Bayfront Infrastructure Capital III Pte. Ltd.
Registration Number: 202223756M

Annual Report
Year ended 31 December 2023

Directors' statement

We are pleased to submit this annual report to the member of the Company together with the audited financial statements for the financial year ended 31 December 2023.

In our opinion:

(a) the financial statements set out on pages FS1 to FS32 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 the financial performance, changes in equity and cash flows of the Company for the year ended 31 December 2023 in accordance with the provisions of the Companies Act 1967 and the Singapore Financial Reporting Standards (International) ("SFRS(I)s") and International Financial Reporting Standards ("IFRSs"); 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.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Directors

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

Sophia Lim Siew Fay	
David James Moffat	(Appointed on 20 September 2023)
Tan Hanjie Nicholas	(Appointed on 1 April 2023)

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Companies Act 1967 ('the Act'), no director who held office at the end of the financial year (including those held by their spouses and infant children) had interests in shares, debentures, warrants or share options of the Company, or of related corporations either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

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

Share options

During the financial year, there were:

(i) no options granted by the Company to any person to take up unissued shares in the Company; and

(ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company.

As at the end of the financial year, there were no unissued shares of the Company under options.

Independent auditors

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

David James Moffat
Director

Tan HanJie Nicholas
Director

26 February 2024

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Independent auditors' report

Member of the Company
Bayfront Infrastructure Capital III Pte. Ltd.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Bayfront Infrastructure Capital III Pte. Ltd. ('the Company'), which comprise the statement of financial position as at 31 December 2023, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policies, as set out on pages FS1 to FS32.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act 1967 ('the Act'), Singapore Financial Reporting Standards (International) ('SFRS(I)s') and IFRS Accounting Standards as issued by the International Accounting Standards Board ('IFRS Accounting Standards') 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 *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 period. 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.

<table>
<tr><td colspan="2">Impairment of Loans and advances</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td><u>Impairment of Loans and Advances</u>

At 31 December 2023, the Company's loans and advances comprised 86.6% of total assets. SFRS(I) 9 and IFRS 9 "Financial Instruments" requires the Company to determine the probability weighted estimate of the expected credit loss ("ECL") on loans and advances. The Company has developed models to calculate the ECL allowances for non-credit impaired exposures.

Judgements and assumptions are required in the development of the model parameters, including the probability of default, loss given default and exposure at default, some of which may be significant.

As a result of the significance of loans and advances and the related estimation uncertainty over the ECL allowance, the impairment of loans and advances is considered a key audit matter.</td><td><u>Impairment of Loans and Advances</u>

Non-credit impaired exposures

We tested the design and implementation of the key controls in place over the ECL process for non-credit impaired exposures.

We performed sample checks of credit reviews on loans and advances to critically assess the appropriateness of the credit grading and any objective evidence of impairment.

In respect of non-credit-impaired exposures, we engaged our internal financial risk management specialists to assess the appropriateness of the model methodology and parameters for compliance with SFRS(I) 9 and IFRS 9 requirements. We tested the accuracy and integrity of the inputs used to compute the ECL allowances

For a sample of non-credit-impaired exposures, we re-calculated the ECL allowance using the modelled attributes to test the mathematical accuracy of the calculations produced by the ECL model.</td></tr>
<tr><td colspan="2">Our findings

We found that the methodology and management's assumptions used in the computation of ECL allowances for non-credit impaired loans and advances were appropriate and consistent with SFRS(I) 9 and IFRS 9 requirements.</td></tr>
</table>

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

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, SFRS(I)s and IFRS Accounting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

- Obtain an understanding of internal controls 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 controls.

- 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 controls 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 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 period and are therefore the key audit matters. We describe these matters in our auditors' report unless the law or regulations preclude 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.

The engagement partner on the audit resulting in this independent auditors' report is Lim Jek.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
26 February 2024

Statement of financial position
As at 31 December 2023

	Note	2023 US$'000	2022 US$'000
Assets			
Cash and cash equivalents	4	45,307	26,486
Other assets	5	4,221	3,534
Loans and advances	6	319,810	381,656
Total assets		369,338	411,676
Liabilities			
Notes issued	7	327,400	372,475
Other liabilities	8	9,320	9,851
Total liabilities		336,720	382,326
Equity			
Share capital	9	30,208	30,208
Accumulated profit/(loss)		2,410	(858)
Total equity		32,618	29,350
Total liabilities and equity		369,338	411,676

The accompanying notes form an integral part of these financial statements.

Statement of comprehensive income
Year ended 31 December 2023

	Note	Year ended 31 December 2023 US$'000	Period from 8 July 2022 (date of incorporation) to 31 December 2022 US$'000
Interest income	10	28,811	7,292
Interest expense	10	(24,091)	(6,165)
Net interest income		4,720	1,127
Other Income		13	–
Net operating income		4,733	1,127
Other operating expenses		(1,203)	(395)
Total operating expenses		(1,203)	(395)
Impairment loss on financial assets	6, 15	(262)	(1,590)
Profit/(loss) before income tax	11	3,268	(858)
Income tax expense	12	–	–
Profit/(loss) for the year/period representing total comprehensive income for the year/period		3,268	(858)

The accompanying notes form an integral part of these financial statements.

Statement of changes in equity
Year ended 31 December 2023

	Note	Share capital US$'000	Accumulated (loss)/profit US$'000	Total US$'000
At 8 July 2022 (date of incorporation)		*	–	*
Loss for the period/ Total comprehensive income for the period		–	(858)	(858)
Transactions with owners, recognised directly in equity				
Share issue during the period	9	30,208	–	30,208
Total transactions with owners		30,208	–	30,208
At 31 December 2022		30,208	(858)	29,350
At 1 January 2023		30,208	(858)	29,350
Profit for the year/ Total comprehensive income for the year		–	3,268	3,268
At 31 December 2023		30,208	2,410	32,618

* *Consists of 1 Ordinary share of US$1.00 each*

The accompanying notes form an integral part of these financial statements.

Statement of cash flows
Year ended 31 December 2023

	Note	Year ended 31 December 2023 US$'000	Period from 8 July 2022 (date of incorporation) to 31 December 2022 US$'000
Cash flows from operating activities			
Profit/(loss) for the year/period		3,268	(858)
Adjustments for:			
Interest income	10	(28,811)	(7,292)
Interest expense	10	24,091	6,165
Impairment loss on financial assets	6,15	262	1,590
		(1,190)	(395)
Changes in:			
- Loans and advances		61,584	(379,939)
- Other assets		(537)	183
- Other liabilities		57	360
Net cash from/(used in) operating activities		59,914	(379,791)
Cash flows from investing activities			
Bank deposits	4	5,398	(13,731)
Interest received		28,661	3,575
Net cash from/(used in) investing activities		34,059	(10,156)
Cash flows from financing activities			
Proceeds from issue of share capital	9	–	*
Proceeds from issue of preference shares	9	–	30,208
Net (repayment of)/proceeds from issue of notes	7	(45,161)	372,494
Interest paid on notes issued	7	(24,593)	–
Net cash (used in)/from financing activities		(69,754)	402,702
Net increase in cash and cash equivalents		24,219	12,755
Cash and cash equivalents at beginning of the year/date of incorporation		12,755	–
Cash and cash equivalents at end of the year/period	4	36,974	12,755

* *Less than US$1,000*

The accompanying notes form an integral part of these financial statements.

Notes to the financial statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 26 February 2024.

1 Domicile and activities

Bayfront Infrastructure Capital III Pte. Ltd. ("the Company") is incorporated in the Republic of Singapore with its registered office at 1 Raffles Quay, #23-01 North Tower, Singapore 048583.

The Company is primarily involved in the securitisation of a portfolio of loan assets ("the Portfolio"), financed through the issuance of infrastructure backed asset securities ("the Notes") to institutional investors ("the Noteholders").

The immediate and ultimate holding company are Bayfront Infrastructure Management Pte. Ltd. ("the immediate holding company" or "Bayfront") and Clifford Capital Holdings Pte. Ltd. ("the ultimate holding company") respectively.

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)s") and IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). SFRS(I)s are issued by the Accounting Standards Committee under Accounting and Corporate Regulatory Authority ("ACRA"), which comprise standards interpretations that are equivalent to IFRSs issued by the International Accounting Standards Board.

All references to SFRS(I)s and IFRS Accounting Standards are subsequently referred to as SFRS(I)s in these financial statements, unless otherwise specified.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

2.3 Functional and presentation currency

These financial statements are presented in United States dollars ("US$"), which is the Company's functional currency. All financial information presented in US dollars have been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with SFRS(I) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in Note 15 – Measurement of expected credit loss (“ECL”) allowance for loans and advances at amortised cost.

2.5 New standards and amendments

A number of new standards, interpretations and amendments to standards are effective for annual year beginning after 1 January 2023 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

The following amendments to SFRS(I) are not expected to have a significant impact on the Company’s statement of financial position.

- SFRS(I) 17: *Insurance Contracts*
- Amendments to SFRS(I) 1-12: *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to SFRS(I) 1-12: *International Tax Reform – Pillar Two model Rules*
- Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2: *Disclosure of Accounting Policies*
- Amendments to SFRS(I) 1-8: *Definition of Accounting Estimates*

Other than the below, the application of these amendments to accounting standards and interpretations does not have a material effect on the financial statements.

Material accounting policy information

The Company adopted Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2 *Disclosure of Accounting Policies* for the first time in 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impact the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of ‘material’, rather than ‘significant’, accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and made updates to the information disclosed in Note 3 Material accounting policies (2022: Significant accounting policies) in certain instances to align with the amendments.

3 Material accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

All financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue.

Day 1 fair value reserve

The Day 1 fair value reserve comprises of unrealised gains on loans and advances, which are measured at amortised cost, arising from differences between the transaction price and fair values on initial recognition. Such gains are accumulated until the assets are derecognised. Upon derecognition, the Day 1 gains are reclassified to the income statement.

(ii) Classification and subsequent measurement

Non-derivative financial assets

On initial recognition, the Company's financial assets are classified as measured at: amortised cost or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets: Business model assessment

The business model of the Company is Held to collect. The Company holds loans and advances which arise from its business of acquiring project financing loans from financial institutions. The objective of the business model for these financial instruments is to collect the amounts due from the Company's loans and advances and earn contractual interest income.

Assessment whether contractual cash flows are solely payments of principal and interest

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).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

The Company had no financial assets held outside trading business models that failed the SPPI assessment.

Subsequent measurement and gains and losses

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Non-derivative financial liabilities

Classification, subsequent measurement and gains and losses

All financial liabilities are classified as measured at amortised cost. 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. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) Derecognition

Financial assets

The Company derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
  - substantially all of the risks and rewards of ownership of the financial asset are transferred; or
  - the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Transferred assets are not derecognised when the Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets.

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.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

(vi) Share capital

The Company has issued ordinary shares and preference shares which are classified as equity.

Preference share capital

Non-redeemable preference shares are classified as equity, because they bear discretionary dividends, do not contain any obligations to deliver cash or other financial assets and do not require settlement in a variable number of the Company's equity instruments. Discretionary dividends thereon are recognised as equity distributions on approval by the Company's shareholders.

3.2 Impairment

Non-derivative financial assets

The Company recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

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

Simplified approach

The Company applies the simplified approach to provide for ECLs for all other 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 assesses whether a significant increase in credit risk has occurred for an exposure by comparing the remaining lifetime probability of default ("PD") as at the reporting date, with the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure.

Credit risk grade

Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Incorporation of forward-looking information

The Company incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

The Company formulates three economic scenarios: a base case, which is the median scenario assigned a probability of occurring, and two less likely scenarios, one upside and one downside, each assigned a probability of occurring. External macro variables considered includes economic data and forecasts published by relevant authorities.

Periodically, the Company carries out stress testing of more extreme shocks to calibrate its determination of the upside and downside representative scenarios.

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

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing 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 a probability-weighted estimate of credit losses and are measured as follows:

- financial assets that are not credit impaired at the reporting date: 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);
- financial assets that are credit impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows; and
- undrawn loan commitments: the present value of the difference between the contractual cash flows that are due to the Company if the commitment is drawn down and the cash flows that the Company expects to receive.

Inputs into measurement of ECL

The key inputs into the measurement of ECL are the term structures of the following variables:

- probability of default (“PD”);
- loss given default (“LGD”); and
- exposure at default (“EAD”).

In general, the Company derives these parameters from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Company measures ECL considering the risk of default over the maximum contractual period over which it is exposed to credit risk. The maximum contractual period extends to the date at which the Company has the right to require repayment of an advance or terminate a loan commitment.

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is “credit impaired” when 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 borrower or issuer;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance of ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

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.

3.3 Interest income and expense

Interest income and interest expense are recognised on a time proportionate basis using the effective interest method. The calculation includes significant fees and transaction costs that are integral to the effective interest rate, as well as premiums or discounts.

The 'effective interest rate' is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

3.4 New standards and interpretations not yet adopted

A number of new standards, interpretations and amendments to standards are effective for annual period beginning after 1 January 2023 and earlier application is permitted; however, the Company has not early adopted the new and amended standards and interpretations in preparing these financial statements.

The following amendments to SFRS(I)s are not expected to have a significant impact on the Company's financial statements.

- Amendments to SFRS(I) 1: *Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants*
- Amendments to SFRS(I) 1-7 and SFRS(I) 7: *Supplier Finance Arrangements*
- Amendments to SFRS(I) 16: *Lease Liability in a Sale and Leaseback*
- Amendments to SFRS(I) 1-21: *Lack of Exchangeability*
- Amendments to SFRS(I) 1-28: *Investments in Associates and Joint Ventures and SFRS(I) 10 Consolidated Financial Statements – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

4 Cash and cash equivalents

	2023 US$'000	2022 US$'000
Cash at bank	4,406	2,755
Bank deposits	40,901	23,731
Cash and cash equivalents in the statement of financial position	45,307	26,486
Less: Bank deposits with original maturity of more than three months	(8,333)	(13,731)
Cash and cash equivalents in the statement of cash flows	36,974	12,755

5 Other assets

	2023 US$'000	2022 US$'000
Interest receivable	4,134	3,495
Commitment fees receivable	–	34
GST receivable	87	5
Other Receivables	*	*
	4,221	3,534

* *Less than US$1,000*

6 Loans and advances

	Note	2023 US$'000	2022 US$'000
Loans and advances at amortised cost		321,662	383,246
Less: Allowance for impairment	14	(1,852)	(1,590)
		319,810	381,656

Loans and advances classified at amortised cost include loans at variable interest rates with stated interest rates ranging from synthetic LIBOR+1.80% to synthetic LIBOR+1.90% (2022: LIBOR+1.15% to LIBOR+4.25%) and SOFR+1.15% to SOFR+4.25% (2022: SOFR+2.60%) and maturity dates between 2024 and 2042 (2022: 2024 and 2042).

Allowance for impairment of US$1,852,000 (2022: US$1,590,000) has been recognised in profit and loss in relation to loans and advances measured at amortised cost.

The Company's exposure to credit risk, fair value information and impairment losses on loans and advances are disclosed in notes 15 and 16.

7 Notes issued

	2023 US$'000	2022 US$'000
Notes issued	327,400	372,475

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Interest payable US$'000	Notes Issued US$'000
At 8 July 2022 (date of incorporation)	–	–
Changes in financing cash flows		
Notes issued	–	374,300
Discount on issuance	–	(1,806)
Proceeds from issuance of notes	–	372,494
Other changes		
Interest expense	6,183	–
Senior notes EIR amortisation	–	(19)
Total other changes	6,183	(19)
At 31 December 2022	6,183	372,475
At 1 January 2023	6,183	372,475
Changes in financing cash flows		
Repayment of Notes	–	(45,161)
Interest paid	(24,593)	–
Total changes from financing cashflows	(24,593)	(45,161)
Other changes		
Interest expense	24,005	–
Senior notes EIR amortisation	–	86
Total other changes	24,005	86
At 31 December 2023	5,595	327,400

Terms and repayment schedule

On 22 September 2022 (the "Issue Date"), the Company issued secured floating rate Notes and subordinated Notes. The details of Notes issued are below:

Class	Interest rate	Year of Maturity	Face value 2023 US$'000	Carrying amount 2023 US$'000
Class A1 Notes	Term SOFR + 1.55%*	2044	159,415	159,394
Class A1-SU Notes	Term SOFR + 1.50%*	2044	93,324	93,312
Class B Notes	Term SOFR + 2.3%*	2044	33,400	31,700
Class C Notes	Term SOFR + 4.6%*	2044	43,000	42,994
			329,139	327,400

Class	Interest rate	Year of Maturity	Face value 2022 US$'000	Carrying amount 2022 US$'000
Class A1 Notes	Term SOFR + 1.55%*	2044	187,900	187,879
Class A1-SU Notes	Term SOFR + 1.50%*	2044	110,000	109,988
Class B Notes	Term SOFR + 2.3%*	2044	33,400	31,613
Class C Notes	Term SOFR + 4.6%*	2044	43,000	42,995
			374,300	372,475

The Notes are secured with the underlying loan portfolio determined by the Trustee.

* Interest in respect of each Class of Notes will be payable semi-annually in arrears on each Payment Date (with the first Payment Date on 11 April 2023) in accordance with the Interest Priority of Payments as defined in the Information Memorandum for the Notes dated 22 September 2022.

8 Other liabilities

	2023 US$'000	2022 US$'000
Trade payables	124	23
Interest payable	5,595	6,183
Accrued expenses	294	338
Day 1 reserve	3,307	3,307
	9,320	9,851

The Company's exposure to interest rate risk and liquidity risk is disclosed in note 15.

9 Share capital

	Ordinary shares Number of shares	Preference shares Number of shares
At 8 July 2022 (date of incorporation)	1	–
Issued during the period	–	30,207,824
At 31 December 2022 and 31 December 2023	1	30,207,824

All issued shares are fully paid, with no par value.

Ordinary shares

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

Preference shares

The preference shares have the following rights, benefits and privileges and be subject to the following restrictions:

(a) Dividend

Preference shareholders shall be entitled, in preference of the ordinary shareholders, to be paid out of the distributable profits a preference dividend, (i) as may be determined by the Board of Directors from time to time, or (ii) as may be declared by an Ordinary Resolution of the company from time to time, for an amount not exceeding the Account Balance. The preference dividend shall be declared based on the Company's profits available.

(b) Liquidation Preference

On liquidation, dissolution or winding up (whether voluntary or involuntary) of the Company, the assets of the Company available for distribution among the members shall be applied as follows:

i) firstly, the preference shareholders shall be entitled to receive, prior and in preference to any distribution of assets and funds of the Company to the ordinary shareholders, the amount issued and fully paid up of preference share equal to the original issue price of such preference share held by each holder, plus preference dividend declared but remains unpaid;

ii) secondly, if assets and funds of the Company to be distributed among the preference shareholders is insufficient to permit the payment to such holders the full preferential amounts payable thereon, the entire assets and funds of the Company shall be distributed rateably amongst the preference shareholders in proportion to the number of shares held; and

iii) thirdly, upon payment in full of the preferential amounts to the preference shareholders, all remaining assets and funds of the Company shall be made available for distribution and upon completion of distribution, shall be further distributed rateably among the holders of preference shares and ordinary shares in proportion to the number of shares owned by each holder.

(c) Redemption

Subject to satisfaction of the Redemption Conditions and applicable law, the Preference Shares may be redeemed, at the option of the Company and on such basis and for such reason as the company may determine to be appropriate, in whole or in part, on any Optional Redemption Date at the Redemption Price upon delivery of a Redemption Notice (delivered in accordance with the constitution of the Company).

(d) Voting

The preference shares shall confer on the holder thereof the right to receive notice of, or to attend and vote at, all meetings of the Company and same voting rights as the holders of ordinary shares held.

(i) Where the preference shareholders are entitled to vote on any resolution, then, at the relevant general meetings, shall have one (1) vote for every preference share held. To the fullest extent permitted by law, the holders of preference shares and the holders of ordinary shares shall vote together as a single class at the same meeting. A separate class of meeting is not required unless required by applicable law.

(ii) without prior approval of at least 75 per cent of the preference shareholders, the Company shall not take the following actions:

- dissolution, liquidation or winding up of the Company
- any amendment of the constitution of the Company which would prejudice the rights of the preference shareholders
- any variation to the rights of the preference shares

(iii) at least 66 2/3 per cent of preference shareholders may:

- exercise option of preference shareholders to direct the Company to redeem in whole, but not in part, all classes of Notes following the expiry of the Non-Call Period pursuant to the Conditions or give consent to the Collateral Manager to direct such redemption pursuant to the Conditions
- direct the Company to redeem in whole, but not in part, all classes of Notes following the occurrence of a Note Tax Event pursuant to the Conditions
- direct the Company on the application of the Account Balance in accordance with the Transaction Documents and the constitution of the Company
- remove the Collateral Manager for cause, and upon any removal or resignation of the Collateral Manager, propose or object to a successor, in each case in accordance with the terms of the Collateral Management and Administration Agreement
- terminate the appointment of the Transaction Administrator without cause or for cause, and approve a successor, in each case in accordance with the terms of the Collateral Management and Administration Agreement

- provide written consent to any proposed assignment or transfer of its material rights or delegation of its material responsibilities under the terms of the Collateral Management and Administration Agreement by Collateral Manager
- generally exercise any right to take any action which requires the approval or consent of or direction from at least 66 2/3 per cent of preference shareholders pursuant to the Conditions or the Transaction Documents

10 Net interest income

	Year ended 31 December 2023 US$'000	Period from 8 July 2022 (date of incorporation) to 31 December 2022 US$'000
Interest income		
Loans and advances	28,081	7,124
Cash and cash equivalents	730	168
	28,811	7,292
Interest expense		
Notes issued – measured at amortised cost	(24,091)	(6,165)
Net interest income	4,720	1,127

11 Profit/(loss) before income tax

The following items have been included in arriving at the profit before tax for the year:

	Year ended 31 December 2023 US$'000	Period from 8 July 2022 (date of incorporation) to 31 December 2022 US$'000
Audit fee	(37)	(37)
Non - audit fee	(10)	(7)

12 Income tax expense

The immediate holding company has been awarded the MAS Enhanced-Tier Fund Tax Incentive under Section 13U (formerly Section 13X) of the Income Tax Act ("incentive scheme"), with effect from 3 April 2020 and further submission has been made for admission of the Company under the same scheme on 11 August 2022. Under the terms of the tax incentive granted, qualifying income derived from qualifying activities is exempted from corporate income tax in Singapore, subject to the Company satisfying all qualifying terms and conditions.

13 Significant related party transactions

Other than as disclosed elsewhere in the financial statements, the following significant transactions, fees and interest income took place between the Company and related parties during the year/period:

	Year ended 31 December 2023	Period from 8 July 2022 (date of incorporation) to 31 December 2022 US$'000
Related party		
Collateral management fees	(774)	(226)
Immediate holding company		
Loans acquired from immediate holding company	26,659	397,042

14 Commitments

Loan commitments

Undrawn loan commitments comprise contractual obligations to provide credit facilities to customers for a fixed period. At 31 December 2023, the Company had no undrawn loan commitments. (2022: US$9,935,509).

15 Financial risk management

Overview

The Company has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Risk management framework

The Company has appointed BIM Asset Management Pte. Ltd. ('BIM AM') as the Collateral Manager to perform certain administrative and advisory functions pursuant to a Collateral Management and Administration Agreement dated 22 September 2022. Responsibility of the day to day management of the Company's investments lies with the Collateral Manager who acts as key contact point for investor relations and investments.

The Collateral Manager has formulated its risk management framework on the principles of transparency, management accountability and independent oversight from Bayfront's Executive Committee, subject to overall supervision of Bayfront's Board of Directors and the ultimate holding company's Group Risk Committee. The Collateral Manager's comprehensive risk policies and procedures are implemented through a combination of resources from Bayfront and the ultimate holding company and are subject to periodic review to ensure that changes in market conditions and the Collateral Manager's activities are appropriately accounted for. Bayfront's Board of Directors has overall responsibility for the establishment and oversight of the Collateral Manager's risk management framework and is responsible for specific approvals relating to exceptions for concentration limits and sector-specific environmental and social matters, as well as any changes to the risk management framework.

Bayfront's Executive Committee comprises persons who were selected and appointed by Bayfront's Board of Directors. A majority of the Executive Committee members comprise persons who also hold appointments at the immediate holding company. Bayfront's Executive Committee is responsible for approving actions and transactions based on the delegated authority in accordance with Bayfront's Risk Framework, Policies and Processes, as well as pre-screening and approving all new loan commitments and acquisitions (including the acquisition of any assets for the Company) within certain specified limits, divestments of any loans at or above carrying value. Bayfront's Executive Committee reports to Bayfront's Board of Directors.

The Company also appointed Apex Fund and Corporate Services Singapore 1 Pte. Limited as the Transaction Administrator to perform portfolio administration and reporting functions pursuant to the Collateral Management and Administration Agreement and Deutsche Bank AG Singapore Branch to provide Trustee and Paying Agent services.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investments.

The Collateral Manager has robust credit review processes in place to monitor the credit risk of the portfolio and actively monitors exposure to credit risk on an on-going basis, which include periodic credit reviews, covenant monitoring, processing of waivers and other notices, maintenance of credit estimates and valuation support. Cash is placed with regulated financial institutions with a high credit rating.

The maximum exposure to credit risk is represented by the carrying amounts of financial assets in the statement of financial position.

Loans and advances

The Company's primary objective is the provision of a diversified portfolio of project and infrastructure loans across multiple geographies and sectors to investors through a securitisation transaction.

Each of the investments had undergone a review and credit approval process by the Collateral Manager. The review and credit approval process included detailed financial industry, technical, insurance, environment and social, and legal due diligence to understand the technical, legal, commercial and financial considerations for each of the investments.

Exposure to credit risk

The Company reviews the credit concentration of loans and advances based on industry sectors.

The exposure to credit risk for loans and advances at reporting date by industry sectors was at follows:

	2023		**2022**	
	Carrying amount		**Carrying amount**	
	US$'000	**%**	**US$'000**	**%**
Digital infrastructure	–	–	24,624	6
Electricity Transmission & Distribution	9,963	3	11,495	3
Oil & Gas Infrastructure	112,633	35	107,484	28
Power & utilities	130,001	41	143,128	38
Renewable Power	67,213	21	94,925	25
	319,810	100	381,656	100

Loss allowance

Loans and advances at amortised cost are categorised as follows:

- Pass/Special Mention: Pass refers to assets with timely repayment and do not exhibit any potential weakness in repayment capability, business, cash flow or financial position of the borrower. Special Mention includes assets with potential weakness, if not corrected on a timely basis, may adversely affect repayment by the borrower at a future date and warrant close attention.
- Substandard/Doubtful: Includes assets with definable weakness that may jeopardise repayment on existing terms. Specifically, it includes "Watchlist – Stressed" and Stage 3 assets.
- Loss: Refers to outstanding credit facility that is not collectable, and little or nothing can be done to recover the outstanding amount from any collateral or from the assets of the borrower generally.

The following tables show the balance of the loans and advances and sets out information about their credit quality.

	Stage 1 US$'000	Stage 2 US$'000	Stage 3 US$'000	Total US$'000
2023				
Loans and advances at amortised cost				
Pass/Special Mention	302,142	19,520	–	321,662
Substandard/Doubtful	–	–	–	–
Total	302,142	19,520	–	321,662
Loss allowance	(707)	(1,145)	–	(1,852)
Carrying amount	301,435	18,375	–	319,810
2022				
Loans and advances at amortised cost				
Pass/Special Mention	383,246	–	–	383,246
Substandard/Doubtful	–	–	–	–
Total	383,246	–	–	383,246
Loss allowance	(1,590)	–	–	(1,590)
Carrying amount	381,656	–	–	381,656

Where appropriate, the Company makes adjustments to the ECL estimate in instances where unexpected major economic or political events could potentially occur.

The Company has included overlays, which are adjustments to the ECL model outputs that have been made outside the detailed ECL calculation and reporting process. The Company has internal governance frameworks and controls in place to assess the appropriateness of all judgemental adjustments.

As of 31 December 2023, the Company has incorporated a thematic overlay in view of the political unrest in a country. The overlay was calculated by stressing the entire portfolio to reflect ongoing economic deterioration towards a country event.

The following tables show reconciliation from the opening to the closing balance of the ECL of the loans and advances.

	12-month ECL US$'000	Lifetime ECL not credit-impaired US$'000	Lifetime ECL credit impaired US$'000	Total US$'000
2023				
Loans and advances at amortised cost				
Balance as at 1 January 2023	(1,590)	–	–	(1,590)
Net measurement of loss allowance	883	(1,145)	–	(262)
Balance at 31 December 2023	(707)	(1,145)	–	(1,852)

2022

Loans and advances at amortised cost				
Balance as at 8 July 2022 (date of incorporation)	–	–	–	–
New financial assets purchased	(1,590)	–	–	(1,590)
Balance at 31 December 2022	(1,590)	–	–	(1,590)

Cash and cash equivalents

Cash and cash equivalents are placed with regulated financial institutions with high credit ratings.

Impairment on cash and cash equivalents has been measured on the 12 months expected loss basis and reflects the short maturities of the exposures. The Company considers its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents is negligible.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities, trade, and other payables by delivering cash or another financial asset.

The ability of the Company in servicing its financial obligations towards the Notes holders is dependent on the receipt of interest and principal from its portfolio of project and infrastructure loans. Excess cash is invested in short-term deposits until Payment Date as defined in the Information Memorandum. The risk of non-payment on trade and other payables is borne by the noteholders and may affect the value of the notes on redemption.

The following are the contractual maturities of financial liabilities and excluding the impact of netting agreements:

	Carrying amount US$'000	**Total contractual cash flows US$'000**	**6 months or less US$'000**	**Within 6-12 months US$'000**	**Within 1-5 years US$'000**	**More than 5 years US$'000**
2023						
Non-derivative financial liabilities						
Other liabilities	6,013	(6,013)	(6,013)	–	–	–
Notes issued	327,400	(441,464)	(32,692)	(28,792)	(243,389)	(136,591)
	333,413	(447,477)	(38,705)	(28,792)	(243,389)	(136,591)
2022						
Non-derivative financial liabilities						
Other liabilities	6,544	(6,544)	(6,544)	–	–	–
Notes issued	372,475	(485,904)	(31,739)	(26,856)	(253,608)	(173,701)
	379,019	(492,448)	(38,283)	(26,856)	(253,608)	(173,701)

Such undiscounted cash flows differ from the amounts included in the statement of financial position because the amount in that statement is based on discounted cash flows.

The undiscounted interest payments arising from the Notes issued are determined by reference to the variable interest rate existing at the reporting period.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and debt security prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Company transacts in derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the CCH Group Risk Committee and Board of Directors of the immediate holding company.

Interest rate risk

Interest rate risk is the impact to earnings and economic value of the Company due to fluctuations in interest rates. Interest rate exposure may arise from mismatches in the maturity profile or the benchmark rates of the Company's interest-bearing assets and liabilities. The Company adopts a portfolio approach in evaluating and managing its interest rate risk under its Strategic Asset Liability Management Framework which has been approved by the Board. This framework sets out the measurement methods and the risk tolerance limits. In managing its interest rate exposure, the Company may use various methods and instruments, including derivatives such as interest rate swaps and treasury locks, to mitigate its interest rate risk. Exposure to interest rate risks are monitored on an ongoing basis and regularly reported to the Risk Committee and the Board to ensure consistency with the Company's risk appetite.

Interest Rate Benchmark Reform

A fundamental reform of major interest rate benchmarks is being undertaken globally, replacing some interbank offered rates ("IBORs") with alternative nearly risk-free rates (referred to as "IBOR reform"). The Company has exposure to USD LIBOR primarily on its loans and advances that are being reformed as part of these market-wide initiatives.

The main risks to which the Company has been exposed as a result of IBOR reform are operational, including the renegotiation of contracts through bilateral negotiation with customers and counterparty banks, updating of contractual terms, updating of systems that use IBOR curves and revision of operational controls related to the reform. Financial risk is predominantly limited to interest rate risk.

A cross-functional IBOR working group has been established at Clifford Capital Holdings Pte Ltd, to manage the transition to alternative rates for its subsidiaries and associates, including the Company. The objectives of the IBOR working group include evaluating the extent to which loans advanced, loan commitments, liabilities and derivatives reference IBOR cash flows, whether such contracts need to be amended as a result of IBOR reform and how to manage communication about IBOR reform with counterparties. The IBOR working group reports to the Clifford Capital Holdings Exco and Risk Committee and collaborates with other business functions as and when needed, providing reports to support the management of interest rate risk and to identify operational risks arising from IBOR reform.

For contracts indexed to an IBOR that mature after the expected cessation of the IBOR rate, the IBOR working group has established procedures to amend the contractual terms, including the addition of fallback clauses or replacement of the IBOR rate with an alternative benchmark rate.

The Company monitors the progress of transition from IBORs to new benchmark rates by reviewing the total amounts of contracts that include an appropriate fallback clause. The Company considers that a contract is not yet transitioned to an alternative benchmark rate (and referred to as an "unreformed contract") when interest under the contract is indexed to a benchmark rate that is still subject to IBOR reform, even if it includes a fallback clause that deals with the cessation of the existing IBOR.

These are contracts that for various reasons the Company is unable to reform either by directly changing the IBOR rate or by inserting a fallback clause. For the purposes of practical continuance of such contract after the relevant IBOR ceases to become representative, the Financial Conduct Authority has been granted the power under UK law to direct a change in the calculation methodology of LIBOR and to extend its publication for a limited time. This "synthetic" LIBOR will be used by the Company for these contracts. The following table shows the total amounts of unreformed floating rate financial assets and liabilities, and derivatives with exposure to synthetic LIBOR.

	2023	**2022**
	US$'000	**US$'000**
Variable rate instruments		
Non-derivative financial assets	40,238	337,200
Non-derivative financial liabilities	–	–
	40,238	337,200

Exposure to interest rate risk

At the reporting date, the Company's interest-bearing financial instruments, were as follows:

	Notional amount 2023 US$'000	Notional amount 2022 US$'000
Variable rate instruments		
Financial assets	320,570	381,571
Financial liabilities	(329,139)	(374,300)
	(8,569)	7,271

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss	
	100 bp increase US$'000	100 bp decrease US$'000
2023		
Variable rate instruments	86	(86)
2022		
Variable rate instruments	(73)	73

Capital management

The Company's capital management objectives are to maintain an optimal capital structure that supports the Company's business growth and delivers sustainable returns to shareholders. Capital consists of share capital and accumulated losses. The Board maintains an oversight of the capital management process by periodically reviewing the Company's capital allocation, gearing, liquidity and funding sources to enhance shareholder's returns while ensuring that the Company's liquidity requirements are met at all times. The Company is not subject to regulatory capital requirements.

16 Accounting classifications and fair values

Fair value hierarchy

The tables below analyse fair value measurements for financial assets and financial liabilities, by the levels in the fair value hierarchy based on the inputs to valuation techniques. The different levels are defined as follows:

- Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.
- Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 : unobservable inputs for the asset or liability.

Accounting classification and fair values

The carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy are as follows:

	Carrying value				Fair value		
	Mandatorily at FVTPL US$'000	**Amortised cost US$'000**	**Other financial liabilities US$'000**	**Total carrying amount US$'000**	**Level 1 US$'000**	**Level 2 US$'000**	**Level 3 US$'000**
31 December 2023							
Cash and cash equivalents	–	45,307	–	45,307	–	–	–
Loans and advances	–	319,810	–	319,810	–	–	350,783
Other assets*	–	4,134	–	4,134	–	–	–
	–	369,251	–	369,251			
Other liabilities	–	–	6,013	6,013	–	–	–
Notes issued	–	–	327,400	327,400	–	–	–
	–	–	333,413	333,413			

* Non-financial assets and liabilities have been excluded from these balances.

Accounting classification and fair values

The carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy are as follows:

	Carrying value				Fair value		
	Mandatorily at FVTPL US$'000	**Amortised cost US$'000**	**Other financial liabilities US$'000**	**Total carrying amount US$'000**	**Level 1 US$'000**	**Level 2 US$'000**	**Level 3 US$'000**
31 December 2022							
Cash and cash equivalents	–	26,486	–	26,486	–	–	–
Loans and advances	–	381,656	–	381,656	–	–	391,029
Other assets*	–	3,534	–	3,534	–	–	–
	–	411,676	–	411,676			
Other liabilities	–	–	6,544	6,544	–	–	–
Notes issued	–	–	372,475	372,475	–	–	–
	–	–	379,019	379,019			

* Non-financial assets and liabilities have been excluded from these balances.

Sensitivity of fair value measurements to changes in significant unobservable inputs

For level 3 instruments with a significant unobservable input of cost to income ratio an increase in the significant unobservable input would decrease the fair value.

Quantitative disclosures of valuation techniques

The following table provide the representative range of minimum and maximum values of each significant unobservable input for level 3 assets by the related valuation technique most significant to the related financial instrument.

Classification	**Fair value US$'000**	**Valuation technique**	**Unobservable input**	**Change in input**	**Min value US$'000**	**Max value US$'000**
31 December 2023						
Loans and advances	350,783	Discounted cash flow approach	Base rate	+/- 2%	322,568	383,521
31 December 2022						
Loans and advances	391,029	Discounted cash flow approach	Base rate	+/- 2%	390,348	391,710

The fair valuation is determined via discounting at risk free rate of future risk adjusted cashflow or economic profit. It considers credit spread and interest rate risk of the assets. At each subsequent valuation date, adjustments will be made to reflect any variation in market data and any improvement or deterioration of the assets.

17 Non-current assets and liabilities

Assets and liabilities other than those disclosed below are current:

	2023 US$'000	**2022 US$'000**
Assets		
Loans and advances	319,810	381,656
Liabilities		
Day 1 reserve	3,307	3,307
Notes issued	327,400	372,475

18 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. The Company operates in only one segment. Its activities relate to financing business. All activities are carried out in the Republic of Singapore. Revenue in respect of these activities is disclosed in the financial statements accordingly.