HEXAGON III RE PTE. LTD.
(Registration Number: 202138128E)

**DIRECTORS' STATEMENT
AND FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 2 NOVEMBER 2021
(DATE OF INCORPORATION) TO 31 DECEMBER 2022**

MAZARS LLP
Public Accountants and
Chartered Accountants
Singapore

HEXAGON III RE PTE. LTD.

DIRECTORS' STATEMENT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 2 NOVEMBER 2021
(DATE OF INCORPORATION) TO 31 DECEMBER 2022

TABLE OF CONTENTS **PAGE**

Directors' statement	1 - 2
Independent auditors' report	3 - 5
Statement of profit or loss and other comprehensive income	6
Statement of financial position	7
Statement of changes in equity	8
Statement of cash flows	9
Notes to the financial statements	10 - 31

The directors of Hexagon III Re Pte. Ltd. (the “Company”) present their statement to the member together with the audited financial statements of the Company for the financial period from 2 November 2021 (date of incorporation) to 31 December 2022.

1. Opinion of the directors

In the opinion of the directors,

(a) the financial statements of the Company are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2022, and of the financial performance, changes in equity and cash flows of the Company for the financial period from 02 November 2021 (date of incorporation) to 31 December 2022 in accordance with the provisions of the Singapore Companies Act 1967 (the “Act”) and Singapore Financial Reporting Standards; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. Directors

The directors of the Company in office at the date of this statement are:

Paul Robert Faulkner
Stephen John Tunstall
Stuart Sidney Herbert

3. Arrangements to enable directors to acquire shares or debentures

Neither at the end of nor at any time during the financial period was the Company a party to any arrangement whose objects were, or one of the object was, to enable the directors of the Company to acquire benefits by means of an acquisition of shares in, or debentures of, the Company or any other body corporate.

4. Directors' interests in shares or debentures

The directors of the Company holding office at the end of the financial period had no interest in the share capital and debentures of the Company and related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Act.

5. Share options

There were no options granted by the Company during the financial period.

There were no shares issued by virtue of the exercise of options to take up unissued shares of the Company during the financial period.

There were no unissued shares under option in the Company as at the end of the financial period.

6. Auditors

The auditors, Mazars LLP, have expressed their willingness to accept re-appointment.

On behalf of the directors

DocuSigned by:
F65D3A7B7A0D406...

Stuart Sidney Herbert
Director

DocuSigned by:
0BC7494E1BD6433...

Stephen John Tunstall
Director

Singapore
30 March 2023

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INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF HEXAGON III RE PTE. LTD.

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Hexagon III Re Pte. Ltd. (the "Company"), which comprise the statement of financial position of the Company as at 31 December 2022, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Company for the period from 2 November 2021 (date of incorporation) to 31 December 2022, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act 1967 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the financial position of the Company as at 31 December 2022 and of the financial performance, changes in equity and cash flows of the Company for the period from 2 November 2021 (date of incorporation) to 31 December 2022.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the Directors' Statement.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion 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, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Report on the Audit of Financial Statements (Continued)

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Company's financial reporting process.

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 SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

Report on the Audit of Financial Statements (Continued)

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Mazars LLP

MAZARS LLP
Public Accountants and
Chartered Accountants

Singapore
30 March 2023

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD FROM 2 NOVEMBER 2021 (DATE OF INCORPORATION) TO 31 DECEMBER 2022

	Note	02/11/2021 to 31/12/2022 EUR
Gross written premiums	5	11,035,202
Change in gross unearned premium reserve	14	(433,387)
Net earned premiums		10,601,815
Administration expenses		(1,874,285)
Investment income from European Bank for Reconstruction and Development ("EBRD") Notes	6	598,230
Investment return to Noteholders	6	(9,083,326)
Profit before income tax	7	242,434
Income tax expense	8	-
Profit for the financial period, representing total comprehensive income for the financial period		242,434

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	2022 EUR
ASSETS		
Financial assets at fair value through profit or loss	9	154,817,640
Prepayments and other receivables	10	591,287
Insurance receivable	11	2,381,316
Cash and cash equivalents	12	34,402
Total assets		157,824,645
LIABILITIES AND EQUITY		
LIABILITIES		
Variable notes payable	13	154,817,640
Unearned premium reserves	14	433,387
Accrued expenses and other payables	15	2,318,156
Total liabilities		157,569,183
EQUITY		
Share capital	16	13,028
Retained earnings		242,434
Total equity		255,462
Total liabilities and equity		157,824,645

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD FROM 2 NOVEMBER 2021
(DATE OF INCORPORATION) TO 31 DECEMBER 2022

	Share capital EUR	Retained earnings EUR	Total EUR
At the date of incorporation (Note 16)	13,028	-	13,028
Profit for the period, representing total comprehensive income for the financial period	-	242,434	242,434
Balance at 31 December 2022	13,028	242,434	255,462

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD FROM 2 NOVEMBER 2021 (DATE OF INCORPORATION) TO 31 DECEMBER 2022

	Note	02/11/2021 to 31/12/2022 EUR
Operating activities		
Profit before income tax		242,434
Adjustments for:		
Interest income	6	(598,230)
Investment return to Noteholders	6	9,083,326
Operating cash flows before changes in working capital		8,727,530
Changes in working capital:		
Prepayments and other receivables		(20,597)
Insurance receivable		(2,381,316)
Unearned premium reserves	14	433,387
Accrued expenses and other payables		45,578
Net cash generated from operating activities		6,804,582
Cash flow from investing activities		
Interest received		27,540
Purchase of investments		(154,817,640)
Net cash used in investing activities		(154,790,100)
Cash flow from financing activities		
Proceeds from issuance of share capital		13,028
Proceeds from issuance of Variable Rate Notes		154,817,640
Investment return paid to Noteholders		(6,810,748)
Net cash flow generated from financing activities		148,019,920
Net increase in cash and cash equivalents		34,402
Cash and cash equivalents at date of incorporation		-
Cash and cash equivalents at end of financial period	12	34,402

Reconciliation of liabilities arising from financing activities not disclosed in notes:

		Financing cash outflow	Non-cash movement	
2022	**2 November 2021 EUR**	**Investment return paid to Noteholders EUR**	**Investment return to Noteholders EUR**	**31 December 2022 EUR**
Liabilities				
Investment return to Noteholders	-	(6,810,748)	9,083,326	2,272,578

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

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1. Domicile and activities

Hexagon III Re Pte. Ltd. (the "Company") is incorporated and domiciled in Singapore with its principal place of business and registered office at 8 Marina View, #09-05 Asia Square Tower 1, Singapore 018960.

The principal activity of the Company is that of a Special Purpose Reinsurance Vehicle ("SPRV") to carry on general reinsurance business. The principal activities of the Company are those of a general reinsurance business in Singapore licensed under Section 11 of the Insurance Act 1966 (the "Insurance Act") as a SPRV.

The immediate and ultimate holding company of the Company during the financial period is Hexagon III Shares Trust registered in the Republic of Singapore, managed by Intertrust (Singapore) Ltd. as shares trustee.

The financial statements of the Company for the financial period ended 31 December 2022 were authorised for issue by the Board of Directors on the date of the directors' statement.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements have been drawn up in accordance with the provisions of the Singapore Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards ("FRS") including related Interpretations of FRS ("INT FRS") and are prepared on the historical cost basis, except as disclosed in the accounting policies below.

The financial statements of the Company are measured and presented in the currency of the primary economic environment in which the Company operates (its functional currency). The financial statements of the Company are presented in Euro ("EUR" or "€") which is also the functional currency of the Company.

In the current financial period, the Company has adopted all the new and revised FRS and INT FRS that are relevant to its operations and effective for the current financial period. The adoption of these new/revised FRS and INT FRS did not result in changes to the Company's accounting policies and has no material effect on the amounts reported for the current period.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2022. The management anticipates that the adoption of these FRS and INT FRS in future periods will not have a material impact on the financial statements of the Company in the period of their initial adoption.

Certain new accounting standards and interpretations (including their consequential amendments) that have been published:

- FRS 117 *Insurance Contracts* ("FRS 117")[1]

1 The effective date of FRS 117 Insurance Contracts applies to reporting periods beginning on or after 1 January 2023.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

FRS 117 *Insurance Contracts*

FRS 117 replaces FRS 104 *Insurance Contracts* (“FRS 104”) for annual periods beginning on or after 1 January 2023. FRS 117 introduces an accounting model that measures insurance contract based on fulfilment cash flows. It is likely to change the recognition and measurement of insurance contract and the corresponding presentation and disclosures of the Company's financial statements.

i. Premium Allocation Approach (“PAA”) model

The Company expects that the PAA model is eligible to be applied to the insurance contract issued and held as the insurance contract has characteristics such as:

1) Having an annual reset clause in which the Reset Agent will use the applicable Industry Exposure Database, payout factors and Escrow Models to reset the Attachment and Exhaustion Levels, as well as having the option to allow for the computation of the updated modeled annual expected loss and Risk Interest Spread calculation which determines the premiums; or

2) Anticipating that the measurement of liability for the remaining coverage of the insurance contract would not differ materially from the measurement that would be produced by applying the requirements for the general model given (1).

The measurement principles of the PAA differ from the ‘earned premium approach’ used by the Company under FRS 104 in the following key areas:

- The liability for the remaining coverage reflects premiums received less deferred insurance acquisition cash flows and less amounts recognised in revenue for insurance services provided.

- Measurement of the liability for the remaining coverage includes an adjustment for the time value of money and the effect of financial risk where the premium due date and the related period of services are more than 12 months apart.

- Measurement of the liability for the remaining coverage involves an explicit evaluation of risk adjustments for non-financial risks when a contract is onerous in order to calculate a loss component (previously these may have formed part of the unexpired risk reserve provision).

- Measurement of the liability for incurred claims (previously claims outstanding and incurred but not reported (“IBNR”) claims) is determined on a discounted probability-weighted expected value basis, and includes an explicit risk adjustment for non-financial risk. The liability includes the Company’s obligation to pay other incurred insurance expenses.

- Measurement of the asset for the remaining coverage (reflecting reinsurance premiums paid for reinsurance held) is adjusted to include a loss-recovery component to reflect the expected recovery of onerous contract losses where such contract reinsure onerous direct contract.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

FRS 117 *Insurance Contracts (Continued)*

ii. Level of aggregation

FRS 117 requires an entity to determine the level of aggregation for applying its requirements. The level of aggregation for the Company is determined firstly by dividing the business written into portfolios. Portfolios comprise of contracts with similar risks which are managed together.

The Company represents that each insurance contract represents a different group of insurable risk. There is only one contract written, and as such, the contract would be held at the individual contract level.

iii. Onerous contract

The Company has assessed the historical performance of the contract in order to conclude whether it should be classified as loss making. In addition, the expected operating ratio for the policy will be used to inform contract as onerous. Specific analysis and justification will be made at each reporting period.

iv. Contract Boundary

The Company includes in the measurement of insurance contract all the future cash flows within the boundary of each contract. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the premiums, or in which the Company has a substantive obligation to provide the policyholder with insurance contract services.

The analysis on the contract written is based on the following criteria:

- The Company has the practical ability to reassess the risks of the insurance contract that contains the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio; and

- The pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment.

v. Risk Adjustment

Risk adjustments for non-financial risks is the compensation that the Company requires for bearing uncertainty about the amount and timing of the cash flows of insurance contract. The risk adjustment reflects an amount that the Company would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount.

For contract that is eligible for the PAA model, the risk adjustment valuation may therefore only be required for liability for incurred claims as the Company would expect the time between providing each part of the services and the related premium due date will be no more than a year. Accordingly, for the risk adjustment calculation permitted under FRS 117, a percentage loading will be applied to the best estimate claims position.

For policies where events leading to a claim have not been identified as at the valuation date, a risk adjustment loading will not be required as events that could lead to losses have not been identified to have occurred during the expired policy period. For all other policies the above approach will be taken to select an appropriate risk adjustment.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

FRS 117 *Insurance Contracts (Continued)*

vi. Changes to presentation and disclosure

For presentation in the statement of financial position, the Company aggregates insurance contracts issued and presents separately:

- Insurance contract issued that is assets
- Insurance contract issued that is liabilities

The contract are those established at initial recognition in accordance with FRS 117 requirements.

Insurance contract issued include any assets for insurance acquisition cash flows.

The line item descriptions in the statement of profit or loss and other comprehensive income have been changed significantly compared to those disclosed under FRS 104. Under FRS 104, the Company reported the following line items in their financial statements:

- Gross premiums written
- Net written premiums
- Movement in the net provision for unearned premiums
- Movement in the net provision for outstanding claims
- Net earned premiums
- Net claims incurred

Under the adoption of FRS 117, the standard requires separate presentation of:
- Insurance revenue
- Insurance service expenses
- Insurance finance income or expenses

The Company provides disaggregated qualitative information about significant judgements and changes in those judgements when applying FRS 117.

A full retrospective approach shall be applied for changes in accounting policies resulting from the adoption of FRS 117, to the extent practicable. The Company will adopt the modified retrospective approach when it is impractical to use a full retrospective approach in determining transition amounts as at the FRS 117 transition date.

2.2 Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the financial period. Taxable profit differs from profit as reported profit or loss because it excludes items of income or expense that are taxable or deductible in other financial years and it further excludes items that are not taxable or tax deductible. The Company’s liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial period.

2. Summary of significant accounting policies (Continued)

2.2 Income tax (Continued)

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each financial period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial period and based on the tax consequence that will follow from the manner in which the Company expects, at the end of the financial period, to recover or settle the carrying amounts of its assets and liabilities. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity.

2.3 Foreign currencies transactions and translation

Foreign currency transactions are translated into the Company’s functional currency at the exchange rates prevailing on the date of the transaction. At the end of each financial period, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the financial period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the financial period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the financial period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

2.4 Recognition and measurement of insurance contracts

All the Company’s existing products are insurance contracts as defined in FRS 104. Insurance contracts are defined as those containing significant insurance risk at the inception of the contract, or where at inception of the contract there is a scenario with commercial substance where the level of insurance risk may be significant over time. The significance of insurance risk is dependent on both the probability of an insurance event and the magnitude of its potential effect.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during the period.

2. Summary of significant accounting policies (Continued)

2.4 Recognition and measurement of insurance contracts (Continued)

(i) Gross written premiums and net earned premiums

Gross written premiums comprise the premiums on insurance contracts entered into during the financial period, irrespective of whether they relate in whole or in part to a later accounting period. Premiums are disclosed excluding taxes based on premiums. The earned portion of premiums received is recognised as revenue. Written premiums are earned from the date of attachment of risk, over the indemnity based on the pattern of the risks underwritten.

(ii) Provision for unearned premiums

The provision for unearned premiums comprises the proportion of gross premiums written which is estimated to be earned in the following or subsequent financial years, computed separately for each insurance contract using the daily pro rata method, adjusted if necessary to reflect any variation in the incidence of risk during the period covered by the contract.

(iii) Claims incurred and provision for insurance claims

Claims incurred in respect of general reinsurance business comprise claims and claims handling expenses paid during the financial period together with the movement in the provision for insurance claims.

Provision for claims (incurred but not reported ("IBNR") or loss reserves) are established as advised by appointed claims reviewer and loss reserve specialist.

Whilst the directors consider that the provision are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made, and disclosed separately if material. The methods used, and the estimates made, are reviewed regularly.

2.5 Financial instruments

The Company recognises a financial asset or a financial liability in its statement of financial position when the Company becomes party to the contractual provisions of the instrument.

<u>Effective interest method</u>

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period/year. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

2. Summary of significant accounting policies (Continued)

2.5 Financial instruments (Continued)

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables and debt investments issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the 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 and 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

Non-derivative 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 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.

Financial assets at amortised cost

A financial asset is subsequently measured at amortised cost if the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at FVTPL

A financial asset is subsequently measured at FVTPL if the financial asset is a financial asset held for trading, is not measured at amortised cost or at FVOCI, or is irrevocably elected at initial recognition to be designated FVTPL if, by designating the financial asset as FVTPL, eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Gains or losses are recognised in profit or loss.

2. Summary of significant accounting policies (Continued)

2.5 Financial instruments (Continued)

(ii) Classification and subsequent measurement (Continued)

Non-derivative financial assets (Continued)

<u>Financial assets: Business model assessment</u>

The 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 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 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.

Non-derivative 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 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 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 Company's claim to cash flows from specified assets (e.g. non-recourse features).

2. Summary of significant accounting policies (Continued)

2.5 Financial instruments (Continued)

(ii) Classification and subsequent measurement (Continued)

Non-derivative financial assets (Continued)

Non-derivative 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 impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Non-derivative 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 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. Directly attributable transaction costs are recognised in profit or loss as incurred.

Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They 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.

(iii) Derecognition

Financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the financial asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and recognises a collateralised borrowing for the proceeds receivables.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company 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.

2. Summary of significant accounting policies (Continued)

2.6 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company 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.

2.7 Impairment

Non-derivative financial assets

The Company recognises loss allowances for expected credit losses (“ECLs”) on financial assets measured at amortised costs.

Loss allowances of the Company are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Simplified approach

The Company applies the simplified approach to provide for ECLs for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General approach

The Company applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Company assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is 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 Company 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 Company’s historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

2. Summary of significant accounting policies (Continued)

2.7 Impairment (Continued)

Non-derivative financial assets (Continued)

General approach (Continued)

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

- the debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

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

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at 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 Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

In determining whether financial assets are credit-impaired, the Company assesses whether 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 debtor;
- Breach of contract, such as a default or being more than 365 days past due;
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for the financial asset because of financial difficulties.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

2.8 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks that are readily convertible to known amounts of cash.

2.9 Provisions

Provisions are recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be measured reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

2. Summary of significant accounting policies (Continued)

2.9 Provisions (Continued)

The amount recognised as a provision in the best estimate of the consideration required to settle the present obligation at the end of the financial period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss as they arise.

A provision is recognised for onerous contracts when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it and is measured at the lower of the cost of fulfilling it and any expected cost of terminating it. In determining the cost of fulfilling the contract, the Company includes both the incremental costs and an allocation of others costs that relate directly to fulfilling contracts. Before a separate provision for an onerous contract is established, the Company recognises any impairment loss that has occurred on assets used in fulfilling the contract.

2.10 Revenue recognition

(i) Premium income

The accounting policy in relation to earned premiums from insurance contracts is disclosed in Note 2.4(i).

(ii) Dividend income

Dividend income is recognised in profit or loss on the date on which the Company's right to receive payment is established.

2.11 Related party

A related party is defined as follows:

a) A person or a close member of that person’s family is related to the Company if that person:

(i) Has control or joint control over the Company;
(ii) Has significant influence over the Company; or
(iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

b) An entity is related to the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

2. Summary of significant accounting policies (Continued)

2.11 Related party (Continued)

A related party is defined as follows: (Continued)

b) An entity is related to the Company if any of the following conditions applies: (Continued)

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
(vi) The entity is controlled or jointly controlled by a person identified in (a).
(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of that Company.

3. Critical accounting judgements and key sources of estimation uncertainty

The Company made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources in the application of the Company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors that are considered to be reasonable under the circumstances. Actual results may differ from the estimates.

3.1 Critical judgements made in applying the Company's accounting policies

Determination of function currency

In determining the functional currency of the Company, judgement is required to determine the currency that mainly influences sales prices of goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its services. The functional currency of the Company is determined based on the local management's assessment of the economic environment in which the entity operates and its process of determining sales prices.

3.2 Key sources of estimation uncertainty

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Fair value of financial assets and liabilities

When the fair values of financial assets and liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using a variety of valuation techniques that included the use of valuation models. The inputs to these models are taken form the observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Refer to Note 18 to the financial statements for the management's assessment of the fair value of financial assets and liabilities.

4. Claims development

A claims development table discloses unpaid claims estimates into a context, allowing comparison of the development claims for provisions with those seen in previous years. The table will provide a review of current estimates of cumulative claims and demonstrates how the estimated claims have changed at subsequent accident year-ends.

While the information in the table provides a historical perspective on the adequacy of unpaid claims estimate established in previous years, users of these financial statements are cautioned against extrapolating redundancies or deficiencies of the past on current unpaid loss balances.

The directors of the Company believe that the estimates of total claims outstanding as at the reporting date are adequate. However, due to the inherent uncertainties in the reserving process, it cannot be assured that such balances will ultimately prove to be adequate.

The Company has received an update of an Event in respect of severe hail storms in France on 23 December 2022 from the Reinsured, MMA IARD SA, MAAF Assurances SA and GMF Assurances, and Ceding Reinsurer, Hannover Rück SE. This Notice reported net losses resulting from the hail storms of approximately €104,600,000 net of deductibles, as at 31 October 2022. The Notice does not represent any obligation or claim against the Company.

As at the reporting date, no notice was served in relation to estimated loss reserve or loss payment amounts. Given the net losses noted in the Notice remains below the Company’s attachment level of €450,000,000 for Class A and not covered under Class B, no loss reserve has been established in this regard.

5. Gross written premiums

	02/11/2021 to 31/12/2022 EUR
Reinsurance premium assumed	11,035,202

6. Net investment expense

	02/11/2021 to 31/12/2022 EUR
Interest income from European Bank for Reconstruction and Development (“EBRD”) Notes	598,230
Investment return to Noteholders	(9,083,326)

7. Profit before income tax

In addition to the charges disclosed elsewhere in the notes to the financial statements, the following charges were included in the determination of profit before income tax:

	02/11/2021 to 31/12/2022 EUR
Professional fees	1,538,429
Travel expenses	512
Incorporation expenses	61,368
Audit fee	20,939
Directors' fees	19,584
Directors' & Officers' insurance premium	28,220
Fee paid to a firm in which a director is a member	31,508

8. Income tax expense

	02/11/2021 to 31/12/2022 EUR
Profit before income tax	242,434
Income tax at statutory rate (17%)	41,214
Less: Effects of tax incentive scheme	(41,214)
Total income tax expense	-

The Company has been approved under the tax incentive scheme for special purpose vehicle engaged in asset securitisation transaction with effect from 19 November 2021.

9. Financial assets at fair value through profit or loss

Financial assets designated at fair value through profit or loss comprises:

	2022 EUR
Current investments	
European Bank for Reconstruction and Development ("EBRD") Notes	154,817,640

The Company has used the proceeds from the sale of the Variable Rate Notes (Note 13) to purchase EBRD Notes, which are deposited in the applicable Collateral Account. Investment in EBRD Notes are purchased with total consideration of €154,817,640 but not at par value of €153,000,000 EBRD Notes.

Following the purchase of EBRD Notes and until the agreed applicable redemption date, each Collateral Account is expected to contain only the applicable investment in EBRD Notes unless such investment are redeemed early.

9. Financial assets at fair value through profit or loss (Continued)

When the EBRD Notes are redeemed, the cash proceeds of such a redemption will be deposited in the applicable Collateral Account. The financial assets are collateral for the Variable Rate Notes in issue of the Company and any funds made available through their disposal will be used to repay the principal and accrued interest of the Variable Rate Notes.

The directors estimate that the fair value of EBRD Notes as at 31 December 2022 was consistent to their carrying amount.

The EBRD Notes are Level 2 financial instrument (Note 18).

10. Prepayments and other receivables

	2022 EUR
Investment income receivable	570,690
Prepayments	5,642
GST recoverable	14,955
	591,287

The currency profile of the prepayments and other receivables as at 31 December are as follows:

	2022 EUR
Euro	570,690
Singapore dollar	20,597
	591,287

11. Insurance receivable

	2022 EUR
Reinsurance balance receivable	2,381,316

The ageing of insurance receivable at the reporting date was as follows:

	2022 EUR
Current	2,381,316

At the reporting date, there are no provisions made for impairment losses on insurance receivable as management has assessed each receivable individually and have determined that no specific allowance is necessary.

Insurance receivable is denominated in Euro.

12. Cash and cash equivalents

	2022 EUR
Cash at bank	34,402

The currency profile of the Company's cash and cash equivalents as at 31 December are as follows:

	2022 EUR
Euro	20,443
Singapore dollar	13,959
	34,402

13. Variable notes payable

	2022 EUR
Designated at FVTPL	
Variable Rate Notes	154,817,640

Aside from the initial issuance on 2 December 2021, there have been no movements in the current period, no changes in unrealised fair value nor additions or redemptions.

On 2 December 2021, the Company issued €100,000,000 Class A and €53,000,000 Class B Principal-at-Risk Variable Rate Notes with the consideration of €101,188,000 and €53,629,640 respectively due on 15 January 2026. The Notes issued by the Company are with limited recourse to certain assets of the Company. Noteholders will only have recourse to the Collateral Account and Collateral Payment Account relating to the Class A and B Notes. In addition to the covered perils associated with the Retrocession Agreement, the Noteholders are exposed to the credit risk of MMA IARD SA, MAAF Assurances SA and GMF Assurances (as Reinsured), Hannover Rück SE (as Ceding Reinsurer) and The Bank of New York Mellon (as Indenture Trustee).

Due to the limited recourse of the Variable Rate Notes, the repayment of the principal and accrued interest of the Notes is dependent upon funds being available to meet such liabilities as they fall due. If the Company has insufficient funds available for the purpose of redeeming the principal outstanding on any class of notes in full or interest thereon, such amounts shall not be payable to the Noteholders.

The fair value of Notes is calculated by adding the nominal value of the Variable Rate Notes and the unrealised fair value adjustment on financial assets, which is €Nil as at 31 December 2022 (Note 9).

The Variable Rate Notes are Level 3 financial instruments (Note 18).

14. Unearned premium reserves

	2022 EUR
Provision for unearned premiums	433,387

Analysis of movements in provision for unearned premiums

	Gross and net EUR
At 2 November 2021 (date of incorporation)	-
Movements for the financial period	433,387
At 31 December 2022	433,387

15. Accrued expenses and other payables

	2022 EUR
Investment return to Noteholders	2,272,578
Accrued expenses	45,578
	2,318,156

The currency profile of accrued expenses and other payables as at 31 December are as follows:

	2022 EUR
Euro	2,272,578
United States dollar	18,588
Singapore dollar	26,990
	2,318,156

16. Share capital

	2022	
	No. of ordinary shares	EUR
Issued and fully paid, with no par value		
At 2 November 2021 (date of incorporation) and at 31 December 2022	20,000	13,028

The holders of the ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

16. Share capital (Continued)

Capital risk management

The Company's objectives when managing capital are:

- to comply with the insurance capital requirements required by the Singapore insurance regulator;
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders; and
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

The Company is required, at all times it carries on insurance businesses, to meet and maintain the relevant fund solvency and capital adequacy requirements as prescribed under the Act and relevant regulations. There is no change in the Company's approach to capital management during the period.

17. Financial instruments and financial risks

Strategy in using financial instruments

The principal activity of the Company is limited to placing Windstorm and Hail Storm risks with the capital markets. The risks are assumed by the Company under a retrocession agreement with Hannover Rück SE. The Company has issued Variable Rate Notes in order to obtain funds to support the obligations under the reinsurance agreement to make certain payments to Hannover Rück SE .

The financial liabilities provided the funding to purchase the Company's investment in financial assets at FVPTL. Financial assets and liabilities represent the majority of the assets and liabilities of the Company. The Company has purchased EBRD Notes as a means of investing the proceeds of the Variable Rates Notes issued.

The strategies used by the Company in achieving its objectives regarding the use of the financial assets and liabilities were established when the Company entered into the transactions. The Company has attempted to match the properties of its financial liabilities to its assets to avoid the risk generated by mismatches of investment performance against its obligations.

The Company's activities expose it to event risk, credit risk, market risks (including foreign currency risk and interest rate risk) and liquidity risk. The Company's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Company's financial performance.

Event risk

The Company has issued Variable Rate Notes in order to obtain fund to support its obligations under the reinsurance agreement to make certain payments to Hannover Rück SE. As a result of the reinsurance agreement in place, the Company and holders of the Notes issued by the Company are at risk in the event that the Windstorm and Hail Storm risks occurs during the risk period, which exceeds the event attachment points or the even reset attachment points. The Company will be required to make payments to Hannover Rück SE in the event of a Windstorm and Hail Storm loss as set forth in a Net of Loss Payment exceeding the Event Attachment Level or the Event Reset Attachment Level.

17. Financial instruments and financial risks (Continued)

Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Company. Key areas where the Company is exposed to credit risk are:

- Financial assets at fair value through profit and loss;
- Insurance receivable; and
- Cash and cash equivalents;

The above represents the Company's maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk.

There are policies in place to identify whether the debtors have adequate financial standing and have appropriate credit history.

The financial assets at FVTPL are investments placed in EBRD and has a high credit rating of "AAA" by Standard & Poor's.

At end of the reporting period, there are no past due or impaired receivables.

Cash and cash equivalents were held with one financial institution, thereby exposing the Company to significant concentrations of credit risk. However, management consider that the high credit rating of "A-1" by Standard & Poor's of the financial institution has reduced the risk to an acceptable level.

Foreign currency risk

Foreign currency risk arises from transactions denominated in currencies other than the functional currency of the Company. The Company has no significant foreign currency exchange rate risk as its financial assets and liabilities are substantially denominated in Euro. Hence, no disclosure on sensitivity analysis for changes in foreign exchange rate as the effect is not significant.

Interest rate risk

The Company's exposure to market risk for changes in interest rates relates primarily to its investment in EBRD Notes and Variable Rate Notes. The Company has cash balances and investments placed in EBRD Notes, which has a credit rating of "AAA" by Standard & Poor's.

At the reporting date, the Company's exposure to interest rate risk is not significant.

Liquidity risk

The Company is exposed to calls on its available cash resources mainly from claims arising from insurance contracts. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Company's ability to meet its funding requirements is managed by maintaining sufficient cash and bank deposits, as well as investments.

The Company's main liabilities are the outstanding claims (if any), repayment of interest and principal on its variable rate notes.

The directors do not foresee any issues in meeting the Company's claim obligations (if any) as its maximum exposure is limited to the liquidation proceeds of the permitted investments held in the collateral trust account. The risk is managed by maintaining the investment.

The contractual maturities of financial liabilities as at the reporting date is current. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting arrangements (if any).

18. Fair value of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents and insurance receivable and other receivables approximate their respective fair values due to the relative short term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to the financial statements.

The fair values of applicable financial assets and financial liabilities are determined as follows:

a) the fair values of financial assets and financial liabilities with standard terms and conditions and which trade in active liquid markets are determined with reference to quoted market prices (Level 1 of fair value hierarchy).
b) in the absence of quoted market prices, the fair values of the other financial assets and financial liabilities (excluding derivative instruments) are determined using the other observable inputs such as quoted prices for similar assets/liabilities in active markets, quoted prices for identical or similar assets/liabilities in non-active markets or inputs other than quoted prices that are observable for the asset or liability (Level 2 of fair value hierarchy).
c) in the absence of observable inputs, the fair values of the remaining financial assets and financial liabilities (excluding derivatives instruments) are determined in accordance with generally accepted pricing models (Level 3 of fair value hierarchy).
d) the fair value of derivative instruments are calculated using quoted prices (Level 1 of fair value hierarchy). Where such prices are unavailable, discounted cash flow analysis is used, based on the applicable yield curve of the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives (Level 3 of fair hierarchy).

	Note	Level 1 EUR	Level 2 EUR	Level 3 EUR
31 December 2022				
Financial assets				
Financial assets at fair value through profit and loss:				
- Investment in EBRD Notes		-	154,817,640	-
Financial liabilities				
Financial liabilities at fair value through profit and loss:				
- Variable Rate Notes		-	-	154,817,640

The fair value of the assets has been determined at consideration paid for the investment in EBRD due to the fact that the EBRD Notes may be wholly or partially redeemed at consideration paid or any EBRD coupon payment date prior to its scheduled maturity date, upon not less than 5 business days following the delivery of notice to redemption date. If other independent prices were available for the financial instruments or different assumptions were used, the valuations may be different from those presented and these differences could be material. Therefore, the realisable value of the financial instruments may differ significantly from the fair value recorded. The outcome of these uncertainties cannot at present be determined.

The fair value of the Variable Rate Notes for the purpose of these accounts has been assessed as equal to the proceeds from the issuance of Notes and the unrealisable fair value adjustment on financial asset. As noted, redemption, and therefore redeemable value of the Notes, is linked to the funds available upon redemption of the Variable Rate Notes. If other independent prices were available for the financial instruments or different assumptions were used, the valuations may be different from those presented and these differences could be material. Therefore, the realisable value of the financial instruments may differ significantly from the fair value recorded. The outcome of these uncertainties cannot at present be determined.

18. Fair value of financial assets and financial liabilities (Continued)

Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the statement of financial position are as follows:

	Note	Mandatorily at FVTPL EUR	At amortised cost EUR	Other financial liabilities EUR	Total carrying amount EUR
2022					
Financial assets					
Financial assets at FVTPL	9	154,817,640	-	-	154,817,640
Investment income receivable	10	-	570,690	-	570,690
Insurance receivable	11	-	2,381,316	-	2,381,316
Cash and cash equivalents	12	-	34,402	-	34,402
		154,817,640	2,986,408	-	157,804,048
Financial liabilities					
Variable notes payable	13	154,817,640	-	-	154,817,640
Accrued expenses and other payables	15	-	2,318,156	-	2,318,156
		154,817,640	2,318,156	-	157,135,796

19. Related parties

Transactions with key management personnel

The key management personnel of the Company comprised directors and their fees are as disclosed under Note 7.

In the reporting period, the Company had no employees as the operational management, accounting and administrative functions are provided by an administrator.

Other related party transactions

Other than as disclosed elsewhere in the financial statements, there were no significant transactions between the Company and its related corporations or related parties.

20. Comparative figures

No comparative figures are presented as this is the first set of the Company's financial statements since incorporation.