

ZAMBEZI B.V.

Amsterdam, the Netherlands

ANNUAL REPORT FOR THE YEAR 2020

mazars

Mazars Accountants N.V.
Initialed for
identification purposes only
LZ | 23-04-2021

ZAMBEZI B.V.

Amsterdam, the Netherlands

ANNUAL REPORT FOR THE YEAR 2020

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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 2020.

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 2020 amounts to USD 98,549,939, of which USD 7,012,500 relates to the Payment agreements entered with the third parties. In 2020, compared to 2019, the Company saw a increase in its turnover of USD 3,319,274 from USD 17,867,949 to USD 14,548,675. During the period under review, the Company recorded a profit of USD 10,891, which is set out in detail in the attached profit and loss account. No new assets were purchased in 2020, the sovereign exposure in Gambia related to the series 8 payment agreement with Boabab has matured, all Zambezi assets are performing as scheduled and the credit risk on the assets is in line with prior year.

The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections. At this stage, the impact on our business and results is very limited. Asset performance is monitored closely and continuously throughout the year, and the Company is in close contact with the asset counterparties on sovereign country and corporate level. If an asset is not performing, the Company will reach out to the asset counter party to ensure appropriate action can be taken. Additionally, the Company performs periodical detailed impairment analyses on series', counterparty, and sovereign country level to monitor expected future asset performance. The Company noted no impairment triggers per year-end 2020 and at the time of the sign off date of the Annual Report. Based on the reasoning above the Company currently does not foresee any issues moving forward and the Company is confident it can endure COVID-19 outbreak without any external support.

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.

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ZAMBEZI B.V.

Directors' report

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. The Board of Management considers the Company to have a risk neutral risk appetite due to the fact that the Company is risk and P&L flat. Company result is based on an arm's length remuneration for the limited risk finance function it performs in relation to the Debt Issuance Programme.

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. The Company does not make use of hedge accounting.

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 2020.

Credit and counterparty 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. Also, 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.

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).

Some or derivatives will expose the Company to risk of counterparty default. With regards to swap counterparty exposure the Company uses International Swaps and Derivatives Association agreements to govern derivative contracts to mitigate counterparty credit risk.

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 base 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, 2020 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.

ZAMBEZI B.V.

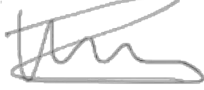
Directors' report

Subsequent events

As per the Annual Report sign off date in 2021, the Company has not issued any new Series.

Amsterdam,

Managing Director,



Steven Melkman

Amsterdam,

Managing Director,



I. Beekmeijer

Trustmoore Netherlands B.V.


H.P.C. Mourits

ZAMBEZI B.V.

**BALANCE SHEET
AS PER DECEMBER 31, 2020**

(expressed in USD and before appropriation of results)

| | Notes | December 31, 2020 USD | December 31, 2019 USD |
|---|-------|-----------------------------|-----------------------------|
| Assets | | | |
| Financial fixed assets | | | |
| Investment held to maturity | 1 | -- | 9.795.460 |
| Amounts due from third parties | 2 | 96.039.313 | 147.277.726 |
| Prepayments | 3 | 2.559.793 | 1.355.637 |
| <i>Total financial fixed assets</i> | | 98.599.106 | 158.428.823 |
| Current assets | | | |
| Investment held to maturity | 4 | 3.272.459 | -- |
| Amounts due from third parties | 5 | 277.027 | 1.660.744 |
| Prepayments | 6 | -- | 79.282 |
| Receivables | 7 | 3.494.112 | 5.741.111 |
| Accrued income | 8 | 1.244.759 | 970.245 |
| Cash and cash equivalents | 9 | 756 | 103.319 |
| <i>Total current assets</i> | | 8.289.113 | 8.554.701 |
| Total assets | | 106.888.219 | 166.983.524 |
| Shareholder's equity and liabilities | | | |
| Shareholder's equity | 10 | | |
| Issued share capital | | 1 | 1 |
| Retained Earnings | | 27.378 | 18.766 |
| Unappropriated result | | 10.891 | 8.612 |
| <i>Total shareholder's equity</i> | | 38.270 | 27.379 |
| Long term liabilities | | | |
| Credit linked notes | 11 | 89.026.813 | 134.730.241 |
| Credit Default Swaps | 12 | 1.514.778 | 1.722.225 |
| Amounts due to third parties | 13 | 7.012.500 | 22.342.945 |
| Accrual and deferred income | 14 | 995.848 | 1.299.005 |
| <i>Total long term liabilities</i> | | 98.549.939 | 160.094.416 |
| Current Liabilities | | | |
| Credit linked notes | 15 | 3.549.486 | -- |
| Amounts due to third parties | 16 | 1.511.455 | 2.403.558 |
| Creditors | 17 | 61.504 | 15.982 |
| Accruals and deferred income | 18 | 3.177.565 | 4.442.189 |
| <i>Total current liabilities</i> | | 8.300.010 | 6.861.729 |
| Total shareholder's equity and liabilities | | 106.888.219 | 166.983.524 |

ZAMBEZI B.V.**PROFIT AND LOSS**
for the financial year ended December 31, 2020

(in USD)

| | Notes | 2020 USD | 2019 USD |
|--|-----------|---------------------------|---------------------------|
| Financial income and expenses | | | |
| Interest income | 19 | 14.548.675 | 17.867.949 |
| Interest expense | 20 | (14.416.658) | (17.745.690) |
| CDS Premium | 21 | (80.507) | - 154.984 |
| <i>Total financial income and expenses</i> | | 51.510 | (32.725) |
| Other net result on financial instruments | 22 | 238.906 | 372.407 |
| | | 290.416 | 339.682 |
| Other operating income and expenses | 23 | (570.654) | (262.722) |
| | | (280.238) | 76.960 |
| Other financial income and expenses | 24 | 294.739 | (66.195) |
| Net Result before Taxation | | 14.501 | 10.765 |
| Taxation | 25 | (3.610) | (2.153) |
| NET RESULT AFTER TAXATION | | 10.891 | 8.612 |

ZAMBEZI B.V.

CASH FLOW STATEMENT
for the year ended December 31, 2020
(expressed in USD)

| | 2020 | 2019 |
|---|-------------|--------------|
| | USD | USD |
| CASHFLOWS FROM OPERATIONAL ACTIVITIES | | |
| Interest received | 11.019.380 | 15.043.588 |
| Interest Paid | (9.210.659) | (15.128.889) |
| Other Financial Income / Expense | 13 | (134.912) |
| Corporate Income Tax Paid | (2.555) | (3.709) |
| Administrative expenses | (1.873.593) | (943.808) |
| CDS Notional | 1.660.744 | |
| CDS Premium | (166.144) | |
| Paid/Received from third parties (Current accounts) | (4.609.160) | 632.387 |
| Net cash (used in) operating activities | (3.181.974) | (535.343) |
| CASHFLOWS FROM INVESTMENT ACTIVITIES | | |
| Redemption of Investments | 7.608.085 | -- |
| Acquisition of Investments | - | -- |
| Paid/Received from third parties (Investments) | - | 18.817.304 |
| Derivatives | - | - |
| Net cash (used in) investment activities | 7.608.085 | 18.817.304 |
| CASHFLOWS FROM FINANCING ACTIVITIES | | |
| Issuance of CLN | - | -- |
| Redemption of CLN | (3.459.853) | (18.648.690) |
| Paid/Received from third parties (CLN) | (1.070.066) | - |
| Net cash from financing activities | (4.529.919) | (18.648.690) |
| Effects of exchange rate on cash and cash equivalents | 1.244 | (59.633) |
| Increase in cash and cash equivalents | (102.563) | (426.361) |
| The movements of funds is as follows: | | |
| Balance as at January 1 | 103.319 | 529.680 |
| Movement for the year | (102.563) | (426.361) |
| Balance as at December 31 | 756 | 103.319 |

ZAMBEZI B.V.

Notes to the Balance Sheet and Profit and Loss Account as at December 31, 2020

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. Zambezi B.V. shares are held by a Dutch Foundation, respectively Stichting Zambezi. The aim of a structure with a foundation holding the shares of an SPVs is to establish a so-called orphan structure, or remote structure, whereby there is no ultimate legal owner other than the foundation.

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:

| | | 12.31.2020 | 12.31.2019 |
|-----|--------------------|------------|------------|
| EUR | Euro | 0,8149 | 0,8902 |
| GBP | Pound Sterling | 0,7364 | 0,7623 |
| GEL | Georgian Lari | 3,2766 | 2,8677 |
| GMD | Gambia Dalasi | 51,5038 | 50,9332 |
| KGS | Kyrgyzstan Som | 82,6498 | 69,7939 |
| MWK | Malawi Kwacha | 778,4680 | 743,6920 |
| PYG | Paraguay Guarani | 6.900,1100 | 6.465,0000 |
| TZS | Tanzanian Shilling | 2.298,4500 | 2.299,0000 |
| TJS | Tajikistan Somoni | 11,3000 | 9,6872 |

* 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, 2020

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, as well as asset financing fees, on acquisition of a financial asset carried at amortized cost will be amortized using effective interest rate method.

A financial asset that is not stated at (1) fair value with value changes reflected in the profit and loss account, or at (2) amortised cost or lower market value, is assessed at each reporting date to determine whether there is objective evidence that it requires to be impaired in conformity with RJ 290. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, with negative impact on the estimated future cash flows of that asset, which can be estimated reliably. Impairment losses are recognised in the profit and loss account and reflected in an allowance account against loans and receivables or investment securities held to maturity. Interest on the impaired asset continues to be recognised by using the asset's original effective interest rate. Impairment losses below (amortised) cost of investments in equity instruments that are measured at fair value through profit or loss, are recognised directly in the profit and loss account.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, indications that a debtor or issuer is approaching bankruptcy, or the disappearance of an active market for a security. The entity considers evidence of impairment for financial assets measured at amortised cost (loan and receivables and financial assets that are held to maturity) at a specific asset level. All individually significant assets are assessed for specific impairment.

Losses are recognised in the profit and loss account and reflected in an allowance account against loans and receivables or investment securities held to maturity. Impairment losses below (amortised) cost of investments in equity instruments that are stated at fair value through profit or loss, are recognised directly in profit or loss. When, in a subsequent period, the amount of an impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised, the decrease in impairment loss is reversed through profit or loss (up to the amount of the original cost).

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. The CDS market to market valuation is determined by calculating the Net Present Value (NPV) of the future flows, using a discount rate derived from the yield curve or rate.

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 assesment 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, as well as financing fees. 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. The CLN's include credit linked events and reference entities, as such non-performing linked assets can affect the CLN value.

Non-current liabilities

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

Current liabilities

Current liabilities are recognised initally 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.

Accounting policies for the cash flow statement

The Cash flow statement has been prepared using the direct method. The cash items disclosed in the cash flow statement comprise cash at banks. Cash flows in foreign currencies are translated at a spot rate. Exchange rate differences concerning finances are shown separately in the cash flow statement.

Interest received, interest paid, payments related to administrative expenses, payments of corporate income tax and other financial income and expenses has been recognised as cash used in operating activities. Acquisition and redemption of investments, also related to the payment agreements with third parties has been recognised as cash used in investing activities. Issuance and redemption of the Notes also related to the payment agreements with third parties has been recognised as cash from financing activities.

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Notes to the Balance Sheet and Profit and Loss Account as at December 31, 2020

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. Result is based on an arm's length remuneration for the limited risk finance function it performs in relation to the Debt Issuance Programme. An overall remuneration for the Company based on cost-plus 10% with a minimum taxable profit of EUR 2,500 is considered as an acceptable approach in determining an arm's length remuneration for the Company.

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 credit default swap instruments for which the market to market valuation is determined by calculating the Net Present Value (NPV) of the future flows, using a discount rate derived from the yield curve or rate. The Company also has other financial instruments such as short term debtors and creditors which arise directly from its operations. Accounting standard RJ 290.313 is not applicable to the Company since the Company does not make use of hedge accounting.

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. The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections. At this stage, the impact on our business and results is very limited. Asset performance is monitored closely and continuously throughout the year, and the Company is in close contact with the asset counterparties on sovereign country and corporate level. If an asset is not performing, the Company will reach out to the asset counter party to ensure appropriate action can be taken. Additionally, the Company performs periodical detailed impairment analyses on series', counterparty, and sovereign country level to monitor expected future asset performance. The uncertainties related COVID-19 outbreak have resulted in the Company increasing their periodical performance reviews on the assets to ensure all used estimates that require to be updated and potential impairment triggers are recognized in a timely manner. The Company considers itself to have a conservative approach in making use of estimates used in the different valuation processes.

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Notes to the Balance Sheet and Profit and Loss Account as at December 31, 2020

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).

Some assets or derivatives will expose the Company to risk of counterparty default. With regards to swap counterparty exposure the Company uses International Swaps and Derivatives Association agreements to govern derivative contracts to mitigate counterparty credit risk.

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. Also, 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.

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 then 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 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, 2020

| | 12.31.2020 | 12.31.2019 |
|---|-------------------|-------------------|
| | USD | USD |
| 1 Investment held to maturity, non-current | | |
| Serie 11 Tanzania | -- | 9.795.460 |
| | <u>--</u> | <u>9.795.460</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 | 9.795.460 |
| Redemption | (6.538.019) |
| FX revaluation 2020 | 15.018 |
| Reclass to current < 1 year, note 4 | <u>(3.272.459)</u> |
| Ending balance | <u><u>-</u></u> |

| | 12.31.2020 | 12.31.2019 |
|--|-------------------|--------------------|
| | USD | USD |
| 2 Amounts due from third parties, non - current | | |
| Frontera Capital BV | 65.841.402 | 89.690.736 |
| Baobab Securities Ltd | -- | 17.857.986 |
| Frontier Market Advisory FZE | 30.197.911 | 39.729.004 |
| | <u>96.039.313</u> | <u>147.277.726</u> |

Frontera Capital BV

| | |
|----------|-------------------|
| Serie 2 | 19.450.310 |
| Serie 5 | 14.857.734 |
| Serie 6 | 14.533.358 |
| Serie 7 | 17.000.000 |
| Serie 8 | -- |
| Serie 11 | -- |
| | <u>65.841.402</u> |

The amount of USD 55,236,560 is to be received between 2-5 years as a scheduled repayment of the principal. The amount of USD 11,154,532 has a repayment schedule longer than 5 years. The Company has performed detailed impairment analyses on series', counterparty and sovereign country level, and noted no impairment triggers. The fair value of the assets approximates the carrying value.

Serie 2 (continued)

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%, which approximates the effective interest rate. The Principal amounts are repayable in full at maturity date.

The movement can be specified as follows:

| | |
|----------------------|--------------------------|
| Opening balance | 19.311.611 |
| Maturity of 10Y bond | -- |
| Amortization | <u>138.699</u> |
| Ending balance | <u><u>19.450.310</u></u> |

ZAMBEZI B.V.

Notes to the Balance Sheet and Profit and Loss Account as at December 31, 2020

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

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%, which approximates the effective interest rate. 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 | 15.857.695 |
| FX revaluation 2020 | (999.961) |
| Ending balance | <u>14.857.734</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%, which is similar to the effective interest rate. The Principal amount is repayable in full on the maturity date, August 9, 2022.

The movement can be specified as follows:

| | |
|---------------------|-------------------|
| Opening balance | 16.605.642 |
| FX revaluation 2020 | (2.072.284) |
| Ending balance | <u>14.533.358</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%, which is similar to the effective interest rate. 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> |

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 repaid in full on the maturity date, August 29, 2020.

The movement can be specified as follows:

| | |
|---------------------|-------------|
| Opening balance | 10.269.855 |
| Redemption | (9.946.454) |
| FX revaluation 2020 | (323.401) |
| Ending balance | <u>--</u> |

ZAMBEZI B.V.

Notes to the Balance Sheet and Profit and Loss Account as at December 31, 2020

Serie 11 (continued)

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, with an effective interest rate of 8,65%. The Principal amount is repayable in 3 instalments on April 23, 2020, October 23, 2020 and April 23, 2021.

The movement can be specified as follows:

| | |
|-------------------------------------|------------------|
| Opening balance | 10.645.933 |
| Redemption | (6.959.781) |
| FX revaluation 2020 | (136.666) |
| Reclass to current < 1 year, note 5 | (3.549.486) |
| Ending balance | <u><u>--</u></u> |

Baobab Securities Ltd

| | |
|---------|------------------|
| Serie 9 | -- |
| | <u><u>--</u></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 | 17.857.986 |
| Redemption | (18.258.835) |
| Amortization | 366.225 |
| FX revaluation 2020 | 34.624 |
| Ending balance | <u><u>-</u></u> |

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

Frontier Markets Advisory FZE

| | |
|---------------------------|--------------------------|
| Serie 12 | 23.185.411 |
| Frontera Capital Serie 26 | 7.012.500 |
| | <u><u>30.197.911</u></u> |

The amount of USD 26,013,372 is to be received after more than 5 years 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, with an effective interest rate of 12,71%. The Principal amount is repayable in full on the maturity date, April 13, 2028.

The movement can be specified as follows:

| | |
|---------------------|--------------------------|
| Opening balance | 27.181.519 |
| Amortization | 240.247 |
| FX revaluation 2020 | (4.236.355) |
| Ending balance | <u><u>23.185.411</u></u> |

ZAMBEZI B.V.

Notes to the Balance Sheet and Profit and Loss Account as at December 31, 2020

Frontera Capital Serie 26 (continued)

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, with an effective interest rate of 10,78%. 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 | 12.547.485 |
| Redemption | (3.981.576) |
| FX revaluation 2020 | (1.553.409) |
| Ending balance | <u>7.012.500</u> |

| <u>12.31.2020</u> | <u>12.31.2019</u> |
|-------------------|-------------------|
| USD | USD |

3 Prepayments, non - current

| | | |
|-------------------------|------------------|------------------|
| Prepaid Expense FMA | 1.039.255 | 1.355.637 |
| Prepaid structuring fee | 1.520.538 | -- |
| | <u>2.559.793</u> | <u>1.355.637</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 | 1.355.637 |
| Release of accrual | (316.382) |
| Ending balance | <u>1.039.255</u> |

The Company made a prepayment of the arrangement fees based on FCGL Arrangement fee. The prepayment is amortised over the life time of the Serie.

The movement can be specified as follows:

| | |
|-------------------------|------------------|
| Opening balance | -- |
| Prepaid structuring fee | 1.660.744 |
| Release of prepayment | (140.206) |
| Ending balance | <u>1.520.538</u> |

| <u>12.31.2020</u> | <u>12.31.2019</u> |
|-------------------|-------------------|
| USD | USD |

4 Investment held to maturity, current

| | | |
|-------------------|------------------|-----------|
| Serie 11 Tanzania | 3.272.459 | -- |
| | <u>3.272.459</u> | <u>--</u> |

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

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% (effective interest rate of 18%) 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 | -- |
| Reclass from non-current, note 1 | 3.272.459 |
| Ending balance | <u>3.272.459</u> |

ZAMBEZI B.V.

Notes to the Balance Sheet and Profit and Loss Account as at December 31, 2020

| 5 Amounts due from third parties, current | 12.31.2020 | 12.31.2019 |
|---|-------------------|-------------------|
| | USD | USD |
| Frontera Capital Market Opportunities Limited (FCFMO) | -- | 1.660.744 |
| Frontera Capital BV - Serie 11 | 277.027 | -- |
| | <u>277.027</u> | <u>1.660.744</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.

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, with an effective interest rate of 8.65%. The Principal amount is repayable in 3 instalments on April 23, 2020, October 23, 2020 and April 23, 2021.

Serie 11

| | |
|--------------------------------|--------------------|
| C/A FCBV Serie 11 (Receivable) | 3.549.486 |
| C/A FCBV Serie 11 (Payable) | <u>- 3.272.459</u> |
| | <u>277.027</u> |

The amount of USD 277,027 is to be paid within one year as a scheduled repayment of the principal.

| 6 Prepayments, current | 12.31.2020 | 12.31.2019 |
|-------------------------------|-------------------|-------------------|
| | USD | USD |
| Prepaid insurance S11 | -- | 79.282 |
| | <u>--</u> | <u>79.282</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 | 79.282 |
| Prepayment of insurance | <u>(79.282)</u> |
| Ending balance | <u>--</u> |

| 7 Receivables | 12.31.2020 | 12.31.2019 |
|----------------------------------|-------------------|-------------------|
| | USD | USD |
| C/A Frontera Markets Advisor FZE | -- | 501.306 |
| VAT receivable | 15.918 | 32.262 |
| C/A Stichting Zambezi | 13.416 | 13.416 |
| Interest receivable | 3.464.778 | 5.194.127 |
| | <u>3.494.112</u> | <u>5.741.111</u> |

ZAMBEZI B.V.

Notes to the Balance Sheet and Profit and Loss Account as at December 31, 2020

VAT receivable

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

Interest Receivable

| | |
|------------------------------|------------------|
| Frontera Capital BV | 2.496.365 |
| Frontier Market Advisory FZE | 832.606 |
| Serie 11 | 135.807 |
| | <u>3.464.778</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.

| | 12.31.2020 | 12.31.2019 |
|------------------------------------|-------------------|-------------------|
| | USD | USD |
| 8 Accrued income | | |
| Accrual FMA fee | 301.990 | 301.990 |
| Accrual FCGL fee | 942.769 | 668.255,00 |
| | <u>1.244.759</u> | <u>970.245</u> |
| | 12.31.2020 | 12.31.2019 |
| | USD | USD |
| 9 Cash and cash equivalents | | |
| | <u>Amount in</u> | |
| | <u>foreign</u> | |
| <u>Banks</u> | <u>currency</u> | |
| United International Bank N.V. | USD | 756 |
| United International Bank N.V. | EUR | EUR 0 |
| ING | USD | -- |
| ING | EUR | EUR 0 |
| | <u>756</u> | <u>103.319</u> |

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

10 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, 2019 | 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 |
| Transfer | | 8.612 | (8.612) | -- |
| Result for the year | | | 10.891 | 10.891 |
| Balance as per December 31, 2020 | <u>1</u> | <u>27.378</u> | <u>10.891</u> | <u>38.270</u> |

| | 12.31.2020 | 12.31.2019 |
|--|-------------------|--------------------|
| | USD | USD |
| 11 Credit linked notes, non-current | | |
| Series 2 | 19.450.310 | 19.311.611 |
| Series 5 | 14.857.734 | 15.857.695 |
| Series 6 | 14.533.358 | 16.605.642 |
| Series 7 | 17.000.000 | 17.000.000 |
| Series 8 | -- | 10.269.855 |
| Series 9 | -- | 17.857.986 |
| Series 11 | -- | 10.645.933 |
| Series 12 | 23.185.411 | 27.181.519 |
| | <u>89.026.813</u> | <u>134.730.241</u> |

ZAMBEZI B.V.

Notes to the Balance Sheet and Profit and Loss Account as at December 31, 2020

11 Credit linked notes, non-current (continued)

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 3,549,493 is to be paid within one year as a scheduled repayment of the principal. The amount of USD 55,236,560 is to be paid between 2-5 years as a scheduled repayment of the principal. The amount of USD 37,167,904 has a repayment schedule longer than 5 years. The fair value of the CLN's approximates the carrying value and can be specified as follows:

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%, which approximates the effective interest rate. 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 | 19.311.611 |
| Redemption | -- |
| Amortization | 138.699 |
| Ending balance | <u>19.450.310</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%, which approximates the effective interest rate. 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 | 15.857.695 |
| FX revaluation 2020 | (999.961) |
| Ending balance | <u>14.857.734</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%, which is similar to the effective interest rate. The Principal amount is repayable in full on the maturity date, August 9, 2022.

The movement can be specified as follows:

| | |
|---------------------|-------------------|
| Opening balance | 16.605.642 |
| FX revaluation 2020 | (2.072.284) |
| Ending balance | <u>14.533.358</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%, which is similar to the effective interest rate. 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 Principal amount is repayable in full on the maturity date, August 29, 2020.

The movement can be specified as follows:

| | |
|---------------------|-------------|
| Opening balance | 10.269.855 |
| Redemption | (9.946.454) |
| FX revaluation 2020 | (323.401) |
| Ending balance | <u>-</u> |

ZAMBEZI B.V.

Notes to the Balance Sheet and Profit and Loss Account as at December 31, 2020

11 Credit linked notes, non-current (continued)

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 | 17.857.986 |
| Redemption | - 18.258.835 |
| Amortization | 366.225 |
| FX revaluation 2020 | 34.624 |
| Ending balance | <u><u>-</u></u> |

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%, which is similar to the effective interest rate. The Principal amount is repayable in full on the maturity date, April 23, 2021.

The movement can be specified as follows:

| | |
|-----------------------------|-----------------|
| Opening balance | 10.645.933 |
| Redemption | (6.959.781) |
| FX revaluation 2020 | (136.666) |
| Reclass to current, note 15 | (3.549.486) |
| Ending balance | <u><u>-</u></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%, with an effective interest rate of 12.71%. The Principal amount is repayable in full on the maturity date, April 13, 2028.

The movement can be specified as follows:

| | |
|---------------------|--------------------------|
| Opening balance | 27.181.519 |
| Amortization | 240.247 |
| FX revaluation 2020 | (4.236.355) |
| Ending balance | <u><u>23.185.411</u></u> |

12 Credit Default Swaps

CDS Series KGS 3L

| <u>12.31.2020</u> | <u>12.31.2019</u> |
|-------------------------|-------------------------|
| <u>USD</u> | <u>USD</u> |
| 1.514.778 | 1.722.225 |
| <u><u>1.514.778</u></u> | <u><u>1.722.225</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 | 1.722.225 |
| Acquisition | -- |
| Fair Value adjustment | 64.251 |
| FX revaluation 2020 | (271.699) |
| Ending balance | <u><u>1.514.778</u></u> |

ZAMBEZI B.V.

Notes to the Balance Sheet and Profit and Loss Account as at December 31, 2020

| | 12.31.2020 | 12.31.2019 |
|---|------------------|-------------------|
| | USD | USD |
| 13 Amounts due to third parties, non-current | | |
| Frontera Capital B.V. | 7.012.500 | 22.342.945 |
| | <u>7.012.500</u> | <u>22.342.945</u> |

The amount of USD 7,012,500 is to be paid between 2-5 years as a scheduled repayment of the principal. The fair value of the liability approximates the carrying value.

Frontera Capital B.V.

| | |
|---------------------------|------------------|
| Serie 11 | -- |
| Frontera Capital Serie 26 | 7.012.500 |
| | <u>7.012.500</u> |

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, with an effective interest rate of 8,65%. The Principal amount is repayable in 1 instalment on April 9, 2021.

The movement can be specified as follows:

| | |
|--|--------------------|
| Opening balance | 9.795.460 |
| Redemption | (6.538.019) |
| FX revaluation 2020 | 15.018 |
| Reclass to current < 1 year, note 5 (netted) | <u>(3.272.459)</u> |
| Ending balance | <u>-</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, with an effective interest rate of 10,78%. 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 | 12.547.485 |
| Redemption | (3.981.576) |
| FX revaluation 2020 | <u>(1.553.409)</u> |
| Ending balance | <u>7.012.500</u> |

| | 12.31.2020 | 12.31.2019 |
|---|----------------|------------------|
| | USD | USD |
| 14 Accruals and deferred income, non-current | | |
| Prepaid income Serie 2 | 995.848 | 1.299.005 |
| | <u>995.848</u> | <u>1.299.005</u> |

The movement can be specified as follows:

| | |
|-----------------|------------------|
| Opening balance | 1.299.005 |
| Release of gain | <u>(303.157)</u> |
| Ending balance | <u>995.848</u> |

| | 12.31.2020 | 12.31.2019 |
|--|------------------|------------|
| | USD | USD |
| 15 Credit linked notes, current | | |
| Serie 11 | 3.549.486 | -- |
| | <u>3.549.486</u> | <u>--</u> |

mazars

Mazars Accountants N.V.
Initialled for
identification purposes only
LZ | 23-04-2021

ZAMBEZI B.V.

Notes to the Balance Sheet and Profit and Loss Account as at December 31, 2020

Series 11 (continued)

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%, which is similar to the effective interest rate. The Principal amount is repayable in full on the maturity date, April 23, 2021. The fair value of the CLN approximates the carrying value.

The movement can be specified as follows:

| | |
|-----------------------------------|------------------|
| Opening balance | - |
| Reclass from non-current, note 11 | 3.549.486 |
| Ending balance | <u>3.549.486</u> |

16 Amounts due to third parties, current

Frontera Capital B.V.
C/A Frontera Markets Advisor FZE

| <u>12.31.2020</u> USD | <u>12.31.2019</u> USD |
|--------------------------|--------------------------|
| 1.471.453 | 2.403.558 |
| 40.002 | -- |
| <u>1.511.455</u> | <u>2.403.558</u> |

Frontera Capital B.V.

| | |
|------------------------------------|------------------|
| C/A Frontera Capital B.V. | 1.091.691 |
| Interest Serie 11 | 135.807 |
| Interest Frontera Capital Serie 26 | 243.955 |
| | <u>1.471.453</u> |

17 Creditors

Mazars
ING Fiscal agent
De Koerier

| <u>12.31.2020</u> USD | <u>12.31.2019</u> USD |
|--------------------------|--------------------------|
| 26.193 | -- |
| 35.183 | 15.982 |
| 128 | -- |
| <u>61.504</u> | <u>15.982</u> |

18 Accruals and deferred income, current

Interest payable
CDS Premium payable Series KGS 3L
Accrued audit fee
Corporate income tax

| <u>12.31.2020</u> USD | <u>12.31.2019</u> USD |
|--------------------------|--------------------------|
| 3.059.394 | 4.268.835 |
| 106.611 | 156.425,00 |
| 9.388 | 15.614 |
| 2.172 | 1.315 |
| <u>3.177.565</u> | <u>4.442.189</u> |

Interest Payable

| | |
|----------|------------------|
| Serie 2 | 557.379 |
| Serie 5 | 855.236 |
| Serie 6 | 544.703 |
| Serie 7 | 481.006 |
| Serie 11 | 58.041 |
| Serie 12 | 563.029 |
| | <u>3.059.394</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, 2020

| | | 2020 | 2019 |
|---|---------|---------------------|---------------------|
| | | USD | USD |
| 19 Interest income | | | |
| Serie 2 | | 1.838.699 | 2.149.394 |
| Serie 5 | | 1.660.012 | 1.789.219 |
| Serie 6 | | 1.407.383 | 1.589.686 |
| Serie 7 | | 1.150.644 | 1.147.500 |
| Serie 8 | | 689.868 | 1.068.957 |
| Serie 9 | | 1.739.466 | 2.581.146 |
| Serie 11 | | 1.225.697 | 1.795.417 |
| Serie 12 | | 3.085.745 | 3.451.529 |
| Serie 11 from Frontera Capital | | 654.656 | 924.863 |
| Frontera Capital Serie 26 | | 1.096.505 | 1.370.238 |
| <i>Total interest income</i> | | <u>14.548.675</u> | <u>17.867.949</u> |
| 20 Interest expense | | | |
| Serie 2 | | (1.838.699) | (2.149.394) |
| Serie 5 | | (1.660.012) | (1.789.219) |
| Serie 6 | | (1.407.383) | (1.589.686) |
| Serie 7 | | (1.150.644) | (1.147.500) |
| Serie 8 | | (689.868) | (1.068.957) |
| Serie 9 | | (1.739.466) | (2.581.146) |
| Serie 11 | | (654.656) | (924.863) |
| Serie 12 | | (2.945.450) | (3.329.270) |
| FCGL expense S9 | | (8.278) | -- |
| Serie 11 to Frontera Capital | 140.295 | (1.225.697) | (1.795.417) |
| Frontera Capital Serie 26 | (8.278) | (1.096.505) | (1.370.238) |
| | 132.017 | | |
| <i>Total interest expenses</i> | | <u>(14.416.658)</u> | <u>(17.745.690)</u> |
| 21 CDS Premium | | | |
| CDS Premium Series KGS 3 L | | (80.507) | (154.984) |
| <i>Total CDS Premiums</i> | | <u>(80.507)</u> | <u>(154.984)</u> |
| 22 Other net result on financial instruments | | | |
| Serie 2 | | 303.157 | 432.591 |
| CDS Fair Value Series KGS 3 L | | (64.251) | (60.184) |
| | | <u>238.906</u> | <u>372.407</u> |
| 23 Other operating income and expenses | | | |
| Audit fee | | (38.384) | (25.011) |
| Fiscal agent fee | | (87.692) | (105.241) |
| Legal fee | | (13.004) | (9.363) |
| Listing fee | | (19.012) | -- |
| Postage fee | | (127) | (58) |
| Professional Fee | | (130.428) | (107.649) |
| Structuring and arrangement fee | | (456.589) | (452.587) |
| C/A FMA Interest expense | | (20.650) | (30.935) |
| Other expenses | | -- | (18.446) |
| FCGL accrual | | 274.514 | 668.255 |
| Insurance premium S11 | | (79.282) | (181.687) |
| | | <u>(570.654)</u> | <u>(262.722)</u> |

ZAMBEZI B.V.

Notes to the Balance Sheet and Profit and Loss Account as at December 31, 2020

| | 2020 USD | 2019 USD |
|---|----------------|-----------------|
| 24 Other financial income and expenses | | |
| Bank charges | (3.338) | (6.930) |
| Other income | 15 | -- |
| Foreign exchange differences | 298.062 | (59.265) |
| | <u>294.739</u> | <u>(66.195)</u> |

25 Income Tax Expense

The effective interest rate of the corporate income tax of 16,5% is equal to the prevailing tax rates for 2020 in the Netherlands (25% over profits in excess of Eur 200,0000).

26 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.

27 Board of Management

During the year under the review, the Company had 2 Managing Directors (2019: 2), who received no remuneration during the current financial year.

28 Number of employees

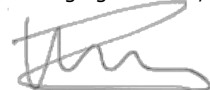
The Company has not employed any employees during the current financial year.

29 Subsequent events

No other major post balance sheet events affecting the financial statements have occurred to date.

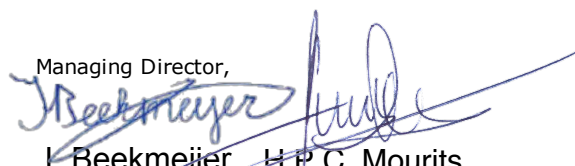
Amsterdam
April 23, 2021

Managing Director,



Steven Melkman

Managing Director,



I. Beekmeijer 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 2020

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.