a sport. If any such fall in popularity does occur, the financial position of Guarantor (along with other football clubs) may be adversely affected. Any significant downturn in the popularity of football may thus result in a reduction in the level of revenue that the Guarantor can obtain for its portfolio of players.

#### **17. Risks Connected to Any Unlawful Behaviour of Supporters**

	<p>For certain acts committed by its supporters, such as vandalism, match stoppage or racist chants, football clubs may be fined or subject to other sporting sanctions including being required to play a certain number of matches without fans present or even disqualification for competitions which would have an adverse effect on ticket sales, match-day revenue and on-pitch performance. The Guarantor cannot guarantee that events outside its control could not cause the imposition of such sanctions which could have an adverse effect on the Guarantor's business, results of operations, financial condition, cash flow and prospects.</p>
<p><b>INSPECTION DOCUMENTS</b></p>	<p>The following documents are open to physical inspection (and will remain open for inspection for as long as the securities are listed on the Official List of Euronext Dublin and admitted to trading on the Global Exchange Market) at the registered office of the Issuer in relation to this Collateral Obligor:</p> <ol style="list-style-type: none"> <li>1. Business Plan for the Rainbow Group dated May 2020.</li> <li>2. Management accounts for Southzone for the period 31 March 2020.</li> <li>3. Audited accounts for Southzone for the year ended 31 December 2018.</li> <li>4. Audited accounts for Southzone for the year ended 31 December 2019.</li> <li>5. Memorandum and articles of association of Southzone.</li> <li>6. Guarantee from Southzone.</li> </ol>

**4 SCHEDULE 4**

**AUDITED FINANCIAL STATEMENTS FOR FC HOLDINGS FOR THE YEAR ENDED 31 DECEMBER 2018**



## RAINBOW FC HOLDINGS LIMITED

Cosely Drive, Maco Building  
The Valley, Anguilla  
British West Indies

### INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31<sup>ST</sup>, 2018

#### To the Shareholder,

In pursuance of the mandate entrusted to us by the shareholder, we have the honour to present to you our independent audit report on the financial statements for the year ended December 31<sup>st</sup>, 2018, relating to the examination of the annual financial statements of **RAINBOW FC HOLDINGS LIMITED**, as attached to the present report;

- the balance sheet as at December 31, 2018 with a total of 548 570 USD,
- the income statement for the year then ended showing a net profit of 235 165 USD,
- the cash flow statement for the year then ended showing a net decrease in cash and cash equivalents by (16 953) USD,
- the statement of changes in equity for the year then ended showing a net equity as at December 31, 2018 with a total of 513 148 USD,
- and a summary of significant accounting policies and other explanatory information in the attached notes to the accounts.

The financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

#### Opinion

We audited the financial statements of **RAINBOW FC HOLDINGS LIMITED**, including the balance sheet as at December 31<sup>st</sup>, 2018, the statement of income and expenditures, a cash flow statement and a summary of significant accounting policies and other explanatory information in the attached notes to the accounts.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of **RAINBOW FC HOLDINGS LIMITED** as at December 31<sup>st</sup>, 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are described below in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Company's jurisdiction, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

#### Emphasis of matter

Without qualifying our opinion, we draw your attention to note 1 of the Financial Statements relating to the impact of the COVID-19 Pandemic



## Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the **RAINBOW FC HOLDINGS LIMITED** ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the **RAINBOW FC HOLDINGS LIMITED** or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the **RAINBOW FC HOLDINGS LIMITED** financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud and 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.
- Obtain 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 entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude 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 the Company to cease to continue as a going concern.

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

Douala, May 14<sup>th</sup>, 2020

Deloitte & Touche Afrique Centrale  
Independent Auditor

  
Lovet Watat Watat  
Partner



# ANNUAL FINANCIAL STATEMENTS

**Rainbow FC Holdings Ltd (Anguilla)**

**Statement of Balance Sheet for the year ended 31/12/2018**

		31/12/2018 USD	31/12/2017 USD
<b>A S S E T S</b>	<u>Notes</u>		
<b>NONE CURRENT ASSETS</b>			
Financial Assets	3	1 608	-
<b>CURRENT ASSETS</b>			
Other Receivables	4	546 962	277 000
Cash and Cash Equivalents	5		983
<b>Total Current Assets</b>		<b>546 962</b>	<b>277 983</b>
<b>TOTAL ASSETS</b>		<b>548 570</b>	<b>277 983</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Bank	5	15 970	-
Other Payables	6	19 451	-
<b>LONG-TERM DEBTS</b>			
<b>Total Liabilities</b>		<b>35 422</b>	<b>-</b>
<b>STOCKHOLDERS' EQUITY</b>			
Capital stock		50 000	50 000
Net income(Loss)	7	235 165	227 983
Retained earnings		227 983	-
<b>Total Stockholders' Equity</b>		<b>513 148</b>	<b>277 983</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>		<b>548 570</b>	<b>277 983</b>

**Rainbow FC Holdings Ltd (Anguilla)**

**Statement of Profit and Loss for the year ended 31/12/2018**

		31/12/2018 USD	31/12/2017 USD
	<u>Notes</u>		
Revenue (Fees/commissions)	8	530 551	932 036
Cost of sales		-	-
<b>GROSS PROFIT</b>		<b>530 551</b>	<b>932 036</b>
Other operating income	8	5 861	3 545
Purchase of Small Equipments		(136 228)	(128 444)
Other expenses		(22 669)	(128 243)
Player Expenses	9	(30 000)	(80 405)
Scouting Expenses		(77 200)	(244 226)
Consulting Expenses		(35 149)	(126 280)
<b>Total Operating Expenses</b>		<b>(295 386)</b>	<b>(704 053)</b>
Depreciation expense		-	-
<b>Profit from operations</b>		<b>235 165</b>	<b>227 983</b>
Finance expense		-	-
Finance income		-	-
<b>Profit before tax</b>		<b>235 165</b>	<b>227 983</b>
Income Tax		-	-
<b>NET PROFIT(LOSS) AFTER TAX</b>		<b>235 165</b>	<b>227 983</b>

Rainbow FC Holdings Ltd (Anguilla)

STATEMENTS OF CASH FLOWS for the year ended 2018

		31 12 2018	31 12 2017
		USD	USD
	<b>Notes</b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net Income (Loss)		235 165	227 983
Depreciation & Amortisation		-	-
Income tax paid	10	-	-
Net changes in operating assets and liabilities			
Other Receivables		(269 962)	(277 000)
Other payables		19 451	
<b>Net Cash used in operating activities</b>		<b>(15 345)</b>	<b>(49 017)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Decrease(Increase) in Financial assets carried at cost	11	(1 608)	-
<b>Net Cash used in Investing activities</b>		<b>(1 608)</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase(Decrease) in Capital	12		50 000
<b>Net Cash provided by financing activities</b>		<b>-</b>	<b>50 000</b>
<b>EFFECTS OF EXCHANGE RATE CHANGES</b>			
<b>NET INCREASE (DECREASE) IN CASH</b>		<b>(16 953)</b>	<b>983</b>
CASH, BEGINNING OF PERIOD		983	-
CASH, END OF PERIOD		(15 970)	983
<b>NET INCREASE (DECREASE) IN CASH</b>		<b>(16 953)</b>	<b>983</b>

**NOTES TO FINANCIAL  
STATEMENTS**

## Rainbow FC Holdings Limited

### NOTES TO THE FINANCIAL STATEMENTS (accounting policies) FOR THE YEAR ENDED 31 DECEMBER 2018

#### Note 1

##### Post Balance sheet Events

The 2018 financial year was closed within the context of the COVID 19 epidemic in China; epidemic that spread during the first quarter of 2020 to Europe and China, leading WHO to declare a global pandemic on the subject. The expansion of this pandemic in Cameroon, from March 2020, has seriously called into question the economic prospects of the whole country for the year 2020 with expected impacts on our operations and our business projections, without any impact on the financial statements as at December 31, 2018. The effects of this crisis could have an impact on the accounts for the financial year 2020.

#### Note 2

##### Nature of operations

The principal activities are; carryout the business of running and management of the football club, marketing and distribution of the clubs gadgets, buying and setting up of football complexes for the training and grooming of aspiring football professionals, buying, building football academy to serve as incubator for young and upcoming football professional staff.

##### Basis of preparation

The annual financial statements of Rainbow FC have been prepared in accordance with IFRS as issued by the IASB Reporting Guides.

The preparation of the annual financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the reporting date, and the reported amounts of revenue and expenses during the reporting period.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The annual financial statements are presented in USD, which is the entity's functional and presentation currency.

The significant accounting policies are consistent in all material respects with those applied in the previous year. There have been no material changes in judgements or estimates of amounts reported in prior reporting periods.

##### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

##### Trade Receivables and Other Receivables

All amounts are short-term. Trade and Other receivable (assets) are recognised at amortised cost include amounts due Group and non Group entities. The closing balance of trade and other receivables at amortised costs less loss allowance. All trade and other receivables in the comparative periods have been reviewed for indicators of impairment.

##### Financial Assets

###### Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

###### Subsequent measurement

Financial assets at amortised cost & fair value through profit or loss (FVTPL)

##### Financial liabilities

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the company designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments). All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

##### Related party transactions

The related parties include its subsidiaries with whom transactions are conducted. These transactions included but are not limited to repayment of loans, purchase and distribution of sports equipments, payment of players expenses etc. None of the transactions incorporate special terms and conditions and are remunerated at 0%.

Currently, the company has no employee. The company is managed by the shareholder (Mr. Kingsley Pungong) and benefits from shared management services from group entities. As consequence there are no Key management personnel remuneration and post employment benefits.

##### Trade Payables

All amounts are short-term. The carrying values of trade payables and short-term bank overdrafts are considered to be a reasonable approximation of fair value.

##### Revenue from providing services

Revenue earned by the company relates to commissions and agency fees associated with player transfers. Revenue is recognised under IFRS 15, which requires that the amount recognised should reflect the consideration to which the company expects to be entitled in exchange for transferring goods or services.

##### Foreign currencies

In preparing the financial statements of the individual entities, transactions in currencies other than the entities' functional currency are recognised at the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the closing rate. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rate when the fair value was measured. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated at the closing rate. Exchange differences are recognised in profit or loss in the period in which they arise except for: exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income under "currency translation differences"; and exchange differences on transactions entered into in order to hedge certain foreign currency risks

**Rainbow FC Holdings Limited**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018	2017
	USD	USD
<b>3 Financial Assets</b>		
Investment in Rainbow FC Club Bamenda	1 608	-
	<u>1 608</u>	<u>-</u>

Investment (shares) in Rainbow Football Club Bamenda. Rainbow Football Club Bamenda Ltd (Cameroon) was incorporated in September 2017 in the North West Region of Cameroon. The Club is wholly (100%) owned by Rainbow FC Holdings. The club is positioned in the Regional League of Cameroonian Football Industry. Currently, the Club accounts for atleast 14 of players playing in foreign international clubs and league. These clubs include; Christain Bassogog (Henan Jianye Club), Nouhou Tolo (Sounders FC Club), Beverly Makangifa (San Diego Loyal S) etc



#### 4 Other Receivables

Other Receivables consist of; Intercompany Receivables - Loan repayments to non-financial institutions and Operating Expenses on behalf of group entities, and Shareholder receivables.

##### a) Intercompany Receivables - Loan repayments to non- financial institutions

	2018	2017
	USD	USD
SCOTT ROYSTER	303 000	157 000
DIVINE PUNGONG	88 570	50 000
	<u>389 570</u>	<u>207 000</u>

Current year Loans repayments to non financial institutions; Scott Royster 146kUSD and Divine Pungong 36kUSD on behalf of the Group entities ( Rainbow Sports Investment & Rainbow Football Club Ltd). The increase by 88% is attributed to; Loan repayments on behalf of group entities during FY18 amounted to 182kUSD compared to FY17 which amounted to 207kUSD.

##### b) Intercompany Receivables - Expenses paid on behalf of group entities

Rainbow Cameroon Ltd	-	-
Rainbow Sports Investment Ltd	-	-
Vyskov <sup>1</sup>	4 000	-
Southzone Holding Ltd	-	20 000
Dreamworld <sup>2</sup>	105 000	-
	<u>109 000</u>	<u>20 000</u>

These are expenses incurred on behalf of group entities MFK Vyskov Ltd (Football club), Dreamworld SportsEntertainment, LLC . This expenses principally relates to;

1) Payment of players related expenses( School fees, salaries etc) its Football Club MFK Vyskov Ltd amounting to 109kUSD.

2) Financing of the activities of the FY18 operations of the DreamWorld (entity of Rainbow Group created in FY17) which is a premier Pan African full service sports entertainment and media management company established to serve the growing number of discerning talents of African extraction in multiple geographies across the globe.

##### c) Other Receivables - Shareholders

Kinglsey Pungong	50 000	50 000
Company Capital Fully subscribed but not paid as at 31/12/2018 by the shareholder		
<b>Total</b>	<u>548 570</u>	<u>277 000</u>

#### 5 Bank

	2018	2017
	USD	USD
United International Bank - GBP	1 100	183
United International Bank- USD	(17 071)	800
	<u>(15 970)</u>	<u>983</u>

The holding owns two bank accounts denominated in pound and dollar domiciled in Anguilla

#### 6 Other Payables - intercompany

Southzone Holding Ltd	(19 451)	-
Amounts payable to Southzone Holdings Ltd for expenses incurred on behalf of Rainbow FC Holdings Limited.		

Rainbow FC Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

7 STOCKHOLDERS' EQUITY MOVEMENT SCHEDULE

Description	Share Capital <sup>1</sup>	Retained Earnings <sup>2</sup>	Reserves	Total
<b>Opening balance as at 01/01/2018</b>	50 000	227 983	-	277 983
Net Income for the year 2018	-	235 165	-	235 165
Revaluation Surplus	-	-	-	-
Translation Reserve	-	-	-	-
Increase in Capital	-	-	-	-
<b>Closing balance as at 31/12/2018</b>	<b>50 000</b>	<b>463 148</b>	<b>-</b>	<b>513 148</b>

<sup>1</sup>Rainbow Holdings FC was incorporated in 2017 with a share capital of 50 000 USD. All shares were fully subscribed and paid for by Mr. Pungong Kingsley.

<sup>2</sup>The current year net come of 235kUSD accounted for the increase in retained earning from 227kUSD at the begining of the year to 463kUSD at the end of the year.

**Rainbow FC Holdings Limited**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018 (Cont'd)**

	2018	2017
	USD	USD
<b>8 Fees/commissions</b>		
Agency fees/Commissions	(530 551)	(932 036)
	<u>(530 551)</u>	<u>(932 036)</u>

Agency Fees/Transfer commission earned on the transfer of Rainbow FC Holdings Limited players from one Club to another.

Agency fees/Commission decreased by 43%; In FY18, a transfer commission of 499kUSD was earned by the company following the transfer of its Player Olivier Mbiazor to Philadelphia Union, a Football club in the USA and Agency fees from ASERNAI FC of 24kGBP. In FY17, the company received transfer fees of 932kUSD from Wilmington Professional Soccer Club.

	2018	2017
	USD	USD
<b>8 Other operating income</b>		
Exchange gain	(5 861)	(3 545)

	USD	USD
<b>9 Operating Expenses</b>		
Purchase of Small Equipment	136 228	128 444
Bank Charges	1 924	1 693
Remuneration of other service providers	16 745	109 000
Other Consultance fees	35 149	126 280
Scouting Expenses	77 200	244 226
Player's Expenses	30 000	80 405
Gifts/donations	4 000	16 800
Bank Charges		750
	<u>301 246</u>	<u>707 599</u>

Operating expenses relates to principally to; Purchase of sports equipments for its Football Club, payment to football agents and scouts for finding of new talents in Africa, player expenses such as school fees etc,

Rainbow FC Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018 (Cont'd)

	2018	2017
	USD	USD
<b>10 CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income (Loss)	235 165	227 983
Changes in Other Receivables	(250 510)	(277 000)
Changes in Other Receivables	19 451	
<b>Cashflow operating activities</b>	<b>4 107</b>	<b>(49 017)</b>

The net operating cashflow decreased by 69% as result; 1) increase net earnings from 227kUSD in the FY17 to 235KUSD in FY18 and 2) net decrease in the net cash loan repayments and payment of expenses onbehalf of group entities

	2018	2017
	USD	USD
<b>11 CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Changes in Financial assets carried at fair value	(1 608)	-

Rainbow FC Holdings invested in Rainbow Bamenda Football Club in FY18 following its incorporation in September 2017.

	2018	2017
	USD	USD
<b>12 CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Changes in Capital	-	50 000

Rainbow FC Holdings' shares fully subscribed but not paid by Kingsley Pungong in FY17.



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CEMAC; N° SEC 16 ONECCA N° SEC 01 - Capital Social 120 millions de FCFA, RC 10525, SCIFE:  
741214, E. N° contribuable : M 089200001750 R.

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**5 SCHEDULE 5**

**AUDITED FINANCIAL STATEMENTS FOR FC HOLDINGS FOR THE YEAR ENDED 31 DECEMBER 2019**

## RAINBOW FC HOLDINGS LIMITED

Cosely Drive, Maco Building  
The Valley, Anguilla  
British West Indies

### INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31<sup>ST</sup>, 2019

#### To the Shareholder,

In pursuance of the mandate entrusted to us by the shareholder, we have the honour to present to you our independent audit report on the financial statements for the year ended December 31<sup>st</sup>, 2019, relating to the examination of the annual financial statements of **RAINBOW FC HOLDINGS LIMITED**, as attached to the present report;

- the balance sheet as at December 31, 2019 with a total of 548 570 USD,
- the income statement for the year then ended showing a net loss of (118 707) USD,
- the cash flow statement for the year then ended showing a net decrease in cash and cash equivalents by (10 377) USD,
- the statement of changes in equity for the year then ended showing a net equity as at December 31, 2019 with a total of 394 441 USD,
- and a summary of significant accounting policies and other explanatory information in the attached notes to the accounts.

The financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

#### Opinion

We audited the financial statements of **RAINBOW FC HOLDINGS LIMITED**, including the balance sheet as at December 31<sup>st</sup>, 2019, the statement of income and expenditures, a cash flow statement and a summary of significant accounting policies and other explanatory information in the attached notes to the accounts.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of **RAINBOW FC HOLDINGS LIMITED** as at December 31<sup>st</sup>, 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are described below in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Company's jurisdiction, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

#### Emphasis of matter

Without qualifying our opinion, we draw your attention to note 1 of the Financial Statements relating to the Impact of the COVID-19 Pandemic.

CEMAC; N° SEC 16 ONECCA N° SEC 01 – Capital Social 120 millions de FCFA, RC 10525, SCIFE: 741214, E. N° contribuable : M 089200001750 R.

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Member of Deloitte Touche Tohmatsu Limited

## Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the **RAINBOW FC HOLDINGS LIMITED** ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the **RAINBOW FC HOLDINGS LIMITED** or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the **RAINBOW FC HOLDINGS LIMITED** financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud and 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.
- Obtain 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude 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 the Company to cease to continue as a going concern.

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

Douala, May 14<sup>th</sup>, 2020

**Deloitte & Touche Afrique Centrale**  
Independent Auditor

**Lovet Watat Watat**  
Partner





# ANNUAL FINANCIAL STATEMENTS

**Rainbow FC Holdings Ltd (Anguilla)**

**Statement of Balance Sheet for the year ended 31/12/2019**

		31/12/2019	31/12/2018
		USD	USD
<b>A S S E T S</b>	<u>Notes</u>		
<b>NONE CURRENT ASSETS</b>			
<b>Financial Assets</b>	3	1 608	1 608
<b>CURRENT ASSETS</b>			
Other Receivables	4	546 962	546 962
Cash and Cash Equivalents			
<b>Total Current Assets</b>		<b>546 962</b>	<b>546 962</b>
<b>TOTAL ASSETS</b>		<b>548 570</b>	<b>548 570</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Bank	5	5 593	15 970
Other payables	6	148 535	19 451
<b>LONG-TERM DEBTS</b>			
<b>Total Liabilities</b>		<b>154 129</b>	<b>35 422</b>
<b>STOCKHOLDERS' EQUITY</b>			
Capital stock		50 000	50 000
Net income(Loss)	7	(118 707)	235 165
Retained earnings		463 148	227 983
<b>Total Stockholders' Equity</b>		<b>394 441</b>	<b>513 148</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>		<b>548 570</b>	<b>548 570</b>

**Rainbow FC Holdings Ltd (Anguilla)**

**Statement of Profit and Loss for the year ended 31/12/2019**

		31/12/2019 USD	31/12/2018 USD
	<u>Notes</u>		
Revenue (Fees/commissions)	8	-	530 551
Cost of sales		-	-
<b>GROSS PROFIT</b>		-	-
Other operating income	8	57	5 861
Purchase of Small Equipments		-	(136 228)
Other expenses		(68 764)	(22 669)
Player Expenses	9	-	(30 000)
Scouting Expenses		-	(77 200)
Consulting Expenses		(50 000)	(35 149)
<b>Total Operating Expenses</b>		<b>(118 707)</b>	<b>(295 386)</b>
Depreciation expense		-	-
<b>Profit from operations</b>		<b>(118 707)</b>	<b>235 165</b>
Finance expense		-	-
Finance income		-	-
<b>Profit before tax</b>		<b>(118 707)</b>	<b>235 165</b>
Income Tax		-	-
<b>NET PROFIT(LOSS) AFTER TAX</b>		<b>(118 707)</b>	<b>235 165</b>

## Rainbow FC Holdings Ltd (Anguilla)

## STATEMENTS OF CASH FLOWS for the year ended 31/12/2019

		31 12 2019	31 12 2018
		USD	USD
	<u>Notes</u>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net Income (Loss)		(118 707)	235 165
Depreciation & Amortisation		-	-
Income tax paid	10	-	-
Net changes in operating assets and liabilities			
Other Receivables		-	(269 962)
Other Payables		129 084	19 451
Net Cash used in operating activities		10 377	(15 345)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Decrease(Increase) in Financial assets carried at cost	11	-	(1 608)
Net Cash used in investing activities		-	(1 608)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase(Decrease) in Capital	12	-	-
Net Cash provided by financing activities		-	-
<b>EFFECTS OF EXCHANGE RATE CHANGES</b>			
NET INCREASE (DECREASE) IN CASH		10 377	(16 953)
CASH, BEGINNING OF PERIOD		(15 970)	983
CASH, END OF PERIOD		5 593	(15 970)
NET INCREASE (DECREASE) IN CASH		(10 377)	16 953

**NOTES TO FINANCIAL  
STATEMENTS**

## Rainbow FC Holdings Limited

### NOTES TO THE FINANCIAL STATEMENTS (accounting policies) FOR THE YEAR ENDED 31 DECEMBER 2019

#### Note 1

##### Post Balance sheet Events

The 2019 financial year was closed within the context of the COVID 19 epidemic in China; epidemic that spread during the first quarter of 2020 to Europe and China, leading WHO to declare a global pandemic on the subject. The expansion of this pandemic in Cameroon, from March 2020, has seriously called into question the economic prospects of the whole country for the year 2020 with expected impacts on our operations and our business projections, without any impact on the financial statements as at December 31, 2019. The effects of this crisis could have an impact on the accounts for the financial year 2020.

#### Note 2

##### Nature of operations

The principal activities are; carryout the business of running and management of the football club, marketing and distribution of the clubs gadgets, buying and setting up of football complexes for the training and grooming of aspiring football professionals, buying, building football academy to serve as incubator for young and upcoming football professional staff.

##### Basis of preparation

The annual financial statements of Rainbow FC have been prepared in accordance with IFRS as issued by the IASB Reporting Guides.

The preparation of the annual financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the reporting date, and the reported amounts of revenue and expenses during the reporting period.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The annual financial statements are presented in USD, which is the entity's functional and presentation currency.

The significant accounting policies are consistent in all material respects with those applied in the previous year. There have been no material changes in judgements or estimates of amounts reported in prior reporting periods

##### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

##### Trade Receivables and Other Receivables

All amounts are short-term. Trade and Other receivable (assets) are recognised at amortised cost include amounts due Group and non Group entities. The closing balance of trade and other receivables at amortised costs less loss allowance. All trade and other receivables in the comparative periods have been reviewed for indicators of impairment.

##### Financial Assets

###### Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

###### Subsequent measurement

Financial assets at amortised cost & fair value through profit or loss (FVTPL)

##### Financial liabilities

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the company designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments). All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

##### Related party transactions

The related parties include its subsidiaries with whom transactions are conducted. These transactions included but are not limited to repayment of loans, purchase and distribution of sports equipments, payment of players expenses etc. None of the transactions incorporate special terms and conditions and are remunerated at 0%.

Currently, the company has no employee. The company is managed by the shareholder (Mr. Kingsley Pungong) and benefits from shared management services from group entities. As consequence there are no Key management personnel remuneration and post employment benefits.

##### Trade Payables

All amounts are short-term. The carrying values of trade payables and short-term bank overdrafts are considered to be a reasonable approximation of fair value.

##### Revenue from providing services

Revenue earned by the company relates to commissions and agency fees associated with player transfers. Revenue is recognised under IFRS 15, which requires that the amount recognised should reflect the consideration to which the company expects to be entitled in exchange for transferring goods or services.

##### Foreign currencies

In preparing the financial statements of the individual entities, transactions in currencies other than the entities' functional currency are recognized at the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the closing rate. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rate when the fair value was measured. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated at the closing rate. Exchange differences are recognized in profit or loss in the period in which they arise except for: exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income under "currency translation differences"; and exchange differences on transactions entered into in order to hedge certain foreign currency risks

**Rainbow FC Holdings Limited**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	2019	2018
	USD	USD
<b>3 Financial Assets</b>		
Investment in Rainbow FC Club Bamenda	1 608	1 608
	<u>1 608</u>	<u>1 608</u>

Investment (shares) in Rainbow Football Club Bamenda. Rainbow Football Club Bamenda Ltd (Cameroon) was incorporated in September 2017 in the North West Region of Cameroon. The Club is wholly (100%) owned by Rainbow FC Holdings. The club is positioned in the Regional League of Cameroonian Football Industry. Currently, the Club accounts for atleast 9 of players playing foreign international clubs and leagues with agreements (contracts) where signed. These clubs include; Christain Bassogog (Henan Jianye Club), Nouhou Tofo (Sounders FC Club), Beverly Makangila (San Diego Loyal S) etc

**4 Other Receivables**

Other Receivables consist of; Intercompany Receivables - Loan repayments to non-financial institutions and Operating Expenses on behalf of group entities, and Shareholder receivables.

**a) Intercompany Receivables - Loan repayments to non- financial insitutions**

	2019	2018
	USD	USD
SCOTT ROYSTER	303 000	303 000
DIVINE PUNGONG	86 570	86 570
	<u>389 570</u>	<u>389 570</u>

Loans repayments to non financial institutions in FY18; Scott Royster 146kUSD and Divine Pungong 36kUSD on behalf of the Group entities ( Rainbow Sports Investment & Rainbow FootBall Club Ltd). There were no loan repayments on behalf of group entities in FY19

**b) Intercompany Receivables - Expenses paid on behalf of group entities**

Rainbow Cameroon Ltd	-	-
Vyskov <sup>1</sup>	2 392	2 392
Southzone Holding	-	-
Dreamworld <sup>2</sup>	105 000	105 000
	<u>107 392</u>	<u>107 392</u>

These are expenses incurred on behalf of group entities MFK Vyskov Ltd (Football club), Dreamworld SportsEntertainment, LLC . This expenses principally relates to;

1) Payment of players related expenses ( School fees, salaries etc) for its Football Club MFK Vyskov Ltd amounting to 4kUSD in FY18

2) Financing activities of the FY18 operations of DreamWorld (entity of Rainbow Group created in FY17) which is a premier Pan African full service sports entertainment and media management company established to serve the growing number of discerning talents of African extraction in multiple geographies across the globe.

**c) Other Receivables - Shareholders**

Kinglsey Pungong	<u>50 000</u>	<u>50 000</u>
------------------	---------------	---------------

Company Capital fully subscribed as at 31/12/2018 by the shareholder Kinglsey Pungong

<b>Total</b>	<u><u>546 962</u></u>	<u><u>546 962</u></u>
--------------	-----------------------	-----------------------

	<b>2019</b>	<b>2018</b>
	<b>USD</b>	<b>USD</b>
<b>5 Bank</b>		
United International Bank - GBP	(24)	1 100
United International Bank- USD	(5 569)	(17 071)
	<u>(5 593)</u>	<u>(15 970)</u>

The holding owns two bank accounts denominated in pound and dollar domiciled in Anguilla

## 6 Other payables

Other Payables consist of; Intercompany Payables - Operating Expenses incurred on behalf of Rainbow FC Holdings.

	<b>2019</b>	<b>2018</b>
	<b>USD</b>	<b>USD</b>
Southzone Holding Ltd	148 535	19 451
<b>Total</b>	<u><b>148 535</b></u>	<u><b>19 451</b></u>

Amounts payable increase by 664% to Southzone Holdings Ltd, for expenses incurred on behalf of Rainbow FC Holdings Limited. During the year, FY19, approximately 129kUSD was received from Southzone Holdings Ltd to finance the operating activities of Rainbow FC Holdings Limited unlike in FY18 72kUSD was received from Southzone Holdings Limited.



Rainbow FC Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

7 STOCKHOLDERS' EQUITY MOVEMENT SCHEDULE

Description	Share Capital <sup>1</sup>	Retained Earnings <sup>2</sup>	Reserves	Total
<b>Opening balance as at 01/01/2019</b>	50 000	463 148	-	513 148
Net Income for the year 2019	-	(118 707)	-	(118 707)
Revaluation Surplus	-	-	-	-
Translation Reserve	-	-	-	-
Increase in Capital	-	-	-	-
<b>Closing balance as at 31/12/2019</b>	<b>50 000</b>	<b>344 441</b>	<b>-</b>	<b>394 441</b>

<sup>1</sup>Rainbow Holdings FC was incorporated in 2017 with a share capital of 50 000 USD. All shares were fully subscribed but not paid for by Mr. Pungong Kingsley.

<sup>2</sup>The loss of 119kUSD accounted for the decrease in retained earning from 463kUSD at the beginning of the year to 344kUSD at the end of the year.

**Rainbow FC Holdings Limited**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (Cont'd)**

	2019	2018
	USD	USD
<b>8 Fees/commissions</b>		
Agency fees/Commissions	-	(530 551)
	<u>-</u>	<u>(530 551)</u>

No agency fees/transfer commission fees were received directly in 2019.

Agency Fees/Transfer commission earned on the transfer of Rainbow FC Holdings Limited players from one Club to another.

Agency fees/Commission in FY18 represents a transfer commission of 499kUSD was earned by the company following the transfer of its Player Olivier Mblazor to Philadelphia Union, a Football club in the USA and Agency fees from ASERNAL FC of 24kGBP.

	2019	2018
	USD	USD
<b>8 Other operating income</b>		
Exchange gain	(57)	(5 861)

	USD	USD
<b>9 Operating Expenses</b>		
Purchase of Small Equipment	-	136 228
Bank Charges	2 146	1 924
Remuneration of other service providers	-	16 745
Other Consultance fees	50 000	35 149
Scouting Expenses	-	77 200
Player's Expenses	66 618	30 000
Gifts/donations	-	4 000
	<u>118 764</u>	<u>301 246</u>

Operating expenses relates to principally to; Purchase of sports equipments for its Football Club, payment to football agents and scouts for finding of new talents in Africa, player expenses such as school fees etc,. The decrease in operating expenses between FY19 and FY18 by 61% is attributed to; No purchases of small equipments in FY19, No scouting and service provider expenses in FY19, increase in consultance fees by 42%, and Player's expenses by 122%

**Rainbow FC Holdings Limited**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (Cont'd)**

	<b>2019</b>	<b>2018</b>
	<b>USD</b>	<b>USD</b>
<b>10 CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income (Loss)	(118 707)	235 165
Changes in Other Receivables	-	(269 962)
Other payables	129 084	19 451
<b>Cashflow operating activities</b>	<b>10 377</b>	<b>(15 345)</b>

The net operating cashflow decreased by -168% as result; 1) Decrease net earnings from 235kUSD in the FY18 to (119)KUSD in FY19 and 2) net increase in the net cashflows from group entities, no expenses were incurred during the year by Rainbow FC Holdings Limited on behalf of any group entity. Current year entities were entirely funded by intercompany advances from Southzone Holdings Limited

	<b>2019</b>	<b>2018</b>
	<b>USD</b>	<b>USD</b>
<b>11 CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Changes in Financial assets	-	(1 608)

Rainbow FC Holdings invested in Rainbow Bamenda Football Club in FY18 following its incorporation in September 2017.

	<b>2019</b>	<b>2018</b>
	<b>USD</b>	<b>USD</b>
<b>12 CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Changes in Capital	-	-

**6 SCHEDULE 6**

**AUDITED FINANCIAL STATEMENTS FOR SOUTHZONE FOR THE YEAR ENDED 31 DECEMBER 2018**

## **SOUTHZONE HOLDINGS LIMITED**

Cosely Drive, Maco Building  
The Valley, Anguilla  
British West Indies

### **INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31<sup>ST</sup>, 2018**

#### **To the Shareholder,**

In pursuance of the mandate entrusted to us by the Shareholder, we have the honour to present to you our independent audit report on the financial statements for the year ended December 31<sup>st</sup>, 2018, relating to the examination of the annual financial statements of **SOUTHZONE HOLDINGS LIMITED**, as attached to the present report;

- the balance sheet as at December 31, 2018 with a total of 629 777 USD,
- the income statement for the year then ended showing a net profit of 308 982 USD,
- the cash flow statement for the year then ended showing a net increase in cash and cash equivalents by 2 226 USD,
- the statement of changes in equity for the year then ended showing a net equity as at December 31, 2018 with a total of 613 563 USD,
- and a summary of significant accounting policies and other explanatory information in the attached notes to the accounts.

The financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

#### **Opinion**

We audited the financial statements of **SOUTHZONE HOLDINGS LIMITED**, including the balance sheet as at December 31<sup>st</sup>, 2018, the statement of income and expenditures, a cash flow statement and a summary of significant accounting policies and other explanatory information in the attached notes to the accounts.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of **SOUTHZONE HOLDINGS LIMITED** as at December 31<sup>st</sup>, 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are described below in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Company's jurisdiction, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Emphasis of matter**

Without qualifying our opinion, we draw your attention to note 1 of the Financial Statements relating to the impact of the COVID-19 Pandemic.

CEMAC; N° SEC 16 ONECCA N° SEC 01 - Capital Social 120 millions de FCFA, RC 10525, SCIFE: 741214, E. N° contribuable : M 089200001750 R.

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Member of Deloitte Touche Tohmatsu Limited

## Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the **SOUTHZONE HOLDINGS LIMITED** ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the **SOUTHZONE HOLDINGS LIMITED** or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the **SOUTHZONE HOLDINGS LIMITED** financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud and 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.
- Obtain 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude 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 the Company to cease to continue as a going concern.

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

Douala, May 14<sup>th</sup>, 2020

Deloitte & Touche Afrique Centrale  
Independent Auditor

  
Lovet Watat Watat  
Partner



# **ANNUAL FINANCIAL STATEMENTS**

**SOUTHZONE HOLDINGS Ltd**

**Statement of Balance Sheet as at 31 12 2018**

		31/12/2018	31/12/2017
		USD	USD
<b>A S S E T S</b>			
<b>NON CURRENT ASSETS</b>			
Financial Assets	Notes 3	386	386
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		-	-
Other Assets	4	611 505	288 535
Bank	5	17 885	15 660
<b>Total Current Assets</b>		<b>629 390</b>	<b>304 195</b>
<b>TOTAL ASSETS</b>		<b>629 777</b>	<b>304 581</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Bank		-	-
Other creditors	6	16 214	-
<b>LONG-TERM DEBTS</b>			
<b>Total Liabilities</b>		<b>16 214</b>	<b>-</b>
<b>STOCKHOLDERS' EQUITY</b>			
Capital stock		50 000	50 000
Net income(Loss)	7	308 982	254 581
Retained earnings		254 581	-
<b>Total Stockholders' Equity</b>		<b>613 563</b>	<b>304 581</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>		<b>629 777</b>	<b>304 581</b>

(0)

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SOUTHZONE HOLDINGS Ltd

Statement of Profit and Loss as at 31/12/2018			
		31/12/2018	31/12/2017
		USD	USD
	<u>Notes</u>		
Revenue (Fees/commissions)	8	1 426 848	435 571
Cost of sales		-	-
<b>GROSS PROFIT</b>		<b>1 426 848</b>	<b>435 571</b>
Other operating income		-	879
Purchases of Equipments (Small)		(165 008)	(58 406)
Other expenses		(59 049)	(64 301)
Scouting Expenses	9	(226 698)	(34 000)
Consulting Fees		(493 010)	(25 162)
Players Expenses		(174 103)	-
<b>Total Operating Expenses</b>		<b>(1 117 867)</b>	<b>(180 990)</b>
Depreciation expense		-	-
<b>Profit from operations</b>		<b>308 982</b>	<b>254 581</b>
Finance expense		-	-
Finance income		-	-
Profit before tax		<b>308 982</b>	<b>254 581</b>
Income Tax		-	-
<b>NET PROFIT(LOSS) AFTER TAXATION</b>		<b>308 982</b>	<b>254 581</b>

**SOUTHZONE HOLDINGS Ltd**

**STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 12 2018**

		31 12 2018 USD	31 12 2017 USD
	<u>Notes</u>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net Income (Loss)		308 982	254 581
Net changes in operating assets and liabilities	10		
Prepayments and other current asstes		(322 970)	(288 535)
Other accounts payable		16 214	
<b>Net Cash used in operating activities</b>		<b>2 226</b>	<b>(33 954)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Decrease (Increase) in Financial Assets	11	-	(386)
<b>Net Cash used in Investing activities</b>			<b>(386)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase(Decrease) in Capital	12	-	50 000
<b>Net Cash provided by financing activities</b>		<b>-</b>	<b>50 000</b>
<b>EFFECTS OF EXCHANGE RATE CHANGES</b>			
		-	-
<b>NET INCREASE (DECREASE) IN CASH</b>		<b>2 226</b>	<b>16 660</b>
CASH, BEGINNING OF PERIOD		15 660	-
CASH, END OF PERIOD		17 885	15 660
<b>NET INCREASE (DECREASE) IN CASH</b>		<b>2 226</b>	<b>15 660</b>



**NOTES TO FINANCIAL  
STATEMENTS**

## **SOUTHZONE HOLDINGS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (accounting policies) FOR THE YEAR ENDED 31 DECEMBER 2018**

#### **Note 1**

##### **Post Balance sheet Events**

The 2018 financial year was closed within the context of the COVID 19 epidemic in China; epidemic that spread during the first quarter of 2020 to Europe and China, leading WHO to declare a global pandemic on the subject. The expansion of this pandemic in Cameroon, from March 2020, has seriously called into question the economic prospects of the whole country for the year 2020 with expected impacts on our operations and our business projections, without any impact on the financial statements as at December 31, 2018. The effects of this crisis could have an impact on the accounts for the financial year 2020.

#### **Note 2**

##### **Nature of operations**

Southzone Holdings Ltd was incorporated in 2017 under the laws of Anguilla (British West Indies). The principal activities are; International Trading in Players, International Football Consulting and services, holding companies, negotiation of contracts and sponsorships in football.

##### **Basis of preparation**

The annual financial statements of Rainbow FC have been prepared in accordance with IFRS as issued by the IASB Reporting Guides.

The preparation of the annual financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the reporting date, and the reported amounts of revenue and expenses during the reporting period.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The annual financial statements are presented in USD, which is the entity's functional and presentation currency.

The significant accounting policies are consistent in all material respects with those applied in the previous year. There have been no material changes in judgements or estimates of amounts reported in prior reporting periods

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

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

##### **Trade Receivables and Other Receivables**

All amounts are short-term. Trade and Other receivable (assets) are recognised at amortised cost include amounts due Group and non Group entities. The closing balance of trade and other receivables at amortised costs less loss allowance  
All trade and other receivables in the comparative periods have been reviewed for indicators of impairment.

##### **Financial Assets**

###### **Classification and initial measurement of financial assets**

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

###### **Subsequent measurement**

Financial assets at amortised cost & fair value through profit or loss (FVTPL)

##### **Financial liabilities**

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the company designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments). All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

##### **Related party transactions**

The related parties include its subsidiaries with whom transactions are conducted. These transactions included but are not limited to repayment of loans, purchase and distribution of sports equipments, payment of players expenses etc. None of the transactions incorporate special terms and conditions and are remunerated at 0%.

Currently, the company has no employee. The company is managed by the shareholder (Mr. Kingsley Pungong) and benefits from shared management services from group entities. As consequence there are no Key management personnel remuneration and post employment benefits.

##### **Trade Payables**

All amounts are short-term. The carrying values of trade payables and short-term bank overdrafts are considered to be a reasonable approximation of fair value.

##### **Revenue from providing services**

Revenue earned by the company relates to commissions and agency fees associated with player transfers. Revenue is recognised under IFRS 15, which requires that the amount recognised should reflect the consideration to which the company expects to be entitled in exchange for transferring goods or services.

##### **Foreign currencies**

In preparing the financial statements of the individual entities, transactions in currencies other than the entities' functional currency are recognized at the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the closing rate. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rate when the fair value was measured. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated at the closing rate.

Exchange differences are recognized in profit or loss in the period in which they arise except for: exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income under "currency translation differences"; and exchange differences on transactions entered into in order to hedge certain foreign currency risks

**SOUTHZONE HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018	2017
	USD	USD
<b>3 Financial Assets</b>		
Share certificate	386	386
	<u>386</u>	<u>386</u>

In August 2017, Southzone Holdings Ltd acquired 99% of the shares in the company MFK Vyskov Ltd . MFK Vyškov is a Czech football club located in the town of Vyškov in the South Moravian Region. It currently plays in the Moravian Silesian Football League, which is the third level of Czech football. In FY18, the club accounted for at least 8 of players playing foreign international clubs and leagues with agreements (contracts) where signed.

	2017	2018
	USD	USD
<b>4 Other Receivables</b>		
<b>Other Receivables - Loans</b>		
Divine Pungong	95 000	95 000
Scott Royster	5 000	5 000
Jude Thaddeus Ange Ngu	13 921	13 921
<b>Total</b>	<b>113 921</b>	<b>113 921</b>

Prior year Loans repayments to non financial institutions; Scott Royster 5kUSD, Divine Pungong 95kUSD or entities (Rainbow Sports Investment & Rainbow FootBall Club Ltd) and Jude Thaddeus Ange Ngu - 13KUSD were no repayment of loans to these third parties or reimbursements received from Rainbow Sports Investm Club Ltd during the year FY18.

**Other Receivables - Shareholder unpaid Capital**

Kingsley Pungong	50 000	50 000
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Company Capital fully subscribed but not paid as at 31/12/2018 by the shareholder

**Other Receivables - Intercompany**

Rainbow Cameroon Ltd	167 417	100 000
Vskov	182 820	44 614
Rainbow FC Holding	18 693	(20 000)
Dreamworld	78 654	-
	<b>447 584</b>	<b>124 614</b>

These are expenses incurred on behalf of group entities MFK Vyskov Ltd (Football club), Dreamworld LLC . This expenses principally relates to;

- 1) Payment of players related expenses( School fees, salaries etc) its Football Club MFK Vyskov Ltd as at 31/12/2018
- 2) Amounts receivable from Rainbow Cameroon Ltd for expenses incurred on their behalf amounting to 31/12/2018
- 3) Amounts receivable from Rainbow FC holding for expenses incurred on the behalf Rainbow FC Hold Cameroon amounting to 18kUSD as at 31/12/2018.
- 4) Financing of the activities of the FY18 operations of the DreamWorld (entity of Rainbow Group creat premier Pan African full service sports entertainment and media management company established to number of discerning talents of African extraction in multiple geographies across the globe.

<b>Total</b>	<u>611 505</u>	<u>288 535</u>
--------------	----------------	----------------

	2018	2017
<b>5 Bank</b>	<b>USD</b>	<b>USD</b>
United international Bank (EUR)	9 621	718
United international Bank (USD)	8 265	14 942
	<u>17 885</u>	<u>15 660</u>

The company owns two bank accounts denominated in Euro and dollar domiciled in Anguilla

	2018	2017
<b>6 Other creditors</b>	<b>USD</b>	<b>USD</b>
SUNDRY CREDITORS	(16 214)	-
	<u>(16 214)</u>	<u>-</u>

Return of funds to the USD bank accounts of South Zone Holdings Limited due to incorrect beneficiary details. As at 31/12/2018 the correct third party beneficiary is yet to be identified.

**SOUTHZONE HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**7 STOCKHOLDERS' EQUITY MOVEMENT SCHEDULE**

Description	Share Capital	Retained Earnings <sup>2</sup>	Reserves	Total
<b>Opening balance as at 01/01/2018</b>	50 000	254 581	-	304 581
Net Income for the year 2018	-	308 982	-	308 982
Revaluation Surplus	-	-	-	-
Translation Reserve	-	-	-	-
Increase in Capital	-	-	-	-
<b>Closing balance as at 31/12/2018</b>	<b>50 000</b>	<b>563 563</b>	<b>-</b>	<b>613 563</b>

<sup>1</sup>Southzone Holdings Limited was incorporated in 2017 with a share capital of 50 000 USD. All shares were fully subscribed for by Mr. Pungong Kingsley.

<sup>2</sup>The current year net come of 309kUSD accounted for the increase in retained earning from 255kUSD at the begining of the year to 563kUSD at the end of the year.

**SOUTHZONE HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018 (Cont'd)**

	<b>2018</b>	<b>2017</b>
	<b>USD</b>	<b>USD</b>
<b>8 Revenue</b>		
Services sold off region	(1 426 848)	(435 571)
	<u>(1 426 848)</u>	<u>(435 571)</u>

Agency fees were received from Bassogog holdings amounting to 1,4mUSD in FY18. The player Christian Bassogog was transferred from the Danish side Aalborg Club to Chinese Super League club Henan Jianye February 2017. In FY17, the company received Agency fees amounting to 435kUSD from Interlex International Ltd.

	<b>2018</b>	<b>2017</b>
	<b>USD</b>	<b>USD</b>
<b>9 Total Operating Expenses</b>		
PURCHASES OF SMALL EQUIPMENTS	165 008	58 406
TRAVELLING & OUTSTATION	8 209	4 533
BANK CHARGES	4 101	2 459
LEGAL FEES	3 079	-
Remuneration of other service providers	39 890	45 000
OTHER CONSULTANCY FEES	493 010	25 162
SCOUTING EXPENSES	226 698	34 000
PLAYERS EXPENSES	174 103	-
Exchange Losses	3 771	-
BUILDING RENTS	-	12 250
Postage Expenses	-	59
	<u>1 117 867</u>	<u>181 870</u>

The company operating expenses increased from 181kUSD in FY17 to 1,1mUSD in FY18 by 515%. This increase is attributed to acquisition of Vyskov Football in September 2017 during the Club operated for 4 months unlike in FY18, the Club operated for 12 months. The acquisition of this club resulted in increase of purchase of sports equipment and accessories for players, increase scouting expenses for new talents etc.

In 2017, the company incurred the following expense; player Scouting fees and consulting fees paid to third parties amounting to 59kUSD, purchases of sports equipment – 58kUSD, agency fees paid to third parties 45kUSD and transport (Flight tickets etc) expenses 4,5kUSD.

In 2018, the holding incurred the following major expense; player Scouting fees and consulting fees paid to third parties amounting to 886kUSD, purchases of sporting equipment – 165kUSD, Player expenses paid to 174 kUSD, Content production 36kUSD and transport (Flight tickets etc) expenses 8kUSD.

**8 Profit before tax**

South zone's profits before having to pay corporate income tax.
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**SOUTHZONE HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018 (Cont'd)**

**Cashflow Schedules**

	<b>2018</b>	<b>2017</b>
	<b>USD</b>	<b>USD</b>
<b>10 CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income (Loss)	<b>308 982</b>	<b>254 581</b>
Changes in Other Receivables	(322 970)	(288 535)
Changes in Payables	16 214	-
<b>Cashflow operating activities</b>	<b>2 226</b>	<b>(33 954)</b>

The net operating cashflow increased by 107% as result; 1) increase in net earnings from 288kUSD in the FY17 to 322kUSD in FY18 and 2) increase in the net cash outflow associated with loan repayments and expenses on behalf of group entities from 288kUSD in FY17 to 322kUSD in FY18; 3) Return of payment amounting to 16kUSD to an unidentified beneficiary.

	<b>2018</b>	<b>2017</b>
	<b>USD</b>	<b>USD</b>
<b>11 CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Changes in Financial assets carried at fair value	-	(386)

Southzone Holdings Limited acquired 99% of Participation interest in Vyskov FC in September 2017.

	<b>2018</b>	<b>2017</b>
	<b>USD</b>	<b>USD</b>
<b>12 CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Changes in Capital	-	50 000

Shares fully Subscribed by Kingsley Pungong in FY17 in Southzone holdings Limited

**7 SCHEDULE 7**

**AUDITED FINANCIAL STATEMENTS FOR SOUTHZONE FOR THE YEAR ENDED 31 DECEMBER 2019**

## **SOUTHZONE HOLDINGS LIMITED**

Cosely Drive, Maco Building  
The Valley, Anguilla  
British West Indies

### **INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31<sup>ST</sup>, 2019**

#### **To the Shareholder,**

In pursuance of the mandate entrusted to us by the Shareholder, we have the honour to present to you our independent audit report on the financial statements for the year ended December 31<sup>st</sup>, 2019, relating to the examination of the annual financial statements of **SOUTHZONE HOLDINGS LIMITED**, as attached to the present report;

- the balance sheet as at December 31, 2019 with a total of 1 212 851 USD,
- the Income statement for the year then ended showing a net profit of 591 557 USD,
- the cash flow statement for the year then ended showing a net decrease in cash and cash equivalents by (11 765) USD,
- the statement of changes in equity for the year then ended showing a net equity as at December 31, 2019 with a total of 1 182 722 USD,
- and a summary of significant accounting policies and other explanatory information in the attached notes to the accounts.

The financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

#### **Opinion**

We audited the financial statements of **SOUTHZONE HOLDINGS LIMITED**, including the balance sheet as at December 31<sup>st</sup>, 2019, the statement of income and expenditures, a cash flow statement and a summary of significant accounting policies and other explanatory information in the attached notes to the accounts.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of **SOUTHZONE HOLDINGS LIMITED** as at December 31<sup>st</sup>, 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are described below in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Company's jurisdiction, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Emphasis of matter**

Without qualifying our opinion, we draw your attention to note 1 of the Financial Statements relating to the impact of the COVID-19 Pandemic.

CEMAC; N° SEC 16 ONECCA N° SEC 01 – Capital Social 120 millions de FCFA, RC 10525, SCIFE:  
741214, E. N° contribuable : M 089200001750 R.

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Member of Deloitte Touche Tohmatsu Limited

## Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the **SOUTHZONE HOLDINGS LIMITED** ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the **SOUTHZONE HOLDINGS LIMITED** or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the **SOUTHZONE HOLDINGS LIMITED** financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud and 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.

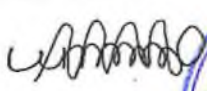
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.
- Obtain 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude 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 the Company to cease to continue as a going concern.

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

Douala, May 14<sup>th</sup>, 2020

Deloitte & Touche Afrique Centrale  
Independent Auditor

  
Lovet Watat Watat  
Partner



# **ANNUAL FINANCIAL STATEMENTS**

**SOUTHZONE HOLDINGS LTD**

**Statement of Balance Sheet as at 31 12 2019**

		31/12/2019 USD	31/12/2018 USD
<b>A S S E T S</b>	<u>Notes</u>		
<b>NON CURRENT ASSETS</b>		-	-
Financial Assets	3	386	386
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		-	-
Other Assets	4	1 206 344	611 505
Bank	5	6 121	17 885
<b>Total Current Assets</b>		<b>1 212 465</b>	<b>629 390</b>
<b>TOTAL ASSETS</b>		<b>1 212 851</b>	<b>629 777</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Bank		-	-
Other creditors	6	30 129	16 214
<b>LONG-TERM DEBTS</b>		-	-
<b>Total Liabilities</b>		<b>30 129</b>	<b>16 214</b>
<b>STOCKHOLDERS' EQUITY</b>			
Capital stock		50 000	50 000
Net income(Loss)	7	591 557	308 982
Retained earnings		541 165	254 581
<b>Total Stockholders' Equity</b>		<b>1 182 722</b>	<b>613 563</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>		<b>1 212 851</b>	<b>629 777</b>

(0)

(0)

**SOUTHZONE HOLDINGS LTD**  
**Statement of Profit and Loss as at 31/12/2019**

		31/12/2019 USD	31/12/2018 USD
	<u>Notes</u>		
Revenue (Fees/commissions)	-	2 118 490	1 426 848
Cost of sales		-	-
<b>GROSS PROFIT</b>		<b>2 118 490</b>	<b>1 426 848</b>
Other operating income	8	105 000	-
Purchases of Equipments (Small)		-	(165 008)
Other expenses		(171 367)	(59 049)
Scouting Expenses	9	-	(226 698)
Consulting Fees		(1 087 228)	(493 010)
Players Expenses		(373 339)	(174 103)
<b>Total Operating Expenses</b>		<b>(1 526 933)</b>	<b>(1 117 867)</b>
Depreciation expense		-	-
<b>Profit from operations</b>		<b>591 557</b>	<b>308 982</b>
Finance expense		-	-
Finance income		-	-
Profit before tax	10	<b>591 557</b>	<b>308 982</b>
Income Tax		-	-
<b>NET PROFIT(LOSS) AFTER TAXATION</b>		<b>591 557</b>	<b>308 982</b>

## SOUTHZONE HOLDINGS LTD

## STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 12 2019

		31 12 2019	31 12 2018
		USD	USD
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>Notes</b>		
Net Income (Loss)		591 557	308 982
Net changes in operating assets and liabilities			
Prepayments and other current asstes	11	(594 839)	(322 970)
Other accounts payable		13 915	16 214
<b>Net Cash used in operating activities</b>		<b>10 633</b>	<b>2 226</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Decrease (Increase) in Financial Assets		-	-
<b>Net Cash used in Investing activities</b>		<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase(Decrease) in Capital		-	-
Dividends paid	12	(22 398)	-
<b>Net Cash provided by financing activities</b>		<b>(22 398)</b>	<b>-</b>
<b>EFFECTS OF EXCHANGE RATE CHANGES</b>		<b>-</b>	<b>-</b>
<b>NET INCREASE (DECREASE) IN CASH</b>		<b>(11 765)</b>	<b>2 226</b>
CASH, BEGINNING OF PERIOD		17 885	15 660
CASH, END OF PERIOD		6 121	17 885
<b>NET INCREASE (DECREASE) IN CASH</b>		<b>(11 765)</b>	<b>2 226</b>



**NOTES TO FINANCIAL  
STATEMENTS**

## **SOUTHZONE HOLDINGS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (accounting policies) FOR THE YEAR ENDED 31 DECEMBER 2018**

#### **Note 1**

##### **Post Balance sheet Events**

The 2019 financial year was closed within the context of the COVID 19 epidemic in China; epidemic that spread during the first quarter of 2020 to Europe and China, leading WHO to declare a global pandemic on the subject. The expansion of this pandemic in Cameroon, from March 2020, has seriously called into question the economic prospects of the whole country for the year 2020 with expected impacts on our operations and our business projections, without any impact on the financial statements as at December 31, 2019. The effects of this crisis could have an impact on the accounts for the financial year 2020.

#### **Note 2**

##### **Nature of operations**

Southzone Holdings Ltd was incorporated in 2017 under the laws of Anguilla (British West Indies). The principal activities are; International Trading in Players, International Football Consulting and services, holding companies, negotiation of contracts and sponsorships in football.

##### **Basis of preparation**

The annual financial statements of Rainbow FC have been prepared in accordance with IFRS as issued by the IASB Reporting Guides.

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##### **Financial Assets**

###### **Classification and initial measurement of financial assets**

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

###### **Subsequent measurement**

Financial assets at amortised cost & fair value through profit or loss (FVTPL)

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Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the company designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments). All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

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The related parties include its subsidiaries with whom transactions are conducted. These transactions included but are not limited to repayment of loans, purchase and distribution of sports equipments, payment of players expenses etc. None of the transactions incorporate special terms and conditions and are remunerated at 0%.

Currently, the company has no employee. The company is managed by the shareholder (Mr. Kingsley Pungong) and benefits from shared management services from group entities. As consequence there are no Key management personnel remuneration and post employment benefits.

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**SOUTHZONE HOLDINGS LIMITED**

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FOR THE YEAR ENDED 31 DECEMBER 2019**

	2019	2018
	USD	USD
<b>3 Financial Assets</b>		
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	<b>386</b>	<b>386</b>

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Scott Royster	140 543	5 000
Jude Thaddeus Ange Ngu	13 921	13 921
<b>Total</b>	<b>249 464</b>	<b>113 921</b>

Prior year Loans repayments to non financial institutions; Scott Royster 141kUSD, Divine Pungong 95kUSD on behalf of the Group entities (Rainbow Sports Investment & Rainbow FootBall Club Ltd) and Jude Thaddeus Ange Ngu - 13KUSD. In the current year, there were repayment of loans by Scott Royster amounting to 136kUSD.

**Other Receivables - Shareholder unpaid Capital**

Kingsley Pungong	-	50 000
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Shares subscribed for in FY17 have been fully paid by the shareholder in 2019.

**Other Receivables - Intercompany**

Rainbow Cameroon Ltd	167 417	167 417
Vskov	396 289	182 820
Rainbow FC Holding	149 337	18 693
Dreamworld	249 675	78 654
	<b>962 719</b>	<b>447 584</b>

These are expenses incurred on behalf of group entities MFK Vyskov Ltd (Football club), Dreamworld SportsEntertainment, LLC . This expenses principally relates to;

- 1) Payment of players related expenses( School fees, salaries etc) its Football Club MFK Vyskov Ltd amounting to 396 kUSD as at 31/12/2019
- 2) Amounts receivable from Rainbow Cameroon Ltd for expenses incurred on their behalf amounting to 167kUSD as at 31/12/2019
- 3) Amounts receivable from Rainbow FC holding for expenses incurred on the behalf Rainbow FC Holding's Football in Cameroon amounting to 149kUSD as at 31/12/2019.
- 4) Financing of the activities of the FY19 operations of the DreamWorld (entity of Rainbow Group created in FY17) which is a premier Pan African full service sports entertainment and media management company established to serve the growing number of discerning talents of African extraction in multiple geographies across the globe.

<b>Total</b>	<b>1 212 182</b>	<b>611 505</b>
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	<b>2019</b>	<b>2018</b>
	<b>USD</b>	<b>USD</b>
<b>5 Bank</b>		
United international Bank (EUR)	6 015	9 621
United international Bank (USD)	106	8 265
	<u>6 121</u>	<u>17 885</u>

The company owns two bank accounts denominated in Euro and dollar domiciled in Anguilla

	<b>2019</b>	<b>2018</b>
	<b>USD</b>	<b>USD</b>
<b>6 Other creditors</b>		
Sundry Creditors (Payment returned from Banks) <sup>1</sup>	(30 129)	(16 214)
Kingsley Pungong 2	(5 838)	
	<u>(35 968)</u>	<u>(16 214)</u>

1) Return of funds to the USD bank accounts of South Zone Holdings Limited due to incorrect beneficiary details in FY 18 of 16KUSD and return of funds 14kUSD as beneficiaries account has been closed .

2) Amounts due to Kingsley Pungong by Southzoneholdings limited for Sundry expenses.

**SOUTHZONE HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**7 STOCKHOLDERS' EQUITY MOVEMENT SCHEDULE**

Description	Share Capital <sup>1</sup>	Retained Earnings <sup>2</sup>	Reserves	Total
<b>Opening balance as at 01/01/2019</b>	50 000	541 165	-	591 165
Net Income for the year 2019	-	591 557	-	591 557
Revaluation Surplus	-	-	-	-
Translation Reserve	-	-	-	-
Increase in Capital	-	-	-	-
Dividends	-	(22 398)	-	(22 398)
<b>Closing balance as at 31/12/2019</b>	<b>50 000</b>	<b>1 132 722</b>	<b>-</b>	<b>1 182 722</b>

<sup>1</sup>Southzone Holdings Limited was incorporated in 2017 with a share capital of 50 000 USD. All shares were fully subscribed and paid for by Mr. Pungong Kingsley.

<sup>2</sup>The current year net come of 736kUSD and Dividend payment to Mr. Kingsely Pungong (22kUSD) accounted for the increase in retained earning from 564kUSD at the begining of the year to 1 299kUSD at the end of the year.

**SOUTHZONE HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (Cont'd)**

	2019	2018
	USD	USD
<b>8 Revenue</b>		
Services sold off region	(2 118 490)	(1 426 848)
	<u>(2 118 490)</u>	<u>(1 426 848)</u>

Agency fees were received from Bassogog holdings amounting to 2,1mUSD in FY19 while FY18 the company received 1,4mUSD. The player Christian Bassogog was transferred from the Danish side Aalborg Club to Chinese Super League club Henan Jianye. February 2017

	2019	2018
	USD	USD
<b>SUNDRY INCOMES</b>	(118 915)	-
	<u>(118 915)</u>	<u>-</u>

Fees received from International Sponsors of 105KUSD in FY19.

	2019	2018
	USD	USD
<b>9 Total Operating Expenses</b>		
PURCHASES OF SMALL EQUIPMENTS	-	165 008
TRAVELLING & OUTSTATION	135 508	8 209
BANK CHARGES	5 441	4 101
LEGAL FEES	1 000	3 079
Remuneration of other service providers	20 000	39 890
OTHER CONSULTANCY FEES	1 087 228	493 010
SCOUTING EXPENSES	-	226 698
PLAYERS EXPENSES	373 339	174 103
Exchange Losses	9 182	3 771
other expenses	236	-
Postage Expenses	-	-
	<u>1 631 933</u>	<u>1 117 867</u>

The company operating expenses increased from 1,1mUSD in FY18 to 1,6mUSD in FY19 by 45%. Increase is attributed to;

In 2018, the company incurred the following major expense; player Scouting fees and consulting fees paid to third parties amounting to 886kUSD, purchases of sporting equipment – 165kUSD, Player expenses paid to 174 kUSD, Content production 36kUSD and transport (Flight tickets etc) expenses 8kUSD.

In 2019, the company incurred the following major expense; Traveling and outstation amounting to 136kUSD, Consultancy fees amounting to 1mUSD, Player related expenses amounted to 373mUSD, No scouting expenses were incurred in FY19.

**10 Profit before tax**

South zone's profits before having to pay corporate income tax.
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**SOUTHZONE HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (Cont'd)**

**Cashflow Schedules**

	2019	2018
	USD	USD
<b>11 CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (Loss)	591 557	308 982
Changes in Other Receivables	(594 839)	(322 970)
Changes in Payables	13 915	16 214
<b>Cashflow operating activities</b>	<u>10 633</u>	<u>2 226</u>

The net operating cashflow increased by 629% as result; 1) increase in net earnings from 309kUSD in the FY18 to 748KUSD in FY19 and 2) increase in the net cash outflow associated with loan repayments and expenses on behalf of group entities from 322KUSD in FY18 to 650kUSD in FY19, payment of FY17 subscribed share capital (50kUSD) by the shareholder, return of payment by Bank amounting to 13kUSD due closed beneficiary account.

	2019	2018
	USD	USD
<b>12 CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend Payments	(22 398)	-

Payment of Dividends to shareholder in FY19.

**8 SCHEDULE 8**

**RAINBOW GROUP PLAYER PORTFOLIO AS AT 31 MAY 2020 PREPARED IN ACCORDANCE WITH THE PRINCIPLES ATTACHING TO THE ACCOUNTS OF SOUTHZONE AND FC HOLDINGS AUDITED BY DELOITTE & TOUCHE AFRIQUE CENTRALE**



## RAINBOW CURRENT PORTFOLIO &amp; PROJECTIONS

NO:	PLAYERS CURRENTLY UNDER CONTRACT	ACQUISITION COST (\$)	PLAYERS CURRENT / PROJECTED VALUE (\$)					TOTAL (\$)
			2020	2021	2022	2023	2024	
1		100,000	-	350,000	550,000	200,000	500,000	1,600,000
2		70,000	-	350,000	-	-	375,000	725,000
3		55,000	350,000	-	1,000,000	1,000,000	1,000,000	3,350,000
4		60,000	-	350,000	-	-	750,000	1,100,000
5		40,000	-	350,000	-	-	500,000	850,000
6		68,000	28,250	861,625	-	1,300,000	-	2,189,875
7		35,000	-	325,000	-	-	375,000	700,000
8		60,000	-	350,000	-	300,000	400,000	1,050,000
9		40,000	-	350,000	-	500,000	750,000	1,600,000
10		20,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	5,000,000
11		65,000	-	350,000	200,000	200,000	-	750,000
12		56,000	-	375,000	375,000	500,000	-	1,250,000
13		25,000	28,250	861,625	-	1,500,000	-	2,389,875

### RAINBOW CURRENT PORTFOLIO & PROJECTIONS

NO:	PLAYERS CURRENTLY UNDER CONTRACT	ACQUISITION COST (\$)	PLAYERS CURRENT / PROJECTED VALUE (\$)					TOTAL (\$)
			2020	2021	2022	2023	2024	
14		50,000	-	350,000	-	-	875,000	1,225,000
15		80,000	-	250,000	-	-	500,000	750,000
16		52,000	220,000	-	-	1,125,000	-	1,345,000
17		20,000	-	-	75,000	100,000	150,000	325,000
18		58,000	7,500	500,000	50,000	500,000	-	1,057,500
19		48,000	-	290,000	-	350,000	400,000	1,040,000
20		150,000	200,000	-	500,000	500,000	-	1,200,000
21		50,000	10,000	-	-	250,000	250,000	510,000
22		20,000	-	30,000	-	-	300,000	330,000
23		75,000	50,000	50,000	50,000	350,000	350,000	850,000
24		60,000	-	-	500,000	500,000	-	1,000,000
<b>TOTAL COST / INCOME</b>		<b>\$ 1,357,000</b>	<b>\$1,894,000</b>	<b>\$7,343,250</b>	<b>\$4,300,000</b>	<b>\$10,175,000</b>	<b>\$8,475,000</b>	<b>\$ 32,187,250</b>

## 3.3 URBAN VILLAGE GROUP LIMITED

<b>NAME OF THE COLLATERAL OBLIGOR</b>	Urban Village Group Limited (for the purposes of this Collateral Annex only, the “ <b>Collateral Obligor</b> ”)
<b>JURISDICTION OF INCORPORATION</b>	England & Wales
<b>REGISTERED ADDRESS</b>	Unit 7 Midland Drive, Sutton Coldfield, England, B72 1TX, United Kingdom
<b>LEGISLATION UNDER WHICH THIS OBLIGOR OPERATES</b>	England & Wales
<b>LEGAL FORM</b>	Private company limited by shares
<b>DATE OF INCORPORATION</b>	11 March 2020
<b>REGISTERED NUMBER</b>	12511957
<b>SHARE CAPITAL</b>	GBP 100, divided into 100 ordinary shares of GBP 1.00.
<b>SHAREHOLDERS</b>	<ol style="list-style-type: none"> <li>1. Res Capitis Limited (“<b>Res Capitis</b>”) – 50 ordinary shares of GBP 1 each; and</li> <li>2. JAX Holdings Limited (“<b>JAX</b>”) – 50 ordinary shares of GBP 1 each,</li> </ol> <p>Res Capitis and JAX are each a “<b>Guarantor</b>” and together the “<b>Guarantors</b>”.</p> <p>JAX is a company controlled by James Sellman, director of the Collateral Obligor and Chief Operating Officer of Urban Village (as defined). More details in relation to JAX are set out at Schedule 1.</p> <p>Res Capitis is a company controlled by Nicholas James Sellman, director of the Collateral Obligor and Chief Executive Officer of Urban Village. More details in relation to Res Capitis are set out at Schedule 2.</p>
<b>DIRECTORS</b>	<ol style="list-style-type: none"> <li>1. Peter Steer</li> <li>2. James Sellman</li> <li>3. Nicholas James Sellman</li> </ol> <p>The correspondence address for all of the directors is Unit 7 Midland Drive, Sutton Coldfield, England, B72 1TX, United Kingdom</p>
<b>FINANCIAL YEAR END</b>	31 March (in the process of being changed to 31 January for consistency with the financial year end of JAX and Res Capitis)
<b>AUDITORS</b>	<p>Trevor Jones &amp; Co  Old Bank Chambers  582-586 Kingsbury Road Erdington  Birmingham  (Chartered according to the Institute of Chartered Accountants of England &amp; Wales)</p>
<b>HISTORICAL FINANCIAL INFORMATION / FINANCIAL STATEMENTS</b>	The Collateral Obligor is a newly established financing vehicle and has not produced (and has not been required to produce) any financial statements at the date of this document.

	<p>The purpose of the Collateral Obligor is to retain proceeds for investment in specific real estate development projects according to detailed investment criteria set by its management team, as described below and set out in detail in Schedule 7 to this Collateral Annex.</p> <p>The overall development team conducts business under the trade name '<b>Urban Village</b>', an established brand in the United Kingdom. That brand has been used generically in relation to the developments concluded, for which specific corporate structures were set up, with differing shareholder structures and separate financing structures. The success of the historic project portfolio and this management team may be evidenced directly in the financial statements of the Guarantors of the Series, for which see below. The management of the Collateral Obligor have established it as the parent company of the Urban Village group going forward for all new projects. The details of the project portfolio and entities currently comprised in the Urban Village business are set out in Schedule 0.</p> <p>The Urban Village business has been operated by the current team since 2013. It is substantial and has been successful in many locations throughout the United Kingdom. The business derives profit from completed real estate developments through rental or sale, and Urban Village has already reached sufficient critical mass that such revenue is now recurring and not dependent upon future developments being completed to arrive at profitability. As the Collateral Obligor has been created as the parent company for new projects, the historic success of the Urban Village branded projects is now represented in the net asset values of the Guarantors of the Series of this Collateral Obligor, which now represents the top company in the group structure.</p> <p>The obligations of the Collateral Obligor to the Issuer are being guaranteed by JAX and Res Capitis, the Guarantors, which have historically held the personal investments of the founders, James Sellman and Nicholas Sellman respectively, in the historic Urban Village business. The entire interest in future projects will be held indirectly by the Collateral Obligor as parent company of a special purpose vehicle established to ring-fence the liabilities in relation to any given project.</p> <p>The audited accounts for JAX for the years ended 31 January 2019 and 31 January 2020 are attached at Schedule 4 and Schedule 5 respectively. For reference, the audited net assets of JAX as at 31 January 2020 amounted to approximately GBP £1,465,814 and the audited profits were GBP £135,092 for the financial year ended 31 January 2019. This is demonstrative of an income-producing business capable of servicing at least GBP £1.8 million nominal of Notes issued under the terms set out below prior to and after the resale of the developed units.</p> <p>Among the assets of JAX are real estate developments booked and audited at a value of GBP £5,365,000 (of which there are 10 pending developments held in 50% interests in Urban Village controlled companies and are booked and audited at a value of GBP £4,350,000.</p>
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	<p>Certain of these developments have since been completed and the units are therefore available for onward sale for profit (which is the business of the Urban Village, namely to derive revenue from sales or units or rental of units which are completed but not sold).</p> <p>The JAX real estate interests relate to five projects as set out in Schedule 0, each with units that have a calculable rental value even if they are never sold, although it is the business of the company to transfer them for profit. In either case, their value is sufficient to guarantee the service of Notes up to that amount even without further developments being completed.</p> <p>The management accounts for JAX for the period ended 31 May 2020 are also open to inspection in physical form at the registered office of the Issuer (and will be audited in due course).</p> <p>Further details in relation to JAX are set out at Schedule 1.</p> <p>Res Capitis was incorporated on 16 July 2019. The audited accounts for Res Capitis for the period from incorporation to 31 January 2020 are attached at Schedule 6. Res Capitis holds the other 50% interest in the pending development projects in which JAX holds interests, interests in a further five projects, as well as equity interests in a number of other entities.</p> <p>Thus, JAX and Res Capitis together provide at least the entire historic development portfolio from time to time of Urban Village, and its income-producing activity, to support the Collateral Obligor as guarantors and ensure the repayment of the Series. Going forward, new developments are to be held by the Collateral Obligor and not special purpose vehicles directly held by JAX and Res Capitis.</p> <p>In any event, the audited net assets of Res Capitis amount to approximately GBP £3,435,548 as at 31 January 2020. This value is sufficient to repay further Notes even without further developments being completed and irrespective whether the relevant units are sold or retained to produce income.</p> <p>Management accounts for Res Capitis for the period ended 31 May 2020 are also open to inspection in physical form at the registered office of the Issuer (and will be audited in due course).</p> <p>Further details in relation to Res Capitis are set out in Schedule 2.</p> <p>The Collateral Obligor has been interposed as a holding company for specific Project Companies established using the proceeds of the Notes. JAX and Res Capitis are also guaranteeing the Notes.</p>
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<p><b>OVERVIEW OF THE PRINCIPAL ACTIVITIES OF THE COMPANY</b></p>	<p>The Collateral Obligor carries on a business investing in and developing real estate projects in the residential sector. This will be achieved by either using the proceeds of the Series in the ordinary course of business of the Collateral Obligor or by lending the proceeds of the Series to a wholly owned subsidiary of the Collateral Obligor, which shall be established for the purposes of delivering the business plan for that particular development (the “<b>Project Company</b>”).</p> <p>Locations for projects are specifically chosen within the UK against specific investment criteria and in areas likely to enjoy future economic growth, investment and regeneration. Market experts are appointed to deliver each project according to the latest technologies and skills. The Collateral Obligor considers that its developments will deliver high quality ‘graduate style’ accommodation, with excellent lifestyle facilities, for professional tenants, and will create rental communities, in line with the current Private Rented Sector (PRS) demands for 'Generation Rent', for which there is currently a market shortfall in the United Kingdom - particularly in these locations. The selection criteria for projects are set out in detail in Schedule 7.</p> <p>The Urban Village team is well established and are not dependent upon new projects to derive revenue, which shall recur on the basis of already completed projects, and the sale or rental of the developed units.</p> <p>Each specific real estate project is to be held by a newly established Project Company, wholly owned by the Collateral Obligor and managed by the long-standing Urban Village team. Companies owned or controlled by the management team of the Collateral Obligor have a track record of proven success.</p> <p>A list of the current estimated resale value of the completed portfolio is set out against the booked costs at Schedule 0 for illustrative purposes, with column 2 of the table showing the value as at the audited accounts date and column 3 of the table indicating the value upon completion (where applicable) as at 31 May 2020. The Collateral Obligor shall continue to use the same model as the newly interposed holding company for Urban Village.</p> <p>The funds raised under the Series are to be invested at the discretion of the board of directors of the Collateral Obligor (from which James Sellman controls JAX and Nicholas Sellman controls Res Capitis) for the furtherance of this strategy.</p>
<p><b>MATERIAL ADVERSE CHANGE / LEGAL AND ARBITRATION</b></p>	<p>The Collateral Obligor has confirmed that there has been no material adverse change in the financial position or prospects of the Collateral Obligor as a whole since its incorporation. Further, the Collateral Obligor's directors are not aware of any governmental, legal or arbitration proceedings during a period covering at least the previous 12 months, which may have, or have had in the recent past, any effects on the Collateral Obligor's financial position or profitability.</p>
<p><b>CONFLICTS OF INTEREST</b></p>	<p>All Urban Village projects are undertaken by an established management team with standardised corporate governance processes and internal controls.</p>

	<p>There is no conflict of interest between the Collateral Obligor, its officers, affiliates their officers and the Issuer or the Issuer's directors, or between the directors of the Collateral Obligor and any other duties they may have from other directorships including any private interests they may have, or between the Collateral Obligor and any of the Guarantors arising out of a crossover of directorships between the Collateral Obligor and the Guarantors, as at the date of issue of the Series.</p> <p>The directors of the Collateral Obligor have no known conflicts of interest capable of affecting the activities of this Collateral Obligor and the performance of their duties according to the applicable law.</p>
<b>LEGAL JURISDICTION OF THE COLLATERAL BEING PROVIDED</b>	England & Wales
<b>MATURITY DATE OF THE COLLATERAL BEING PROVIDED</b>	Date on which the liabilities of the Collateral Obligor to the Issuer are repaid in full.
<b>INDICATION OF SIGNIFICANT REPRESENTATIONS AND COLLATERALS GIVEN TO THE ISSUER RELATING TO THE COLLATERAL</b>	<p>The Collateral Obligor has undertaken to grant a first ranking floating charge to the Issuer over its entire assets and undertaking. The charge will be first-ranking upon its grant, subject to registration with the Registrar of Companies in England &amp; Wales.</p> <p>The owners of the Collateral Obligor, JAX and Res Capitis as stated above, have also undertaken to pledge 100% of the shares in the Collateral Obligor in favour of the Issuer by way of further security.</p> <p>JAX and Res Capitis are also severally acting as Guarantors of the Collateral Obligor's liabilities to the Issuer under the Securitisation Bonds.</p> <p>The Collateral Obligor is required to provide to the Issuer quarterly management accounts (comprised in a profit and loss account and balance sheet), and annual audited accounts, together with such other information as the Issuer may reasonably require from time to time. The Collateral Obligor should also provide a summary of its loan book in relation to any project not conducted by the Collateral Obligor but rather by a wholly owned subsidiary of the Collateral Obligor, as well as a report as to the ongoing use of funds and security (if any) on a quarterly basis against any particular assets. Noteholders are not entitled to review such documentation, although the Issuer shall make an announcement in case there is any actual or threatened default of the Series.</p> <p>Securitisation Bonds are subscribed by the Issuer subject to a retention policy of 8% of the subscription proceeds remaining with the Issuer in cash and liquid assets in order to provide a minimum level of liquidity for the Series. .</p>
<b>OVERVIEW OF THE TERMS AND CONDITIONS OF THE COLLATERAL AND SALE</b>	<p>The Collateral is comprised in cash or other liquid assets, the Securitisation Bonds and the assets and undertaking of the Collateral Obligor's business.</p> <p>The rate of interest accruing upon the Securitisation Bonds shall be sufficient to service the Interest Rate of the Series, notwithstanding the Cash Reserve. The Collateral, therefore, has inherent</p>

	characteristics that demonstrate the <u>capacity</u> to produce funds to service any payments due and payable on the Notes of all Series. This is different to the factual <u>likelihood</u> of any given Series being repaid as monies fall due, which will depend on the business underlying that Series, primarily the Collateral Obligor and the Guarantors of the Series, and any risks associated therein.
<b>MATURITY OF THE SERIES</b>	30 June 2025 and 30 June 2023, respectively, as stated in the relevant Pricing Supplement for the Series.
<b>INTEREST RATE OF SERIES</b>	7.49% (for Notes having a maturity of 30 June 2025) and 6.3% (for Notes having a maturity of 30 June 2023), respectively, as stated in the relevant Pricing Supplement for the Series.
<b>PRIMARY CURRENCY OF THE SERIES</b>	GBP
<b>MATURITY OF THE SECURITISATION BONDS</b>	30 June 2025 and 30 June 2023, respectively, as stated in the relevant Pricing Supplement for the Series.
<b>INTEREST RATE OF SECURITISATION BONDS</b>	8.25% (for Notes having a maturity of 30 June 2025) and 7% (for Notes having a maturity of 30 June 2023), respectively, as stated in the relevant Pricing Supplement for the Series.
<b>PRIMARY CURRENCY OF THE SECURITISATION BONDS</b>	GBP
<b>REDEMPTION VALUATIONS DAYS</b>	Not applicable prior to maturity of the Series.
<b>REDEMPTION NOTICE PERIOD</b>	Not applicable.
<b>COMPANY STRATEGY AND PURPOSE OF SECURITISATION BONDS</b>	<p>The purpose of the Securitisation Bonds is primary to provide working capital to the Collateral Obligor.</p> <p>The Issuer has seen a business plan for the use of the subscription proceeds for the Securitisation Bonds as at March 2020, which is attached at Schedule 8 to this Collateral Annex, redacted for commercially sensitive information and personal data.</p> <p>The underlying business for the Series is a property development business with the target properties located exclusively in the United Kingdom. Each specific development project is to be owned by a newly incorporated Project Company.</p> <p>The CVs of key persons, Nick Sellman, Kevin Sharkey, Peter Steer, Jamie Sellman, Jenny Loynton and Nicholas Chritofi form part of the business plan, and demonstrate an established team with a clear track record in the real estate and property development sector such that the Collateral Obligor's team appears suitably experienced and equipped to manage the proposed projects.</p>
<b>RISK FACTORS OF THE SECURITISATION BONDS</b>	<p><b>1. General</b></p> <p>There can be no guarantee that the Collateral Obligor will achieve its stated objectives, or that the revenue or residual value of the assets of the Collateral Obligor will lead to sufficient profits or creditworthiness as regards the repayment of the Securitisation Bonds. There can be no guarantee that the Collateral Obligor will have sufficient assets to repay the amounts arising under the</p>



	<p>Securitisation Bonds as they fall due. There can be no guarantee that the business strategy of or its implementation by the Collateral Obligor will be successful.</p> <p>Where a property development is completed and requires an asset manager or other third party to manage actively the development in order to derive an income stream, if that party defaults or one or more investments of the Collateral Obligor generally fails deliver a planned income stream or return the amounts originally invested, this may affect the Collateral Obligor's ability to meet its obligations under the Securitisation Bonds notwithstanding that other debtors are meeting their obligations or that other assets can realise their residual value.</p> <p>The ability of the Collateral Obligor to discharge its obligations under the Securitisation Bonds may in any event depend on the status from time to time of the real estate market in the United Kingdom generally, which may vary significantly, or become affected by external economic factors, such as Brexit or any other similar political or market discontent.</p> <p><b>2. Residual value</b></p> <p>The underlying real estate assets of the Project Companies have a residual value. However, any such asset relied upon for liquidity may not become liquid in the amount so relied upon, when it comes to repaying interest or principal or any other amounts accruing under the Securitisation Bonds. Further, assets which may appear liquid now may later become illiquid, such that they cannot be realised in the timescales needed to repay principal or interest under the Securitisation Bonds.</p> <p>In any event, the residual value of a partially completed development could be substantially lower than the residual value of a completed development. It also restricts the ability of the developer to dispose of individual units and, instead, must find another developer to buy and complete the development. This could delay or impact payments owing under the Securitisation Bonds.</p> <p><b>3. Indebtedness and bank borrowings</b></p> <p>It may be appropriate to seek bank financing or other debt financing for one or more projects, in addition to funding under the Series. The availability of that financing may affect the ongoing viability of any project, or the business plan of the Collateral Obligor as a whole. Further, any lender institution is likely to take direct security over the relevant development (see below), which may or may not affect the ability of the Collateral Obligor to pay its debts as they fall due under the Securitisation Bonds.</p> <p><b>4. Execution and costs risks</b></p> <p>The Collateral Obligor may find that the costs or other risks associated with investing in one or more developments are in excess of the sums set aside for doing so, or are in excess of the amounts required to ensure the returns identified in the Collateral Obligor's business plan as being available. The costs of execution and/or breach of any given third party arrangement or service provider</p>
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arrangement (building contractors, for example) due to a cash shortage may also (directly or indirectly) affect the liquidity of the assets of the Collateral Obligor.

#### **5. Dependence on key executives and personnel**

The Collateral Obligor's future success is substantially dependent on the continued services and performance of its directors and senior management.

The Collateral Obligor does not as at the date of this document carry key man insurance in this respect, to mitigate the costs of finding suitable replacements. In any event, any key man cover taken out (should the Collateral Obligor decide to do so) may not necessarily represent the full value of the Securitisation Bonds.

The resumes of the management team for the Collateral Obligor are open to inspection at the registered office of the Issuer upon reasonable request.

#### **6. Government and legislative change and threat of litigation**

Changes in the law or regulation generally in relation to the property sector or construction industry generally could create a cost burden which adversely affects the return on any investment in the Collateral Obligor.

#### **7. Act of God and other unforeseeable obstacles**

It may be that one or more development works are subjected to unusual weather or other environmental factors which render the economic proposals of the business plan temporarily or permanently uneconomic or unviable. Further, a project may be forestalled by other unseen obstacles relating to the obtaining of permits or general occupancy in the timescales projected. The repayment of the Securitisation Bonds could be affected by this.

#### **8. Secured creditors**

Where the Collateral Obligor has entered into security with a High Street lender for one or more projects, any land or other real estate purchased using the proceeds of the Securitisation Bonds may be charged by way of security as against the lender in order to secure the construction or other development costs. Accordingly, while such assets may have a residual value, the entire residual value may not be available to discharge the obligations of the Securitisation Bonds.

#### **9. Competitive tenders**

One or more of the opportunities identified as a suitable project for this Series may be competitively tendered to the highest bidder, which could substantially increase development costs, and up-front investment. This may impact the liquidity of the Parent Company, which could consequentially affect the Collateral Obligor's ability to pay its debts as they fall due.

#### **10. Real Estate Market**

The real estate projects that the Collateral Obligor may fund may be subject to volatility as the value of such projects depend on factors including the general economic climate and outlook, overall

performance and outlook of the property market and related sectors, market value of and amount of rental income generated by the real estate projects, the levels of and any changes in interest rates, and the overall depth and liquidity of the real estate market. This volatility may affect the Collateral Obligor's ability to service the Securitisation Bonds.

#### **11. Liquidity**

The real estate projects that the Collateral Obligor may fund are relatively illiquid, which may affect the Collateral Obligor's ability to vary the assets in its investment portfolio or liquidate its assets in response to changes in economic or market conditions. This may affect the Collateral Obligor's financial condition and ability to repay the Securitisation Bonds.

#### **12. Revenue**

Revenue earned from underlying real estate projects funded by the Collateral Obligor may be affected by factors including but not limited to: the existence and maintenance of key tenants and vacancies, the ability of a property manager to collect rent from tenants on a timely basis (or at all), terms under which the leases are renewed and the amount of rental rebates granted to tenants due to market pressure, ability of a property manager to manage, maintain and insure the properties, competition for tenants, and changes in the relevant laws and regulations.

#### **13. Key Man Risk**

The management team of the Collateral Obligor and its success is largely dependent on James Sellman who controls JAX and Nicholas Sellman who controls Res Capitis for the furtherance of the strategy of the Collateral Obligor. This means the Collateral Obligor's business may be heavily dependent on the personality and specific skills of the individuals concerned.

#### **14. Covid-19**

While the effects of the pandemic are uncertain and cannot be predicted at this time, the persistence of the pandemic and the resulting business closures, travel restrictions and quarantine requirements may adversely impact economic conditions and may trigger a period of global economic slowdown. Such a slowdown especially in the UK economy could have a pronounced impact on the financial performance and valuation of the real estate projects that the Collateral Obligor may fund due to the reduction in real estate property transactions that has resulted in less reliable market data on which to base valuations. The Collateral Obligor could also be affected by any overall weakening of, or disruptions in, the real estate markets or a general recession in the UK and Europe due to Covid-19, which may affect its ability to make payments under the Securitisation Bonds.

#### **15. Market Demand**

Demand for 'graduate style' accommodation may not materialise or may fluctuate significantly, which may affect a consistent rental yield. The prospective withdrawal of the United Kingdom from the

European Union could also adversely affect demand and may thus have a negative impact on the Collateral Obligor's ability to make payments under the Securitisation Bonds.

#### **16. Project Company**

The real estate projects have not yet been identified and any Project Company has not been incorporated as at the publication date of this Supplement.

Prospective Noteholders are subscribing to the Notes of this Series on the basis of the strength of the management team and the Guarantee. Any Project Company may never produce sufficient revenues to make payments under the Securitisation Bonds. Payment of the Securitisation Bonds may be solely dependent on the enforcement of the Guarantee.

The management team of the Collateral Obligor has complete flexibility to decide how to allocate the proceeds of the Series. The selection of the Real estate projects and the incorporation of any Project Company is subject to the discretion of the management team and may never materialise. Failure to identify suitable real estate projects may result in the Collateral Obligor failing to make payments under the Securitisation Bonds.

Prospective Noteholders will not be given any details on potential real estate projects or any respective Project Company prior to subscribing for Notes. Noteholders will also not be given updates or information of any kind in the future in respect of the real estate projects or any Project Company.

#### **17. Industry Concentration**

Because the Collateral Obligor concentrates its funds in the real estate industry by way of selecting real estate projects, its ability to make payments under the Securitisation Bonds may be affected by events that adversely affect that industry and its continued ability to make payments may be more volatile as a result.

#### **18. Real Estate Investing**

Investing in the offering is heavily reliant on real estate, which involves risks including the potential loss of principal. The real estate projects and any Project Company is subject to risks similar to those associated with the direct ownership of real estate, as any Project Company is sensitive to factors such as changes to real estate values and property taxes, interest rates, cash flow of underlying real estate assets, and supply and demand.

The assets of any Project Company may experience price volatility and other risks associated with non-diversification. Economic factors, market conditions, and management strategies will affect the performance of any Project Company and there is no assurance that a Project Company will ever produce a profitable yield. There is no guarantee that the investment objectives of any Project Company will be achieved.

#### **19. Unsecured Obligations**

The Securitisation Bonds represent an unsecured obligation of the Collateral Obligor and will rank *pari passu* with all other unsecured

and unsubordinated obligations of the Collateral Obligor. This means that in the event of the Collateral Obligor's liquidation, Noteholders will only be entitled to receive any proceeds from the realisation of the Collateral Obligor's assets once prioritised creditors (including secured creditors (if any)) have been paid in full. Each prospective Noteholder should be aware that there is a risk that they may lose all or part of their respective investment if the Collateral Obligor can no longer make payments under the Securitisation Bonds.

#### **20. Subcontractor Risk**

Subcontractors may be engaged to perform part of the Urban Village projects. Notwithstanding the evaluation and selection of subcontractors, there is no assurance that the work quality of subcontractors can always meet specified requirements. As a result, the Urban Village projects may incur additional costs or be subject to liability due to subcontractors' unsatisfactory performance. Such events could impact upon the Collateral Obligor's financial performance and its ability to service the Securitisation Bonds. In addition, there is no assurance that appropriate subcontractors will always be able to be secured when required or be available for acceptable fees and terms of service. In such event, the Urban Village project's operation may be adversely affected and therefore the financial position of the Collateral Obligor.

#### **21. Work Site Accidents**

Notwithstanding occupational health and safety measures that are required to be followed by employees and subcontractors, accidents leading to personal injuries, property damages and/or fatal accidents remain an inherent risk at work sites. In addition, notwithstanding the on-site supervision of subcontractors at work sites, there is no assurance that there will not be any violation of safety measures or other related rules and regulations employees or subcontractors. Any such violation may lead to higher probability of occurrences, and/or increased seriousness, of personal injuries, property damages and/or fatal accidents at work sites, which may materially and adversely affect the Urban Village project's operations as well as the Collateral Obligor's financial position to the extent not covered by insurance policies.

#### **22. Changes in Environmental Requirements**

Operations at work sites are subject to certain environmental requirements pursuant to the laws in England and Wales, including primarily those in relation to air pollution control, noise control, water pollution control and waste disposal. Such regulations may be revised by the Government from time to time. Any changes to such regulations and guidelines may increase the cost of the Urban Village projects and therefore the Collateral Obligor's financial position and ability to service the Securitisation Bonds.

#### **23. Adverse Weather Conditions**

Projects may be undertaken outdoors and therefore, operations may be interrupted or otherwise affected by adverse weather conditions such as rainstorms, which may cause difficulties to completing projects on schedule. In addition, the financial position of the

	<p>Collateral Obligor is subject to other construction risks such as fire and suspension of water and electricity supplies, which may also affect work progress. Adverse weather conditions and other construction risks may give rise to delays in completion of works and/or cost overruns, which in turn may materially and adversely affect the Collateral Obligor's financial condition.</p> <p><b>25. Competition Risk</b></p> <p>The Urban Village projects face competition from other companies operating in the construction and real-estate industry. Some competitors may enjoy substantial competitive advantages over the Urban Village projects, such as greater name recognition, and substantially greater financial, technical and other resources. In addition, the real-estate industry is highly fragmented, and it is possible that competitors will consolidate or will be acquired. Some competitors may also enter into new alliances with each other or may establish or strengthen cooperative relationships. Any such consolidation, acquisition, alliance or cooperative relationship could lead to pricing pressure, reduced profit margins and loss of market share and could result in one or more competitors with greater financial, technical, marketing, service and other resources, all of which could have a material adverse effect on the Collateral Obligor's financial condition and ability to service the Securitisation Bonds.</p>
<b>INSPECTION DOCUMENTS</b>	<p>For as long as the securities are listed on the Official List of Euronext Dublin and admitted to trading on the Global Exchange Market the following documents will be available for physical inspection at the registered office of the Issuer in relation to this Collateral Obligor:</p> <ol style="list-style-type: none"> <li>1. Business Plan for the Collateral Obligor dated March 2020, including the CVs of the management team.</li> <li>2. Audited financial statements for JAX for the year ended 31 January 2019.</li> <li>3. Audited financial statements for JAX for the year ended 31 January 2020.</li> <li>4. Audited financial statements for Res Capitis for the year ended 31 January 2019.</li> <li>5. Audited financial statements for the year ended 31 January 2020.</li> <li>6. Management accounts for JAX and Res Capitis for the period ended 31 May 2020.</li> <li>7. Memorandum and articles of association of the Collateral Obligor.</li> <li>8. Guarantee from JAX.</li> <li>9. Guarantee from Res Capitis.</li> </ol>

**1 SCHEDULE 1**

<b>NAME OF GUARANTOR</b>	JAX Holdings Limited (“JAX” and a “Guarantor”)
<b>JURISDICTION OF INCORPORATION</b>	England & Wales
<b>REGISTERED ADDRESS</b>	7 Trinity Place, Midland Drive, Sutton Coldfield, England, B72 1TX, United Kingdom
<b>LEGISLATION UNDER WHICH THIS GUARANTOR OPERATES</b>	England & Wales
<b>LEGAL FORM</b>	Private company limited by shares
<b>DATE OF INCORPORATION</b>	29 October 2015
<b>REGISTERED NUMBER</b>	09848553
<b>SHARE CAPITAL</b>	GBP 10, divided into 10 ordinary shares of GBP 1.00.
<b>SHAREHOLDERS</b>	James Sellman, director of the Collateral Obligor and Chief Operating Officer. The correspondence address for the shareholder is Unit 7 Midland Drive, Sutton Coldfield, England, B72 1TX, United Kingdom
<b>DIRECTORS</b>	James Sellman The correspondence address for the director is Unit 7 Midland Drive, Sutton Coldfield, England, B72 1TX, United Kingdom
<b>FINANCIAL YEAR END</b>	31 January
<b>AUDITORS</b>	Trevor Jones & Co Old Bank Chambers 582-586 Kingsbury Road Erdington Birmingham (Chartered according to the Institute of Chartered Accountants of England & Wales)
<b>HISTORICAL FINANCIAL INFORMATION / FINANCIAL STATEMENTS</b>	The audited accounts for JAX for the years ended 31 January 2019 and 31 January 2020 are attached at Schedule 4 and Schedule 5 respectively. Management accounts for JAX for the period ended 31 May 2020 are also open to inspection in physical form at the registered office of the Issuer.
<b>OVERVIEW OF THE PRINCIPAL ACTIVITIES OF THE COMPANY</b>	JAX is the personal investment vehicle of James Sellman, and holds all of his personal corporate interests, primarily but not exclusively his interests in Urban Village. JAX is a 50% shareholder of the Collateral Obligor and controls the Collateral Obligor in relation to the business activities described for the Collateral Obligor. James Sellman is the brother of Nicholas Sellman, who controls Res Capitis. The participations in historic Urban Village projects is not necessarily 50/50 with Res Capitis, which depended on the circumstances of the project at the time (and JAX substantially pre-dates the incorporation of Res Capitis).



<b>NATURE AND SCOPE OF GUARANTEE</b>	<p>JAX as Guarantor and the Issuer as obligee have agreed to enter into a guarantee for the purpose of providing credit support to the Issuer for the liabilities from time to time outstanding of the Collateral Obligor to the Issuer (the “<b>Guarantee</b>”).</p> <p>The Guarantee provides that in consideration of the Issuer subscribing to the Securitised Bonds issued by the Collateral Obligor, JAX guarantees to the Issuer, if the Collateral Obligor does not pay when due any sums owing under the Securitised Bonds, to pay on demand all sums due to the Issuer.</p>
<b>MATERIAL ADVERSE CHANGE / LEGAL AND ARBITRATION</b>	<p>JAX has confirmed that there has been no material adverse change in the financial position or prospects of JAX as a whole since its incorporation. Further, JAX's director is not aware of any governmental, legal or arbitration proceedings during a period covering at least the previous 12 months, which may have, or have had in the recent past, any effects on the JAX's financial position or profitability.</p>
<b>CONFLICTS OF INTEREST</b>	<p>There is no conflict of interest between JAX, its officers, affiliates their officers and the Issuer or the Issuer's directors. There is further no conflict of interest between the directors of the Collateral Obligor arising out of a crossover of directorships between JAX and the Collateral Obligor, or between the directors of JAX and any other duties they may have from other directorships including any private interests, as at the date of issue of the Series.</p>
<b>LEGAL JURISDICTION OF THE COLLATERAL BEING PROVIDED</b>	<p>England &amp; Wales</p>
<b>MATURITY DATE OF THE COLLATERAL BEING PROVIDED</b>	<p>Date on which the liabilities of the Collateral Obligor to the Issuer are repaid in full.</p>
<b>INDICATION OF SIGNIFICANT REPRESENTATIONS AND COLLATERALS GIVEN TO THE ISSUER RELATING TO THE COLLATERAL</b>	<p>The Collateral Obligor has undertaken to grant a first ranking floating charge to the Issuer over its entire assets and undertaking. The charge will be first-ranking upon its grant, subject to registration with the Registrar of Companies in England &amp; Wales.</p> <p>The owners of the Collateral Obligor, JAX and Res Capitis as stated above, have also undertaken to pledge 100% of the shares in the Collateral Obligor in favour of the Issuer by way of further security.</p> <p>JAX and Res Capitis are also severally acting as guarantors of the Collateral Obligor's liabilities to the Issuer under the Programme.</p> <p>The Collateral Obligor is required to provide to the Issuer quarterly management accounts (comprised in a profit and loss account and balance sheet), and annual audited accounts, for itself, JAX and Res Capitis, together with such other information as the Issuer may reasonably require from time to time. The Collateral Obligor should also provide a summary of its loan book in relation to any project not conducted by the Collateral Obligor but rather by a wholly owned subsidiary of the Collateral Obligor, as well as a report as to the ongoing use of funds and security (if any) on a quarterly basis against any particular assets. Noteholders are not entitled to review such documentation, although the Issuer shall make an announcement in case there is any actual or threatened default of the Series.</p>



	<p>Securitisation Bonds are subscribed by the Issuer subject to a retention policy of 8% of the subscription proceeds remaining with the Issuer in cash and liquid assets in order to provide a minimum level of liquidity for the Series. .</p>
<b>OVERVIEW OF THE TERMS AND CONDITIONS OF THE COLLATERAL AND SALE</b>	<p>The Collateral is comprised in cash or other liquid assets, the Securitisation Bonds and the assets and undertaking of the Collateral Obligor's business.</p>
<b>COMPANY STRATEGY AND PURPOSE OF SECURITISATION BONDS</b>	<p>The purpose of the Securitisation Bonds is primarily to provide working capital to the Collateral Obligor for the activities described above.</p> <p>The Issuer has seen a business plan for the use of the subscription proceeds for the Securitisation Bonds as at March 2020, which is open to inspection in physical form at the registered office of the Issuer.</p> <p>The CVs of the management team of the Urban Village business are also open to inspection in physical form at the registered office of the Issuer. It is the Issuer's opinion that the team demonstrates sufficient expertise and sufficient role coverage within the team to deliver the business plan.</p>
<b>RISK FACTORS OF THE GUARANTOR</b>	<p>Also see the risk factors associated with the Collateral Obligor. JAX is an affiliate of Collateral Obligor by virtue of the common directorship of James Sellman. However, the Guarantor is a personal investment company of James Sellman, holding all of his corporate interests in projects not limited to those of the historic Urban Village portfolio. These projects are not necessarily held on a 50/50 basis with Res Capitis as is the case with the ownership of the Collateral Obligor.</p> <p><b>1. General</b></p> <p>There can be no guarantee that the Guarantor continues its successful track record. The value of the Guarantor's assets may go down as well as up in the ordinary course of the business, given its market exposures as a whole.</p> <p>JAX holds diverse investments not limited to Urban Village. The value, in particular of JAX's assets may vary independently from the success or failure of the Urban Village business, historic and contemplated.</p> <p>The Issuer may therefore realise less than its original investment in the event that the Guarantor's pre-existing or new investments are unsuccessful, which could weaken the value of the Guarantor's Guarantee of the Notes.</p> <p>It may be difficult to ascertain in a real time basis whether JAX or Res Capitis is a more appropriate party to pursue if the Collateral Obligor defaults, which may increase costs of recovery.</p> <p>Any particular Urban Village project or controlled legal entity may suffer in the market for commercial reasons within and outside the control of the Collateral Obligor, the Guarantor and the Issuer. A failure of a particular Urban Village project may disproportionately affect the consolidated underlying value of JAX as against Res Capitis</p>

or the Collateral Obligor, which may weaken the value of any guarantee.

## **2. Operational risks**

Carrying on a business imports an inherent risk of failure of that business for many reasons. Unanticipated situations may arise on site or may affect cash-flow or the net assets of JAX (pre-existing or otherwise), any of which may cause increased cost or delay or cause the business to fail (in extreme circumstances). This may include new projects for which James Sellman invests through his personal investment company, JAX.

## **3. Unforeseen matters and withholdings of information**

Whilst the Issuer has undertaken an established due diligence process prior to the issue of Notes, there may be hidden defects which were not apparent or identified and which may later affect the value of JAX.

## **4. Real Estate Market**

JAX's indirectly held real estate assets may be subject to volatility as the value of such assets depend on factors including the general economic climate and outlook, overall performance and outlook of the property market and related sectors, market value of and amount of rental income generated by the real estate projects, the levels of and any changes in interest rates, and the overall depth and liquidity of the real estate market. This volatility may as a result affect JAX's ability to satisfy the Guarantee. There is, to date, no general diversity of risk vis-à-vis the exposure of the Collateral Obligor, save that it has a share of pre-existing completed developments in its portfolio in which the Collateral Obligor has no interest.

## **5. Liquidity**

JAX derives income regularly from the sale of real estate units in historic Urban Village projects, which is recurring and ongoing. However, JAX's real estate assets remain potentially illiquid which may affect its ability to vary the assets in its investment portfolio or liquidate its assets in response to changes in economic or market conditions. This may affect JAX's financial condition and ability to satisfy the Guarantee.

## **6. Revenue**

Revenue earned from JAX's underlying real estate assets may be affected by factors including but not limited to: the existence and maintenance of key tenants and vacancies, the ability of a property manager to collect rent from tenants on a timely basis (or at all), terms under which the leases are renewed and the amount of rental rebates granted to tenants due to market pressure, ability of a property manager to manage, maintain and insure the properties, competition for tenants, and changes in the relevant laws and regulations.

## **7. Key Man Risk**

JAX is the personal investment vehicle of James Sellman, who also participates in the management team of Urban Village. JAX's business and its ability to act as Guarantor may be heavily dependent

	<p>on the personality and specific skills of James Sellman to realise value from its pre-existing assets to repay any liabilities arising under the Guarantee.</p> <p><b>8. Valuation and Covid-19</b></p> <p>While the effects of the pandemic are uncertain and cannot be predicted at this time, the persistence of the pandemic and the resulting business closures, travel restrictions and quarantine requirements may adversely impact economic conditions and may trigger a period of global economic slowdown. Such a slowdown especially in the UK economy could have a pronounced impact on the financial performance and valuation of the real estate assets of JAX due to the reduction in real estate property transactions that has resulted in less reliable market data on which to base valuations. JAX could also be affected by any overall weakening of, or disruptions in, the real estate markets or a general recession in the UK and Europe due to Covid-19, which may affect its ability to satisfy the Guarantee.</p> <p><b>9. Geographical Concentration</b></p> <p>JAX operates primarily in England. As a result, JAX is exposed to changes in the macroeconomic situations in that geographical area. In particular, a stagnation or reduction in England's gross domestic product and a rise in unemployment could lead to a decrease in the level of consumption and consequently cause a reduction in demand for real estate developed by JAX, resulting in adverse effects on the business, assets, liabilities, results of operations and/or financial condition of JAX. Furthermore, the reliance on market demand in this geographical area means that a possible economic downturn could have adverse effects on the business, assets, liabilities, results of operations and/or financial condition of JAX.</p> <p><b>10. Risks Related to Competition</b></p> <p>Increased competition may force prices for development sites upwards, reducing development opportunities. Persistently high real estate prices could make purchasing commercial real estate portfolios to be disposed of in the short term more difficult. In addition, market saturation in certain geographical areas might have adverse effects on JAX's financial, operating and economic condition. In particular, competition could create difficulties in leasing JAX's real estate assets, whereas the saturation of certain geographical areas could limit the possibility of investing in new initiatives, thus affecting the JAX's financial, operating and economic conditions. The increased competition in each of the markets in which the Issuer operates may have an adverse effect on the economic and financial condition of JAX.</p>
<b>INSPECTION DOCUMENTS</b>	<p>For as long as the securities are listed on the Official List of Euronext Dublin and admitted to trading on the Global Exchange Market the following documents will be available for physical inspection at the registered office of the Issuer in relation to this Collateral Obligor:</p> <ol style="list-style-type: none"> <li>1. Business Plan for Urban Village dated March 2020, including the CVs of the management team.</li> </ol>

	<ol style="list-style-type: none"><li>2. Audited accounts for JAX for the period ended 31 January 2019.</li><li>3. Audited accounts for JAX for the period ended 31 January 2020.</li><li>4. Management accounts for JAX for the period ended 31 May 2020.</li><li>5. Memorandum and articles of association of JAX.</li></ol>
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**2 SCHEDULE 2**

<b>NAME OF GUARANTOR</b>	Res Capitis Holdings Limited (“Res Capitis” and a “Guarantor”)
<b>JURISDICTION OF INCORPORATION</b>	England & Wales
<b>REGISTERED ADDRESS</b>	7 Trinity Place, Midland Drive, Sutton Coldfield, England, B72 1TX, United Kingdom
<b>LEGISLATION UNDER WHICH THIS GUARANTOR OPERATES</b>	England & Wales
<b>LEGAL FORM</b>	Private company limited by shares
<b>DATE OF INCORPORATION</b>	16 July 2019
<b>REGISTERED NUMBER</b>	12105984
<b>SHARE CAPITAL</b>	GBP 100, divided into 100 ordinary shares of GBP 1.00.
<b>SHAREHOLDERS</b>	<p>Res Progressio Holdings Limited (incorporated in England &amp; Wales on 19 July 2019 and whose registered office is at Vincent Court Vincent Court, Hubert Street, Birmingham, England, B6 4BA).</p> <p>Res Progressio Holdings Limited is wholly owned and controlled by Nicholas James Sellman, director of the Collateral Obligor and Chief Executive Officer of Urban Village.</p> <p>The correspondence address for the shareholder and its beneficial owners are Unit 7 Midland Drive, Sutton Coldfield, England, B72 1TX, United Kingdom</p>
<b>DIRECTORS</b>	<p>Nicholas James Sellman</p> <p>The correspondence address for the director is Unit 7 Midland Drive, Sutton Coldfield, England, B72 1TX, United Kingdom</p>
<b>FINANCIAL YEAR END</b>	31 January
<b>AUDITORS</b>	<p>Trevor Jones &amp; Co</p> <p>Old Bank Chambers</p> <p>582-586 Kingsbury Road Erdington</p> <p>Birmingham</p> <p>(Chartered according to the Institute of Chartered Accountants of England &amp; Wales)</p>
<b>HISTORICAL FINANCIAL INFORMATION / FINANCIAL STATEMENTS</b>	<p>The audited accounts for Res Capitis for the period ended 31 January 2020 are attached at Schedule 6.</p> <p>Management accounts for Res Capitis for the period ended 31 May 2020 are also open to inspection in physical form at the registered office of the Issuer.</p>
<b>OVERVIEW OF THE PRINCIPAL ACTIVITIES OF THE COMPANY</b>	<p>Res Capitis is a personal investment vehicle of Nicholas Sellman, and holds all of his personal corporate interests, primarily but not exclusively his interests in Urban Village. Res Capitis is a 50% shareholder of the Collateral Obligor, and controls the Collateral Obligor in relation to the business activities described for the Collateral Obligor. Nicholas Sellman is the brother of James Sellman,</p>

	<p>who controls JAX. The participations in historic Urban Village projects is not necessarily 50/50 with JAX, which depended on the circumstances of the project at the time (and JAX substantially pre-dates the incorporation of Res Capitis).</p>
<b>MATERIAL ADVERSE CHANGE / LEGAL AND ARBITRATION</b>	<p>Res Capitis has confirmed that there has been no material adverse change in the financial position or prospects of Res Capitis as a whole since its incorporation. Further, Res Capitis's director is not aware of any governmental, legal or arbitration proceedings during a period covering at least the previous 12 months, which may have, or have had in the recent past, any effects on the Res Capitis's financial position or profitability.</p>
<b>NATURE AND SCOPE OF GUARANTEE</b>	<p>Res Capitis as Guarantor and the Issuer as obligee have agreed to enter into a guarantee for the purpose of providing credit support to the Issuer for the liabilities from time to time outstanding of the Collateral Obligor to the Issuer (the "<b>Guarantee</b>").</p> <p>The Guarantee provides that in consideration of the Issuer subscribing to the Securitised Bonds issued by the Collateral Obligor, Res Capitis guarantees to the Issuer, if the Collateral Obligor does not pay when due any sums owing under the Securitised Bonds, to pay on demand all sums due to the Issuer.</p>
<b>CONFLICTS OF INTEREST</b>	<p>There is no conflict of interest between Res Capitis, its officers, affiliates their officers and the Issuer or the Issuer's directors. There is further no conflict of interest between the directors of the Collateral Obligor arising out of a crossover of directorships between Res Capitis and the Collateral Obligor, or between the directors of Res Capitis and any other duties they may have from other directorships including any private interests, as at the date of issue of the Series.</p>
<b>LEGAL JURISDICTION OF THE COLLATERAL BEING PROVIDED</b>	<p>England &amp; Wales</p>
<b>MATURITY DATE OF THE COLLATERAL BEING PROVIDED</b>	<p>Date on which the liabilities of the Collateral Obligor to the Issuer are repaid in full.</p>
<b>INDICATION OF SIGNIFICANT REPRESENTATIONS AND COLLATERALS GIVEN TO THE ISSUER RELATING TO THE COLLATERAL</b>	<p>The Collateral Obligor has undertaken to grant a first ranking floating charge to the Issuer over its entire assets and undertaking. The charge will be first-ranking upon its grant, subject to registration with the Registrar of Companies in England &amp; Wales.</p> <p>The owners of the Collateral Obligor, JAX and Res Capitis as stated above, have also undertaken to pledge 100% of the shares in the Collateral Obligor in favour of the Issuer by way of further security.</p> <p>JAX and Res Capitis are also severally acting as guarantors of the Collateral Obligor's liabilities to the Issuer under the Programme.</p> <p>The Collateral Obligor is required to provide to the Issuer quarterly management accounts (comprised in a profit and loss account and balance sheet), and annual audited accounts, for itself, JAX and Res Capitis, together with such other information as the Issuer may reasonably require from time to time. The Collateral Obligor should also provide a summary of its loan book in relation to any project not conducted by the Collateral Obligor but rather by a wholly owned</p>

	<p>subsidiary of the Collateral Obligor, as well as a report as to the ongoing use of funds and security (if any) on a quarterly basis against any particular assets. Noteholders are not entitled to review such documentation, although the Issuer shall make an announcement in case there is any actual or threatened default of the Series.</p> <p>Securitisation Bonds are subscribed by the Issuer subject to a retention policy of 8% of the subscription proceeds remaining with the Issuer in cash and liquid assets in order to provide a minimum level of liquidity for the Series. .</p>
<b>OVERVIEW OF THE TERMS AND CONDITIONS OF THE COLLATERAL AND SALE</b>	The Collateral is comprised in cash or other liquid assets, the Securitisation Bonds and the assets and undertaking of the Collateral Obligor's business.
<b>COMPANY STRATEGY AND PURPOSE OF SECURITISATION BONDS</b>	<p>The purpose of the Securitisation Bonds is primarily to provide working capital to the Collateral Obligor for the activities described above.</p> <p>The Issuer has seen a business plan for the use of the subscription proceeds for the Securitisation Bonds as at March 2020, which is open to inspection in physical form at the registered office of the Issuer.</p> <p>The CVs of the management team of the Urban Village business are also open to inspection in physical form at the registered office of the Issuer. It is the Issuer's opinion that the team demonstrates sufficient expertise and sufficient role coverage within the team to deliver the business plan.</p>
<b>RISK FACTORS OF THE GUARANTOR</b>	<p>Also see the risk factors associated with the Collateral Obligor. By virtue of the common directorship of Nicholas Sellman. However, the Guarantor is a personal investment company of Nicholas Sellman, holding all of his corporate interests in projects not limited to those of the historic Urban Village portfolio. These projects are not necessarily held on a 50/50 basis with JAX, as is the case with the ownership of the Collateral Obligor.</p> <p><b>1. General</b></p> <p>There can be no guarantee that the Guarantor continues its successful track record. The value of the Guarantor's assets may go down as well as up in the ordinary course of the business, given its market exposures as a whole. Further, there is no limitation on Res Capitis pursuing other personal investment projects of Nicholas Sellman from time to time (although it has not done so to date as a relatively newly established company).</p> <p>The Issuer may therefore realise less than its original investment in the event that the Guarantor has insufficient assets at the time when recovery is sought, and therefore the Noteholders may receive less than the principal value of the Notes unless it is able to effect recovery from the other Guarantor.</p> <p>It may be difficult to ascertain in a real time basis whether Res Capitis or JAX is a more appropriate party to pursue if the Collateral Obligor defaults, which may increase costs of recovery.</p>



Any particular Urban Village project or controlled legal entity may suffer in the market for commercial reasons within and outside the control of the Collateral Obligor, the Guarantor and the Issuer. A failure of a particular Urban Village project may also disproportionately affect the consolidated underlying value of Res Capitis, as against JAX or the Collateral Obligor and, therefore weaken the value of the Guarantee given by Res Capitis.

## **2. Operational risks**

Carrying on a business imports an inherent risk of failure of that business for many reasons. Unanticipated situations may arise on site or may affect cash-flow or the net assets of Res Capitis (pre-existing or otherwise), any of which may cause increased cost or delay or cause the business to fail (in extreme circumstances). This may also include new projects for which Nicholas Sellman wishes to invest through the Guarantor, his personal investment company.

## **3. Unforeseen matters and withholdings of information**

Whilst the Issuer has undertaken an established due diligence process prior to the issue of Notes, there may be hidden defects which were not apparent or identified and which may later affect the value of Res Capitis.

## **4. Real Estate Market**

Res Capitis' indirectly held real estate assets may be subject to volatility as the value of such assets depend on factors including the general economic climate and outlook, overall performance and outlook of the property market and related sectors, market value of and amount of rental income generated by the real estate projects, the levels of and any changes in interest rates, and the overall depth and liquidity of the real estate market. This volatility may as a result affect Res Capitis' ability to satisfy the Guarantee. There is, to date, no general diversity of risk vis-à-vis the exposure of the Collateral Obligor, save that it has a share of some pre-existing completed developments in its portfolio in which the Collateral Obligor has no interest.

## **5. Liquidity**

Res Capitis derives income regularly from the sale of real estate units in historic Urban Village projects, which is recurring and ongoing. However, Res Capitis' real estate assets remain potentially illiquid which may affect its ability to vary the assets in its investment portfolio or liquidate its assets in response to changes in economic or market conditions. This may affect Res Capitis' financial condition and ability to satisfy the Guarantee.

## **6. Revenue**

Revenue earned from Res Capitis' underlying real estate assets may be affected by factors including but not limited to: the existence and maintenance of key tenants and vacancies, the ability of a property manager to collect rent from tenants on a timely basis (or at all), terms under which the leases are renewed and the amount of rental rebates granted to tenants due to market pressure, ability of a property manager to manage, maintain and insure the properties,



competition for tenants, and changes in the relevant laws and regulations.

#### **7. Key Man Risk**

Res Capitis is a personal investment vehicle of Nicholas Sellman, who also participates in the management of Urban Village. Res Capitis and its success is largely dependent on Nicholas Sellman acting through Res Progressio Holdings Limited for the furtherance of acting as Guarantor. In any event, the underlying value of the assets of the Guarantor from time to time may be heavily dependent on the personality and specific skills of Nicholas Sellman, such that the Guarantor may repay any liabilities arising under the Guarantee.

#### **8. Valuation and Covid-19**

While the effects of the pandemic are uncertain and cannot be predicted at this time, the persistence of the pandemic and the resulting business closures, travel restrictions and quarantine requirements may adversely impact economic conditions and may trigger a period of global economic slowdown. Such a slowdown especially in the UK economy could have a pronounced impact on the financial performance and valuation of the real estate assets of Res Capitis due to the reduction in real estate property transactions that has resulted in less reliable market data on which to base valuations. Res Capitis could also be affected by any overall weakening of, or disruptions in, the real estate markets or a general recession in the UK and Europe due to Covid-19, which may affect its ability to satisfy the Guarantee.

#### **9. Geographical Concentration**

Res Capitis operates primarily in England. As a result, Res Capitis is exposed to changes in the macroeconomic situations in that geographical area. In particular, a stagnation or reduction in England's gross domestic product and a rise in unemployment could lead to a decrease in the level of consumption and consequently cause a reduction in demand for real estate developed by Res Capitis, resulting in adverse effects on the business, assets, liabilities, results of operations and/or financial condition of Res Capitis. Furthermore, the reliance on market demand in this geographical area means that a possible economic downturn could have adverse effects on the business, assets, liabilities, results of operations and/or financial condition of Res Capitis.

#### **10. Risks Related to Competition**

Increased competition may force prices for development sites upwards, reducing development opportunities. Persistently high real estate prices could make purchasing commercial real estate portfolios to be disposed of in the short term more difficult. In addition, market saturation in certain geographical areas might have adverse effects on Res Capitis' financial, operating and economic condition. In particular, competition could create difficulties in leasing Res Capitis' real estate assets, whereas the saturation of certain geographical areas could limit the possibility of investing in new initiatives, thus affecting the Res Capitis' financial, operating and economic conditions. The increased competition in each of the

	markets in which the Issuer operates may have an adverse effect on the economic and financial condition of Res Capitis.
<b>INSPECTION DOCUMENTS</b>	<p>For as long as the securities are listed on the Official List of Euronext Dublin and admitted to trading on the Global Exchange Market the following documents will be available for physical inspection at the registered office of the Issuer in relation to this Collateral Obligor:</p> <ol style="list-style-type: none"><li>1. Business Plan for Urban Village dated March 2020, including the CVs of the management team.</li><li>2. Audited accounts for Res Capitis for the period from incorporation to 31 January 2020.</li><li>3. Management accounts for Res Capitis for the period ended 31 May 2020.</li><li>4. Memorandum and articles of association of Res Capitis.</li></ol>

**3 SCHEDULE 3**

**THE URBAN VILLAGE PORTFOLIO (ILLUSTRATIVE VALUES)**

**Accounts & Project Asset Values :****Res Capitis Holdings Limited  
JAX Holdings Limited**

15.07.20

JAX Holdings Limited	31.01.20 Accts	Current i.e. incl. revalns for those assets now completing	Projected i.e. incl. revalns for those assets completing <12m	Status	Comments
Arden House	4,350,000	4,350,000		Complete	
Northwood Investments (Atlantic)	765,000	-		Complete	Last Unit sold February 20
Coleshill Residential (Orchard Court)	360,000	360,000		Complete	
Four Oaks House	6,153,148	13,860,000		Completing	Independent valuation
Ringway House	4,506,003	10,900,000		Completing	Independent valuation
<b>TOTAL</b>	<b>16,134,151</b>	<b>29,470,000</b>	<b>No change</b>		

Res Capitas Holdings Limited	31.01.20 Accts	Current i.e. incl. revalns for those assets now completing	Projected i.e. incl. revalns for those assets completing <12m	Status	Comments
Rowley Properties (Tomlinson House)	4,185,000		4,185,000	Complete	
Equinox House	9,750,700		9,750,700	Complete	
Moat House	1,800,000		1,800,000	Complete	
Maltings BOT	1,344,091		23,217,965	Pre Build	Independent valuation
Knights House	9,761,008		9,761,008	Complete	
Equipoint	11,923,821		37,460,000	In Build phase	Independent valuation
Old Art School	1,653,253		1,653,253	Complete	
<b>TOTAL</b>	<b>40,417,873</b>	<b>No change</b>	<b>87,827,926</b>		

**4 SCHEDULE 4**

**JAX HOLDINGS AUDITED ACCUNTS FOR THE PERIOD ENDED 31 JANUARY 2019**

**Report of the Director and  
Consolidated Financial Statements  
for the Period 1 November 2017 to 31 January 2019  
for  
Jax Holdings Limited**

**Jax Holdings Limited**

**Contents of the Consolidated Financial Statements  
for the Period 1 November 2017 to 31 January 2019**

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**Jax Holdings Limited**  
**Company Information**  
**for the Period 1 November 2017 to 31 January 2019**

**DIRECTOR:** J P Sellman

**REGISTERED OFFICE:** 7 Trinity Place  
Midland Drive  
Sutton Coldfield  
B72 1TX

**REGISTERED NUMBER:** 09848553 (England and Wales)

**SENIOR STATUTORY AUDITOR:** Adrian McKeown

**AUDITORS:** Trevor Jones & Co  
Old Bank Chambers  
582-586 Kingsbury Road  
Erdington  
Birmingham



**Jax Holdings Limited**

**Report of the Director  
for the Period 1 November 2017 to 31 January 2019**

The director presents his report with the financial statements of the company and the group for the period 1 November 2017 to 31 January 2019.

**PRINCIPAL ACTIVITY**

The principal activity of the group in the period under review was that of a property management and development company.

**DIRECTOR**

J P Sellman held office during the whole of the period from 1 November 2017 to the date of this report.

**STATEMENT OF DIRECTOR'S RESPONSIBILITIES**

The director is responsible for preparing the Report of the Director and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the company's and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable him to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the director is aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

**AUDITORS**

The auditors, Trevor Jones & Co, will be proposed for re-appointment at the forthcoming Annual General Meeting.

This report has been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

**ON BEHALF OF THE BOARD:**



J P Sellman - Director

Date: 29/06/2020

## **Report of the Independent Auditors to the Members of Jax Holdings Limited**

### **Opinion**

We have audited the financial statements of Jax Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the period ended 31 January 2019 which comprise the Consolidated Income Statement, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company affairs as at 31 January 2019 and of the group's profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The director is responsible for the other information. The other information comprises the information in the Report of the Director, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Report of the Director for the financial year for which the financial statements are prepared is consistent with the financial statements; and
  - the Report of the Director has been prepared in accordance with applicable legal requirements.
- the corresponding figures are unaudited.

**Report of the Independent Auditors to the Members of  
Jax Holdings Limited**

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Director.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the director was not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption from the requirement to prepare a Group Strategic Report or in preparing the Report of the Director.

**Responsibilities of director**

As explained more fully in the Statement of Director's Responsibilities set out on page two, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the director determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the director is responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the director either intends to liquidate the group or the parent company or to cease operations, or has no realistic alternative but to do so.

**Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Report of the Auditors.

**Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Trevor Jones & Co*

Adrian McKeown (Senior Statutory Auditor)  
for and on behalf of Trevor Jones & Co  
Old Bank Chambers  
582-586 Kingsbury Road  
Erdington  
Birmingham

Date: 29/6/20

**Jax Holdings Limited**

**Consolidated Income Statement  
for the Period 1 November 2017 to 31 January 2019**

	Period 1.11.17 to 31.1.19 £	Year Ended 31.10.17 £
<b>TURNOVER</b>	680,107	204,073
Administrative expenses	(225,049)	(163,894)
<b>OPERATING PROFIT</b>	455,058	40,179
Interest receivable and similar income	14	86
	455,072	40,265
Gain/loss on revaluation of investment property	-	1,203,229
	455,072	1,243,494
Interest payable and similar expenses	(214,013)	(95,599)
<b>PROFIT BEFORE TAXATION</b>	241,059	1,147,895
Tax on profit	(40,000)	(228,614)
<b>PROFIT FOR THE FINANCIAL PERIOD</b>	201,059	919,281
Profit attributable to:		
Owners of the parent	114,277	901,569
Non-controlling interests	86,782	17,712
	201,059	919,281

The notes form part of these financial statements

Jax Holdings Limited (Registered number: 09848553)

Consolidated Balance Sheet  
31 January 2019

	Notes	31.1.19 £	31.10.17 £
<b>FIXED ASSETS</b>			
Investments	5		
Interest in associate		15	15
Investment property	6	4,350,000	4,350,000
		<u>4,350,015</u>	<u>4,350,015</u>
<b>CURRENT ASSETS</b>			
Stocks		7,659,869	3,882,373
Debtors	7	277,007	24,926
Cash at bank and in hand		17,932	26,596
		<u>7,954,808</u>	<u>3,933,895</u>
<b>CREDITORS</b>			
Amounts falling due within one year	8	(1,332,083)	(687,308)
<b>NET CURRENT ASSETS</b>			
		<u>6,622,725</u>	<u>3,246,587</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		10,972,740	7,596,602
<b>CREDITORS</b>			
Amounts falling due after more than one year	9	(9,653,959)	(6,478,830)
<b>PROVISIONS FOR LIABILITIES</b>			
		<u>(228,614)</u>	<u>(228,614)</u>
<b>NET ASSETS</b>			
		<u>1,090,167</u>	<u>889,158</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	11	10	10
Fair value reserve	12	974,615	974,615
Retained earnings		11,048	(103,229)
<b>SHAREHOLDERS' FUNDS</b>			
		<u>985,673</u>	<u>871,396</u>
<b>NON-CONTROLLING INTERESTS</b>			
		<u>104,494</u>	<u>17,762</u>
<b>TOTAL EQUITY</b>			
		<u>1,090,167</u>	<u>889,158</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the director and authorised for issue on 29/6/20 and were signed by:

  
J P Sellman - Director

The notes form part of these financial statements

Jax Holdings Limited (Registered number: 09848553)

Company Balance Sheet  
31 January 2019

	Notes	31.1.19 £	31.10.17 £
<b>FIXED ASSETS</b>			
Investments	5	175	175
Investment property	6	-	-
		<u>175</u>	<u>175</u>
<b>CURRENT ASSETS</b>			
Cash in hand		10	10
<b>CREDITORS</b>			
Amounts falling due within one year	8	(175)	(175)
<b>NET CURRENT LIABILITIES</b>			
		<u>(165)</u>	<u>(165)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<u>10</u>	<u>10</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	11	10	10
<b>SHAREHOLDERS' FUNDS</b>			
		<u>10</u>	<u>10</u>
Company's profit for the financial year		-	-
		<u>-</u>	<u>-</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the director and authorised for issue on 29/01/20 and were signed by:



Director

The notes form part of these financial statements

Jax Holdings Limited

Consolidated Statement of Changes in Equity  
for the Period 1 November 2017 to 31 January 2019

	Called up share capital £	Retained earnings £	Fair value reserve £
<b>Balance at 1 November 2016</b>	-	(30,183)	-
<b>Changes in equity</b>			
Issue of share capital	10	-	-
Total comprehensive income	-	(73,046)	974,615
	10	(103,229)	974,615
Non-controlling interest arising on business combination	-	-	-
<b>Balance at 31 October 2017</b>	10	(103,229)	974,615
<b>Changes in equity</b>			
Total comprehensive income	-	114,277	-
	10	11,048	974,615
Non-controlling interest arising on business combination	-	-	-
<b>Balance at 31 January 2019</b>	10	11,048	974,615
	<b>Total</b>	<b>Non-controlling</b>	<b>Total</b>
	<b>£</b>	<b>interests</b>	<b>equity</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Balance at 1 November 2016</b>	(30,183)	-	(30,183)
<b>Changes in equity</b>			
Issue of share capital	10	-	10
Total comprehensive income	901,569	-	901,569
	871,396	-	871,396
Non-controlling interest arising on business combination	-	17,762	17,762
<b>Balance at 31 October 2017</b>	871,396	17,762	889,158
<b>Changes in equity</b>			
Total comprehensive income	114,277	-	114,277
	985,673	17,762	1,003,435
Non-controlling interest arising on business combination	-	86,782	86,782
<b>Balance at 31 January 2019</b>	985,673	104,544	1,090,217

The notes form part of these financial statements

**Jax Holdings Limited**

**Company Statement of Changes in Equity  
for the Period 1 November 2017 to 31 January 2019**

	Called up share capital £	Retained earnings £	Total equity £
<b>Changes in equity</b>			
Issue of share capital	10	-	10
<b>Balance at 31 October 2017</b>	<u>10</u>	<u>-</u>	<u>10</u>
<b>Changes in equity</b>			
<b>Balance at 31 January 2019</b>	<u>10</u>	<u>-</u>	<u>10</u>

The notes form part of these financial statements



## Jax Holdings Limited

### Notes to the Consolidated Financial Statements for the Period 1 November 2017 to 31 January 2019

#### 1. STATUTORY INFORMATION

Jax Holdings Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the General Information page.

#### 2. ACCOUNTING POLICIES

##### **Basis of preparing the financial statements**

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" including the provisions of Section 1A "Small Entities" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The financial statements are presented in Sterling (£) and rounded to the nearest £.

The group financial statements consolidate the financial statements of the company and all its subsidiary undertakings up to 31 January each year.

##### **Basis of consolidation**

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 January each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed.

The introduction of a new holding company constitutes a group reconstruction and has been accounted for using merger accounting principles. The consolidated financial statements of the company are presented as if they had always been part of the same group. Accordingly, the results of the group for the 15 months to 31 January 2019 are shown in the consolidated income statement and the comparative figures for the 12 months to 31 October 2017 are also prepared on this basis.

##### **Turnover**

Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

##### **Investments in subsidiaries and associates**

Investments in subsidiary and associate undertakings are recognised at cost.

##### **Investment property**

Investment property is shown at most recent valuation. Any aggregate surplus or deficit arising from changes in fair value is recognised in profit or loss.

##### **Stocks**

Work in progress is valued at the lower of cost and net realisable value. As a group policy, interest is capitalised when properties are under development and included within work in progress.

##### **Taxation**

Taxation for the period comprises current and deferred tax. Tax is recognised in the Consolidated Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

## Jax Holdings Limited

### Notes to the Consolidated Financial Statements - continued for the Period 1 November 2017 to 31 January 2019

#### 2. ACCOUNTING POLICIES - continued

##### Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

##### Going concern

At the time of approving the financial statements, the Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

#### 3. EMPLOYEES AND DIRECTORS

The average number of employees during the period was NIL (2017 - NIL).

The average number of employees by undertakings that were proportionately consolidated during the period was NIL (2017 - NIL).

#### 4. INDIVIDUAL INCOME STATEMENT

As permitted by Section 408 of the Companies Act 2006, the Income Statement of the parent company is not presented as part of these financial statements.

#### 5. FIXED ASSET INVESTMENTS

##### Group

	Interest in associate £
<b>COST</b>	
At 1 November 2017 and 31 January 2019	15
<b>NET BOOK VALUE</b>	
At 31 January 2019	15
At 31 October 2017	15

**Jax Holdings Limited**

**Notes to the Consolidated Financial Statements - continued  
for the Period 1 November 2017 to 31 January 2019**

**5. FIXED ASSET INVESTMENTS - continued**

<b>Company</b>	Shares in group undertakings £	Interest in associate £	Totals £
<b>COST</b>			
At 1 November 2017 and 31 January 2019	160	15	175
<b>NET BOOK VALUE</b>			
At 31 January 2019	160	15	175
At 31 October 2017	160	15	175

The group or the company's investments at the Balance Sheet date in the share capital of companies include the following:

**Subsidiaries**

**Four Oaks House Developments Ltd**

Registered office: 7 Trinity Place, Midland Drive, Sutton Coldfield, B72 1TX

Nature of business: Property development

	%
Class of shares:	holding
Ordinary	50.00

**Ringway House Developments Ltd**

Registered office: 7 Trinity Place, Midland Drive, Sutton Coldfield, B72 1TX

Nature of business: Property development

	%
Class of shares:	holding
Ordinary	100.00

**Arden House Developments Ltd**

Registered office: 7 Trinity Place, Midland Drive, Sutton Coldfield, B72 1TX

Nature of business: Property development

	%
Class of shares:	holding
Ordinary	100.00

**Arden House Management Ltd**

Registered office: 7 Trinity Place, Midland Drive, Sutton Coldfield, B72 1TX

Nature of business: Property management

	%
Class of shares:	holding
Ordinary	100.00

**Jax Holdings Limited**

**Notes to the Consolidated Financial Statements - continued  
for the Period 1 November 2017 to 31 January 2019**

**6. INVESTMENT PROPERTY**

**Group**

	Total £
<b>FAIR VALUE</b>	
At 1 November 2017 and 31 January 2019	4,350,000
<b>NET BOOK VALUE</b>	
At 31 January 2019	<u>4,350,000</u>
At 31 October 2017	<u>4,350,000</u>

If investment property had not been revalued, it would have been valued at the following historical cost:

	2019	2017
Cost	3,146,771	3,146,771

Investment property was valued on an open market basis on 11/05/2017 by Knight Frank

**7. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>Group</b>	
	31.1.19 £	31.10.17 £
Trade debtors	55,120	-
Other debtors	221,887	24,926
	<u>277,007</u>	<u>24,926</u>

**8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>Group</b>		<b>Company</b>	
	31.1.19 £	31.10.17 £	31.1.19 £	31.10.17 £
Trade creditors	230,349	6,153	-	-
Taxation and social security	40,000	-	-	-
Other creditors	1,061,734	681,155	175	175
	<u>1,332,083</u>	<u>687,308</u>	<u>175</u>	<u>175</u>

**9. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<b>Group</b>	
	31.1.19 £	31.10.17 £
Bank loans	9,433,959	6,478,830
Other creditors	220,000	-
	<u>9,653,959</u>	<u>6,478,830</u>

**Jax Holdings Limited**

**Notes to the Consolidated Financial Statements - continued  
for the Period 1 November 2017 to 31 January 2019**

**10. SECURED DEBTS**

The following secured debts are included within creditors:

	<b>Group</b>	
	31.1.19	31.10.17
	£	£
Bank loans	9,433,959	6,478,830

**11. CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	31.1.19	31.10.17
			£	£
100	Ordinary	1	10	10

**12. RESERVES**

**Group**

			Fair value reserve £
At 1 November 2017 and 31 January 2019			974,615

**13. RELATED PARTY DISCLOSURES**

At the end of the year the amounts below were owed to associated companies, these amounts have been included in other creditors:

	<b>2019</b>	<b>2017</b>
Equinox Developments	5,000	5,000
Brickmort	36,654	36,654
Oxford Property Investments	57,981	29,563
Knights House Developments	38,100	
Key Land Capital	308,000	
UV Management	13,913	

At the end of the year the amounts below were owed by associated companies, these amounts have been included in other debtors:

	<b>2019</b>	<b>2017</b>
Trinity Point	123,000	
Northwood	41,000	

**14. ULTIMATE CONTROLLING PARTY**

The controlling party is J P Sellman.

**Jax Holdings Limited**

**Consolidated Trading and Profit and Loss Account  
for the Period 1 November 2017 to 31 January 2019**

	Period 1.11.17 to 31.1.19		Year Ended 31.10.17	
	£	£	£	£
<b>Sales</b>		680,107		204,073
<b>Cost of sales</b>				
Opening work in progress	3,881,239		-	
Purchases	3,778,630		3,881,239	
	7,659,869		3,881,239	
Closing work in progress	(7,659,869)		(3,881,239)	
	-	-	-	-
<b>GROSS PROFIT</b>		680,107		204,073
<b>Other income</b>				
Deposit account interest		14		86
		680,121		204,159
<b>Expenditure</b>				
Rates and water	8,975		1,493	
Insurance	(1,160)		3,474	
Light and heat	31,045		4,621	
Repairs to property	55,265		-	
Wages	5,417		70,417	
Travelling	4,648		-	
Management charges	-		58,500	
Licences and insurance	12,766		-	
Repairs and renewals	10,088		9,892	
Household and cleaning	9,507		-	
Sundry expenses	5,442		794	
Accountancy	2,924		2,716	
Management fees	53,277		-	
Legal fees	26,401		11,704	
	224,595		163,611	
		455,526		40,548
<b>Finance costs</b>				
Bank charges	454		283	
Bank interest	214,013		83,103	
Bank loan interest	-		12,496	
	214,467		95,882	
		241,059		(55,334)
<b>Gain/loss on revaluation of assets</b>				
Gain/loss on revaluation of investment property		-		1,203,229
<b>NET PROFIT</b>		241,059		1,147,895

This page does not form part of the statutory financial statements



**5 SCHEDULE 5**

**JAX HOLDINGS AUDITED ACCOUNTS FOR THE PERIOD ENDED 31 JANUARY 2020**



**Report of the Director and  
Consolidated Financial Statements for the Year Ended 31 January 2020  
for  
Jax Holdings Limited**

**Jax Holdings Limited**

**Contents of the Consolidated Financial Statements  
for the Year Ended 31 January 2020**

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**Jax Holdings Limited**  
**Company Information**  
**for the Year Ended 31 January 2020**

**DIRECTOR:** J P Sellman

**REGISTERED OFFICE:** 7 Trinity Place  
Midland Drive  
Sutton Coldfield  
B72 1TX

**REGISTERED NUMBER:** 09848553 (England and Wales)

**SENIOR STATUTORY AUDITOR:** Adrian McKeown

**AUDITORS:** Trevor Jones & Co  
Old Bank Chambers  
582-586 Kingsbury Road  
Erdington  
Birmingham

## Jax Holdings Limited

### Report of the Director for the Year Ended 31 January 2020

The director presents his report with the financial statements of the company and the group for the year ended 31 January 2020.

#### PRINCIPAL ACTIVITY

The principal activity of the group in the year under review was that of a property management and development company.

#### EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the notes to the financial statements.

#### DIRECTOR

J P Sellman held office during the whole of the period from 1 February 2019 to the date of this report.

#### STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The director is responsible for preparing the Report of the Director and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the company's and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable him to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the director is aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

#### AUDITORS

The auditors, Trevor Jones & Co, will be proposed for re-appointment at the forthcoming Annual General Meeting.

This report has been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

#### ON BEHALF OF THE BOARD:

  
.....  
J P Sellman - Director

Date: 29/06/2020

## **Report of the Independent Auditors to the Members of Jax Holdings Limited**

### **Opinion**

We have audited the financial statements of Jax Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 January 2020 which comprise the Consolidated Income Statement, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company affairs as at 31 January 2020 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The director is responsible for the other information. The other information comprises the information in the Report of the Director, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Report of the Director for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Director has been prepared in accordance with applicable legal requirements.

**Report of the Independent Auditors to the Members of  
Jax Holdings Limited**

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Director.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the director was not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption from the requirement to prepare a Group Strategic Report or in preparing the Report of the Director.

**Responsibilities of director**

As explained more fully in the Statement of Director's Responsibilities set out on page two, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the director determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the director is responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the director either intends to liquidate the group or the parent company or to cease operations, or has no realistic alternative but to do so.

**Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Report of the Auditors.

**Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Trevor Jones & Co*

Adrian McKeown (Senior Statutory Auditor)  
for and on behalf of Trevor Jones & Co  
Old Bank Chambers  
582-586 Kingsbury Road  
Erdington  
Birmingham

Date: 29/6/20

Jax Holdings Limited

Consolidated Income Statement  
for the Year Ended 31 January 2020

	Year Ended 31.1.20 £	Period 1.11.17 to 31.1.19 £
<b>TURNOVER</b>		
<b>GROUP TURNOVER</b>	1,306,796	3,827,859
Cost of sales	(661,213)	(2,725,431)
<b>GROSS PROFIT</b>	645,583	1,102,428
Administrative expenses	(322,627)	(290,188)
	322,956	812,240
Other operating income	6,520	-
<b>OPERATING PROFIT</b>	329,476	812,240
Interest receivable and similar income	38	19
	329,514	812,259
Gain/loss on revaluation of investment property	146,349	-
	475,863	812,259
Interest payable and similar expenses	(249,392)	(214,013)
<b>PROFIT BEFORE TAXATION</b>	226,471	598,246
Tax on profit	(91,379)	(96,426)
<b>PROFIT FOR THE FINANCIAL YEAR</b>	135,092	501,820
Profit attributable to:		
Owners of the parent	82,288	415,038
Non-controlling interests	52,804	86,782
	135,092	501,820

The notes form part of these financial statements

Jax Holdings Limited (Registered number: 09848553)

Consolidated Balance Sheet  
31 January 2020

	Notes	31.1.20 £	31.1.19 £
<b>FIXED ASSETS</b>			
Investments	5		
Interest in associate		48	15
Investment property	6	5,365,000	4,350,000
		<u>5,365,048</u>	<u>4,350,015</u>
<b>CURRENT ASSETS</b>			
Stocks		10,769,151	9,139,467
Debtors	7	656,675	716,903
Cash at bank and in hand		190,787	97,368
		<u>11,616,613</u>	<u>9,953,738</u>
<b>CREDITORS</b>			
Amounts falling due within one year	8	(4,124,510)	(3,090,458)
<b>NET CURRENT ASSETS</b>			
		<u>7,492,103</u>	<u>6,863,280</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		12,857,151	11,213,295
<b>CREDITORS</b>			
Amounts falling due after more than one year	9	(11,134,917)	(9,653,959)
<b>PROVISIONS FOR LIABILITIES</b>			
		<u>(256,420)</u>	<u>(228,614)</u>
<b>NET ASSETS</b>			
		<u><u>1,465,814</u></u>	<u><u>1,330,722</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital		10	10
Fair value reserve	11	1,093,158	974,615
Retained earnings		215,348	251,603
<b>SHAREHOLDERS' FUNDS</b>			
		<u>1,308,516</u>	<u>1,226,228</u>
<b>NON-CONTROLLING INTERESTS</b>			
		<u>157,298</u>	<u>104,494</u>
<b>TOTAL EQUITY</b>			
		<u><u>1,465,814</u></u>	<u><u>1,330,722</u></u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the director and authorised for issue on 29/6/20 and were signed by:



J P Sellman - Director

The notes form part of these financial statements



Jax Holdings Limited (Registered number: 09848553)

Company Balance Sheet  
31 January 2020

	Notes	31.1.20 £	31.1.19 £
<b>FIXED ASSETS</b>			
Investments	5	309	175
Investment property	6	-	-
		<u>309</u>	<u>175</u>
<b>CURRENT ASSETS</b>			
Cash in hand		10	10
<b>CREDITORS</b>			
Amounts falling due within one year	8	(309)	(175)
<b>NET CURRENT LIABILITIES</b>			
		<u>(299)</u>	<u>(165)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<u>10</u>	<u>10</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital		10	10
<b>SHAREHOLDERS' FUNDS</b>			
		<u>10</u>	<u>10</u>
Company's profit for the financial year		<u>-</u>	<u>-</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the director and authorised for issue on 29/5/20 and were signed by:



Director

The notes form part of these financial statements

**Jax Holdings Limited**

**Consolidated Statement of Changes in Equity  
for the Year Ended 31 January 2020**

	Called up share capital £	Retained earnings £	Fair value reserve £
<b>Balance at 1 November 2017</b>	-	(163,435)	974,615
<b>Changes in equity</b>			
Issue of share capital	10	-	-
Total comprehensive income	-	415,038	-
	10	251,603	974,615
Non-controlling interest arising on business combination	-	-	-
<b>Balance at 31 January 2019</b>	10	251,603	974,615
<b>Changes in equity</b>			
Total comprehensive income	-	(36,255)	118,543
	10	215,348	1,093,158
Non-controlling interest arising on business combination	-	-	-
<b>Balance at 31 January 2020</b>	10	215,348	1,093,158
	Total £	Non-controlling interests £	Total equity £
<b>Balance at 1 November 2017</b>	811,180	17,712	828,892
<b>Changes in equity</b>			
Issue of share capital	10	-	10
Total comprehensive income	415,038	-	415,038
	1,226,228	17,712	1,243,940
Non-controlling interest arising on business combination	-	86,782	86,782
<b>Balance at 31 January 2019</b>	1,226,228	104,494	1,330,722
<b>Changes in equity</b>			
Total comprehensive income	82,288	-	82,288
	1,308,516	104,494	1,413,010
Non-controlling interest arising on business combination	-	52,804	52,804
<b>Balance at 31 January 2020</b>	1,308,516	157,298	1,465,814

The notes form part of these financial statements

**Jax Holdings Limited**

**Company Statement of Changes in Equity  
for the Year Ended 31 January 2020**

	Called up share capital £	Retained earnings £	Total equity £
<b>Changes in equity</b>			
Issue of share capital	10	-	10
<b>Balance at 31 January 2019</b>	10	-	10
<b>Changes in equity</b>			
<b>Balance at 31 January 2020</b>	10	-	10

The notes form part of these financial statements

## Jax Holdings Limited

### Notes to the Consolidated Financial Statements for the Year Ended 31 January 2020

#### 1. STATUTORY INFORMATION

Jax Holdings Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the General Information page.

#### 2. ACCOUNTING POLICIES

##### **Basis of preparing the financial statements**

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" including the provisions of Section 1A "Small Entities" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets.

The financial statements are presented in Sterling (£) and rounded to the nearest £.

The group financial statements consolidate the financial statements of the company and all its subsidiary undertakings up to 31 January each year.

##### **Basis of consolidation**

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 January each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed.

The introduction of a new holding company constitutes a group reconstruction and has been accounted for using merger accounting principles. The consolidated financial statements of the company are presented as if they had always been part of the same group. Accordingly, the results of the group for the 12 months to 31 January 2020 are shown in the consolidated income statement and the comparative figures for the 15 months to 31 January 2019 are also prepared on this basis.

##### **Turnover**

Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

##### **Investments in associates**

Investments in associate undertakings are recognised at cost.

##### **Investment property**

Investment property is shown at most recent valuation. Any aggregate surplus or deficit arising from changes in fair value is recognised in profit or loss.

##### **Stocks**

Work in progress is valued at the lower of cost and net realisable value. As a group policy, interest is capitalised when properties are under development and included within work in progress.

##### **Taxation**

Taxation for the year comprises current and deferred tax. Tax is recognised in the Consolidated Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

## Jax Holdings Limited

### Notes to the Consolidated Financial Statements - continued for the Year Ended 31 January 2020

#### 2. ACCOUNTING POLICIES - continued

##### Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

##### Going concern

At the time of approving the financial statements, the Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

#### 3. EMPLOYEES AND DIRECTORS

The average number of employees during the year was NIL (2019 - NIL).

The average number of employees by undertakings that were proportionately consolidated during the year was NIL (2019 - NIL).

#### 4. INDIVIDUAL INCOME STATEMENT

As permitted by Section 408 of the Companies Act 2006, the Income Statement of the parent company is not presented as part of these financial statements.

#### 5. FIXED ASSET INVESTMENTS

##### Group

	Interest in associate £
<b>COST</b>	
At 1 February 2019	15
Additions	33
	<hr/>
At 31 January 2020	48
	<hr/>
<b>NET BOOK VALUE</b>	
At 31 January 2020	48
	<hr/>
At 31 January 2019	15
	<hr/>

**Jax Holdings Limited**

**Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 January 2020**

**5. FIXED ASSET INVESTMENTS - continued**

<b>Company</b>	Shares in group undertakings £	Interest in associate £	Totals £
<b>COST</b>			
At 1 February 2019	160	15	175
Additions	101	33	134
	<hr/>	<hr/>	<hr/>
At 31 January 2020	261	48	309
	<hr/>	<hr/>	<hr/>
<b>NET BOOK VALUE</b>			
At 31 January 2020	261	48	309
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 January 2019	160	15	175
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The group or the company's investments at the Balance Sheet date in the share capital of companies include the following:

**Subsidiaries**

**Four Oaks House Developments Ltd**

Registered office: 7 Trinity Place, Midland Drive, Sutton Coldfield, B72 1TX

Nature of business: Property development

	%
Class of shares:	holding
Ordinary	50.00

**Ringway House Developments Ltd**

Registered office: 7 Trinity Place, Midland Drive, Sutton Coldfield, B72 1TX

Nature of business: Property development

	%
Class of shares:	holding
Ordinary	100.00

**Arden House Developments Ltd**

Registered office: 7 Trinity Place, Midland Drive, Sutton Coldfield, B72 1TX

Nature of business: Property development

	%
Class of shares:	holding
Ordinary	100.00

**Arden House Management Ltd**

Registered office: 7 Trinity Place, Midland Drive, Sutton Coldfield, B72 1TX

Nature of business: Property management

	%
Class of shares:	holding
Ordinary	100.00

**Atlantic House Developments Ltd**

Registered office: 7 Trinity Place, Midland Drive, Sutton Coldfield, B72 1TX

Nature of business: Property development

	%
Class of shares:	holding
Ordinary	100.00

**Jax Holdings Limited**

**Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 January 2020**

**5. FIXED ASSET INVESTMENTS - continued**

**Northwood Investments 1 Ltd**

Registered office: Vincent Court, Hubert Street, Birmingham, B6 4BA

Nature of business: Property development

	%
Class of shares:	holding
Ordinary	100.00

**Coleshill Developments Ltd**

Registered office: 7 Trinity Place, Midland Drive, Sutton Coldfield, B72 1TX

Nature of business: Property development

	%
Class of shares:	holding
Ordinary	100.00

**Coleshill Residential Ltd**

Registered office: Vincent Court, Hubert Street, Birmingham, B6 4BA

Nature of business: Property development

	%
Class of shares:	holding
Ordinary	100.00

**Ringway House Management Ltd**

Registered office: Vincent House, Hubert Street, Birmingham, B6 4BA

Nature of business: Dormant Company

	%
Class of shares:	holding
Ordinary	100.00

**6. INVESTMENT PROPERTY**

**Group**

	Total £
<b>FAIR VALUE</b>	
At 1 February 2019	4,350,000
Reclassification/transfer	1,015,000
	5,365,000
<b>NET BOOK VALUE</b>	
At 31 January 2020	5,365,000
At 31 January 2019	4,350,000

If investment property had not been revalued, it would have been valued at the following historical cost:

	<b>2020</b>	<b>2019</b>
Cost	4,161,771	3,146,771

Investment property was valued on an open market basis on 11/05/2017 by Knight Frank (RICS)

**Jax Holdings Limited**

**Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 January 2020**

**7. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>Group</b>	
	31.1.20 £	31.1.19 £
Trade debtors	11,021	55,120
Other debtors	645,654	661,783
	<u>656,675</u>	<u>716,903</u>

**8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>Group</b>		<b>Company</b>	
	31.1.20 £	31.1.19 £	31.1.20 £	31.1.19 £
Bank loans and overdrafts	2,259,366	1,441,973	-	-
Trade creditors	290,683	265,270	-	-
Taxation and social security	185,446	119,472	-	-
Other creditors	1,389,015	1,263,743	309	175
	<u>4,124,510</u>	<u>3,090,458</u>	<u>309</u>	<u>175</u>

**9. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<b>Group</b>	
	31.1.20 £	31.1.19 £
Bank loans	10,584,917	9,433,959
Other creditors	550,000	220,000
	<u>11,134,917</u>	<u>9,653,959</u>

**10. SECURED DEBTS**

The following secured debts are included within creditors:

	<b>Group</b>	
	31.1.20 £	31.1.19 £
Bank loans	12,844,283	10,875,932

There are fixed and floating charges held in relation to the freehold properties by which finance has been granted.



**Jax Holdings Limited**

**Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 January 2020**

**11. RESERVES**

**Group**

	Fair value reserve £
At 1 February 2019	974,615
Fair value adjustment	118,543
	1,093,158
At 31 January 2020	1,093,158

**12. RELATED PARTY DISCLOSURES**

At the end of the year the amounts below were owed to associated companies, these amounts have been included in other creditors:

	2020	2019
Equinox Developments	6,500	6,500
Brickmort	36,654	36,654
Oxford Property Investments	147,143	57,981
Knights House Developments	21,534	38,100
Key Land Capital	331,000	308,000
UV Management	79,264	13,913
Nick Sellman (Holdings)	11,098	
BG HMO	359	
Francis Road	52,500	
JCM Property Holdings	5,952	
	674,800	751,050

At the end of the year the amounts below were owed by associated companies, these amounts have been included in other debtors:

	2020	2019
Trinity Point	150,000	123,000
Northwood	173,536	41,000
Tamworth Street	445	445
Court Lane Developments	23,307	23,307
DNG Bedford	2,500	
Master Developments	112,849	410,239
Rowley Properties	154	
UV Cap1	60	
	462,841	608,031

**13. POST BALANCE SHEET EVENTS**

Since the year end, one of the development projects have completed which has resulted in a significant uplift in asset value.

The property completed is Ringway House, which has cost included in work in progress at the balance sheet date of £4.5m, is now valued at £10.9m

This is an uplift in asset value of circa £4.5m after costs incurred to date and will be reflected in the 31st January 2021 accounts.

**Jax Holdings Limited**

**Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 January 2020**

**14. ULTIMATE CONTROLLING PARTY**

The controlling party is J P Sellman.

**Jax Holdings Limited**

**Consolidated Trading and Profit and Loss Account  
for the Year Ended 31 January 2020**

	Year Ended 31.1.20		Period 1.11.17 to 31.1.19	
	£	£	£	£
<b>Sales</b>		1,306,796		3,827,859
<b>Cost of sales</b>				
Opening work in progress	9,139,467		4,825,926	
Purchases	2,627,874		7,038,972	
Work in progress reclassification	(868,651)		-	
Sub contractors	531,674		-	
	11,430,364		11,864,898	
Closing work in progress	(10,769,151)		(9,139,467)	
		661,213		2,725,431
<b>GROSS PROFIT</b>		645,583		1,102,428
<b>Other income</b>				
Rents received	6,520		-	
Deposit account interest	38		19	
	6,558		19	
		652,141		1,102,447
<b>Expenditure</b>				
Rates and water	29,760		11,512	
Service charges	15,007		-	
Insurance	-		(1,160)	
Light and heat	29,144		37,281	
Repairs to property	-		55,265	
Wages	-		5,417	
Telephone	410		2,645	
Post and stationery	89		1,185	
Advertising	966		-	
Travelling	2,757		12,821	
Licences and insurance	43,024		19,482	
Security charges	13,174		-	
Repairs and renewals	15,358		10,405	
Household and cleaning	17,782		10,297	
Sundry expenses	2,834		17,540	
Accountancy	9,233		7,497	
Management fees	75,255		55,013	
Legal fees	47,621		40,678	
	302,414		285,878	
		349,727		816,569
<b>Finance costs</b>				
Bank charges	20,213		4,310	
Bank interest	249,392		214,013	
	269,605		218,323	
		80,122		598,246

This page does not form part of the statutory financial statements

**Jax Holdings Limited**

**Consolidated Trading and Profit and Loss Account  
for the Year Ended 31 January 2020**

	Year Ended 31.1.20		Period 1.11.17 to 31.1.19	
	£	£	£	£
Brought forward		80,122		598,246
<b>Gain/loss on revaluation of assets</b>				
Gain/loss on revaluation of investment property		146,349		-
<b>NET PROFIT</b>		<u>226,471</u>		<u>598,246</u>

This page does not form part of the statutory financial statements

**6 SCHEDULE 6**

**RES CAPITIS – AUDITED ACCOUNTS FOR THE PERIOD ENDED 31 JANUARY 2020**

**Report of the Director and  
Consolidated Financial Statements  
for the Period 16 July 2019 to 31 January 2020  
for  
Res Capitis Holdings Limited**

**Res Capitis Holdings Limited**

**Contents of the Consolidated Financial Statements  
for the Period 16 July 2019 to 31 January 2020**

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<b>Report of the Director</b>	2
<b>Report of the Independent Auditors</b>	3
<b>Consolidated Income Statement</b>	5
<b>Consolidated Balance Sheet</b>	6
<b>Company Balance Sheet</b>	7
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**Res Capitis Holdings Limited**  
**Company Information**  
**for the Period 16 July 2019 to 31 January 2020**

**DIRECTOR:** N J Sellman

**REGISTERED OFFICE:** Vincent Court  
Hubert Street  
Birmingham  
B6 4BA

**REGISTERED NUMBER:** 12105984 (England and Wales)

**SENIOR STATUTORY AUDITOR:** Adrian McKeown

**AUDITORS:** Trevor Jones & Co  
Old Bank Chambers  
582-586 Kingsbury Road  
Erdington  
Birmingham



## Res Capitis Holdings Limited

### Report of the Director for the Period 16 July 2019 to 31 January 2020

The director presents his report with the financial statements of the company and the group for the period 16 July 2019 to 31 January 2020.

#### PRINCIPAL ACTIVITY

The principal activity of the group in the period under review was that of a property developments and management group.

#### EVENTS SINCE THE END OF THE PERIOD

Information relating to events since the end of the period is given in the notes to the financial statements.

#### DIRECTOR

N J Sellman was appointed as a director on 16 July 2019 and held office during the whole of the period from then to the date of this report.

#### STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The director is responsible for preparing the Report of the Director and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the company's and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable him to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

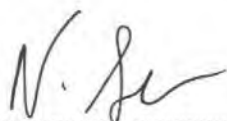
So far as the director is aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

#### AUDITORS

The auditors, Trevor Jones & Co, will be proposed for re-appointment at the forthcoming Annual General Meeting.

This report has been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

#### ON BEHALF OF THE BOARD:



N J Sellman - Director

Date: 26/08/20

## **Report of the Independent Auditors to the Members of Res Capitis Holdings Limited**

### **Opinion**

We have audited the financial statements of Res Capitis Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the period ended 31 January 2020 which comprise the Consolidated Income Statement, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company affairs as at 31 January 2020 and of the group's loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The director is responsible for the other information. The other information comprises the information in the Report of the Director, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Report of the Director for the financial year for which the financial statements are prepared is consistent with the financial statements; and
  - the Report of the Director has been prepared in accordance with applicable legal requirements.
- the corresponding figures are unaudited.
- the year ended 31 January 2020 is the first year that the company has been subject to audit. Whilst the financial

statements for the year ended 31 January 2019 were unaudited, we have obtained sufficient appropriate audit evidence that the opening balances do not contain misstatements that materially affect the current year's financial statements.

**Report of the Independent Auditors to the Members of  
Res Capitis Holdings Limited**

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Director.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the director was not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption from the requirement to prepare a Group Strategic Report or in preparing the Report of the Director.

**Responsibilities of director**

As explained more fully in the Statement of Director's Responsibilities set out on page two, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the director determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the director is responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the director either intends to liquidate the group or the parent company or to cease operations, or has no realistic alternative but to do so.

**Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Report of the Auditors.

**Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Adrian McKeown (Senior Statutory Auditor)  
for and on behalf of Trevor Jones & Co  
Old Bank Chambers  
582-586 Kingsbury Road  
Erdington  
Birmingham

Date: .....

**Res Capitis Holdings Limited**  
**Consolidated Income Statement**  
**for the Period 16 July 2019 to 31 January 2020**

	Notes	Period 16.7.19 to 31.1.20 £	Year Ended 31.1.19 £
<b>TURNOVER</b>		866,937	413,215
Administrative expenses		(715,683)	(459,392)
<b>OPERATING PROFIT/(LOSS)</b>	4	<u>151,254</u>	<u>(46,177)</u>
Interest receivable and similar income		54	6
		<u>151,308</u>	<u>(46,171)</u>
Gain/loss on revaluation of investment property		540,901	4,123,891
		<u>692,209</u>	<u>4,077,720</u>
Interest payable and similar expenses		(740,862)	(132,541)
<b>(LOSS)/PROFIT BEFORE TAXATION</b>		<u>(48,653)</u>	<u>3,945,179</u>
Tax on (loss)/profit		(111,308)	(908,265)
<b>(LOSS)/PROFIT FOR THE FINANCIAL PERIOD</b>		<u><u>(159,961)</u></u>	<u><u>3,036,914</u></u>
(Loss)/profit attributable to:			
Owners of the parent		(231,308)	1,733,388
Non-controlling interests		71,347	1,303,526
		<u><u>(159,961)</u></u>	<u><u>3,036,914</u></u>

The notes form part of these financial statements

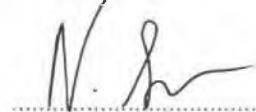
Res Capitis Holdings Limited (Registered number: 12105984)

Consolidated Balance Sheet  
31 January 2020

	Notes	31.1.20 £	31.1.19 £
<b>FIXED ASSETS</b>			
Tangible assets	6	13,346	-
Investments	7		
Interest in associate		33	33
Investment property	8	15,735,700	13,935,700
		<u>15,749,079</u>	<u>13,935,733</u>
<b>CURRENT ASSETS</b>			
Stocks		24,682,174	16,549,753
Debtors	9	1,440,664	717,124
Cash at bank and in hand		397,353	311,278
		<u>26,520,191</u>	<u>17,578,155</u>
<b>CREDITORS</b>			
Amounts falling due within one year	10	(16,549,067)	(11,302,767)
<b>NET CURRENT ASSETS</b>			
		<u>9,971,124</u>	<u>6,275,388</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		25,720,203	20,211,121
<b>CREDITORS</b>			
Amounts falling due after more than one year	11	(21,291,863)	(15,505,556)
<b>PROVISIONS FOR LIABILITIES</b>			
		<u>(992,792)</u>	<u>(890,021)</u>
<b>NET ASSETS</b>			
		<u>3,435,548</u>	<u>3,815,544</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13	100	100
Fair value reserve	14	4,232,430	3,794,300
Retained earnings		(2,278,923)	(1,389,450)
<b>SHAREHOLDERS' FUNDS</b>			
		<u>1,953,607</u>	<u>2,404,950</u>
<b>NON-CONTROLLING INTERESTS</b>			
		<u>1,481,941</u>	<u>1,410,594</u>
<b>TOTAL EQUITY</b>			
		<u>3,435,548</u>	<u>3,815,544</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the director and authorised for issue on 26/06/20 and were signed by:



N J Sellman - Director

The notes form part of these financial statements

Res Capitis Holdings Limited (Registered number: 12105984)

Company Balance Sheet  
31 January 2020

	Notes	31.1.20 £	31.1.19 £
<b>FIXED ASSETS</b>			
Tangible assets	6	-	-
Investments	7	788	688
Investment property	8	-	-
		<u>788</u>	<u>688</u>
<b>CURRENT ASSETS</b>			
Cash in hand		100	100
<b>CREDITORS</b>			
Amounts falling due within one year	10	(788)	(688)
<b>NET CURRENT LIABILITIES</b>		<u>(688)</u>	<u>(588)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>100</u>	<u>100</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13	100	100
<b>SHAREHOLDERS' FUNDS</b>		<u>100</u>	<u>100</u>
Company's profit for the financial year		<u>-</u>	<u>-</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the director and authorised for issue on 25/06/20 and were signed by:



N J Sellman - Director

The notes form part of these financial statements

Res Capitis Holdings Limited

Consolidated Statement of Changes in Equity  
for the Period 16 July 2019 to 31 January 2020

	Called up share capital £	Retained earnings £	Revaluation reserve £
<b>Balance at 1 February 2018</b>	-	111,032	55,272
<b>Changes in equity</b>			
Issue of share capital	100	-	-
Total comprehensive income	-	(1,500,482)	(55,272)
	100	(1,389,450)	-
Non-controlling interest arising on business combination	-	-	-
<b>Balance at 31 January 2019</b>	100	(1,389,450)	-
<b>Changes in equity</b>			
Total comprehensive income	-	(889,473)	-
	100	(2,278,923)	-
Non-controlling interest arising on business combination	-	-	-
<b>Balance at 31 January 2020</b>	100	(2,278,923)	-

	Fair value reserve £	Total £	Non-controlling interests £	Total equity £
<b>Balance at 1 February 2018</b>	646,920	813,224	-	813,224
<b>Changes in equity</b>				
Issue of share capital	-	100	-	100
Total comprehensive income	3,147,380	1,591,626	107,068	1,698,694
	3,794,300	2,404,950	107,068	2,512,018
Non-controlling interest arising on business combination	-	-	1,303,526	1,303,526
<b>Balance at 31 January 2019</b>	3,794,300	2,404,950	1,410,594	3,815,544
<b>Changes in equity</b>				
Total comprehensive income	438,130	(451,343)	-	(451,343)
	4,232,430	1,953,607	1,410,594	3,364,201
Non-controlling interest arising on business combination	-	-	71,347	71,347
<b>Balance at 31 January 2020</b>	4,232,430	1,953,607	1,481,941	3,435,548

The notes form part of these financial statements

**Res Capitis Holdings Limited**

**Company Statement of Changes in Equity  
for the Period 16 July 2019 to 31 January 2020**

	Called up share capital £	Retained earnings £	Total equity £
<b>Changes in equity</b>			
Issue of share capital	100	-	100
<b>Balance at 31 January 2019</b>	<u>100</u>	<u>-</u>	<u>100</u>
<b>Changes in equity</b>			
<b>Balance at 31 January 2020</b>	<u><u>100</u></u>	<u><u>-</u></u>	<u><u>100</u></u>

The notes form part of these financial statements



## Res Capitis Holdings Limited

### Notes to the Consolidated Financial Statements for the Period 16 July 2019 to 31 January 2020

#### 1. STATUTORY INFORMATION

Res Capitis Holdings Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the General Information page.

#### 2. ACCOUNTING POLICIES

##### **Basis of preparing the financial statements**

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" including the provisions of Section 1A "Small Entities" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets.

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" including the provisions of Section 1A "Small Entities" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The financial statements are presented in Sterling (£) and rounded to the nearest £.

The group financial statements consolidate the financial statements of the company and all its subsidiary undertakings up to 31 January each year.

##### **Basis of consolidation**

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 January each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed.

The introduction of a new holding company constitutes a group reconstruction and has been accounted for using merger accounting principles. The consolidated financial statements of the company are presented as if they had always been part of the same group. Accordingly, the results of the group for the 12 months to 31 January 2020 are shown in the consolidated income statement and the comparative figures for the year ended 31 January 2019 are also prepared on this basis.

##### **Turnover**

Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

##### **Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Plant and machinery etc - 25% on cost and 20% on cost

##### **Investments in associates**

Investments in associate undertakings are recognised at cost.

##### **Investment property**

Investment property is shown at most recent valuation. Any aggregate surplus or deficit arising from changes in fair value is recognised in profit or loss.

##### **Stocks**

Work in progress is valued at the lower of cost and net realisable value. As a group policy, interest is capitalised when properties are under development and included within work in progress.

## Res Capitis Holdings Limited

### Notes to the Consolidated Financial Statements - continued for the Period 16 July 2019 to 31 January 2020

#### 2. ACCOUNTING POLICIES - continued

##### Taxation

Taxation for the period comprises current and deferred tax. Tax is recognised in the Consolidated Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

##### Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

##### Hire purchase and leasing commitments

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

##### Accounting convention

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

##### Going concern

At the time of approving the financial statements, the Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

#### 3. EMPLOYEES AND DIRECTORS

The average number of employees during the period was NIL (2019 - NIL).

The average number of employees by undertakings that were proportionately consolidated during the period was NIL (2019 - NIL).

#### 4. OPERATING PROFIT

The operating profit is stated after charging:

	Period 16.7.19 to 31.1.20 £	Year Ended 31.1.19 £
Depreciation - owned assets	1,861	-

**Res Capitis Holdings Limited**

**Notes to the Consolidated Financial Statements - continued  
for the Period 16 July 2019 to 31 January 2020**

**5. INDIVIDUAL INCOME STATEMENT**

As permitted by Section 408 of the Companies Act 2006, the Income Statement of the parent company is not presented as part of these financial statements.

**6. TANGIBLE FIXED ASSETS**

**Group**

	Plant and machinery etc £
<b>COST</b>	
Additions	15,207
At 31 January 2020	<u>15,207</u>
<b>DEPRECIATION</b>	
Charge for period	1,861
At 31 January 2020	<u>1,861</u>
<b>NET BOOK VALUE</b>	
At 31 January 2020	<u><u>13,346</u></u>

Res Capitis Holdings Limited

Notes to the Consolidated Financial Statements - continued  
for the Period 16 July 2019 to 31 January 2020

7. FIXED ASSET INVESTMENTS

Name	Registered office	Nature of business	Class of share	Holdin g
<b>Subsidiaries</b>				
Knights House Developments Ltd	(ii)	Property development	Ordinary	50%
Knights House Property Management Ltd	(ii)	Property management	Ordinary	50%
Equinox Developments Ltd	(i)	Property development	Ordinary	50%
Equinox Property Management Ltd	(i)	Property management	Ordinary	50%
Rowley Properties Ltd	(i)	Property development	Ordinary	100%
Rowley Property Management Ltd	(i)	Property management	Ordinary	100%
UV Care Longbuckby Ltd	(i)	Dormant company	Ordinary	50%
Sutton Coldfield Developments Ltd	(iii)	Dormant company	Ordinary	100%
Moat House Investments Sutton Coldfield Ltd	(ii)	Property development	Ordinary	50%
Riverside Development Northampton Ltd	(i)	Property development	Ordinary	100%
Old Art School Ltd	(iii)	Property development	Ordinary	50%
Old Art School Management Ltd	(iii)	Dormant company	Ordinary	100%
Equipoint Developments Ltd	(i)	Property development	Ordinary	50%
Maltings Developments Burton on Trent Ltd	(i)	Property development	Ordinary	50%
Knights House Commercial Ltd	(i)	Dormant company	Ordinary	50%
Northwood Office Solutions Ltd	(ii)	Dormant company	Ordinary	100%
Market Walk Northampton Developments	(ii)	Property development	Ordinary	100%
<b>Associates</b>				
Urban Village Capital Ltd	(iii)	Holding company	Ordinary	33%
			31.1.20	31.1.19
			£	£
Aggregate capital and reserves			100	100

(i) 7 Trinity Place, Midland Drive, Sutton Coldfield, B72 1TX

(ii) Vincent Court, Hubert Street, Birmingham, B6 4BA

(iii) The Moat House, Lichfield Road, Sutton Coldfield, B74 2NW

Res Capitis Holdings Limited

Notes to the Consolidated Financial Statements - continued  
for the Period 16 July 2019 to 31 January 2020

8. INVESTMENT PROPERTY

If investment property had not been revalued, it would have been valued at the following historical cost:

	2020	2019
Cost	11,157,398	9,898,299

Investment property was valued on an open market basis on 21/11/2018 by Bruton Knowles (RICS) in respect of Rowley Properties Limited.

Investment property was valued on an open market basis on 17/10/2018 by Robert Sterling (RICS) in respect of Equinox Developments Limited.

Investment property was valued on an open market basis on 13/03/2019 by Bruton Knowles (RICS) in respect of Moat House Investments Sutton Coldfield Limited.

Fair value at 31 January 2020 is represented by:

Valuation in 2020	£	540,901
Valuation in 2019		4,037,401
Cost		11,157,398
		<u>15,735,700</u>

9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group	
	31.1.20	31.1.19
	£	£
Trade debtors	61,550	23,034
Other debtors	1,379,114	694,090
	<u>1,440,664</u>	<u>717,124</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	31.1.20	31.1.19	31.1.20	31.1.19
	£	£	£	£
Bank loans and overdrafts	9,763,126	8,186,334	-	-
Payments on account	8,095	-	-	-
Trade creditors	3,032,562	390,129	-	-
Taxation and social security	29,338	42,904	-	-
Other creditors	3,715,946	2,683,400	788	688
	<u>16,549,067</u>	<u>11,302,767</u>	<u>788</u>	<u>688</u>

Res Capitis Holdings Limited

Notes to the Consolidated Financial Statements - continued  
for the Period 16 July 2019 to 31 January 2020

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group	
	31.1.20	31.1.19
	£	£
Bank loans	20,907,545	15,225,556
Other creditors	384,318	280,000
	<u>21,291,863</u>	<u>15,505,556</u>

12. SECURED DEBTS

The following secured debts are included within creditors:

	Group	
	31.1.20	31.1.19
	£	£
Bank loans	<u>30,670,671</u>	<u>23,411,890</u>

There are fixed and floating charges held in relation to the freehold properties by which finance has been granted

13. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	31.1.20	31.1.19
			£	£
100	Ordinary	1	<u>100</u>	<u>100</u>

14. RESERVES

Group

	Fair value reserve
	£
At 16 July 2019	3,794,300
Fair value adjustment	<u>438,130</u>
At 31 January 2020	<u>4,232,430</u>

**Res Capitis Holdings Limited**

**Notes to the Consolidated Financial Statements - continued  
for the Period 16 July 2019 to 31 January 2020**

**15. RELATED PARTY DISCLOSURES**

At the end of the year the amounts below were owed to associated companies, these amounts have been included in other creditors:

	<b>2020</b>	<b>2019</b>
Northwood	140,000	
Key Land Capital	7,000	7,000
Arden Developments	154	
Shark Holdings	445,600	445,600
Ringway House Developments	6,213	
UV Management	165,076	165,151
UV Cap1	20,007	
Nick Sellman (Holdings)		7,425
Atlantic House Developments		1,180
Francis Road	477,842	478,672
Roxton Road	3,000	
White Elephant	46,000	27,000
Index Capital	1,114,264	
Rowley Properties	7,000	
Directors Loan Account	282,649	290,480
	<u>282,649</u>	<u>290,480</u>

At the end of the year the amounts below were owed by associated companies, these amounts have been included in other debtors:

	<b>2020</b>	<b>2019</b>
Trinity	26,000	27,286
Four Oaks House	32,747	
UV Management	58,760	
Nick Sellman (Holdings)	18,581	
Northampton Riverside	1,499	
Atlantic House Developments	424	
Pattison House Developments	2	
LRD Developments	5,000	
Kidderminster	5,568	5,568
Ringway House Developments		30,600
Highbridge Road	150,000	150,000
BG HMO Management	26,100	
Court Lane Developments	4,988	
Greyfriars Stafford	80,000	
Lombard Street	5,550	
Leamington Spa Developments	56	
Knights House Developments	7,000	
Old Art School	6,196	784
Colchester Riverside	1,923	
Northwood		204,460
	<u>1,114,264</u>	<u>204,460</u>

**Res Capitis Holdings Limited**

**Notes to the Consolidated Financial Statements - continued  
for the Period 16 July 2019 to 31 January 2020**

**16. POST BALANCE SHEET EVENTS**

Since the year end, two of the development projects have completed which has resulted in a significant uplift in asset value.

The two properties completed are Knights House and Old Art School, which have a combined cost included in work in progress at the balance sheet date of £11.4m, and are now valued at a combined £15.635m

This is an uplift in asset value of circa £4.2m and will be reflected in the 31st January 2021 accounts.

**17. ULTIMATE CONTROLLING PARTY**

The controlling party is N J Sellman.



Res Capitis Holdings Limited

Consolidated Trading and Profit and Loss Account  
for the Period 16 July 2019 to 31 January 2020

	Period		Year Ended	
	16.7.19 to 31.1.20		31.1.19	
	£	£	£	£
<b>Sales</b>		866,937		413,215
<b>Cost of sales</b>				
Opening work in progress	16,013,106		4,505,340	
Purchases	8,049,712		10,307,766	
Transfer from investment	619,356		1,200,000	
	<u>24,682,174</u>		<u>16,013,106</u>	
Closing work in progress	(24,682,174)		(16,013,106)	
		-		-
<b>GROSS PROFIT</b>		866,937		413,215
<b>Other income</b>				
Deposit account interest		54		6
		<u>866,991</u>		<u>413,221</u>
<b>Expenditure</b>				
Service charges	(5,557)		34,765	
Rates and water	67,193		9,141	
Insurance	13,619		18,968	
Light and heat	28,739		3,291	
Wages	-		7,200	
Telephone	202		4,701	
Post and stationery	1,634		2,037	
Advertising	24,089		27,823	
Travelling	6		3,011	
Licences and insurance	86,683		88,435	
Repairs and renewals	55,914		38,658	
Property costs	9,333		80,532	
Household and cleaning	27,658		19,279	
Security costs	70,288		-	
Computer costs	79		1,180	
Sundry expenses	(7,687)		43,392	
Accountancy	10,261		6,356	
Management and agent fees	120,791		19,405	
Legal and professional fees	107,879		36,981	
Advertising	-		3,240	
Entertainment	1,000		-	
Bad debts	37,961		-	
	<u>650,085</u>		<u>448,395</u>	
		216,906		(35,174)
<b>Finance costs</b>				
Bank charges	63,737		10,997	
Bank loan interest	19,439		31,756	
Loan	721,423		100,785	
	<u>804,599</u>		<u>143,538</u>	
Carried forward		(587,693)		(178,712)

This page does not form part of the statutory financial statements

Res Capitis Holdings Limited

Consolidated Trading and Profit and Loss Account  
for the Period 16 July 2019 to 31 January 2020

	Period 16.7.19 to 31.1.20		Year Ended 31.1.19	
	£	£	£	£
Brought forward		(587,693)		(178,712)
<b>Depreciation</b>				
Fixtures and fittings	926		-	
Computer equipment	935		-	
		<u>1,861</u>		<u>-</u>
		(589,554)		(178,712)
<b>Gain/loss on revaluation of assets</b>				
Gain/loss on revaluation of investment property		540,901		4,123,891
<b>NET (LOSS)/PROFIT</b>		<u>(48,653)</u>		<u>3,945,179</u>

**Res Capitis Holdings Limited**

**Notes wholly REPLACED  
and/or accounting policies totally IGNORED  
and/or accounting policies with text REPLACED  
by user's choice on client screen entries  
for the Period 16 July 2019 to 31 January 2020**

The following note has been REPLACED completely by user entries.

INVESTMENT PROPERTY

None of the standard accounting policies has been ignored.

The following standard accounting policy has been REPLACED completely by user entries.

STOCKS

PLEASE CHECK THAT THESE CHOICES ARE CORRECT - all changes that would automatically be made to notes generated by IRIS as a result of posting amendments etc WILL NOT BE AMENDED where REPLACEMENT notes have been selected.

**7 SCHEDULE 7**

**URBAN VILLAGE INVESTMENT CRITERIA**

**Res Capitis Holdings Limited (co.no. 12105984)**

**JAX Holdings Limited (co.no. 09848553)**

**Urban Village Group – investment criteria**

With The Group's experience, and the strong and improving prospects within the PRS, student accommodation and other target markets, it has identified a number of potential projects across the UK that are available in the short-to-medium term. Following the identification of proposed development projects, due diligence and project appraisal processes are undertaken in all cases to identify and confirm the projected costs, rental and market values and resulting returns. Only those projects demonstrating required returns and acceptable risk profiles will be considered by The Group for investment.

The range of selection criteria which are and will continue to be taken into account when deciding on appropriate investments for the Group to undertake, include:

- **Targeting the right demographic:** Residential developments especially need to cater to the changing demographic for rental tenants and the rising age of first time movers, which in our opinion is not currently being addressed; downsizers and students are equally attracted to rental accommodation if the right product is offered.
- **Building in the right location:** PRS, student, care and other schemes will all benefit from being located in areas of high specific demand, and attaining both an appropriate critical mass and targeting the specific success factors for the type of scheme including transport links, employment rates, land values etc.
- **Creating a sense of place:** The right lifestyle and consumer propositions, including added amenities and services, attract and retain target demographics, as well as potentially adding to the income generation and thereby value, of the overall scheme.
- **Allowing for building management:** A wide range of factors are taken into account ensuring that effective building management enhances and protects the long term value of a development.
- **Strong unit design:** While retaining flexibility in layout and future proofing for different demographic needs, building efficiency will be maximized through optimizing net-to-gross ratios, units per floor / core, and management of individual unit sizes.
- **Design and high quality materials:** Schemes are designed and finished for long term investment purposes, ensuring that the life cycle of the building and its materials plays a much greater role than in other developments.
- **Risk profile:** While maintaining standards and maximizing returns, UVG takes every step to manage and minimize project risk both individually and across its portfolio.
- **Financial return:** The Group's investments are selected to deliver target returns for institutional and private investors, that consistently out-perform market trends. Development schemes in the past have been targeted that deliver c.30% profit on GDV, and the Group will continue to source similarly profitable schemes while maintaining quality standards.

Peter Steer BSc ACA  
*Finance Director*

**8 SCHEDULE 8**

**URBAN VILLAGE BUSSINES PLAN (REDACTED FOR COMMERCIALY SENSITIVE INFORMATION AND PERSONAL DATA)**



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URBANSVILLE

GROUP



[www.urbanvillagegroup.com](http://www.urbanvillagegroup.com)



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# We are Urban Village Capital

Urban Village Capital's mission is to deliver quality residential led developments that generate target returns for institutional and private investors.

We generate funding to finance real estate developments that meet our stringent investment criteria. Funding comes from a range of sources including Loan Note Instruments, listed bonds, and public listings. Our aim is to deliver above average returns for Investors that consistently out-perform market trends.

We have a proven track record of delivering high quality developments across sectors including the private rental, office, student accommodation and care sectors.

Our portfolio of completed projects stretches across strategic UK locations that are set to enjoy future economic growth, investment and regeneration.

Each of our developments is sourced, designed and constructed to minimise any potential risk, while maximising returns. We are asset-backed, retaining the majority of our diverse portfolio. We have a pipeline of new projects in various stages of development, from early stages of planning through to construction and practical completion.

For many years, demand for housing has consistently outstripped supply. In addition there is currently an undersupply of high quality rental accommodation in key UK regional cities. It is widely thought that in 15 to 20 years' time, more people will rent in the UK than own their own homes.

We believe the rental market has become out of touch with what tenants want and need. Continued development of the Private Rented Sector ("PRS") and student accommodation sectors in the UK has led to increasing demand. Our developments will deliver high quality 'graduate style'

accommodation, with excellent lifestyle facilities, for professional tenants, and create rental communities.

PRS as a segment now stands at 4.5 million households, representing 20% of the English market, compared to just 10% in 2001. Our view is that if the right product is positioned well in the market, PRS investors will benefit from high UK rents and the value of their assets will increase. As a long-term investment, PRS provides stable, high quality capital investments offering long-term returns.

Urban Village Capital's management team has many decades of experience in the property and finance sectors. Thanks to our extensive experience and expertise in delivering and managing high quality developments, we have established long-term partnerships with institutions and private investors by creating opportunities tailored to suit their specific requirements.



**Nick Sellman**  
Chief Executive

Further information can be found at [www.urbanvillagegroup.com](http://www.urbanvillagegroup.com) and in this brochure.







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# The Market and the Company

## Company Background

UVC's mission is to deliver quality residential led developments that generate target returns for institutional and private investors.

It generates funding to finance real estate developments that meet stringent investment criteria. Funding comes from a range of sources. The aim is to deliver returns for investors that consistently out-perform market trends.

UVC's management team has a proven track record of delivering high quality developments across sectors including PRS, office, student accommodation and care sectors. Its portfolio of completed projects stretches across strategic UK locations that are well set to enjoy future economic growth, investment and regeneration.

Similarly, UVC's team has many decades of experience in the property and finance sectors. Thanks to its extensive experience and expertise in delivering and managing high quality developments, UVC has established long-term partnerships with institutions and private investors by creating opportunities tailored to suit their specific requirements.

UVC was established to raise funds for investment into the PRS, student accommodation and mixed-use development property markets. The Group will establish wholly owned SPVs for each development.

Over the last six years, The Group has successfully completed a wide range of residential and mixed-use developments, sourcing funding on a project-by-project basis. Its experience in developing rental-block accommodation over recent years has taught the Company that there is currently an under-supply of high quality rental accommodation in UK regional cities.

Over recent years, the employment market has become more transient, and professional tenants have come to expect better quality spaces to rent. The Group will therefore focus on projects that deliver high quality 'graduate style' accommodation to professional tenants, by creating a rental community that offers nomination rights to local employers to enable them to attract new talent.

After reviewing the UK rental experience, The Group believes that the market is out of touch with what tenants need. It is therefore looking to provide a solution that is centred around the tenant, where projects are designed to bring like-minded people together so that residents can be part of a more socially engaged experience.

The Group's products have been designed to create a rental community, which offers guests a range of lifestyle facilities, including gyms, cleaning and laundry services, car and bike hire, visitor parking and even cinemas. All projects will be specifically selected for easy access to major transport links.

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## Asset classes



As the rise of 'Generation Rent' occurs across the UK, Urban Village capitalise on this incredible growth by continuously building its portfolio of properties within the Private Rented Sector.



With student numbers on the rise each year, the demand for purpose built student accommodation is growing. In partnership with Valeo, who will manage properties on behalf of Urban Village, we look to provide high-end fit-for purpose housing throughout the UK.



With a significant lack of residential care to the elderly and those in need of day-to-day support, Urban Village have set their sights on properties to accommodate demand in this sector, working in partnership with Spring Housing Association and Care UK.



Serviced Offices

The ever increasing rise of serviced offices means Urban Village, along with partner Citibase, are taking hold of this opportunity to offer occupiers flexibility by way of a short term lease, along with the amenities and lower cost of a serviced office space.



With childcare high on the government's agenda and more funding introduced to parents, nurseries have become increasingly favourable to invest in. By working with Clearview Capital, Urban Village will continue to build on this sector in the view that day nurseries are and always will be essential to the demands of modern life.





## **The Market**

The strong growth of the PRS and student accommodation sectors in the UK has led to an increasing demand for high quality products. The Company seeks to take advantage of these developing opportunities by using funds raised through the issue of Loan Notes to finance development opportunities in key cities with strategic growth projections.

### **PRS and Student Accommodation**

PRS and student accommodation developments are new housing projects where all the properties are built for rent, not sale. Many believe that, in 15 or 20 years' time, more people will rent in the UK than own their homes due to a lack of affordable 'built-for-sale' housing stock.

Demand for housing has consistently outstripped supply over many years. In the UK, it is estimated that 300,000 new homes are needed per year to cater for demand. However, on average, only around 200,000 are built each year.

Within this, PRS as a segment of the overall market has grown significantly over the last decade and now stands at 4.5 million households, representing 20% of the English market compared to 10% in 2001. This high growth is similarly projected to continue.

## **Property Management**

Property management also continues to be a very fragmented market, with over 15,000 agents currently in the UK. It is dominated by small companies with little scope, appetite or finance for growth. With an increasingly high proportion of total housing stock being in the private sector, significant investment opportunities therefore exist for investors with the passion, expertise and financial capital to capture market share.

The Company believes that if the right product is positioned well in the market, not only do PRS investors benefit from high rents, but the value of their assets will increase steadily over time as house prices continue to rise. For this very reason, large institutional investors such as pension funds and property companies are increasingly attracted to PRS as a long-term investment vehicle because they are looking for stable, high quality capital investments offering long-term returns.

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## Strategy

With The Group's experience, and the strong and improving prospects within the PRS and student accommodation markets, it has identified a number of potential projects across the UK that are available in the short-to-medium term. Following the identification of proposed development projects, due diligence and project appraisal processes will be undertaken in all cases to identify and confirm the projected costs, rental and market values and resulting returns. Only those projects demonstrating required returns and acceptable risk profiles will be considered by The Group for investment.

The Company will provide initial financing for the projects through loans to separate SPVs. These developments will then be completed with the introduction of additional debt financing.

Once approved, formal loan documentation will be completed by the Company with each SPV.

Developments typically require circa 12 to 18 months' build phase before completion and units being available for rent, and/or the development being available for refinancing or sale.

In order to take advantage of the market opportunities identified above, and specific market factors, the focus of the Company's investments will include:

### Targeting the Right Demographic

The average age of people looking to move into a first home in the UK was 28 in 2007, but by 2017 this had risen to 34 and continues to rise. In our opinion the open market is not currently catering well for this demographic, with many new home developments across the UK still targeting three to four bedroom houses.

Those aged 20 to 35 are typically key workers or young urban professionals who are looking for a comfortable and affordable place to stay for a secure length of tenure. This group of people will happily live in PRS housing, as proven by the numerous successful emerging schemes.

However, they are not the only group for whom PRS would be suitable. Downsizers and students are equally attracted to rental accommodation if the right product can be offered.

### Building in the Right Location

The most successful current PRS schemes are in urban locations, with local transport within walking distance. Allowing for regional variations, 200 units is deemed to be the minimum critical mass, whether in one or multiple buildings. Therefore, PRS developments are generally medium-to-high-density. Studies have shown that PRS is viable in locations where there are strong employment rates and lower land values, or encouragement of urban densification, hence a focus on key regional cities across the UK.

### Creating a Sense of Place

To attract and retain target group tenants, the right lifestyle and consumer propositions are important. Added amenities, such as a concierge, and lifestyle facilities, are part of the PRS formula, and this is where it distinguishes itself from the build-for-sale sector.

Additional income can be generated from these facilities, although the prime objective is the contribution they make to placemaking and community building. Tenants who feel that they are part of a community tend to stay longer. This, in turn, reduces the risk of rent voids, which have a negative impact on net operating income. Studies show that people who know one other person in a building are 75% more likely to renew their tenancy. For people who know two other people, this rises to 90%.

### Allowing for Building Management

Effective building management enhances and protects the long-term value of a development. PRS investments are looking to generate income over long periods and, as such, maintaining the quality of a development is important. In addition, communal spaces and services need to be well maintained as they are part of the extended home of the tenants.







### **Strong Unit Design**

Optimising the net-to-gross ratio will allow for greater building efficiency. Maximising the number of units per core/floor, and careful consideration of the aspect, will lead to a more efficient building. Unit sizes need to be carefully considered and are usually related to rental income and location, whereas personal amenity space can be balanced against communal amenity space, such as a roof terrace.

Flexibility in the design layout of the units is important. They should be designed to cater for different modes of tenure, such as young professionals who are house sharing, or for families. Future-proofing for different demographic needs is also important.

### **Using High-Quality Materials**

PRS developments are designed for long-term investment purposes, and so the life cycle of the building materials used plays a much greater role than in other developments. Finishes need to be high quality, robust, easily maintained, readily accessible and designed to last.

### **Design**

Every development will be designed by the Company's award winning architects who have over 35 years' experience in creating high-end loft living. Therefore, the Company envisages each apartment will have a modern look and feel, and will also be highly efficient and eco-friendly.

Units will come complete with interchangeable furniture packs, which can be altered for each tenant to provide the level of furnishings that suit them best. The Company can even accommodate apartments for rental by the evening or weekend, should tenants have friends or family to stay. Units will be managed by an on-site concierge and cleaning team and be equipped with CCTV systems monitored 24-7 to provide maximum security.

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# Management Team

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## **Nick Sellman: Chief Executive**



As an experienced property developer with a specific focus on urban regeneration, Nick has been responsible for a series of redevelopment schemes in strategic locations across the UK.

Specialising in the student, residential, PRS, office and care sectors, Nick has a proven track record of delivering high quality developments in locations with increasing economic growth, investment and regeneration. A range of such schemes has now been rolled out in key locations across the West Midlands and the South East. Through his extensive connections and wider partnerships, he has become a specialist in sourcing strategic development opportunities, and delivering quality construction programmes.

## **Kevin Sharkey: Executive Director**



A qualified chartered accountant, Kevin has been involved in the construction industry since 2003 through his experience as a business owner in the SME market. He has been involved in large-scale development projects across a variety of sectors including residential, healthcare, education and defence. Kevin has also personally delivered a number of small-to-medium sized residential projects, as well as having business interests in process outsourcing and other sectors across the West Midlands region. He is head of developments at Key Land Developments, created to support the delivery of quality homes in response to the strong and growing demand for housing in the UK.

## **Peter Steer: Executive Director**



Peter is a chartered accountant and former management consultant, with senior-level experience in finance, organisational development, strategic planning, business planning, risk management, process re-engineering and general management across a wide-range of sectors.

Following a number of years with PwC Consulting, he formed his own niche consultancy, PSConsulting, in 2002. From 2014 he was finance director for a niche London-based developer, Generator Group, leading the finance, legal, HR and administration functions through a period of significant growth. He supported major structural advances and secured equity and debt funding for a range of property development projects totalling over £60 million, while re-organising and expanding the finance team to incorporate new roles and functions.

## **Jamie Sellman: Executive Director**



Jamie's extensive experience stems from building services, master planning and large scale infrastructure projects. He has over 15 years' experience in the construction industry where he has been responsible for delivering multi-disciplined projects in the university, residential and health care sectors, from concept through to design, construction and completion. As well as bringing a wealth of knowledge to the design and implementation processes, Jamie also has extensive experience of analysing and assessing the financials of all projects. Consequently he has played a pivotal role in delivering over 2,000 residential units across PRS, build-to-sell and student schemes.

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# Management Team

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## Jenny Loynton: Non-Executive Director

As owner of law firm, Loynton & Co Solicitors, Jenny has established a reputation as one of the Midlands' top lawyers. While an equity partner at Garner, Canning & Co Solicitors, she set up a branch office within the Wing Yip Business Centre in Birmingham, serving the Chinese community. She left the partnership to establish her own business and has gone on to gain recognition for her considerable commercial skills, being nominated for Business Woman of the Year in 2017. Jenny is an avid supporter of several charities and is a former governor of Birmingham City University, a governor of Bromsgrove School and is on the board of the Ikon Gallery. In 2010, she was appointed Her Majesty's Deputy Lieutenant of and for the West Midlands.



## Nicholas Christofi: Non-Executive Director

Nicholas has over 10 years' experience in real estate debt advisory, with a primary focus on structured property development finance. He has arranged debt in different asset classes including residential new-build development, permitted development, student accommodation and mixed-use schemes.

He has arranged funding utilising senior debt, mezzanine finance and equity to get maximum leverage within the capital stack. Nicholas' expertise and relationships lie within the space of £10 million to £50 million of debt which includes a range of lenders from mainstream banks, challenger banks and family offices, as well as mezzanine finance houses and high net worth individuals.

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## Directors & Advisors

**Company Name:**  
Urban Village Group  
Limited

**Company Number:**  
12511957

**Registered  
Office:**  
Unit 7, Midland  
Drive, Sutton  
Coldfield, West  
Midlands, B72  
1TX.

**Security Trustee:**  
Blue Water Capital,  
53 Calthorpe Road,  
Edgbaston, Birmingham,  
B15 1TH.

**Accountants:**  
Clover Accountants  
7 Trinity Place  
Midland Drive  
Sutton Coldfield  
B72 1TX

**Lawyers:**  
Peter Lynn & Partners,  
Langdon House,  
Langdon Road,  
Swansea, SA1 8QY.



# Recent Group Projects | PRS



## Touthill Place | Peterborough

Situated in the heart of the vibrant city of Peterborough, Touthill is a modern apartment development located adjacent to the landmark cathedral grounds. This complex construction project was completed in 2017 and features a mix of 1, 2 and 3 bedroom apartment units let to professional tenants.



Valuation  
£19,600,000



Construction  
£6,800,000



Units  
115



## Knights House Sutton Coldfield

A landmark building situated within Birmingham's affluent borough of Sutton Coldfield. This scheme concluded redevelopment within 2019 and features a complete renovation of the building to create a mixture of 1 and 2 bedroom units let to professional tenants. Featuring views over leafy Sutton Park, the property also features secure parking.



Valuation  
£13,170,000



Construction  
£6,000,000



Units  
63



## Urban Village Bedford

Located in the traditional 'Bromham Road' area of Bedford town centre, this residential redevelopment was completed in 2017. The construction featured the assembling of two adjacent sites to form a single development, featuring a central courtyard. Located a stone's throw from Bedford's mainline station, tenants are able to access central London in 30 minutes.



Valuation  
£12,300,000



Construction  
£3,621,000



Units  
52



## Threadneedle House Birmingham

Located within one of Birmingham's bustling commuter locations, this scheme is set at the centre of the town's high street and features a mix of 1 and 2 bedroom apartments. Let to a mixture of professional tenants and corporate lets, the scheme is within 5 minutes walk of the train station, enabling short access to Birmingham city centre.



Value  
£7,200,000



Construction  
£2,471,000



Units  
48



# Recent Group Projects | Residential



## Equipoint | Birmingham

A key redevelopment of a landmark scheme situated equidistant to Birmingham City Centre, The NEC and Birmingham Airport. This 10 story scheme features the creation of a mixture of 1, 2 and 3 bedroom apartments let to Birmingham's 'key' workforce. The location also marks the mainline stop for the 'high speed rail connection', which will create a shuttle directly linking to the new HS2 station nearby. The scheme should eventually oversee the formation of 410 residential apartments with associated 'on site' services.



Valuation

£35,000,000



Construction

£16,702,625



Units

248



## Crown Works Birmingham

A beautiful development of 7 town houses, 3 apartments and one office complex, located within Birmingham's historic Jewellery Quarter. This development was completed in 2019 and includes a secured parking compound, communal rooftop garden and city views over the ever changing Birmingham skyline.



Valuation  
£4,750,000



Construction  
£1,730,000



Units  
11



## Holmes Park Horsham

The redevelopment of a landmark site directly adjacent to Horsham train station and overlooking the town's beautiful park. The scheme was completed in 2019 and has witnessed the open market sale of 110 residential apartment units, now sold. The scheme features high specification interiors, underground parking and a concierge service.



Valuation  
£23,700,000



Construction  
£7,500,000



Units  
102



## Four Oaks House Sutton Coldfield

A comprehensive redevelopment of a landmark building within the affluent Four Oaks area of Sutton Coldfield. Situated a stone's throw from Mere Green train station, which offers direct access to Lichfield, Sutton Coldfield town centre and Birmingham city centre. The scheme features a vibrant mix of 1 and 2 bedroom units, secure parking and 8,000 sqft of category A offices.



Valuation  
£13,596,000



Construction  
£5,123,138



Units  
77

# Recent Group Projects | Student



## Compton House | Northampton

A mixed-use development situated at the tip of Northampton's vibrant central high street. The scheme features the redevelopment of a historic building and was completed in 2018 to form 110 studio units let to students, with ground floor retail units let to BBC Radio and CallKwik printers.



Valuation  
£11,000,000



Construction  
£3,500,000



Units  
92



## Ringway House | Coventry

Commencing in 2019, this prominent building is situated in the heart of Coventry city centre's bustling student quarter. Providing a mixture of studio units and 5 bedroom apartments, the scheme is centred around a courtyard providing students with a range of on site facilities including study areas, gym, games room and laundry. The scheme is managed by one of the UK's leading student operators.



Valuation  
£11,000,000



Construction  
£4,809,000



Units  
94



## Equinox | Leicester

Completed in 2018, this centrally located scheme within the heart of Leicester's vibrant city centre is let to a mixture of De Montfort and Leicester University students. Situated over three floors, the scheme features secured basement parking, a lift and off site concierge. It is also close to the popular Highcross Shopping Centre, John Lewis and the iconic Curve Theatre.



Valuation  
£9,700,000



Construction  
£3,491,000



Units  
90



# Future Proposed Projects

The following projects contain current projections for some of the potential future projects currently being pursued by the Group. Please note these are estimates and do not necessarily represent the final figures



## Cambridge

The site is strategically located in the heart of the city's student district, within walking distance of great amenities and the local university campus. The site has permission to provide 321 new build student residences, incorporating all necessary facilities for the modern-day, high-specification student lifestyle. The site will provide a tranquil atmosphere perfect for studying, whilst its central location will allow students to take advantage of what the city has to offer.



Valuation  
£44,250,000



Construction  
£17,000,000



Units  
321



## Northampton

An exciting conversion of an existing retail centre of over 100,000sqft in the centre of Northampton, in a prominent location on the main Market Square. Conversion would be to 274 studio and en suite student residences, with shared amenities, retail and study spaces. The site is located in the heart of the city, and is within walking distance from shops, transport links, and the university campus. The design of the site will provide spacious, modern student accommodation with central communal and study facilities.



Valuation  
£19,500,000



Construction  
£10,000,000



Units  
274



## Colchester

A riverside development located in the historic town of Colchester, located with close proximity of the town centre and mainline railway station. Within easy rail commuting distance from London, the location is also close to the A12, A14 and M25 routes, and London Stansted Airport. Comprising 89 residential including a mix of studio, one, two and three bedroom apartments, further proposals would double the number of dwellings and introduce commercial, retail and further landscaping additions to the scheme.



Valuation  
£22,200,000



Construction  
£12,000,000



Units  
89

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# General Information

## Statutory Information

The Company was incorporated on 11 March 2020 with registered number 12511957. The principal legislation under which the Company operates is the Companies Act 2006. The liability of members of the Company is limited.

### Registered Address:

Unit 7,  
Midland Drive,  
Sutton Coldfield,  
England,  
B72 1TX.

## Directors & Company Advisers

### Directors:

James Sellman  
Nicholas Sellman  
Kevin Sharkey  
Peter Steer

### Solicitor:

Peter Lynn & Partners

### Accountant:

Clover Accountants

### Receiving Agent:

Blue Water Capital Limited

## Articles of Association

The Articles of Association of the Company can be made available by the Company for inspection.

