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

DIRECTORS' STATEMENT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

MAZARS LLP
Public Accountants and
Chartered Accountants
Singapore

HEXAGON III RE PTE. LTD.

DIRECTORS' STATEMENT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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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 year ended 31 December 2023.

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 2023, and of the financial performance, changes in equity and cash flows of the Company for the financial year ended 31 December 2023 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
Nisala Weerasooriya (Appointed on 4 April 2023)

3. Arrangements to enable directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year 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 year 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 year.

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

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

6. Auditors

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

On behalf of the directors

DocuSigned by:
Nisala
021ED60361544D3...

Nisala Weerasooriya
Director

DocuSigned by:
0BC7494E1BD6433...

Stephen John Tunstall
Director

Singapore
31 May 2024

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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 2023, 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 year ended 31 December 2023, and notes to the financial statements, including a summary of material 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 2023 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current financial year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	**How our audit addressed the Key Audit Matter**
Valuation of insurance contract liabilities – liability for incurred claims Refer to the following notes in the financial statements: Note 2.4 *Insurance contracts accounting treatment*, Note 3 *Critical accounting judgements and key sources of estimation uncertainty.* As at 31 December 2023, the Company has €Nil (2022: €Nil) balance for insurance contract liabilities – liability for incurred claims.	Our audit procedures included, and were not limited to, the following: • understood the actuarial valuation process for insurance contract liabilities – liability for incurred claims. • obtained the confirmation from the independent qualified claims reviewer and the cedant on whether any claim event has occurred during the financial year; and • assessed the appropriateness of the disclosures in the financial statements.

Report on the Audit of Financial Statements (Continued)

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.

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.

Report on the Audit of Financial Statements (Continued)

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

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.

- 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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current financial year and are therefore the key audit matter. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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
31 May 2024

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	01/01/2023 to 31/12/2023 EUR	02/11/2021 (Date of incorporation) to 31/12/2022 EUR (Restated)
Insurance revenue		8,343,484	10,601,815
Insurance service result	5	8,343,484	10,601,815
Investment income from European Bank for Reconstruction and Development ("EBRD") Notes	6	5,132,059	598,230
Investment return to Noteholders	6	(12,915,678)	(9,083,326)
Administration expenses		(265,966)	(1,874,285)
Profit before income tax	7	293,899	242,434
Income tax expense	8	-	-
Profit for the financial year/period, representing total comprehensive income for the financial year/period		293,899	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 2023

	Note	2023 EUR	2022 EUR (Restated)
ASSETS			
Financial assets at fair value through profit or loss	9	154,270,092	154,817,640
Prepayments and other receivables	10	2,140,747	591,287
Insurance contract assets	11	1,679,346	1,947,929
Cash and cash equivalents	12	560,694	34,402
Total current assets		158,650,879	157,391,258
LIABILITIES AND EQUITY			
LIABILITIES			
Variable notes payable	13	154,270,092	154,817,640
Accrued expenses and other payables	14	3,831,426	2,318,156
Total current liabilities		158,101,518	157,135,796
EQUITY			
Share capital	15	13,028	13,028
Retained earnings		536,333	242,434
Total equity		549,361	255,462
Total liabilities and equity		158,650,879	157,391,258

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 YEAR ENDED 31 DECEMBER 2023

	Share capital EUR	Retained earnings EUR	Total EUR
At the date of incorporation (Note 15)	13,028	-	13,028
Profit for the period, representing total comprehensive income for the financial period (Restated)	-	242,434	242,434
Balance at 31 December 2022 (Restated)	13,028	242,434	255,462
Profit for the year, representing total comprehensive income for the financial year	-	293,899	293,899
Balance at 31 December 2023	13,028	536,333	549,361

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 YEAR ENDED 31 DECEMBER 2023

	Note	01/01/2023 to 31/12/2023 EUR	02/11/2021 (Date of incorporation) to 31/12/2022 EUR (Restated)
Operating activities			
Profit before income tax		293,899	242,434
Adjustments for:			
Investment income from Money Market Funds	6	(5,132,059)	(598,230)
Investment return to Noteholders	6	12,915,678	9,083,326
Operating cash flows before changes in working capital		8,077,518	8,727,530
Changes in working capital:			
Insurance contract assets		268,583	(1,947,929)
Prepayments and other receivables		(567,200)	(20,597)
Accrued expenses and other payables		(3,402)	45,578
Net cash generated from operating activities		7,775,499	6,804,582
Cash flow from investing activities			
Interest received		4,149,799	27,540
Purchase of investments		-	(154,817,640)
Net cash generated from/(used in) investing activities		4,149,799	(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		(11,399,006)	(6,810,748)
Net cash flow (used in)/generated from financing activities		(11,946,554)	148,019,920
Net increase in cash and cash equivalents		526,292	34,402
Cash and cash equivalents at beginning of financial year/ date of incorporation		34,402	-
Cash and cash equivalents at end of financial year/period	12	560,694	34,402

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

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

		Financing cash outflow	Non-cash movement	
	1 January 2023 EUR	Investment return paid to Noteholders EUR	Investment return to Noteholders EUR	31 December 2023 EUR
Investment return to Noteholders				
2023	2,272,578	(11,399,006)	12,915,678	3,789,250
2022 (Restated)	-	(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.

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

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 year 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 year ended 31 December 2023 were authorised for issue by the Board of Directors on the date of the directors’ statement.

2. Summary of material 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 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 year, 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 year.

FRS issued and effective for the financial year

The Company adopted the amendments to FRS 1 and FRS Practice Statement 2: Disclosure of Accounting Policies in the current financial year. The amendments require the disclosure of “material” instead of “significant” accounting policy information and provides guidance to assist the entity in providing useful, entity-specific accounting policy information for the users’ understanding of the financial statements. Accordingly, management had reviewed the accounting policies and updated the information disclosed in Note 2 Summary of material accounting policies in line with the amendments.

2. Summary of material accounting policies (Continued)

2.1 Basis of preparation (Continued)

FRS issued but not yet effective

At the date of authorisation of these financial statements, the following FRS that are relevant to the Company were issued but not yet effective:

FRS	**Title**	**Effective date (Annual periods beginning on or after)**
FRS 1	Amendments to FRS 1: Classification of Liabilities as Current or Non-current	1 January 2024

The Directors expect that the adoption of the new standards above will not have any material impact on the financial statements in the year of initial application.

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 year/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 year/period.

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.

Deferred tax is calculated at the tax rates that are expected to apply in the year/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. Summary of material accounting policies (Continued)

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 year, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the financial year. 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 year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the financial year 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 Insurance contracts accounting treatment

FRS 117 *Insurance Contracts ("FRS 117")*

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 groups of insurance contracts based on fulfillment cash flows. It changes the recognition and measurement of insurance contracts and the corresponding presentation and disclosures of the Company's financial statements.

The Company has restated 2022 comparative information using transitional provisions.

i. Definition and Classification

Contracts under which the Company accepts significant insurance risk are classified as insurance contracts. Insurance contracts also expose the Company to financial risk.

Insurance contracts may be issued by the Company. All references in these accounting policies to "insurance contracts" include contracts issued by the Company, unless otherwise stated.

Contracts that have a legal form of insurance but do not transfer significant insurance risk and expose the Company to financial risk are classified as investment contracts, and they follow financial instruments accounting under FRS 109 *Financial Instruments* ("FRS 109").

The Company's insurance contract issued is measured under the PAA model. The PAA is an optional simplified measurement model in FRS 117 that is available for insurance contracts that meet the eligibility criteria. This approach is used for the Company's insurance contract, because the contract has a coverage period of one year or less, or the PAA provides a measurement which is not materially different from that under the general measurement models.

2. Summary of material accounting policies (Continued)

2.4 Insurance contracts accounting treatment

ii. Premium Allocation Approach ("PAA") model

The Company assessed that PAA model is eligible to be applied to the insurance contract issued and held as the insurance contract has characteristics such as an annual reset clause in which the Reset Agent will use the applicable updated data of the exposure projections to losses from named Windstorm and Hail Storm and Models to perform calculation and analysis 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.

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.

iii. Full retrospective approach

FRS 117 requires an entity to use the same systematic and rational method expected to be used post transition to allocate any insurance acquisition cash flows paid (or for which a liability has been recognised applying another FRS standard) before the transition date to groups of insurance contracts recognised at transition date and after the transition date.

The full retrospective approach has been applied for the Company.

The adoption of FRS 117 did not have a material impact on the financial performance and position of the Company. The Company has restated comparative information for the financial period ended 31 December 2022 applying the transitional provisions to FRS 117. The nature and effects of the changes in the Company's accounting policies are summarised below.

2. Summary of material accounting policies (Continued)

2.4 Insurance contracts accounting treatment (Continued)

iii. Full retrospective approach (Continued)

With the adoption of the FRS 117 retrospectively, the restatement is as follows:

	As at 31 December 2022 As previously reported	Effect of application FRS 117	As at 1 January 2023 Restated
	EUR	EUR	EUR
Assets			
Insurance receivables	2,381,316	(2,381,316)	-
Insurance contract assets	-	1,947,929	1,947,929
Total effect on assets		**(433,387)**	
Liabilities			
Unearned premium reserves	433,387	(433,387)	-
Total effects on liabilities		**(433,387)**	
Equity			
Retained earnings	242,434	-	242,434
Total effects on equity		-	

iv. 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.

<u>Insurance contracts</u>

Insurance contracts are aggregated into groups for measurement purposes. Groups of insurance contracts are determined by identifying portfolios of insurance contracts, each comprising contracts subject to similar risks and managed together, and dividing each portfolio into a minimum of:

(i) contracts that are onerous at initial recognition;
(ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or
(iii) remaining group of contracts.

These groups represent the level of aggregation at which insurance contracts are initially recognised and measured. The profitability groupings are not reassessed under subsequent remeasurement.

2. Summary of material accounting policies (Continued)

2.4 Insurance contracts accounting treatment (Continued)

v. Onerous contract

The Company has assessed the historical performance of the contract in order to conclude whether it should be classified as loss making. Based on the contracts written, identified and analysed, it is determined that none of the contracts were priced from the outset on a loss-making basis hence it is assumed that there is no onerous contracts. In addition, the Company is structured to be fully funded.

vi. Recognition

The Company recognises groups of insurance contracts issued from the earliest of the following dates:

- The beginning of the coverage period of the group of contracts;
- The date when the first payment from a policyholder in the group becomes due (in the absence of a contractual due date, this is deemed to be when the first payment is received); and
- The date when a group of contracts becomes onerous.

vii. 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.

viii. Risk Adjustment

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows and reflects the compensation the Company requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Company fulfils insurance contracts.

For those that are eligible for the PAA model, the risk adjustment valuation may therefore only be required for Liability for Incurred Claims ("LIC").

For insurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Company to the reinsurer.

There are three methodologies for the calculation of the Risk Adjustment for products similar to the ones underwritten by the Company:

- Value at risk ("VaR")
- Tail value at risk ("TVaR")
- Cost-of-capital ("CoC")

2. Summary of material accounting policies (Continued)

2.4 Insurance contracts accounting treatment (Continued)

viii. Risk Adjustment (Continued)

The VaR approach is frequently used for internal economic capital calculations. This method uses a percentile of the loss distribution at which it is indifferent between a set of expected cash flows and the set of insurance cash flows. In cases where there are no notified losses and no losses expected to incur within the covered layer, no LIC risk adjustment shall be established.

Confidence level

For risk adjustment, the Company selects confidence level so that there is a certain probability of the reserves being sufficient. The Confidence level is commensurate to the Company's risk appetite.

The Company determined risk adjustment confidence level at the 75th percentile.

ix. Measurement

General Measurement Model ("GMM") is the default model for all insurance contracts unless they have direct participation features or the contract is eligible for, and the entity elects to apply, the PAA model.

Given that 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 on an annual basis, the contract is eligible to apply the PAA model.

On initial recognition of insurance contracts, the Company measures the asset/liability for remaining coverage ("ARC/LRC") at the amount of premiums received.

Premiums due to the Company for insurance contract services already provided in the period but not yet received at the end of the reporting period are included in the ARC/LRC. The carrying amount of the ARC/LRC at the end of each subsequent reporting period represents the carrying amount at the start of the reporting period adjusted for the premiums received in the period and the amount recognised as insurance revenue for insurance contract services provided in that period.

Insurance acquisition cash flows are expensed as incurred.

For insurance contracts issued, the carrying amount of the LIC is measured applying the PAA model, except that:

- For claims that the Company expects to be paid within one year or less from the date of incurrence, the Company does not adjust future cash flows for the time value of money and the effects of financial risks; and

- For claims expected to take more than one year to settle are discounted applying the discount rate at the time the incurred claim is initially recognised.

In measuring the LIC, judgement is applied in determining the risk adjustment for non-financial risk.

2. Summary of material accounting policies (Continued)

2.4 Insurance contracts accounting treatment (Continued)

ix. Measurement (Continued)

Applying the PAA, the insurance revenue is measured at the amount allocated from the expected premium receipts. The allocation is done on the basis of the passage of time. The Company applies judgement in determining the basis of allocation.

When facts and circumstances indicate that a group of insurance contracts has become onerous, the Company will perform a test for onerousness. If the amount of the fulfilment cash flows exceeds the carrying amount of the ARC/LRC, the Company recognises the amount of the difference as a loss in profit or loss and increases the ARC/LRC for the corresponding amount.

x. 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 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.

xi. Insurance revenue

As the Company provides insurance contract services under the insurance contracts, it reduces the ARC/LRC and recognises insurance revenue. The amount of insurance revenue recognised in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration that the Company expects to be entitled to in exchange for those services.

For groups of insurance contracts measured under the PAA, the Company recognises insurance revenue based on the seasonality over the coverage of a group of contracts.

2. Summary of material accounting policies (Continued)

2.4 Insurance contracts accounting treatment (Continued)

xii. Insurance service expenses

Insurance service expenses include the following:

- Incurred claims and benefits, excluding investment components reduced by loss component allocations;
- Other incurred directly attributable expenses;
- Insurance acquisition cash flows amortisation;
- Adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein;
- Losses on onerous contracts and reversals of such losses; and
- Insurance acquisition cash flows assets impairment.

For contracts measured under the PAA, amortisation of insurance acquisition cash flows is reflected in insurance service expenses based on the passage of time.

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.

Effective interest method

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.

(i) Recognition and initial measurement

Non-derivative financial assets

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.

2. Summary of material accounting policies (Continued)

2.5 Financial instruments (Continued)

(ii) Classification and subsequent measurement

Non-derivative financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost.

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 fair value through other comprehensive income, 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.

Financial assets: Business model assessment

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.

2. Summary of material accounting policies (Continued)

2.5 Financial instruments (Continued)

(ii) Classification and subsequent measurement (Continued)

<u>Financial assets: Business model assessment (Continued)</u>

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).

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.

2. Summary of material accounting policies (Continued)

2.5 Financial instruments (Continued)

(ii) Classification and subsequent measurement (Continued)

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.

2.6 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.

2. Summary of material accounting policies (Continued)

2.6 Impairment (Continued)

Non-derivative financial assets (Continued)

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.

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.

2. Summary of material accounting policies (Continued)

2.6 Impairment (Continued)

Non-derivative financial assets (Continued)

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.

2.7 Cash and cash equivalents

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

2.8 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 material accounting policies (Continued)

2.8 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 carrying amounts of assets and liabilities within the next financial year are discussed below.

Valuation of insurance contract liabilities – liability for incurred claims

Critical accounting judgments in applying the Company's accounting policies are related to the policyholder claims.

The Company's estimates for reported and unreported losses and the resulting provisions are continually reviewed and updated, and adjustments resulting from this review are reflected in the profit or loss. The process relies upon the use of external advisors (loss reserve specialists and loss adjustors) and the assumption that past experience is an appropriate basis for predicting future events.

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.

A claims development table has not been disclosed in the financial statements as there were no claims during the year and therefore no data to be disclosed.

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.

Events notified by the Ceding Insurer

(a) In the financial year ended 31 December 2023, the Company has received an update of an Event in respect of windstorm Ciaran in Europe on 27 December 2023 from the Ceding Reinsurer, Hannover Rück SE. This Notice reported net losses resulting from the windstorm of approximately €25,460,424 net of deductibles, as at 19 December 2023. 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 €35,000,000 for Class B and not covered under Class A, no loss reserve has been established in this regard.

(b) In the financial year ended 31 December 2022, 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 31 December 2022, 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. There was no development on the event for the financial year ended 31 December 2023.

5. Insurance service result

	01/01/2023 to 31/12/2023 EUR	02/11/2021 (Date of incorporation) to 31/12/2022 EUR (Restated)
Insurance revenue		
Contracts measured under PAA	8,343,484	10,601,815

6. Net investment expense

	01/01/2023 to 31/12/2023 EUR	02/11/2021 (Date of incorporation) to 31/12/2022 EUR
Interest income from European Bank for Reconstruction and Development ("EBRD") Notes	5,132,059	598,230
Investment return to Noteholders	(12,915,678)	(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:

	01/01/2023 to 31/12/2023 EUR	02/11/2021 (Date of incorporation) to 31/12/2022 EUR
Professional fees	111,774	1,538,429
Travel expenses	-	512
Incorporation expenses	-	61,368
Audit fee	20,588	20,939
Directors' fees	17,432	19,584
Directors' & Officers' insurance premium	31,213	28,220
Fee paid to a firm in which a director is a member	30,618	31,508

8. Income tax expense

	01/01/2023 to 31/12/2023 EUR	02/11/2021 (Date of incorporation) to 31/12/2022 EUR
Profit before income tax	293,899	242,434
Income tax at statutory rate (17%)	49,963	41,214
Less: Effects of tax incentive scheme	(49,963)	(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:

	2023 EUR	2022 EUR
Current investments		
European Bank for Reconstruction and Development ("EBRD") Notes	154,270,092	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.

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 2023 was consistent to their carrying amount.

The EBRD Notes are Level 2 financial instrument (Note 17).

10. Prepayments and other receivables

	2023 EUR	2022 EUR (Restated)
Investment income receivable	1,552,950	570,690
Prepayments	31,811	5,642
GST recoverable	23,121	14,955
Other receivable	532,865	-
	2,140,747	591,287

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

	2023 EUR	2022 EUR (Restated)
EUR	2,095,825	570,690
Singapore dollar	43,261	20,597
United States dollar	1,661	-
	2,140,747	851,287

11. Insurance contract assets

	2023 EUR	2022 EUR
Insurance contract assets – ARC/LRC PAA	1,679,346	1,947,929

Reconciliation of the assets/liabilities for remaining coverage

	ARC 2023 EUR	ARC 2022 EUR (Restated)
Balance at 1 January/2 November 2021 (date of incorporation)	1,947,929	-
Insurance revenue	8,343,484	10,601,815
Total changes in statement of profit or loss and other comprehensive income	8,343,484	10,601,815
Premiums received	(8,612,067)	(8,653,886)
Total cash flows	(8,612,067)	(8,653,886)
Balance at 31 December	1,679,346	1,947,929

12. Cash and cash equivalents

	2023 EUR	2022 EUR
Cash at bank	560,694	34,402

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

	2023 EUR	2022 EUR
EUR	546,968	20,443
Singapore dollar	13,726	13,959
	560,694	34,402

13. Variable notes payable

	2023 EUR	2022 EUR
Designated at FVTPL		
Variable Rate Notes	154,270,092	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.

13. Variable notes payable (Continued)

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 2023 (2022: €Nil).

The Variable Rate Notes are Level 3 financial instruments (Note 17).

14. Accrued expenses and other payables

	2023 EUR	2022 EUR (Restated)
Investment return to Noteholders	3,789,250	2,272,578
Accrued expenses	42,176	45,578
	3,831,426	2,318,156

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

	2023 EUR	2022 EUR (Restated)
EUR	3,789,924	2,274,189
United States dollar	895	1,613
Singapore dollar	40,607	42,354
	3,831,427	2,318,156

15. Share capital

	2023	2022	2023	2022
	No. of ordinary shares		EUR	EUR
Issued and fully paid, with no par value				
At beginning/ 2 November 2021 (date of incorporation) and end of the financial year/period	20,000	20,000	13,028	13,028

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

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 year.

16. 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.

16. Financial instruments and financial risks (Continued)

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.

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;
- other receivables; 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.

Market risk

<u>Foreign currency risk</u>

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 EUR. Hence, no disclosure on sensitivity analysis for changes in foreign exchange rate as the effect is not significant.

<u>Interest rate risk</u>

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 net exposure to interest rate risk is not significant.

16. Financial instruments and financial risks (Continued)

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 amounts are gross and undiscounted and include contractual interest payments and exclude the impact of netting arrangements (if any).

17. Fair value of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents 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).

The fair value of investment in EBRD Notes and Variable Rate Notes are disclosed in Note 9 and Note 13 respectively.

The fair value of the assets has been determined at consideration paid for the investment in EBRD Notes 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.

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

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.

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	At FVTPL EUR	At amortised cost EUR	Other financial liabilities EUR	Total carrying amount EUR
2023					
Financial assets					
Financial assets at FVTPL	9	154,270,092	-	-	154,270,092
Other receivables (excluding prepayments and GST recoverable)	10	-	2,085,815	-	2,085,815
Insurance contract assets	11	-	1,679,346	-	1,679,346
Cash and cash equivalents	12	-	560,694	-	560,694
		154,270,092	4,325,855	-	158,595,947
Financial liabilities					
Variable notes payable	13	154,270,092	-	-	154,270,092
Accrued expenses and other payables	14	-	3,831,426	-	3,831,426
		154,270,092	3,831,426	-	158,101,518
2022 (Restated)					
Financial assets					
Financial assets at FVTPL	9	154,817,640	-	-	154,817,640
Other receivables (excluding prepayments and GST recoverable)	10	-	570,690	-	570,690
Insurance contract assets	11	-	1,947,929	-	1,947,929
Cash and cash equivalents	12	-	34,402	-	34,402
		154,817,640	2,553,021	-	157,370,661
Financial liabilities					
Variable notes payable	13	154,817,640	-	-	154,817,640
Accrued expenses and other payables	14	-	2,318,156	-	2,318,156
		154,817,640	2,318,156	-	157,135,796

18. 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 year/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.

19. Comparative figures

The previous financial period comprises 14 months from 2 November 2021 to 31 December 2022 as compared to current financial year which comprises 12 months from 1 January 2023 to 31 December 2023.