

Rating report

30 June 2020

EuroRating assigns 'BBB+' long-term credit rating to the company Audacia Capital (Ireland) plc

Public / Private rating	Public
Continued / One off rating	Continued (monitored rating)
Category	Rating for the issuer
Name of the rated entity	Audacia Capital (Ireland) plc
Type of the rated entity	Corporation
Type of the credit rating	Long-term, international scale
Date of rating assignment	30 June 2020
Rating level	BBB+
Rating outlook	Stable

Key rating drivers

Limitation of liability: Audacia Capital (Ireland) plc ("the Company") is a contract issuer of limited recourse debt securities on the Dublin stock exchange (GEM). The claims of the bondholders against the Company in respect of the bonds of particular series are limited only to the collateral of the relevant series which is held by the Company at any given time (i.e. the rights under the unlisted securities acquired by the Company from underlying bond obligors and cash and liquid assets for the series held by the Company in segregated accounts). Thus, the Company as a bond platform and at the same time a formal issuer of the bonds is not liable for any obligations arising out of the operations of the underlying bond obligors businesses.

Possibility of covering of Audacia Capital (Ireland) plc's operating costs with proceeds from bonds: The Company's operating costs are presently covered by a regular schedule of fees charged to the bond obligors, which may be amended annually subject to reasonable increases. The current annual management charge (currently 0.65% of AUM with a minimum of £3,950) covers all existing operational expenses. Furthermore, in the case that the costs of the Company cannot be met from operating income (i.e. fee income), they are recoverable from the collateral, or bond coupon payments due to bondholders, or bondholder redemption amounts, as the case may be. Therefore, the Company's receivables should be secured throughout the life of the bond programme on all its assets relating to all the bond series (and any additional income cash even it is for the purpose of making payments to bondholders).

Potentially profitable business model: The main business focus of the company is to issue financial instruments in the form of (a) debt securities of trading companies raising capital and (b) asset-backed securities whose value or yield is linked to specific assets which have a calculable value assessed at the time of taking out the bond series. The Company offers its services to SME companies globally which are looking to raise capital from £2 million to £25 million. Currently The Company has obligors in the UK, Ireland, Hong Kong, and Gibraltar. The Company provides this service at very competitive fees, compared to those typically offered by other bond issuers active in the listing of such instruments on material recognised stock exchanges.

Experienced management team: The Company has a management team with extensive experience and knowledge of the bond market, corporate governance and corporate finance. The Board of Directors also includes institutional representative individuals and three of the members are permanently resident in Ireland.

Strong regulatory regime: Each bond series of Audacia Capital (Ireland) plc is listed on the Global Equities Market of the Irish Stock Exchange, trading as Euronext Dublin ("the Exchange") and is fully segregated from any other bond series issued by the Company.

Moderate financial situation: Although the Company acquires its financial assets almost entirely with proceeds of loans (i.e. the bonds), it is not liable for any obligations related to an individual bond series and thus it is not exposed to any credit risk of the underlying bond obligors. The company does not have, and does not plan to incur any own financial indebtedness except for the ordinary operating expenses of the Company. The Company does not have any employees and has reduced operational costs since launch, furthermore, the possibility of covering the Company's own costs (if needed) from collateral or series payments to bondholders is an additional mitigation of any financial risk to the Company's operations. Further, service providers generally undertake not to bring winding up proceedings against the Company as part of their arrangements with it. The Company was founded with the minimum share capital, and the statutory minimum amount of that was paid up (EUR 6,2500 of the minimum EUR 25,000). In the first year of the Company's operations, costs exceeded the operating revenues from fees. This deficit was covered by both a deferral of payments for management services to and loans from Lillywhite International Ltd, which executive directors, John Ferguson and Charles Goldsmith, have association with. The Company expects that, with the increasing number of issued bond series and their total AUM, the historic costs and resultant related party loans will ultimately be repaid without material recourse to bondholder assets. All other trade payables are met in their ordinary course. This process of repaying the establishment costs of the programme is already happening with deferred fees and loans repaid to June 2019.

Short history of operations: Audacia Capital (Ireland) plc was incorporated on 9 March 2018, and as such it does have a relatively short track record.

Reliance on key personnel: Audacia Capital (Ireland) plc is to some extent dependent on the contribution of certain key individuals. If any of those individuals were no longer involved with the Company's operation and not replaced quickly then there is a potential negative impact upon the Company's business.

Stable rating outlook

The stable outlook attributed to the rating means, that according to current estimates of the EuroRating credit rating agency the rating should most probably remain unchanged in the horizon of the next 12 months.

Factors that could lead to a rating change

Positive:

- Continued successful development of the operating activity of the company, the issuance of new bond series and the demonstration of a continued demand for new bond series.
- More bonds issued within this programme and even an extension of the current bond issuance programme maximum amount of EUR 25 million per series and EUR 150 million in aggregate.
- Continuation of the Company's positive net results and positive operating cash flows.
- Payment up or other significant enhancement of the equity of the company.
- Growing the cash reserves and maintaining a good liquidity position.

Negative:

- Potential lack of demand for new bond series or other demonstration of low interest in the market for the Company's services.
- Generating weaker than currently expected revenues from fees and generating losses on the operating activity or increased related party loans to cover any shortfall.
- Deferral of payments to external service providers or an increase of unpaid trade payables.
- Incurring by the Company of financial indebtedness to cover any operating costs.
- Default in sufficient numbers of series to weaken the Company's overall reputation, or to weaken the recourse for any cost recovery by depletion of the overall reserves and assets under management to a material extent.

Company profile

Registration data

Company name: Audacia Capital (Ireland) plc. **Registered office:** 31-32 Leeson Street, Dublin 2, Ireland; The Company also maintains a satellite sales office in London for the UK based Directors at 22A St James's Square, London SW1Y 4JH, United Kingdom; **Company registration number (Ireland):** 622442; **Tax Reference Number:** IE3577429 RH; **Legal Entity Identifier:** 635400EBZOZHDCUCLR12.

Business activity

Audacia Capital (Ireland) plc has been established in March 2018 as a platform for issuance of debt securities. The purpose of the company is to issue tradeable and liquid corporate bonds for SMEs and in so doing, allow these companies to raise funds to be used to further their own commercial or industrial activity, via their own dedicated listed bond series but with the Company assuming the governance burden of being a listed company and the incumbent cost burden of that.

Shareholders

All of the issued and outstanding shares are owned by the Share Trustee – DMS Governance Risk and Compliance Services Limited, which is a company incorporated in Ireland. Under the terms of the Trust, the Share Trustee holds the benefit of the shares in trust for charitable purposes.

The Share Trustee has no beneficial interest in, and derives no benefit, other than its fees for acting as share trustee, from its holding of the shares. The Share Trustee is obliged to apply any income or other property deriving from time to time from the shares for the benefit of such charitable causes as the Share Trustee in its discretion decides.

Thus, it is not possible to identify any person(s) or entity as having the beneficial ownership of the shares and Audacia Capital (Ireland) plc is not a member of any corporate group and is referred to in Ireland as having "orphan" status. The issuer is a special purpose vehicle for the business as stated.

Main Board

John Ferguson – Executive Chairman. Has over 30 years' experience in finance. Has previously been a regulated person in the UK, and the Czech Republic and has wide experience of capital markets, corporate finance and the general financial markets. Currently considering approval by the Central Bank of Ireland to be a Director of a regulated business.

Charles Goldsmith – Executive Director. Has over 20 years experience in finance. Has previously been a regulated person in the UK. Is an experienced professional in the finance sector having been a Director at several UK businesses involved in capital markets and corporate finance. Currently considering approval by the Central Bank of Ireland to be a Director of a regulated business.

Howard Chapman – General Counsel and Executive Director. Responsible for overseeing all the legal aspects and requirements of the plc, and working closely with local legal advisers in Dublin. A qualified English solicitor and European advocate, who retains a small private practice of international clients and law firms in the Czech Republic and is also an occasional lecturer in the law of equity and trusts.

Patrick Gibbons – Independent Non-Executive Director. Professional senior independent director whose current directorships include Board Chair of Wealth Options Limited, two Irish State Boards, and a cross-border body on the island of Ireland. Mr Gibbons has extensive experience of financial compliance.

Andy Murphy – Independent Non-Executive Director. The Managing Director of Trustmoore Ireland based in Dublin, registered stockbroker with the Irish Stock Exchange. Mr Murphy has previously worked with major institutions operating in the Irish market including Bank of New York and Citi Bank.

Matthew Tracey – Independent Non-Executive Director. An Associate Director within the Structured Finance division in DMS Governance based in Dublin. He is highly experienced in structured finance and capital markets as prior to joining DMS Governance, he spent three years with Bank of New York Mellon Corporate Trust department.

Company history

Audacia Capital (Ireland) plc is a public limited company which was incorporated in Ireland on 9 March 2018. The authorised share capital of the company is €100,000 divided into 100,000 ordinary shares of €1.00 each, of which 25,000 ordinary shares have been issued with each having been one quarter paid up giving paid up share capital of €6,250.

Audacia Capital (Ireland) plc is listed on the Global Equities Market of the Irish Stock Exchange, trading as Euronext Dublin.

Business model

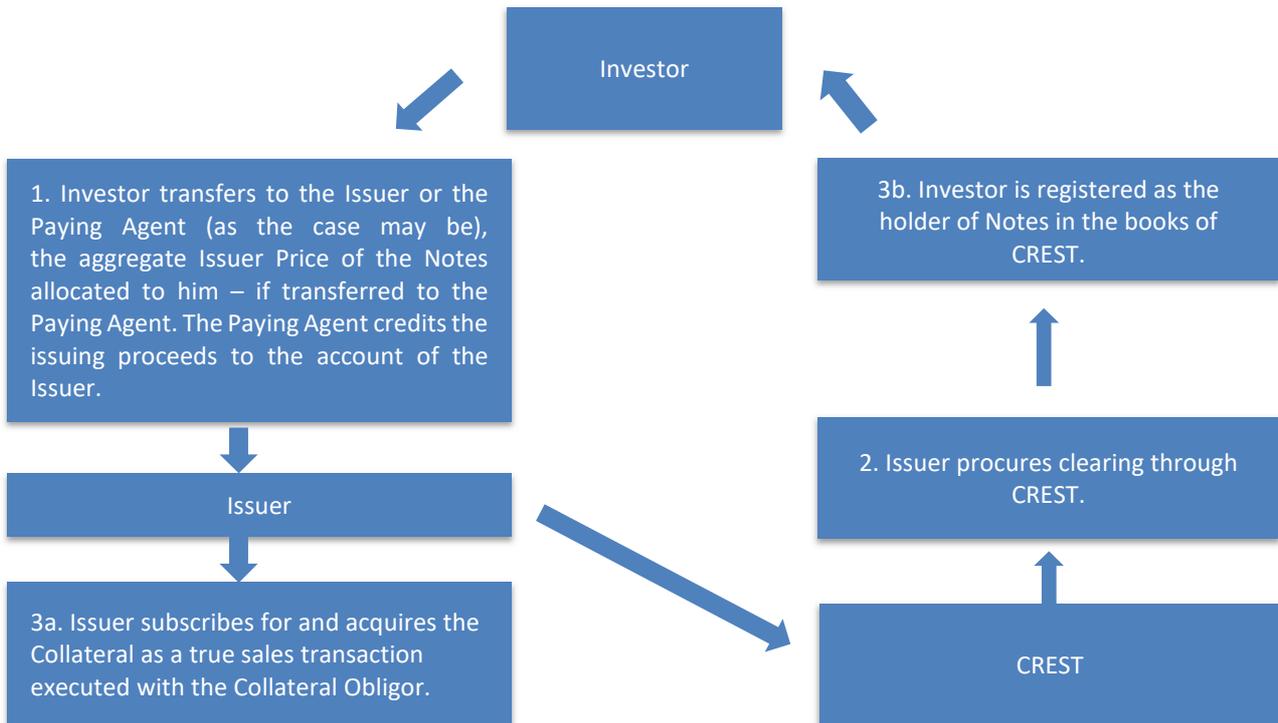
The company was established as a special purpose vehicle for the purpose of issuing the notes and does not undertake any business other than the acquisition, holding, financing, selling, hedging and granting of security over its assets, the issue and redemption of the notes and other related transactions. The company will not issue any further shares, declare any dividends, have any subsidiaries, merge with or be voluntarily acquired by any other entity, give any guarantee and, so long as any of the notes remains outstanding, the company will not petition for examinership, winding-up or bankruptcy.

Following a successful listing to the Euronext Dublin Exchange, Audacia Capital (Ireland) plc, in conjunction with its partners, undertakes management of the whole administration process. The Company uses partners that are regulated by the Central Bank of Ireland or the UK Financial Conduct Authority, these include, regulated corporate services provider: Trustmoore Ireland Limited, legal counsel: LK Shields LLP, regulated listing agent: Davy Group, regulated Security Trustee: DMS Governance Risk and Compliance Services Ltd, and FCA-regulated registrar: Avenir Registrars Limited.

The objects and purposes of the company are limited to such matters which are necessary to carry out all or any transactions intended or required to implement or participate in a securitisation transaction and all related and ancillary acts including, without limitation, the acquisition, management and collection of credits and other receivables or other securitisation assets, the assumption of risks, the granting of secured loans, the issue of financial instruments or the borrowing of funds to finance the acquisition of assets or assumption of risks, the engagement of service providers to administer or support its activities and the entering into derivative instruments. The main business focus of the company is to issue financial instruments in the form of asset backed securities whose value or yield is linked to specific assets.

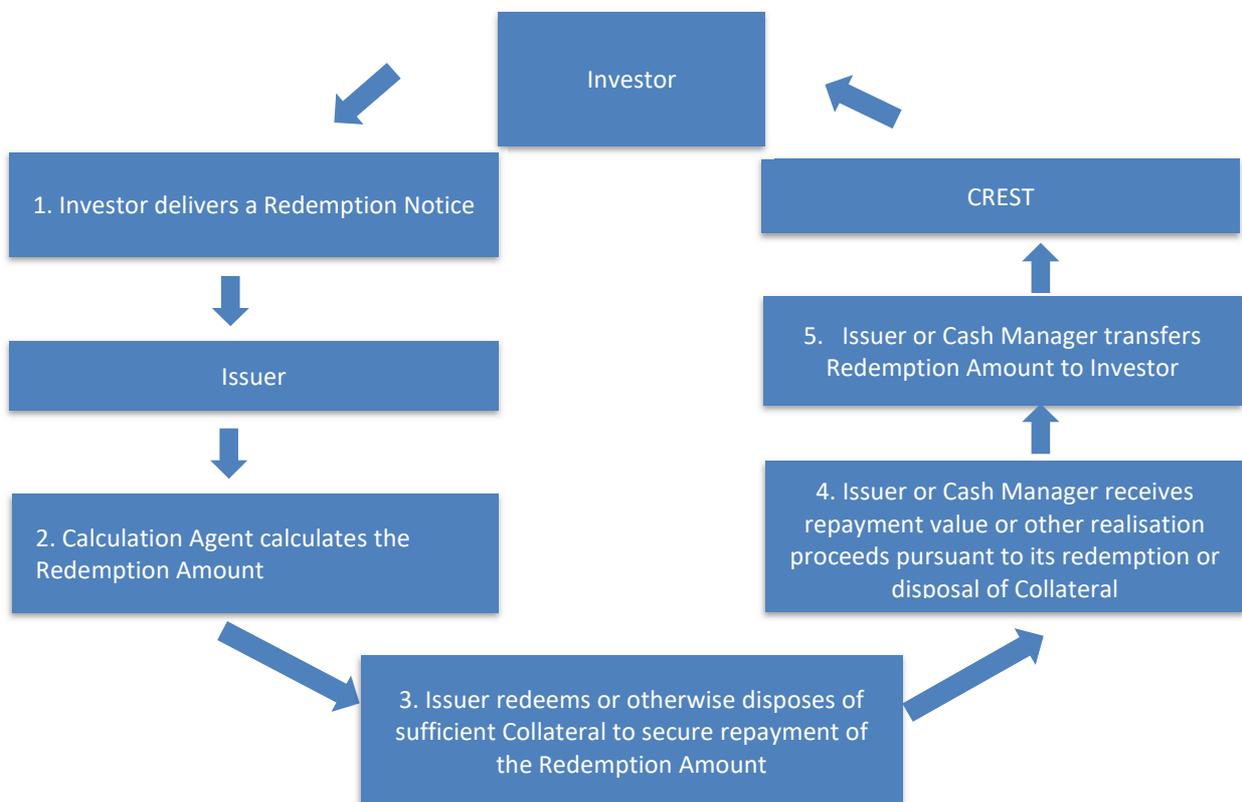
The cash flow models of creation of notes and of redemption of notes by investors are presented on chart 1 and 2. CREST is the system of paperless settlement trades and the holding of uncertificated securities administered by Euroclear UK & Ireland Limited. CREST enables securities (including debt securities) to be evidenced otherwise than by written instrument, and to be transferred electronically and the notes are participating securities.

Chart 1. Audacia Capital (Ireland) plc – cash flow model: creation of notes



Source: Audacia Capital (Ireland) plc

Chart 2. Audacia Capital (Ireland) plc – cash flow model – redemption of notes by investors



Source: Audacia Capital (Ireland) plc

The Company concludes a contract with individual bond obligors for an issuance of a bond series. After a successful bond issuance by the Company, the Company on-lends 92% of the bonds' nominal value to the bond obligor of the individual bond series (the remaining 8% is a cash reserve held in a segregated custodian account). Therefore, bond obligors borrow investors' money through the Company's bond programme with a promise to pay it back at the end of the term of the bond. Along the way the collateral manager will pay a rate of interest (coupon). The bond obligors use investors' money, until they have to pay it back, to develop their business. A bond obligor (also referred to the collateral obligor) is the 'owner' of the individual bond series issued by the Company. Each collateral obligor is responsible for the underlying activity and performance of their own bond. No series is issued by the Company unless the bond obligor has undergone the required diligence checks and has evidenced its ability to meet the requirements of the Exchange.

Each bond series is listed on the Euronext Dublin Exchange and is fully segregated from any other bond issued by the Company. Once listed, a bond is able to be individually branded, marketed, and autonomously managed, albeit within the rules of Irish Company law, Euronext Dublin, and the Central Bank of Ireland.

Cash management is provided through a regulated administrator, and cash is held with a regulated custodian, meaning the executive directors of Audacia Capital (Ireland) plc have no direct access to bond owners' and investors' funds. All accounts are ring-fenced with Northern Trust International Banking Corporation and there is no possibility for any cross-contamination between the bonds within the programme. Northern Trust is the custodian of the accounts within which bondholder funds are held, each account is segregated. Control of the accounts is with Trustmoore Ireland Ltd and not with Audacia Capital (Ireland) plc or any individual within its structure or with bond Series owners.

Currently Audacia Capital (Ireland) plc has an approved bond programme of an aggregated nominal amount of up to € 150,000,000.

In years 2018-2019 the Company issued eleven bond series for over GBP 35 million and over USD 1 million. The list of individual issues of bonds are presented in table 1.

Table 1. Audacia Capital (Ireland) plc – the issued bond series

No.	Audacia bonds series name	ISIN	Issued amount in GBP thous.	Issue date	Maturity date	Interest rate	Collateral value in GBP thous.	Collateral description
1	Audacia Capital Ltd 6% Income Bond 2018	IE00BG13JM43	2,411.9	2018-06-29	2025-12-31	6.00%	2,418.9	Cash 72.2 + securitized bond 2,346.6 to Audacia Capital Ltd
2	Rialto 5.5% Income Bond 2018	IE00BG13JN59	8,524.4	2018-08-31	2023-05-31	5.50%	8,539.4	Cash 682.7 + securitized bond 7,856.7 to Rialto Financial Ltd
3	CIF 9% Income Bond 2018	IE00BF4NB849	784.5	2018-10-10	2023-05-31	9.00%	787.1	Cash 24.9 + securitized bond 762.2 to CIF Ltd
4	Nao Group 8.25% Income Bond 2018	IE00BDVPP762	3,769.0	2019-04-12	2023-12-31	8.25%	3,594.7	Cash 302.3 + securitized bond 3,292.4 to Nao People Ltd
5	Aurora Income Bond	IE00BGNBWN81	Zero (currently)	2018-11-19	2021-12-31	8%	Zero	Bond fully repaid early
6	William John Income Bond	IE00BHNF6468	Zero	Terminated	2022-12-31	7.5%	Zero	No funds raised
7	ACF 4.5% Income Bond	IE00BGRX2X09	15,945.2	2019-06-17	2025-12-31	4.50%	15,952.0	Cash 1,276.4 + securitized bond 14,675.6 to ACF Acquisitions Ltd
8	Nao Group 8.25% Fixed Rate Bond 2019 (USD)	IE00BKOVFM99	1,248.1	2019-07-30	2023-12-31	8.25%	1,239.7	Cash 100.5 + securitized bond 1,139.1 to Nao People Ltd
9	Nao Group EUR Bond	IE00BKOVFN07	(was EUR 19,765 as at 31.12.2019)	2019-08-27	2023-12-31	7.25%	EUR 18,150 at 31.12.2019	Zero – bond repaid & closed
10	Green IS Group	IE00BK77MJ65	Zero	Not applicable	2024-12-31	7.5%	Zero	Zero
11	L&UK Property Bond		Zero	Terminated prior to issue		8.25%	Zero	Zero

Source: Audacia Capital (Ireland) plc

Limitation of liability of Audacia Capital

The activities of Audacia Capital (Ireland) plc are comprised solely in the issuance and operation of a limited recourse debt securities programme. The claims of the bondholders against the Company in respect of the bonds of any particular series are limited only to the collateral held by the Company from time to time (i.e. the rights arising under loans granted to bond obligors, together with cash retained or otherwise held in segregated accounts for the various bond series and the redemption proceeds or other distributions in relation to the bonds of the relevant series).

Following the distribution of such collateral and any proceeds of sales of such collateral, the bondholders of a particular series have no further rights against the Company (or any of its assets), to recover any sums due but unpaid to it, and all claims and all rights to claim of the bondholders of the relevant series against the Company in respect of each such sum unpaid are automatically extinguished.

That means, that the Company (as a bond platform and at the same time a formal issuer of the bonds) is not liable for any obligations arising out of the issuance of the individual bond series.

The Company charges management fees from the bond obligors for arranging and ongoing management of bond issues. The fees are the operating income of the Company and they are designed to cover the costs of listing of a bond and the ongoing operational costs of a bond series.

Furthermore, the bond programme permits that all costs of the Company which cannot be met from operating income can be recovered from the bondholders by way of deduction from any interest payments or bond redemptions or other cash and liquid assets held in any bank account of the Company.

In summary, we have seen sufficient evidence for this report that the Company has a demonstrable limit on its liability for any obligations arising out of the issuance of individual bond series (the liability is with the bond obligors), and that the Company's ordinary operating costs are effectively secured on all of its assets, including those relating to the bond series (and any payments to bondholders).

The construction of the bond programme means the Company is a highly robust and financially secure structure which is a very positive factor in assessing the credit risk of the company.

Financial analysis

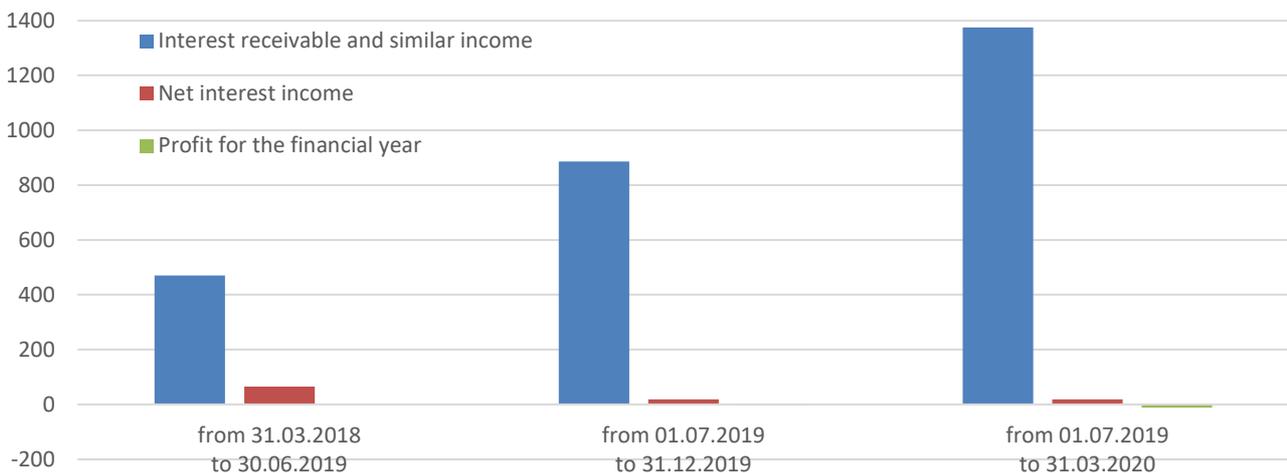
Audacia Capital (Ireland) plc was incorporated on 9 March 2018. The first financial year of the company was extended to subsequently cover the period of 15 months: from 9 March 2018 to 30 June 2019. The Company's next financial years therefore run from 1 July to 30 June.

The tables No. 4-7 at the end of the rating report present the profit and loss account, balance sheet and cash flow statement of the Company for the first 15-months financial year (09/03/2018-30/06/2019) and the two first quarters (01/07/2019-31/12/2019), as well as the three first quarters (01/07/2019-31/03/2020) of the financial year 2019/2020.

When analysing the figures presented in the Company's financial statements in terms of credit risk assessment one should take into account, that most of the amounts actually do not relate to the Company's own finances and therefore present little risk to the company. That concerns in particular the liabilities presented in the balance sheet. As described above, although the Company (as a formal bond issuer) presents in its balance sheet a large amount of financial liabilities, the bond programme assumes, that the Company is in practice not liable for the obligations arising out of the issuance of the bonds.

Profit and loss account

Chart 3. Audacia Capital – interest receivable, net interest income and profit (EUR thousand)



Source: Financial statements of Audacia Capital (Ireland) plc

The main income source presented in the Company's profit and loss account is interest income on financial assets. This relates to the interest on the loans granted to bond obligors. In the first financial year (09/03/2018-30/06/2019) the interest income on financial assets was €452,000.

Due to the increasing subscriptions for newly issued bonds, this amount was almost doubled in the subsequent two quarters (01/07/2019-31/12/2019), where the Company recorded interest income on financial assets of €886,000. In the third quarter of the current financial year (01/01/2020-31/03/2020) the Company generated revenues from the interest income on financial assets of €489,000, and the total amount for the three first quarters of the current year amounted to €1,375,000. of the current financial year amounted to € 23,000, as well as negligible amounts of other incomes such as capitalised interest on financial assets and interest on cash and cash equivalents.

The issuance of the bonds is connected also with incurring costs of interest expense on financial liabilities. In the first financial year it amounted to € 405,500. In the following periods these costs increased to: € 883,000 in the first two quarters and to € 1,379,600 in the first three quarters of the current financial year.

The net interest income in the first financial reached €65,000 and for the first three quarters of the 2019/2020 financial year amounted to €19,000.

In the next section of the profit and loss account the Company presents revenue from unrealized provision for unpaid administrative expenses, which in the first financial year amounted to €344,000. In the first three quarters of the current financial year it decreased to € 51,300.

The profit and loss account also includes 'other income', which consists of operating fees charged from the bond obligors. In the first financial year (2018/2019) the other income amounted to €344,000 and in the first three quarters of the current financial year it increased to €531,000.

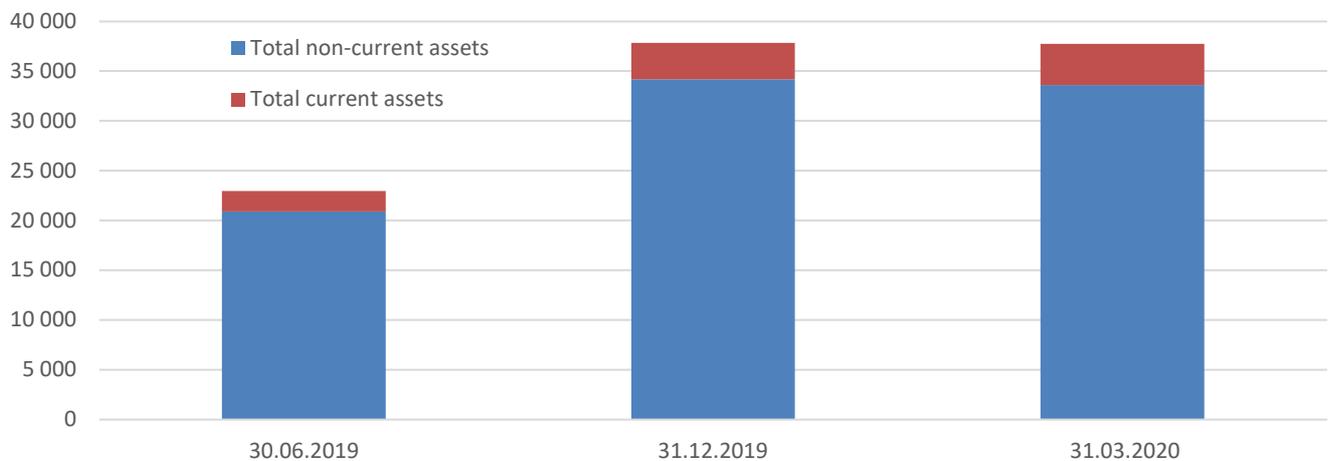
The Company's administration expenses in the first period of its operations were similar or slightly higher than the sum of the net interest income and the fees charged, which caused the company showed a loss on ordinary activities before taxation.

The comprehensive income for the financial year 2018/2019 and the three first quarters of the current financial year was at zero level. It was due to the fact, that the company is still repaying its incorporation costs and consultancy (management) fees owing to Lillywhite International Limited since incorporation. All the initial programme set up costs and legal fees were initially loaned to the Company by Lillywhite International Limited, and by Audacia Capital Limited in Gibraltar (now Trident Enterprises Limited). The Company's Directors, John Ferguson and Charles Goldsmith are both also Directors of Lillywhite International Limited and Trident Enterprises Limited, and were able to support the initial costs of the programme by way of loans. Until these cost balances are repaid in full, the company will not be posting a profit.

The outstanding amount of trade payables relating to the loaned operating expenses theoretically could be (pursuant to the bond programme) covered by deductions from current payments to bondholders (i.e. by withholding of part of interest), but the Company's management's intention is to abstain from this action unless necessary, preferring to wait until the increasing amounts of fees from the issued bonds exceeds the current operating expenses further than they already do, allowing sufficient reserves to build up and repay the loans in full.

Balance sheet – assets

Chart 4. Audacia Capital – assets (EUR thousand)



Source: Financial statements of Audacia Capital (Ireland) plc

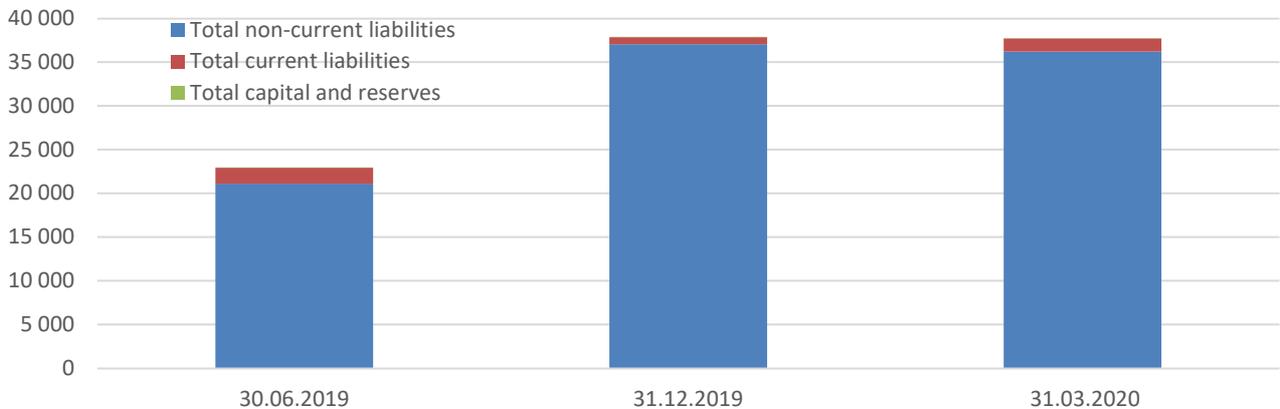
The Company's total assets at the end of the first financial year (i.e. as of 30 June 2019) amounted to €22.9M. During the first half of the current financial year they increased to €37.8M, and in the third quarter these remained at a broadly similar level.

The non-current assets account for about 90% of total assets and consisted entirely of the purchased financial assets, which are unlisted debt instruments, by which the Company lends monies to its bond obligors, who contract with the company to provide the bond series. The value of financial assets has been additionally increased by operating fees capitalised, interest capitalised and net unrealised foreign exchange loss, as well as decreased by impairment.

The current assets consist mainly of cash and cash equivalents, which value increased from € 1.7M on 30 June 2019 to € 2.9M on 31 March 2020. The current assets also include interest receivable on financial assets, trade and other receivables and pending receivable from bondholders.

Balance sheet – liabilities

Chart 5. Audacia Capital (Ireland) plc – equity and liabilities (EUR thousand)



Source: Financial statements of Audacia Capital (Ireland) plc

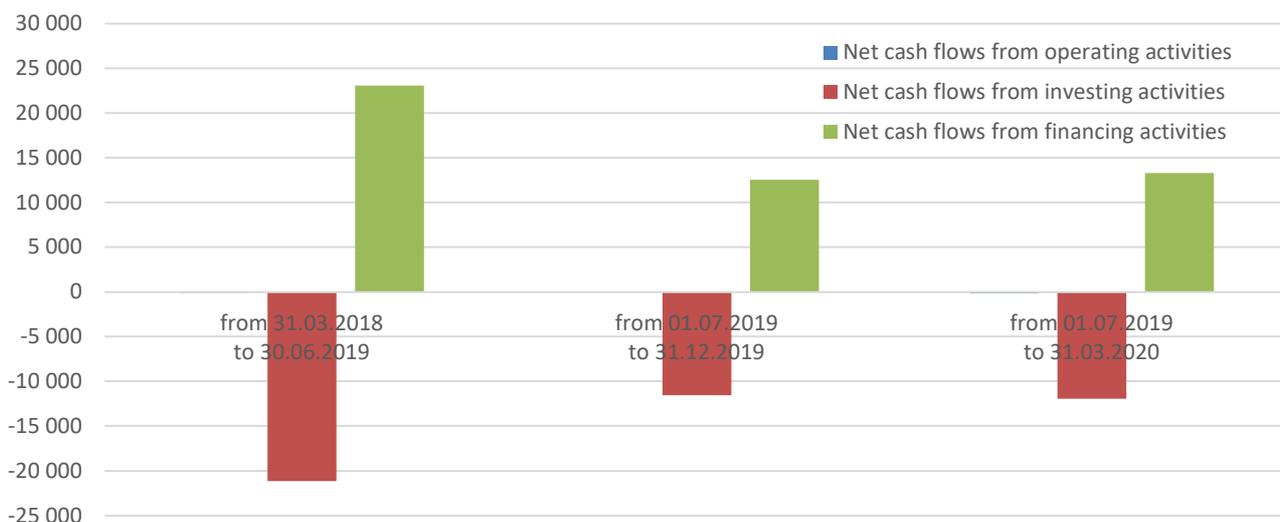
The total liabilities consist in a vast majority of non-current financial liabilities, which oscillated at above 90% of the balance sheet total. The financial liabilities are related to bonds issued by the Company, contracted with the individual bond obligors.

The current liabilities fluctuated in a range of € 0.8-1.8M. As of the end of March 2020 the current liabilities consisted of trade and other payables, interest payable on financial liabilities and pending drawdowns.

The Company’s equity consists of issued and paid-up share capital, to the value of €6,250 and was constant in the last quarters.

Cash flow statement

Chart 6. Audacia Capital (Ireland) plc – cash flows (EUR thousand)



Source: Financial statements of Audacia Capital (Ireland) plc

Net cash flows from operating activities (including interest received and interest paid, as well as income from fees and administrative expenses) in the first financial year amounted to € -95,200, and in the first three quarters of the current financial year were at € -156,200.

Much larger amounts reached the net cash flows from investing and financing activities. The latter in the first financial year amounted to € 23.1M and in the first three quarters of the year 2019/2020 amounted to € 13.3M. They included mostly issue of financial liabilities (bonds) and pending subscriptions.

The cash flows from investing activities consisted mainly of purchase of financial assets (i.e. money lent by the Company via unlisted debt instruments to bond obligors), and in the financial year 2018/2019 they amounted to € -21.2M, while in the first three quarters of the current financial year they were at the level of € -11.9M.

The interest payments received by the Company on the Securitisation bonds exceeded the interest payments paid by the Company on the listed Bonds because the rate on the Securitisation Bonds always exceeds the rate on the listed bonds by at least 8% to account for the retained liquidity reserves.

In the three quarters of the financial year 2019/2020 the cash amount increased to € 2.9M from € 1.7M at the end of the previous financial year.

Ratio analysis

Financing

Table 2. Audacia Capital (Ireland) plc – financing ratios

Financing	30.06.2019	31.12.2019	31.03.2020
Total liabilities to assets	1.00	1.00	1.00
Equity financing	0.00	0.00	0.00
Coverage of fixed assets	1.01	1.08	1.08
Stability of financing	0.92	0.98	0.96

Source: Audacia Capital (Ireland) plc financial statements, own calculations

Due to the Company's business activity model the Company's assets are financed almost entirely by liabilities. However, as set out earlier, the Company, whose business activity is that of a bond issuer, is a limited recourse limited liability programme and therefore, the Company is not liable for any obligations arising out of the issuance of the individual bond series. Any liability for the series remains with the bond series obligors.

The Company's financial liabilities are limited to the operational expenses required to list bond Series and their ongoing management. The Company is presently able to meet all of its financial obligations as they fall due and it is not in the business plan to ever require external financing.

Coverage of fixed assets ratio by long-term financing increased during three quarters of the current financial year to 1.08 (compared to 1.01 on 30 June 2019) and should stay around this level for the foreseeable future, which results from the way the company operates. For each € 1M issued note, the Company creates reserves of € 80,000 (cash in current assets) and lends € 920,000 (non-current assets).

A very high stability of financing ratio (i.e. the share of long-term financing in the balance sheet total) results from the relatively long maturity of the issued bonds.

It should be noted that each liability has an equivalent in assets. The Company on-lends its funds on back to back terms to the bond series, so if a series is to be redeemed, the on-lending arrangements are also redeemable. Due to the 8% cash reserve held by the Company, a request to redeem the €1M will mean a back-to-back request to redeem the €920,000 on lending, thereby putting the company in funds to pay the € 1M to bondholders.

Liquidity

Table 3. Audacia Capital (Ireland) plc– liquidity ratios

Liquidity	30.06.2019	31.12.2019	31.03.2020
Current liquidity	1.12	4.60	2.71
Quick ratio	0.97	3.58	2.08
Cash liquidity	0.96	3.42	1.90

Source: Audacia Capital (Ireland) plc financial statements, own calculations

The current liquidity ratio oscillated between 1.12 (on 30.06.2019) and 4.60 (on 31.12.2019). At the end of March 2020 it was at the level of 2.71. In the last three quarters the amount of total current assets doubled from € 2.0M to € 4.1M (more than a half of this increase is due to a cash rise).

The quick ratio and cash liquidity ratio showed similar fluctuations, which were also due to changes of the current liabilities' value. Both ratios showed similar levels because trade and other receivables had rather a small value compared to cash.

All the liquidity ratios are at very high and safe levels. One should however take into account the fact, that the liquidity ratios calculated on the numbers presented in the Company's balance sheet, based on the fact that the Company has no liability for obligations arising out of the bond issues, presents a general view on the liquidity of the bond programme and not the Company's own liquidity position.

In the first quarters of the Company's operations, the operating costs exceeded the fees charged from bond obligors. The deficit was covered by a deferral of payments for management services to Lillywhite International Limited. During 2019 with 11 bond Series issued the monthly revenue in management fees exceeded operational expenses and the Company is building a cash surplus to repay the accrued historical debts.

The historical accrued costs above however pose no threat to the Company's liquidity, as previously stated in this report the Company can at any time recover any permitted expenses by way of deductions from any cash or assets of the Company and its issued Bond Series. Therefore in practice the Company has the ability to cover any operating expenses from the current assets (which exceed € 37M) making the Company financially stable and solvent.

The Company has a wide range of freedom in managing its own liquidity, which positively influences its credit risk assessment.

Market / industry

The market for fixed income investments is estimated to be worth over £1.2 trillion. Qualifying investments for SIPP and ISA money can access those markets which are worth £2.4bn and £80bn (a year) respectively. Due to the banking crisis and revisions to lending criteria an opportunity has been created for lending to businesses – especially in the small and medium size enterprises (SME).

The Covid-19 crisis has increased demand for fixed income bonds as investors move away from volatile equity investments. On the other hand, the impact of the Covid-19 crisis negatively influences the global economy and thus may impair the financial situation of some companies, which could increase the risk of an obligor defaulting to the Company. This situation does not affect the credit rating of the Company which as set out earlier is a limited recourse liability structure and so does not bear the liabilities of the series obligors.

Additional risk factors

Short history: Audacia Capital (Ireland) plc was incorporated on 9 March 2018, and as such it does have yet a relatively short track record.

Regulatory risk: Regulatory risk arises from a failure or inability to comply fully with the laws or regulations applicable to the company. Non-compliance could lead to fines, public reprimands, damage to reputation, enforced suspension of operations or, in extreme cases, withdrawal of authorisation to operate.

Reliance on key personnel: Audacia Capital (Ireland) plc is to some extent dependent on the contribution of certain key Directors. If any of those Directors were no longer involved in the Company and not replaced with equivalent experience then this could have a negative impact upon the Company's business.

Brexit: Following the withdrawal of the United Kingdom from the European Union, a no-deal scenario could adversely affect the economic conditions in the UK, Europe and globally and thus, may have a negative impact on some of the Bond Series obligors ability to make payments under the notes. At this point none of the obligors engage in cross border activity and would be unlikely to be affected but it is a risk the Company will routinely monitor.

Table 4. Audacia Capital (Ireland) plc – consolidated profit and loss account

(EUR thousand)	31.03.2018- 30.06.2019 (15 months)	01.07.2019 - 31.12.2019 (6 months)	01.07.2019 - 31.03.2020 (9 months)
Interest receivable and similar income	470.5	886.2	1,375.4
Interest payable and similar charges	-405.5	-868.2	-1,356.5
Net interest income	65.0	18.0	18.9
Unrealized provision for unpaid administrative expenses	344.1	165.7	51.3
Other income	261.3	229.3	531.0
Administration expenses	-604.1	-414.5	-615.5
Impairment provision	-65.5	0.0	0.0
Realized gain on write-off of securities	0.0	0.0	2.4
Profit on ordinary activities before taxation	0.84	-1.5	-11.9
Corporate tax charge	0.0	0.0	0.0
Profit for the financial period	0.8	-1.5	-11.9
Other comprehensive income, unrealised foreign exchange gain/loss:			
on cash and cash equivalents	-69.3	62.1	-40.9
on financial assets	-318.5	1,669.4	338.5
on financial liabilities	387.0	-1,730.0	-285.7
Total other comprehensive income	-0.8	1.5	11.9
Total comprehensive income for the financial year	0.0	0.0	0.0

Source: Audacia Capital (Ireland) plc financial statements

Table 5. Audacia Capital (Ireland) plc – balance sheet (assets)

(EUR thousand)	06.2019	12.2019	03.2020
Financial assets	20,907.1	34,187.8	33,614.0
Total non-current assets	20,907.1	34,187.8	33,614.0
Trade and other receivables	23.9	122.9	267.3
Cash and cash equivalents	1,741.0	2,723.3	2,888.9
Interest receivable on financial assets	270.1	647.8	625.0
Pending receivable from bondholders	0.0	164.5	335.3
Total current assets	2,035.0	3,658.5	4,116.4
Total assets	22,942.1	37,846.3	37,730.4

Source: Audacia Capital (Ireland) plc financial statements

Table 6. Audacia Capital (Ireland) plc – balance sheet (liabilities)

(EUR thousand)	06.2019	12.2019	03.2020
Financial liabilities	21,120.3	37,044.2	36,206.2
Total non-current liabilities	21,120.3	37,044.2	36,206.2
Interest payable on financial liabilities	212.5	108.5	512.9
Trade and other payables	385.8	621.2	582.7
Pending subscriptions	1,217.2	66.1	0.0
Pending drawdowns	0.0	0.0	422.3
Total current liabilities	1,815.6	795.8	1,518.0
Issued and paid-up share capital	6.3	6.3	6.3
Retained earnings	0.0	0.0	0.0
Total capital and reserves	6.3	6.3	6.3
Total equity and liabilities	22,942.1	37,846.3	37,730.4

Source: Audacia Capital (Ireland) plc financial statements

Table 7. Audacia Capital (Ireland) plc – cash flow statement

(EUR thousand)	06.2019	12.2019	03.2020
Cash flows from operating activities			
Interest received	182.0	508.5	1 020.5
Interest paid	-193.0	-543.2	-1 056.1
Other income	158.0	181.6	463.9
Administrative expenses	-221.8	-166.5	-453.1
Trade and other receivables	-20.3	-48.6	-176.6
Trade and other payables			45.1
Net cash flows from operating activities	-95.2	-68.2	-156.2
Cash flows from investing activities			
Purchase of financial assets	-21,169.4	-11,545.8	-12,888.3
Disposal of financial assets		0.0	942.2
Net cash flows from investing activities	-21,169.4	-11,545.8	-11,946.1
Cash flows from financing activities			
Redemption of financial liabilities	0.0	0.0	-1,011.5
Issue of financial liabilities	21,807.4	13,583.3	15,405.2
Pending subscriptions	1,261.1	-1,049.0	-1,102.6
Issuance of share capital	6.3	0.0	0.0
Net cash flows from financing activities	23,074.8	12,534.3	13,291.1
Net increase in cash and cash equivalents	1,810.2	920.2	1,188.8
Unrealised foreign exchange gain on cash	-69.3	62.1	-44.9
Cash and cash equivalents at the beginning of the year	0.0	1,741.0	1,741.0
Cash and cash equivalents at the end of the year	1,741.0	2,723.3	2,884.9

Source: Audacia Capital (Ireland) plc financial statements

Rating scale applied by the EuroRating credit rating agency

Rating	Risk description
AAA	Negligible credit risk. Highest level of financial credibility. Rating assigned exclusively where an entity has extremely strong capacity to meet financial commitments.
AA+ AA AA-	Very low credit risk. Very high level of financial credibility. Very strong capacity to meet financial commitments. Low susceptibility to adverse economic conditions.
A+ A A-	Low credit risk. High financial credibility and capacity to meet financial commitments. Average resistance to long-term unfavourable economic financial conditions.
BBB+ BBB BBB-	Moderate credit risk. Good financial credibility and adequate capacity to meet financial commitments in the long term. Increased susceptibility to long-term adverse economic conditions.
BB+ BB BB-	Increased credit risk. Relatively lower financial credibility. Adequate capacity to meet financial commitments under average or favourable economic conditions. High or medium level of debt recovery in the event of default.
B+ B B-	High credit risk. Capability of meeting financial commitments largely conditioned on favourable external conditions. Medium or low level of debt recovery in case of a default.
CCC CC C	Very high credit risk. Very low capability to meet financial commitments even under favourable economic conditions. Low or very low level of debt recovery in case of a default.
D	Extremely high credit risk. Complete lack of capability to meet financial commitments. Without additional external support the level of debt recovery is very low or close to zero.

Full details on the rating scale applied by the EuroRating credit rating agency are published on the agency's website at: <http://www.eurorating.com/en/ratings/rating-scale>

Regulatory affairs

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Methodology

The presented credit rating for the issuer assigned to the company Audacia Capital (Ireland) plc is a general assessment of the creditworthiness of the rated entity and it concerns the credit risk of its unsecured and unsubordinated financial liabilities.

The methodology used for this rating and/or rating outlook is available on the EuroRating's website (www.EuroRating.com) in section "Credit ratings" – "Methodology". The rating definitions and the rating scale used by EuroRating are published on the agency's website in section "Credit ratings" – "Rating scale".

Historical default rates of the EuroRating credit rating agency can be viewed in the rating performance report on: <http://www.eurorating.com/en/ratings/statistics>.

EuroRating's definition of default as well as definitions of rating notations can be found in the agency's website at: <http://www.eurorating.com/en/ratings/methodology/definition-of-default>.

The presented credit rating is a public rating. The date of the first publication of the rating, the current rating level and the full rating history are published free of charge on the EuroRating credit rating agency website (www.EuroRating.com) in the section "Credit ratings", in the appropriate tab on the rated entity. EuroRating is not responsible for information on the current rating provided by the rated entity or any third party.

Prior to the issuance of the rating or outlook action, the rated entity was given the opportunity to review the rating and/or outlook and the principal grounds on which the credit rating and/or outlook is based. Following that review, the rating was not amended before being issued.

Solicitation, key sources and quality of information

The presented credit rating was solicited by the rated entity. EuroRating received remuneration for the assigning and subsequent monitoring of the rating. The rated entity and/or its agents has participated in the rating process by providing the agency documents, information and explanations concerning its economic and financial situation.

The main sources of information used in the rating process were financial statements of the rated company, the bond memorandum ("Base listing particulars") for notes due 31 December 2025, and other data, information and explanations provided by the rated company.

Disclaimer

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