Financial Statements of

EDAM FUNDING ONE LIMITED

December 31, 2019

EDAM FUNDING ONE LIMITED

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Independent Auditors' Report to the Board of Directors

Opinion

We have audited the financial statements of Edam Funding One Limited (the "Company"), which comprise the statement of financial position as at December 31, 2019, the statements of comprehensive income, changes in shareholder's equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). 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 International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to Notes 4,5, 6 and 11 to the financial statements, which describe that the Company's investment in Prospero CLO II B.V. and the corresponding limited liability recourse notes are valued at €Nil for the year ended December 31, 2019 and the Company will continue to be supported by Rabobank International, London branch with respect to any and all operating expenses it incurs. Our opinion is not modified in respect of this matter.

Independent Auditors’ Report to the Board of Directors (continued)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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.

In arriving at our audit opinion above on the financial statements the key audit matter that had most significance in our audit was as follows:

Valuation of investments [€Nil (2018: €0)] and limited recourse notes [€Nil (2018: €0)]

Refer to Notes 4, 5 and 11 to the financial statements.

Description of key audit matter	*How the matter was addressed in our audit*
The Company held an investment for which no quoted market price is available. Unquoted investments are measured at fair value by management using modeled pricing data obtained from Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A., trading as Rabobank International (the “Bank”). The Bank’s valuation models take into account market credit and revaluation spreads, a review of instruments with similar characteristics, consideration of the credit quality of the reference portfolios and any recent transactions. Limited recourse notes are measured at fair value by management using the Bank’s valuation models used for the investments as well as the swap assets. There is significant risk relating to the valuation of such instruments given the judgmental nature of the matters that require consideration by the Bank and management.	Our procedures included: documenting and assessing the design and implementation of the valuation processes and controls in place; engaging our own valuation specialist to determine a range of possible fair values for the investments and limited recourse notes; comparing our fair value ranges to the Company’s fair values and considering the differences identified; and considering the adequacy of fair value disclosures. Based on our assessment of information obtained from our procedures, we concluded that judgments relating to the valuation of investments and limited recourse notes were reasonable.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Independent Auditors' Report to the Board of Directors (continued)

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 ISAs 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 ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance 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 those charged with governance, 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 law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Bruno Lewkowicz.

KPMG

March 31, 2020

EDAM FUNDING ONE LIMITED

Statement of Financial Position

December 31, 2019
(stated in Euro)

	Note		2019	2018
Assets				
Cash and cash equivalents	3		19,467	18,986
Derivative financial instruments	4(d),9,11		-	-
Investments	4(d),11		-	-
Total assets		€	19,467	18,986
Liabilities and shareholder's equity				
Liabilities				
Limited recourse notes	4(d),5,11		-	-
			-	-
Shareholder's equity				
Share capital	10		962	962
Retained earnings			18,505	18,024
			19,467	18,986
Total liabilities and shareholder's equity		€	19,467	18,986

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors on March 31, 2020

Andrew Dean
_____________________________Director

Melanie Whittaker
_____________________________Director

EDAM FUNDING ONE LIMITED

Statement of Comprehensive Income

Year ended December 31, 2019
(stated in Euro)

	Note		2019	2018
Income				
Interest income	4(d),7		-	-
Other interest income			48	47
Foreign exchange			433	824
			481	871
Expense				
Interest expense	5(c),7		-	-
			-	-
Net gain/(loss) on financial instruments				
Net gain/(loss) on derivative financial instruments	8,9		-	-
Net gain on limited recourse notes	8		-	-
Net loss on investments	8		-	-
			-	-
Comprehensive income for the year		€	481	871

See accompanying notes to financial statements.

EDAM FUNDING ONE LIMITED

Statement of Changes in Shareholder's Equity

Year ended December 31, 2019
(stated in Euro)

		Share capital	Retained earnings	Total
Balance at December 31, 2017	€	962	17,153	18,115
Comprehensive income for the year		-	871	871
Balance at December 31, 2018	€	962	18,024	18,986
Comprehensive income for the year		-	481	481
Balance at December 31, 2019	€	962	18,505	19,467

See accompanying notes to financial statements.

EDAM FUNDING ONE LIMITED

Statement of Cash Flows

Year ended December 31, 2019
(stated in Euro)

	Note		2019	2018
Cash provided by:				
Operating activities				
Comprehensive income for the year			481	871
Add/(deduct) items not involving cash:				
(loss)/gain on derivative financial instruments	8		-	-
Net gain on limited recourse notes			-	-
Net loss on investments			-	-
Increase in cash and cash equivalents during the year			**481**	**871**
Cash and cash equivalents at beginning of year			18,986	18,115
Cash and cash equivalents at end of year		€	**19,467**	18,986
Supplementary information on cash flows from operating activities:				
Interest received			48	47

See accompanying notes to financial statements.

1. Incorporation and background information

Edam Funding One Limited ("the Company") was incorporated on April 30, 1999 as an exempted company with limited liability under the laws of the Cayman Islands. The Ordinary Shares were issued to MaplesFS Limited under the terms of a Declaration of Trust on June 3, 1999.

The objectives for which the Company has been established are unlimited as set out in its Memorandum of Association. At December 31, 2019 and 2018 the principal activity of the Company is limited to the issuance of limited recourse instruments and the investment of the proceeds thereof as described below.

The Company issues various types of limited recourse notes (the "Notes") in accordance with the terms of a US$10,000,000,000 Limited Recourse Secured Note Programme (the "Programme"). The Programme involves substantial risks and is suitable only for sophisticated investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and the merits of an investment in the Notes. The Programme permits the Company and any other company which accedes to the Programme as an "Additional Issuer" to issue Notes denominated in any currency subject to a maximum aggregate principal amount of all Notes outstanding to the value of US$10,000,000,000 (or its equivalent in other currencies at the time of agreement to issue).

Whilst the Programme is not rated, the Notes may or may not be rated, with respect to principal and coupon by rating agencies such as Standard & Poor's Rating Services ("S&P").

The performance of each series of Notes outstanding at December 31, 2019 and 2018 is linked to a reference portfolio by way of the Company entering into credit derivative transactions (usually credit default swaps). The reference portfolio usually comprises a basket of reference corporate names, asset backed securities or collateralised debt obligations ("CDO"), synthetically created collateralised debt obligations or a combination of such instruments.

(stated in Euro)

1. Incorporation and background information (continued)

The amount of principal and coupon that holders of any Notes outstanding at December 31, 2019 and 2018 shall receive on the maturity date (throughout the term of the Note) depends in part on whether credit events occur in relation to a reference portfolio. The Notes are not principal protected. Noteholders may lose, in part or in whole, amounts invested in the Notes as the result of a credit event occurring with respect to one or more reference entities/obligations within the reference portfolio.

During the year ended December 31, 2019 and 2018 the following notes were outstanding:

Notes	ISIN	Issued	Listed	S&P Rating*	S&P Rating December 31, 2019
EUR 5,938,000 Limited Recourse Secured Instalment Notes due 2022 [1] (the "Series 06-07 Notes")	XS0272209163	October 27, 2006	Euronext	AAA	N.A.

[1] Linked to subordinated notes issued by Prospero CLO II B.V.
* This rating reflects that assigned on the issuance date based among other factors on the credit quality of the reference portfolio at the time of issue.

The proceeds from the issuance of Series 06-07 Notes were utilised by the Company to acquire Subordinated Notes of Prospero CLO II B.V. as a charged asset. The investment in Prospero CLO II B.V. and corresponding Series 06-07 Notes has been fair valued at €nil as at December 31, 2019 and 2018. Management has determined that the likelihood of receiving further cashflows from these financial instruments is remote.

1. Incorporation and background information (continued)

The Company has the capacity to issue new series of Notes for which the Charged Asset may be a financial instrument other than a Guaranteed Investment Certificate (the "GIC") or a Credit Linked Deposit (the "CLD") and the Charged Agreements may be agreements other than Credit Default Swaps. As referred to above, in order to gain exposure to a reference portfolio, the Company enters into portfolio credit default swaps (the "CDSs") with Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A., trading as Rabobank International (the "Swap Counterparty", "Calculation Agent" or "Bank") in an amount equal to the notional amount of the Notes. Pursuant to the CDSs, the Company effectively sells to the Swap Counterparty protection on a reference portfolio. The ultimate repayment of principal of the Notes and returns on investment in the form of interest payments to the Noteholders are linked to the credit worthiness of the reference entities/obligations within the reference portfolio specified in the Swap Agreements. The occurrence of credit events in the reference portfolio may ultimately lead to a reduction in both the principal amount of the Notes and interest payments on the Notes. See note 4(a) for additional information regarding credit risk.

Although the secured creditors of each series of Notes are in general secured pursuant to a Supplemental Trust Deed to certain assets and rights of the Company including Charged Assets and Swap Agreements, the secured creditors of all series of Notes issued by the Company are also secured pursuant to the Master Trust Deed by a floating charge over the assets of the Company not otherwise charged by any other Charging Document.

As at December 31, 2019 and 2018, the Company has no employees. The administration of the Company is delegated to MaplesFS Limited. The Company's registered office is located at Queensgate House, P.O. Box 1093, South Church Street, Grand Cayman KY1-1102, Cayman Islands.

The operations of the Company are conducted primarily in Euro ("€"). Consequently the functional and presentation currency of the financial statements is Euro and not the local currency of the Cayman Islands.

2. Significant accounting policies

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). The accounting policies have been consistently applied by the Company and are consistent with those used in the previous years, except for changes resulting from amendments to IFRS.

Significant accounting policies and their effect on the financial statements are as follows:

(a) Basis of preparation

These financial statements are prepared on a fair value basis for financial assets and liabilities at fair value through profit or loss. Other financial assets and liabilities are stated at amortised cost.

(b) Use of estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the application of accounting policies, the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of income and expenses during the year. Actual results could differ from those estimates. Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 11.

(c) Foreign exchange

Assets and liabilities denominated in foreign currencies are translated to Euro at rates of exchange prevailing at the reporting dates. Issued share capital is translated to Euro using historical exchange rates. Income and expense items are translated at exchange rates prevailing on the transaction date. Exchange differences arising from such transactions are included in the statement of comprehensive income.

(d) Financial instruments

(i) Classification

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset, or to exchange financial instruments with another enterprise under conditions that are potentially favourable or an equity instrument of another enterprise. Financial assets comprise cash and cash equivalents, investments and derivative financial instruments.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable. Financial liabilities comprise limited recourse notes.

2. Significant accounting policies (continued)

(d) Financial instruments (continued)

(i) Classification (continued)

The Company classifies all derivative financial instruments, investments in the Subordinated Notes of Prospero CLO II B.V., ("Prospero Notes") and limited recourse notes as financial assets and financial liabilities at fair value through profit or loss.

The Company classifies cash and cash equivalents at amortised cost.

The Company's investments include investments in Prospero Notes (note 4(d)(i)). Prospero Notes comprise a host debt instrument and an embedded credit derivative in the form of a CDS. The combined instrument is valued at fair value through profit or loss.

(ii) Recognition

The Company recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

(iii) Measurement

Financial instruments are measured initially at cost, being the fair value of the consideration given for assets and consideration received for liabilities.

Subsequent to initial recognition all financial assets, with exception of those at fair value, are measured at their amortised cost less impairment losses, if any.

Subsequent to initial recognition, all financial instruments at fair value through profit or loss are measured at fair value. Realised and unrealised gains and losses arising from a change in the fair value of the financial instruments at fair value through profit or loss are recognised in the statement of comprehensive income.

Financial liabilities, other than those at fair value through profit or loss, are subsequently measured at amortised cost.

(iv) Fair value measurement principles

The fair value of the Prospero Notes is estimated using quotes obtained from the Bank, which in turn models the pricing taking into account market credit and revaluation spreads, a review of instruments with similar characteristics, consideration of the credit quality of the reference portfolios and any recent transactions.

The fair value of derivatives that are not traded on an exchange are available from the Swap Counterparty and are estimated as the amount that the Company would have to receive or pay to terminate the contract at the reporting dates taking into account current market conditions and the current credit worthiness of the counterparties.

2. Significant accounting policies (continued)

(d) Financial instruments (continued)

(iv) Fair value measurement principles (continued)

The fair value of the Notes is estimated using quotes obtained from the Swap Counterparty. The quotes are based on the valuation models used in the calculation of the investments as well as the swap assets.

(v) Specific instruments

Cash and cash equivalents

Cash and cash equivalents include balances held in a current account which is considered to be highly liquid with maturities of three months or less.

Investments

Investments comprise investments in Prospero Notes.

Derivative financial instruments

As part of the Company's investment objective which includes gaining an exposure to credit risks on reference portfolios (see note 4), the Company enters into CDSs, which are recognised on the statement of financial position at fair value. At December 31, 2019 and 2018, there were no derivatives that qualified for hedge accounting.

For the Series 06-07 Notes, the Company entered into a Swap agreement with the Swap Counterparty.

The Swap Agreements comprise of two components:

(1) Swap of initial exchange amount provided by the Company on the effective date for a final exchange amount provided by the Swap Counterparty on the maturity/termination date;

(2) If applicable, the swap of distributions received from the Prospero Notes and installment amounts calculated in the currency of the investment into the Prospero Notes for the equivalent amounts in the currency denomination of the relevant Notes issued by the Company.

The first component of the Swap Agreements relating to exchange amounts is designed to provide an element of principal protection to the Company's Noteholders on the basis that the Notes and Prospero Notes are held to maturity.

The Swap Agreements are recorded at fair value through profit or loss.

2. Significant accounting policies (continued)

(d) Financial instruments (continued)

(v) Specific instruments (continued)

Limited recourse notes

The Notes are recorded at fair value through profit or loss in the statement of financial position. Interest on the Notes is recognised as interest expense in the statement of comprehensive income.

(e) Derecognition

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire, are transferred or are surrendered.

A financial liability, including derivatives, is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

(f) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Company has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis.

(g) Impairment

Financial assets are reviewed at each reporting date to determine whether there is objective evidence of impairment. Given the specific nature of the Company's principal activities, objective evidence of impairment would typically comprise the occurrence of one or more credit events which would lead to a reduction in the carrying value of the investment. Such credit events are recognised in the financial statements as the Cash Settlement Amounts or the Deposit Amount Reductions if (i) a credit event notice is delivered to the Company by the Determination Agent (which is also the Swap Counterparty); and (ii) an estimated loss arising from a credit event is higher than various threshold amounts.

(h) Interest income and expense

Interest income and expense is recognised in the statement of comprehensive income as it accrues.

(stated in Euro)

2. Significant accounting policies (continued)

(i) New accounting pronouncements

Standards and amendments to existing standards effective from January 1, 2019

There were no standards, interpretations or amendments to existing standards that are effective during 2019 that have a significant impact on the Company as listed below:

	Effective for accounting periods beginning on
IFRS 16 Leases	1 January 2019
Interpretation 23 Uncertainty over income tax treatments	1 January 2019
Prepayment Features with Negative Compensation-Amendments to IFRS 9	1 January 2019

New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2019 and not early adopted

There are no standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the Company. A new standards which are not yet effective for the year ended December 31, 2019 and which have not been adopted in these financial statements are listed below.

	Effective for accounting periods beginning on or after
Amendments to IFRS 3, *Definition of a business*	1 January 2020
Amendments to IAS 1 and IAS 8, *Definition of material*	1 January 2020

3. Cash and cash equivalents

A current account balance amounting to €19,467 (2018: €18,986) is held at Fidelity Bank (Cayman) Limited.

4. Financial instruments and associated risks

The Company's investment activities expose the Noteholders to various types of risk that are associated with the financial instruments and markets in which it invests. The most significant types of financial risk to which the Noteholders are typically exposed include credit risk, liquidity risk and market risk. Market risk includes interest rate risk and foreign exchange risk. The nature and extent of the financial instruments outstanding at the reporting dates and the risk management policies employed by the Company are discussed below:

(a) Credit risk

The most significant risk to the Company and Noteholders is credit risk. The Noteholders are exposed to the credit risk of the reference portfolios specified in each stand-alone or embedded CDS.

As at December 31, 2019 and 2018, the principal amounts outstanding and scheduled interest payments for the Company's Notes are exposed to the credit risk associated with the asset classes within the reference portfolios referenced to in the underlying CDS contracts.

To appreciate the level of credit risk associated with the relevant CDS contracts, it is necessary to consider various factors including the notional amounts, reference portfolio sizes, potential for correlated credit events within reference portfolios, actual degrees of overlap and threshold amounts (subordination) of the synthetic collateralized debt obligations, one of the protection asset classes within the CDSs, as well as the notional amount reference portfolio size and threshold amount of the CDS contract as a whole entered into between the Company and the Swap Counterparty.

The CDSs entered into between the Company and the Swap Counterparty and that remain in effect as at December 31, 2019, expose the principal repayment on the Company's Notes to the following credit risk limits:

Series 06-07 Investment of US$537,000 into Prospero CLO II B.V. Class E-1 Subordinated Notes.

The principal will be repaid in full as long as the aggregate losses as a result of credit events in the reference portfolio remain below the pre-determined threshold limits. Unlike other reference obligations/protection asset classes, losses arising as a result of credit events impacting reference entities within the synthetic CDOs, will not impact upon the threshold capacity of the CDS as a whole unless such losses breach the threshold limits specific to the relevant CDOs.

4. Financial instruments and associated risks (continued)

(a) Credit risk (continued)

Taking into account historical data, average recovery rates, threshold limits set and an estimated degree of overlap (number of times on average a reference entity is included in more than one synthetic CDO), at the time of issue, S&P provide a rating for the Notes. The rating is based ultimately on the estimated number of credit events that the reference portfolio can absorb prior to a principal reduction for the Notes, a measure of credit risk associated with each series of Notes.

Credit Events and Concentration risk

The Noteholders are at risk that payments on the Notes could be adversely affected by credit events in the reference portfolios. This probability is likely to be increased to the extent that the reference entities are concentrated in any one industry, region or country which provides an increased potential for correlated credit events in respect of a single entity, industry, region or country as a result of an economic downturn.

As referred to in detail in the respective Information Memorandums, a credit event applicable to one reference entity may impact more than one synthetic CDO given a degree of overlap (i.e. reference entities may be included in more than one of the synthetic CDO portfolios). The Information Memorandums for each Note series contain estimates of the number of credit events the synthetic CDO portfolio could withstand and the reference portfolios in their entirety before principal repayments are reduced to zero. Such estimates are based on the “Actual Degree of Overlap”, investment grade of reference entities at the date of Note issuance, average recovery rates and historical data all of which are referred to in additional detail in the Information Memorandums.

The Company is required, subject to a specific threshold amount specified in the CDS contracts to compensate the Swap Counterparty for certain credit events occurring in the reference portfolios. These events usually include a failure to pay principal, a failure to pay interest, restructuring of the reference obligation issuer, bankruptcy of the reference obligation issuer, principal write down and in the case of reference obligations comprising CDSs, a notional write down. Credit events will create a loss that will be determined in each case by the Determination Agent (also the Swap Counterparty). The loss will be the difference by which the par value of the reference entity or obligation exceeds its recoverable value or a contractually agreed loss amount.

4. Financial instruments and associated risks (continued)

(a) Credit risk (continued)

Counterparty risk

The Company enters into substantially all of its CDS contracts with the Bank, the primary counterparty to the Company's transactions. The Company is subject to counterparty credit risk to the extent that this institution may be unable to fulfil its obligations either to return the Company's securities or repay amounts owed. The Company does not anticipate any material losses as a result of this concentration. CDS contracts contain provisions providing for, amongst other remedies, the replacement of the Bank as the Swap Counterparty if its short-term issuer credit rating by S&P falls below A-1+. The Bank's short-issuer credit rating was downgraded on November 4, 2014 to A-1 from A-1+.

(b) Market risk

Market risk is the risk that changes in interest rates, foreign exchange rates or commodity prices will make an instrument less valuable or more onerous.

Although the majority of the Company's financial assets and liabilities are interest bearing, this risk is minimised by the nearly perfect match (in terms of nominal/notional value, interest amounts and maturity) between the interest bearing assets and liabilities.

At December 31, 2019 and 2018, the Company is not exposed to any significant interest rate risk arising from an exposure to an open interest rate gap position and mismatch of fixed and floating interest rate bearing assets and liabilities.

At December 31, 2019 and 2018, the Company is not exposed to any significant foreign currency risk arising from exposure to fluctuations in foreign exchange rates. As at December 31, 2019 and 2018 the Company has issued Notes outstanding denominated in Euro and invested the proceeds in United States Dollar denominated financial instruments. Realised and unrealised foreign currency gains and losses arise on translation of associated transactions to the reporting currency and are recorded in the statement of comprehensive income.

(c) Liquidity risk

There is not, at present, an active and liquid secondary market for the Notes. There can be no assurance that a secondary market for any of the Notes will develop, or, if a secondary market does develop, that it will provide the holders of the Notes with liquidity or that it will continue for the entire life of the Notes. This may leave Noteholders with an illiquid investment. The Noteholder may not be able to realise its anticipated yield. Illiquidity can have an adverse effect on the market value of the Notes. Consequently, any purchaser of Notes must be prepared to hold such Notes until final redemption or maturity of the Notes.

(stated in Euro)

4. Financial instruments and associated risks (continued)

(d) Specific instruments

	Note		2019	2018
Financial assets:				
At fair value through profit or loss:				
Prospero Notes	4(d)(i)		-	-
Derivative financial instruments at fair value through profit or loss:				
Swap agreements	4(d)(ii)		-	-
Total Financial assets		€	-	-
Financial liabilities at fair value through profit or loss:				
Limited recourse notes	5	€	-	-

(i) Prospero Notes

The Company held investments in Prospero Notes, unconsolidated structured entities. Part of the proceeds received from the issuance of the Series 06-07 Notes were used to purchase the Subordinated Notes issued by Prospero CLO II B.V. The Prospero structure was initially established for the sole purpose of acquiring assets, entering into hedge agreements, issuing notes and engaging in certain transactions to provide a return to Noteholders. The activities of the Prospero Notes are financed by the issuance of notes. At December 31, 2019, the total principal value of the equity tranche of notes issued by Prospero CLO II B.V. was \$30.2m (2018: \$30.2m) respectively. The maximum exposure to loss is the carrying amount of the financial assets held.

The Company receives distributions and instalments from Prospero Notes as determined by the Calculation Agent. During the year ended December 31, 2019, the Company recorded income from Prospero Notes of €Nil (2018: €Nil), of which Nil is payable at year end.

(stated in Euro)

4. Financial instruments and associated risks (continued)

(d) Specific instruments (continued)

(i) Prospero Notes (continued)

The following is a summary of the Company's investment in Prospero Notes at December 31, 2019;

Associated Note Series	Maturity	Rate	Principal Value at Inception	Cash Settlement Amounts	Principal Value at Dec 31, 2019	Fair value at Dec 31, 2019
06-07	25/10/2022	Distribution	3,500,000	(2,963,000)	537,000	-
			US$3,500,000	(2,963,000)	537,000	€ -

The following is a summary of the Company's investment in Prospero Notes at December 31, 2018:

Associated Note Series	Maturity	Rate	Principal Value at Inception	Cash Settlement Amounts	Principal Value at Dec 31, 2018	Fair value at Dec 31, 2018
06-07	25/10/2022	Distribution	3,500,000	(2,963,000)	537,000	-
			US$3,500,000	(2,963,000)	537,000	€ -

The investment in Prospero CLO II B.V. and corresponding Series 06-07 Notes has been fair valued at €nil as at December 31, 2019 and 2018. Management has determined that the likelihood of receiving further cashflows from these financial instruments is remote.

(stated in Euro)

4. Financial instruments and associated risks (continued)

(d) Specific instruments (continued)

(ii) Derivative financial instruments

The following is a summary of the stand-alone derivative financial instruments at December 31, 2019:

Associated Note/ Derivative Type	Initial CDS Notional	Cash Settlement Amounts	Fair value
06-07 Swap agreement	n/a	-	-
			€ -

The following is a summary of the stand-alone derivative financial instruments at December 31, 2018:

Associated Note/ Derivative Type	Initial CDS Notional	Cash Settlement Amounts	Fair value
06-07 Swap agreement	n/a	-	-
			€ -

The income streams in the form of interest earned on the CDS premiums received from the Swap Counterparty have been structured in such a way to ensure that such interests cover/compensate for the interest payments on the Notes and CDS expense payments due to the Swap Counterparty.

In addition to the quarterly payments, the Company is obliged to pay the Swap Counterparty, subject to the relevant threshold limits, a Cash Settlement Amount upon the occurrence of a credit event provided that the conditions of settlement have been satisfied under the terms of each respective CDS contract. During the year ended December 31, 2019 and 2018 no cash settlement amounts were paid.

As described in note 2(d)(v), Swap agreements related to the Series 06-07 Notes are used to facilitate a principal protection for the respective Series Notes in case Prospero Notes are impaired.

Even though Series 06-07 Notes have a principal protection feature in the note structure, the principal protection is not guaranteed to investors under certain scenarios, for example, in case the Notes are redeemed prior to maturity.

The Company receives distributions and instalments from the Swap counterparty as determined by the Calculation Agent.

(stated in Euro)

5. Limited recourse notes

At December 31, 2019 the carrying value of the Notes comprised:

Notes	Maturity		Principal	Cash Settlement Amounts	Premium	Fair Value of the Notes "clean"
Series 06-07	25/10/2022		1	-	-	-
		€	1	-	-	-

At December 31, 2018 the carrying value of the Notes comprised:

Notes	Maturity		Principal	Cash Settlement Amounts	Premium	Fair Value of the Notes "clean"
Series 06-07	25/10/2022		1	-	-	-
		€	1	-	-	-

(a) Principal of the Notes

The amount of principal that Noteholders shall receive on the maturity date depends in part on whether credit events have occurred in relation to the reference portfolios (note 4(a)) that the Notes are credit linked to. The Notes are not principal protected and investors in the Notes may lose, in part or in whole, amounts invested in the Notes as the result of a credit event occurring with respect to one or more reference entities or obligations within a specified reference portfolio. The principal will be repaid in full as long as the aggregate losses as a result of credit events in the reference portfolio remain below the pre-determined threshold. If cumulative losses in the reference portfolio exceed the threshold of the Notes, repayment will be partial or even zero.

5. Limited recourse notes (continued)

(a) Principal of the Notes (continued)

See note 4(a) for further detail regarding the credit risk impacting each series of Notes via the relevant CDS contracts.

The Company invested the principal proceeds from the Notes into the investments as discussed in Note 2(d)(v). Any premium over par received on the issue of specific Note series was paid to the Swap Counterparty as premium for entrance into specific CDSs.

The net gain on revaluation of the Notes of Nil (2018: Nil) and the fair value of the Notes of Nil (2018: Nil) were estimated using the valuation technique discussed in note 11.

Unless previously redeemed or purchased and cancelled earlier, the Company is obliged to redeem the Notes on the scheduled maturity date.

(b) Limited recourse

All payments to be made by the Company in respect of the Notes and the Swap Agreement will be made only from and to the extent of the sums received or recovered from time to time by or on behalf of the Company in respect of the Charged Assets.

To the extent that such sums are less than the amount which the holders of the Notes and the Swap Counterparty may have expected to receive if paragraph (a) above did not apply (the difference being referred to as a shortfall), such shortfall will be borne by the Note holders and by the Swap Counterparty in accordance with the conditions of the Notes.

Each holder of the Notes, by subscribing for or purchasing such Notes, is deemed to accept and acknowledge that it is fully aware that:

(i) the holders of the Notes can look solely to the sums referred to in paragraph (a), as applied in accordance with paragraph (b) above, (the "relevant sums") for payments to be made by the Company in respect of the Notes and the other assets (if any) of the Company will not be available after payments of the relevant sums;
(ii) the obligations of the Company to make payments in respect of the Notes will be limited to the relevant sums and the holders of the Notes and coupons and the Swap Counterparty shall have no further recourse to the Company in respect of the Notes;
(iii) any right of the holders of the Notes to claim payment of any amount exceeding the relevant sums shall be automatically extinguished; and
(iv) the holders of the Notes shall not be able to petition for the winding up of the Company as a consequence of any such shortfall.

(stated in Euro)

5. Limited recourse notes (continued)

(c) Interest on the Notes

The interest terms for the Notes comprise:

Notes	Fixed Interest or Margin rate	Frequency of Interest Payments	Base Rate	Inflation Rate
Series 06-07	n/a	Instalments (1)	n/a	n/a

(1) The notional of the Notes is reduced during the life of the Note by instalment amounts, as determined by the Calculation Agent in its sole and absolute discretion equal to the lesser of (i) the principle amount outstanding less EUR 10,000; and (ii) (Distribution Calculation amounts as defined per Swap Agreement)/(1-Notional Zero Coupon Deposit Price) less related Hedge Unwind Costs, provided that in no event shall the instalment amount be less than zero.

The final redemption amount shall be the current nominal amount of the note at maturity date, and will be equal to the sum of all the final exchange amounts paid by the Swap Counterparty to the Issuer. The final proceeds from Prospero Notes will be passed to the note holders after conversion into Euro and deduction of all costs, expenses and taxes as determined by the redemption agent.

Interest expense on the Notes for the year ended December 31, 2019 amounted to Nil (2018: Nil), of which Nil is payable at December 31, 2019 (2018: Nil).

(d) Security

Pursuant to a Master Trust Deed Dated December 18, 1998, as amended from time to time, between the Company and the Trustee, and the relevant Supplemental Trust Deeds specific to each series of Notes, the Company has created security interests in favor of the Trustee for its secured creditors. In addition to security in the form of assignment of all of the Company's rights, title and interest to specific Charged Assets and Swap Agreements, the secured creditors are secured pursuant to a floating charge over the assets of the Company not otherwise charged.

6. Operating expenses

The Company entered into an Expenses Agreement dated April 30, 1999 with Rabobank International, London branch, whereby any and all operating expenses incurred by the Company are assumed by Rabobank International, London branch.

7. Interest income and expense

		2019	2018
Interest income			
Interest income on investments	€	-	-
Interest expense			
Limited recourse notes	€	-	-

8. Net gain/(loss) on financial instruments

		2019	2018
Net gain/(loss) on derivative financial instruments:			
Net movement in unrealised (loss)/gain		-	-
CDS income received		-	-
CDS expense paid		-	-
		-	-
Net gain on limited recourse notes:			
Net realised and movement in unrealised gain on limited recourse notes		-	-
Net loss on investments:			
	€	-	-

(stated in Euro)

9. Related party balances and transactions

The following transactions and balances with related parties are disclosed below:

		2019	2018
Statement of financial position:			
Derivative financial instruments – assets		-	-
Statement of comprehensive income:			
Net gain/(loss) on derivative financial instruments	€	-	-

All related party transactions are with the affiliates of Rabobank International, London branch acting as the Programme sponsor and Swap Counterparty.

Operating expenses, including management fees paid to Directors are paid by Rabobank International, London branch, on behalf of the Company.

The following is a summary of the Bank's principal holding in each note series at December 31, 2019:

Notes	Principal	Principal held by the Bank	Percentage holding
Series 06-07	1	-	-

The following is a summary of Rabobank's principal holding in each note series at December 31, 2018:

Notes	Principal	Principal held by the Bank	Percentage holding
Series 06-07	1	-	-

(stated in Euro)

10. Share capital

		2019	2018
Authorised			
50,000 shares of US$1 each	US$	50,000	50,000
Allotted, called up and fully paid:			
1,000 shares	€	962	962

11. Fair value information

For certain of the Company's financial assets not carried at fair value including cash and cash equivalents the carrying amount approximates fair value due to the immediate or short term nature of the financial assets.

Estimation of fair values

The major methods and assumptions used in estimating the fair values of financial instruments are disclosed in note 2(d)(iv).

The Company uses various methods to estimate fair value of its instruments. Current market conditions have introduced uncertainty into debt security markets with restricted trading and greater price volatility giving rise to difficulties in determining the fair value of the debt instruments held or issued by the Company.

As a consequence of these conditions subsequent to 2008, the markets were less active than historic trends for the type of debt instruments held or issued by the Company. Reduced availability of market data raises significant uncertainties over the counterparty quotes used as fair value estimates for such positions. In such circumstances, IFRS requires appropriate valuation models to be used in order to estimate fair values.

In these circumstances, the Company, upon due advice from the Calculation Agent, is of the view that the most appropriate estimate of the fair value of these debt instruments remains the independent counterparty quotes sourced for these positions. Consequently the Company has opted to use the counterparty quotes provided. Due to the inherent uncertainty of valuation and a low level of trading activity in such debt instruments, if any, these counterparty values may differ from the values that would have been used had a more active market for these instruments existed and the differences could be material.

At December 31, 2019 the carrying amounts of limited recourse notes for which fair values were determined directly, in full or in part, by reference to published price quotations amounted to Nil (2018: Nil). The carrying amounts of limited recourse notes for which fair values were determined using valuation techniques or were determined by reference to published price quotations with a limited liquidity amounted to Nil (2018: Nil).

(stated in Euro)

11. Fair value information (continued)

Estimation of fair values (continued)

At December 31, 2019, the carrying amounts of derivative financial instruments for which fair values were determined directly, in full or in part, by reference to published price quotations amounted to Nil (2018: Nil). The carrying amounts of derivative financial instruments for which fair values were determined using valuation techniques or were determined indirectly by reference to published price quotations amounted to Nil (2018: Nil) for assets and Nil (2018: Nil) for liabilities.

The Notes and the CDSs, Swap Agreements and investment in Prospero Notes are fair valued using valuation techniques discussed in note 2(d)(iv) including reference to the current fair values of other comparable instruments (subject to appropriate adjustments). Management deems that this valuation method is more appropriate for the Company than estimating a range of fair values using a proprietary model of the Bank, the Swap Counterparty. Should such an alternative valuation method be used, the fair value estimates of the CDSs, Swap Agreements, investment in Prospero Notes and the Notes could be significantly different to those presented in the financial statements.

At December 31, 2019, the following year end price quote estimates (quoted "clean") for the Notes were used in determining fair values for the Notes and consequently the CDSs.

Notes	Maturity	Principal	Issue Price	Year End Revaluation Price ("clean" price)	Fair Value of the Notes ("clean" price)
Series 06-07	25/10/2022	1	100.00%	-	-

At December 31, 2018, the following year end price quote estimates (quoted "clean") for the Notes were used in determining fair values for the Notes and consequently the CDSs.

Notes	Maturity	Principal	Issue Price	Year End Revaluation Price ("clean" price)	Fair Value of the Notes ("clean" price)
Series 06-07	25/10/2022	1	100.00%	-	-

Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

(stated in Euro)

11. Fair value information (continued)

Estimation of fair values (continued)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes "observable" requires significant judgment by the Company. The Company considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table analyses within the fair value hierarchy the Company's financial instruments (by class) measured at fair value at December 31, 2019 and December 31, 2018:

	Level 1 €	Level 2 €	Level 3 €	Total €
December 31, 2019				
Investments	-	-	-	-
Derivative financial instruments - assets	-	-	-	-
Limited recourse notes	-	-	-	-
	-	-	-	-
December 31, 2018				
Investments	-	-	-	-
Derivative financial instruments - assets	-	-	-	-
Limited recourse notes	-	-	-	-
	-	-	-	-

There were no transfers during the year ended December 31, 2019 and 2018, between Levels 1, 2 and 3 for the financial instruments at fair value through profit or loss.

(stated in Euro)

11. Fair value information (continued)

The movements in the Company's financial instruments are as follows:

Derivative financial instruments:	**Level 3**
Balance at December 31, 2018	-
Change in unrealised gain	-
Balance at December 31, 2018	-
Change in unrealised loss	-
Balance at December 31, 2019	**-**

Limited recourse notes:	**Level 3**
Balance at January 1, 2018	-
Change in unrealised loss	-
Balance at December 31, 2018	-
Change in unrealised gain	-
Balance at December 31, 2019	**-**

Investments	**Level 3**
Balance at January 1, 2018	-
Change in unrealised gain	-
Balance at December 31, 2018	-
Change in unrealised loss	-
Balance at December 31, 2019	**-**

(stated in Euro)

11. Fair value information (continued)

The table below sets out information about significant unobservable inputs used at December 31, 2019 and 2018 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Description	Fair value at December 31, 2019 and 2018 (Assets)	Fair value at December 31, 2019 and 2018 (Liabilities)	Valuation technique	Unobservable input
Limited recourse notes	-	-	Valuation of underlying Charged Assets. Valuation from counter party which are based on: *(a) Interest rate risk component:* Discounted cash flows model *(b) Credit risk component:* Discounted cash flows Comparable pricing	Equity Price Credit Spread Credit Correlation
Investments	-	-	*(a) Interest rate risk component:* Discounted cash flows model *(b) Credit risk component:* Discounted cash flows Comparable pricing	Equity Price Credit Spread Credit Correlation
Derivative financial instruments	-	-	Valuation from counterparty which is based on valuation of investments and notes payables	N.A.

12. Taxation

There are no taxes on income or gains in the Cayman Islands. Accordingly, no provision for income taxes is included in these financial statements.

13. Subsequent events

There were no subsequent events requiring disclosure in the financial statements.