



**Credebt Exchange Limited**

15A Baggotrath Place, 15 - 16 Lower  
Baggot Street, Dublin D02 NX49

Phone: +353 (1) 685-3600

Email: [finance@credebtexchange.com](mailto:finance@credebtexchange.com)

Website: [www.credebtexchange.com](http://www.credebtexchange.com)



**Credebt Exchange Limited**

**DIRECTORS REPORT & FINANCIAL STATEMENTS**

For the Financial Year Ended 31<sup>st</sup> December 2020

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DIRECTORS REPORT & FINANCIAL STATEMENTS**For The Financial Year Ended 31<sup>st</sup> December 2020

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## 1 Directors & Other Information

Directors	Michael Keegan Stephen Mackarel Patrick Reynolds
Secretary	Gerard Hughes
Company Number	501210
Registered Office	15A Baggotrath Place, 15 - 16 Lower Baggot Street, Dublin D02 NX49, Ireland
Business Address	15A Baggotrath Place, 15 - 16 Lower Baggot Street, Dublin D02 NX49, Ireland
Bankers	Barclays Bank Ireland Plc, Barclays Bank, 2 Molesworth Place, 36-38 Park Royal Road, Dublin D02 RF29, London NW10 7SA, Ireland United Kingdom
	AIB Bank Plc, Bankcentre Branch, PO Box 1121, Dublin D04 AP02, Ireland
Auditors	Deloitte Ireland LLP Chartered Accountants and Statutory Audit Firm, Deloitte & Touche House, 29 Earlsfort Terrace, Dublin D02 AY28, Ireland
Legal Advisors	Arthur Cox Solicitors Ten, Earlsfort Terrace, Dublin D02 T380, Ireland



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## **2 Directors Report**

### **For the Financial Year Ended 31<sup>st</sup> December 2020**

The directors present their report and the audited Financial Statements for the financial year ended 2020-12-31.

#### **2.1 Principal Activity & Business Review**

The Credebt Exchange® marketplace provides trade and asset finance to organisations that want to take a smarter approach to financing their business growth. Its finance products are marketed to business Originators using the Convertibill® & Trade Credebt® brand names. The Exchange also provides Investors with a smart way to get a fixed income yield on cash deposits or pensions. Investors on the Exchange buy leases, monetary obligations or Bills issued under Contract that are called Exchange Traded Receivables [ETR]. As market makers on the Exchange, Credebt Exchange® selects, prices and markets ETR to Investors as Investabill ETR® or Leasabill ETR®.

The Convertibill® & Trade Credebt® unique purchasing and trading models provide businesses with the trade and asset finance they need, quickly and easily. Using these trade and asset finance products enables companies to control how they fund and grow their business. It competes with, or complements, traditional bank finance lending and leasing alternatives.

Investabill ETR® enables Investors to buy an attractive, on-demand, fixed income return. The yield is generated by micro-to-medium sized business Originators selling their investment quality† ETR at a nominal discount to their Face Value. Investabill ETR® compete against bank deposits where Investors can lodge and withdraw 'on-demand'. Leasabill ETR® offer a higher annual return for a longer and committed investment period.

2020 continued the Credebt® Group's transformation to a mature business. Each activity and department was again reviewed internally and significantly changed to enable sustained and stable growth for the coming decade. During the second phase of this transformation, Exchange trading volumes increased by c.50.00% and the Company has projected that this sustained and stable growth will be maintained in the short to mid-term.

During 2020, the board decided to rename the Convertibill Branch Network Limited as Trade Credebt Limited that will extend the Credebt Exchange® direct market model internationally. Trade Credebt Limited did not trade in 2020 and began trading on 2021-01-01. It is a subsidiary of Credebt Holdings Limited, which is a non-trading company and Consolidated Financial Statements have been prepared.

Restructured legal activities comply with current and pending laws. Ongoing development of IT systems; and staff restructuring, reduction, recruitment, and outsourcing; have all strengthened the business in key areas of marketing, trade, asset, risk, collections and reserves. As a mature

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† Investment quality is a combination of Investment Grade [IG] organisations & other credit worthy organisations, as determined by AIG and other credit rating agencies, from time to time



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### **2.1 Principal Activity & Business Review (continued)**

business, Credebt Exchange® has forecast significant gains for 2021 and beyond.

The board is provided with regular information on Key Performance Indicators [KPI] for all areas of the business that includes financial indicators for revenue, risk, collections, and legal matters. Non-financial KPIs report on Company staff and their performance and ability to support its activities. Reports and papers are circulated to the directors in preparation for board meetings.

### **2.2 Principal Risks & Uncertainties**

The following are the risks and uncertainties that could impact the Company's future performance:

#### **2.2.1 Market Conditions**

Credebt Exchange® is not subject to regulation by the Central Bank in Ireland, but circumstances may change in the future. Credebt Exchange® will act accordingly in the event that the regulatory environment changes. Currently, trading ETR does not result in any additional taxation costs.

#### **2.2.2 Liquidity Risk**

In 2020, Credebt Exchange® completed its seventh full financial year and continues to generate significant funding from Investors that provide it with sufficient cash flow to continue to trade. The Company continually reviews its cost base and financing requirements. It also continues to develop new business, and maintain existing business, in order to ensure the Company is adequately funded. Continued availability of funding is a risk to the business and access to the capital, or other funding, markets as an alternative funding source would mitigate this risk, should it present itself.

#### **2.2.3 Trade Risk & Reserves**

The Company's trade risk is primarily attributable to transactional risk that may result in ETR distress or default. The amounts presented in the Statement of Financial Position are net of the total Reserves allowances for specific ETR considered to be at risk.

As at 2020-12-31, the total cash Reserves was EUR 5.84m. Discretionary Reserves increased to EUR 5.75m of loss absorbing cash for bad and doubtful debts. There was additional Loss & Default Control [LDC] amounts of EUR 0.1m (see note 9.11).

Included in 'Current Liabilities Creditors: due within one year', are trading provisions of EUR 5.75m that relate to provisions for amounts due to Originators as at the statement of financial position date that are either unreconciled or outstanding. It also contains provisions for ETR that may become distressed or at risk of default at a future date. Should trades not be settled, this may result in an increase in the allowances for recoverability with a decrease in the Reserve provisions amount due. The allowances are the directors' best estimates of the amortised cost less impairment of ETR and trading provisions as at the date of the Statement of Financial Position.



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### **2.2.4 Operational Risk**

Systems-related failures and/or security breaches, including without limitation, any security breach that results in the theft, transfer or unauthorised disclosure of customer information; bank information; settlement reconciliations; and data centre environment changes could have a significant impact on the business. However, the Company takes comprehensive steps to ensure that its systems are secure, and these security arrangements are regularly reviewed.

Fraud across multiple personnel roles and delegation levels, or collective collusion is a potential operational risk facing the Company. The Company has many risk management policies in place that mitigate against these risks. Furthermore, the Company engages external advisors to monitor and assist it with the prevention and detection of fraud.

The Company faces the following process and business risks:

- ✦ Know Your Customer [KYC] and Anti-Money Laundering [AML];
- ✦ ETR validation and legal assignment; and
- ✦ Debtor or creditor distress and/or default where ETR Off-Set and Loss & Default Control [LDC] Reserves are inadequate and credit insurance execution fails.

Credebt Exchange® has treasury procedures and other insurance to mitigate against these risks.

### **2.2.5 Going Concern**

The directors regularly consider, and assess, the economic conditions in which the Company is operating and the risks that the business faces, including the viability of the Company's business model. In the current coronavirus pandemic environment, the Company performed strongly in the financial year 2020 and was ahead of prior year comparatives. The Company continues to have strong cash balances on hand. The Company continues to monitor exposure to sectors that are experiencing challenges to their business and ensure that adequate Reserves are maintained for potential exposures. Additionally, the Company has focussed on developing business in sectors that are performing well in this environment, specifically healthcare and food. The directors review the operating performance results, changing economic conditions, current trading conditions and trading opportunities. How these opportunities are assessed, and all known trading risks, are identified on a monthly basis. Based on their assessment of these factors, together with the strong trading performance and significant cash on hand, the directors believe that the Company has sufficient resources to enable it to carry on its business as a going concern.

## **2.3 Compliance Statement**

As required by Section 225 of the Companies Act 2014 ("the Act"), we, the directors of Credebt Exchange Limited, acknowledge our responsibility for securing compliance with the relevant obligations of Credebt Exchange Limited as defined by Section 225 of the Act. We have documented and approved a compliance policy which, in our opinion, is appropriate to Credebt Exchange Limited with respect to our compliance with relevant obligations as set-out in the Act.

We have put in place arrangements and structures that are, in the opinion of the directors of



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Credebt Exchange Limited sufficient to secure material compliance with the relevant obligations of Credebt Exchange Limited.

During the financial year-ended 2020-12-31, management conducted separate reviews of the arrangements and structures which we have put in place to secure material compliance with the relevant obligations of Credebt Exchange Limited. We acknowledge that the arrangements and structures that the directors of Credebt Exchange Limited have put in place, can only provide reasonable assurance of compliance in all material respects with those obligations. The reviews conducted by management did not identify any material matters of non-compliance.

## **2.4 Results & Dividends**

The results for the financial year are set out on page 13. The directors do not recommend a dividend payment for 2020 (2019: nil).

## **2.5 Future Developments**

The directors continue to seek to grow the current revenue streams and explore other related revenue generating activities, while continuing to invest in the development of the Exchange to deliver additional functionality to its Members.

## **2.6 Political Donations**

The directors have satisfied themselves that there were no political contributions during the year that require disclosure under the Electoral Act 1997.

## **2.7 Statement of Relevant Auditor Information**

Each of the persons who is a director at the date of approval of this report confirms that:

- a) So far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- b) Each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is 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.

## **2.8 Directors & Secretary**

The directors of the Company that were in office during the year and up to the date of signing the Financial Statements were:

<b>Directors</b>	<b>Appointment</b>	<b>Resignation</b>
Michael Keegan	2019-09-01	
Stephen Mackarel	2018-06-28	
Patrick Reynolds	2011-07-15	



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The secretary of the Company who was in office during the year and up to the date of signing the Financial Statements was:

**Secretary**  
Gerard Hughes

## 2.9 Directors & Their Interests in the Company Shares

The directors of the Company during the financial year and their interests in the Company are as stated below:

Shareholders	Ordinary Shares	
	2020-12-31	2019-12-31
Credebt Holdings Limited	100	100

## 2.10 Accounting Records

The measures that the directors have taken to comply with the requirements of sections 281 to 285 of the Companies Act 2014 with regard to the keeping of accounting records, the employment of appropriately qualified accounting personnel and the maintenance of computerised accounting systems. The Company's accounting records are maintained at the Company's registered office at 15A Baggotrath Place, 15 - 16 Lower Baggot Street, Dublin D02 NX49, Ireland.

## 2.11 Auditor

The auditors, Deloitte Ireland LLP, Chartered Accountants and Statutory Audit Firm, continue in office in accordance with Section 383(2) of the Companies Act 2014.

In so far as the directors are aware, there is no relevant audit information of which the Company's statutory auditors are unaware and the directors have taken all relevant steps 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 statutory auditors are aware of that information.

### 2.11.1 Audit Committee

S167(3) CA 2014 provides guidelines for the establishment of an Audit Committee. Such guidelines include the appointment of Non-Executive Director(s) with competency in Accountancy or Auditing. The Company's Board is comprised of a majority of Non-Executive Directors and includes the aforementioned competency therein. The Board meets monthly and during such meetings regularly addresses all matters normally considered the responsibility of an Audit Committee. Accordingly, the establishment of a separate Audit Committee is not considered necessary at this point.





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**2.12 Date of Authorisation & Issue**

The Financial Statements were authorised for issue by the board of directors on 2021-02-19.

Approved by the Board and signed on its behalf by:

Patrick Reynolds  
Director  
19<sup>th</sup> February 2021

Stephen Mackarel  
Director  
19<sup>th</sup> February 2021

Michael Keegan  
Director  
19<sup>th</sup> February 2021



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### 3 Directors' Responsibilities Statement

The directors are responsible for preparing the Directors Report and the Financial Statements in accordance with the Companies Act 2014 and the applicable regulations.

Irish company law requires the directors to prepare Financial Statements for each financial year. Under the law, the directors have elected to prepare the Financial Statements in accordance with FRS 102 the Financial Reporting Standard applicable in the UK and the Republic of Ireland ("relevant financial reporting framework"). Under company law, the directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the assets, liabilities, and financial position of the Company as at the financial year end date and of the profit or loss of the Company for the financial year and otherwise comply with the Companies Act 2014.

In preparing those Financial Statements, the directors are required to:

- ✦ select suitable accounting policies for the Company Financial Statements and then apply them consistently.
- ✦ make judgements and estimates that are reasonable and prudent.
- ✦ state whether the Financial Statements have been prepared in accordance with the applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; and
- ✦ prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for ensuring that the Company keeps, or causes to be kept, adequate accounting records that correctly explain and record the transactions of the Company; enable at any time the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy; enable them to ensure that the Financial Statements and Directors Report comply with the Companies Act 2014; and enable the Financial Statements to be audited.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Board and signed on its behalf by:

Patrick Reynolds  
Director  
19<sup>th</sup> February 2021

Stephen Mackarel  
Director  
19<sup>th</sup> February 2021

Michael Keegan  
Director  
19<sup>th</sup> February 2021

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CREDEBT EXCHANGE LIMITED

### Report on the audit of the financial statements

#### Opinion on the financial statements of Credebt Exchange Limited (the 'company')

In our opinion the company financial statements:

- give a true and fair view of the assets, liabilities and financial position of the group company as at 31 December 2020 and of the profit for the financial year then ended; and
- have been properly prepared in accordance with the relevant financial reporting framework and, in particular, with the requirements of the Companies Act 2014.

The financial statements we have audited comprise:

- the Income Statement;
- the Statement of Financial Position;
- the Statement of Changes in Equity;
- the Cash Flow Statement; and
- the related notes 9.1 to 9.18, including a summary of significant accounting policies as set out in note 9.1.

The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2014 and FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" issued by the Financial Reporting Council ("the relevant financial reporting framework").

#### 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 below in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority, 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

#### Other information

The other information comprises the information included in the Director's Report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Director's Report. 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.

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CREDEBT EXCHANGE LIMITED

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

We have nothing to report in this regard.

### Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014, and for such internal control as the directors 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 intend to liquidate the company or to cease operations, or have 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 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.

As part of an audit in accordance with ISAs (Ireland), 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 the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the 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 company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity (or where relevant, the group) to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CREDEBT EXCHANGE LIMITED

### Report on other legal and regulatory requirements

#### Opinion on other matters prescribed by the Companies Act 2014

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

- 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.
- The financial statements are in agreement with the accounting records.
- In our opinion the information given in the directors' report is consistent with the financial statements and the directors' report has been prepared in accordance with the Companies Act 2014.

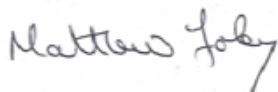
#### Matters on which we are required to report by exception

Based on the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the provisions in the Companies Act 2014 which require us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.

#### Use of our report

This 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 auditor's 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.



Matthew Foley  
For and on behalf of Deloitte Ireland LLP  
Chartered Accountants and Statutory Audit Firm  
Deloitte & Touche House, Earlsfort Terrace, Dublin 2

Date: 26 February 2021



## 5 Income Statement

### INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> DECEMBER 2020

	Notes	Continuing Operations	
		2020 EUR	2019 EUR
TURNOVER	9.3	158,332,600	100,871,129
Cost of Sales		(154,879,447)	(98,675,727)
GROSS PROFIT		3,453,153	2,195,402
Selling & Distribution Expenses		(928,769)	(603,748)
ADMIN EXPENSES			
General Expenses		(1,153,807)	(874,399)
Professional Fees		(515,038)	(376,269)
Depreciation & Amortisation		(226,626)	(273,398)
		(2,824,241)	(2,127,814)
OPERATING PROFIT		628,913	67,588
Other Operating Income		144,899	100,373
Interest Received		-	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	9.5	773,812	167,961
Tax on profit	9.6	(102,081)	(34,958)
PROFIT FOR THE YEAR		671,731	133,003

The notes on pages 17 to 27 form an integral part of these Financial Statements. All amounts reflected in the Income Statement relate to continuing operations.

Patrick Reynolds  
Director  
19<sup>th</sup> February 2021

Stephen Mackarel  
Director  
19<sup>th</sup> February 2021

Michael Keegan  
Director  
19<sup>th</sup> February 2021



## 6 Statement of Financial Position


### STATEMENT OF FINANCIAL POSITION AS AT 31<sup>st</sup> DECEMBER 2020

	Notes	2020 EUR	2019 EUR
<b>FIXED ASSETS</b>			
Tangible Fixed Assets	9.7	89,833	127,346
Intangible Fixed Assets	9.8	635,393	600,489
Leasabill® Fixed Assets	9.9	5,201,307	1,672,102
		<u>5,926,533</u>	<u>2,399,936</u>
<b>CURRENT ASSETS</b>			
Debtors	9.10	27,844,457	31,366,165
Cash and Cash Equivalents and Loss Absorbing Cash	9.11	26,994,504	20,800,015
		<u>54,838,961</u>	<u>52,166,180</u>
<b>CURRENT LIABILITIES</b>			
CREDITORS: due within one Year	9.12	(58,518,511)	(52,990,863)
<b>NET CURRENT LIABILITIES</b>		<u>(3,679,550)</u>	<u>(824,683)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
CREDITORS: due after one Year	9.13	(375,000)	(375,000)
<b>NET ASSETS</b>		<u>1,871,984</u>	<u>1,200,253</u>
<b>CAPITAL AND RESERVES</b>			
Called Up Share Capital presented as equity	9.14	100	100
Retained Profit		1,871,884	1,200,153
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>1,871,984</u>	<u>1,200,253</u>


The notes on pages 17 to 27 form an integral part of these Financial Statements. The Financial Statements were approved by the Board on 19<sup>th</sup> February 2021 and signed on its behalf by:

  
 Patrick Reynolds  
 Director

19<sup>th</sup> February 2021

  
 Stephen Mackarel  
 Director

19<sup>th</sup> February 2021

  
 Michael Keegan  
 Director

19<sup>th</sup> February 2021



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## 7 Statement of Changes in Equity

### STATEMENT OF CHANGES OF EQUITY AS AT 31<sup>ST</sup> DECEMBER 2020

<b>EUR</b>	<b>SHARE CAPITAL</b>	<b>RETAINED EARNINGS</b>	<b>OTHER RESERVES</b>	<b>TOTAL</b>
OPENING POSITION	100	1,200,153		1,200,253
PROFIT FOR THE PERIOD		671,731		671,731
CLOSING POSITION	100	1,871,884		1,871,984





## 8 Statement of Cash Flows

### STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER 2020

	Notes	2020 EUR	2019 EUR
NET CASH FLOWS FROM OPERATING ACTIVITIES	9.17	11,332,497	1,918,734
Corporation tax	9.6	(102,081)	(34,958)
		<u>11,230,416</u>	<u>1,883,776</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Other Operating Income and Interest		144,899	100,373
Purchase of Tangible Fixed Assets		(9,514)	(99,931)
Purchase of Intangible Fixed Assets		(214,504)	(232,151)
Purchase of Leasabill® Fixed Assets	9.9	(4,956,808)	(1,427,185)
		<u>6,194,489</u>	<u>224,882</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		6,194,489	224,882
Cash and cash equivalents at the beginning of year		20,800,015	20,575,133
Cash and cash equivalents at end of year		<u>26,994,504</u>	<u>20,800,015</u>



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## **9 Notes to Financial Statements**

Notes to the Financial Statements for the financial year ended 2020-12-31.

### **9.1 Statement of Accounting Policies**

The principal accounting policies are summarised below and have been applied consistently throughout the year and to the preceding year.

#### **9.1.1 General Information & Basis of accounting**

Credebt Exchange Limited is a company incorporated in Ireland under the Companies Act 2014. The address of the registered office is given above. The nature of the Company's operation and its principal activities are set out in the Directors Report on pages 3 to 8. The Financial Statements are prepared under the historical cost convention and in accordance with the Companies Act 2014 and Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council and promulgated for use in Ireland by Chartered Accountants Ireland.

The functional currency of Credebt Exchange® is considered to be Euro because that is the currency of the primary economic environment in which the Company operates.

#### **9.1.2 Going Concern**

These Financial Statements have been prepared on a going concern basis. As set out in the Directors' Responsibilities Statement on page 9, in preparing these Financial Statements the directors are required to prepare the Financial Statements on a going concern basis unless it is inappropriate to do so. The directors have considered the Company's forecast as well as its capital and liquidity resources, it has net assets of EUR 1,871,984 and made an operating profit of EUR 628,913 in the financial year. Notwithstanding the coronavirus post-Year end event, the directors have a reasonable expectation that the Company will continue in operational existence for the foreseeable future. Hence, the directors have adopted the going concern basis in preparing these Financial Statements.

#### **9.1.3 Turnover**

Turnover is recognised in the income statement at the time that the ETR are sold, this is when the significant risks and rewards are considered to have been transferred to the Investor. Fees and commissions are recognised in the income statement when the ETR are settled and earned.

#### **9.1.4 Exchange Traded Receivables [ETR]**

Exchange Traded Receivables [ETR] relate to unsettled trades purchased and is recorded net of provision for ETR which may not be settled.

#### **9.1.5 Statement of Cash Flows**

The Company has prepared a Statement of Cash Flows and it is set out on page 16.



### 9.1.6 Intangible Fixed Assets

Trademarks are included at cost and amortised in equal annual instalments over the expected useful life. Development expenditure in relation to internally generated intangible assets is capitalised when all of the following have been demonstrated: the technical feasibility of completing the intangible asset so that it will be available for use; the intention to complete the project to which the intangible asset relates and use it; how the intangible asset will generate probable future economic benefits; the availability of adequate technical, financial and other resources to complete the development and to use the intangible asset; and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially capitalised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is charged to the income statement in the period in which it is incurred. Development expenditure will be amortised over the expected life of the asset of five years once it becomes operational.

### 9.1.7 Tangible Fixed Assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Tangible assets	20% straight line
-----------------	-------------------

### 9.1.8 Leasabill® Fixed Assets

During the course of 2016, Credebt Exchange® introduced to market the new product offering Leasabill ETR® for Investors. This product is offered to leasees as Convertibill® or Trade Credebt® Asset Finance and is an Operating Lease agreement, whereby Credebt Exchange® acts as the Lessor. The product began trading in 2017 and the assets purchased by Credebt Exchange® are depreciated by applying the reducing balance method of depreciation as follows:

Leasabill® Assets	2 - 5 Years reducing balance
-------------------	------------------------------

### 9.1.9 Taxation

Current tax, including Irish Corporation tax, is provided, if applicable, at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date. The Corporation tax payable in 2020 is EUR 102,081.

### 9.1.10 Foreign Exchange

Any assets and liabilities denominated in foreign currencies are translated into Euro at the rates of exchange ruling at the statement of financial position date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the income statement.

All expenses are recorded on an accruals basis, based on the period to which they relate to.



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### **9.1.11 Investor Funds**

Investor funds that are classified as payable within one year on initial recognition, and which meet the above conditions, are measured at the amount of the cash or other consideration expected to be paid, net of impairment.

### **9.1.12 Investors Yield**

Investor yields are recorded on an accruals basis, based on the period to in which they relate to.

## **9.2 Critical Accounting Judgements & Key Sources of Estimated Uncertainty**

In the application of the Company's accounting policies that are described in note 9.1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the Financial Statements:

### **9.2.1 Revenue Recognition**

The Company enters into differing types of contracts where the substance of the transaction can differ, resulting in a determination of whether gross or net presentation of revenue is appropriate. The Company assesses a number of indicators in determining the appropriate basis for revenue presentation. These indicators include the level of credit risk borne by the Company; discretion in establishing the price paid for the product; the fixed or variable nature of margin generated; and any responsibility for fulfilment or inventory risk.

### **9.2.2 Trading Provisions**

In assessing the recoverability of the ETR receivables balance in the Statement of Financial Position at the year end, which is contained within debtors, the directors have made the assumption that any impairment resulting from the non-recoverability of the debtors owed to the Company will not be in excess of the Reserves that have been put in place (see note 9.11).



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### 9.3 Turnover

Turnover comprises of Exchange Traded Receivables [ETR], commissions and fees traded in the financial year net of value added tax and arises primarily in the Republic of Ireland.

An analysis of the Company's turnover is as follows:

	<b>2020 EUR</b>	2019 EUR
Sale of Exchange Traded Receivables [ETR]	153,667,767	97,189,648
Commissions	3,963,068	3,109,409
Other fees	851,058	469,765
Foreign exchange gains/(losses)	-149,293	102,306
	158,332,600	100,871,129

### 9.4 Employees

The average number of persons employed by the Company during the financial year, analysed by category, was as follows:

	<b>Number of Employees</b>	
	<b>2020</b>	2019
Director, Treasury, Trade Desk, Collections, Accounts, Administration & Specialists	17	20

### 9.5 Profit on Ordinary Activities

	<b>2020 EUR</b>	2019 EUR
Profit on ordinary activities before taxation: And is stated after charging/(crediting) the following:	773,812	167,961
Staff salary costs	1,127,824	580,415
Social welfare costs	128,388	72,976
Aggregate emoluments paid to or receivable by directors in respect of qualifying services	419,190	430,431
Depreciation of tangible fixed assets	47,027	39,513
Amortisation of intangible fixed assets	179,599	233,885
Depreciation of leased assets	1,437,518	641,505
Foreign exchange (gains)/losses	149,293	(30,696)



### 9.5.1 Auditors' Remuneration

Auditors' remuneration for work carried out for the Company in respect of the financial year is as follows:

	<b>2020 EUR</b>	2019 EUR
Audit of individual Company Financial Statements		
Tax advisory services	45,000	42,500
Other non-audit services	1,500	1,500
	<u>46,500</u>	<u>44,000</u>

### 9.6 Taxation on Profit on Ordinary Activities

	<b>2020 EUR</b>	2019 EUR
Charge for the financial year	(102,081)	(34,958)
Reconciliation of factors affecting tax charge for the year:		
Profit on ordinary activities before tax	<u>773,812</u>	<u>167,961</u>
Profit on ordinary activities before taxation by the average standard rate of taxation 12.5% (2020: 12.5%)	91,302	20,995
Effects of:		
Expenses disallowable for tax purposes	1,320	407
Excess of depreciation over allowances	4,363	13,663
Other timing differences	5,097	(107)
Higher tax on interest	-	-
	<u>102,081</u>	<u>34,958</u>



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### 9.7 Tangible Fixed Assets

	2020 EUR	2019 EUR
<u>Cost</u>		
At 1 January 2020	355,985	256,054
Additions	9,514	99,931
At 31 December 2020	365,499	355,985
<u>Accumulated Depreciation</u>		
At 1 January 2020	(228,639)	(189,127)
Depreciation Charge For The Financial Year	(47,027)	(39,513)
At 31 December 2020	(275,666)	(228,639)
<u>Carrying Amount:</u>		
At 1 January 2020	127,346	66,927
At 31 December 2020	89,833	127,346

Tangible fixed assets primarily consist of office & IT equipment

### 9.8 Intangible Fixed Assets

	2020 EUR	2019 EUR
<u>Cost:</u>		
At 1 January 2020	1,337,153	1,105,167
Additions	214,504	231,987
At 31 December 2020	1,551,657	1,337,153
<u>Accumulated Amortisation:</u>		
At 1 January 2020	(736,664)	(502,943)
Amortisation Charge For The Financial Year	(179,599)	(233,721)
At 31 December 2020	(916,264)	(736,664)
<u>Carrying Amount:</u>		
At 1 January 2020	600,489	602,223
At 31 December 2020	635,393	600,489

The intangible fixed asset comprises of an online trading platform that is amortised at the rates noted in the accounting policy.



### 9.9 Leasabill® Fixed Assets

	<b>2020 EUR</b>	2019 EUR
<u>Cost</u>		
At 1 January 2020	2,606,253	1,179,068
Additions	4,956,808	1,427,185
At 31 December 2020	<u>7,563,062</u>	<u>2,606,253</u>
<u>Accumulated Depreciation</u>		
At 1 January 2020	(924,236)	(292,646)
Depreciation Charge For The Financial Year	(1,437,518)	(631,590)
At 31 December 2020	<u>(2,361,754)</u>	<u>(924,236)</u>
<u>Carrying Amount:</u>		
At 1 January 2020	1,682,017	886,422
At 31 December 2020	<u>5,201,307</u>	<u>1,682,017</u>

Leasabill® fixed assets comprises of the assets purchased by Credebt Exchange for entering into Operating Leases as the Lessor. The future minimum lease payments under non-cancellable operating leases are as follows:

	<b>2020 EUR</b>	2019 EUR
i. Not later than one year	120,310	388,008
ii. Later than one year and not later than five years	1,164,856	844,035
iii. Later than five years	4,567,103	962,707

### 9.10 Debtors: Amounts owed within 1 Year

	<b>2020 EUR</b>	2019 EUR
Exchange Traded Receivables [ETR]	27,844,457	31,366,165
	<u>27,844,457</u>	<u>31,366,165</u>





### 9.11 Cash and Cash Equivalents and Loss Absorbing Cash

The directors believe that the current trading provision represents an appropriate estimate and as a result no further provisioning is required. The provision is based on reviews of specific balances, including creditworthiness of the debtor companies, credit control performance of Originators as Collection Agents, historic collectability, and the aging of balances. At the year end the Discretionary Reserves plus the LDC balance was EUR 5,836,791 as shown below:

	<b>2020 EUR</b>	2019 EUR
Cash at bank and in hand	21,157,713	10,786,831
Cash balances held in relation to:		
Discretionary Reserves	5,747,732	5,480,530
Loss & Default Control [LDC]	89,059	4,532,655
	<u>26,994,504</u>	<u>20,800,015</u>

Note: Refer to Note 9.18 regarding subsequent events.

### 9.12 Creditors: Amounts due within 1 Year

	<b>2020 EUR</b>	2019 EUR
Trade creditors	1,176,558	294,417
Trade accruals	487,321	311,880
Deferred Commissions	704,887	1,867,549
Investor funds	47,157,480	42,145,939
Investor yield and commission accrued	3,163,702	2,819,180
Discretionary Reserves	5,747,732	5,480,530
PAYE/PRSI	80,831	71,369
	<u>58,518,511</u>	<u>52,990,863</u>

### 9.13 Creditors: Amounts due after 1 Year

	<b>2020 EUR</b>	2019 EUR
Director's loan balance	375,000	375,000
	<u>375,000</u>	<u>375,000</u>

The loan balances above have a Nil interest rate and are payable in a period greater than 1 year.



#### 9.14 Called Up Share Capital Presented as Equity

	2020 EUR	2019 EUR
Authorised:		
1,000,000 (2016:1,000,000) Ordinary shares of EUR 1.00 each	1,000,000	1,000,000
Allotted, called up and fully paid:		
100 (2016: 100) Ordinary shares of EUR 1.00 each	100	100
Presented as follows:		
Called up share capital presented as equity	100	100

The Company has one class of ordinary shares which carry no right to fixed income.

#### 9.15 Related Party Transactions

Related parties in the entity include subsidiary undertakings, associated undertakings, post-employment benefits, Key Management Personnel, and connected parties. There were no subsidiary undertakings during the period and no amounts owed or owing at 31 December 2020. The following disclosures are made in accordance with the provisions of FRS 102 Section 33 Related Party Disclosures. Under FRS 102 Section 33, Key Management Personnel are defined as comprising Executive and Non-Executive Directors together with Senior Executive Officers, namely, the members of the Executive Committee. As at 31 December 2020, the entity had 3 Key Management Personnel.

##### Compensation of Key Management Personnel

	2020 EUR	2019 EUR
Director's Remuneration	548,790	530,431

##### Transactions with Key Management Personnel

As at 31 December 2020 the aggregate amounts owed to and transacted with Key Management Personnel, together with members of their close families and entities controlled by them and are shown in the following table

	2020 EUR	2019 EUR
Directors Loan	375,000	375,000
ETR Investments	227,660	347,276
Accruals	251,722	277,804
ETR Revenue	6,518	15,960
ETR Receivable	74,669	19,183



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### 9.16 Ultimate Controlling Party

The company's ultimate controlling party is Credebt Holdings Limited. Credebt Holdings Limited is the 100% beneficial owner of the company since 11<sup>th</sup> December 2018. There has, as a result of the creation of the holding company, not been any change in the ultimate controlling party or in the issued share capital of the company. The 99% controlling party and registered beneficial owner of Credebt Holdings Limited is Patrick Reynolds.

### 9.17 Reconciliation of operating profit to cash generated from operations

	2020 EUR	2019 EUR
OPERATING PROFIT	628,913	67,588
Adjusted for:		
Depreciation of tangible fixed assets	47,027	39,513
Amortisation of intangible fixed assets	179,599	233,885
Depreciation of Leasabill® fixed assets	1,437,518	641,505
Operating cash flow before movement in working capital	2,293,057	982,490
Decrease in debtors		46,306
Increase in Exchange Traded Receivables [ETR]	3,521,708	(8,773,351)
Decrease in creditors	516,106	5,107,550
Receipts from Investors	17,866,876	14,422,258
Repayments to Investors	(12,865,250)	(9,866,519)
NET CASH GENERATED FROM OPERATIONS	11,332,497	1,918,734

### 9.18 Subsequent Events

EUR 6,000,000 was subsequently transferred to the LDC account from the Quistclose Investor EUR account on 2021-01-20.

During 2020, the board decided to rename the Convertibill Branch Network Limited as Trade Credebt Limited to extend the Credebt Exchange® direct market model internationally. Trade Credebt Limited did not trade in 2020 and began trading on 2021-01-01. It is a subsidiary of Credebt Holdings Limited.



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Although Covid-19 is a significant event, prior to and after the financial year end it has generally had a positive impact on trading in 2020, therefore the Financial Statements do not require adjustment. As Covid-19 continues to impact economies, the ultimate financial effect cannot be definitively estimated at this time. The directors continue to monitor the likely impact on the Company's financial position including the performance of existing and new business segments and do so to ensure that adequate Reserves are maintained with regard to any concerns therein.