

**ABC LTD.**

**Condensed Financial Statements**

**Financial Year Ended October 31, 2023**



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of ABC LTD.

### Opinions

We have audited the accompanying condensed financial statements of ABC LTD. (the "Company"), which comprise the condensed balance sheets and condensed statements of capital and surplus as of October 31, 2023 and 2022, and the related condensed statements of income for the years then ended, including the related notes to the condensed financial statements.

#### Unmodified opinion on regulatory basis of accounting

In our opinion, the accompanying condensed financial statements present fairly, in all material respects, the financial position of the Company as of October 31, 2023 and 2022, and the results of its operations for the years then ended in accordance with the financial reporting provisions of the Insurance Act 1978, amendments thereto and the Insurance Account Rules 2016 with respect to condensed general purpose financial Statements (the "Legislation").

#### Adverse opinion on U.S. generally accepted accounting principles

In our opinion, because of the significance of the matter discussed in the *Basis for adverse opinion on U.S. generally accepted accounting principles* section of our report, the accompanying condensed financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company as of October 31, 2023 and 2022, or the results of its operations for the years then ended.

#### Basis for opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the condensed financial statements* section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Basis for adverse opinion on U.S. generally accepted accounting principles

As described in Note 3 to the condensed financial statements, the condensed financial statements are prepared by the Company on the basis of the financial reporting provisions of the Legislation, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Bermuda Monetary Authority.

The effects on the condensed financial statements of the variances between the regulatory basis of accounting described in Note 3 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.



## **Responsibilities of management for the condensed financial statements**

Management is responsible for the preparation and fair presentation of the condensed financial statements in accordance with the financial reporting provisions of the Legislation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the condensed financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the condensed financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the condensed financial statements are available to be issued.

## **Auditor's responsibilities for the audit of the condensed financial statements**

Our objectives are to obtain reasonable assurance about whether the condensed financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. 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. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the condensed financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgement and maintain professional scepticism throughout the audit.
- Identify and assess the risks of material misstatement of the condensed financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the condensed financial statements.
- 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 control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the condensed financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*KPMG Audit Limited*

Chartered Professional Accountants  
Hamilton, Bermuda  
February 28, 2024

**CONDENSED CONSOLIDATED BALANCE SHEET**

ABC Ltd.

As at  
expressed in

**October 31, 2023**

**United States Dollars**

LINE No.		2023	2022
1.	CASH AND CASH EQUIVALENTS	729,912	132,456
2.	QUOTED INVESTMENTS:		
(a)	Bonds and Debentures		
	i. Held to maturity		
	ii. Other	18,878,862	19,651,075
(b)	Total Bonds and Debentures	18,878,862	19,651,075
(c)	Equities		
	i. Common stocks	11,436,594	12,053,700
	ii. Preferred stocks		
	iii. Mutual funds		
(d)	Total equities	11,436,594	12,053,700
(e)	Other quoted investments		
(f)	Total quoted investments	30,315,456	31,704,775
3.	UNQUOTED INVESTMENTS:		
(a)	Bonds and Debentures		
	i. Held to maturity		
	ii. Other		
(b)	Total Bonds and Debentures	-	-
(c)	Equities		
	i. Common stocks		
	ii. Preferred stocks		
	iii. Mutual funds		
(d)	Total equities	-	-
(e)	Other unquoted investments		
(f)	Total unquoted investments	-	-
4.	INVESTMENTS IN AND ADVANCES TO AFFILIATES		
(a)	Unregulated entities that conduct ancillary services		
(b)	Unregulated non-financial operating entities		
(c)	Unregulated financial operating entities		
(d)	Regulated non-insurance financial operating entities		
(e)	Regulated insurance financial operating entities		
(f)	Total investments in affiliates	-	-
(g)	Advances to affiliates		
(h)	Total investments in and advances to affiliates	-	-
5.	INVESTMENTS IN MORTGAGE LOANS ON REAL ESTATE:		
(a)	First liens		
(b)	Other than first liens		
(c)	Total investments in mortgage loans on real estate	-	-
6.	POLICY LOANS		
7.	REAL ESTATE:		
(a)	Occupied by the company (less encumbrances)		
(b)	Other properties (less encumbrances)		
(c)	Total real estate	-	-
8.	COLLATERAL LOANS		
9.	INVESTMENT INCOME DUE AND ACCRUED		
10.	ACCOUNTS AND PREMIUMS RECEIVABLE:		
(a)	In course of collection	914,123	454,119
(b)	Deferred - not yet due		
(c)	Receivables from retrocessional contracts		
(d)	Total accounts and premiums receivable	914,123	454,119
11.	REINSURANCE BALANCES RECEIVABLE:		
(a)	Foreign affiliates		
(b)	Domestic affiliates		
(c)	Pools & associations		
(d)	All other insurers		
(e)	Total reinsurance balance receivable	-	-
12.	FUNDS HELD BY CEDING REINSURERS		

**CONDENSED CONSOLIDATED BALANCE SHEET**

ABC Ltd.

As at  
expressed in

**October 31, 2023**

**United States Dollars**

LINE No.		2023	2022
13.	SUNDRY ASSETS:		
(a)	Derivative instruments		
(b)	Segregated accounts companies - long-term business - variable annuities		
(c)	Segregated accounts companies - long-term business - other		
(d)	Segregated accounts companies - general business		
(e)	Deposit assets		
(f)	Deferred acquisition costs		
(g)	Net receivables for investments sold		
(h)	Other Sundry Assets (Specify)		
(i)	Other Sundry Assets (Specify)		
(j)	Other Sundry Assets (Specify)		
(k)	Total sundry assets	-	-
14.	LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS		
(a)	Letters of credit		
(b)	Guarantees		
(c)	Other instruments		
(e)	Total letters of credit, guarantees and other instruments	-	-
15.	TOTAL	31,959,491	32,291,350
	<b>TOTAL INSURANCE RESERVES, OTHER LIABILITIES AND STATUTORY CAPITAL AND SURPLUS</b>		
16.	UNEARNED PREMIUM RESERVE		
(a)	Gross unearned premium reserves	14,526,872	14,394,185
(b)	Less: Ceded unearned premium reserve		
	i. Foreign affiliates		
	ii. Domestic affiliates		
	iii. Pools & associations		
	iv. All other insurers		
(c)	Total ceded unearned premium reserve	-	-
(d)	Net unearned premium reserve	14,526,872	14,394,185
17.	LOSS AND LOSS EXPENSE PROVISIONS:		
(a)	Gross loss and loss expense provisions	1,145,689	891,658
(b)	Less : Reinsurance recoverable balance		
	i. Foreign affiliates		
	ii. Domestic affiliates		
	iii. Pools & associations		
	iv. All other reinsurers		
(c)	Total reinsurance recoverable balance	-	-
(d)	Net loss and loss expense provisions	1,145,689	891,658
18.	OTHER GENERAL BUSINESS INSURANCE RESERVES		
19.	TOTAL GENERAL BUSINESS INSURANCE RESERVES	15,672,561	15,285,843
	<b>LONG-TERM BUSINESS INSURANCE RESERVES</b>		
20.	RESERVE FOR REPORTED CLAIMS		
21.	RESERVE FOR UNREPORTED CLAIMS		
22.	POLICY RESERVES - LIFE		
23.	POLICY RESERVES - ACCIDENT AND HEALTH		
24.	POLICYHOLDERS' FUNDS ON DEPOSIT		
25.	LIABILITY FOR FUTURE POLICYHOLDERS' DIVIDENDS		
26.	OTHER LONG-TERM BUSINESS INSURANCE RESERVES		
27.	TOTAL LONG-TERM BUSINESS INSURANCE RESERVES		
(a)	Total Gross Long-Term Business Insurance Reserves	-	-
(b)	Less: Reinsurance recoverable balance on long-term business		
	(i) Foreign Affiliates		
	(ii) Domestic Affiliates		
	(iii) Pools and Associations		
	(iv) All Other Insurers		
(c)	Total Reinsurance Recoverable Balance	-	-
(d)	<b>Total Net Long-Term Business Insurance Reserves</b>	-	-

**CONDENSED CONSOLIDATED BALANCE SHEET**

ABC Ltd.

As at  
expressed in

October 31, 2023

United States Dollars

LINE No.		2023	2022
	<b>OTHER LIABILITIES</b>		
28.	INSURANCE AND REINSURANCE BALANCES PAYABLE	1,929,589	813,101
29.	COMMISSIONS, EXPENSES, FEES AND TAXES PAYABLE		
30.	LOANS AND NOTES PAYABLE		
31.	(a) INCOME TAXES PAYABLE		
	(b) DEFERRED INCOME TAXES		
32.	AMOUNTS DUE TO AFFILIATES		
33.	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	101,358	89,928
34.	FUNDS HELD UNDER REINSURANCE CONTRACTS:		
35.	DIVIDENDS PAYABLE		
36.	SUNDRY LIABILITIES:		
(a)	Derivative instruments		
(b)	Segregated accounts companies		
(c)	Deposit liabilities		
(d)	Net payable for investments purchased		
(e)	Other sundry liabilities (specify)		
(f)	Other sundry liabilities (specify)		
(g)	Other sundry liabilities (specify)		
(h)	Total sundry liabilities	-	-
37.	LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS:		
(a)	Letters of credit		
(b)	Guarantees		
(c)	Other instruments		
(d)	Total letters of credit, guarantees and other instruments	-	-
38.	TOTAL OTHER LIABILITIES	2,030,947	903,029
39.	TOTAL INSURANCE RESERVES AND OTHER LIABILITIES	17,703,508	16,188,872
	<b>CAPITAL AND SURPLUS</b>		
40.	TOTAL CAPITAL AND SURPLUS	14,255,983	16,102,478
41.	TOTAL	31,959,491	32,291,350
		<b>TRUE</b>	<b>TRUE</b>

**CONDENSED CONSOLIDATED STATEMENT OF INCOME**

ABC Ltd.

As at  
expressed in

**October 31, 2023**  
**United States Dollars**

LINE No.		2023	2022
	<b>GENERAL BUSINESS UNDERWRITING INCOME</b>		
1.	GROSS PREMIUMS WRITTEN		
	(a) Direct gross premiums written	6,529,897	7,421,120
	(b) Assumed gross premiums written		
	(c) Total gross premiums written	6,529,897	7,421,120
2.	REINSURANCE PREMIUMS CEDED		
3.	NET PREMIUMS WRITTEN	6,529,897	7,421,120
4.	INCREASE (DECREASE) IN UNEARNED PREMIUMS	(132,687)	706,800
5.	NET PREMIUMS EARNED	6,397,210	8,127,920
6.	OTHER INSURANCE INCOME		
7.	TOTAL GENERAL BUSINESS UNDERWRITING INCOME	6,397,210	8,127,920
	<b>GENERAL BUSINESS UNDERWRITING EXPENSES</b>		
8.	NET LOSSES INCURRED AND NET LOSS EXPENSES INCURRED	9,328,018	8,874,377
9.	COMMISSIONS AND BROKERAGE	169,947	151,226
10.	TOTAL GENERAL BUSINESS UNDERWRITING EXPENSES	9,497,965	9,025,603
11.	<b>NET UNDERWRITING PROFIT (LOSS) - GENERAL BUSINESS</b>	(3,100,755)	(897,683)
	<b>LONG-TERM BUSINESS INCOME</b>		
12.	GROSS PREMIUMS AND OTHER CONSIDERATIONS:		
	(a) Direct gross premiums and other considerations		
	(b) Assumed gross premiums and other considerations		
	(c) Total gross premiums and other considerations	-	-
13.	PREMIUMS CEDED		
14.	NET PREMIUMS AND OTHER CONSIDERATIONS:		
	(a) Life		
	(b) Annuities		
	(c) Accident and health		
	(d) Total net premiums and other considerations	-	-
15.	OTHER INSURANCE INCOME		
16.	TOTAL LONG-TERM BUSINESS INCOME	-	-
	<b>LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES</b>		
17.	CLAIMS - LIFE		
18.	POLICYHOLDERS' DIVIDENDS		
19.	SURRENDERS		
20.	MATURITIES		
21.	ANNUITIES		
22.	ACCIDENT AND HEALTH BENEFITS		

**CONDENSED CONSOLIDATED STATEMENT OF INCOME**

ABC Ltd.

As at  
expressed in

**October 31, 2023**  
**United States Dollars**

LINE No.		2023	2022
23.	COMMISSIONS		
24.	OTHER		
25.	TOTAL LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES	-	-
26.	INCREASE (DECREASE) IN POLICY RESERVES (ACTUARIAL LIABILITIES):		
	(a) Life		
	(b) Annuities		
	(c) Accident and health		
	(d) Total increase (decrease) in policy reserves	-	-
27.	TOTAL LONG-TERM BUSINESS EXPENSES	-	-
28.	<b>NET UNDERWRITING PROFIT (LOSS) - LONG-TERM BUSINESS</b>	-	-
29.	<b>COMBINED NET UNDERWRITING RESULTS BEFORE THE UNDERNOTED ITEMS</b>	<u>(3,100,755)</u>	<u>(897,683)</u>
	<b>UNDERNOTED ITEMS</b>		
30.	COMBINED OPERATING EXPENSE		
	(a) General and administration	324,208	280,816
	(b) Personnel cost		
	(c) Other		
	(d) Total combined operating expenses	<u>324,208</u>	<u>280,816</u>
31.	COMBINED INVESTMENT INCOME - NET	379,789	(4,501,308)
32.	COMBINED OTHER INCOME (DEDUCTIONS)		
33.	COMBINED INCOME BEFORE TAXES	<u>(3,045,174)</u>	<u>(5,679,807)</u>
34.	COMBINED INCOME TAXES (IF APPLICABLE):		
	(a) Current		
	(b) Deferred		
	(c) Total	-	-
35.	COMBINED INCOME BEFORE REALIZED GAINS (LOSSES)	(3,045,174)	(5,679,807)
36.	COMBINED REALIZED GAINS (LOSSES)	899,300	1,440,841
37.	COMBINED INTEREST CHARGES		
38.	NET INCOME	<u>(2,145,874)</u>	<u>(4,238,966)</u>



**CONDENSED CONSOLIDATED STATEMENT OF CAPITAL AND SURPLUS**

ABC Ltd.

As at  
expressed in

**October 31, 2023**  
**United States Dollars**

LINE No.		2023	2022
1.	<b>CAPITAL:</b>		
(a)	Capital Stock		
	(i) Common Shares	120,000	120,000
	authorized	120,000	
	value	\$ 1,000	
	fully paid		
		shares of par	each issued and
		shares	shares
	(ii)		
	(A) Preferred shares:		
	authorized		
	value		
	fully paid		
		shares of par	each issued and
		shares	shares
	aggregate liquidation value for —		
	2023		
	2022		
	(B) Preferred shares issued by a subsidiary:		
	authorized		
	value		
	fully paid		
		shares of par	each issued and
		shares	shares
	aggregate liquidation value for —		
	2023		
	2022		
	(iii) Treasury Shares		
	repurchased		
	value		
		shares of par	each issued
(b)	Contributed surplus	400,000	400,000
(c)	Any other fixed capital		
	(i) Hybrid capital instruments		
	(ii) Guarantees and others		
	(iii) Total any other fixed capital	-	-
(d)	Total Capital	520,000	520,000
2.	<b>SURPLUS:</b>		
(a)	Surplus - Beginning of Year	15,582,478	22,362,014
(b)	Add: Income for the year	(2,145,874)	(4,238,966)
(c)	Less: Dividends paid and payable	-	(235,000)
(d)	Add (Deduct) change in unrealized appreciation (depreciation) of investments	278,909	(2,280,205)
(e)	Add (Deduct) change in any other surplus	20,470	(25,365)
(f)	Surplus - End of Year	13,735,983	15,582,478
3.	<b>MINORITY INTEREST</b>		
4.	<b>TOTAL CAPITAL AND SURPLUS</b>	14,255,983	16,102,478

**Matters to set forth in a General Note to the Financial Statements**

1. ABC LTD. (the Company) was incorporated in Bermuda on May 10, 1994 and, effective October 31, 2001, is a wholly owned subsidiary of Paddington Western (Bahamas) (“the Parent”), a company incorporated in the Bahamas. The Company holds a Class 3a license under the Insurance Act 1978.
2. The primary business of the Company is to issue warranty policies to individual customers of ABC Appliance, Inc. through contracts written by ABC Warranty Corp, Inc. (the former owner of the Company). The warranty policies account for over 80% of the Company’s written premiums (unrelated business).

The Company insures Workers’ Compensation, General Liability, Auto Liability and Employers’ Liability to entities related to ABC Warranty Corporation, the former owner of ABC LTD. The Company’s exposure is limited to \$250,000 per occurrence and \$1,500,000 annual aggregate.

The Company has provided insurance coverage to ABC Appliance Inc. an entity related to the former owner, for Directors & Officers; Company Reimbursement Coverage limited to \$35,000 per occurrence, Employment Practices Liability limited to \$2,000,000 per occurrence and in the aggregate, excess of \$3,000,000 per claim, all Risk of Physical Loss or Damage limited to \$25,000 per occurrence, Vendor Credit Insurance limited to \$100,000 per occurrence and \$300,000 in aggregate, Crime Deductible Reimbursement Coverage limited to \$35,000 per occurrence and in excess of \$2,500 for any one occurrence, Flood Insurance limited to \$100,000 per occurrence and \$1,000,000 in the aggregate and Cyber Insurance limited to \$150,000 per occurrence and \$500,000 in the aggregate.

3. The condensed general purpose financial statements are prepared in accordance with financial reporting provisions of the Insurance Act 1978, amendments thereto and the Insurance Accounts Rules 2016 with respect to condensed general purpose financial statement (the “Legislation”). The recognition and measurement principles applied are in line with accounting principles generally accepted in the United States of America (“US GAAP”). The presentation of these financial statements in accordance with the guidance prescribed under the legislation differs from US GAAP in certain respects as follows:
  - a. The format of the financial statements is prescribed by schedules IX and X of the Insurance Accounts Rules 2016.
  - b. Statement of Cash Flows or equivalent is not included; and
  - c. Certain disclosures required by US GAAP are not included.

4. The significant accounting policies of the Company are as set out below:

**Premiums**

Premiums are recognized into income on a pro-rata basis over the periods of the respective policies, except for premiums on the extended warranty program which are recognized over the warranty period in proportion to the costs expected to be incurred in performing services under the warranty contract. Premiums applicable to unexpired terms of the policies are deferred in the condensed balance sheet.

ABC Warranty Corporation provides warranty contracts which range in terms from two to five years. For those products where the manufacturer provides a warranty, the manufacturer’s coverage is utilized prior to the Company’s. Under certain of the warranty contracts offered, the customer receives a credit on the purchase or merchandise or another warranty if there are no repairs incurred during the coverage period. These provisions have been considered in determining the amount of premiums to recognize as earned in the year ended October 31, 2023.

**Unearned premiums**

Unearned premiums represent the portion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on a time apportionment basis. Some are driven by non-linear earnings pattern.

The proportion of written premiums that relate to unexpired terms of policies in force at the balance sheet date is deferred as a provision for unearned premiums, generally calculated on a time apportioned basis, however, some are driven by non-linear earnings patterns. The movement in the provision is taken to the statement of income in order that revenue is recognized over the period of the risk.

**Loss and loss expense incurred**

Loss and loss expense incurred comprise of claims and claims handling costs paid in the year and changes in the provisions for outstanding claims. This includes provisions for claims incurred but not reported and related expenses; together with any adjustments to claims from prior years. Claims handling costs are mainly those external costs related to the negotiations and settlement of claims.

**Loss and loss expense provision**

Losses and loss expense provisions on the extended warranty program are recorded as an expense when reported.

On all other programs, the losses and loss expenses provisions and the related net losses and loss expenses incurred include estimates for losses incurred but not reported. The reserve is based on management's best estimate, claim adjusters' evaluations and actuarial determinations, and, in the opinion of management, such reserve is adequate. However, no assurance can be given that the ultimate settlement of losses may not vary materially from the liability recorded. Future adjustments to the amounts recorded resulting from the continual review process as well as differences between estimates and ultimate payments, will be reflected in the statutory statements of income of future years when such adjustments become known.

**Investments**

All investments are carried at market value based on quoted market prices or NAV provided by the fund manager. Such investments are available to be sold in response to liquidity needs. Investments are recorded on a trade date basis with balances pending settlement accrued in the balance sheet. Gains and losses on sales of fixed income investments are determined by specific identification of the cost of securities sold. Gains and losses on sales of equity securities are based on average cost of the security sold. Unrealized gains and losses related to equity securities are recognized in Net income and those related to debt securities are included as a separate component within the statement of capital and surplus

**Investment Income**

Investment income is recognized when earned.

**Cash and Cash Equivalents**

Cash and cash equivalents includes amounts held in banks and time deposits having maturities within three months at the date of purchase and amounts invested in a money market fund. The carrying value of cash and cash equivalents approximates fair value because of the short maturity of these instruments.

**Income Taxes**

Under current Bermuda law the Company is not required to pay any taxes in Bermuda on either income or capital gains. The Company has received an undertaking from the Minister of Finance in Bermuda that in event of any such taxes being imposed the Company will be exempted from taxation until the year 2035.

5. The basis for premium recognition and investment income are set out in note 4 above.
6. The Company's functional currency is the U.S. dollar. Transactions in foreign currencies are recorded in U.S. dollars at the exchange rate in effect on the transaction date. Monetary assets and liabilities in foreign currencies are translated at the exchange rates in effect at the reporting date and foreign exchange gains and losses are included in the statement of income.
7. There are no foreign exchange control restrictions affecting the assets of the Company.
8. There are no material contingencies or commitments at the balance sheet date.
9. The Company did not issue any securities or enter any credit agreements during the financial year.
10. The Company does not have any preferred cumulative shares.
11. There was no loan made by the Company to any director or officer of the Company outside the ordinary course of business during the financial year.
12. The Company has no employees, hence no retirement benefit obligations.

**13. Investments**

Investments are carried at fair market value, based on reported Net Asset Values and are considered as follows; Performa Liquid Asset Fund Class A, Performa High Yield Fund, Performa Int'l Bond-A, Performa Int'l Equity - Class A and Performa Equity Fund Class A (all investments are classified as Level 2 in the fair value hierarchy). Change in unrealized gains and losses related to equity securities recognized in Net income and those related to debt securities recorded in the statement of capital and surplus.

14. The contractual maturity profile of the investments are:

	Fair value	Up to a year	1 – 5 years	5 – 10 years	Over 10 years	No maturity date	Total
<u>2023</u>	\$	\$	\$	\$	\$	\$	\$
Bonds	18,878,862	593	18,878,269				18,878,862
Equities	11,436,594					11,436,594	11,436,594
Total	30,315,456	593	18,878,269			11,436,595	30,315,456

	Fair value	Up to a year	1 – 5 years	5 – 10 years	Over 10 years	No maturity date	Total
<u>2022</u>	\$	\$	\$	\$	\$	\$	\$
Bonds	19,651,075	4,930	19,646,145				19,651,075
Equities	12,053,700					12,053,700	12,053,700
Total	31,704,775	4,930	19,646,145			12,053,700	31,704,775

15. The Company does not have any related party transactions.

**16. Subsequent Events**

The Government of Bermuda has enacted the Corporate Income Tax (CIT) Act 2023 on 8 December 2023. The CIT legislation is intended to come into effect for fiscal years beginning on or after 1 January 2025. Based on preliminary assessments, the Bermuda CIT will not impact ABC Ltd., since ABC Ltd. is not a constituent entity of a multinational entity group that has consolidated revenue of at least €750 million in at least two of the four preceding fiscal years.

17. None.

### Matters to be set forth in Notes to the Statement of Capital and Surplus

- 1(a) Authorized, issued and fully paid 120,000 common shares at par value US\$1 each.  
 1(b) Not applicable

### Matters to be set forth in Notes to the Balance Sheet

1. Not applicable.  
 2. Quoted investments comprise of investments in the Performa International Bond Fund, the Performa High Yield Fund, the Performa Equity Fund and the Performa International Equity Fund. The investments are carried at the net asset value as reported by the fund manager.  
 3. Not applicable.  
 4. Not applicable.  
 5. Not applicable.  
 6-9. Not applicable.  
 10. Accounts and premiums receivable as at October 31, 2023 amounted to \$914,123 which pertains to the receivable balance from ABC Warranty Corporation.  
 11.-14. Not applicable.  
 16. Refer to Note 4 under Notes to Financial Statements section.  
 17(a). Movement in the loss and loss expense provisions for the current and previous years can be seen in the table below:

	2023	2022
Gross loss and loss expense provisions at beginning of year	891,658	794,006
Less: Reinsurance recoverable at beginning of year.	<u>-</u>	<u>-</u>
	<u>891,658</u>	<u>794,006</u>
Net loss and loss expense provisions at beginning of year		
Net losses incurred and net loss expenses incurred related to:		
Current year	7,794,607	5,999,009
Prior years	<u>1,533,411</u>	<u>2,875,368</u>
Total net incurred losses & loss expenses	<u>9,328,018</u>	<u>8,874,377</u>
Net losses and loss expenses paid or payable related to:		
Current year	(7,540,576)	(5,901,357)
Prior years	<u>(1,533,411)</u>	<u>(2,875,368)</u>
Total losses and loss expenses paid or payable	<u>(9,073,987)</u>	<u>(8,776,725)</u>
Foreign exchange and other	-	-
Net loss and loss expense provisions at end of year	1,145,689	891,658
Add: Reinsurance recoverable at end of year	<u>-</u>	<u>-</u>
Gross loss and loss expense provisions at end of year	<u>1,145,689</u>	<u>891,658</u>

- 17(b). The change in net losses incurred and net loss expenses incurred related to prior years was a result of warranty claims. No additional or return premiums have been accrued as a result of the prior year effects. The loss and loss expense provisions are unsecured.
- 17(c). Not applicable.
20. Refer to Note 4 under Notes to Financial Statements section.
21. Refer to Note 4 under Notes to Financial Statements section.
- 22.-32. Not applicable.
33. Accruals as at October 31, 2023 was \$101,308 relating to audit fees, actuarial fees, management fees and investment management fees:
- 34.-37. Not applicable.

**Matters to be set forth in Notes to the Statement of Income**

6. Not applicable.
15. Not applicable.
32. Not applicable.
36. Realized gain during the year amounted to \$899,300 from sale of fixed income and equity investments.

**Matters to be set forth in Notes to the Statement of Capital and Surplus**

- 2(e). This relates to the movement in prepaids.