

Company registration number: 615140

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**SMARTETN PUBLIC LIMITED COMPANY**

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DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2019

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# SMARTETN PUBLIC LIMITED COMPANY

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# SMARTETN PUBLIC LIMITED COMPANY

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## COMPANY INFORMATION

<b>DIRECTORS</b>	Antonio De Negri David Kenny Joanne Kenny
<b>COMPANY SECRETARY AND REGISTERED OFFICE</b>	Mulvaney Co Sec Limited (appointed 29 May 2019) Hamilton House 28 Fitzwilliam Place Dublin 2 Ireland  Cafico Secretaries Limited (resigned 29 May 2019) Palmerston House Fenian Street Dublin 2 Ireland
<b>CORPORATE SERVICE PROVIDER</b>	Trustmoore Ireland Ltd Hamilton House 28 Fitzwilliam Place Dublin 2 Ireland
<b>GUARANTOR, DEALER AND CALCULATION AGENT</b>	Cirdan Capital Management Limited 4th Floor, 7 Old Park Lane London W1K 1QR United Kingdom
<b>INDEPENDENT AUDITORS</b>	Mazars, Chartered Accountants and Statutory Audit Firm Harcourt Centre Block 3 Harcourt Road Dublin 2 Ireland
<b>SOLICITORS</b>	Arthur Cox Ten Earlsfort Terrace Dublin 2, D02 T380 Ireland
<b>BANKERS</b>	Citibank N.A., London Branch 33 Canada Square Canary Wharf London E14 5LB United Kingdom  Goldman Sachs International Peterborough Court 133 Fleet Street London EC4A 2BB United Kingdom
<b>REGISTRAR</b>	Citigroup Global Markets Deutschland AG Reuterweg 16 60323 Frankfurt Germany  Carmelo Benenti Torlo 22 Via Mezz'Oncia Borgo Lavezzaro Novara 28071 Italy
<b>LISTING AGENT</b>	Arthur Cox Listing Services Limited Ten Earlsfort Terrace Dublin 2, D02 T380 Ireland

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## SMARTETN PUBLIC LIMITED COMPANY

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### COMPANY INFORMATION (CONTINUED)

**PRINCIPAL PAYING AGENT,  
EXCHANGE AGENT AND  
TRANSFER AGENT**

Citibank N.A., London Branch  
33 Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

**CUSTODIAN**

Goldman Sachs International  
Peterborough Court  
133 Fleet Street  
London EC4A 2BB  
United Kingdom

**DERIVATIVES' BROKER**

Interactive Brokers LLC  
One Pickwick Plaza  
Greenwich, CT06830  
United States

**SWAP COUNTERPARTY**

Goldman Sachs International  
Peterborough Court  
133 Fleet Street  
London EC4A 2BB  
United Kingdom

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# SMARTETN PUBLIC LIMITED COMPANY

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## DIRECTORS' REPORT

The directors present their first report together with the audited financial statements of SmartETN Public Limited Company (the "Company") for the financial period from date of incorporation 13 November 2017 to 31 January 2019.

### PRINCIPAL ACTIVITIES, BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The Company was incorporated on 13 November 2017 as a public limited company under Irish company law. The registration number of the Company is 615140. The Company is a direct wholly-owned subsidiary of Cirdan Capital Management Limited, an entity incorporated in England and Wales.

The Company's principal activity is to acquire a portfolio of financial instruments financed by the issuance of listed debt obligations (the "Certificates") to investors (the "Certificate holders"). The net proceeds from each issuance of Certificates are used to enter into offsetting financial transactions in such a way as to hedge the exposure of the Company to future promised returns of the Certificates issued to the minimum extent required. The portfolio of financial assets consists primarily of common stocks, equity stock indices, mutual funds stocks and stock warrants. The financial liabilities of the Company consist of short traded stocks, equity stock indices, mutual funds stocks and stock warrants.

The Company has also entered into exchange-traded commodity futures, options and over-the-counter contracts for differences (the "derivative financial instruments") with Interactive Brokers Ltd and its affiliate Interactive Brokers LLC.

The Certificates' return, in respect of any interest payable and/or redemption amount, is linked to the performance of a reference item such as one or more indices or one or more shares or depository receipts. The satisfaction of the economic obligations in respect of the Certificates is unconditionally and irrevocably guaranteed by Cirdan Capital Management Limited (the "Guarantor"). The obligations of the Guarantor under its guarantee will be direct, unconditional and unsecured obligations of the Guarantor and will rank pari passu with all other unsecured and unsubordinated obligations of the Guarantor. A Certificate holder does not have rights of ownership in the reference item(s).

The value of the Certificates will move in accordance with the value of the reference item. If the reference item value on the redemption valuation date is below 100 per cent, the loss will be equal to that of a direct investment in the reference item on the redemption valuation date, subject to a minimum redemption amount of 10 per cent, of the specified denomination of the Certificate. The minimum redemption amount of 10 per cent is guaranteed by the Guarantor.

On 30 January 2019, the Company entered into a hedging agreement with Goldman Sachs International ("GSI"). The agreement will allow the Company to enter into derivative transactions directly with GSI which would be a positive development for the Company and would present to the Company more opportunities to develop new products after the end of the reporting financial period.

The following Certificates were issued and redeemed during the first financial year:

#### Series 2018-1

On 29 June 2018, the Company issued Certificates of USD 2,000,000. The Certificates were cancelled and redeemed on 25 July 2018. No Certificate holders have subscribed to the issued amount.

#### Series 2018-2

On 29 June 2018, the Company issued Certificates of EUR 2,000,000. The Certificates were cancelled and redeemed on 25 July 2018. No Certificate holders have subscribed to the issued amount.

#### Series 2018-3

On 25 July 2018, the Company issued Certificates of EUR 5,000,000. The Certificates were cancelled and reissued as Series 2018-8 on 31 August 2018. No Certificate holders have subscribed to the issued amount.

#### Series 2018-4

On 17 August 2018, the Company issued Certificates of USD 2,934,900. The Certificates were cancelled and reissued as Series 2018-6 on 6 September 2018. No Certificate holders have subscribed to the issued amount.

#### Series 2018-5

On 17 August 2018, the Company issued Certificates of EUR 2,123,800. The Certificates were cancelled and reissued as Series 2018-7 on 31 August 2018. No Certificate holders have subscribed to the issued amount.

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# SMARTETN PUBLIC LIMITED COMPANY

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## DIRECTORS' REPORT (CONTINUED)

### PRINCIPAL ACTIVITIES, BUSINESS REVIEW AND FUTURE DEVELOPMENTS (CONTINUED)

The details of the Certificates outstanding at the end of the first financial period are as follows:

Series	ISIN	Currency	Issued amount	Subscribed amount	Issue date	Maturity date
2018-6	XS1877338043	USD	3,036,250	2,272,850	06/09/2018	06/09/2022
2018-7	XS1876061281	EUR	2,301,289	242,720	31/08/2018	31/08/2022
2018-8	XS1876061109	EUR	5,000,000	669,000	31/08/2018	31/08/2022
2018-9	XS1878261012	EUR	1,200,000	1,189,000	10/09/2018	25/09/2020
2018-10	XS1881009457	EUR	5,000,000	613,000	14/09/2018	14/09/2022
2018-11	XS1896837314	EUR	8,000,000	2,160,000	08/11/2018	03/12/2021
2019-1	XS1944291696	EUR	6,000,000	-	30/01/2019	31/01/2023
R2018-1	IE00BGT3RT99	EUR	1,000,000	206,550	03/10/2018	12/10/2021
R2018-2	IE00BGT3S187	EUR	1,000,000	137,112	03/10/2018	12/10/2021
R2018-3	IE00BGT3RV12	EUR	1,000,000	65,291	03/10/2018	12/10/2021
R2018-4	IE00BGT3S294	EUR	1,000,000	62,619	03/10/2018	12/10/2021
R2018-5	IE00BGT3S070	EUR	1,000,000	63,620	03/10/2018	12/10/2021
R2018-6	IE00BGT3RY43	GBP	1,000,000	19,398	03/10/2018	12/10/2021
R2018-7	IE00BGT3RZ59	GBP	1,000,000	13,974	03/10/2018	12/10/2021
R2018-8	IE00BGT3RW29	GBP	1,000,000	8,412	03/10/2018	12/10/2021
R2018-9	IE00BGT3RX36	GBP	1,000,000	9,302	03/10/2018	12/10/2021

Series 2018-6, 2018-7, 2018-8, 2018-9, 2018-9, 2018-10, 2018-11 and 2019-1 are listed on the Frankfurt Stock Exchange.

Series 2018-6, 2018-7, 2018-8, 2018-9, 2018-10, 2018-11 and 2019-1 are also listed on the EuroTLX Stock Exchange.

Series R2018-1, R2018-2, R2018-3, R2018-4, R2018-5, R2018-6, R2018-7, R2018-8 and R2018-9 are listed on the Vienna Stock Exchange.

The Certificates issued by the Company are not rated.

The fair value of each Series is shown in Note 13.

The directors plan to continuously develop the activities and operations of the Company in the coming year.

### RESULTS AND DIVIDENDS

The result for the financial period and the Company's Statement of Financial Position as at 31 January 2019 are disclosed on pages 9 and 10 respectively. The accounting profit for the financial period before tax was nil. The directors do not recommend the payment of a dividend.

The key performance indicators of the Company are as follows:

Key performance indicators	Financial period ended 31 January 2019 €
(a) Interest receivable and similar income	28,169
(b) Interest payable and similar charges	(47,222)
(c) Other income	88,720
(d) Unrealised loss on financial assets at FVTPL	(97,510)
(e) Unrealised gain on financial liabilities at FVTPL	1,118,081
(f) Unrealised loss on derivative financial instruments	(221,038)

### DIRECTORS AND COMPANY SECRETARY

The directors of the Company are Antonio de Negri, David Kenny and Joanne Kenny. The company secretary of the Company is Mulvaney Co Sec Limited. The directors of the Company are listed on page 3 and except where indicated, have served for the entire financial period. The directors and company secretary had no material interest in any contract of significance in relation to the business of the Company other than that disclosed below. The directors of the Company, Joanne Kenny and David Kenny, and company secretary who held office on 31 January 2019 did not hold any shares, debentures or loan stock of the Company or the parent company Cirdan Capital Management Limited on that date

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# SMARTETN PUBLIC LIMITED COMPANY

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## DIRECTORS' REPORT (CONTINUED)

### DIRECTORS AND COMPANY SECRETARY (CONTINUED)

or during the financial period. The director of the Company, Antonio De Negri, is also a director and majority shareholder of Cirdan Capital Management Limited during the first financial period.

### SUBSEQUENT EVENTS

The following series of Certificates were issued after the end of the reporting financial period:

Series	ISIN	Currency	Issued amount	Issue date	Maturity date
2019-2	XS1952947981	EUR	3,000,000	18/02/2019	18/02/2022
2019-3	XS1960628235	USD	10,000,000	07/03/2019	07/03/2023
2019-4	XS1992976438	EUR	6,000,000	13/05/2019	17/01/2022
2019-5	XS1992976941	EUR	6,000,000	13/05/2019	13/05/2024
2019-6	XS2023674299	EUR	2,000,000	11/07/2019	11/07/2022
2019-7	XS2031274488	EUR	4,000,000	25/07/2019	25/07/2024
2019-8	XS2031275881	USD	4,000,000	25/07/2019	25/07/2024
2019-9	XS2042455415	USD	5,000,000	21/08/2019	21/08/2029
2019-10	XS2042446778	USD	5,000,000	21/08/2019	21/08/2029
2019-12	XS2065941952	EUR	3,000,000	21/10/2019	23/10/2023
2019-13	XS2065948296	EUR	5,000,000	14/10/2019	14/10/2024
2019-14	XS2069484348	EUR	10,000,000	23/10/2019	23/10/2024
2019-15	XS2080269173	EUR	2,500,000	15/11/2019	15/11/2022
2019-16	XS2080540664	USD	10,000,000	15/11/2019	10/02/2022
2019-17	XS2080290963	USD	5,000,000	20/11/2019	20/11/2024
2019-18	XS2083965520	USD	5,000,000	22/11/2019	22/11/2024
R2019-1	IE00BJLN8Q26	EUR	3,695,380	06/05/2019	08/05/2023
R2019-2	IE00BJLN8R33	GBP	905,951	06/05/2019	08/05/2023
R2019-3	IE00BJYJG526	EUR	1,000,000	03/06/2019	03/06/2022
R2019-4	IE00BJLMVK40	EUR	1,000,000	12/06/2019	13/06/2022

Series 2019-2, 2019-3, 2019-4, 2019-5, 2019-7, 2019-8, 2019-13, 2019-14, 2019-15, 2019-16, 2019-17 and 2019-18 are listed on the Frankfurt Stock Exchange.

Series 2019-2, 2019-7, 2019-8, 2019-13, and 2019-15 are also listed on the EuroTLX Stock Exchange.

Series R2019-1, R2019-2, R2019-3, and R2019-4 are listed on the Vienna Stock Exchange.

Series 2018-11 was redeemed on 27 September 2019.

There were no other material events after the end of the reporting financial period until the date of the signing of the financial statements which would require disclosure in the financial statements.

### FINANCIAL RISK MANAGEMENT

The disclosures in relation to the Company's policies for financial risk management, including market risk, interest rate risk, price risk, foreign exchange risk, credit risk and liquidity risk and the nature of the instruments used during the financial period to mitigate exposure to these risks are shown in Note 21.

### ANNUAL CORPORATE GOVERNANCE STATEMENT

The Company is subject to and complies with Irish Statute comprising the Companies Act 2014 and the Listing rules of Frankfurt Stock Exchange, Vienna Stock Exchange and EuroTLX multilateral trading facility. Each of the service providers engaged by the Company is subject to their own corporate governance requirements.

The Board is responsible for establishing and maintaining adequate internal control and risk management systems of the Company in relation to the financial reporting process. Such systems are designed to manage rather than eliminate the risk of failure to achieve the Company's financial reporting objectives and can only provide reasonable and not absolute assurance against material misstatements or losses.

The Board has established processes regarding internal control and risk management systems to ensure effective oversight of the financial reporting process. These include appointing Trustmoore Ireland Limited (the "Administrator") to maintain the accounting records of the Company independently of Cirdan Capital Management Limited in its capacity of Guarantor. The Administrator is contractually

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# SMARTETN PUBLIC LIMITED COMPANY

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## DIRECTORS' REPORT (CONTINUED)

### ANNUAL CORPORATE GOVERNANCE STATEMENT (CONTINUED)

obliged to maintain adequate accounting records pursuant to the corporate services agreement and performs reconciliations of its records to those of the Guarantor. The Administrator is also contractually obliged to prepare for review and approval by the Board, the annual report including financial statements intended to give a true and fair view.

The Board evaluates and discusses significant accounting and reporting issues as the need arises. From time to time the Board also examines and evaluates the Administrator's financial accounting and reporting routines and monitors and evaluates the external auditors' performance, qualification and independence. The Administrator has operating responsibility for internal control in relation to the financial reporting process and report to the Board.

The Board is responsible for assessing the risk of irregularities whether caused by fraud or error in financial reporting and ensuring that processes are in place for the timely identification of internal and external matters with potential effect on financial reporting. The Board has also put in place processes to identify changes in accounting rules and recommendations and to ensure that these changes are accurately reflected in the Company's financial statements.

The Administrator is contractually obliged to design and maintain control structures to manage the risks which the Board judges to be significant for internal control over financial reporting. These controls structures include appropriate division of responsibilities and specific control activities aimed at detecting or preventing the risk of significant deficiencies in the financial reporting for every significant account in the financial statement and the related notes in the Company's financial statements. The fair value of the derivative financial instruments has been provided by the Derivatives' Broker. In the opinion of the Board, the Derivatives' Broker is the most appropriate and reliable source of such fair values in its capacity as Derivatives' Broker. We are satisfied that the amounts as stated in the Company's financial statements represent a reasonable approximation of those values.

The Company's policies and the Board's instructions with relevance for financial reporting are updated and communicated via appropriate channels, such as e-mail, correspondence and meetings to ensure that all financial reporting information requirements are met in a complete and accurate manner. The Board has an annual process to ensure that appropriate measures are taken to consider and address the shortcomings identified and measures recommended, if any, by the Independent Auditor.

Antonio De Negri has a significant indirect holding of shares in the Company. Antonio De Negri has significant direct holding of shares of Cirdan Capital Management Limited, which is the sole owner of the Company.

The Board has concluded that there is currently no need for the Company to have a separate audit committee or internal audit function in order for the Board to perform effective monitoring and oversight of the internal control and risk management systems of the Company in relation to the financial reporting process and the monitoring of the statutory audit and the independence of the statutory auditors. The Company has taken the exemption available for Section 110 Companies set out under Statutory instrument No. 220 of 2010 Part 9 S. 91 SS. 9(d) not to have a separate audit committee.

The Board is responsible for managing the business affairs of the Company in accordance with the Company's Constitution, which allow them to enter into contracts and perform all tasks necessary to conduct the business of the Company. The directors may delegate certain functions to the Administrator and other parties, subject to the supervision and direction by the directors.

The shareholder's rights and the operations of shareholders meetings are defined in the Company's constitution and comply with the Companies Act 2014. The Company holds general meetings as and when required. The annual general meeting is specified in the notice sent out for the meeting. Other general meetings may be convened from time to time by the directors in such manner as provided by Irish law.

### POLITICAL DONATIONS

The Electoral Act, 1997 as amended by the Electoral (Amendment) (Political Funding) Act 2012 requires companies to disclose all political donations over €200 in aggregate made during the financial year. The directors, on enquiry, have satisfied themselves that no such donation in excess of this amount has been made by the Company.



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# SMARTETN PUBLIC LIMITED COMPANY

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## DIRECTORS' REPORT (CONTINUED)

### DIRECTORS' COMPLIANCE STATEMENT

The directors, in accordance with Section 225(2) (a) of the Companies Act 2014, acknowledge that they are responsible for securing the Company's compliance to with its "relevant obligations". "Relevant obligations", in the context of the Company, are the Company's obligations under:

- (a) the Companies Act 2014, where a breach of the obligations would be a category 1 or category 2 offence;
- (b) the Companies Act 2014, where a breach of the obligations would be a serious Market Abuse of Prospectus offence;
- (c) tax law.

Pursuant to Section 225(2) (b) of the Companies Act 2014, the directors confirm that:

- (i) a compliance policy statement has been drawn up as required by Section 225(3) (a) of the Companies Act 2014 setting out the Company's policies (that, in the directors' opinion, are appropriate to the Company) respecting compliance by the Company with its relevant obligations;
- (ii) appropriate arrangements and structures have been put in place that, in their opinion, secure material compliance with the Company's relevant obligations, and
- (iii) a review has been conducted, in respect of the financial year to which the Directors' Compliance Report referred relates, of any arrangements or structures referred to above that have been put in place. The review was carried out after the financial year to which this statement relates as the Directors required the appropriate arrangements and structures to be fully established before a review could be undertaken/completed.

### DISCLOSURE OF INFORMATION TO AUDITORS

So far as each of the directors in the office at the date of the approval of the financial statements are aware:

- There is no relevant audit information which the Company's auditors are unaware; and
- The directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 330 of the Companies Act 2014.

### GOING CONCERN

The Company's financial statements for the financial period ended 31 January 2019 have been prepared on a going concern basis. The directors anticipate that the financial assets will continue to generate enough cash flow on an ongoing basis to meet the Company liabilities as they fall due.

### ACCOUNTING RECORDS

The directors are responsible for ensuring that adequate accounting records, as outlined in Sections 281 – 285 of the Companies Act 2014, are kept by the Company. The measures taken by directors to ensure compliance with the Company's obligation to keep adequate accounting records are by ensuring that a competent service provider is responsible for the preparation and maintenance of the accounting records. The accounting records of the company are kept at the registered office, Hamilton House, 28 Fitzwilliam Place, Dublin 2, Ireland.

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# SMARTETN PUBLIC LIMITED COMPANY

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## DIRECTORS' REPORT (CONTINUED)

### INDEPENDENT AUDITORS

Mazars, Chartered Accountants and Statutory Audit Firm, have been appointed during the financial period and have expressed willingness to continue in office in accordance with Section 383 (2) of the Companies Act 2014.

The report was approved by the Board on 19 December 2019 and signed on its behalf by:

Antonio De Negri  
Director

Joanne Kenny  
Director

David Kenny  
Director

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SmartETN PLC

### Report on the audit of the financial statements

#### *Opinion*

We have audited the financial statements of SmartETN PLC ('the Company') for the year ended 31 January 2019, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes to the financial statements, including the summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is the Companies Act 2014 and Financial Reporting Standard 102.

In our opinion, the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Company as at 31 January 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with FRS 102; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

#### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs Ireland) and applicable law. Our responsibilities under those standards are described in the *Auditors' responsibilities for the audit of the financial statements* section of our report.

We are independent of the Company in accordance with ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA) as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Conclusions relating to going concern*

We have nothing to report in respect of the following matters in relation to which ISAs (Ireland) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**INDEPENDENT AUDITORS' REPORT TO THE  
MEMBERS OF SmartETN PLC**

***Key audit matters***

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud). The matter, described below, had the greatest impact on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. This was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and therefore we do not provide a separate opinion on this matter.

<b>Key audit matter- Valuation of financial instruments at fair value</b>	<b>How our audit addressed the key audit matters</b>
<p>The financial position of the Company depends, to a significant degree, on the valuation of its financial instruments at fair value.</p> <p>The Company's financial instruments at fair value comprise financial assets and liabilities that are held for trading (long and short positions), certificates issued by the Company on various stock exchanges and derivatives.</p> <p>We do not consider the valuation of these financial instruments at fair value to be a significant risk of material misstatement or to be subject to significant judgement but because of the materiality of these instruments in the context of the financial statements, we consider it a key focus of our audit.</p> <p>Refer to Note 2 'Accounting Policies' and notes 11, 13, 14, 15 and 21 (financial disclosures) of the Financial Statements.</p>	<ul style="list-style-type: none"> <li>• Agreement of all equity positions (long and short) to an independent custodian confirmation;</li> <li>• Agreement of all open derivative positions at year end to an independent confirmation received from the derivatives Broker;</li> <li>• For equity instruments valued based on quoted prices, we agreed the prices to closing prices on an independent pricing source;</li> <li>• For open derivative positions we agreed the year end valuations on a sample basis to supporting documentation from an independent pricing source;</li> <li>• Using an independent pricing source, we recalculated the fair value of the certificates issued based on the terms of the certificates from the contractual agreements; and</li> <li>• We assessed the appropriateness of the related disclosures in the financial statements.</li> </ul> <p>Based on testing performed we concluded that the valuations of the Company's financial instruments at fair value to be reasonable.</p>

**INDEPENDENT AUDITORS' REPORT TO THE  
MEMBERS OF SmartETN PLC**

***Our application of materiality***

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	€82,340
How we determined it	1% of total assets
Rationale for benchmark applied	We applied this benchmark because in our view this is the metric against which the recurring performance of the Company is commonly measured by its stakeholders.
Reporting threshold	We agreed with the Board of Directors that we would report to them misstatements identified during our audit in excess of 3% of overall materiality as well as misstatements below that amount that, in our opinion, warranted reporting for qualitative reasons.

***An overview of the scope of our audit***

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole, taking into account the Company's accounting processes and controls, and the industry in which it operates. In establishing the overall approach to our audit, we assessed the risk of material misstatement, taking into account the nature, likelihood and potential magnitude of any misstatement. We used the outputs of our risk assessment, our understanding of the Company, and also considered qualitative factors in order to ensure that we obtained sufficient coverage across all financial statement line items.

***Other information***

The Directors are responsible for other information. This other information comprises of information included in the Directors' Report and audited financial statements other than the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audited of the financial statements, our responsibility is to read the other information and, in doing so, consider whether this other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SmartETN PLC

### *Corporate governance statement*

We report, in relation to information given in the Corporate Governance Statement on pages 5 to 7 that, in our opinion the information given in the Corporate Governance Statement pursuant to subsections 2(c) and (d) of section 1373 Companies Act 2014 is consistent with the Company's statutory financial statements in respect of the financial year concerned and such information has been prepared in accordance with section 1373 of the Companies Act 2014.

Based on our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in this information.

### *Opinions on other matters prescribed by the Companies Act 2014*

Based solely on the work undertaken in the course of the audit, we report that:

- in our opinion, the information given in the Directors' report is consistent with the financial statements; and
- in our opinion, the Directors' report has been prepared in accordance with the Companies Act 2014.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit. In our opinion, the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited and the financial statements are in agreement with the accounting records.

### *Matters on which we are required to report by exception*

Based on the knowledge and understanding of the Company and its environment obtained during the course of the audit, we have not identified any material misstatements in the Directors' report.

The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of Directors' remuneration and transactions required by sections 305 to 312 of the Act are not made.

We have nothing to report in this regard.

### **Respective responsibilities**

#### *Responsibilities of Directors for the financial statements*

As explained more fully in the Directors' Responsibilities Statement set out on page 9, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal controls as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.



## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SmartETN PLC

### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs Ireland will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA's website at: [http://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description\\_of\\_auditors\\_responsibilities\\_for\\_audit.pdf](http://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf)

This description forms part of our auditors' report.

### *Other matters which we are required to address*

We were appointed by the Board of Directors on 30 October 2019 to audit the financial statements of SmartETN PLC for the year ending 31 January 2019 and subsequent financial periods.

The non-audit services prohibited by IAASA's Ethical Standard were not provided and we remained independent of the Company in conducting the audit.

Our opinion is consistent with our report to the Board of Directors we are required to provide in accordance with ISA (Ireland) 260.

### *The purpose of our audit work and to whom we owe our responsibilities*

Our report is made solely to the Company's members, as a body, in accordance with section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

  
Patrick Gorry

for and on behalf of Mazars  
Chartered Accountants & Statutory Audit Firm  
Harcourt Centre, Block 3  
Harcourt Road  
Dublin 2

20 December 2019

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# SMARTETN PUBLIC LIMITED COMPANY

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## STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2019

	Notes	Financial period ended 31 January 2019 €
Interest receivable and similar income	3	28,169
Interest payable and similar charges	4	(47,222)
<b>Net interest income</b>		<u>(19,053)</u>
Net realised loss on disposal of financial assets at FVTPL	5	(3,118)
Net realised loss on disposal of financial liabilities at FVTPL	6	(41,882)
Net realised loss on derivatives financial instruments		(438,311)
Unrealised foreign exchange gain on cash and cash equivalents		41,320
Net unrealised loss on financial assets at FVTPL	11	(93,927)
Net unrealised loss on derivative financial instruments	15	(219,915)
Net unrealised gain on financial liabilities at FVTPL	13/14	1,082,665
Other income	8	88,720
Other expenses		(5,824)
Administration expenses	7	(390,675)
<b>Profit on ordinary activities before taxation</b>		<u>-</u>
Corporate tax charge	9	-
<b>Profit for the financial period</b>		<u>-</u>
Other comprehensive income		-
<b>Total comprehensive income for the financial period</b>		<u><u>-</u></u>

All amounts relate to continuing operations.

The notes on pages 21 to 37 form an integral part of these financial statements.



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## SMARTETN PUBLIC LIMITED COMPANY

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### STATEMENT OF FINANCIAL POSITION AS AT 31 JANUARY 2019

	Notes	As at 31 January 2019 €
<b>ASSETS</b>		
<b>Non-current assets</b>		
Financial assets at FVTPL	11	2,614,975
Derivative financial instruments	15	84,386
		2,699,361
<b>Current Assets</b>		
Trade and other receivables	12	158,727
Cash and cash equivalents	10	4,996,665
Unsettled trades receivable	19	384,994
		5,540,386
<b>TOTAL ASSETS</b>		8,239,747
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Certificates issued at FVTPL	13	6,051,186
Financial liabilities at FVTPL	14	1,280,454
Derivative financial instruments	15	206,827
		7,538,467
<b>Current liabilities</b>		
Interest payable on Certificates	17	24,360
Trade and other payables	16	130,980
Unsettled trades payable	19	520,940
		676,280
<b>TOTAL LIABILITIES</b>		8,214,747
<b>EQUITY</b>		
Called up share capital	18	25,000
Retained earnings		-
<b>TOTAL EQUITY</b>		25,000
<b>TOTAL EQUITY AND LIABILITIES</b>		8,239,747

The notes on pages 21 to 37 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 19 December 2019 and signed on its behalf by:

Antonio De Negri  
Director

Joanne Kenny  
Director

David Kenny  
Director

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## SMARTETN PUBLIC LIMITED COMPANY

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### STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2019

	Called up share capital €	Retained earnings €	Total €
As at 13 November 2017	-	-	-
Issued during the financial period	25,000	-	25,000
Total comprehensive income for the financial period	-	-	-
<b>As at 31 January 2019</b>	<u>25,000</u>	<u>-</u>	<u>25,000</u>

The notes on pages 21 to 37 form an integral part of these financial statements.

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## SMARTETN PUBLIC LIMITED COMPANY

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### STATEMENT OF CASHFLOW FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2019

	Notes	Financial period ended 31 January 2019 €
<b>Cash flow from operating activities</b>		28,169
Interest received		(17,166)
Interest paid		56,516
Other income		(5,368)
Trade debtors		4,540
Administrative expenses		(273,833)
Trade and other payables		(123,076)
<b>Net cash (used) in operating activities</b>		(330,218)
<b>Cash flows from investing activities</b>		
Purchase of financial assets at FVTPL		(15,478,192)
Disposal of financial assets at FVTPL		12,902,118
Purchase of financial liabilities at FVTPL		(985,925)
Disposal of financial liabilities at FVTPL		2,173,460
Purchase of derivative financial instruments		(97,474)
Disposal of derivative financial instruments		(438,311)
<b>Net cash (used) in investing activities</b>		(1,924,324)
<b>Cash flows from financing activities</b>		
Redemption of certificates at FVTPL		(341,221)
Issue of certificates at FVTPL		7,526,108
issuance of Share capital		25,000
<b>Net cash from financing activities</b>		7,209,887
<b>Net increase in cash and cash equivalents</b>		4,955,345
Unrealised foreign exchange gain on cash and cash equivalents		41,320
Cash and cash equivalents at the beginning of the financial period		-
<b>Cash and cash equivalents at end of financial period</b>		4,996,665

The notes on pages 21 to 37 form part of these financial statements.

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# SMARTETN PUBLIC LIMITED COMPANY

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2019

### 1. GENERAL INFORMATION

The Company was incorporated on 13 November 2017, under the laws of Ireland with registration number 615140 and a registered address of Hamilton House, 28 Fitzwilliam Place, Dublin 2, Ireland.

The Company is a direct wholly-owned subsidiary of Cirdan Capital Management Limited, an entity incorporated in England and Wales.

The Company is special purpose company with limited liability and qualifies for the regime contained in section 110 of the Irish Taxes Consolidation Act, 1997 (the "TCA"). This provides that a qualifying company will be liable to corporation tax at the rate of 25% under Case III of Schedule D in respect to taxable profits.

### 2. ACCOUNTING POLICIES

#### Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the Companies Act 2014. The financial statements have been prepared under the historical cost convention, except for financial instruments classified at FVTPL, which have been measured at fair value.

The significant accounting policies used in the preparation of the entity financial statements are set out below. These policies have been consistently applied to all financial periods presented, unless otherwise stated.

#### Use of estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis by the directors. Revisions to accounting estimates are recognized in the financial period in which the estimate is revised and in any future periods affected. In particular the information about the Company's significant estimates is disclosed in Note 21 and these relate to the fair value of the Company's financial instruments measured at fair value.

#### Foreign currency

Monetary assets and liabilities denominated in foreign currency included in the Company's financial statements are measured in Euro denoted by the symbol "€" which is the Company's functional and presentational currency. Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency exchange gains and losses resulting from the settlement of such transactions and from the retranslation at the financial period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Statement of Comprehensive Income.

#### Interest income and expense

Interest income and expense are recognized on an accrual basis by reference to the principal outstanding and at the effective interest rate applicable.

#### Taxation

Current tax represents the sum of the tax payable for the current reporting period. The tax currently payable is based on taxable profit for the financial period calculated in accordance with Irish tax laws. The Company's liability for current tax is calculated using tax rates and laws that have been enacted or subsequently enacted at the reporting period end date.

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# SMARTETN PUBLIC LIMITED COMPANY

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2019

### 2. ACCOUNTING POLICIES (CONTINUED)

#### Financial instruments

The financial instruments held by the Company include the following:

- o Cash and cash equivalents
- o Long/short equity investments
- o Derivative financial instruments
- o Certificates issued
- o Trade and other payables
- o Trade and other receivables
- o Unsettled trades

The Company has applied the provisions of both Section 11 and Section 12 of FRS 102 in full to account for all its financial instruments.

#### Categorisation

Cash and cash equivalents are measured at amortised cost. The Company measures derivative financial instruments at fair value through profit or loss. Long/short equity investments and certificates issued are measured at fair value through profit or loss. Long/short equity investments are non-derivative financial assets/liabilities with fixed or determinable payments and are quoted in an active market.

#### Recognition and initial measurement

The Company initially recognises all financial assets and liabilities at fair value on the trade date at which the Company becomes a party to the contractual provisions of the instruments. Purchases and sales of financial assets and financial liabilities are recognised using trade date accounting.

From trade dates, any gains and losses arising from changes in fair value of the financial assets or financial liabilities measured at fair value through profit or loss are recorded through profit or loss in the statement of comprehensive income. Financial assets and financial liabilities not categorised as at fair value through profit or loss are subsequently measured at amortised cost less impairment.

#### Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, and does not retain control of the financial asset. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability. The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

#### Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principle or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Company measures instruments quoted in an active market at current bid price.

If there is no quoted price in an active market, the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

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# SMARTETN PUBLIC LIMITED COMPANY

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2019

### 2. ACCOUNTING POLICIES (CONTINUED)

#### Financial instruments (continued)

##### Fair value measurement (continued)

The Company measures fair values using the following hierarchy of models:

Level 1: Quoted market price in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The fair value of certain certificates issued by the Company is directly linked to the change in the fair value of the respective underlying reference item. Therefore, the fair value of such certificates is

measured by the fair value of the underlying reference item at issuance date and at balance sheet date. The fair value of the underlying reference item is based on quoted market prices observable in active market.

##### Trade and other receivables and payables

The trade and other receivables and payables are initially measured at fair value. They are subsequently re-measured to amortised cost.

##### Unsettled trades

Unsettled trades include amounts payable for securities purchased and receivables for securities sold that have been contracted for but not yet delivered on the reporting date. They are initially measured at fair value plus any directly attributable incremental costs and subsequently measured at amortised cost.

##### Fair value measurement

The fair value of certain certificates issued by the Company is not directly linked to the change in the fair value of the respective underlying reference item. Therefore, the fair value of such certificates is based on quoted market prices observable in active market.

#### Cash and cash equivalents

Cash and cash equivalents comprise bank balances and bank overdrafts, including short-term highly liquid investments with original maturities of three months or less. Cash equivalents are held at cost plus accrued interest.

#### Derivative financial instruments

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions and valuation techniques, including discounted cash flow models and option pricing models as appropriate. Derivatives are included as assets when their fair value is positive and liabilities when their fair value is negative, unless there is the legal ability and intention to settle net. Gains and losses arising from changes in the fair value of derivatives are included in the Statement of Comprehensive Income in the financial period in which they arise. The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Company recognises profits on day one.

The Company is required to place collateral with the derivatives' broker covering the open derivative positions. The size of the collateral is derived based on the difference between initial and the subsequent fair value of each derivative financial instrument.

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# SMARTETN PUBLIC LIMITED COMPANY

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2019

### 2. ACCOUNTING POLICIES (CONTINUED)

#### Operating expenses

Operating expenses are recognized in the Statement of Comprehensive Income on an accrual basis.

#### Share capital

Ordinary shares are classified as equity as per the Company' Constitution.

#### Operating segment

A segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to other reportable segments. The Company has only one reporting segment and all activities are carried out in Ireland.

#### Other income

Other income is recognized in the Statement of Comprehensive Income on an accrual basis. Other income includes issuance fees earned, reimbursement for administration expenses received from Cirdan Capital Management limited and hedging income received from the Guarantor.

#### Income from the Guarantor

Income from the Guarantor is recognized based on the shortfall between income generated by the Company and expenses recognized by the Company.

### 3. INTEREST RECEIVABLE AND SIMILAR INCOME

	<b>Financial period ended 31 January 2019</b>
	<b>€</b>
Interest income on financial assets at FVTPL	15,749
Dividend income on financial assets at FVTPL	12,420
	<hr/> <hr/> <b>28,169</b>

### 4. INTEREST PAYABLE AND SIMILAR CHARGES

	<b>Financial period ended 31 January 2019</b>
	<b>€</b>
Interest expense on Certificates issued at FVTPL	(24,360)
Dividend charges on financial liabilities at FVTPL	(10,859)
Interest expense on cash and cash equivalents	(12,003)
	<hr/> <hr/> <b>(47,222)</b>

### 5. NET REALISED GAIN/(LOSS) ON DISPOSAL OF FINANCIAL ASSETS AT FVTPL

	<b>Financial period ended 31 January 2019</b>
	<b>€</b>
Gain on disposal of financial assets at FVTPL	48,284
Loss on disposal of financial assets at FVTPL	(51,402)
	<hr/> <hr/> <b>(3,118)</b>

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# SMARTETN PUBLIC LIMITED COMPANY

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2019

### 6. NET REALISED GAIN/(LOSS) ON DISPOSAL OF FINANCIAL LIABILITIES AT FVTPL

	<b>Financial period ended 31 January 2019</b>
	<b>€</b>
Gain on disposal of Certificates issued at FVTPL	17,285
Loss on disposal of Certificates issued at FVTPL	(414)
Gain on disposal of financial liabilities at FVTPL	4,614
Loss on disposal of financial liabilities at FVTPL	(63,367)
	<u>(41,882)</u>

### 7. ADMINISTRATION EXPENSES

	<b>Financial period ended 31 January 2019</b>
	<b>€</b>
Listing fees	(7,495)
Corporate administration fees	(36,994)
Paying agent fees	(60,727)
Arranger fees	(168,623)
Interactive Brokers' commissions and fees	(57,996)
Brokerage fees	(3,619)
Market making fees	(4,375)
Other professional fees	(1,994)
Directors fees	(20,102)
Audit fee	(25,500)
Tax fee	(3,250)
	<u>(390,675)</u>

The Company has no employees. Accounting services have been outsourced to the Administrator. Corporate secretarial services have been outsourced to Mulvaney Co Sec Limited. Management services have been carried out by David Kenny and Joanne Kenny, directors of the Company. The Company does not pay any director fees to Antonio De Negri.

### 8. OTHER INCOME

	<b>Financial period ended 31 January 2019</b>
	<b>€</b>
Other income	38,656
Reimbursement income	17,860
Income from the Guarantor	32,204
	<u>88,720</u>

Other income mainly consists of issuance fees that were received during the financial period. Reimbursement for administration expenses received from Cirdan Capital Management limited is recorded under reimbursement income. Hedging income consists of guarantees received from the Guarantor.

### 9. TAXATION

	<b>Financial period ended 31 January 2019</b>
	<b>€</b>
Corporation tax charge	<u>-</u>



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## SMARTETN PUBLIC LIMITED COMPANY

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### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2019

#### 9. TAXATION (CONTINUED)

The reconciliation between the current tax charge for the financial period and the current charge that would result from applying the standard rate of Irish corporation tax to profits on ordinary activities is explained below:

	<b>Financial period ended 31 January 2019 €</b>
Profit on ordinary activities before tax	-
Profit on ordinary activities multiplied by the standard rate of Irish corporation tax for the financial period at 12.5%	-
Effects of:	
Higher rate tax applicable under Section 110 TCA, 1997	-
Current tax charge for the financial period	-

The Company is a qualifying company within the meaning of Section 110 of the Taxes Consolidation Act, 1997. As such the profits are chargeable to corporation tax under case III of schedule D at the rate of 25% but are computed in accordance with the provisions applicable to case I of schedule D.

#### 10. CASH AND CASH EQUIVALENTS

	<b>As at 31 January 2019 €</b>
Cash and cash equivalents	4,996,665

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short term highly liquid investments with original maturity of three months or less.

#### 11. FINANCIAL ASSETS AT FVTPL

	<b>As at 31 January 2019 €</b>
Financial assets at FVTPL	2,614,975
Balance at the beginning of the financial period	-
Purchases of financial assets at FVTPL	15,999,132
Disposal of financial assets at FVTPL	(13,287,112)
Net realised loss on disposal of assets at FVTPL	(3,118)
Net unrealised loss on fair value of financial assets at FVTPL	(97,510)
Net realised foreign exchange loss	3,583
Balance at the end of the financial period	2,614,975

The portfolio of financial assets consists primarily of common stocks, equity stock indices, mutual funds stocks and stock warrants denominated in EUR, USD, GBP and CHF.

# SMARTETN PUBLIC LIMITED COMPANY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2019

### 12. TRADE AND OTHER RECEIVABLES

	<b>As at 31 January 2019 €</b>
Prepayments	3,447
Collateral receivable	34,168
Other receivables	88,908
Income receivable from the Guarantor	32,204
	158,727

Income receivable from the Guarantor consist of accrued guarantees payable by the Guarantor.

### 13. CERTIFICATES ISSUED AT FVTPL

	<b>As at 31 January 2019 €</b>
Certificates issued at FVTPL	(6,051,186)
Balance at the beginning of the financial period	-
Subscriptions of Certificates issued at FVTPL	(7,526,108)
Redemption of Certificates issued at FVTPL	341,221
Net realised gain on redemption of Certificates issued at FVTPL	16,871
Net unrealised gain on fair value of Certificates issued at FVTPL	1,139,495
Net realised foreign exchange loss	(22,665)
Fair value at the end of the financial period	(6,051,186)

	<b>As at 13 November 2017 €</b>	<b>Certificates issued €</b>	<b>Certificates redeemed €</b>	<b>Fair value movement €</b>	<b>Foreign exchange €</b>	<b>As at 31 January 2019 €</b>
<b>Series</b>						
2018-6	-	1,972,203	-	(60,950)	22,665	1,933,918
2018-7	-	250,637	-	(44,765)	-	205,872
2018-8	-	659,367	(10,024)	(236,908)	-	412,435
2018-9	-	1,200,000	(11,000)	(149,142)	-	1,039,858
2018-10	-	831,996	(234,150)	(20,943)	-	576,903
2018-11	-	2,081,867	(102,918)	(636,344)	-	1,342,605
2019-1	-	-	-	-	-	-
R2018-1	-	183,781	-	(6,934)	-	176,847
R2018-2	-	121,997	-	3,479	-	125,476
R2018-3	-	58,094	-	2,519	-	60,613
R2018-4	-	55,716	-	4,102	-	59,818
R2018-5	-	56,607	-	6,231	-	62,838
R2018-6	-	20,445	-	(1,155)	-	19,290
R2018-7	-	14,728	-	81	-	14,809
R2018-8	-	8,866	-	420	-	9,286
R2018-9	-	9,804	-	814	-	10,618
	-	7,526,108	(358,092)	(1,139,495)	22,665	6,051,186

#### Series 2018-1

On 29 June 2018, the Company issued Certificates of USD 2,000,000. The Certificates were cancelled and redeemed on 25 July 2018. No Certificate holders have subscribed to the issued amount.

#### Series 2018-2

On 29 June 2018, the Company issued Certificates of EUR 2,000,000. The Certificates were cancelled and redeemed on 25 July 2018. No Certificate holders have subscribed to the issued amount.

#### Series 2018-3

On 25 July 2018, the Company issued Certificates of EUR 5,000,000. The Certificates were cancelled and reissued as Series 2018-8 on 31 August 2018. No Certificate holders have subscribed to the issued amount.

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# SMARTETN PUBLIC LIMITED COMPANY

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2019

### 13. CERTIFICATES ISSUED AT FVTPL (CONTINUED)

#### Series 2018-4

On 17 August 2018, the Company issued Certificates of USD 2,934,900. The Certificates were cancelled and reissued as Series 2018-6 on 6 September 2018. No Certificate holders have subscribed to the issued amount.

#### Series 2018-5

On 17 August 2018, the Company issued Certificates of EUR 2,123,800. The Certificates were cancelled and reissued as Series 2018-7 on 31 August 2018. No Certificate holders have subscribed to the issued amount.

#### Series 2018-6

On 6 September 2018, the Company issued Certificates of USD 3,036,250. The Certificates are denominated in USD and mature on 6 September 2022. As at 31 January 2019, the Certificate holders have subscribed to USD 2,272,850 of the issued amount.

The Certificates' return is linked to the performance of "Closed-End Funds Strategy TR – Market Neutral" index. Strike price of "Closed-End Funds Strategy TR – Market Neutral" index was 2,605.32 at issuance date. The value of the Certificate as at 31 January 2019 is estimated at 97.75% of the net subscribed amount.

Series 2018-6 Certificates are listed on the Frankfurt Stock Exchange and EuroTLX Stock Exchange.

#### Series 2018-7

On 31 August 2018, the Company issued Certificates of EUR 2,301,289. The Certificates are denominated in EUR and mature on 31 August 2022. As at 31 January 2019, the Certificate holders have subscribed to EUR 242,720 of the issued amount.

The Certificates' return is linked to the performance of "Cirdan Italian Liquid Small & Mid-Cap (PIR) Index TR" index. Strike price of "Cirdan Italian Liquid Small & Mid-Cap (PIR) Index TR" index was 882.51 at issuance date. The value of the Certificate as at 31 January 2019 is estimated at 84.82% of the net subscribed amount.

Series 2018-7 Certificates are listed on the Frankfurt Stock Exchange and EuroTLX Stock Exchange.

#### Series 2018-8

On 31 August 2018, the Company issued Certificates of EUR 5,000,000. The Certificates are denominated in EUR and mature on 31 August 2022. As at 31 January 2019, the Certificate holders have subscribed to EUR 669,000 of the issued amount.

The Certificates' return is linked to the performance of "Uptovalue Trading Solutions" index. Strike price of "Uptovalue Trading Solutions" index was 1,000 at issuance date. The value of the Certificate as at 31 January 2019 is estimated at 61.65% of the net subscribed amount.

Series 2018-8 Certificates are listed on the Frankfurt Stock Exchange and EuroTLX Stock Exchange.

#### Series 2018-9

On 10 September 2018, the Company issued Certificates of EUR 1,200,000. The Certificates are denominated in EUR and mature on 25 September 2020. As at 31 January 2019, the Certificate holders have subscribed to EUR 1,189,000 of the issued amount.

The Certificates' return is linked to the performance of "Intesa Sanpaolo Spa" shares. Strike price of "Intesa Sanpaolo Spa" shares was 2.28 at issuance date. The value of the Certificate as at 31 January 2019 is estimated at 87.46% of the net subscribed amount.

Series 2018-9 Certificates are listed on the Frankfurt Stock Exchange.

#### Series 2018-10

On 14 September 2018, the Company issued Certificates of EUR 5,000,000. The Certificates are denominated in EUR and mature on 14 September 2022. As at 31 January 2019, the Certificate holders have subscribed to EUR 613,000 of the issued amount.

The Certificates' return is linked to the performance of "Cirdan AP D'Ulmental" index. Strike price of "Cirdan AP D'Ulmental" index was 1,000 at issuance date. The value of the Certificate as at 31 January 2019 is estimated at 94.11% of the net subscribed amount.

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# SMARTETN PUBLIC LIMITED COMPANY

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2019

### 13. CERTIFICATES ISSUED AT FVTPL (CONTINUED)

#### Series 2018-10 (continued)

Series 2018-10 Certificates are listed on the Frankfurt Stock Exchange and EuroTLX Stock Exchange.

#### Series 2018-11

On 8 November 2018, the Company issued Certificates of EUR 8,000,000. The Certificates are denominated in EUR and mature on 3 December 2021. As at 31 January 2019, the Certificate holders have subscribed to EUR 2,160,000 of the issued amount.

The Certificates' return is linked to the performance of "Cirdan Rodnik Option Plus Income Strategy" index. Strike price of "Cirdan Rodnik Option Plus Income Strategy" index was 822.37 at issuance date. The value of the Certificate as at 31 January 2019 is estimated at 62.16% of the net subscribed amount.

Series 2018-11 Certificates are listed on the Frankfurt Stock Exchange and EuroTLX Stock Exchange.

#### Series 2019-1

On 30 January 2019, the Company issued Certificates of EUR 6,000,000. The Certificates are denominated in EUR and mature on 31 January 2023. As at 31 January 2019, no Certificate holders have subscribed to the issued amount.

The Certificates' return is linked to the performance of "MDC Astrolabe SICAV plc – Absolute Return Fund – Class F" mutual fund stock. Strike price of "MDC Astrolabe SICAV plc – Absolute Return Fund – Class F" mutual fund stock was 100 at issuance date. The value of the Certificate as at 31 January 2019 is estimated at 100% of the net subscribed amount.

Series 2019-1 Certificates are listed on the Frankfurt Stock Exchange and EuroTLX Stock Exchange.

#### Series R2018-1

On 3 October 2018, the Company issued Certificates of EUR 1,000,000. The Certificates are denominated in EUR and mature on 12 October 2021. As at 31 January 2019, the Certificate holders have subscribed to EUR 206,550 of the issued amount.

The Certificates' return is linked to the performance of "Creative Thinking EUR" index. Strike price of "Creative Thinking EUR" index was 2,623.93 at issuance date. The value of the Certificate as at 31 January 2019 is estimated at 85.62% of the net subscribed amount.

Series R2018-1 Certificates are listed on the Vienna Stock Exchange.

#### Series R2018-2

On 3 October 2018, the Company issued Certificates of EUR 1,000,000. The Certificates are denominated in EUR and mature on 12 October 2021. As at 31 January 2019, the Certificate holders have subscribed to EUR 137,112 of the issued amount.

The Certificates' return is linked to the performance of "Invest with PRIDE 60-40 EUR" index. Strike price of "Invest with PRIDE 60-40 EUR" index was 1,786.04 at issuance date. The value of the Certificate as at 31 January 2019 is estimated at 91.51% of the net subscribed amount.

Series R2018-2 Certificates are listed on the Vienna Stock Exchange.

#### Series R2018-3

On 3 October 2018, the Company issued Certificates of EUR 1,000,000. The Certificates are denominated in EUR and mature on 12 October 2021. As at 31 January 2019, the Certificate holders have subscribed to EUR 65,291 of the issued amount.

The Certificates' return is linked to the performance of "Made in Italy 30-70 EUR" index. Strike price of "Made in Italy 30-70 EUR" index was 1,410.58 at issuance date. The value of the Certificate as at 31 January 2019 is estimated at 92.84% of the net subscribed amount.

Series R2018-3 Certificates are listed on the Vienna Stock Exchange.

#### Series R2018-4

On 3 October 2018, the Company issued Certificates of EUR 1,000,000. The Certificates are denominated in EUR and mature on 12 October 2021. As at 31 January 2019, the Certificate holders have subscribed to EUR 62,619 of the issued amount.

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## SMARTETN PUBLIC LIMITED COMPANY

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### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2019

#### 13. CERTIFICATES ISSUED AT FVTPL (CONTINUED)

##### Series R2018-4 (continued)

The Certificates' return is linked to the performance of "Women at the Table 30-70 EUR" index. Strike price of "Women at the Table 30-70 EUR" index was 1,364.44 at issuance date. The value of the Certificate as at 31 January 2019 is estimated at 95.53% of the net subscribed amount.

Series R2018-4 Certificates are listed on the Vienna Stock Exchange.

##### Series R2018-5

On 3 October 2018, the Company issued Certificates of EUR 1,000,000. The Certificates are denominated in EUR and mature on 12 October 2021. As at 31 January 2019, the Certificate holders have subscribed to EUR 63,620 of the issued amount.

The Certificates' return is linked to the performance of "Protect Water 30-70 EUR" index. Strike price of "Protect Water 30-70 EUR" index was 1,314.93 at issuance date. The value of the Certificate as at 31 January 2019 is estimated at 98.77% of the net subscribed amount.

Series R2018-5 Certificates are listed on the Vienna Stock Exchange.

##### Series R2018-6

On 3 October 2018, the Company issued Certificates of GBP 1,000,000. The Certificates are denominated in GBP and mature on 12 October 2021. As at 31 January 2019, the Certificate holders have subscribed to GBP 19,398 of the issued amount.

The Certificates' return is linked to the performance of "Creative Thinking GBP" index. Strike price of "Creative Thinking GBP" index was 2,838.07 at issuance date. The value of the Certificate as at 31 January 2019 is estimated at 87.09% of the net subscribed amount.

Series R2018-6 Certificates are listed on the Vienna Stock Exchange.

##### Series R2018-7

On 3 October 2018, the Company issued Certificates of GBP 1,000,000. The Certificates are denominated in GBP and mature on 12 October 2021. As at 31 January 2019, the Certificate holders have subscribed to GBP 13,974 of the issued amount.

The Certificates' return is linked to the performance of "Invest with PRIDE 60-40 GBP" index. Strike price of "Invest with PRIDE 60-40 GBP" index was 1,968.12 at issuance date. The value of the Certificate as at 31 January 2019 is estimated at 92.81% of the net subscribed amount.

Series R2018-7 Certificates are listed on the Vienna Stock Exchange.

##### Series R2018-8

On 3 October 2018, the Company issued Certificates of GBP 1,000,000. The Certificates are denominated in GBP and mature on 12 October 2021. As at 31 January 2019, the Certificate holders have subscribed to GBP 8,412 of the issued amount.

The Certificates' return is linked to the performance of "Women at the Table 30-70 GBP" index. Strike price of "Women at the Table 30-70 GBP" index was 1,518.09 at issuance date. The value of the Certificate as at 31 January 2019 is estimated at 96.68% of the net subscribed amount.

Series R2018-8 Certificates are listed on the Vienna Stock Exchange.

##### Series R2018-9

On 3 October 2018, the Company issued Certificates of GBP 1,000,000. The Certificates are denominated in GBP and mature on 12 October 2021. As at 31 January 2019, the Certificate holders have subscribed to GBP 9,302 of the issued amount.

The Certificates' return is linked to the performance of "Protect Water 30-70 GBP" index. Strike price of "Protect Water 30-70 GBP" index was 1,453.90 at issuance date. The value of the Certificate as at 31 January 2019 is estimated at 99.97% of the net subscribed amount.

Series R2018-9 Certificates are listed on the Vienna Stock Exchange.

# SMARTETN PUBLIC LIMITED COMPANY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2019

### 14. FINANCIAL LIABILITIES AT FVTPL

	<b>As at 31 January 2019 €</b>
Financial liabilities at FVTPL	(1,280,454)
Balance at the beginning of the financial period	-
Disposal of financial liabilities at FVTPL	1,044,678
Purchase of financial liabilities at FVTPL	(2,232,213)
Net realised loss on disposal of financial liabilities at FVTPL	(58,753)
Net unrealised loss on fair value of financial liabilities at FVTPL	(21,415)
Net realised foreign exchange loss	(12,751)
Balance at the end of the financial period	(1,280,454)

The portfolio of financial liabilities consists primarily of short traded equity stock indices denominated in USD.

### 15. DERIVATIVE FINANCIAL INSTRUMENTS

The fair value of the derivative financial instruments has been provided by the Derivatives' Broker (Interactive Brokers LLC) and are considered level one valuations, as the valuations are all based on quoted prices.

Based on the fair value provided by the Derivatives' Broker, the following derivative financial instruments are classified as assets as at 31 January 2019:

	<b>Cost at inception €</b>	<b>Unrealised fair value gain/(loss) €</b>	<b>Foreign exchange effect €</b>	<b>As at 31 January 2019 €</b>
Equity and index options	32,898	(7,480)	(185)	25,233
Options on futures	208,509	(155,439)	1,040	54,110
Futures	-	4,573	-	4,573
CFDs	-	470	-	470
	241,407	(157,876)	855	84,386

Based on the fair value provided by the Derivatives' Broker, the following derivative financial instruments are classified as liabilities as at 31 January 2019:

	<b>Cost at inception €</b>	<b>Unrealised fair value gain/(loss) €</b>	<b>Foreign exchange effect €</b>	<b>As at 31 January 2019 €</b>
Equity and index options	(58,633)	(2,038)	698	(59,973)
Options on futures	(85,302)	(24,405)	(428)	(110,135)
Futures	-	(34,536)	-	(34,536)
CFDs	-	(2,183)	-	(2,183)
	(143,935)	(63,162)	270	(206,827)

On 30 January 2019, the Company entered into hedging agreement with Goldman Sachs International ("GSI"). The agreement will allow the Company to enter into derivative transactions directly with GSI which would be a positive development for the Company and would present to the Company more opportunities to develop new products after the end of the reporting financial period.

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# SMARTETN PUBLIC LIMITED COMPANY

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2019

### 16. TRADE AND OTHER PAYABLES

	<b>As at 31 January 2019</b>
	<b>€</b>
Other accruals – Interactive Brokers	(5,696)
Administration expenses payable	(120,288)
Collateral payable	(4,204)
Portfolio fees payable	(456)
Other payables	(336)
	<hr/>
	(130,980)
	<hr/>

All accrued expenses are due within one year.

### 17. INTEREST PAYABLE ON CERTIFICATES

	<b>As at 31 January 2019</b>
	<b>€</b>
Interest payable on Certificates	<hr/>
	(24,360)
	<hr/>

### 18. CALLED UP SHARE CAPITAL

	<b>As at 31 January 2019</b>
	<b>€</b>
<b>Authorized</b>	
25,000 ordinary shares of €1 each	<hr/>
	25,000
	<hr/>
<b>Allotted, called up and unpaid</b>	
25,000 ordinary shares of €1 each	<hr/>
	25,000
	<hr/>

The Company issued its shares to one shareholder. 25,000 shares are held by Cirdan Capital Management Limited (England and Wales).

### 19. UNSETTLED TRADES

	<b>As at 31 January 2019</b>
	<b>€</b>
Unsettled trades receivable	384,994
Unsettled trades payable	(520,940)
	<hr/>
	(135,946)
	<hr/>

### 20. DIRECTORS AND EMPLOYEES

The Company had no employees during the financial period. Joanne Kenny and David Kenny, directors of the Company, are also directors of F.P.R. Trust Corporate Service Limited, which received EUR 20,000 by way of remuneration. The Company did not pay director fees to Antonio De Negri in the financial period ended 31 January 2019.

### 21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

#### Financial risk management

The Company's financial instruments include cash at bank, financial assets, financial liabilities and other receivables that arise directly from operations.

The Company is exposed to a variety of financial risks: capital risk, market risk (include foreign exchange risk, interest rate risk and price risk), credit risk, liquidity risk and operational risk exposure. The Company has attempted to match the properties of its financial liabilities to its financial assets including derivative financial instruments to avoid significant elements of risk generated by mismatch of realised income and repayments from the investments against its obligations towards the Certificate

# SMARTETN PUBLIC LIMITED COMPANY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2019

### 21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

#### Financial risk management (continued)

holders. The directors seek to assess, monitor and manage the potential adverse effects of these risks on the Company's financial performance by appropriate methods as discussed below.

#### Operational risk exposure

Operational risk is the risk of direct or indirect loss arising from the Company's processes, personnel and infrastructure, and from external factors other than credit risk, market risk and liquidity risk. This includes risks arising from non-compliance with legal and regulatory requirements as well as generally accepted standards of corporate behavior.

The Company's aim is to manage operational risk so as to limit financial losses and damage to its reputation while achieving its investment objectives.

#### Capital risk management

The Company manages its capital to ensure that it is able to continue as a going concern while maximizing the return to Certificate holders. The capital managed by the Company comprises of ordinary shares and the financial liabilities outstanding as at financial period-end. The Company is not subject to externally imposed capital requirements.

#### Market risk

Market risk is the potential change in the value caused by the movements in foreign exchange, in the interest rates or market prices of the financial instruments. The Certificate holders are exposed to the

market risk of the underlying reference item of each Certificate issued by the Company.

#### (i) Foreign exchange risk

The table below shows the Company's exposure to foreign currency risk as at 31 January 2019.

	EUR €	USD €	GBP €	CHF €	Total €
<b>Assets</b>					
Financial assets at FVTPL	1,475,782	1,091,905	36,458	10,830	2,614,975
Derivative financial instruments	838	83,548	-	-	84,386
Trade and other receivables	34,462	124,265	-	-	158,727
Cash and cash equivalents	2,883,174	2,106,174	17,585	(10,268)	4,996,665
Unsettled trades receivable	-	384,994	-	-	384,994
	<u>4,394,256</u>	<u>3,790,886</u>	<u>54,043</u>	<u>562</u>	<u>8,239,747</u>
<b>Liabilities</b>					
Certificates issued at FVTPL	4,063,265	1,933,918	54,003	-	6,051,186
Financial liabilities at FVTPL	-	1,280,454	-	-	1,280,454
Derivative financial instruments	34,536	172,291	-	-	206,827
Interest payable on Certificates	24,360	-	-	-	24,360
Trade and other payables	121,972	9,008	-	-	130,980
Unsettled trades payable	6,088	514,852	-	-	520,940
	<u>4,250,221</u>	<u>3,910,523</u>	<u>54,003</u>	<u>-</u>	<u>8,214,747</u>



# SMARTETN PUBLIC LIMITED COMPANY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2019

### 21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

#### Market risk (continued)

##### (ii) Interest rate risk

The risk defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At the reporting date, the interest rate profile of the Company's financial assets and liabilities were as follows:

	Fixed rate	Up to 1	1 – 6	Non-	Total
Assets	€	month	months	interest	€
		€	€	bearing	
				€	
Financial assets at FVTPL	-	-	554,127	2,060,848	2,614,975
Derivative financial instruments	-	-	-	84,386	84,386
Trade and other receivables	-	-	-	158,727	158,727
Cash and cash equivalents	-	4,996,665	-	-	4,996,665
Unsettled trades receivable	-	-	-	384,994	384,994
	-	4,996,665	554,127	2,688,955	8,239,747
Liabilities	Fixed rate	Up to 1	1 – 6	Non-	Total
	€	month	months	interest	€
		€	€	bearing	
				€	
Certificates issued at FVTPL	1,342,605	-	-	4,708,581	6,051,186
Financial liabilities at FVTPL	-	-	-	1,280,454	1,280,454
Derivative financial instruments	-	-	-	206,827	206,827
Interest payable on Certificates	-	-	-	24,360	24,360
Trade and other payables	-	-	-	130,980	130,980
Unsettled trades payable	-	-	-	520,940	520,940
	1,342,605	-	-	6,872,142	8,214,747

##### (iii) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or all factors affecting all similar financial instruments traded in the market.

The price risk associated with the realisation of the financial assets held by the Company is offset by the existence of the guarantees which the Company has in place from Cirdan Capital Management Limited. Changes in the fair value of the financial asset will not affect the equity of the Company and are borne by the Guarantor.

The Company uses the following three-tier hierarchy as a framework for disclosing fair value based on inputs to the valuation of the Company's financial instruments:

- Level 1: Quoted market price in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The carrying amounts of financial instruments held at fair value are determined, in full or in part, by reference to the Level 1, Level 2 and Level 3 hierarchy categories as defined above. The table below sets out the instruments included in each category.

# SMARTETN PUBLIC LIMITED COMPANY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2019

### 21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

#### Market risk (continued)

(iii) Price risk (continued)

31 January 2019	Level 1 €	Level 2 €	Level 3 €	Total €
<b>Financial assets at FVTPL</b>				
Financial assets at FVTPL	2,614,975	-	-	2,614,975
Derivative financial instruments	84,386	-	-	84,386
	<u>2,699,361</u>	<u>-</u>	<u>-</u>	<u>2,699,361</u>
<b>Financial liabilities at FVTPL</b>				
Certificates issued at FVTPL	-	(6,051,186)	-	(6,051,186)
Financial liabilities at FVTPL	(1,280,454)	-	-	(1,280,454)
Derivative financial instruments	(206,827)	-	-	(206,827)
	<u>(7,538,467)</u>	<u>-</u>	<u>-</u>	<u>(7,538,467)</u>

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

#### Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company.

The fair value of the financial instruments best represents the maximum credit risk exposure at the balance sheet date. In order to manage this risk, the Guarantor guarantees to the Issuer the amount and timely payment of the Certificates. Credit risk not managed by the Guarantor is ultimately passed to the certificate holders.

The table below represents the maximum exposure to credit risk:

31 January 2019	
Assets	€
Derivative financial instruments	84,386
Trade and other receivables	158,727
Cash and cash equivalents	4,996,665
Unsettled trades receivable	384,994
	<u>5,624,772</u>

(i) The credit rating profile of the Derivatives' Broker is as follows:

Derivative financial instruments	Financial period ended 31 January 2019 €	Credit rating €	Rating agency €
Interactive Brokers LLC	<u>84,386</u>	BBB+	S&P

(ii) Trade and other receivables credit profile is line with the financial performance of the Guarantor as it mainly relates to accrued guarantees payable by the Guarantor as well as unsettled trades which are settled in the week following the financial period-end.

(iii) The credit rating profile of the banks holding the cash and cash equivalents balance is as follows:

# SMARTETN PUBLIC LIMITED COMPANY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2019

### 21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

#### Credit risk (continued)

Cash and cash equivalents	Financial period ended 31 January 2019 €	Credit rating €	Rating agency €
Citibank, N.A.	7,281	Aa3	Moody's
Goldman Sachs International Bank	2,449,932	A1	Moody's
Interactive Brokers LLC	2,539,452	BBB+	S&P
	<u>4,996,665</u>		

(iv) Credit risk for unsettled trades receivable is minimal as the balance is settled in the months following the financial period-end.

#### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses.

Prudent liquidity risk management requires maintaining sufficient cash and marketable investments, which the Company does. The maturity profile of the financial liabilities as at 31 January 2019 is as follows:

Liabilities	Gross contractual cashflow €	Up to 1 year €	1 – 2 years €	2 – 5 years €
Certificates issued at FVTPL	6,051,186	-	1,039,857	5,011,323
Financial liabilities at FVTPL	1,280,454	-	-	1,280,454
Interest payable on Certificates	429,660	151,200	151,200	127,260
Trade and other payables	130,980	130,980	-	-
Unsettled trades payable	520,940	520,940	-	-
	<u>8,413,220</u>	<u>803,120</u>	<u>1,191,057</u>	<u>6,419,037</u>

The amounts shown are the contractual undiscounted cashflows whereas the Company manages the inherent liquidity risk based on expected undiscounted cash inflows.

### 22. RELATED PARTY TRANSACTIONS

The Certificates issued by the Company are unconditionally and irrevocably guaranteed by the Guarantor. In case of shortfall, between the realisable value of the financial assets held by the Company and the contractual obligation of the Certificates issued by the Company, The Guarantor is obliged to cover the full amount of the shortfall. In case of a surplus, between the realisable value of the financial assets held by the Company and the contractual obligation of the Certificates issued by the Company, The Guarantor is entitled to the full amount of the surplus as a consideration for acting as Guarantor to the Company.

The amount receivable by the Company from the Guarantor as at 31 January 2019 amounts to EUR 32,204.

Cirdan Capital Management Limited is the sole shareholder of the Company, holding 25,000 of the issued ordinary shares.

During the first financial year, the Company recognized fees payable to Cirdan Capital Management Limited amounting to EUR 168,623, with EUR 41,467 remaining payable as at 31 January 2019.