

ZAMBEZI B.V.

Amsterdam, the Netherlands

ANNUAL REPORT FOR THE YEAR 2019

ZAMBEZI B.V.

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ZAMBEZI B.V.

Amsterdam, the Netherlands

Director's report

Director's report

The management herewith presents the financial statements of Zambezi B.V. (hereinafter: the "Company") for the financial year ended 31 December 2019.

General

The Company is a limited liability company incorporated under the laws of the Netherlands on 10 October 2014 and acts as a securitisation special purpose vehicle. The Company has its statutory seat in Amsterdam. Stichting Zambezi is the sole shareholder of the Company.

Principal activities

The Company is a part of the Frontera Capital Group, that is a boutique investment firm which focuses specifically on frontier markets (emerging markets that have not yet "graduated" to being formally recognised as such). The Group focuses on the financial intermediation role of matching the demand for yield of global asset managers with the funding needs of governments and corporates in frontier markets. The Company provides long-term local currency funding and FX hedging products to both lenders and borrowers, the transactions are recognised as investments in the financial statements. The Company issues the limited recourse Credit Linked Notes (hereinafter: the "CLN") to investors in respect of these investments.

Limited Recourse

The CLN are limited recourse obligations of the Company and are payable solely out of amount received by or on behalf of the Company in respect of the portfolio of the underlying assets. The net proceeds of the realization of the assets following an event of default may be insufficient to pay all amounts due to the Noteholders. In this event, the Company will not be obliged to make any further payments to the Noteholders and all claims against the Company will be extinguished.

Results

The Company intends to continue with the issuance of CLNs in the foreseeable future. The Directors believe that the Company will be able to meet all future payment obligations of the notes issued and associated interest.

The total carrying amount of the CLNs for the financial period until 31 December 2019 amounts to USD 160.094.416, of which USD 22.342.945 relates to the Payment agreements entered with the third parties. In 2019, compared to 2018, the Company saw a decrease in its turnover of USD 97.227 from USD 17.770.722 to USD 17.867.949. During the period under review, the Company recorded a profit of USD 8.612, which is set out in detail in the attached profit and loss account.

Financial instruments, risk management and hedging

The Company's principal financial instruments during the year comprised of investments financed with CLN. The main purpose of these financial instruments is to finance the Company's operations, to manage the interest rate risk arising from the financial assets and to minimise the impact of fluctuations in the exchange rates on future cash flows. The Company has other financial instruments such as short term debtors and creditors which arise directly from its operations.

The Company is exposed to a variety of financial risks: credit and counterparty risk, market risk (including interest rate risk and currency risk), and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

All financial risks are passed onto the noteholders as the notes are limited recourse obligations of the Company.

The amount payable for each CLN is limited to the amounts of principal and interest received by or on behalf of the Company from the respective financial assets which are used to secure the relevant CLN. The net proceeds of the realisation financial assets should be sufficient to pay all amounts due to the noteholders.

Risk Management

The Board of Management is responsible for the internal control and the management of risks within the Company and for the assessment of the effectiveness of the internal control systems. The main risk areas: currency, interest, liquidity and credit risks.

ZAMBEZI B.V.

Directors' report

Currency risk

The Company's accounts are denominated in USD. The financial instruments (assets and Notes) are denominated in local currencies, such as MWK, GMD, NIO, GEL, PYG, KGS, TZS. The company is therefore exposed to currency risk, as there is a risk that the changes of foreign exchange rate will affect the Company's result or the value of the financial instruments. The objective of currency risk management is to manage and control currency risk exposure within acceptable parameters while optimising the return on risks. Any currency risks which are not covered by the Company's transactions will be borne by the Noteholders.

Interest rate risk

The financial assets may bear interest either on basis of the same rates or a lower interest rate for the CLN. Under the program documentation the interest collected from the financial assets is equal or higher than the interest payable to the Noteholders, such due on or around the same payment dates. Therefore, the Company does not have interest rate risk exposure.

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its payment obligations towards the Noteholders as they become due. The Company's policy is to manage liquidity risk by the investment restrictions and criteria, which amongst other put limitations on the interest payments frequency and maturity of the assets in the portfolio, aligning these with the characteristics of the Notes issued. There were no liquidity issues experienced by the Company in respect to meeting its obligations to holders of the Notes. The Company did not default on any of its contractual commitments during the year 2019.

Credit and counterparty risk

The Company is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when they fall due. Credit risk arises predominantly with respect to the investments. Credit losses may arise from deterioration in credit worthiness of an obligor, including ultimately its failure to meet payment obligations (repayment of principal and interest).

Adverse changes in the financial condition of obligors or in general economic conditions, or both, may impair the ability of the obligor, as the case may be, to make payments of principal or interest. To mitigate the counterparty credit risk of the financial instruments, the Company has a policy of only entering into contracts with carefully selected major financial institutions based upon their credit ratings. Overall the credit risk of the company will be passed on to the noteholders.

Related Parties

The directors who held office on December 31, 2019 did not hold any shares in the Company at that date, or during the year. There were no contracts of any significance in relation to the business of the Company in which the directors had any interest at any time during the year.

Future outlook

The management is of the opinion that the present level of activities will be maintained in the near future and no changes in financing or employees are expected.

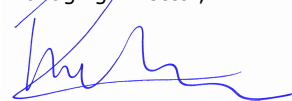
Subsequent events

As per January 2020, the Company has not issued any new Series.

The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections. Measures taken by various governments to contain the virus have affected economic activity. At this stage, the impact on our business and results is limited. We will continue to follow the various national institutes policies and advice and in parallel will do our utmost to continue our operations in the best and safest way possible. No other major post balance sheet events affecting the financial statements have occurred to date.

Amsterdam, May 26, 2020

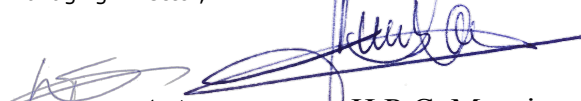
Managing Director,



Steven Melkman

Amsterdam, May 26, 2020

Managing Director,



H.P.C. Mourits
Trustmoore Netherlands B.V.

ZAMBEZI B.V.

BALANCE SHEET AS PER DECEMBER 31, 2019

(expressed in USD and before appropriation of results)

	Notes	December 31, 2019 USD	December 31, 2018 USD
Assets			
Financial fixed assets			
Investment held to maturity	1	9.795.460	9.871.760
Amounts due from third parties	2	147.277.726	169.450.121
Prepayments	3	1.355.637	1.808.224
<i>Total financial fixed assets</i>		158.428.823	181.130.105
Current assets			
Amounts due from third parties	4	1.660.744	-
Prepayments		79.282	-
Receivables	5	5.741.111	6.796.595
Accrued income	6	970.245	301.990
Cash and cash equivalents	7	103.319	529.681
<i>Total current assets</i>		8.554.701	7.628.266
Total assets		166.983.524	188.758.371
Shareholder's equity and liabilities			
Shareholder's equity	8		
Issued share capital		1	1
Retained Earnings		18.766	11.477
Unappropriated result		8.612	7.289
<i>Total shareholder's equity</i>		27.379	18.767
Long term liabilities			
Credit linked notes	9	134.730.241	156.559.860
Credit Default Swaps	10	1.722.225	-
Amounts due to third parties	11	22.342.945	22.762.021
Accrual and deferred income	12	1.299.005	1.731.596
<i>Total long term liabilities</i>		160.094.416	181.053.477
Current Liabilities			
Amounts due to third parties	13	2.403.558	1.536.275
Creditors	14	15.982	172.288
Accruals and deferred income	15	4.442.189	5.977.565
<i>Total current liabilities</i>		6.861.729	7.686.127
Total shareholder's equity and liabilities		166.983.524	188.758.371

ZAMBEZI B.V.

PROFIT AND LOSS
for the financial year ended December 31, 2019
(in USD)

	Notes	2019 USD	2018 USD
Financial income and expenses			
Interest income	16	17.867.949	17.770.722
Interest expense	17	(17.745.690)	(17.770.815)
CDS Premium	18	(154.984)	-
<i>Total financial income and expenses</i>		(32.725)	(93)
Other net result on financial instruments	19	372.407	3.815.761
		339.682	3.815.668
Other operating income and expenses	20	(262.722)	(3.830.666)
		76.960	(14.998)
Other financial income and expenses	21	(66.195)	24.108
Net Result before Taxation		10.765	9.111
Taxation	22	(2.153)	(1.822)
NET RESULT AFTER TAXATION		<u>8.612</u>	<u>7.289</u>

ZAMBEZI B.V.

CASH FLOW STATEMENT
for the year ended December 31, 2019
(expressed in USD)

	2019	2018
	USD	USD
CASHFLOWS FROM OPERATIONAL ACTIVITIES		
Interest received	15.043.588	10.715.661
Interest Paid	(15.128.889)	(12.214.049)
Other Financial Income / Expense	(134.912)	240.000
Corporate Income Tax Paid	(3.709)	(2.203)
Administrative expenses	(943.808)	(2.035.245)
Paid/Received from third parties (Current accounts)	632.387	(7.622.585)
Net cash (used in) operating activities	(535.343)	(10.918.421)
CASHFLOWS FROM INVESTMENT ACTIVITIES		
Redemption of Investments	-	3.956.148
Acquisition of Investments	-	(10.810.012)
Paid/Received from third parties (Investments)	18.817.304	16.461.985
Derivatives	-	-
Net cash (used in) investment activities	18.817.304	9.608.121
CASHFLOWS FROM FINANCING ACTIVITIES		
Issuance of CLN	-	10.000.000
Redemption of CLN	(18.648.690)	(9.462.060)
Paid/Received from third parties (CLN)	-	-
Net cash from financing activities	(18.648.690)	537.940
Effects of exchange rate on cash and cash equivalents	(59.633)	(1.436)
Increase in cash and cash equivalents	(426.361)	(773.796)
The movements of funds is as follows:		
Balance as at January 1	529.680	1.303.476
Movement for the year	(426.361)	(773.796)
Balance as at December 31	103.319	529.680

ZAMBEZI B.V.

Notes to the Balance Sheet and Profit and Loss Account as at December 31, 2019

GENERAL

The company was incorporated as a limited liability company under the laws of the Netherlands on 10 October 2014. The company's registered address is Prins Hendriklaan 26 in Amsterdam, The Netherlands.

The company has its seat in Amsterdam and is registered at Chamber of Commerce with registry file number 61652482.

Activities

The Company is a special purpose vehicle and a bankruptcy remote vehicle. Under a Limited Recourse Debt Issuance Program, the Company issues Credit Linked Notes. The net proceeds of the Series CLNs have been issued by the Company to purchase underlying Series Assets, which in each case represent debt instruments that are issued by sovereign and corporate borrowers in the emerging and frontier markets. The Company bears virtually no financial risk because of the limited recourse debt issuance program.

PRINCIPLES OF VALUATION OF ASSETS AND LIABILITIES

General principles

The financial statements are prepared in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9, Book 2, of the Dutch Civil Code and the firm pronouncements in the Guidelines for Annual Reporting as issued by the Dutch Accounting Standards Board, taking into account the exemptions offered by the Dutch Accounting Standards Board.

Income and expenses are accounted for on an accrual basis. Profit is only included when realized on into account if they have become known before preparation of the financial statements.

Assets and liabilities are stated at the amounts at which they were incurred or current value. If not specifically stated otherwise, they are recognized at the amounts at which they were acquired or incurred.

Going concern

The financial statements have been prepared on a going concern basis, which basis for valuation and determination of results assumes that the Company will be able to realize its assets and discharge its liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Comparison with previous year

The principles of valuation and determination of result remained unchanged compared to the previous year.

Functional and reporting currency

Due to the fact that the majority of the operations consist of USD transactions, the Company has adopted the USD as its functional and reporting currency.

Foreign currencies

All assets and liabilities denominated in currencies other than USD have been translated at the rates of exchange on balance sheet date. All transactions in foreign currencies have been translated into USD at rates of exchange approximating those prevailing on the dates of the transaction. Unless otherwise indicated, any resulting exchange differences are included in the profit and loss accounts. Income and expenses are translated at the average rates of exchange during the year.

The year end closing exchange rates used for translation purposes are as follows, 1 USD equals:

		12.31.2019	12.31.2018
EUR	Euro	0,8902	0,8734
GBP	Pound Sterling	0,7623	0,7871
GEL	Georgian Lari	2,8677	2,6766
GMD	Gambia Dalasi	50,9332	48,9261
KGS	Kyrgyzstan Som	69,7939	69,8500
MWK	Malawi Kwacha	743,6920	720,0300
PYG	Paraguay Guarani	6.465,0000	5.960,5400
TZS	Tanzanian Shilling	2.299,0000	2.281,2300
TJS	Tajikistan Somoni	9,6872	9,4296

* source for 2019 exchange rates is a respective central bank for each country

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Notes to the Balance Sheet and Profit and Loss Account as at December 31, 2019

Financial assets held to maturity

Financial assets held to maturity are recognized at fair value initially and subsequently measured at amortized cost using effective interest rate method. Any discount or premium arising on acquisition of a financial asset carried at amortized cost should be amortized using effective interest rate method. The Company makes an assessment at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Credit Default Transactions

The Credit Default Transactions are recorded at face value upon initial recognition and subsequently revalued at the mark to market position, taking into consideration the economical development of the market and the currency involved.

Receivables

Unless differently stated the receivables are recorded at face value upon initial recognition and subsequently valued at the amortized cost. Provisions deemed necessary for doubtful accounts are deducted. These provisions are determined by individual assessment of the receivables.

Cash and cash equivalents

The cash is valued at face value. If cash equivalents are not freely disposable, then this has been taken into account in the valuation.

Credit Linked Notes

Notes are initially recognised at fair value, normally being the amount received taking into account premium or discount less transaction costs. The notes are subsequently stated at amortised cost, being the amount received taking into account of any premium or discount less any adjustments for attribution of impairment to noteholders and the estimated diminution in the value of the Notes.

Non-current liabilities

Liabilities are valued at face value, unless determined and disclosed differently.

Current liabilities

Current liabilities are recognised initially at fair value. All current liabilities fall due in less than one year. The fair value of the current liabilities approximates the book value due its short term character.

PRINCIPLES OF DETERMINATION OF RESULT

General

Income from transactions is recognised in the year in which it is realised. Losses are recognised when foreseen.

Revenue recognition

The result is determined based upon the difference between the net interest gain, other net gains from financial instruments and the costs and other expenses taking into account the aforementioned valuation principles.

Exchange rate differences

Exchange rate differences arising upon the settlement of monetary items are recognised in the profit and loss accounts in the period that they arise. Exchange rate differences on long-term loans relating to the financing of foreign participations are recognised in the profit and loss accounts in the period they arise.

Financial income and expenses

Interest paid and received are time apportioned. Income arising on the financial assets, together with bank interest is recognised on an accrual basis. All income and expenditures from the financial assets, notes issued, swaps and other finance activities that have the character of interest payments received and/or paid are recognised as interest income or interest expenses respectively. Expenses are based on the historical cost conventions and attributed to the financial year to which they pertain.

Taxation

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

Notes to the Balance Sheet and Profit and Loss Account as at December 31, 2019

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Application of the accounting policies in the preparation of the financial statements requires the management of the Company to exercise judgement involving assumptions and estimates concerning future results or other developments, including the likelihood, timing or amount of future transactions or events. There can be no assurance that actual results will not differ materially from those estimates.

Those accounting policies that are critical to the financial statement presentation and that require complex estimates or significant judgement are described below.

In the opinion of the directors, the critical accounting judgements and key sources of estimation uncertainty are derived from the Company's indirect exposure to the valuation of the financial assets and financial liabilities (i.e. using valuation parameters that are not based on observable market data). The principal uncertainties concern the valuation of various types of structured credit derivatives. The values of unobservable parameters result from hypotheses and/or correlations that are not based on either transaction prices observable on the same instrument on the valuation date, or observable market data available on such date. Changes in the fair value of financial assets and/or financial liabilities resulting from such unobservable parameters would be matched by an equivalent change in the fair value of the CLN. Therefore, any such changes have no overall effect on either the profit or the financial position of the Company. Consequently, the Company bears no material risk in relation to any such estimation uncertainties.

Financial instruments, risk management and hedging

The Company's principal financial instruments during the year comprised of investments financed with CLN. The main purpose of these financial instruments is to finance the Company's operations, to manage the interest rate risk arising from the financial assets and to minimise the impact of fluctuations in the exchange rates on future cash flows. The Company has other financial instruments such as short term debtors and creditors which arise directly from its operations.

The Company is exposed to a variety of financial risks: credit and counterparty risk, market risk (including interest rate risk and currency risk), and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

All financial risks are passed onto the noteholders as the notes are limited recourse obligations of the Company.

The amount payable for each CLN is limited to the amounts of principal and interest received by or on behalf of the Company from the respective financial assets which are used to secure the relevant CLN. The net proceeds of the realisation financial assets should be sufficient to pay all amounts due to the noteholders.

The key financial instrument risks are classified as credit and counterparty risk, market risk and liquidity risk.

Credit and counterparty risk

The Company is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when they fall due. Credit risk arises predominantly with respect to the charged assets. Credit losses may arise from deterioration in credit worthiness of an obligor, including ultimately its failure to meet payment obligations (repayment of principal and interest).

Adverse changes in the financial condition of obligors or in general economic conditions, or both, may impair the ability of the obligator, as the case may be, to make payments of principal or interest. This may ultimately impair the ability of the relevant obligator, as the case may be, to make payments of principal or interest. The company does not use any form of external credit enhancement. Overall the credit risk of the company will be passed on to the noteholders.

Market risk

The Company is exposed to the risk of reductions in earnings and/or value, arising from unexpected changes in interest rates and exchange rates.

a) Currency risk

The Company's accounts are denominated in USD. The financial assets are denominated in MWK, GEL, PYG, GMD and in USD and the CLN's are denominated in USD. The company is therefore exposed to currency risk, as there may be a mismatch between the amounts receivable to the Company in respect of the investment portfolio and the amounts payable by the Company in respect of the CLN's, in a certain currency.

b) Interest rate risk

The financial assets may bear interest either on basis of the same rates or a lower interest rate for the CLN. Under the programme documentation the interest collected from the financial assets is equal or higher than the interest payable to the Noteholders, such due on or around the same payment dates. Therefore, the Company does not have interest rate risk exposure.

ZAMBEZI B.V.

Notes to the Balance Sheet and Profit and Loss Account as at December 31, 2019

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its payment obligations towards the Noteholders as they become due. The financial assets will be subjected to additional liquidity risk and are not generally traded in organized exchange markets nor traded by banks and other institutional investors. The liquidity risk is minimised by matching the cash flows and the maturity dates of a asset or group of assets with a specific CLN.

ZAMBEZI B.V.

Notes to the Balance Sheet and Profit and Loss Account as at December 31, 2019

	<u>12.31.2019</u> USD	<u>12.31.2018</u> USD
1 Investment held to maturity		
Serie 11 Tanzania	9.795.460	9.871.760
	<u>9.795.460</u>	<u>9.871.760</u>

The investment held to maturity represents acquisition of financial assets matched with CLN's and can be specified as follows:

Serie 11

The Company entered into a Loan agreement with Bayport Financial Services (T) Limited in Tanzania for a total amount of USD 10,000,000 equivalent to TZS 22,519,761,500 as per exchange rate on the date of the deal with an annual interest rate of 19.8% and with a final repayment date on April 9, 2021.

The Company entered into an agreement with Frontera Capital B.V. (FCBV), where FCBV agreed to pay the purchase price of the financial asset and the Company agreed to pay FCBV the received interest and the principal amount at the maturity date.

The movement can be specified as follows:

Opening balance	9.871.760
FX revaluation 2019	(76.300)
Ending balance	<u>9.795.460</u>

	<u>12.31.2019</u> USD	<u>12.31.2018</u> USD
2 Amounts due from third parties, non - current		
Frontera Capital BV	89.690.736	111.638.236
Baobab Securities Ltd	17.857.986	18.004.690
Frontier Market Advisory FZE	39.729.004	39.807.195
	<u>147.277.726</u>	<u>169.450.121</u>

Frontera Capital BV

Serie 2	19.311.611
Serie 5	15.857.695
Serie 6	16.605.642
Serie 7	17.000.000
Serie 8	10.269.855
Serie 11	10.645.933
	<u>89.690.736</u>

The amount of USD 23,256,494 is to be received within one year as a scheduled repayment of the principal. The amount of USD 15,886,840 has a repayment schedule longer than 5 years.

Serie 2

The Company entered into a Payment agreement with Frontera Capital B.V. for an amount of USD 32,880,867 in 2015. Frontera Capital B.V. is held to the issuing terms of the CLN under the limited recourse debt insurance programme as issued by the Company for a total aggregate notional amount ("Principal amount") of USD 34,500,000. Interest is paid semi-annually in arrears at the annual rates of respectively 8.25% and 8,50%. The Principal amounts are repayable in full at maturity date.

The movement can be specified as follows:

Opening balance	33.660.461
Maturity of 10Y bond	(14.500.000)
Amortization	151.150
Ending balance	<u>19.311.611</u>

ZAMBEZI B.V.

Notes to the Balance Sheet and Profit and Loss Account as at December 31, 2019

2 Amounts due from third parties, non - current (conitnued)

Serie 5

The Company entered into a Payment agreement with Frontera Capital B.V. for an amount of PYG 102,520,000,000 in June 16, 2017. Frontera Capital B.V. is held to the issuing terms of the CLN under the limited recourse debt insurance programme as issued by the Company for a total aggregate notional amount ("Principal amount") of PYG 102,520,000,000. Interest is paid semi-annually at the annual rate of 11%. The Principal amount is repayable in three instalments on March 25, 2025, March 23, 2026 and March 23, 2027.

The movement can be specified as follows:

Opening balance	17.199.784
FX revaluation 2019	(1.342.089)
Ending balance	<u>15.857.695</u>

Serie 6

The Company entered into a Payment agreement with Frontera Capital B.V. for an amount of GEL 47,620,000 in July 3, 2017. Frontera Capital B.V. is held to the issuing terms of the CLN under the limited recourse debt insurance programme as issued by the Company for a total aggregate notional amount ("Principal amount") of GEL 47,620,000. Interest is paid semi-annually at the annual rate of 9.5%. The Principal amount is repayable in full on the maturity date, August 9, 2022.

The movement can be specified as follows:

Opening balance	17.791.228
FX revaluation 2019	(1.185.586)
Ending balance	<u>16.605.642</u>

Serie 7

The Company entered into a Payment agreement with Frontera Capital B.V. for an amount of USD 17,000,000 in July 31, 2017. Frontera Capital B.V. is held to the issuing terms of the CLN under the limited recourse debt insurance programme as issued by the Company for a total aggregate notional amount ("Principal amount") of USD 17,000,000. Interest is paid semi-annually at the annual rate of 6.75%. The Principal amount is repayable in full on the maturity date, August 5, 2022.

The movement can be specified as follows:

Opening balance	<u>17.000.000</u>
Ending balance	<u>17.000.000</u>

Serie 8

The Company entered into a Payment agreement with Frontera Capital B.V. for an amount of GMD 1,218,758,041 in August 10, 2017. Frontera Capital B.V. is held to the issuing terms of the CLN under the limited recourse debt insurance programme as issued by the Company for a total aggregate notional amount ("Principal amount") of GMD 1,218,758,041. Interest is paid semi-annually according to the payment schedule. The Principal amount is repayable in five instalments on November 9, 2017, February 8, 2018 and August 9, 2018, August 9, 2019 and August 9, 2021.

The movement can be specified as follows:

Opening balance	15.257.905
Redemption	(4.389.004)
FX revaluation 2019	(599.046)
Ending balance	<u>10.269.855</u>

Serie 11

The Company entered into a Payment agreement with Frontera Capital B.V. for an amount of TZS 24,475,000,000 in April 9, 2018. Frontera Capital B.V. is held to the issuing terms of the CLN under the limited recourse debt insurance programme as issued by the Company for a total aggregate notional amount ("Principal amount") of TZS 24,475,000,000. Interest is paid semi-annually according to the payment schedule. The Principal amount is repayable in 3 instalments on April 23, 2020, October 23, 2020 and April 23, 2021.

ZAMBEZI B.V.

Notes to the Balance Sheet and Profit and Loss Account as at December 31, 2019

2 Amounts due from third parties, non - current (continued)

Baobab Securities Ltd

Serie 9	17.857.987
	<u>17.857.987</u>

Serie 9

The Company entered into a Payment agreement with Baobab Securitit Limited for an amount of MWK 13,554,789,536 October 5, 2017. Baobab Securitit Limited is held to the issuing terms of the CLN under the limited recourse debt insurance programme as issued by the Company for a total aggregate notional amount ("Principal amount") of MWK 13,554,789,536. Interest is paid semi-annually at the annual rate of 12% The Principal amount is repayable in full on the maturity date, October 8, 2020.

The movement can be specified as follows:

Opening balance	18.004.690
Amortization	420.944
FX revaluation 2019	(567.648)
Ending balance	<u>17.857.987</u>

Frontier Markets Advisory FZE

Serie 12	27.181.519
Frontera Capital Serie 26	12.547.485
	<u>39.729.004</u>

The amount of USD 4,389,004 is to be received within one year as a scheduled repayment of the principal.

Serie 12

The Company entered into a Payment agreement with Frontier Markets Advisory FZE ("FMA") for an amount of KGS 2,150,000,000 on April 18, 2018. FMA is held to the issuing terms of the CLN under the limited recourse debt insurance programme as issued by the Company for a total aggregate notional amount ("Principal amount") of KGS 2,150,000,000. Interest is paid semi-annually according to the payment schedule. The Principal amount is repayable in full on the maturity date, April 13, 2028.

The movement can be specified as follows:

Opening balance	26.916.935
Amortization	243.375
FX revaluation 2019	21.209
Ending balance	<u>27.181.519</u>

Frontera Capital Serie 26

The Company entered into a Payment agreement with Frontier Markets Advisory FZE ("FMA") for an amount of TJS 121,550,000 on August 27, 2018. FMA is held to the issuing terms of the CLN under the limited recourse debt insurance programme as issued by Frontera Capital B.V. for a total aggregate notional amount ("Principal amount") of TJS 121,550,000. Interest is paid semi-annually according to the payment schedule. The Principal amount is repayable in 8 installments on March 16, 2020, September 15, 2020, December 15, 2020, March 15, 2021, June 15, 2021, September 15, 2021, March 15, 2022 and February 15, 2023.

The movement can be specified as follows:

Opening balance	12.890.260
FX revaluation 2019	(342.775)
Ending balance	<u>12.547.485</u>

ZAMBEZI B.V.

Notes to the Balance Sheet and Profit and Loss Account as at December 31, 2019

	<u>12.31.2019</u> USD	<u>12.31.2018</u> USD
3 Prepayments, non - current		
Prepaid Expense FMA	1.355.637	1.808.224
	<u>1.355.637</u>	<u>1.808.224</u>

The Company made a prepayment of the arrangement fees based on an unrealised gain of the CLN Series 2. The prepayment is amortised over the life time of the Serie.

The movement can be specified as follows:

Opening balance	1.808.224
Release of accrual	(452.587)
Ending balance	<u>1.355.637</u>

	<u>12.31.2019</u> USD	<u>12.31.2018</u> USD
4 Amounts due from third parties, current		
Frontera Capital Market Opportunities Limited (FCFMO)	1.660.744	-
	<u>1.660.744</u>	<u>-</u>

The Company entered into a Credit Derivative Transaction with Frontera Capital Frontier Market Opportunities Limited. Frontera Capital Frontier Market Opportunities Limited acquired the mark to market risk from the Company associated with the difference between the receivable from assets/securities and respective obligations related to a number of Series. In exchange, the Company will transfer Fixed Payment Amounts on the relevant Fixed Payment Dates, disclosed in the agreement. The Company will have its CLN liabilities fully and exactly matched creating a neutral cash flow situation for the Company.

	<u>12.31.2019</u> USD	<u>12.31.2018</u> USD
5 Prepayments, current		
Prepaid insurance S11	79.282	-
	<u>79.282</u>	<u>-</u>

The Company made a prepayment of the insurance premium related to Serie 11 Bayport insurance.

The movement can be specified as follows:

Opening balance	-
Prepayment of insurance	79.282
Ending balance	<u>79.282</u>

	<u>12.31.2019</u> USD	<u>12.31.2018</u> USD
5 Receivables		
C/A Frontera Markets Advisor FZE	501.306	-
C/A Baobab Securities	-	604.144
VAT receivable	32.262	27.448
C/A Stichting Zambezi	13.416	13.416
Interest receivable	5.194.127	6.151.587
	<u>5.741.111</u>	<u>6.796.595</u>

VAT receivable

The Company is considered to be an entrepreneur for value added tax purposes

Interest Receivable

Frontera Capital BV	3.107.190
Baobab Securities Ltd	503.347
Frontier Market Advisory FZE	1.177.078
Serie 11	406.512
	<u>5.194.127</u>

These balances represent accrued coupon interest as calculated from the last coupon receipt dates till year end. The balances are due within one year.

ZAMBEZI B.V.

Notes to the Balance Sheet and Profit and Loss Account as at December 31, 2019

			12.31.2019	12.31.2018
			USD	USD
6 Accrued income				
Accrual FMA fee			301.990	301.990
Accrual FCGL fee			668.255	-
			<u>970.245</u>	<u>301.990</u>
7 Cash and cash equivalents				
			12.31.2019	12.31.2018
			USD	USD
	<u>Amount in</u>			
<u>Banks</u>	<u>Currency</u>	<u>foreign</u>		
		<u>currency</u>		
United International Bank N.V.	USD		785	76
United International Bank N.V.	EUR	-EUR 0,11	-	61
ING	USD		97.691	514.533
ING	EUR	EUR 4.311	4.843	15.011
			<u>103.319</u>	<u>529.681</u>

All cash and cash equivalents are at the Company's free disposal.

8 Shareholder's equity

The Company's authorised share capital amounts to EUR 1 and consists of 1 ordinary share with a nominal value of EUR1 each.

	Issued share capital	Retained earnings	Unappropriated result	Total
Balance as per January 1, 2018	1	7.340	4.137	11.478
Transfer	-	4.137	(4.137)	-
Result for the year	-	-	7.289	7.289
Balance as per December 31, 2018	1	11.477	7.289	18.767
Transfer		7.289	(7.289)	-
Result for the year			8.612	8.612
Balance as per December 31, 2019	1	18.766	8.612	27.379

			12.31.2019	12.31.2018
			USD	USD
9 Credit linked notes				
Series 2			19.311.611	33.660.461
Series 5			15.857.695	17.199.784
Series 6			16.605.642	17.791.228
Series 7			17.000.000	17.000.000
Series 8			10.269.855	15.257.905
Series 9			17.857.986	18.004.689
Series 11			10.645.933	10.728.858
Series 12			27.181.519	26.916.935
			<u>134.730.241</u>	<u>156.559.860</u>

The Company issued the following Credit Linked Notes (CLN) in multiple tranches under a combined Regulation S offering outside the United States and Rule 144A offering inside the United States. All CLN are issued under the limited recourse debt issuance program. The amount of USD 35,225,130 is to be paid within one year as a scheduled repayment of the principal. The amount of USD 43,126,902 has a repayment schedule longer than 5 years. The CLN can be specified as follows:

ZAMBEZI B.V.

Notes to the Balance Sheet and Profit and Loss Account as at December 31, 2019

9 Credit linked notes (continued)

Series 2

The Company issued Credit Linked Notes for a total aggregate notional amount ("Principal amount") of USD 37.800.000 in November 2014. Interest is paid semi-annually at the annual rate of 8.25% and 8,50%. The Principal amount is repayable in full at maturity date: USD 14,500,000 on April 2019 and USD 20,000,000 on April 2024.

In November 2014, the Company entered into the agreement with Frontera Capital B.V., where the liability was transferred for a total agreed amount of USD 32.880.867. The result was recognised as unrealised gain and it is amortised over the life span of the serie.

The movement can be specified as follows:

Opening balance	33.660.461
Redemption	(14.500.000)
Amortization	151.150
Ending balance	<u>19.311.611</u>

Series 5

The Company issued Credit Linked Notes for a total aggregate notional amount ("Principal amount") of PYG 102,520,000,000 in June 16, 2017. Interest is paid semi-annually at the annual rate of 11%. The Principal amount is repayable in three instalments on March 25, 2025, March 23, 2026 and March 23, 2027.

The movement can be specified as follows:

Opening balance	17.199.784
FX revaluation 2019	(1.342.089)
Ending balance	<u>15.857.695</u>

Series 6

The Company issued Credit Linked Notes for a total aggregate notional amount ("Principal amount") of GEL 47,620,000 in July 3, 2017. Interest is paid semi-annually at the annual rate of 9.5%. The Principal amount is repayable in full on the maturity date, August 9, 2022.

The movement can be specified as follows:

Opening balance	17.791.228
FX revaluation 2019	(1.185.586)
Ending balance	<u>16.605.642</u>

Series 7

The Company issued Credit Linked Notes for a total aggregate notional amount ("Principal amount") of USD 17,000,000 in July 31, 2017. Interest is paid semi-annually at the annual rate of 6.75%. The Principal amount is repayable in full on the maturity date, August 5, 2022.

The movement can be specified as follows:

Opening balance	17.000.000
Ending balance	<u>17.000.000</u>

Series 8

The Company issued Credit Linked Notes for a total aggregate notional amount ("Principal amount") of GMD 1,218,758,041 in August 10, 2017. Interest is paid semi-annually according to the payment schedule. The Principal amount is repayable in five instalments on November 9, 2017, February 8, 2018 and August 9, 2018, August 9, 2019 and August 9, 2021.

The movement can be specified as follows:

Opening balance	15.257.905
Redemption	(4.389.004)
FX revaluation 2019	(599.046)
Ending balance	<u>10.269.855</u>

Series 9

The Company issued Credit Linked Notes for a total aggregate notional amount ("Principal amount") of MWK 13,554,789,536 in October 5, 2017. Interest is paid semi-annually at the annual rate of 12%. The Principal amount is repayable in full on the maturity date, October 8, 2020.

The movement can be specified as follows:

Opening balance	18.004.689
Amortization	420.944
FX revaluation 2019	(567.647)
Ending balance	<u>17.857.986</u>

ZAMBEZI B.V.

Notes to the Balance Sheet and Profit and Loss Account as at December 31, 2019

9 Credit linked notes (continued)

Series 11

The Company issued Credit Linked Notes for a total aggregate notional amount ("Principal amount") of TZS 24,475,000,000 in April 12, 2018. Interest is paid semi-annually at the annual rate of 8.65%. The Principal amount is repayable in full on the maturity date, April 23, 2021.

The movement can be specified as follows:

Opening balance	10.728.858
FX revaluation 2019	(82.925)
Ending balance	<u>10.645.933</u>

Series 12

The Company issued Credit Linked Notes for a total aggregate notional amount ("Principal amount") of KGS 2,150,000,000 in April 18, 2018. Interest is paid semi-annually at the annual rate of 10%. The Principal amount is repayable in full on the maturity date, April 13, 2028.

The movement can be specified as follows:

Opening balance	26.916.935
Amortization	243.375
FX revaluation 2019	21.209
Ending balance	<u>27.181.519</u>

10 Credit Default Swaps

CDS Series KGS 3L

<u>12.31.2019</u>	<u>12.31.2018</u>
USD	USD
1.722.225	-
<u>1.722.225</u>	<u>-</u>

CDS Series KGS 3L

The Company entered into a Credit Derivative Transaction with Frontera Capital Frontier Market Opportunities Limited on January 1, 2019 for a total amount of USD 1,660,744, equivalent to KGS 116,000,306, with a maturity date on April 10, 2028. Frontera Capital Frontier Market Opportunities Limited acquired the mark to market risk from the Company associated with the difference between the receivable from assets/securities and respective obligations related to Series 12. In exchange, the Company will transfer Fixed Payment Amounts on the relevant Fixed Payment Dates, disclosed in the agreement.

The movement can be specified as follows:

Opening balance	-
Acquisition	1.660.744
Fair Value adjustment	60.184
FX revaluation 2019	1.297
Ending balance	<u>1.722.225</u>

11 Amounts due to third parties, non-current

Frontera Capital B.V.

<u>12.31.2019</u>	<u>12.31.2018</u>
USD	USD
22.342.945	22.762.021
<u>22.342.945</u>	<u>22.762.021</u>

The amount of USD 4,389,004 is to be paid within one year as a scheduled repayment of the principal.

Frontera Capital B.V.

Serie 11	9.795.460
Frontera Capital Serie 26	12.547.485
	<u>22.342.945</u>

ZAMBEZI B.V.

Notes to the Balance Sheet and Profit and Loss Account as at December 31, 2019

11 Amounts due to third parties, non-current (continued)

Serie 11

The Company entered into a Payment agreement with Frontera Capital B.V. for an amount of TZS 22,519,761,500 in April 9, 2018. The Company is held to the issuing terms of the Loan agreement under as issued by Bayport Financial Services (T) Limited for a total aggregate notional amount ("Principal amount") of TZS 22,519,761,500. Interest is paid semi-annually according to the payment schedule. The Principal amount is repayable in 3 instalments on April 9, 2020, October 9, 2020 and April 9, 2021.

The movement can be specified as follows:

Opening balance	9.871.760
FX revaluation 2019	(76.300)
Ending balance	<u>9.795.460</u>

Frontera Capital Serie 26

The Company entered into a Payment agreement with Frontera Capital B.V. for an amount of TJS 121,550,000 on August 27, 2018. The Company is held to the issuing terms of the CLN under the limited recourse debt insurance programme as issued by Frontera Capital B.V. for a total aggregate notional amount ("Principal amount") of TJS 121,550,000. Interest is paid semi-annually according to the payment schedule. The Principal amount is repayable in 8 installments on March 16, 2020, September 15, 2020, December 15, 2020, March 15, 2021, June 15, 2021, September 15, 2021, March 15, 2022 and February 15, 2023.

The movement can be specified as follows:

Opening balance	12.890.260
FX revaluation 2019	(342.775)
Ending balance	<u>12.547.485</u>

12 Accruals and deferred income, non-current

Prepaid income Serie 2

<u>12.31.2019</u>	<u>12.31.2018</u>
USD	USD
1.299.005	1.731.596
<u>1.299.005</u>	<u>1.731.596</u>

The movement can be specified as follows:

Opening balance	1.731.596
Release of gain	(432.591)
Ending balance	<u>1.299.005</u>

13 Amounts due to third parties, current

Frontera Capital B.V.

<u>12.31.2019</u>	<u>12.31.2018</u>
USD	USD
2.403.558	1.536.275
<u>2.403.558</u>	<u>1.536.275</u>

Frontera Capital B.V.

C/A Frontera Capital B.V.	1.600.525
Interest Serie 11	406.512
Interest Frontera Capital Serie 26	396.521
	<u>2.403.558</u>

14 Creditors

Baker Tilly Berk
ING Fiscal agent

<u>12.31.2019</u>	<u>12.31.2018</u>
USD	USD
-	7.288
15.982	165.000
<u>15.982</u>	<u>172.288</u>

ZAMBEZI B.V.

Notes to the Balance Sheet and Profit and Loss Account as at December 31, 2019

15 Accruals and deferred income, current	<u>12.31.2019</u> USD	<u>12.31.2018</u> USD
Interest payable	4.268.835	5.265.944
CDS Premium payable Series KGS 3L	156.425	-
Accrued audit fee	15.614	30.341
Accrued expenses professional fees	-	13.739
Accrual FCGL	-	664.685
Corporate income tax	1.315	2.856
	<u>4.442.189</u>	<u>5.977.565</u>

Interest Payable

Serie 2	562.036
Serie 5	912.795
Serie 6	622.371
Serie 7	481.006
Serie 8	354.899
Serie 9	503.347
Serie 11	174.083
Serie 12	658.298
	<u>4.268.835</u>

These balances represent accrued coupon interest as calculated from the last coupon receipt dates till year end.
The balances are due within one year.

ZAMBEZI B.V.

Notes to the Balance Sheet and Profit and Loss Account as at December 31, 2019

	2019 USD	2018 USD
16 Interest income		
Serie 2	2.149.394	3.107.408
Serie 5	1.789.219	1.939.666
Serie 6	1.589.686	1.777.107
Serie 7	1.147.500	1.147.500
Serie 8	1.068.957	1.343.609
Serie 9	2.581.146	2.631.734
Serie 10	-	684.212
Serie 11	1.795.417	1.315.668
Serie 12	3.451.529	2.377.373
Subordinated Debt	-	63.602
BIG Loan	-	236.754
Serie 11 from Frontera Capital	924.863	670.068
Frontera Capital Serie 26	1.370.238	476.020
<i>Total interest income</i>	<u>17.867.949</u>	<u>17.770.722</u>
17 Interest expense		
Serie 2	(2.149.394)	(3.107.408)
Serie 5	(1.789.219)	(1.939.666)
Serie 6	(1.589.686)	(1.777.107)
Serie 7	(1.147.500)	(1.147.500)
Serie 8	(1.068.957)	(1.343.609)
Serie 9	(2.581.146)	(2.631.734)
Serie 10	-	(684.212)
Serie 11	(924.863)	(670.068)
Serie 12	(3.329.270)	(2.377.373)
Subordinated Debt	-	(63.695)
BIG Loan	-	(236.754)
Serie 11 to Frontera Capital	(1.795.417)	(1.315.668)
Frontera Capital Serie 26	(1.370.238)	(476.020)
<i>Total interest expenses</i>	<u>(17.745.690)</u>	<u>(17.770.815)</u>
18 CDS Premium		
CDS Premium Series KGS 3 L	(154.984)	-
<i>Total CDS Premiums</i>	<u>(154.984)</u>	<u>-</u>
19 Other net result on financial instruments		
Serie 2	432.591	771.795
Serie 11	-	100.000
Serie 12	-	2.943.966
CDS Fair Value Series KGS 3 L	(60.184)	-
	<u>372.407</u>	<u>3.815.761</u>
20 Other operating income and expenses		
Audit fee	(25.011)	(48.642)
Fiscal agent fee	(105.241)	(136.364)
Legal fee	(9.363)	(28.052)
Postage fee	(58)	(123)
Professional Fee	(107.649)	(91.109)
Structuring and arrangement fee	(452.587)	(2.809.773)
C/A FMA Interest expense	(30.935)	(12.710)
Other expenses	(18.446)	(39.210)
FCGL accrual	668.255	(664.685)
Insurance premium S11	(181.687)	-
	<u>(262.722)</u>	<u>(3.830.666)</u>

ZAMBEZI B.V.

Notes to the Balance Sheet and Profit and Loss Account as at December 31, 2019

	<u>2019</u> <u>USD</u>	<u>2018</u> <u>USD</u>
21 Other financial income and expenses		
Bank charges	(6.930)	(5.085)
Foreign exchange differences	(59.265)	29.193
	<u>(66.195)</u>	<u>24.108</u>

22 Income Tax Expense

The effective interest rate of the corporate income tax of 20% is equal to the prevailing tax rates for 2019 in the Netherlands (20% over profits up to and including Eur 200,0000).

23 Contingent Obligations

On September 28, 2015, the Company has issued Series 4 for a total amount of USD 2,000,000,000 due in 2022 and took a long position. On the same date Frontera Capital B.V. has issued Series 7 for a total amount of USD 2,000,000,000 due in 2022, and took a short position. These 2 Series form a so-called "FILM Notes" – Currency basket: The main reason for the currency basket is to give investors the opportunity to go long or short on a basket for currencies rather than single currency exposure. This issuance creates a contingent obligation of a Company towards Zambezi B.V., once an investor decides to take an opportunity to invest in the basket of currencies.

24 Board of Management

During the year under the review, the Company had 2 Managing Directors (2018: 2), who received no remuneration during the current financial year.

25 Number of employees


The Company has not employed any employees during the current financial year.

26 Subsequent events

The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections. Measures taken by various governments to contain the virus have affected economic activity. At this stage, the impact on our business and results is limited. We will continue to follow the various national institutes policies and advice and in parallel will do our utmost to continue our operations in the best and safest way possible. No other major post balance sheet events affecting the financial statements have occurred to date.

Amsterdam
May 26 _____, 2020

Managing Director,



Steven Melkman

Amsterdam
May 26 _____, 2020

Managing Director,


T.M. van der Dijk H.P.C. Mourits
Trustmoore Netherlands B.V.

ZAMBEZI B.V.

Other information

Statutory rules concerning appropriation of the reserves

According to Article of the Company's Articles of Association, the net reserve for the year shall be at disposal of the General meeting of Shareholders.

Subject to the provisions under Dutch law that no dividends can be declared until all losses have been cleared.

Furthermore, Dutch law prescribes that any profit distribution may only be made to the extent that the Shareholder's Equity exceeds the amount of the issued capital and the legal reserves.

Proposed appropriation of result for the Financial Year 2019

The Board of Directors proposes to add the net profit for the year to the other reserves. This proposed allocation of result has been incorporated in the financial statements, and is subject to the approval of the General Meeting of Shareholders.

Independent auditor's report

The independent auditor's report is included on the next pages.