Trinitas Euro CLO I Designated Activity Company (formerly MacKay Shields EURO CLO-1 Designated Activity Company)

Directors' Report and Audited Financial Statements
for the financial year ended 31 December 2022

Contents

Company Information

Directors	Rolando Ebuna (Irish) Máiréad Lyons (Irish)
Company Secretary	Cafico Secretaries Limited
Company Registration Number	632897
Registered Office	2nd Floor Palmerston House Fenian Street Dublin 2 Ireland
Solicitors	Arthur Cox Ten Earlsfort Terrace Dublin 2 Ireland
Bankers	The Bank of New York Mellon London Branch One Canada Square Canary Wharf London United Kingdom E14 5AL
Corporate Services Provider	Cafico Corporate Services Limited Palmerston House Denzille Lane Dublin 2 Ireland
Custodian	The Bank of New York Mellon London Branch One Canada Square Canary Wharf London United Kingdom E14 5AL
Collateral Manager	Whitestar Asset Management LLC 200 Crescent Court Suite 1175, Dallas, Texas 75201 United States
Collateral Administrator	The Bank of New York Mellon SA/NV, Dublin Branch Riverside II Sir John Rogerson's Quay Grand Canal Dock Dublin 2 Ireland

Company Information

Information agent	The Bank of New York Mellon SA/NV, Dublin Branch Riverside II Sir John Rogerson’s Quay Grand Canal Dock Dublin 2 Ireland
Trustee	BNY Mellon Corporate Trustee Services Limited One Canada Square London E14 5AL United Kingdom
Independent Auditor	Ernst & Young EY Building Harcourt Centre 2 Harcourt Street Dublin 2 Ireland

Directors' Report

The directors present the Directors' Report and the audited financial statements of Trinitas Euro CLO I Designated Activity Company (formerly MacKay Shields EURO CLO-1 Designated Activity Company) (the "Company") for the financial year ended 31 December 2022.

Incorporation

The Company was incorporated on 27 August 2018 as a designated activity company under the laws of Ireland with company registration number 632897.

The Company was incorporated as CVP EURO CLO-1 Designated Activity Company. On 12 July 2019, the Company changed its name to MacKay Shields EURO CLO-1 Designated Activity Company and on 4 November 2022 the Company changed its name to Trinitas EURO CLO-1 Designated Activity Company.

Principal activity

The Company was incorporated to participate in a collateralised leverage transactions whereby the Company will issue notes and use the proceeds to acquire an investment portfolio of senior loans, senior secured bonds, mezzanine obligations and high yield bonds (the "Investment Portfolio") which was managed by MacKay Shields Europe Investment Management Limited until 30 December 2021 and then managed by Whitestar Asset Management LLC (the "Collateral Manager") from 30 December onward.

On 6 November 2019 (the "Issue Date"), the Company issued the following notes (the "Notes") which are listed on the Global Exchange Market of Euronext Dublin.

Note Classes	Maturity date	Initial stated interest rate	Alternative stated interest rate (a)	S&P initial credit rating	Principal amount €
Class A	20 October 2032	3 month EURIBOR + 0.93%	6 month EURIBOR + 0.93%	AAA	217,000,000
Class B	20 October 2032	3 month EURIBOR +1.80%	6 month EURIBOR +1.80%	AA	35,000,000
Class C	20 October 2032	3 month EURIBOR + 2.60%	6 month EURIBOR + 2.60%	A	21,000,000
Class D	20 October 2032	3 month EURIBOR + 4.05%	6 month EURIBOR + 4.05%	BBB	24,500,000
Class E	20 October 2032	3 month EURIBOR + 6.55%	6 month EURIBOR + 6.55%	BB	17,500,000
Class F	20 October 2032	3 month EURIBOR + 9.06%	6 month EURIBOR + 9.06%	B	9,500,000
Subordinated Notes	20 October 2032	n/a	n/a	NR	34,300,000
					358,800,000

(a) Applicable at all times following the occurrence of a frequency switch event (the "Frequency Switch Event") as defined in the offering memorandum of the Notes.

Interest on the subordinated notes are determined based on the extent funds available in accordance with the priority of payments.

Payment of interest on the Subordinated Notes will be made on an available funds basis in accordance with the priorities of payment.

Interest on the Notes will be payable quarterly in arrears on 20 April, 20 July, 20 October and 20 January other than following the occurrence of a Frequency Switch Event and semi-annually in arrears (as described in the offering memorandum of the Notes) following the occurrence of a Frequency Switch Event.

Directors' Report

BNY Mellon Corporate Trustee Services Limited (the "Trustee") was appointed as the trustee to the Noteholders under the deed of trust (the "Trust Deed") and The Bank of New York Mellon SA/NV, Dublin Branch was appointed as the collateral administrator.

The Notes are limited recourse obligations of the Company which are payable solely out of amounts received by or on behalf of the Company in respect of the assets which are pledged to the Trustee for the benefit of the secured parties under the Trust Deed. The net proceeds of the realisation of the security over the assets may be insufficient to pay all amounts due to the Noteholders after making payments to other creditors of the Company ranking prior thereto or pari passu therewith. In the event of a shortfall in such proceeds, the Company will not be obliged to pay, and the other assets of the Company will not be available for payment of such shortfall, all claims and obligations in respect of which shall be extinguished.

Results and dividends

The results for the financial year and the Company's financial position at the end of the financial year are disclosed in the statement of comprehensive income and the statement of financial position, respectively.

The Company's profit for the financial year before taxation amounted to €1,000 (2021: €1,000). No interim dividends were paid during the financial year (2021: Nil). No dividends were recommended by the directors (2021: Nil).

Business review

Key performance indicators

The Company’s key financial indicators during the financial year are as follows:

	for the year ended 31 Dec 2022 €	for the year ended 31 Dec 2021 €
Financial performance		
Interest income on financial assets designated at fair value through profit or loss	14,041,601	12,417,560
Interest expense on financial liabilities designated at fair value through profit or loss	(11,434,943)	(11,086,119)
Net (loss)/gain on financial assets at fair value through profit or loss	(24,586,003)	2,714,648
Net fair value gain/(loss) on financial liabilities designated at fair value through profit or loss	23,504,983	(1,899,668)
Operating profit before taxation	1,000	1,000

At financial year-end, the Company did not fail any collateral quality test and there has been no defaults during the financial year. Interest income has increased from the prior year while interest expense has remained consistent.

The interest income on investments and the interest expense on the Company has increased by 13% and 3% respectively due to an increase in interest rates during the financial year

In comparison to the prior year, the Company has recognised a loss on financial assets designated at fair value through profit or loss amounting to €24,586,003 (2021: gain of €2,714,648) and a gain on financial liabilities designated at fair value through profit or loss €23,504,983 (2021: loss of €1,899,668). This is due to the fact that market prices have fallen due to a number of macro economic factors.

Further details relating to the performance of the Company are detailed in the notes to the financial statements.

Directors' Report

Principal risks and uncertainties
The Company invests in financial assets with certain risk characteristics subject to the Company's investment policies, restrictions and guidelines. There can be no assurance that the Company's investments will be successful, its investment objectives will be achieved, that the Noteholders will receive the full amounts payable by the Company under the Notes or that they will receive any return on their investment in the Notes. Adverse market and economic conditions may impact the availability of investment opportunities to the Company, investor base, as well as liquidity and value of the Company's existing investments. The Company is also dependent on the ability of the Collateral Manager in successfully pursuing its investment objectives, maximising its returns, and identifying and managing the risks to the Company's business.

Starting in 2022, the global financial markets have experienced significant volatility resulting from a military conflict commenced when Russia invaded Ukraine. The impact on the global economy and financial markets will largely depend on the duration of the conflict.

The Company has no direct exposure to Russia or Ukraine, however, as the situation is ongoing and may continue to adversely affect the global economy, economies of certain nations and individual companies, which may impact the Company's operations. The directors will continue to monitor the situation.

Going concern

The directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company has the resources to continue in business for the foreseeable future. The directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements are prepared on the going concern basis.

Financial instruments
The Company's investment activities exposes it to various types of financial risk which are associated with the use of financial instruments. The main risks arising from the Company's financial instruments are market risk (including foreign exchange risk, interest rate risk, and price risk), liquidity risk and credit risk.

The Company's objectives for the use of financial instruments and its financial risk management policies are set out in note 14 of the financial statements.

Directors of the Company
The directors, who held office at any time during the financial year, were as follows:

Rolando Ebuna

Máiréad Lyons

Jonathan Webster (Alternate director) (appointed 31 March 2022 and resigned 4 April 2022)

Officers' interests
The directors and the Company Secretary at the end of the financial year have no interest in shares or debentures of the Company at the beginning of the financial year (or, when he or she became a director) or at the end of the financial year.

Máiréad Lyons and Rolando Ebuna are directors of the Company and are also directors of Cafico Corporate Services Limited (the "Corporate Services Provider") and as such have an interest in the transactions between the Company and the Corporate Services Provider.

Accounting records
The measures taken by the directors to ensure compliance with the requirements of section 281 to 285 of the Companies Act 2014 (the "Act") with regard to keeping of accounting records, are the employment of appropriately qualified accounting personnel and the maintenance of computerised accounting systems. The Company's accounting records are maintained at the Company's registered office at 2nd Floor, Palmerston House, Fenian Street, Dublin 2, Ireland.

Directors' compliance policy statement
The directors of the Company who held office at the date of approval of these financial statements are responsible for securing the Company's compliance with its relevant obligations.

The directors confirm that the following matters have been done under section 225(2) of the Act in fulfilling its responsibilities

Directors' Report

- drawing up of a compliance policy statement setting out the Company's policies (that, in the opinion of the directors, are appropriate to the Company) respecting compliance by the company with its relevant obligations;
- putting in place appropriate arrangements or structures (that, in the opinion of the directors) are, designed to secure material compliance with the Company's relevant obligations; and
- conducting a review during the financial year of any arrangements or structures that have been put in place.

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's Auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

This confirmation is given and should be interpreted in accordance with the provisions of section 330 of the Act.

Subsequent events

There are no significant events after the balance sheet date that require adjustment to, or disclosure in the financial statements.

Appointment of Independent Auditor

PwC was the Company's auditor for the financial period ended 31 December 2021. PwC resigned as the Company's auditor in accordance with Section 400 of the Act. Ernst & Young, has been appointed on 19 May 2023 as the auditor of the Company in accordance with Section 383(1) and have expressed their willingness to continue in office in accordance with Section 383 (2) of the Act.

Approved by the Board on 6 October 2023 and signed on its behalf by:

....	....
Rolando Ebuna	Máiréad Lyons
Director	Director

Directors' Responsibility Statement

The directors acknowledge their responsibilities for preparing these Financial Statements in accordance with applicable law and regulations.

Irish company law requires the directors to prepare financial statements for each financial period. Under that law, the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. Under Irish company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the Company's assets, liabilities and financial position as at the end of the financial year and of the profit or loss of the Company for the financial year.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRS as adopted by the European Union have been followed, and ensure that they contain the additional information required by the Companies Act 2014; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for ensuring that the Company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the Company, enable at any time the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy, enable them to ensure that the financial statements and Directors' Report comply with the Companies Act 2014 and enable the financial statements to be audited.

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

Approved by the Board on 6 October 2023 and signed on its behalf by:

....	....
Rolando Ebuna	Máiréad Lyons
Director	Director

Independent Auditor's Report to the Members of Trinitas Euro CLO I Designated Activity Company (formerly MacKay Shields EURO CLO-1 Designated Activity Company)

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....
(Senior Statutory Auditor)
For and on behalf of Ernst & Young, Statutory Auditor

EY Building
Harcourt Centre
2 Harcourt Street
Dublin 2
Ireland

6 October 2023

Statement of Comprehensive Income
for the financial year ended 31 December 2022

	Note	for the year ended 31 Dec 2022 €	for the year ended 31 Dec 2021 €
Interest income		14,041,601	12,417,560
Other income		564,575	277,650
Net (loss)/gain on financial assets at fair value through profit or loss	5	(24,586,003)	2,714,648
Net fair value gain/(loss) on financial liabilities at fair value through profit or loss	9	23,504,983	(1,899,668)
Administrative expenses	6	(2,089,213)	(2,423,071)
Finance cost			
Interest expense on financial liabilities designated at fair value through profit or loss	4	(11,434,943)	(11,086,119)
Operating profit before taxation		1,000	1,000
Tax charge	7	(250)	(250)
Profit for the financial year		**750**	**750**
Other comprehensive income		-	-
Total comprehensive income		**750**	**750**

The above results were derived from continuing operations.

Statement of Financial Position
as at 31 December 2022

	Note	as at 31 Dec 2022 €	as at 31 Dec 2021 €
A S S E T S			
Current assets			
Financial assets at fair value through profit or loss	8	320,915,777	354,976,274
Interest receivable on financial assets at fair value through profit or loss		2,108,288	1,522,584
Cash and cash equivalents		7,855,241	6,274,823
Receivable for investments sold		2,488,868	11,175,776
Other assets	10	2,004	48,944
Total assets		**333,370,178**	**373,998,401**
EQUITY AND LIABILITIES			
Equity			
Share capital	13	1	1
Retained earnings		3,250	2,500
Total equity		3,251	2,501
Non-current liabilities			
Financial liabilities designated at fair value through profit or loss	9	325,792,202	349,297,186
Current liabilities			
Payable for investments purchased		5,018,028	23,048,517
Interest payable on notes	9	2,232,560	1,238,660
Other payables	12	324,137	411,537
		7,574,725	24,698,714
Total liabilities		333,366,927	373,995,900
Total equity and liabilities		**333,370,178**	**373,998,401**

Approved by the Board on 6 October 2023 and signed on its behalf by:

....
Rolando Ebuna
Director

Máiréad Lyons
....
Máiréad Lyons
Director

The notes on pages 18 to 40 form an integral part of these Financial Statements.

Statement of Changes in Equity
for the financial year ended 31 December 2022

	Share capital €	Retained earnings €	Total €
At 1 January 2021	1	1,750	1,751
Total comprehensive income	-	750	750
At 31 December 2021	**1**	**2,500**	**2,501**
Total comprehensive income	-	750	750
At 31 December 2022	**1**	**3,250**	**3,251**

The notes on pages 18 to 40 form an integral part of these Financial Statements.

Statement of Cash Flows
for the financial year ended 31 December 2022

	Note	for the year ended 31 Dec 2022 €	for the year ended 31 Dec 2021 (Restated) €
Cash flows from (used in) operating activities			
Profit for the financial year		750	750
Adjustments to cash flows from non-cash items			
Fair value (gain)/loss on financial assets at FVTPL	8, 5	22,090,635	(375,982)
Interest income on investments		(14,041,601)	(12,417,560)
Interest expense on the Notes	4	11,434,943	11,086,119
Net unrealised fair value (gain)/loss on the Notes	9	(23,504,983)	1,899,668
Income tax expense	7	250	250
Realised (loss)/gain on investments	5	2,495,368	(2,338,666)
		(1,524,638)	(2,145,421)
Working capital adjustments			
Decrease in other payables	12	(87,400)	(10,798)
Decrease/(increase) in other receivables	10	46,939	(56,131)
Purchase of financial assets at FVTPL		(53,517,488)	(154,866,376)
Redemption of financial assets at FVTPL	8	13,309,079	74,466,270
Sale of financial assets at FVTPL		40,339,322	71,392,162
Net cash used in operations		(1,434,186)	(11,220,294)
Income taxes paid		(250)	(250)
Interest received		13,455,897	12,824,132
Net cash flows from operating activities		12,021,461	1,603,588
Cash flows from financing activities			
Interest paid	9	(10,441,043)	(11,086,120)
Net cash flows used by financing activities		(10,441,043)	(11,086,120)
Net increase/(decrease) in cash and cash equivalents		1,580,418	(9,482,532)
Cash and cash equivalents, beginning		6,274,823	15,757,355
Cash and cash equivalents, ending		**7,855,241**	**6,274,823**

The notes on pages 18 to 40 form an integral part of these Financial Statements.

Notes to the Financial Statements for the financial year ended 31 December 2022

1 General information

Trinitas Euro CLO I Designated Activity Company (formerly MacKay Shields EURO CLO-1 Designated Activity Company) (the "Company") was incorporated on 27 August 2018 as a private limited liability company under the laws of Ireland with company registration number 632897.

The Company was incorporated as CVP EURO CLO-1 Designated Activity Company. On 12 July 2019, the Company changed its name to Mackay Shields EURO CLO-1 Designated Activity Company and on 4 November 2022 the Company changed its name to Trinitas EURO CLO-1 Designated Activity Company.

The Company was incorporated to participate in a collateralised leverage transactions whereby the Company will issue notes and use the proceeds to acquire an investment portfolio of senior loans, senior secured bonds, mezzanine obligations and high yield bonds (the “Investment Portfolio”) which was managed by MacKay Shields Europe Investment Management Limited until 30 December 2021 and then managed by Whitestar Asset Management LLC (the “Collateral Manager”) from 30 December onward.

As discussed in note 9, on 6 November 2019, the Company issued the Notes amounting to €358.8 million which are listed on the Global Exchange Market of Euronext Dublin.

2 Accounting policies

Statement of compliance

The Company's financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") including standards and interpretations issued by the International Accounting Standards Board and Irish statute comprising the Companies Act (the "Act").

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied for the financial period unless otherwise stated.

Change in presentation in the Statement of Cash Flows

In line with IAS 7, paragraph 15, and IAS 8, paragraph 42, the Company has corrected the presentation of purchase, redemption and sale of financial assets at FVTPL after considering the changes in the related receivable from investments sold and the gain/ loss on sales and payable for investments purchased from cash flows from/used in investing activities to cash flows from/used in operating activities in the Statement of Cash Flows for the period ended 31 December 2022. The impact of correcting the cash flow classification resulted in a decrease in the net cash flows from operating activities and a similar offsetting amount on the investing activities of €7,953,869. The reclassification affected the presentation of the Statement of Cash Flows only.

Basis of preparation

The financial statements have been prepared in accordance with IFRS as adopted by the EU and under the historical cost convention except for financial assets at fair value through profit or loss and financial liabilities designated at fair value through profit and loss which are measured at fair value.

The preparation of financial statements in conformity with IFRS as adopted by the EU requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The critical accounting judgments and key management's estimates adopted by the Company in preparing these financial statements are disclosed in note 3.

These financial statements are presented in Euro ("€") which is the Company's functional currency being the currency of the Company's primary economic environment.

Notes to the Financial Statements for the financial year ended 31 December 2022

2 Accounting policies (continued)

Going concern

The directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company has the resources to continue in business for the foreseeable future. The directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements are prepared on the going concern basis. Please refer to note 14 for information in relation to liquidity risks and how these are managed by the Company.

New standards, interpretations and amendments effective

None of the standards, interpretations and amendments effective for the first time from 1 January 2022 have had a material effect on the financial statements.

New standards, interpretations and amendments not yet effective

The following newly issued but not yet effective standards, interpretations and amendments, which have not been applied in these financial statements, will or may have an effect on the Company's financial statements in the future:

Description	Effective date
Definition of Accounting Estimates- Amendments to IAS 8	1 January 2023
Disclosure of Accounting Policies- Amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023
Classification of Liabilities as Current or Non-Current- Amendments to IAS 1	1 January 2024*
Supplier Finance Arrangement - Amendments to IAS 7 and IFRS 7	1 January 2024*

* These standards have not yet been adopted by the EU.

Where new requirements are endorsed the EU effective date is disclosed. For un-endorsed standards and interpretations, the IASB's effective date is noted. Where any of the upcoming requirements are applicable to the Company, it will apply them from their EU effective date.

The Directors have considered the new standards, amendments and interpretations that are issued but not yet effective up to the date of issuance of the Company's financial statements and do not plan to adopt these standards early. The application of all of these standards, amendments or interpretations have been considered in detail in advance of the confirmation effective date by the Company, with no material impact anticipated for financial statements.

Financial instruments

Financial assets

The Company's classification of financial assets is driven by the business model in which the asset is managed and their cash flow characteristics. The Company classifies its financial assets in the following measurement categories:

• amortised cost;
• fair value through other comprehensive income ("FVOCI"); and
• fair value through profit or loss ("FVTPL")

Amortised cost

Financial assets that are held for collection of contractual cash flows and with cash flows representing solely payments of principal and interest, and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets are adjusted by any expected credit loss allowance and the interest income from these financial assets is recognised in the statement of comprehensive income using the effective interest method. Classified under this category are cash and cash equivalents, interest receivable, receivable for investments sold.

Notes to the Financial Statements for the financial year ended 31 December 2022

2 Accounting policies (continued)

Fair value through other comprehensive income

Financial assets that are held for collection of contractual cash flows and for selling the assets, and with cash flow representing solely payments of principal and interest and that are not designated at FVTPL, are measured at fair value through other comprehensive income. Movements in the fair value of the financial instruments are recognised in the other comprehensive income, except for the recognition of impairment gain or loss, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in the statement of comprehensive income. The Company currently has no assets classified under this category.

Fair value through profit or loss

Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. Gain or loss on a financial instrument that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in the statement of comprehensive income within the net income. Classified under this category are the investments in debt securities.

Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets is based on quoted market prices at the close of trading on the reporting date. The Company utilises the bid traded market price for both financial assets and financial liabilities.

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent ordinary transactions between market participants, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

Where available, the fair value of financial assets at fair value through profit and loss is based on their quoted market mid prices at the period end date without any deduction for estimated future selling costs. Reference is also made to independently available market prices from sources such as Markit.

When these instruments are not measured at the quoted price in an active market they are valued using observable inputs, initially sourcing broker quotes received from Markit and, where this data does not yield a reliable market price, utilising appropriate valuation techniques of the Collateral Manager.

Impairment of financial assets

The Company assesses on a forward-looking basis the expected credit losses ("ECL") associated with any financial assets carried at amortised cost. The Company recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; time value of money; and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expires, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised in the Statement of Financial Position.

Notes to the Financial Statements for the financial year ended 31 December 2022

2 Accounting policies (continued)

Financial liabilities

Financial liabilities designated at fair value through profit or loss

Financial liabilities held by the Company are designated at fair value through profit or loss upon initial recognition when they eliminate or significantly reduce an accounting mismatch which would otherwise arise in relation to the measurement of related financial assets. Financial liabilities are also designated at fair value if it contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract. Subsequent changes in the fair value of the financial instrument is recognised in the statement of comprehensive income except for those that are attributable to changes in credit risk of that financial instrument, which is recognised in other comprehensive income.

Valuation process for financial liabilities at fair value through profit or loss

The Notes are unsecured limited recourse obligations and therefore, if the net proceeds from the liquidation of the collateral obligations and debt securities available to unsecured creditors of the Company are less than the aggregate amount payable by the Company to the instrument holder in respect to its obligations under the Notes, the obligation of the Company in respect of the Notes will be reduced to such amount of the net proceeds in accordance with the terms and conditions of the Notes. In this regard, the Company values the Notes as equal to the value of the assets of the Company reduced by the other liabilities of the Company.

Other liabilities

Other liabilities include all financial liabilities that are not held for trading or designated at fair value through profit or loss. Included in this category are interest payable, other payables and accrued expenses. Other liabilities are recognised initially at fair value being their issue proceeds (fair value of consideration received) plus transaction cost incurred. Borrowed amounts are subsequently measured at amortised cost, any difference between the proceeds net of transaction cost and the redemption value is recognised in the Statement of Comprehensive Income over the term of the financial liability using the effective interest method.

Derecognition of financial liabilities

The Company derecognises financial liabilities when its contractual obligations are discharged, cancelled or expired.

Income and expense

Interest income and expense on financial instruments at fair value through profit or loss are recognised using the nominal interest rate. Interest on the subordinated notes is determined in accordance with the interest proceeds priority of payments as set out in the prospectus. Payment of coupon on the subordinated notes will only be made to the extent of the funds available after payments of expenses and interest on Class A to F Notes, as set out in this priority of payments, regardless of the amount accrued during an accounting period.

Other income

Other income included in the statement of comprehensive income associated to the financial assets in respect of delayed compensation, miscellaneous fees and ticking fees paid.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at the exchange rate at the reporting date. Foreign exchange gains and losses resulting from the translation to the exchange rate at the reporting date or resulting from the settlement of such transactions are recognised in the statement of comprehensive income.

Tax

The tax expense for the financial year comprises of current tax. Tax is recognised in the Statement of Comprehensive Income, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Notes to the Financial Statements for the financial year ended 31 December 2022

2 Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Other income

Other income includes delayed compensation and upfront fees. Delayed compensation relates to the cost of carry between trade date and settlement date of a financial asset trade while upfront fees relates to income receivable as reimbursement of costs incurred for a financial asset trade. All other income is recognised on an earned basis in accordance with the amount stated in the contracts.

3 Critical accounting judgments and key sources of estimation uncertainty

The preparation of the financial statements in conformity with IFRS as adopted by the EU requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the financial period in which the estimates are revised if the revision affects only that financial period or in the financial period of the revision and future financial period if the revision affects both current and future periods. The key area of estimate and judgement for the Company is determining the fair value of financial assets and liabilities and they are discussed below.

Designating financial instruments at fair value through profit or loss

As discussed in note 8, the Company has designated the Notes as financial liabilities at fair value through profit or loss. The Company considers that such designation will significantly reduce the accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising gains and losses on them on different basis.

Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses its judgment to select a variety of methods and valuation techniques. This judgment is based on the type of financial instruments held, associated risks and cost of fair valuing such instruments.

4 Interest expense on financial liabilities designated at fair value through profit or loss

The account consists of:

	for the year ended 31 Dec 2022 €	**for the year ended 31 Dec 2021 €**
Interest expense on the rated notes	7,326,085	6,319,793
Interest expense on the subordinated notes	4,108,858	4,766,326
	11,434,943	**11,086,119**

Notes to the Financial Statements
for the financial year ended 31 December 2022

5 Net gain/(loss) on financial assets at fair value through profit or loss

	for the year ended 31 Dec 2022 €	for the year ended 31 Dec 2021 €
Net unrealised fair value (loss)/gain on investments	(22,090,635)	375,982
Realised (loss)/gain on investments	(2,495,368)	2,338,666
	(24,586,003)	**2,714,648**

6 Administrative expenses

	for the year ended 31 Dec 2022 €	for the year ended 31 Dec 2021 €
Collateral management fees	1,706,493	1,675,851
Professional fees	160,107	236,670
Collateral administration fees	62,017	36,378
Custodian and trustee fees	42,082	68,001
Audit and tax fees	25,250	47,469
Corporate administration fees	23,912	24,902
Legal fees	10,579	13,196
Foreign exchange	(6,636)	351
Other expense	65,409	320,253
	2,089,213	**2,423,071**

Under the collateral management agreement, the Collateral Manager is due to receive the following collateral management fees:

- Senior Collateral Management Fee equal to 0.15 per cent. per annum of the aggregate collateral balance calculated quarterly (or semi-annually after the occurrence of a Frequency Switch Event) on the basis of a 360-day year and the actual number of days elapsed in such due period.
- Subordinated Collateral Management Fee of 0.35 per cent. was amended on 6 April 2020 to 0.25 per annum of the aggregate collateral balance calculated quarterly (or semi-annually after the occurrence of a Frequency Switch Event) on the basis of a 360-day year and the actual number of days elapsed in such due period.
- Incentive collateral management fee wherein the Collateral Manager will be entitled to an incentive fee on each interest payment date on which the Incentive Collateral Management Fee IRR Threshold has been met or surpassed, equal to 20.0 per cent of any interest proceeds and principal proceeds (after any payment required to satisfy the Incentive Collateral Management Fee IRR Threshold that would otherwise be available to distribute to the Subordinated Noteholders). The Incentive Collateral Management Fee IRR Threshold as at the issue date is 12.0 per cent.

The Collateral Administrator is due a collateral administrator fee of 0.01 per cent based on the aggregate note balance subject to a minimum amount of €26,500. The Collateral Administrator also acts as the custodian, account bank and calculation agent for which it is due a fee of 0.01 per cent of the aggregate note issuance outstanding subject to a minimum amount of €23,500.

Notes to the Financial Statements for the financial year ended 31 December 2022

6 Administrative expenses (continued)

6.1 Directors' remuneration

Cafico Corporate Services Limited ("Cafico"), in accordance with the corporate services agreement with the Company makes available persons providing qualifying services of a director as defined under section 305 (3) of the Act to the Company.

Máiréad Lyons, Rolando Ebuna and Jonathan Webster serve as directors of the Company and are also employees of Cafico and are solely remunerated by Cafico as employees. The estimated aggregate value of the provision of qualifying services of directors of the Company in accordance with section 305 of the Act amounted to €10,000.

The directors did not receive any remuneration during the financial year (2021: Nil). This disclosure is provided to comply with the requirements of the Act and represent an aggregate estimate of cost of providing the qualifying services to the Company.

6.2 Auditors' remuneration (including expenses and excluding VAT)

Information required by Section 322(1) of the Companies Act 2014 is as follows:

	for the year ended 31 Dec 2022 €	**for the year ended 31 Dec 2021 €**
Audit of the financial statements	19,000	32,000
Tax compliance services	6,250	5,000
	25,250	**37,000**

The auditors remuneration for the year ended 31 December 2022 relates to the Company's current auditor, Ernst & Young (2021: relates to the previous auditor, PWC).

Notes to the Financial Statements for the financial year ended 31 December 2022

7 Taxation

Tax charged in the statement of comprehensive income consists of:

	for the year ended 31 Dec 2022 €	for the year ended 31 Dec 2021 €
Current taxation		
Corporation tax for the financial year	250	250
Tax expense in the statement of comprehensive income	**250**	**250**

The tax assessed for the financial year is higher than the standard rate of corporation tax in the Republic of Ireland of 12.5% (2021 - 12.5%).

The Company is a qualifying company within the meaning of Section 110 of the Taxes Consolidation Act (the "TCA") 1997. As such, the profits of the Company are chargeable to corporation tax under Case III Schedule D of the TCA at the rate of 25% but are computed in accordance with the provisions applicable to Case I Schedule D of the TCA.

The difference between the corporate tax charge based on the standard income tax rate in Ireland and the Company's effective tax rate is shown below:

	for the year ended 31 Dec 2022 €	for the year ended 31 Dec 2021 €
Profit before tax	1,000	1,000
Profit before tax multiplied by the standard rate of corporation tax in the Republic of Ireland of 12.5%	125	125
Effect of higher tax rate applicable under Section 110 TCA 1997 (at 12.5%)	125	125
Total tax charge	**250**	**250**

8 Financial assets at fair value through profit or loss

The account consists of:

	as at 31 Dec 2022 €	as at 31 Dec 2021 €
Debt securities	320,915,777	354,976,274
	320,915,777	**354,976,274**

The movement of the account is as follows:

Notes to the Financial Statements
for the financial year ended 31 December 2022

8 Financial assets at fair value through profit or loss (continued)

	as at 31 Dec 2022 €	as at 31 Dec 2021 €
Beginning balance	354,976,274	346,646,423
Purchases during the financial year	35,486,999	156,826,910
Disposals during the financial year	(34,147,782)	(74,406,771)
Paydowns during the financial year	(13,309,079)	(74,466,270)
Unrealised fair value (loss)/gain on financial assets	(22,090,635)	375,982
	320,915,777	**354,976,274**

The investment portfolio primarily consist of senior loans, senior secured bonds, mezzanine obligations and high yield bonds denominated in Euro.

9 Financial liabilities designated at fair value through profit or loss

On 6 November 2019 (the "Issue Date"), the Company issued the following notes (the "Notes") which are listed on the Global Exchange Market of Euronext Dublin.

Note Classes	Maturity date	Initial stated interest rate	Alternative stated interest rate (a)	Notional amount €	as at 31 Dec 2022 Principal amount €	as at 31 Dec 2021 Principal amount €
Class A	20 October 2032	3 month EURIBOR + 0.93%	6 month EURIBOR + 0.93%	217,000,000	217,000,000	217,000,000
Class B	20 October 2032	3 month EURIBOR +1.80%	6 month EURIBOR +1.80%	35,000,000	35,000,000	35,000,000
Class C	20 October 2032	3 month EURIBOR + 2.60%	6 month EURIBOR + 2.60%	21,000,000	21,000,000	21,000,000
Class D	20 October 2032	3 month EURIBOR + 4.05%	6 month EURIBOR + 4.05%	24,500,000	24,500,000	24,500,000
Class E	20 October 2032	3 month EURIBOR + 6.55%	6 month EURIBOR + 6.55%	17,500,000	16,975,000	16,975,000
Class F	20 October 2032	3 month EURIBOR + 9.06%	6 month EURIBOR + 9.06%	9,500,000	9,025,000	9,025,000
Subordinated Notes	20 October 2032	n/a	n/a	34,300,000	31,312,470	31,312,470
Unrealised gain at principal amount				-	(29,020,268)	(5,515,284)
				358,800,000	**325,792,202**	**349,297,186**

(a) Applicable at all times following the occurrence of a frequency switch event (the "Frequency Switch Event") as defined in the offering memorandum of the Notes.

Notes to the Financial Statements for the financial year ended 31 December 2022

9 Financial liabilities designated at fair value through profit or loss (continued)

Interest on the Notes will be payable quarterly in arrears on 20 April, 20 July, 20 October and 20 January other than following the occurrence of a Frequency Switch Event and semi-annually in arrears (as described in the offering memorandum of the Notes) following the occurrence of a Frequency Switch Event.

The subordinated notes have no stated interest rate. Payments on the subordinated notes will be made by the Company to the extent of available funds and no payments thereon will be made until the payment of certain fees and expenses have been made and until interest on the more senior notes has been paid in accordance with the priorities of payment as described in the offering memorandum.

The stated maturity date of the Notes is 20 October 2032. The Notes however are subject to optional redemption, mandatory redemption and special redemption as described in the offering memorandum.

BNY Mellon Corporate Trustee Services Limited (the "Trustee") was appointed as the trustee to the Noteholders under the deed of trust (the "Trust Deed").

The Notes are limited recourse obligations of the Company which are payable solely out of amounts received by or on behalf of the Company in respect of the assets which are pledged to the Trustee for the benefit of the secured parties under the Trust Deed. The net proceeds of the realisation of the security over the assets may be insufficient to pay all amounts due to the Noteholders after making payments to other creditors of the Company ranking prior thereto or pari passu therewith. In the event of a shortfall in such proceeds, the Company will not be obliged to pay, and the other assets of the Company will not be available for payment of such shortfall, all claims and obligations in respect of which shall be extinguished.

At 31 December 2022, Notes issued includes net fair value gain of €29,709,893 (2021: gain of €5,515,284). The changes in fair value of Notes issued is predominantly attributable to the change in fair value of the Company's financial assets at FVTPL due to the limited recourse arrangement in place. Net fair value gain/loss is allocated to the subordinated class of notes.

As at 31 December 2022, the outstanding interest payable on the Notes amounts to €2,232,560 (2021: €1,238,660). The interest was accrued on Class A to F Notes and no interest accrued for the Subordinated Notes.

The movements of the account are as follows:

	as at 31 Dec 2022 €	**as at 31 Dec 2021 €**
Opening Balance	349,297,186	347,397,518
Fair value	(23,504,984)	1,899,668
End of the financial year	**325,792,202**	**349,297,186**

Changes in liabilities arising from financing activities:

			Non-cash movements		
	1 January 2022	**Interest paid**	**Interest accrued**	**Fair value movement**	**as at 31 Dec 2022 €**
Financial liabilities at FVTPL	349,297,186	-	-	(23,504,984)	325,792,202
Interest payable	1,238,660	(10,441,043)	11,434,943	-	2,232,560
End of the financial year	**350,535,846**	**(10,441,043)**	**11,434,943**	**(23,504,984)**	**328,024,762**

Notes to the Financial Statements for the financial year ended 31 December 2022

9 Financial liabilities designated at fair value through profit or loss (continued)

Changes in liabilities arising from financing activities:

	1 January 2021	Interest paid	Non-cash movements: Interest accrued	Non-cash movements: Fair value movement	as at 31 Dec 2021 €
Financial liabilities at FVTPL	347,397,517	-	-	1,899,669	349,297,186
Interest payable	1,238,660	(11,086,119)	11,086,119	-	1,238,660
End of the financial year	**348,636,177**	**(11,086,119)**	**11,086,119**	**1,899,669**	**350,535,846**

10 Other assets

The account consists of:

	as at 31 Dec 2022 €	as at 31 Dec 2021 €
Prepayments	-	23,583
Trade and other receivables	2,004	25,361
	2,004	**48,944**

The carrying amount of the accounts above classified as financial instruments approximates their fair value.

11 Fair value of financial instruments

IFRS 13 ‘Fair Value Measurement’ requires disclosure of fair value measurement by level. The level of fair value hierarchy within the financial assets or financial liabilities is determined on the basis of the lowest level input that is significant to the fair value measurement.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under IFRS 13 are as follows:

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument’s valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The fair values of financial assets and financial liabilities that are traded in active markets are based on prices obtained directly from an exchange on which the instruments are traded or obtained from a broker that provides an unadjusted quoted price from an active market for identical instruments. For all other financial instruments, the Company determines fair values using other valuation techniques.

Notes to the Financial Statements
for the financial year ended 31 December 2022

11 Fair value of financial instruments (continued)

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The Company uses widely recognised valuation models for determining the fair value of common and simple financial instruments, such as interest rate and currency swaps that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities.

The availability of observable market prices and model inputs reduces the need for management judgment and estimation and reduces the uncertainty associated with the determination of fair values. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

Valuation models that employ significant unobservable inputs require a higher degree of management judgment and estimation in the determination of fair value. Management judgment and estimation are usually required for the selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of the probability of counterparty default and prepayments and selection of appropriate discount rates.

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Company believe that a third-party market participant would take them into account in pricing a transaction. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Company and the counterparty where appropriate. For measuring derivatives that might change classification from being an asset to a liability or vice versa, such as interest rate swaps, fair values include adjustment for both own credit risk and counterparty credit risk.

Model inputs and values are calibrated against historical data and published forecasts and, when possible, against current or recent observed transactions and broker quotes. This calibration is inherently subjective and it yields ranges of possible inputs and estimates of fair value, and management judgment is required to select the most appropriate point in the range.

Valuation approach for specific instruments

Investment in loans and corporate bonds

Where available, the fair value of financial assets at fair value through profit and loss is based on their quoted market bid prices at the period end date without any deduction for estimated future selling costs. Reference is also made to independently available market prices from sources such as Markit.

When these instruments are not measured at the quoted price in an active market they are valued using observable inputs, initially sourcing broker quotes received from Markit and, where this data does not yield a reliable market price, utilising appropriate valuation techniques of the Collateral Manager.

To the extent that these inputs are observable, the Company classifies the fair value of these investments as Level 2. Investments in debt securities for which limited broker quotes and for which no other evidence of liquidity exists are classified as Level 3.

Issued Notes designated at fair value through profit or loss

The Notes are unsecured limited recourse obligations and therefore, if the net proceeds from the liquidation of the collateral obligations and debt securities available to unsecured creditors of the Company are less than the aggregate amount payable by the Company to the instrument holder in respect to its obligations under the Notes, the obligation of the Company in respect of the Notes will be reduced to such amount of the net proceeds in accordance with the terms and conditions of the Notes. In this regard, the Company values the Notes as equal to the value of the assets of the Company reduced by the other liabilities of the Company.

The following table shows the analysis of the Company's financial assets and liabilities according to its fair value hierarchy.

Notes to the Financial Statements for the financial year ended 31 December 2022

11 Fair value of financial instruments (continued)

	As at 31 Dec 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
	€	**€**	**€**	**€**
Financial assets at fair value through profit and loss	-	310,701,181	10,214,596	320,915,777
Financial liabilities at fair value through profit and loss	-	-	(325,792,202)	(325,792,202)
	-	**310,701,181**	**(315,577,606)**	**(4,876,425)**

	As at 31 Dec 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
	€	**€**	**€**	**€**
Financial assets at fair value through profit and loss	-	354,095,086	881,188	354,976,274
Financial liabilities at fair value through profit and loss	-	-	(349,297,186)	(349,297,186)
	-	**354,095,086**	**(348,415,998)**	**5,679,088**

The Company also holds financial assets and liabilities measured at amortised costs such as interest receivable, receivable for investments sold, other receivables, cash and cash equivalent, payable for investments purchased, loans payable at amortised cost, interest payable and other payables. The carrying amount of these financial assets and liabilities approximate fair value.

During the financial year, a number of financial assets at FVTPL were transferred from level 2 to level 3 and from level 3 to level 2.

A 5% sensitivity for the level 3 items has been applied by the Company. The transfers between the levels during the financial year amounts to €10,433,866 (2021: €(7,844,142)).

The impact of a 5% movement in the market price of financial assets at FVTPL at level 3 on the statement of comprehensive income is shown as follows:

As at 31 December 2022	**Year ended 31 December 2022**	**Increase by 5%**	**Decrease by 5%**
5% net movement in fair value of assets at FVTPL	10,214,596	510,730	(510,730)
	10,214,596	**510,730**	**(510,730)**

As at 31 December 2021	**Year ended 31 December 2021**	**Increase by 5%**	**Decrease by 5%**
5% net movement in fair value of assets at FVTPL	881,188	44,059	(44,059)
	881,188	**44,059**	**(44,059)**

Notes to the Financial Statements for the financial year ended 31 December 2022

11 Fair value of financial instruments (continued)

The following table shows a reconciliation of all movements in the fair value of financial assets at fair value categorised within Level 3.

	As at 31 Dec 2022 Level 3 €	As at 31 Dec 2021 Level 3 €
Assets		
Opening fair value	881,188	7,844,142
Additions	-	1,000,000
Sales and paydowns	(875,157)	(118,812)
Unrealised gain	218,819	-
Realised loss	(444,120)	-
Transfers in	11,315,054	-
Transfers out	(881,188)	(7,844,142)
Ending fair value	**10,214,596**	**881,188**

12 Other payables

The account consists of:

	as at 31 Dec 2022 €	as at 31 Dec 2021 €
Accruals	323,054	382,921
Other payables	1,083	28,616
	324,137	**411,537**

The carrying amount of the accounts above classified as financial instruments approximates their fair value.

Notes to the Financial Statements for the financial year ended 31 December 2022

13 Share Capital

The Company currently has one share in issue which is held by Cafico Trust Company Limited for charitable purposes.

Authorised shares

		as at 31 Dec 2022		as at 31 Dec 2021
	No.	**€**	**No.**	**€**
Ordinary shares of €1 each	100	100	100	100

Allotted, called-up and fully paid shares

	No.	**€**	**No.**	**€**
Ordinary shares of €1 each	1	1	1	1

The Company currently has one share in issue which is held by Cafico Trust Company Limited for charitable purposes.

The Share capital is not used for financing or investing activities of the Company.

14 Financial risk management

The Company is exposed to various financial risks from the use of financial instruments. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies are reviewed regularly to reflect changes in market conditions and the Company's activities. This note presents information about the Company's exposure to each of the financial risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Company is exposed to (a) credit risk; (b) market risk; (c) liquidity risk; and (d) concentration risk from the use of financial instruments. The Company's exposure and risk mitigation policies are described in this note.

Credit risk and impairment

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company, resulting in a financial loss to the Company. It arises principally from debt securities, derivative financial assets and cash and cash equivalents. For risk management reporting purposes, the Company considers and aggregates all elements of credit risk exposure (such as individual obligation default risk, country risk and sector risk).

Credit risk is monitored on a daily basis by the Collateral Manager in accordance with the policies and procedures in place. The Collateral Manager monitors the Company's concentrations of deposits with counterparties and the credit worthiness of said counterparties. If the credit risk is not in accordance with the investment policy and guidelines of the Company, then the Collateral Manager is obliged to address the impact and to liquidate holdings within a reasonable amount of time.

The Company's credit risk is attributable to its financial assets at fair value through profit or loss, cash and cash equivalents, receivable for investments sold, inter-company receivables and margin account. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The table below shows the Company's maximum exposure to credit risk and concentration of this risk.

Notes to the Financial Statements
for the financial year ended 31 December 2022

14 Financial risk management (continued)

	as at 31 Dec 2022 €	as at 31 Dec 2021 €
Financial assets at fair value through profit or loss	320,915,777	354,976,274
Cash and cash equivalents	7,855,241	6,274,823
Receivable for investments sold	2,488,868	11,175,776
Interest receivable at fair value through profit and loss	2,108,288	1,522,584
Other assets	2,004	25,360
	333,370,178	**373,974,817**

The following table analyses the external ratings of the financial institutions holding cash, collateral deposits, and investment assets on behalf of the Company.

	2022			2021		
	Moody's	**S&P**	**Fitch**	**Moody's**	**S&P**	**Fitch**
Bank of New York Mellon	Aa1	AA-	AA+	Aa1	AA-	AA+

To mitigate credit risk the directors maintain ongoing communications with the Collateral Manager and monitor and review credit analysis of the counterparties and their business and reputation.

Please refer below for analysis of investments held as at 31 December 2022 by Moody's credit rating category:

	31 Dec 2022	31 Dec 2021
B1	20%	26%
B2	46%	41%
B3	15%	17%
Ba1	0%	1%
Ba2	4%	3%
Ba3	10%	9%
Caa1	0%	1%
Caa2	1%	1%
Unrated*	4%	1%
Total	100%	100%

*Unrated relates to portfolio holdings which had no ratings ascribed as at 31 December 2022 and 2021.

The Company's exposure to credit risk also arises in respect to cash and cash equivalents. The Company minimises its surplus operational cash balance by the regular forecasting of cash flow requirements and liability management. Bankruptcy or insolvency of the depositary may cause the entities' rights with respect to the cash held by the depositary to be delayed or limited.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices and includes interest rate risk, currency risk and other price risk.

Management of risk
Market risk is managed and minimised through ensuring that all investment activities are undertaken in accordance with established policy limits and investment strategies.

Notes to the Financial Statements for the financial year ended 31 December 2022

14 Financial risk management (continued)

The Company is subject to investment limits when it holds senior secured loans directly in its portfolio. Each collateral debt obligation must, at the time of entering into a binding commitment to acquire such obligation must satisfy the eligibility criteria as determined by the Collateral Manager in its reasonable discretion and as defined in the prospectus. In addition, the Collateral Manager performs portfolio profile tests and collateral quality tests in purchasing collateral obligations as defined in the prospectus and in the collateral management agreement. These investment limits and criteria amongst others relate to the number of positions held by obligor, industry sector, credit rating and weighted average life and rating of the portfolio.

Price risks

Price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk and currency risk), whether caused by factors specific to an individual investment, its issuer or factors affecting all instruments traded in the market. To manage the price risk, the Collateral Manager ensures that all financial assets acquired are within the eligibility criteria as set out per the offering circular and the relevant portfolio tests are observed. The financial assets are carried at fair value with fair value changes recognised in the Statement of Comprehensive Income, all changes in market conditions will directly affect profit or loss. The market price risk of the financial assets is borne by the holders of financial liabilities issued and thus market price changes have no net impact on the equity or the results of the Company.

Please refer below for sensitivity analysis on the impact on the Statement of Comprehensive Income and net asset value of the Company if the fair value of the financial assets at fair value through profit or loss at the period-end increased or decreased by 10% (2021:10%):

As at 31 December 2022	**Year ended 31 December 2022**	**Increase by 10%**	**Decrease by 10%**
Financial assets at fair value through profit or loss	320,915,777	32,091,578	(32,091,578)
	320,915,777	**32,091,578**	**(32,091,578)**

As at 31 December 2021	**Period ended 31 December 2021**	**Increase by 10%**	**Decrease by 10%**
Financial assets at fair value through profit or loss	354,976,274	35,497,627	(35,497,627)
	354,976,274	**35,497,627**	**(35,497,627)**

The Company's policy requires that the overall market position is monitored by the Collateral Manager and is reviewed by the Board of Directors on an on-going basis. The above sensitivity was deemed as reasonable by management.

Foreign exchange risk

Currency risk is the risk that that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Collateral Manager assesses the foreign exchange risk at investment on an ongoing basis and may choose to utilise appropriate strategies to manage foreign exchange risk using, for example, currency forwards if deemed necessary.

As at 31 December 2022, the Collateral Manager did not believe that the Company had material foreign exchange rate risk as there are only immaterial assets and liabilities denominated in foreign currency.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in the market interest rates. The Company is exposed to the risk that the fair value of its financial instruments will fluctuate as a result of changes in market interest rates. The Company is also exposed to interest rate risk in respect of its cash and cash equivalents.

The Collateral Manager assesses interest rate risk on investments on an ongoing basis and may choose to utilise appropriate strategies to manage interest rate risk, if deemed necessary.

Notes to the Financial Statements for the financial year ended 31 December 2022

14 Financial risk management (continued)

(All amounts in €)

	As at 31 Dec 2022				As at 31 Dec 2021			
	Fixed	Variable	Non-interest bearing	Total	Fixed	Variable	Non-interest bearing	Total
Assets								
Financial assets at fair value through profit or loss	13,583,329	307,332,448	-	320,915,777	15,909,794	339,066,480	-	354,976,274
Interest receivable at fair value through profit and loss	-	-	2,108,288	2,108,288	-	-	1,522,584	1,522,584
Receivable for investments sold	-	-	2,488,868	2,488,868	-	-	11,175,776	11,175,776
Cash and cash equivalents	-	7,855,241	-	7,855,241	-	6,274,823	-	6,274,823
Other assets	-	-	2,004	2,004	-	-	48,944	48,944
	13,583,329	315,187,689	4,599,160	333,370,178	15,909,794	345,341,303	12,747,304	373,998,401
Liabilities								
Financial liabilities designated at fair value through profit or loss	-	(325,792,202)	-	(325,792,202)	-	(349,297,186)	-	(349,297,186)
Other payables	-	-	(324,137)	(324,137)	-	-	(411,537)	(411,537)
Payable for investments purchased	-	-	(5,018,028)	(5,018,028)	-	-	(23,048,517)	(23,048,517)
Interest payable	-	-	(2,232,560)	(2,232,560)	-	-	(1,238,660)	(1,238,660)
	-	(325,792,202)	(7,574,725)	(333,366,927)	-	(349,297,186)	(24,698,714)	(373,995,900)
Net exposure to interest rate risk	**13,583,329**	**(10,604,513)**	**(2,975,565)**	**3,251**	**15,909,794**	**(3,955,883)**	**(11,951,410)**	**2,501**

Sensitivity analysis

A 200 (2021: 200) basis point increase or decrease is considered a reasonably foreseeable change by the Collateral Manager based on the movement in rates in the year.

Any impact is passed on to the noteholders such that there is no impact on the Company.

	as at 31 Dec 2022 €	as at 31 Dec 2021 €
200 basis points net movement in interest rates		
Adjustment to financial assets	6,146,649	6,781,330
Adjustment to interest expense on floating rate notes	(6,515,844)	(6,985,944)
Adjustment to subordinated note interest expense/fair value	369,195	204,614
	-	-

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities as they fall due.

Notes to the Financial Statements for the financial year ended 31 December 2022

14 Financial risk management (continued)

The Company's liquidity is managed on a daily basis by the Manager in accordance with the policies and procedures in place. Since the Company's liability obligations consist of current liabilities related to its standard operating activity, liquidity risk is deemed to be low.

The financial liabilities of the Company comprise Notes, payable for investments purchased and other payables and accrued expenses. The ability of the Company to meet its obligations is dependent on the receipt of interest and principal from its portfolio of investments.

Consequently, in the event of a materially adverse event occurring in relation to the Company or the market generally, the ability of the Company to realise its investment and prevent the possibility of further losses could, therefore, be limited by its restricted ability to realise its investment.

Management of risk
The directors and Collateral Manager closely monitor market developments relevant to the Company's investments in order to explore and evaluate all potential exit opportunities.

The Notes issued are limited recourse. The recourse of the subordinated notes are limited to the proceeds available to unsecured creditors. None of the Trustee, the Directors, the Placement Agent, the Collateral Manager, the Retention Holder, the Collateral Administrator, the Corporate Service Provider and any Agent has any obligation to any Noteholder of any Class for payment of any amount by the Issuer in respect of the Notes of any Class. Therefore, the associated liquidity risk of the subordinated notes are reduced. The Company has payables for financial instruments purchased from other parties. The Company's liquidity risk is managed on a daily basis by the Collateral Manager in accordance with the policies and procedures in place.

Liquidity risk is monitored on an ongoing basis by the Board and Collateral Manager so as to ensure that the Company maintains sufficient working capital in cash or near cash form so as to be able to meet the Company's ongoing requirements to pay other payables and accrued expenses.

Notes to the Financial Statements
for the financial year ended 31 December 2022

14 Financial risk management (continued)

Liquidity risk table

2022	**Carrying amount €**	**Gross maximum amount exposure €**	**Within 1 year €**	**Between 1 and 2 years €**	**Between 2 and 5 years €**	**After more than 5 years €**
Liabilities						
Financial liabilities at fair value through profit or loss	(325,792,202)	(358,800,000)	-	-	-	(358,800,000)
Payable for investments purchased	(5,018,028)	(5,018,028)	(5,018,028)	-	-	-
Other payables	(324,137)	(324,137)	(324,137)	-	-	-
Interest payable on notes	(2,232,560)	(107,815,447)	(10,918,020)	(10,918,020)	(32,754,060)	(53,225,347)
	(333,366,927)	**(471,957,612)**	**(16,260,185)**	**(10,918,020)**	**(32,754,060)**	**(412,025,347)**

2021	**Carrying amount €**	**Gross maximum amount exposure €**	**Within 1 year €**	**Between 1 and 2 years €**	**Between 2 and 5 years €**	**After more than 5 years €**
Liabilities						
Financial liabilities at fair value through profit or loss	(349,297,186)	(358,800,000)	-	-	-	(358,800,000)
Payable for investments purchased	(23,048,517)	(23,048,517)	(23,048,517)	-	-	-
Other payables	(411,537)	(411,537)	(411,537)	-	-	-
Interest payable on notes	(1,238,660)	(68,919,196)	(6,330,929)	(6,330,929)	(18,992,787)	(37,264,551)
	(373,995,900)	**(451,179,250)**	**(29,790,983)**	**(6,330,929)**	**(18,992,787)**	**(396,064,551)**

* the upcoming interest payable on notes was calculated using the EURIBOR effective as at the financial year end 2022.

In order for the Company to be liquidated ahead of its stated maturity date, the majority of the subordinated note holder would need to submit a request for the deal to be called.

The contractual cashflows for the financial liabilities in the tables above represent the principal and interest payable to maturity. Trade and other payables represent the accrued expenses. The risk of default is borne by the Noteholder and may adversely affect the value of the Notes on redemption. The future interests related to subordinated notes are not included above due to its profit dependant nature.

Concentration risk

Concentration risk can arise from the type of investments held in the portfolio, the maturity of assets, the concentration of sources of funding, concentration of counterparties or geographical locations. Prudent risk management implies maintaining the exposure to various risks at a reasonable level.

The Company's Investment Manager analyses credit concentration based on the counterparty and industry of the financial assets that the company holds.

Notes to the Financial Statements for the financial year ended 31 December 2022

14 Financial risk management (continued)

The following table categorises the assets held by the Company as at 31 December 2022 and 31 December 2021 by geographic classification:

	As at 31 December 2022 % Exposure	As at 31 December 2021 % Exposure
France	23%	20%
United Kingdom	15%	13%
Germany	12%	12%
Netherlands	12%	12%
United States	11%	11%
Luxembourg	9%	8%
Spain	5%	6%
Ireland	3%	4%
Italy	3%	4%
Finland	2%	2%
Denmark	1%	1%
Other	4%	7%
Total	**100%**	**100%**

Notes to the Financial Statements for the financial year ended 31 December 2022

14 Financial risk management (continued)

The following table categorises the assets held by the Company as at 31 December 2022 and 31 December 2021 by industry classification:

	As at 31 December 2022 % Exposure	**As at 31 December 2021 % Exposure**
Healthcare & Pharmaceuticals	17%	14%
Services: Business	14%	14%
Retail	8%	10%
Hotel, Gaming & Leisure	8%	7%
Services: Consumer	7%	3%
Construction & Building	7%	7%
Chemicals, Plastics, & Rubber	6%	5%
Consumer goods: Durable	5%	3%
Automotive	4%	4%
Banking, Finance, Insurance & Real Estate	3%	4%
Beverage, Food & Tobacco	3%	5%
Capital Equipment	3%	3%
High Tech Industries	3%	3%
Media: Diversified & Production	2%	2%
Forest Products & Paper	2%	2%
Media: Advertising, Printing & Publishing	1%	1%
Media: Broadcasting & Subscription	1%	1%
Aerospace & Defence	1%	1%
Wholesale	1%	1%
Energy: Electricity	1%	1%
Environmental Industries	1%	1%
Telecommunications	0%	4%
Containers, Packaging & Glass	1%	2%
Consumer goods: Non-durable	1%	1%
Transportation: Cargo	0%	1%
Total	**100%**	**100%**

Capital risk management

The Company is primarily funded through the Notes and views the Notes in issue as its capital. The Company manages its capital to ensure that it is able to continue as a going concern while maximising the return to the Noteholders. The Company is not subject to any externally imposed capital requirement. There is no change in the Company's capital management during the financial year.

The Company's share capital is held by Cafico Trust Company Limited in trust for charitable purposes.

Please refer to the Financial liabilities issued at FVTPL note and Share capital note for further details.

Notes to the Financial Statements for the financial year ended 31 December 2022

15 Related party transactions and other contracts

The directors of the Company are considered to be related parties because they are key management personnel. The directors did not receive any remuneration during the financial year.

Mackay Shields Eco Funding DAC holds a minimum of 5% (2021: 5%) of the Notes in accordance with the risk retention regulations. Trinitas Capital Management LLC does not hold any of the subordinated notes.

Cafico Corporate Services Limited provide corporate services to the Company on an arm's length basis at commercial rates. Máiréad Lyons and Rolando Ebuna serve as directors of the Company and are also employees of Cafico and are solely remunerated by Cafico as employees. The estimated aggregate value of the provision of qualifying services of directors of the Company in accordance with section 305 of the Act amounted to €10,000. The Company incurred fees of €23,912 (2021: €24,902) in respect of corporate service fees during the financial year of which €7,667 (2021: Nil) was outstanding as at the year end.

The Collateral Manager provides collateral management services to the Company. The collateral management fees for the financial year were €1,706,493 (2021: €1,675,851). The collateral management fees outstanding at the financial year end were €248,749 (2021: €322,005).

16 Segment risk and reporting

The Company is structured in a way that the assets and liabilities are managed as a whole and there are no distinct identifiable segments. The reporting, risk management and administration are performed on a collective basis rather than based on segments. The Company's revenue is generated from the Portfolio held during the financial year. The Company has no other product or revenue generating source. The Company has no major customer generating significant revenue.

As required by IFRS 8 Operating Segments ("IFRS 8"), the information provided to the Board and the Collateral Manager, who are the Chief Operating Decision Makers, can be classified into one segment as at 31 December 2022 and 2021. Note 14 provides further details of the geographical and industry concentrations of the portfolio.

17 Commitments and contingencies

There were no commitments and contingencies as at 31 December 2022 (2021: None).

18 Subsequent events

There are no significant events after the balance sheet date that require adjustment to, or disclosure in the financial statements.

19 Approval of the financial statements

The Board of Directors approved these financial statements on 6 October 2023.