

Dated 24 July 2020

SECURITY REVIEW REPORT

relating to

Pardus Fixed Income Bond Company Plc

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Prepared in relation to Pardus Fixed Income Bond Company plc (a public limited company registered in England and Wales with company number 11313361)

Prepared for Woodside Corporate Services Limited (as trustee for the Bondholders)

By Druces LLP

Date: 24 July 2020

1. **Scope**

We have prepared this report on the validity and enforceability of the security held by Woodside Corporate Services Limited (the Security Trustee) in respect of the obligations of Pardus Fixed Income Bond Company plc (the Issuer) in relation to the issuance of bonds to various investors (the Bondholders). We have considered the security in place to protect investor monies, the enforcement options available to the Security Trustee should enforcement action become necessary at any stage. We have not commented on the conditions and mechanism for any such decision being taken by the Security Trustee contained within the trust and bond documentation relating to the bonds.

This report is based on the documentation provided by the Issuer.

If there is a delay between the date of this report and the time at which any action is taken by Woodside on behalf of any Bondholders, we advise that we should be instructed to review this report to ensure that it remains up to date and correct at the time the enforcement action is taken.

Definitions are set out at Appendix 1 to this report.

This report has been prepared in accordance with the Standard Assumptions set out at Appendix 3.

Druces LLP

24 July 2020

2. **Group and security structure**

The Issuer raises money from wholesale investors by way of the issue of bonds. These bonds can be listed or unlisted. There are three current Series of Bonds, all of which are or are authorised to be listed on the Frankfurt Stock Exchange, denominated in GBP, EUR and USD.

The proceeds of the bond issuance are held by the Issuer, subject to a deduction of 2% for annual costs. The proceeds are deployed by the Issuer to the Collateral Manager, GRMA-Pardus Wealth Limited, an English limited company ("GRMA UK") under the terms of the Collateral Management Agreement.

Pursuant to that agreement, the Collateral Manager is tasked with deploying funds to fit certain agreed criteria set out as part of a trading strategy and designed to employ a contract arbitrage strategy. This is undertaken by allowing the funds to be blocked for trading collateral with trading partners who then use the collateral as leverage to enter into trades.

Additionally the funds may be used as collateral to enable the issuance of letters of credit. In each case the money remains blocked in accounts in the name of the Collateral manager, or, in trades involving the Far East, in a subsidiary company known as GRMA-Pardus Wealth limited, a company formed and situated in Hong Kong (GRMA HK).

In the case of each of GRMA-Pardus UK and GRMA HK the accounts used for funds deployed remain in their control, and will have notifications put in place over the accounts pursuant to the Debenture or Security Interest Agreement in place with each company.

Principle proceeds deployed by the Issuer at the start of each programme deployment, under the trading strategy are returns, with an agreed rate of return to the Issuer following conclusion of each trade, and then remain in the Issuer's account pending further trades being undertaken. Coupon payments for Bondholders are made from the Issuer from such funds.

We have been provided with a letter from the Issuer's accountants regarding the coupon payments being made and verified for the past 12 months, which is attached to the report.

3. **Executive summary**

Subject to the issues listed below, the Issuer has the benefit of the valid security set out in sections 4.2 and 4.3 in respect of the obligations of the Issuer which is enforceable in accordance with its terms:

3.1 Issues

There are no problems affecting the security, ie those affecting the validity or enforceability of the security. There is a valid and subsisting debenture in place which is registered against the Issuer's record at Companies House.

3.2 Missing documents or non-material issues

GRMA UK has entered into a formal debenture in favour of the Issuer, to protect the sums transferred, and that is executed and is being registered at Companies House.

3.3 Recommendations and security enhancements

It should be noted that the Hong Kong entity was operating by way of a lien over its assets, and it has been recommended that a formal security interest agreement be finalised, and we note that Stephenson Wong have been instructed to implement that into the structure.

4. **Documents reviewed**

4.1 Bond Documentation

	Type of document
1.	Bond Instrument
2.	Security Trust Agreement
3.	Collateral Management Agreement
4.	Strategy Management Agreement with GRMA UK
5.	Strategy Management Agreement with GRM HK
6.	Letter from the Issuer's accountant regarding coupon payments

4.2 Security granted by the Issuer in favour of the Security Trustee

	Type of security	Date	Charged assets	Ranking
1.	Debenture	15 May 2019	All assets and undertaking of the Issuer	First Fixed and Floating Charge

4.3 Security granted by Chargors in favour of the Issuer in respect of the obligations to the Bondholders

	Type of security	Granted by	Charged assets	Ranking
1.	Debenture	GRMA-Pardus Wealth Limited (GRMA UK)	All assets and undertakings of GRMA UK	First Fixed and Floating Charge

4.4 Security being put in place at the time of this report

	Type of Security	Granted by	Charged assets	Ranking
1.	Hong Kong Security Interest Agreement	GRMA-Pardus Wealth Limited (GRMA HK)	All assets and undertakings of GRMA HK	First Fixed and Floating Charge

5. **Other security and intercreditor arrangements**

Our searches have not revealed any outstanding security granted by the Issuer and the Chargors to any parties other than the Issuer. Accordingly, the Issuer will have priority in relation to its security

6. **Enforcement options**

The Security Trustee has the option of the following enforcement methods:

	Enforcement method	Trigger	Any barriers to enforcement?
1.	Appoint an administrator to Issuer	Event of default under the Bond Instrument, non-payment of coupon and decision by Security Trustee to enforce action for the same, though default must have occurred and be continuing	Security Trustee must first make demand for payment and then confirm Bondholder approval for enforcement

APPENDIX 1 DEFINITIONS

The following definitions apply:

Issuer	means Pardus Fixed Income Bond Company plc
Chargors	means GRMA-Pardus Wealth Limited (and English Company registered with company number 11285519) ("GRMA UK") and GRMA-Pardus Wealth Limited (a Hong Kong Company registered with company number) ("GRMA HK")
IA 1986	means the Insolvency Act 1986
Issuer	means Woodside Security Trustees Limited
Obligors	means the Issuer and Chargors

APPENDIX 2 ASSUMPTIONS

This report is based on the following assumptions:

1. All relevant documentation has been provided.
2. All signatures (and seals if applicable) are genuine.
3. Copy documents provided by the Issuer are true, complete copies and conform to the originals.
4. The information obtained via the searches conducted is accurate, complete and up to date at the time of the relevant search.
5. There was no bad faith or fraud in the execution of any of the security documents.
6. Each security document was entered into in good faith for valuable consideration and at arm's length between unconnected parties.
7. Each security document was entered into following resolutions being made at a quorate board meeting of the relevant Obligor.
8. Any corporate guarantee was entered into following due consideration of corporate benefit.
9. Unless advised otherwise by the Issuer, the Issuer's centre of main interests (COMI) for the purposes of the EC Regulation on Insolvency 1346/2000 is in England and Wales.
10. Unless notified otherwise by the Issuer, the Issuer is not a 'connected party' to any of the Obligors within the meaning of IA 1986 ss 249 and 435.
11. Sufficient consideration was granted by the Issuer at the time the security was granted to the Issuer and the security was granted in good faith for the purposes of carrying on the business of the Chargor in accordance with IA 1986 ss 238 and 338 (Transactions at an undervalue).
12. In granting the security to the Issuer each Obligor was not influenced by a desire to prefer the Issuer in accordance with IA 1986, ss 239 or 340 (preferences).
13. Where there is an assignment by way of security, the relevant third party has been given notice in accordance with section 136 of the Law of Property Act 1925.

The Issuer acknowledges and agrees that:

14. Companies House records may not be entirely up to date, as there may be a delay in filing information.
15. Searches of the Central Registry can be unreliable as when winding-up petitions and administration applications are filed with or presented to a District Registry or the County Court, these may not always be notified to the Central Registry and entered on such records immediately or at all.
16. Online bankruptcy searches will be undertaken using the name of any relevant individuals as given in the relevant security document. The results may not, therefore, be accurate as individuals may use different names, or different spellings of names.

APPENDIX 3
ACCOUNTANT LETTER RE COUPONS