

Company Registration No. 07740692

**MIROVA NATURAL CAPITAL LIMITED**

**Annual Report and Audited Consolidated Financial Statements**

**FOR THE YEAR ENDED 31 DECEMBER 2019**



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## **MIROVA NATURAL CAPITAL LIMITED**

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### **COMPANY INFORMATION**

#### **BOARD OF DIRECTORS**

Christian del Valle  
Sylvain Goupille  
Raphael Lance  
Anne-Laurence Roucher  
Philippe Zaouati  
Vincent Gradt (appointed 12 June 2020)

**Registered Number: 07740692**

#### **Registered Office**

18 St. Swithin's Lane  
London  
EC4N 8AD

#### **Independent Auditors**

PricewaterhouseCoopers LLP  
7 More London  
Riverside  
London  
SE1 2RT

### **STRATEGIC REPORT**

The Directors present their strategic report on the affairs of Mirova Natural Capital Limited (the "Company") and its subsidiaries (collectively, the "Group") together with the audited annual company and consolidated financial statements for the year ended 31 December 2019.

#### **INCORPORATION**

The Company was incorporated in England and Wales on 15 August 2011 as a private company limited by shares and has its registered address at 18 St. Swithin's Lane, London, EC4N 8AD.

#### **PRINCIPAL ACTIVITIES, REVIEW OF BUSINESS**

The main activity of the Company is to act as investment advisor to the Althelia Funds.

On 8 August 2019 the Company entered into an agreement with AXA Investment Managers Paris to provide investment advisory services to AXA Impact Fund Climate and Biodiversity SA SICAV-RAIF.

On 11 September 2019, the Company acquired Mirova Natural Capital Brazil Consultoria E Assessoria Ltda, a fully owned subsidiary in Brazil, whose main activity is the provision of financial investment advisory services to Althelia Biodiversity Fund Brazil Fundo de Investimento em Participações Multiestratégia.

On 13 September 2019, the Company entered in an investment advisory service agreement with Althelia Biodiversity Fund Brazil Fundo de Investimento em Participações Multiestratégia.

On 4 October 2019, Mirova S.A, an affiliate of Natixis Investment Managers specialising in sustainable investment, finalised its acquisition of 100% of the Company. Mirova S.A had originally acquired 51% ownership of the Company in 2018.

The loss for the financial year of the Group attributable to equity holders from operations during the year ended 31 December 2019 amounted to £720,073 (2018: £946,861).

Principal risks and uncertainties are considered in the Report of the Directors.

As at 31 December 2019 no dividend payment (2018: £nil) had been made to the Company's shareholders and no shares had been repurchased.

#### **FUTURE DEVELOPMENTS**

The Directors are continually exploring opportunities to further develop their investment advisory businesses through various projects.

The COVID-19 outbreak has developed rapidly in 2020 and has caused disruption to businesses, economic activities and impacted the global market. Since the balance sheet date, the Company has not suffered any outflows and kept receiving further inflows. Given the dynamic nature of COVID-19 spread and its inherent uncertainties, it is not practical to provide a reasonable quantitative estimate on any future impact. The length and severity of the impact remains unclear but the Directors would not expect these to adversely change the underlying medium to long-term prospects of the business. The Company will continue to monitor the COVID-19 and its impacts on the financial projections.

**STRATEGIC REPORT (CONTINUED)****KEY PERFORMANCE INDICATORS**

Some of the key indicators are the ability of the Group to be well capitalised, to be solvent and to be able to meet its current obligations as they fall due as measured below.

Key performance indicators for the Group are:	2019	2018
	£	£
Total assets value of the Group	14,504,484	13,667,648
Net assets value of the Group	10,176,190	10,877,422
Net current liabilities of the Group	(47,472)	(29,958)
Operating loss	(749,779)	(1,154,810)

The directors are satisfied that the Group is performing in line with expectation.

**STATEMENT BY THE DIRECTORS RELATING TO THEIR STATUTORY DUTIES UNDER SECTION 172(1) OF THE COMPANIES ACT 2006**

The Directors, in line with their duties under s172 of the Companies Act 2006, act individually and collectively in the way they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its member, and in doing so have regard, amongst other matters, to the:

- Likely consequences of any decision in the long term
- Interests of the group's employees
- Need to foster the group's business relationships with suppliers, customers and others
- Impact of the group's operations on the community and the environment
- Desirability of the group maintaining a reputation for high standards of business conduct
- Need to act fairly as between members of the group

The Directors' regard to these matters is embedded in their decision-making process, through the Group's business strategy, culture, governance framework, management information flows and stakeholder engagement processes.

The Group's business strategy is focused on achieving success for the Group in the long-term. In setting this strategy, the Board takes into account the impact of relevant factors and stakeholder interests on the Group's performance. The Board also identifies principal risks facing the business and sets risk management objectives.

The Board promotes a culture of upholding the highest standards of business conduct and regulatory conduct. The Board ensures these core values are communicated to the Group's employees and embedded in the Group's policies and procedures, employee induction and training programmes and its risk control and oversight framework.

The Board recognises that building strong and lasting relationships with our stakeholders will help us to deliver our strategy in line with our long-term values, and operate a sustainable business.

The Directors are supported in the discharge of their duties by:

- A director training programme to further their understanding of their duties and obligations under applicable law and regulation
- Processes which ensure the provision of timely management information and escalation through reporting lines to the Board from the Group's business areas, its risk and control functions, support teams and committees of the Board
- Agenda planning for Board and Committee meetings to provide sufficient time for the consideration and discussion of key matters

## MIROVA NATURAL CAPITAL LIMITED

### STATEMENT BY THE DIRECTORS RELATING TO THEIR STATUTORY DUTIES UNDER SECTION 172(1) OF THE COMPANIES ACT 2006 - (CONTINUED)

#### Stakeholders

The Board understands the importance of engagement with all of its stakeholders and gives appropriate weighting to the outcome of its decisions for the relevant stakeholder in weighing up how best to promote the success of the Group.

The Board regularly discusses issues concerning employees, clients, suppliers, community and environment, regulators and its shareholder, which it takes into account in its discussions and in its decision-making process.

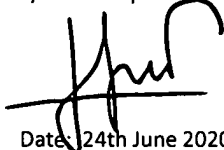
The below summarises the key stakeholders and how we engage with each:

Stakeholder	Engagement
Employees	Our employees contribute to a positive working culture and healthy working environment. Employees are key to the success of our business. In addition to aiming to be a responsible employer in our approach to pay and benefits, we continue to engage with our team to ascertain which training and development opportunities should be made available to improve our team's productivity and our individual employees' potential within the business.
Clients	Clients are at the centre of our business. Our client service and sales teams build lasting relationships with current and potential clients to understand their objectives and requirements. We are in regular contact with clients in order to meet their defined reporting and service requirements. This includes attending monthly and quarterly update calls, face to face meetings (quarterly/bi-annually/annually) depending on client preferences.
Suppliers	As a global business, we work with a wide range of suppliers both in the UK and globally. We remain committed to being fair and transparent in our dealings with all of our suppliers. The Group has systems and processes in place to ensure suppliers are paid in a timely manner.
Regulators	We work with our regulators and the government in an open and proactive manner to help develop regulations that meet the needs of all our stakeholders. The Board's intention is to behave responsibly and to ensure that the management team operates the business in a responsible manner, acting with the high standards and good governance expected of a regulated business like ours. In doing so, we believe we will achieve our long-term business strategy and further develop our reputation in our sector.
Community and Environment	The Board's approach to social responsibility, Diversity & the community is of high importance. Corporate social responsibility principles are part of our culture and decision making process. We take a consultative approach focused on building long-term relationships and solving business problems.
Shareholders	The Board also seeks to behave in a responsible manner towards our one shareholder. The Board communicates information relevant to its shareholder, such as its financial reporting.

Company Registration No. 07740692 (England and Wales)

Signed for and on behalf of the Board

Sylvain Goupille - Director



Date: 24th June 2020

## **MIROVA NATURAL CAPITAL LIMITED**

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### **REPORT OF THE DIRECTORS**

The Directors of Mirova Natural Capital Limited present their annual report and audited annual consolidated financial statements for the year ended 31 December 2019.

#### **SIGNIFICANT EVENTS DURING THE YEAR**

On 8 August 2019 the Company entered into an agreement with AXA Investment Managers Paris to provide investment advisory services to AXA Impact Fund Climate and Biodiversity SA SICAV-RAIF.

On 11 September 2019, the Company acquired Mirova Natural Capital Brazil Consultoria E Assessoria Ltda, a fully owned subsidiary in Brazil, whose main activity is the provision of financial investment advisory services to Althelia Biodiversity Fund Brazil Fundo de Investimento em Participações Multiestratégia.

On 13 September 2019, the Company entered in an investment advisory service agreement with Althelia Biodiversity Fund Brazil Fundo de Investimento em Participações Multiestratégia.

On 4 October 2019, Mirova S.A, an affiliate of Natixis Investment Managers specialising in sustainable investment, finalised its acquisition of 100% of the Company. Mirova S.A had originally acquired 51% ownership of the Company in 2018.

#### **SUMMARY OF THE GROUP'S ACTIVITIES FOR THE YEAR**

At the reporting date, the Group had a net asset value of £10,176,190 (2018: £10,877,422). The loss for the financial year of the Group, attributable to equity holding from operations during the year ended 31 December 2019 amounted to £720,073 (2018: £946,861). The operating loss of the Group for the year was £749,779 (2018: £1,154,810).

The results for the year are set out in the consolidated statement of comprehensive income on page 14 of these financial statements. The Directors do not recommend a dividend for the year ended 2019.

The future developments are presented in the Strategic Report on page 3.

#### **DIRECTORS AND THEIR INTERESTS**

The Directors of the Company during the year and at the date of approval of these financial statements are noted on page 2.

#### **GOING CONCERN**

The Directors have made enquiries and having considered the current economic climate at the time of approving the financial statements, as well as the expected working capital requirements that the Group will have for the coming year, they have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

The COVID-19 outbreak has developed rapidly in 2020 and has caused disruption to businesses, economic activities and impacted the global market. Since the balance sheet date, the Company has not suffered any outflows and kept receiving further inflows. Given the dynamic nature of COVID-19 spread and its inherent uncertainties, it is not practical to provide a reasonable quantitative estimate on any future impact. The length and severity of the impact remains unclear but the Directors would not expect these to adversely change the underlying medium to long-term prospects of the business. The Company will continue to monitor the COVID-19 and its impacts on the financial projections.

## **MIROVA NATURAL CAPITAL LIMITED**

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### **REPORT OF THE DIRECTORS (CONTINUED)**

#### **POLITICAL DONATIONS**

The Group and Company made no political donations during the year (2018: £nil).

#### **EXISTENCE OF BRANCHES OUTSIDE OF THE UNITED KINGDOM**

The Company has a branch in Paris, France.

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

The principal risks and uncertainties faced by the Company and its subsidiaries are managed by the Directors at each entity level. The significant risks to the Group are the loss of the management contract for the environmental funds decreasing the value of the intangible asset and the liquidity risks. To manage these risks, the Group actively looks into new opportunities for additional contracts, has solid management contract clauses, have successfully won new contracts and has also increased its capital by £30,000 (2018: £540,000) during the year to cover any liquidity issue.

Certain estimates in the company and consolidated financial statements are based wholly or in part on estimates or assumptions made by the Directors, taking into consideration current market and economic conditions. These have been described in further detail in note 4 of the consolidated financial statements.

The Company's financial risk management objectives and policies are set out in note 6(c).

#### **EVENTS AFTER THE REPORTING DATE**

There have been no significant events affecting the Group since the year end.

The COVID-19 outbreak has developed rapidly after the reporting date and has caused disruption to businesses, economic activities and impacted the global market. Since the balance sheet date, the Company has not suffered any outflows and kept receiving further inflows. The Company will continue to monitor the COVID-19 and its impacts on the financial projections.

#### **INDEPENDENT AUDITORS**

Pursuant to Section 487 of the Companies Act 2006, PricewaterhouseCoopers LLP have been appointed as the independent auditors of the Company.

#### **DISCLOSURE OF INFORMATION TO AUDITORS**

The Directors who held office at the date of approval of this Report of the Directors confirm that:

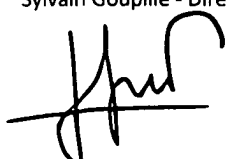
- so far as each of the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

Relevant audit information is defined as information needed by the Group's and Company's auditors in connection with preparing their report.

Company Registration No. 07740692 (England and Wales)

Signed for and on behalf of the Board

Sylvain Goupille - Director



Date: 24th June 2020



**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

The Directors are responsible for preparing the Annual Report and the consolidated financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;

- state whether applicable IFRSs as adopted by the European Union have been followed for the Group and Company financial statements, subject to any material departures disclosed and explained in the financial statements;

- make judgements and accounting estimates that are reasonable and prudent; and

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

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

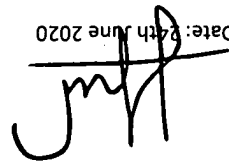
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Company Registration No. 07740692 (England and Wales)

Signed for and on behalf of the Board

Sylvain Goupille - Director

Date: 24th June 2020



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**MIROVA NATURAL CAPITAL LIMITED**

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MIROVA NATURAL CAPITAL LIMITED**  
**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS****Opinion**

In our opinion, Mirova Natural Capital Limited's Group financial statements and Company financial statements (the "financial statements");

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2019 and of the Group's loss and the Group's and the Company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Audited Consolidated Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company Statements of Financial Position as at 31 December 2019; the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Cash Flows, and the Consolidated and Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independence**

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

**Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) 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 Group's and 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MIROVA NATURAL CAPITAL LIMITED  
(CONTINUED)**

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

*Strategic Report and Report of the Directors'*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors' for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors'.

**Responsibilities for the financial statements and the audit**

*Responsibilities of the Directors for the financial statements*

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements set out on page 8, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control 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 Group's and 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 Group or the Company or to cease operations, or have no realistic alternative but to do so.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MIROVA NATURAL CAPITAL LIMITED  
(CONTINUED)**

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**

*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 (UK) 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 FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

*Use of this report*

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

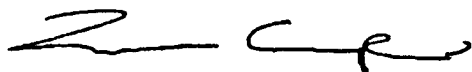
**OTHER REQUIRED REPORTING**

**Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Lauren Cooper (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

Date: 24th June 2020.

# MIROVA NATURAL CAPITAL LIMITED

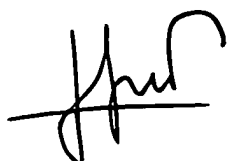
## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	2019 £	2018 £
<b>Assets</b>			
Goodwill	12	9,441,766	9,441,766
Other intangible assets	12	1,488,721	2,481,201
Property, plant and equipment	13	20,758	16,638
Other financial assets	14	190,272	278,622
<b>Non-current assets</b>		<b>11,141,517</b>	<b>12,218,227</b>
Trade and other receivables	15	2,627,815	372,402
Prepayments		59,224	25,293
Cash and cash equivalents	16	675,928	1,051,726
<b>Current assets</b>		<b>3,362,967</b>	<b>1,449,421</b>
<b>Total assets</b>		<b>14,504,484</b>	<b>13,667,648</b>
<b>Equity</b>			
Share capital	17	12,810,851	12,780,851
Translation reserve		15,435	26,594
Accumulated losses		(2,650,096)	(1,930,023)
<b>Total equity</b>		<b>10,176,190</b>	<b>10,877,422</b>
<b>Liabilities</b>			
Loans and borrowings	18	634,998	889,041
Deferred tax liabilities	11	282,857	421,806
<b>Non-current liabilities</b>		<b>917,855</b>	<b>1,310,847</b>
Trade and other payables	19	3,410,439	1,479,379
<b>Current liabilities</b>		<b>3,410,439</b>	<b>1,479,379</b>
<b>Total liabilities</b>		<b>4,328,294</b>	<b>2,790,226</b>
<b>Total liabilities and equity</b>		<b>14,504,484</b>	<b>13,667,648</b>

Company Registration No. 07740692 (England and Wales)

The consolidated financial statements on pages 12 to 55 were approved and authorised by the Directors of the Group on 24th June 2020 and were signed on its behalf by:



Sylvain Goupille - Director

The notes on pages 19 to 55 form an integral part of these consolidated financial statements.

# MIROVA NATURAL CAPITAL LIMITED

## COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	2019 £	2018 £
<b>Assets</b>			
Property, plant and equipment	13	20,758	16,638
Other financial assets	14	12,219,716	12,308,048
<b>Non-current assets</b>		<u>12,240,474</u>	<u>12,324,686</u>
Trade and other receivables	15	2,810,381	211,619
Prepayments		59,224	25,293
Cash and cash equivalents	16	616,868	741,030
<b>Current assets</b>		<u>3,486,473</u>	<u>977,942</u>
<b>Total assets</b>		<u><b>15,726,947</b></u>	<u><b>13,302,628</b></u>
<b>Equity</b>			
Share capital	17	12,810,851	12,780,851
Accumulated losses		(823,693)	(900,555)
<b>Total equity</b>		<u>11,987,158</u>	<u>11,880,296</u>
<b>Liabilities</b>			
Loans and borrowings	18	635,318	472,611
<b>Non-current liabilities</b>		<u>635,318</u>	<u>472,611</u>
Trade and other payables	19	3,104,471	949,721
<b>Current liabilities</b>		<u>3,104,471</u>	<u>949,721</u>
<b>Total liabilities</b>		<u>3,739,789</u>	<u>1,422,332</u>
<b>Total liabilities and equity</b>		<u><b>15,726,947</b></u>	<u><b>13,302,628</b></u>

Company Registration No. 07740692 (England and Wales)

The notes on pages 19 to 55 form an integral part of these consolidated financial statements.

# MIROVA NATURAL CAPITAL LIMITED

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £	2018 £
Revenue	7	5,110,519	2,324,921
<b>Gross profit</b>		<b>5,110,519</b>	<b>2,324,921</b>
Administrative expenses	8	(5,714,887)	(3,627,093)
Gain/loss on revaluation of investment		(145,411)	-
Other expenses	14	-	(56,188)
Profit on disposal of fixed assets		-	203,550
<b>Operating loss</b>		<b>(749,779)</b>	<b>(1,154,810)</b>
Finance income		3,818	1,079
Finance costs		(73,277)	(12,871)
Net finance costs	9	(69,459)	(11,792)
<b>Loss on ordinary activities before taxation</b>		<b>(819,238)</b>	<b>(1,166,602)</b>
Tax credit	11	99,165	219,741
<b>Loss for the financial year</b>		<b>(720,073)</b>	<b>(946,861)</b>
<b>Other comprehensive income</b>			
<i>Items that will be reclassified subsequently to profit or loss when specific conditions are met</i>			
Currency translation differences		(11,159)	19,821
<b>Other comprehensive income for the year</b>		<b>(11,159)</b>	<b>19,821</b>
<b>Total comprehensive income for the year</b>		<b>(731,232)</b>	<b>(927,040)</b>

The notes on pages 19 to 55 form an integral part of these consolidated financial statements.

# MIROVA NATURAL CAPITAL LIMITED

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Share capital £	Translation Reserve £	Accumulated Losses £	Total equity £
<b>Balance as at 1 January 2018</b>		12,240,891	6,773	(983,162)	11,264,502
<b>Total comprehensive (loss)/income for the year</b>					
Loss for the year		-	-	(946,861)	(946,861)
Other comprehensive income for the year		-	19,821	-	19,821
<b>Transactions with owners of the Company</b>					
Issue of share capital	17	539,960	-	-	539,960
<b>Balance as at 31 December 2018</b>		<u>12,780,851</u>	<u>26,594</u>	<u>(1,930,023)</u>	<u>10,877,422</u>
<b>Balance as at 1 January 2019</b>		12,780,851	26,594	(1,930,023)	10,877,422
<b>Total comprehensive income for the year</b>					
Loss for the year		-	-	(720,073)	(720,073)
Other comprehensive income for the year		-	(11,159)	-	(11,159)
<b>Transactions with owners of the Company</b>					
Issue of share capital	17	30,000	-	-	30,000
<b>Balance as at 31 December 2019</b>		<u>12,810,851</u>	<u>15,435</u>	<u>(2,650,096)</u>	<u>10,176,190</u>

The notes on pages 19 to 55 form an integral part of these consolidated financial statements.



**MIROVA NATURAL CAPITAL LIMITED**

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**COMPANY STATEMENT OF CHANGES IN EQUITY****FOR THE YEAR ENDED 31 DECEMBER 2019**

		Share capital	Accumulated Losses	Total equity
	Note	£	£	£
Balance as at 1 January 2018		12,240,891	(569,769)	11,671,122
Loss for the year		-	(330,786)	(330,786)
Issue of share capital	17	539,960	-	539,960
Balance as at 31 December 2018		<u>12,780,851</u>	<u>(900,555)</u>	<u>11,880,296</u>
Balance as at 1 January 2019		12,780,851	(900,555)	11,880,296
Profit for the year		-	76,862	76,862
Issue of share capital	17	30,000	-	30,000
Balance as at 31 December 2019		<u>12,810,851</u>	<u>(823,693)</u>	<u>11,987,158</u>

The notes on pages 19 to 55 form an integral part of these consolidated financial statements.

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# MIROVA NATURAL CAPITAL LIMITED

## CONSOLIDATED STATEMENT OF CASH FLOWS

### FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £	2018 £
<b>Operating activities</b>			
Loss for the year		(720,073)	(946,861)
<b>Adjustment for:</b>			
Tax	11	(99,166)	(219,741)
Interest receivable and similar income		(57,087)	(1,079)
Interest payable and similar charges		31,955	10,542
Amortisation of intangible assets	12	992,480	992,480
Depreciation of tangible assets	13	7,243	8,026
Other expenses - change in FVTPL	14	149,630	56,188
Profit on disposal of assets		-	(203,550)
(Increase)/Decrease in prepayments		(33,932)	156,282
Increase in trade and other receivables		(3,916,498)	(322,778)
Increase in trade and other payables		2,802,493	424,485
<b>Net cash flows used in operating activities</b>		<b>(842,954)</b>	<b>(46,006)</b>
<b>Investing activities</b>			
Purchases of financial assets		(61,300)	(143,217)
Purchases of tangible assets		(11,363)	(12,583)
Interest received		37,481	1,078
<b>Net cash flows used in investing activities</b>		<b>(35,181)</b>	<b>(154,721)</b>
<b>Financing activities</b>			
Issue of ordinary share capital		30,000	540,000
Issue of shareholders' loan		1,365,955	199,800
Issue of loan		-	183,085
Loan repayment		(822,612)	-
Interest paid		(26,885)	(7,532)
<b>Net cash flows generated from financing activities</b>		<b>546,458</b>	<b>915,353</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(331,677)</b>	<b>714,625</b>
Cash and cash equivalents at beginning of year		1,051,726	333,544
Exchange (loss)/gain on cash and cash equivalents		(44,123)	3,557
<b>Cash and cash equivalents at the end of year</b>		<b>675,926</b>	<b>1,051,726</b>

The notes on pages 19 to 55 form an integral part of these consolidated financial statements.

# MIROVA NATURAL CAPITAL LIMITED

## COMPANY STATEMENT OF CASH FLOWS

### FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £	2018 £
<b>Operating activities</b>			
Profit/(Loss) for the year		76,862	(330,786)
<b>Adjustment for:</b>			
Tax		31,041	-
Interest receivable and similar income		(25,387)	(994)
Interest payable and similar charges		19,243	12,994
Depreciation of tangible assets	13	7,243	5,790
Other expenses - change in FVTPL	14	149,630	56,188
Loss on disposal of investments		-	3,655
Increase in prepayments		(33,931)	(11,518)
Increase in trade and other receivables		(2,168,866)	(244,051)
Increase in trade and other payables		1,234,557	462,113
<b>Net cash flows used in operating activities</b>		<b>(709,608)</b>	<b>(46,609)</b>
<b>Investing activities</b>			
Purchases of financial assets		(61,299)	(153,811)
Purchases of tangible assets		(11,363)	(12,583)
Interest received		25,388	994
<b>Net cash flows used in investing activities</b>		<b>(47,274)</b>	<b>(165,400)</b>
<b>Financing activities</b>			
Issue of ordinary share capital		30,000	540,000
Issue of shareholders' loan		1,365,955	199,800
Loan received		-	183,085
Loan repayment		(730,663)	-
Interest paid		(19,243)	(12,994)
<b>Net cash flows generated from financing activities</b>		<b>646,049</b>	<b>909,891</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(110,833)</b>	<b>697,882</b>
Cash and cash equivalents at beginning of year		741,030	42,209
Exchange (loss)/gain on cash and cash equivalents		(13,331)	939
<b>Cash and cash equivalents at the end of year</b>		<b>616,866</b>	<b>741,030</b>

The notes on pages 19 to 55 form an integral part of these consolidated financial statements.

## MIROVA NATURAL CAPITAL LIMITED

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### NOTES TO THE COMPANY & CONSOLIDATED FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2019

##### 1. GENERAL INFORMATION

Mirova Natural Capital Limited (the "Company"), and its subsidiaries (together, the "Group"), is a private company, limited by shares and incorporated on 15 August 2011 in the United Kingdom under registration number 07740692. The Company is domiciled in the United Kingdom.

The Company's registered office is 18 St. Swithin's Lane, London, EC4N 8AD.

On 2 July 2018, the Company became authorised by the Financial Conduct Authority, under Alternative Investment Fund Managers Directive ("AIFMD"), as a Collective Portfolio Management Investment ("CPMI") firm.

As at the reporting date, the shareholders of the Company with their respective percentage of voting shareholdings are set out below:

Name of entities	Percentage of ownership	Country of incorporation
Mirova S.A.	100%	France

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration of the business combination is measured at the aggregate of the fair values (at the date of exchange, i.e. on 29 September 2017) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree.

Any excess of the consideration of the business combination over the acquirer's interest in the net fair value of the identifiable assets and liabilities is recognised as goodwill under intangible assets in the Consolidated Statements of Financial Position.

As at the reporting date, the Company has the following subsidiaries:

Name of entities	Also known as	Percentage of the ownership	Country of incorporation
Althelia Climate Fund GP S.à r.l.	ACF GP	100%	Luxembourg
Sustainable Ocean Fund GP S.à r.l.	SOF GP	100%	Luxembourg
Mirova Natural Capital Brazil Consultoria E Assessoria Ltda	MNC Brazil	100%	Brazil

On 11 September 2019, the Company acquired Mirova Natural Capital Brazil Consultoria E Assessoria Ltda, a fully owned subsidiary in Brazil, whose main activity is the provision of financial investment advisory services to Althelia Biodiversity Fund Brazil Fundo de Investimento em Participações Multiestratégia.

These consolidated financial statements have been prepared for the year to 31 December 2019.

##### 2. BASIS OF ACCOUNTING

###### a. Statement of compliance

The Company and consolidated financial statements of the Group have been prepared on a going concern basis and in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The financial statements have been prepared in accordance with the Companies Act 2006 as applicable to companies using IFRS.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**2. BASIS OF ACCOUNTING (CONTINUED)**

**b. Basis of preparation**

The Group financial statements consolidate the financial statements of the Company and all its subsidiary undertakings drawn up to 31 December each year.

The financial statements are presented in Sterling (£).

In preparing the Company financial statements together with the Group financial statements, the Company has taken advantage of the exemption in Section 408 of the Companies Act 2006 not to present individual statement of comprehensive income and related notes as part of these approved financial statements.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss. The preparation of these consolidated financial statements in conformity with IFRS requires the use of accounting estimates and exercise of judgement by the management while applying the Group's accounting policies. These estimates are based on the management's best knowledge of the events which existed at the Consolidated Statement of Financial Position date; however, the actual results may differ from these estimates.

**New standards and amendments effective for the financial period beginning 1 January 2019 and adopted by the Group**

***IFRS 16 "Leases"***

IFRS 16 replaces IAS 17 Leases effective for annual reporting periods beginning on or after 1 January 2019. It requires the recognition of a right-of-use asset along with an associated lease liability, where the entity is a lessee. Interest expense will be recognised in the Statement of Comprehensive Income using the effective interest rate method, and the right of use asset will be depreciated.

IFRS 16 primarily affects the accounting by lessees and results in the recognition of almost all leases on the Statement of Financial Position. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short term and low-value leases.

The transition to IFRS 16 did not have any impact on the Group's accumulated losses at 1 January 2019 nor on its Company and Consolidated Statement of Financial Position as at 31 December 2019 and its Consolidated Statement of Comprehensive Income for the year ended 31 December 2019 as it only has a short term lease of less than one year.

**NOTES TO THE COMPANY & CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**3. SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies set out below have been applied consistently in these consolidated financial statements unless otherwise indicated.

**a. Basis of consolidation**

*i. Business combinations*

The group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

*ii. Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

*iii. Loss of control*

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest (NCI) and other components of equity. Any resulting gain or loss is recognised in the consolidated Statement of Comprehensive Income (SOCl). Any interests retained in the former subsidiary is measured at fair value when control is lost.

*iv. Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

**b. Foreign Currency**

*i. Foreign currency transactions*

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of transaction. Foreign currency differences are generally recognised in the consolidated SOCI.

**NOTES TO THE COMPANY & CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**b. Foreign Currency (continued)**

*ii. Foreign operations*

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into GBP at exchange rates at the reporting date. The income and expenses of foreign operations are translated into GBP at the exchange rates at the dates of transactions.

Foreign currency differences are recognised in Other Comprehensive Income (OCI) and accumulated in the translation reserve.

**c. Revenue**

*Rendering of services*

As per IFRS 15 revenue is measured based on the consideration in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

*Types of services*

Management fees are charged quarterly in advance to clients based on the Investment Advisory Agreements. Revenue is recognised over time as the services are provided and is mainly based as a percentage of aggregate commitments or invested capital for the period.

Consultancy and advisory fees are invoiced upfront or partially upfront based on customer contracts. Revenue is recognised over time as the services are provided. The stage of completion for determining the amount of revenue to recognise is assessed based on the deliverables performed. If the services under a single arrangement are rendered in different reporting periods, then the consideration is allocated based on the cost-to-cost method. The related costs are recognised in the consolidated SOCI when they are incurred. Advances received are included in contract liabilities.

Costs recharges are invoiced to clients in arrears on an incurred basis and revenue thereon is recognised to the extent that they are recoverable.

**d. Employee benefits**

*i. Short-term employee benefits*

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the Statement of Financial Position.

The obligations are presented as current liabilities in the Company & Consolidated Statement of Financial Position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

*ii. Defined contribution plans*

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

NOTES TO THE COMPANY & CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Finance income and finance costs

The Group's finance income and finance costs include:

- interest income;
- interest expense; and
- the foreign currency gain or loss on financial assets and financial liabilities.

Interest income or expense is recognised using the effective interest method.

f. Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Interest and penalties related to income taxes, including uncertain tax treatments, are accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

i. Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

ii. Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted to substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset only if certain criteria are met.



**NOTES TO THE COMPANY & CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**g. Property, plant and equipment**

*i. Recognition and measurement*

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in the consolidated SOCI.

*ii. Subsequent expenditure*

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

*iii. Depreciation*

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in consolidated SOCI.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- Furniture and equipment: 5 years
- Plant and machinery: 5 years

Depreciation methods, useful lives and residuals values are reviewed at each reporting date and adjusted if appropriate.

**h. Intangible assets and goodwill**

*i. Recognition and measurement*

Goodwill arising on acquisitions, being excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired, is capitalised in the Consolidated Statement of Financial Position. The carrying value of all goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment. Impairment is assessed by reference to the higher value in use and fair value less costs to sell by applying discounted cash flows.

Other intangible asset, which comprises of a contract for management fees receivables acquired by the Group and having a finite useful lives, is measured at cost less accumulated amortisation and any accumulated impairment losses.

*ii. Amortisation*

Amortisation is calculated to write off the cost of intangible asset less its estimated residual values using the straight-line method over its estimated useful life, and is generally recognised in profit or loss.

The estimated useful life of the intangible asset is 3.75 years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Amortisation is included in administrative expenses.

**NOTES TO THE COMPANY & CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**i. Cash and cash equivalents**

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

**j. Financial instruments**

*i. Recognition and initial measurement*

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group and Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

*ii. Classification and subsequent measurement*

*Financial assets*

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group and Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group and Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group and Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

**NOTES TO THE COMPANY & CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**J. Financial instruments (continued)**

*ii. Classification and subsequent measurement (continued)*

*Financial assets - Business model assessment*

The Group and Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group and Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group and Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

*Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest*

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group and Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group and Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group and Company's claim to cash flows from specified assets (e.g. non-recourse features).

**NOTES TO THE COMPANY & CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**j. Financial instruments (continued)**

*ii. Classification and subsequent measurement (continued)*

*Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest (continued)*

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

*Financial assets - Subsequent measurement and gains and losses*

*Financial assets at FVTPL* - These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

*Financial assets at amortised cost* - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by expected credit losses. Interest income, foreign exchange gains and losses and expected credit losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

*Debt investments at FVOCI* - These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

*Equity investments at FVOCI* - These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

*Financial liabilities - Classification, subsequent measurement and gains and losses*

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

*iii. Derecognition*

*Financial assets*

The Group and Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group and Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group and Company enters into transactions whereby it transfers assets recognised in its Company and consolidated statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

**NOTES TO THE COMPANY & CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**j. Financial instruments (continued)**

*iii. Derecognition (continued)*

*Financial liabilities*

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

*iv. Offsetting*

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

**k. Share Capital**

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12.

**l. Impairment**

*i. Non-derivative financial assets*

*Financial instruments and contract assets*

The Group recognises loss allowances for Expected Credit Losses ("ECLs") on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and
- contract assets.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 180 days past due.

NOTES TO THE COMPANY & CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Impairment (continued)

i. Non-derivative financial assets (continued)

*Financial instruments and contract assets (continued)*

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group considers this to be Baa3 or higher per Moody's.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

*Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

*Credit-impaired financial assets*

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 180 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

*Presentation of allowance for ECL in the statement of financial position*

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

**MIROVA NATURAL CAPITAL LIMITED**

**NOTES TO THE COMPANY & CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**1. Impairment (continued)**

*i. Non-derivative financial assets (continued)*

*Write-off*

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

*ii. Non-financial assets*

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**m. Leases**

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

The Group and Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases (12 months or less), including IT equipment. The Group and Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**NOTES TO THE COMPANY & CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**n. Operating profit**

Operating profit is the result generated from the continuing principal revenue producing activities of the Group as well as other income and expenses related to operating activities. Operating profit excludes net finance costs, share of profit of equity accounted investees and income taxes.

**o. 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 principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When one is available, the Group 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.

If there is no quoted price in an active market, then the Group 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.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

**p. Going concern**

The Group meets its capital requirements through its share capital and the issuance of unsecured loans. The directors are confident from historic transactions that funds will be available to meet the Group's liabilities as they fall due. The directors believe that it is therefore appropriate to prepare the financial statements on a going concern basis.

The COVID-19 outbreak has developed rapidly in 2020 and has caused disruption to businesses, economic activities and impacted the global market. Since the balance sheet date, the Company has not suffered any outflows and kept receiving further inflows. Given the dynamic nature of COVID-19 spread and its inherent uncertainties, it is not practical to provide a reasonable quantitative estimate on any future impact. The length and severity of the impact remains unclear but the Directors would not expect these to adversely change the underlying medium to long-term prospects of the business. The Company will continue to monitor the COVID-19 and its impacts on the financial projections.

**q. Investments**

Investments in subsidiaries by the Company are shown at cost less impairment.

The Group determines at each reporting date whether there is any objective evidence that the investments in subsidiaries are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the subsidiaries and their carrying value and recognises the amount in the Consolidated Statement of Comprehensive Income.



**NOTES TO THE COMPANY & CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**r. Capital management**

The Group's policy is to maintain a strong capital base so as to safeguard their ability to continue as a going concern, to sustain future development of the business and to maintain an optimal capital structure. Management monitors the capital structure by reviewing and adjusting the issue of new shares, debt levels and deciding on dividend distribution, if any.

The Group monitors capital using a ratio of 'net debt' to 'equity'. Net debt is calculated as total liabilities (as shown in the consolidated statement of financial position) less cash and cash equivalents. Equity comprises share capital, translation reserve and accumulated losses.

The Group's net debt to equity ratio at 31 December 2019 was as follows.

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Total liabilities	4,328,294	2,790,226
less: Cash and cash equivalents	(675,928)	(1,051,726)
Net debt	<u>3,652,366</u>	<u>1,738,500</u>
Total equity	<u>10,176,190</u>	<u>10,877,422</u>
Net debt to equity ratio	0.36	0.16

**4. USE OF ESTIMATES**

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the year is included in the following notes:

The areas involving significant estimates and judgements are:

- Note 12 - impairment test of intangible asset and goodwill: key assumptions underlying recoverable amounts, including the recoverability of the contract for management fees receivable and useful life.
- Note 13 - useful life of property, plant & equipment.
- Note 14 - valuation on investments including subsidiaries.

**5. OPERATING SEGMENTS**

The Directors examine the Group's revenue from a product perspective and have identified two main reportable segments of the business:

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>Group</b>		
Management Fees	4,085,790	1,677,513
Consultancy and Advisory Fees	285,265	97,834
Other	739,464	549,574
	<u>5,110,519</u>	<u>2,324,921</u>
<b>Company</b>		
	<b>£</b>	<b>£</b>
Management Fees	1,657,318	1,580,828
Consultancy and Advisory Fees	2,365,895	109,488
Other	739,464	527,571
	<u>4,762,677</u>	<u>2,217,887</u>

**NOTES TO THE COMPANY & CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**
**FOR THE YEAR ENDED 31 DECEMBER 2019**
**6. FINANCIAL INSTRUMENTS**
**a. Accounting classifications and fair values**

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

**Group**
**31 December 2018**

	Note	Carrying amount and fair values		
		Mandatorily at FVTPL - others £	Financial assets at amortised cost £	Other financial liabilities £
<b>Financial assets measured at FVTPL</b>				
Equity securities (Fair Value Level 3)	14	278,622	-	-
<b>Financial assets not measured at fair value</b>				
Trade and other receivables	15	-	372,402	-
Cash and cash equivalents	16	-	1,051,726	-
<b>Financial liabilities not measured at fair value</b>				
Loans	18	-	-	(889,041)
Trade and other payables	19	-	-	(1,479,379)
		<u>278,622</u>	<u>1,424,128</u>	<u>(2,368,420)</u>

**31 December 2019**

	Note	Carrying amount and fair values		
		Mandatorily at FVTPL - others £	Financial assets at amortised cost £	Other financial liabilities £
<b>Financial assets measured at fair value</b>				
Equity securities (Fair Value Level 3)	14	190,272	-	-
<b>Financial assets not measured at fair value</b>				
Trade and other receivables	15	-	2,627,815	-
Cash and cash equivalents	16	-	675,928	-
<b>Financial liabilities not measured at fair value</b>				
Loans	18	-	-	(634,998)
Trade and other payables	19	-	-	(3,410,439)
		<u>190,272</u>	<u>3,303,743</u>	<u>(4,045,437)</u>

## NOTES TO THE COMPANY &amp; CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## FOR THE YEAR ENDED 31 DECEMBER 2019

## 6. FINANCIAL INSTRUMENTS

*a. Accounting classifications and fair values*

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

**Company****31 December 2018**

	Note	Carrying amount and fair values		
		Mandatorily at FVTPL - others £	Financial assets at amortised cost £	Other financial liabilities £
<b>Financial assets measured at FVTPL</b>				
Equity securities (Fair Value Level 3)	14	278,622	-	-
<b>Financial assets not measured at fair value</b>				
Trade and other receivables	15	-	211,619	-
Cash and cash equivalents	16	-	741,030	-
<b>Financial liabilities not measured at fair value</b>				
Investment in subsidiaries		12,029,426		
Loans	18	-	-	(472,611)
Trade and other payables	19	-	-	(949,721)
		<u>12,308,048</u>	<u>952,649</u>	<u>(1,422,332)</u>

**31 December 2019**

	Note	Carrying amount and fair values		
		Mandatorily at FVTPL - others £	Financial assets at amortised cost £	Other financial liabilities £
<b>Financial assets measured at fair value</b>				
Equity securities (Fair Value Level 3)	14	190,272	-	-
<b>Financial assets not measured at fair value</b>				
Trade and other receivables	15	-	2,810,381	-
Cash and cash equivalents	16	-	616,868	-
<b>Financial liabilities not measured at fair value</b>				
Investments in subsidiaries		12,029,444		
Loans	18	-	-	(635,318)
Trade and other payables	19	-	-	(3,104,471)
		<u>12,219,716</u>	<u>3,427,249</u>	<u>(3,739,789)</u>

*b. Fair value measurement**i. Valuation techniques and significant unobservable inputs*

Equity securities - The valuation model is based on the unadjusted net asset values of the underlying investment.

Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value
Equity securities designated as at FVTPL	Performance of investments in projects Recoverability of financing provided	The net asset value would increase (decrease) if performance of projects and recoverability of financing improved (deteriorated)

NOTES TO THE COMPANY & CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

6. FINANCIAL INSTRUMENTS (CONTINUED)

*b. Fair value measurement (continued)*

*i. Valuation techniques and significant unobservable inputs (continued)*

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements (see (i) above for the valuation techniques adopted)

Description	Fair value at		Unobservable inputs	Range of inputs (NAV per unit)	Relationship of unobservable inputs to fair value
	31 Dec 2019 £	31 Dec 2018 £			
Unlisted equity securities	190,272	278,622	Unadjusted net asset value	2019: £0.54 - £1.00  2018: £0.77 - £0.84	2019: A 5% increase in fair value would result in a fair value gain of £9,513. A 5% decrease in fair value would result in a fair value loss of £9,513.  2018: A 5% increase in fair value would result in a fair value gain of £13,931. A 5% decrease in fair value would result in a fair value loss of £13,931.

*ii. Levels*

To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level is as follows:

**Level 1:** The fair value of financial instruments traded in active markets (such as publicly traded securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets is the current bid price. These instruments are included in Level 1.

**Level 2:** The fair value of financial instruments that are not traded in an active market (such as over the counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on equity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. This is the case for unlisted equity securities.

*iii. Transfer between Levels*

There were no transfers between levels during the year (2018: none).

*c. Financial risk management*

The Group has exposure to market risk, credit risk and foreign currency risks arising from financial instruments. The Group's risk management is carried out by the Directors of the Company and each of the Company's subsidiaries. The risk management policies employed by the Company and each of its subsidiaries to manage these risks are discussed below.

NOTES TO THE COMPANY & CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

6. FINANCIAL INSTRUMENTS (CONTINUED)

c. Financial risk management (continued)

i. Market Risk

Market risk is the risk that changes in market prices – e.g. foreign exchange rates, interest rates and equity prices – will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group has decided to abide by a policy of low risk tolerance. Consequently, the Group does not have positions on or off balance sheet that might be affected by fair value risk relating to foreign exchange rates, interest rates and equity prices.

1. Currency risk

The Group is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, receivables and borrowings are denominated and the respective functional currencies of Group companies. The functional currencies of Group companies are primarily the Euro (EUR) and Pound Sterling (GBP). The currencies in which these transactions are primarily denominated are EUR, GBP and US dollars (USD).

Exposure

The Group's and Company's exposure to currency risk as reported to the management of the Group is as follows:

Group

31 December 2018	GBP £	EUR £	USD £	BRL £
Tangible assets	16,638	-	-	-
Other Financial Assets	-	278,622	-	-
Cash and cash equivalents	727,969	314,298	9,459	-
Trade and other receivables	179,993	174,519	17,890	-
Prepayments	25,293	-	-	-
Loans and borrowings	-	(654,681)	(234,360)	-
Trade and other payables	(583,018)	(646,513)	(249,848)	-
	<u>366,875</u>	<u>(533,755)</u>	<u>(456,859)</u>	<u>-</u>
31 December 2019	GBP £	EUR £	USD £	BRL £
Tangible assets	20,758	-	-	-
Other Financial Assets	-	190,272	-	-
Cash and cash equivalents	635,318	(9,180)	49,790	-
Trade and other receivables	230,501	1,973,277	0	424,037
Prepayments	59,224	-	-	-
Loans and borrowings	(463,473)	-	(171,525)	-
Trade and other payables	(2,659,766)	(740,071)	(10,602)	-
	<u>(2,177,438)</u>	<u>1,414,298</u>	<u>(132,337)</u>	<u>424,037</u>

## NOTES TO THE COMPANY &amp; CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## FOR THE YEAR ENDED 31 DECEMBER 2019

## 6. FINANCIAL INSTRUMENTS (CONTINUED)

## c. Financial risk management (continued)

## i. Market Risk (continued)

## 1. Currency risk (continued)

## Company

31 December 2018	GBP £	EUR £	USD £	BRL £
Tangible assets	16,638	-	-	-
Other Financial Assets	-	12,308,048	-	-
Cash and cash equivalents	709,292	6,360	25,378	-
Trade and other receivables	211,619	-	-	-
Prepayments	25,293	-	-	-
Loans and borrowings	(373,642)	(98,969)	-	-
Trade and other payables	(739,702)	(210,019)	-	-
	<u>-167,140</u>	<u>12,005,420</u>	<u>25,378</u>	<u>-</u>
31 December 2019	GBP £	EUR £	USD £	BRL £
Tangible assets	20,758	-	-	-
Other Financial Assets	-	12,219,697	-	19
Cash and cash equivalents	635,119	(32,300)	14,049	-
Trade and other receivables	225,768	520,655	1,657,689	406,269
Prepayments	59,224	-	-	-
Loans and borrowings	(463,473)	(171,845)	-	-
Trade and other payables	(2,802,119)	(302,352)	-	-
	<u>(2,324,723)</u>	<u>12,233,855</u>	<u>1,671,738</u>	<u>406,288</u>

The following significant exchange rates have been applied.

GBP	Average rate		Year-end spot rate	
	2019	2018	2019	2018
EUR 1	0.8727	0.8909	0.8508	0.8945
USD 1	0.7693	0.7605	0.7573	0.7812
BRL 1	0.1948	-	0.1884	-

## Sensitivity

As shown in the table previous, the Group is exposed to foreign currency risk through a number of different asset and liability types held in currencies other than GBP. The risk is between GBP and other foreign currencies.

Should the net asset value subject to currency risk be subject to a 10% increase/decrease, the impact on the Statement of Financial Position and Statement of Comprehensive Income would be an increase/decrease in the value of £181,649 (2018: £76,470) for the Group and £144,218 (2018: £120,031) for the Company.

**NOTES TO THE COMPANY & CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**FINANCIAL INSTRUMENTS (CONTINUED)**

*c. Financial risk management (continued)*

*i. Market Risk (continued)*

**2. Interest rate risk**

The Group is exposed to interest rate risk on loan payables and borrowings.

As the Group's exposure to interest rates is fixed, the Group does not manage its cash flow interest rate risk as it does not deem its other exposures to interest rate risk to be significant.

*ii. Credit Risk*

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

The carrying amounts of financial assets and contract assets represent the maximum credit exposure.

Impairment losses on trade receivables arising from contracts with customers recognised in profit or loss during the year were £nil (2018: £1,989).

**Trade debtors and other receivables**

The Group exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default associated with the industry in which customers operate.

More than 90% of the Group's customers are within the Mirova group and none of these customers' balances have been written off or credit-impaired at the reporting date.

The Group does not require collateral in respect of trade and other receivables. The Group does not have trade receivable for which no loss allowance is recognised because of collateral.

NOTES TO THE COMPANY & CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

6. FINANCIAL INSTRUMENTS (CONTINUED)

c. Financial risk management (continued)

ii. Credit Risk (continued)

Exposure to credit risk for trade receivables by type of counterparties:

	2019	2018
	£	£
Fund	2,446,084	154,237
Corporate	35,362	7,137
Banks	55,750	22,362
<b>Total gross carrying value</b>	<b>2,537,196</b>	<b>183,736</b>
Loss allowance	-	(1,989)
	<b>2,537,196</b>	<b>181,747</b>

The Group uses an allowance matrix to measure ECLs of trade receivables. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics - industry and type of services.

There were no credit impaired debt at 31 December 2019.

Cash and cash equivalents

The Group held cash and cash equivalents of £686,481 at 31 December 2019 (2018: £936,797). Of these, £113,476 (2018: £396,797) are held with banks and financial institution counterparties which are rated A1 to A2 based on Moody's ratings while £573,004 (2018: £540,000) are held with a bank that source funds through what is known as the retail market and hence where a credit rating is not necessary.

No cash and cash equivalents impairment is considered necessary.

iii. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Directors monitor cash availability and current liabilities to mitigate and manage liquidity risk.

The table overleaf summarises the maturity profile of the Groups's financial assets and liabilities based on contractual undiscounted payments:



NOTES TO THE COMPANY & CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

6. FINANCIAL INSTRUMENTS (CONTINUED)

c. Financial risk management (continued)

iii. Liquidity risk (continued)

2018 carrying amounts	3 months or less £	From 3 to 12 months £	From 1 to 2 years £	From 2 to 5 years £
Other financial assets	278,622	-	-	-
Trade and other receivables	372,402	-	-	-
Cash and cash equivalents	1,051,726	-	-	-
Loans and borrowings	-	-	-	(889,041)
Trade and other payables	(1,479,379)	-	-	-
	<u>223,371</u>	<u>-</u>	<u>-</u>	<u>(889,041)</u>
2019 carrying amounts	3 months or less £	From 3 to 12 months £	From 1 to 2 years £	From 2 to 5 years £
Other financial assets	190,272	-	-	-
Trade and other receivables	2,627,815	-	-	-
Cash and cash equivalents	675,928	-	-	-
Loans and borrowings	-	-	-	(634,998)
Trade and other payables	(3,410,439)	-	-	-
	<u>83,576</u>	<u>-</u>	<u>-</u>	<u>(634,998)</u>

7. REVENUE

	2019 £	2018 £
Group		
Rendering of services	<u>5,110,519</u>	<u>2,324,921</u>
Company		
Rendering of services	<u>4,762,677</u>	<u>2,217,887</u>

8. ADMINISTRATIVE EXPENSES

Expenses by nature	2019 £	2018 £
Group		
Accountancy fees	(186,145)	(107,193)
Consultancy fees	(489,220)	(299,669)
Legal fees	(221,270)	(181,675)
Audit fees	(35,700)	(50,000)
Operating lease payments	(237,696)	(178,661)
Business rates	(15,323)	(28,690)
Other professional fees	(64,392)	(93,899)
Staff costs	(2,566,302)	(1,162,763)
Bank charges	(5,367)	(3,253)
Office expenses	(249,547)	(192,544)
Travel expenses	(419,257)	(301,810)
Other expenses	(224,945)	(26,430)
Depreciation of tangible assets	(7,243)	(8,026)
Amortisation intangible assets	(992,480)	(992,480)
Total	<u>(5,714,887)</u>	<u>(3,627,093)</u>

**MIROVA NATURAL CAPITAL LIMITED**
**NOTES TO THE COMPANY & CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**
**FOR THE YEAR ENDED 31 DECEMBER 2019**
**8. ADMINISTRATIVE EXPENSES (CONTINUED)**

Expenses by nature	2019	2018
Company	£	£
Accountancy fees	(79,333)	(50,540)
Consultancy fees	(489,220)	(264,538)
Legal fees	(61,018)	(119,623)
Audit fees	(35,700)	(50,000)
Operating lease payments	(237,696)	(170,299)
Business rates	(15,323)	(28,690)
Other professional fees	(53,563)	(99,084)
Staff costs	(2,566,302)	(1,162,763)
Bank charges	(3,596)	(1,482)
Office expenses	(249,547)	(185,474)
Travel expenses	(419,257)	(301,810)
Other expenses	(244,167)	(28,498)
Depreciation of tangible assets	(7,243)	(5,790)
Gain/loss on revaluation of investment	(145,411)	-
<b>Total</b>	<b>(4,607,376)</b>	<b>(2,468,591)</b>

**9. NET FINANCE COSTS**

	2019	2018
Group	£	£
Interest income	3,818	1,079
Finance income	3,818	1,079
Financial liabilities measured at amortised cost - interest expense	(19,792)	(10,309)
Bank interest payable	-	(233)
Net foreign exchange loss	(53,485)	(2,329)
<b>Finance costs</b>	<b>(73,277)</b>	<b>(12,871)</b>
<b>Net finance costs recognised in profit or loss</b>	<b>(69,459)</b>	<b>(11,792)</b>

Company	£	£
Interest income	25,387	994
Finance income	25,387	994
Financial liabilities measured at amortised cost - interest expense	(19,243)	(12,996)
Net foreign exchange loss	(53,542)	(8,237)
<b>Finance costs</b>	<b>(72,785)</b>	<b>(21,233)</b>
<b>Net finance costs recognised in profit or loss</b>	<b>(47,398)</b>	<b>(20,239)</b>

**NOTES TO THE COMPANY & CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**10. EMPLOYEE BENEFITS**

**Group and Company**

The average monthly number of employees during the year was:

	<b>2019</b>	<b>2018</b>
Directors	2	2
Staff	14	9
<b>Total</b>	<b>16</b>	<b>11</b>

	<b>2019</b>	<b>2018</b>
<b>Employee benefit expenses</b>	<b>£</b>	<b>£</b>
Wages and salaries	2,118,465	913,646
Social security costs	360,999	189,271
Contributions to defined benefit pension funds	64,925	37,485
Other staff costs	21,913	22,361
<b>Total</b>	<b>2,566,302</b>	<b>1,162,763</b>

**Company**

The average monthly number of employees during the year was:

	<b>2019</b>	<b>2018</b>
Directors	2	2
Staff	14	9
<b>Total</b>	<b>16</b>	<b>11</b>

	<b>2019</b>	<b>2018</b>
<b>Employee benefit expenses</b>	<b>£</b>	<b>£</b>
Wages and salaries	2,118,465	913,646
Social security costs	360,999	189,271
Contributions to defined benefit pension funds	64,925	37,485
Other staff costs	21,913	22,361
<b>Total</b>	<b>2,566,302</b>	<b>1,162,763</b>

**Directors' remuneration**

Directors' compensation for the Group and the Company are disclosed in notes 21(b) and 21(d).

NOTES TO THE COMPANY & CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

11. TAX CREDIT

Group

a. Analysis of tax credit for the year

	2019	2018
	£	£
<b>Current tax:</b>		
- UK Corporation tax on loss for the year	(31,041)	-
- Foreign corporation tax on profits for the year	(8,743)	(1,301)
- Adjustment in respect of prior periods	-	52,322
<b>Total current tax</b>	<b>(39,784)</b>	<b>51,021</b>
<b>Deferred tax:</b>		
- Origination and reversal of timing differences	138,949	168,720
<b>Total deferred tax</b>	<b>138,949</b>	<b>168,720</b>
<b>Tax credit for the year</b>	<b>99,165</b>	<b>219,741</b>

b. Reconciliation of the tax credit

	2019	2018
	£	£
Loss on ordinary activities before taxation	(819,238)	(1,166,602)
Loss on ordinary activities before taxation multiplied by effective rate in the UK of 19% (2018: 19%)	(155,655)	(221,654)
Effects of:		
Loss carried forward	26,340	217,989
Deferred tax	138,949	168,720
Expenses not deductible for tax purposes	89,531	2,364
Adjustment in respect of prior period	-	52,322
<b>Total tax credit</b>	<b>99,165</b>	<b>219,741</b>

c. Deferred tax liabilities

Deferred tax liabilities during the year relate to the intangible assets acquired in the acquisition of ACF GP.

	2019	2018
	£	£
Opening balance	421,806	590,526
less: Amortisation	(138,949)	(168,720)
<b>Closing balance</b>	<b>282,857</b>	<b>421,806</b>
<b>Settled:</b>	<b>£</b>	<b>£</b>
No more than twelve months after the reporting period	198,491	168,720
More than twelve months after the reporting period	84,366	253,086
	<b>282,857</b>	<b>421,806</b>

**NOTES TO THE COMPANY & CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**12. GOODWILL AND OTHER INTANGIBLE ASSET**

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration of the business combination is measured at the aggregate of the fair values (at the date of exchange, i.e. on 29 September 2017) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Directly attributable transaction costs are expensed to profit or loss.

As a result certain Intangible Asset and resulting Goodwill were recognised on acquisition date.

Goodwill is carried at cost less accumulated impairment losses. Goodwill is tested for impairment annually and when circumstances indicate that it may be impaired. Goodwill is assessed for the purpose of impairment testing, at either the individual CGU level or group of CGUs, consistent with the level at which goodwill is monitored internally. Impairment is determined by assessing the recoverable amount of each CGU or group of CGUs to which the goodwill relates. When the recoverable amount of the CGU or group of CGUs is less than its carrying amount, an impairment loss is recognised.

Presented in the table below is an analysis of Other Intangible Asset as at 31 December 2019.

	<b>Other intangible asset</b>
	<b>£</b>
<b>Cost</b>	
At 1 January 2018	3,721,801
At 31 December 2018	<u>3,721,801</u>
<b>Accumulated amortisation</b>	
At 1 January 2018	248,120
Charge for the year	992,480
At 31 December 2018	<u>1,240,600</u>
<b>Carrying amounts</b>	
At 31 December 2018	<u>2,481,201</u>
	<b>Total</b>
	<b>£</b>
<b>Cost</b>	
At 1 January 2019	3,721,801
At 31 December 2019	<u>3,721,801</u>
<b>Accumulated amortisation</b>	
At 1 January 2019	1,240,600
Charge for the year	992,480
At 31 December 2019	<u>2,233,080</u>
<b>Carrying amounts</b>	
At 31 December 2019	<u>1,488,721</u>

**NOTES TO THE COMPANY & CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**12. GOODWILL AND OTHER INTANGIBLE ASSET (CONTINUED)**

**Annual goodwill impairment tests**

The recoverable amount of a CGU or group of CGUs is determined as the higher of its fair value less costs of disposal and its value in use. In determining value in use, estimated future cash flows are discounted to their present value. The Group performed its annual test for impairment on 31 December 2019. In all cases, the 2019 budget and the approved Group plan for the ten years following the current financial year form the basis for the cash flow projections for a CGU or group of CGUs. The key assumptions in the value in use calculations are the average medium-term revenue and cost growth rates.

- The average medium-term revenue growth rate includes management contracts expected to come into force over the coming years.
- The average medium-term cost growth rate is based on the expected RPI over the next 10 years adjusted for other expected increases/decreases in specific cost lines.

In accordance with IAS 36, key assumptions for the value in use calculations are disclosed for those CGUs and groups of CGUs where significant goodwill is held. The discount rate, average medium-term revenue and cost growth rates used for the value in use calculation for these are shown below:

	<b>2019</b>	<b>2018</b>
- Discount rate	3.0%	9.9%
- Average medium-term revenue growth rate	1.8%	1.6%
- Average medium-term cost growth rate	2.9%	3.2%

*Discount rate*

The discount rate applied to the CGU or group of CGUs represents a rate that reflects the market assessment of the time value of money as at 31 December 2019 based on the expected market rate of return relevant to the countries of investments and the market volatility to the environmental sector.

*Sensitivity analysis*

Management has identified that a reasonably possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these two assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

	Change required for carrying amount to equal recoverable amount	
	<b>2019</b>	<b>2018</b>
- Discount rate	10.6%	6.0%
- Average medium-term cost growth rate	5.7%	8.6%

*Impairment*

The Group performed its annual test for impairment on 31 December 2019. The recoverable amount exceeded the carrying value of the CGU or group of CGUs.

**Impairment tests for other intangible assets**

The Group reviewed and tested whether other intangible asset has suffered any impairment on an annual basis. As at 31 December 2019 it was assessed that there were no indicators of impairment to other intangible assets, no impairment was necessary. The next impairment test will take place by 31 December 2020.

NOTES TO THE COMPANY & CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

13. PROPERTY, PLANT AND EQUIPMENT

Group	Plant and Machinery	Total
Cost	£	£
At 1 January 2018	10,440	10,440
Additions	42,386	42,386
At 31 December 2018	52,826	52,826
Accumulated depreciation		
At 1 January 2018	10,439	10,439
Charge for the year	25,749	25,749
At 31 December 2018	36,188	36,188
Net book value		
At 31 December 2018	16,638	16,638
	Plant and	Total
Cost	£	£
At 1 January 2019	52,826	52,826
Additions	11,363	11,363
At 31 December 2019	64,189	64,189
Accumulated depreciation		
At 1 January 2019	36,188	36,188
Charge for the year	7,243	7,243
At 31 December 2019	43,431	43,431
Net book value		
At 31 December 2019	20,758	20,758

There were no impairment losses during the year (2018: £nil) for tangible assets.

NOTES TO THE COMPANY & CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Plant and Machinery	Total
Cost	£	£
At 1 January 2018	10,440	10,440
Additions	12,583	12,583
Disposals	-	-
Transfer from subsidiary	29,803	29,803
At 31 December 2018	52,826	52,826
<b>Accumulated depreciation</b>		
At 1 January 2018	10,439	10,439
Charge for the year	5,790	5,790
Disposals	-	-
Transfer from subsidiary	19,959	19,959
At 31 December 2018	36,188	36,188
<b>Net book value</b>		
At 31 December 2018	16,638	16,638
	<b>Plant and Machinery</b>	<b>Total</b>
<b>Cost</b>	<b>£</b>	<b>£</b>
At 1 January 2019	52,826	52,826
Additions	11,363	11,363
Disposals	-	-
At 31 December 2019	64,189	64,189
<b>Accumulated depreciation</b>		
At 1 January 2019	36,188	36,188
Charge for the year	7,243	7,243
Disposals	-	-
At 31 December 2019	43,431	43,431
<b>Net book value</b>		
At 31 December 2019	20,758	20,758

There were no impairment losses during the year (2018: £nil) for tangible assets.



**NOTES TO THE COMPANY & CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**
**FOR THE YEAR ENDED 31 DECEMBER 2019**
**14. OTHER FINANCIAL ASSETS**

<b>Group</b>	<b>Equity securities designated at FVTPL 2019 £</b>	<b>Equity securities designated at FVTPL 2018 £</b>
<b>Non-current investments</b>		
At 1 January	278,622	107,440
Additions	61,280	199,406
Transfer	-	27,964
Change in Fair Value through Profit or Loss	(149,630)	(56,188)
At 31 December	<u>190,272</u>	<u>278,622</u>

These are mainly investments in Class A Ordinary shares of Althelia Climate Fund S.C.A SICAV-SIF and Althelia Sustainable Ocean Fund S.C.A SICAV-SIF.

**Company**

	<b>Investments in subsidiaries 2018 £</b>	<b>Equity securities designated at FVTPL 2018 £</b>	<b>Total 2018 £</b>
<b>Non-current investments</b>			
At 1 January 2018	12,046,798	107,440	12,154,238
Additions	10,694	199,404	210,098
Disposals	(100)	-	(100)
Transfer	(27,964)	27,964	-
Change in Fair Value through Profit or Loss	-	(56,188)	(56,188)
At 31 December 2018	<u>12,029,428</u>	<u>278,620</u>	<u>12,308,048</u>

	<b>Investments in subsidiaries 2019 £</b>	<b>Equity securities designated at FVTPL 2019 £</b>	<b>Total 2019 £</b>
<b>Non-current investments</b>			
At 1 January 2019	12,029,428	278,620	12,308,048
Additions	19	61,280	61,299
Disposals	-	-	-
Transfer	-	-	-
Change in Fair Value through Profit or Loss	-	(149,631)	(149,631)
At 31 December 2019	<u>12,029,447</u>	<u>190,269</u>	<u>12,219,716</u>

These are investments in Class A Ordinary shares of Althelia Climate Fund S.C.A SICAV-SIF and Althelia Sustainable Ocean Fund S.C.A SICAV-SIF and in subsidiaries, details of which are in note 21.

The equity securities have been designated as at FVTPL because they are managed on a fair value basis and their performance is actively managed. Investments in subsidiaries are recognised at costs less impairment.

# MIROVA NATURAL CAPITAL LIMITED

## NOTES TO THE COMPANY & CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

#### 15. TRADE AND OTHER RECEIVABLES

	2019	2018
Group	£	£
Trade debtors	2,537,196	181,747
Rent deposit	40,146	29,509
Other debtors	50,473	161,146
	<u>2,627,815</u>	<u>372,402</u>
 Company	 £	 £
Loan to group undertakings	429,896	-
Trade debtors	2,300,395	30,692
Rent deposit	39,480	29,509
Other debtors	40,610	151,418
	<u>2,810,381</u>	<u>211,619</u>

Based on the amount and nature of the Trade and Other Receivables, the Group's and Company's exposure to credit and market risk are minimum. Refer to note 6(c) for the loss allowance.

#### 16. CASH AND CASH EQUIVALENTS

	2019	2018
Group	£	£
Cash at bank and in hand	675,928	1,051,726
	<u>675,928</u>	<u>1,051,726</u>
 Company	 £	 £
Cash at bank and in hand	616,868	741,030
	<u>616,868</u>	<u>741,030</u>

#### Restricted cash

The cash and cash equivalents disclosed above and in the statement of cash flows are all available on demand; there are no restricted cash amounts.

#### 17. SHARE CAPITAL

	2019	2018
Group and Company	£	£
Authorised, allotted and fully paid:		
599,803,652 (2018: 599,803,652) S Ordinary shares of £0.01 each	-	5,998,037
624,281,448 (2018: 624,281,448) B Ordinary shares of £0.01 each	-	6,242,814
57,000,000 (2018: 54,000,000) C Ordinary shares of £0.01 each	-	540,000
1,281,085,100 (2018: nil) Ordinary shares of £0.01 each	12,810,851	-
	<u>12,810,851</u>	<u>12,780,851</u>

On 26 June 2019, 3,000,000 C ordinary shares of £0.01 each were allotted and issued at par and were fully paid.

On 17 December 2019, all the S, B and C ordinary shares of £0.01 each were converted to 1,281,085,100 ordinary shares of £0.01 each.

**NOTES TO THE COMPANY & CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**18. LOANS AND BORROWINGS**

	<b>2019</b>	<b>2018</b>
<b>Group</b>	<b>£</b>	<b>£</b>
<b>Non-current liabilities</b>		
Loan	171,525	234,367
Shareholders' loan	463,473	654,674
	<u>634,998</u>	<u>889,041</u>

**a. Loan**

The loan from Conservation International Fund for USD300,000 bearing 3% interest per annum was part of the net assets taken over upon the acquisition of ACF GP on 29 September 2017. The reimbursement of the loan is conditional upon the launch of Althelia Sustainable Ocean Fund S.C.A.. At 31 December 2019, the loan outstanding was £146,873 (2018: £234,367) and the accrued interest was £24,652 (2018: £18,945).

**b. Shareholders' loans**

During 2019, the sole shareholder provided loans of £231,784 and £230,000 to the Company payable. The loans bear interest of 1.5% per annum and are repayable on 30 June 2022. At 31 December 2019, the loans outstanding were £461,784 and the accrued interest thereon were £1,689.

	<b>2019</b>	<b>2018</b>
<b>Company</b>	<b>£</b>	<b>£</b>
<b>Non-current liabilities</b>		
Amounts owed to group undertakings	635,318	472,611
	<u>635,318</u>	<u>472,611</u>

During 2019, the parent provided loans of £461,784 to the Company repayable on 30 June 2022 at an interest rate of 1.5% per annum. The accrued interest thereon at 31 December 2019 was £1,689.

In June 2018, the Company took over a loan of USD300,000 and accrued interest thereon of USD15,880 from Ecosphere Capital Partners payable to ACF GP. The loan bears interest at 3.25% per annum and repayment is conditional on the launch of Althelia Sustainable Ocean Fund S.C.A.. USD 106,068 was repaid during the year. At 31 December 2019, the loan outstanding was USD 193,932 (2018: USD 300,000) and the accrued interest was £23,166 (2018: £16,871).

On 31 December 2018, there were two unsecured loans bearing interest at 5% per annum. Of the loans, €82,000 was repayable on 1 August 2021 and €33,082 repayable on 15 September 2024 with accrued interest amounting to £19,470. Both loans and interest were repaid during the year.

On 31 December 2018, the Company had a loan of £97,800 repayable on 31 December 2021 and bearing an interest rate of 1.5% per annum with an accrued interest of £2,355. These were repaid during the year.



**NOTES TO THE COMPANY & CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**21. RELATED PARTIES**

**a. Subsidiaries**

The Company's principal subsidiaries as at 31 December 2019 are set out below:

Name of entity	Address of registered office	Ownership	Principal activities
Althelia Climate Fund GP S.à r.l.	15, Boulevard F.W. Raiffeisen, L-2411 Luxembourg	100%	General Partner of funds
SOF GP S.à r.l.	15, Boulevard F.W. Raiffeisen, L-2411 Luxembourg	100%	General Partner of funds
Mirova Natural Capital Brazil Consultoria E Assessoria Ltda	Rua Fradique Coutinho, No. 1267, Pinheiros, Andar T, CX Q074, CEP 05416- 011, Sao Paulo, Brazil	100%	Provision of financial investments advisory services

**Group**

**b. Transactions with key management personnel**

*i. Loans from companies controlled by the Directors*

The Group took over a loan of €425,578 and the accrued interest thereon of €17,197 from Piccolo 5 S.A., a company controlled by Sylvain Goupille, as part of the net assets acquired from ACF GP on 29 September 2017.

The Group also took over a loan of €195,668 and the accrued interest thereon of €7,135 from Dog Star S.à r.l., a company controlled by Christian del Valle, as part of the net assets acquired from ACF GP on 29 September 2017.

Both loans cease to bear interest since 29 September 2017 and are repayable on 7 April 2020. Both loans and accrued thereon were repaid in full during the year.

In March 2018, Piccolo 5 S.A. and Dog Star S.à r.l. provided a loan of £58,800 and £39,000 respectively to the Company repayable on 31 December 2021 at an interest rate of 1.5% per annum. Both loans together with their accrued interest of £1,365 and £905 respectively were repaid in full during the year.

In July 2019, Piccolo 5 S.A. and Dog Star S.à r.l. provided a loan of £73,500 and £48,500 respectively to the Company repayable on 31 July 2020 at an interest rate of 1.5% per annum. Both loans together with their accrued interest of £410 and £220 respectively were repaid in full in October 2019.

£6,250 (2018: £6,250) and £4,167 (2018: £4,167) were due to Piccolo 5 S.A. and Dog Star S.à r.l. respectively following their share capital contribution to the Group in 2017. There is no interest on these loans.

At 31 December 2019, the outstanding loans and the accrued interest thereon were:

	2019	2018
	£	£
Loan from Piccolo 5 S.A.	6,250	445,730
Loan from Dog Star S.à r.l.	4,167	218,192
Interest on loan from Piccolo 5 S.A.	-	16,086
Interest on loan from Dog Star S.à r.l.	-	6,849
	<u>10,417</u>	<u>686,857</u>

**NOTES TO THE COMPANY & CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**
**FOR THE YEAR ENDED 31 DECEMBER 2019**
**21. RELATED PARTIES (CONTINUED)**
**Group (continued)**
**b. Transactions with key management personnel (continued)**
*ii. Key management personnel compensation comprised the following*

	2019	2018
	£	£
Short term employee benefits	380,415	380,825
Social security costs	131,449	117,833
Defined benefits contributions	35,014	30,591
	<u>546,878</u>	<u>529,249</u>

**c. Other related party transactions**

	2019		2018	
	Revenue	Balance outstanding from		
	£	£	Revenue	Balance outstanding from
Parent	93,301	35,008	81,356	7,137
Affiliate	77,260	-	80,269	-
Funds of General Partners	4,014,188	1,993,021	2,042,111	229,607

In March 2019, the parent provided a loan of £102,000 to the Company repayable on 31 December 2020 at an interest rate of 1.5% per annum. Accrued interest thereon at 31 December 2019 was £2,716 (2018: £1,186).

During 2019, the parent provided loans of £348,000 and £461,784 to the Company repayable on 31 December 2020 and 30 June 2022 respectively at an interest rate of 1.5% per annum. Their respective accrued interest at 31 December 2019 were £1,707 and £1,689.

In October 2019, the parent provided a loan of €645,578 to the Company repayable on 31 December 2020 at an interest rate of 1.5% per annum. Accrued interest thereon at 31 December 2019 was £1,986.

**Company**
**d. Transactions with key management personnel**
*i. Loans from companies controlled by the Directors*

In March 2018, Piccolo 5 S.A. and Dog Star S.à r.l. provided a loan of £58,800 and £39,000 respectively to the Company repayable on 31 December 2021 at an interest rate of 1.5% per annum. Both loans together with their accrued interest of £1,365 and £905 respectively were repaid in full during the year.

In July 2019, Piccolo 5 S.A. and Dog Star S.à r.l. provided a loan of £73,500 and £48,500 respectively to the Company repayable on 31 July 2020 at an interest rate of 1.5% per annum. Both loans together with their accrued interest of £410 and £220 respectively were repaid in full in October 2019.

£6,250 (2018: £6,250) and £4,167 (2018: £4,167) were due to Piccolo 5 S.A. and Dog Star S.à r.l. respectively following their share capital contribution to the Group in 2017. There is no interest on these loans.

At 31 December 2019, the outstanding loans and the accrued interest thereon were:

	2019	2018
	£	£
Loan from Piccolo 5 S.A.	6,250	65,050
Loan from Dog Star S.à r.l.	4,167	43,167
Interest on loan from Piccolo 5 S.A.	-	703
Interest on loan from Dog Star S.à r.l.	-	466
	<u>10,417</u>	<u>109,386</u>

**NOTES TO THE COMPANY & CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**21. RELATED PARTIES (CONTINUED)**

**Company (continued)**

**d. Transactions with key management personnel (continued)**

*ii. Key management personnel compensation comprised the following*

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Short term employee benefits	380,415	380,825
Social security costs	131,449	117,833
Defined benefits contributions	35,014	30,591
Other benefits	-	-
	<u>546,878</u>	<u>529,249</u>

**e. Other related party transactions**

	<b>2019</b>	<b>2018</b>
	<b>Revenue</b>	<b>Revenue</b>
	<b>£</b>	<b>£</b>
Parent	93,301	81,356
Affiliate	77,260	80,269
Funds of General Partners	3,648,456	1,679,466
	<b>Balance outstanding from</b>	<b>Balance outstanding from</b>
	<b>£</b>	<b>£</b>
Parent	35,008	7,137
Affiliate	-	-
Funds of General Partners	1,801,462	78,552

In March 2018, the parent provided a loan of £102,000 to the Company repayable on 31 December 2020 at an interest rate of 1.5% per annum. Accrued interest thereon at 31 December 2019 was £2,716 (2018: £1,186).

During 2019, the parent provided loans of £348,000 to the Company repayable on 31 December 2020 at an interest rate of 1.5% per annum. Their interest at 31 December 2019 were £1,707. and £1,689.

In October 2019, the parent provided a loan of €645,578 to the Company repayable on 31 December 2020 at an interest rate of 1.5% per annum. Accrued interest thereon at 31 December 2019 was £1,986.

During 2019, the sole shareholder provided loans of £231,784, £230,000 & £461,784 to the Company payable. The loans bear interest of 1.5% per annum and are repayable on 30 June 2022. At 31 December 2019, the loans outstanding were £691,784 and the accrued interest thereon were £1,689.

**22. SUBSEQUENT EVENTS**

Subsequent events have been evaluated up to the date on which the financial statements were approved and authorised for issue by the Directors.

The COVID-19 outbreak has developed rapidly in 2020 and has caused disruption to businesses, economic activities and impacted the global market. Since the balance sheet date, the Company has not suffered any outflows and kept receiving further inflows. Given the dynamic nature of COVID-19 spread and its inherent uncertainties, it is not practical to provide a reasonable quantitative estimate on any future impact. The length and severity of the impact remains unclear but the Directors would not expect these to adversely change the underlying medium to long-term prospects of the business. The Company will continue to monitor the COVID-19 and its impacts on the financial projections.

There have been no other significant events affecting the Company or the Group since the year end.

**NOTES TO THE COMPANY & CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**23. ULTIMATE HOLDING COMPANY**

The controlling party and immediate parent of the Group is Mirova S.A. who owns 100% of the voting rights over the Company's operations. The ultimate controlling party is Natixis, the registered office of which is at 30 Avenue Pierre Mendes-France, 75013 Paris, France.



**THE FOLLOWING DO NOT FORM PART OF THE AUDITED FINANCIAL STATEMENTS**

## **Mirova Natural Capital Limited (the "Firm")**

### **Pillar 3 and Remuneration Disclosure**

**31 December 2019**

#### **Pillar 3 Disclosure**

The Firm is authorised and regulated by the Financial Conduct Authority (the "FCA"). The Firm is a Full Scope Alternative Investment Fund Manager focused on delivering financial returns that are fully aligned with the conservation of nature and sustainable social development. The Firm is a UK domiciled discretionary investment manager to professional clients and unregulated collective investment schemes. The Firm does not operate a trading book or hold client money or assets. The Firm ("AIFM") is categorised as a Collective Portfolio Management Investment firm by the FCA for capital purposes. The Firm reports on a solo basis. The Firm's Pillar 3 disclosure fulfils the Firm's obligation to disclose to market participants' key information on a firm's capital, risk exposures and risk assessment processes.

We are permitted to omit required disclosures if we believe that the information is immaterial i.e. where that omission would be unlikely to change or influence the decision of a reader relying on that information. In addition, we may omit required disclosures where we believe that the information is regarded as proprietary or confidential. Proprietary information is that which, if it were shared, would undermine our competitive position. Information is considered to be confidential where there are obligations binding us to confidentiality with our customers, suppliers and counterparties.

We have made no such omissions.

#### **Risk Management**

The Firm's Senior Management determine its business strategy and the level of risk acceptable to the Firm. In conjunction with the Compliance Officer they have designed and implemented a risk management framework that recognises the risks that the business faces and how those risks may be monitored and mitigated and assessed on an ongoing basis. The Firm has in place controls and procedures necessary to manage those risks.

The Firm considers the following as risks to the business:

**Market Risk** – the Firm does not operate a trading book and therefore the Firm's market risk relates to fluctuations in foreign exchange;

**Credit Risk** – this relates to the extent the Firm may suffer a financial loss due to failure of one of the Firm's counterparties, the only significant credit risk for the Firm is failure of the clients to pay fees due;

**Operational Risk** – this is defined by the FCA as 'the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk'; and

**Business Risk** – the Firm considers this to be any risk arising from changes in the Firm's business and includes risks to earnings posed by falling or volatile income, risks relating to the Firm's business strategy and model and risks arising from the Firm's remuneration policy.

**Liquidity Risk** – the Firm considers this to be risks arising from loss of significant number of large investors, resulting in loss of management fees, poor investment decisions and an increase in expenses without a corresponding increase in income.

## Regulatory Capital

The Firm is a Private Limited Company. Its capital comprises share capital attributable to owners of the Firm.

As at the date of this disclosure the Firm's regulatory capital position is:

Capital Item	£'000
Tier 1 capital	11,987
Total capital resources, net of deductions	11,987

## Pillar 1 Capital Requirement

The Firm is subject to quantitative rules-based capital adequacy calculations which set out the minimum capital requirements for the Firm. This is called the Pillar 1 capital requirement.

Pillar 1 capital is the higher of:

1. the base capital requirement of €125,000; and
2. the sum of market and credit risk requirements; and
3. the Fixed Overhead Requirement ("FOR").

In addition the Firm, on account of its classification as a full-scope AIFM, is subject to a parallel "own funds" requirement as follows:

The higher of:

1. the funds under management requirement, subject to a minimum of €125,000; and
2. the own funds based on fixed overheads requirement;

Plus whichever is applicable of:

- a. the professional negligence capital requirement; or
- b. the PII capital requirement.

Although the foregoing "own funds" requirement is not a component of the "Three Pillars" regime, it is likely that the Firm's "own funds" requirement will exceed its Pillar 1 requirement.

It is the Firm's experience that its Pillar 1 capital requirement normally consists of the sum of the credit and market risk which is GBP 1,358,000.

The Firm's Fixed Overhead Requirement (FOR) is GBP 932,000.

## **Pillar 2 Capital Requirement**

Pillar 2 capital is calculated by the Firm as representing any additional capital to be maintained against any risks not adequately covered under the requirement in Pillar 1 as part of its Internal Capital Adequacy Assessment Process ("ICAAP").

The Firm's ICAAP assesses the adequacy of its internal capital to support current and future activities. This process includes an assessment of the specific risks to the Firm, the internal controls in place to mitigate those risks and an assessment of whether additional capital mitigates those risks. The Firm also considers a wind down scenario to assess the capital required to cease regulated activities.

When making this calculation, the Firm also takes into account the own funds requirement detailed above, in particular where the own funds exceeds Pillar 1 capital (and the extent to which the Firm is able to use capital instruments to fulfill both requirements).

Having performed the ICAAP, the Firm has concluded that no additional capital is required in excess of its Pillar 1/own funds capital requirement.

Our capital requirements are currently GBP 1,358,000 which is well within the level of regulatory capital of GBP 11,987,000 of which GBP 573,000 is held in a ringfenced bank account.

The Firm's ICAAP is formally reviewed by the Senior Management annually but is reviewed and revised more frequently should there be any material changes to the Firm's business or risk profile.

## **Remuneration**

Given the nature and small size of our business, remuneration for all employees is set by the Senior Management of the Firm. The Firm formally reviews the performance of all employees and based thereon determines each employee overall level of remuneration and the split of that between base salary, bonus, etc. in compliance with the FCA Rules on remuneration.

We may omit required quantitative disclosures in relation to remuneration where we believe that the information could be regarded as prejudicial to our adherence to the EU General Data Protection Regulation ((EU) 2016/679) on the protection on natural persons with regard to the processing of personal data and on the free movement of such data.

Due to the size of the Firm and limited number of "Code Staff", quantitative disclosures in relation to remuneration have not been included.

The Firm is subject to the AIFMD Remuneration Code ("the Code"), has applied proportionality and, pursuant to this application and where relevant, has disapplied various provisions of the Code.