

# Report of the statutory auditor

to the general meeting of shareholders of

ESG EKO AGRO Group AG, Hünenberg

## Report of the statutory auditor on the financial statements

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### *Opinion*

We have audited the financial statements of ESG EKO AGRO Group AG, which comprise the balance sheet as at 31 December 2019 and the income statement from 1 July 2018 to 31 December 2019 and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements as at 31 December 2019 comply with Swiss law and the company's articles of incorporation.

### *Basis for Opinion*

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession 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.

### *Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority*

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. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## **Existence and valuation of financial assets**

### *Area of focus*

As at 31 December 2019 the financial assets represented 89.97 % of the total assets of ESG EKO AGRO Group AG. The financial assets are properly disclosed in the notes to the financial statements. Due to the significance of financial assets, the existence and valuation is considered significant to our audit.

### *Our audit response*

Our audit procedures included, amongst others, the following:

We have obtained the investor listing of the financial asset and agreed the share held by ESG EKO AGRO Group AG with the recorded interest.

We have compared the book value of the financial assets to the proportional net asset value of the financial assets according to their net asset value calculation as per 31 December 2019 and assessed whether or not a valuation adjustment was considered necessary.

Our audit procedures did not lead to any reservations concerning the existence and valuation of financial assets.

### *Responsibility of the Board of Directors for the Financial Statements*

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity'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 Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards 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.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### *Other matters*

The financial statements for the previous financial year were audited by another audit company in accordance to the standard on limited statutory examinations, which issued on 10 July 2019 an unqualified audit opinion on those financial statements.

#### **Report on Other Legal and Regulatory Requirements**

In our opinion, the internal control system is not in accordance with Swiss law and accordingly we are unable to confirm the existence of the internal control system for the preparation of the financial statements.

We recommend that the financial statements submitted to you be approved.

Furthermore, we draw attention to the receivable from shareholder amounting to CHF 292 578 that, in our opinion, in the absence of freely available equity as at 31 December 2019 constitutes a repayment of share capital prohibited by article 680 paragraph 2 Swiss Code of Obligations (CO).

Additionally, we emphasize, that the Board of Directors did not call the general meeting of shareholders within six months after the close of the business year ended 30 June 2018 as stipulated in article 699 paragraph 2 CO.

Zurich, 9 March 2020

TLA/uma

**Balmer-Etienne AG**

Urs Matter  
Licensed audit expert

Tu'uyen Maria Lang  
Licensed audit expert  
(Auditor in charge)

Financial statements 2019 (balance sheet, income statement and notes)



## **ESG EKO AGRO Group AG**

Financial Statements 2019  
(Swiss CO)

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## Balance Sheet

(in CHF)

<b>ASSETS</b>	<b>Note</b>	<b>31.12.2019</b>	<b>30.06.2018</b>
<b>Current Assets</b>		<b>815,310</b>	<b>9,094,802</b>
Cash		15,622	17,060
Accounts receivable		450,000	0
Other receivables	3.1	329,378	9,077,742
Accrued income		20,310	0
<b>Non-current Assets</b>		<b>9,438,202</b>	<b>0</b>
Financial assets	3.2	9,224,880	0
Investments	3.3	213,322	0
<b>TOTAL ASSETS</b>		<b>10,253,512</b>	<b>9,094,802</b>

  

<b>LIABILITIES and SHAREHOLDERS' EQUITY</b>		<b>31.12.2019</b>	<b>30.06.2018</b>
<b>Liabilities</b>		<b>1,858,537</b>	<b>12,800</b>
<i>Short-term liabilities</i>			
Accounts payable	3.4	742,030	0
Short-term interest-bearing liabilities		267,559	0
Accrued expenses		215,566	12,800
<i>Long-term liabilities</i>			
Long-term interest-bearing liabilities	3.5	183,382	0
Other long-term liabilities	3.6	450,000	0
<b>Shareholders' Equity</b>		<b>8,394,975</b>	<b>9,082,002</b>
Share capital		8,385,000	8,385,000
Legal reserves from retained earnings		100,100	100,100
Profit carried forward		596,902	848,513
Profit / (-)Loss for the period		-687,026	-251,611
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>10,253,512</b>	<b>9,094,802</b>

## Income statement

(in CHF)

	Note	1.7.2018- 31.12.2019	1.1.2017- 30.6.2018
Gain /(-)loss from sale of financial assets		148,391	0
Income from management services		150,000	0
<b>Total income</b>		<b>298,391</b>	<b>0</b>
<b>Operating Expenses</b>			
Expenses for management and other services		-592,728	0
Other operating and administrative expenses		-317,460	-223,068
<b>EBIT</b>		<b>-611,797</b>	<b>-223,068</b>
<b>Financial result</b>			
Financial expenses		0	-48,176
Financial income		0	3,473
<b>Extraordinary, non-recurring and prior period positions</b>			
Extraordinary income	3.7	7,826	16,534
Extraordinary expense	3.7	-59,561	0
<b>EBT</b>		<b>-663,532</b>	<b>-251,237</b>
Tax expenses		-23,495	-374
<b>NET PROFIT / (-)LOSS FOR THE PERIOD</b>		<b>-687,026</b>	<b>-251,611</b>



## Notes to the financial statements

### 1. General information and general accounting principles

ESG EKO AGRO Group AG (the "Company") is a private company limited by shares, domiciled in Bösch 37, 6331 Hünenberg, Switzerland, registered with the Zug Register of Commerce under the company number CHE-114.775.734. The Company exists pursuant to art 620 et seq. of the Swiss Code of Obligations („Swiss CO“).

These financial statements have been prepared in accordance with the requirement of the accounting rules and principles according to the Swiss CO. While the general valuation principles are defined by law, the Company wants to disclose specific valuation principles:

All current assets are valued at nominal value less necessary value adjustments.

Marketable financial assets are valued with its market value as per year end. Financial assets without a market value are valued at cost per year end. A financial asset has a market value if it is listed on a stock exchange or a sufficient amount of OTC transactions in close proximity to the closing date can be observed to determine a market value.

Investments are valued at cost less necessary value adjustments.

All current and non-current liabilities are valued at nominal value.

Assets and liabilities denominated in foreign currencies were translated to CHF using the following rates:

Exchange rates	31.12.2019	30.6.2018
EUR CHF	1.0853	1.1573
USD CHF	0.9671	0.9903
GBP CHF	1.2829	---

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in the making of financial or operational decisions. If voting rights are equal and exceed 20% the party is considered to be a related party unless otherwise stated. Positions from / to related parties are presented separately. If voting rights exceed 50% the party is considered to be a subsidiary unless otherwise stated. Positions from / to subsidiaries are presented separately.

### 2. Change of company name and reporting period

On 25 July, 2018, the Company changed the company name from Terra Sola Group AG to SilverSpring Management Group AG and on 28 August, 2019 eventually to ESG EKO AGRO Group AG.

The Company changed its reporting period in the current and the comparison period to match its then valid purposes. The current and the comparison period lasted 18 month each.

The next reporting period is planned to cover the period from 1 January 2020 to 31 December 2020.

### 3. Details to the financial statements

#### 3.1. Other receivables

Other receivables	31.12.2019	30.06.2018
Other receivable from subsidiary	340	0
Other receivable from third party	36,460	0
Other receivable from shareholder	292,578	9,077,742
<b>Total</b>	<b>329,378</b>	<b>9,077,742</b>

#### 3.2. Financial assets

The Company holds participating non-voting shares in ESG Real Asset Fund ("ESG-RAF"). The shares are denominated in the EUR-currency. Purchase price of these shares was EUR 8,500,000 / CHF 9,242,135.

As of December 31, 2019, ESG-RAF had invested in an Italian greenhouse project, which includes a 23-hectare greenhouse on approximately 126 hectares of land and the right to build over another 30 hectares with a maximum height of 11 meters. As of December 31, 2019, the project was independently valued at approximately EUR 155 million.

As per year end the purchase price is translated to Swiss Francs with the rates outlined above.

### 3.3. Investments

<b>Investments</b>	<b>31.12.2019</b>	<b>30.06.2018</b>
ESG EKO AGRO Italia s.r.l.; Bologna, Italia	13,322	0
Capital and voting rights	100%	-
Valued at cost		
Capital of ESG EKO AGRO Italia s.r.l.: EUR 10,000		
ESG Engineering & Consulting AG, Zurich, Switzerland	200,000	0
Capital and voting rights	40%	-
Valued at cost		
Capital of ESG Engineering & Consulting AG: CHF 100,000		
<b>Total investments</b>	<b>213,322</b>	<b>0</b>

### 3.4. Accounts payable

<b>Accounts payable</b>	<b>31.12.2019</b>	<b>30.06.2018</b>
To related party	-353,695	0
To third parties	-388,335	0
<b>Total</b>	<b>-742,030</b>	<b>0</b>

### 3.5. Long-term interest-bearing liabilities

<b>Long-term interest-bearing liabilities</b>	<b>31.12.2019</b>	<b>30.06.2018</b>
To shareholders	-183,382	0
<b>Total</b>	<b>-183,382</b>	<b>0</b>

### 3.6. Other long-term liabilities

The position comprises of a loan. The Company and the lender agreed to convert this loan into equity of the Company at the time of the next capital increase. While the original availability period of the loan was ending at 31 December 2019, the Company presents this position according to its economic significance as long-term liability.

### 3.7. Extraordinary income and expense

Current year extraordinary income comprise of a waived liability from a prior period and a release of an accrual not considered to be necessary. Current year extraordinary expenses comprise of expenses related to a prior period where no sufficient accrual was accounted for.

Prior year extraordinary income and expenses comprise mainly of an accrual not fully necessary and a tax refund from a prior period.

#### 4. Further disclosure and information

##### 4.1. Authorised and conditional share capital

<b>Authorised share capital</b>	<b>1.7.2018- 31.12.2019</b>	<b>1.1.2017- 30.6.2018</b>
as per 1 July 2018 / 1 January 2017	0	0
Created as per 25 July 2018	4,192,500	0
issued by the Company	0	0
<b>as per 31 December 2019 / 30 June 2018</b>	<b>4,192,500</b>	<b>0</b>

For the issuance of the maximum of 2,687,500 shares with a nominal value of CHF 1.56.

Authorised share capital is valid until 30 June 2020.

<b>Conditional share capital</b>	<b>1.7.2018- 31.12.2019</b>	<b>1.1.2017- 30.6.2018</b>
as per 1 July 2018 / 1 January 2017	0	0
Created as per 25 July 2018	4,192,500	0
issued by the Company	0	0
<b>as per 31 December 2019 / 30 June 2018</b>	<b>4,192,500</b>	<b>0</b>

For the issuance of the maximum of 2,687,500 shares with a nominal value of CHF 1.56.

Conditional capital is not limited in time.

##### 4.2. Contingent liability

As per 30 June 2018 Management disclosed that the Company sold all its assets. The buyer agreed to also settle all existing liabilities as per selling date. These liabilities included a provision of CHF 55,000 regarding a pending legal case. The pending legal case itself was disclosed as contingent liability in the financial statement. No value to this contingent liability was disclosed as a value could not be determined.

As per latest information received by Management in the Current Period this case was resolved. As per 31 December 2019 there are no contingent liabilities that need to be disclosed.

##### 4.3. Number of employees

In the reporting and the comparison period the number of employees was zero.

##### 4.4. Fiduciary assets

As per 30 June 2018 the Company held 250 003 own shares on behalf of a third party as fiduciary asset. As per 31 December 2019 the Company held no own shares on behalf of a third party as fiduciary asset.

##### 4.5. Subsequent events

On 31 January 2020 - with effect from 1 January 2020 - the Company acquired 100% of the shares of ESG LifeSciences AG ("ESG-LS") (formerly ESG Technology Investments AG) and thereby also the portfolio companies of ESG-LS.

In addition, the Company acquired a significant stake in AltEnergis plc, London.

The sellers have agreed to a share deal, which is subject to approval by the General Meeting of the Company. The transaction volume amounts to CHF 53 million.

Management identified no further issued or transactions between 31 December 2019 and the date of issue of these Financial Statements not already disclosed which could affect the significance of the Financial Statements presented and would therefore require additional disclosures.