
MILLSHAW SAMS NO.1 LIMITED
ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

**ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

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MILLSHAW SAMS NO.1 LIMITED

GENERAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2023

Directors

Michael Richardson
Shane Hollywood
Simon Radford

Secretary

Ocorian Secretaries (Jersey) Limited
26 New Street
St Helier
Jersey
JE2 3RA
Channel Islands

Registered Office

26 New Street
St Helier
Jersey
JE2 3RA
Channel Islands

Administrator

Barclays Bank UK PLC
1 Churchill Place
London
E14 5HP
United Kingdom

Special Servicer

Intertrust Offshore Limited
44 Esplanade
St Helier
Jersey
JE4 9WG
Channel Islands

Independent Auditor

PricewaterhouseCoopers CI LLP
37 Esplanade
St Helier
Jersey
JE1 4XA
Channel Islands

Legal Advisers

Schulte Roth & Zabel International LLP
One Eagle Place, St. James's
London
SW1Y 6AF
United Kingdom

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023**

The Directors present their annual report with the audited financial statements for Millshaw SAMS No. 1 Limited (**Company**) for the year ended 31 December 2023.

Incorporation

The Company was incorporated as a public company in Jersey on 18 December 1998. The issued share capital of the Company is held by Millshaw SAMS Holdings Limited, a private company incorporated in Jersey in 1998. The shares are legally owned by Ocorian Trustees (Jersey) Limited, as a Trustee of the Millshaw SAMS Charitable Trust.

Principal activities

The principal activity of the Company is to issue debt securities (**SAMs Notes**) in order to purchase an equivalent amount of mortgage loan portfolio from Barclays SAMS Limited (**Originator**), a wholly owned subsidiary of Barclays Bank UK PLC. Barclays Bank UK PLC continues to administer the mortgage portfolio under a Mortgage Administration Agreement with the Company. The SAMs Notes issued by the Company are listed on the London Stock Exchange and are not actively traded on the exchange.

Principal risks and uncertainties

The Company is a special purpose financing entity with no business operations other than the issue of SAMs Notes, holding of the mortgage loan portfolio and any ancillary transactions. The ability of the Company to make payments of principal and income on the SAMs Notes depends solely on the income and principal repayments from the underlying mortgage properties and therefore the Company is primarily exposed to the credit risk of the mortgage holder. However SAMs Notes are limited recourse, and the mortgage redemption values remain higher than the original entry level values of the properties, thus there is limited likelihood that the proceeds would be insufficient to repay the principal amount of SAMs Notes. Details in respect of the mortgage portfolio can be found on Bloomberg under Company News (ISIN XS0095095856). The Company has also issued subordinated notes however these notes are not listed on any stock exchange. The financial liabilities are limited recourse obligations of the Company and are payable only to the extent of the amounts received from the underlying financial assets. If the net proceeds of realisation of the financial assets secured as collateral are less than the aggregate amounts payable, the obligations of the Company to pay amounts due and payable in respect of the SAMs Notes and to the other secured parties at any time shall be limited to the proceeds available at such time to make such payments in accordance with the priorities of payments. The Company deposits cash in the Guaranteed Investment Contract Account (**GIC Account**) which accrues interest at 5% per annum, or the annual Retail Price Index of Jersey, whichever is higher, and this together with the capital balance of the GIC Account is considered adequate to meet ordinary operating and administrative expenses of the Company for the foreseeable future.

The main risks arising from the Company's financial instruments are market risk, credit risk and liquidity risk. Risks are formally reviewed by the Board of Directors (**Board**) and appropriate processes have been put in place to monitor and mitigate the risk. For a detailed description of risk management objective and policies see note 11.

Financial reporting process

The Board is responsible for establishing and maintaining adequate internal control and risk management systems (see note 11) in relation to the financial reporting process of the Company. The Board is also responsible for the review of the annual report, including the financial statements, and the quarterly management accounts. Such systems are designed to address key financial reporting risks, including risks arising from changes in the business or accounting standards, to provide assurance of the completeness and accuracy of the content of the annual financial statements and to ensure its effective oversight of the financial reporting process.

These include appointing the Special Servicer, Intertrust Offshore Limited, to maintain the accounting records of the Company independently of the Administrator, Barclays Bank UK PLC. The Special Servicer is contractually obliged to maintain adequate accounting records as required by the Cash and Bond Administration Agreement. To that end, the Special Servicer performs reconciliations of its records to those of the Administrator. The Special Servicer is also contractually obliged to prepare the annual report, including the financial statements intended to give a true and fair view, for review and approval by the Board.

The Board evaluates and discusses significant accounting and reporting issues as the need arises. From time to time the Board also examines and evaluates the Special Servicer's financial accounting and reporting routines and monitors and evaluates the external auditors' performance, qualifications and independence. The Special Servicer has operating authority for internal control in relation to the financial reporting process.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

Results and dividends

The results for the financial year are set out on page 13. During the year the Directors recommended and paid a dividend of £500 for the financial year ended 31 December 2022. A dividend of £500 will be proposed for the year ended 31 December 2023 upon the approval of the 2023 financial statements.

Going concern

The Directors have performed an assessment of the Company's ability to continue as a going concern. The Directors have considered the available cash balances on the Company's bank accounts and the Company's forecast expenditure and are satisfied that the Company has sufficient liquid resources to cover at least 12 months from the date of approval of these financial statements, the Directors are of the opinion that the conditions for the going concern principle to apply to the Company are currently being met and accordingly the financial statements have been prepared on a going concern basis.

Directors

The Directors who held office during the year and subsequently to the date of signing of these financial statements were:

Michael Richardson
Shane Hollywood
Simon Radford

The Directors had no financial interest in the ordinary shares or SAMS Notes of the Company throughout the financial year and up to the date of approving these financial statements. The Company has made a third party indemnity provision for the benefit of the Directors. This indemnity provision remains in force at the time of this report.

Notwithstanding that the Company's SAMS Notes are listed on the London Stock Exchange, it was not anticipated at incorporation that the SAMS Notes would be actively traded. The Directors, therefore, decided that there was no benefit in creating an audit committee (or equivalent supervising body) as it was considered unlikely that the noteholders would change during the lifetime of the Company.

Secretary

The Secretary who held office during the year and subsequently to the date of signing of these financial statements was Ocorian Secretaries (Jersey) Limited.

Employees

The Company employed no staff during the year or in the prior years. Certain of the Company's day to day obligations and powers in respect of the transactions are performed on its behalf by various other parties and Kroll, as follows:

Administrator

Barclays Bank UK PLC a wholly owned subsidiary of Barclays PLC along with Barclays Services Limited is responsible for the administration of the mortgage portfolio pursuant to the Mortgage Administration Agreement. In particular, with reference to the Mortgage Administration Agreement, it is the duty of Barclays PLC group to provide the services, detailed in schedule 1 thereto, which include taking all reasonable steps to recover all sums due to the Company.

Special Servicer

Intertrust Offshore Limited acts as a Special Servicer, responsible for the cash administration and reporting, pursuant to the Cash and Bond Administration Agreement. The Special Servicer is contractually obliged to maintain adequate accounting records as required by the Cash and Bond Administration Agreement. To that end, the Special Servicer performs reconciliations of its records to those of the Administrator. The Special Servicer is also contractually obliged to prepare for review and approval by the Board of the annual report including financial statements intended to give a true and fair view.

Valuation advisor

Kroll Advisory Limited has been engaged to perform procedures to estimate a range of Fair Values for certain investments managed by Millshaw SAMS No.1 as of the Valuation Date.

MILLSHAW SAMS NO.1 LIMITED

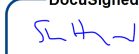
**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

Independent auditor

PricewaterhouseCoopers CI LLP have indicated their willingness to continue in office, a resolution that they be reappointed will be proposed at the annual general meeting.

Approved by the Board of Directors and signed on behalf of the Board

DocuSigned by:



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Secretary - Ocorian Secretaries (Jersey) Limited

Dated: 30 April 2024

26 New Street
St Helier
Jersey
JE2 3RA
Channel Islands

**DIRECTORS' RESPONSIBILITY STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023**

The Directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Companies (Jersey) Law 1991 (**Law**) requires the Directors to prepare financial statements for each financial year in accordance with specified generally accepted accounting principles. In accordance with the London Stock Exchange Rules, and permitted under the Law, the Directors have elected to prepare the Company financial statements under IFRS Accounting Standards as issued by the International Accounting Standards Board (**IFRS Accounting Standards**). The financial statements of the Company are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year.

In preparing these financial statements, the Directors should:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- specify which generally accepted accounting principles have been adopted in their preparation; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm they have complied with all the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records which are sufficient to show and explain its transactions and are such as to disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements prepared comply with the requirements of the Law. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

The Directors of the Company, whose names appear on page 2, confirm to the best of their knowledge that the audited financial statements for the year ended 31 December 2023 give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company as required by IFRS Accounting Standards. The Directors' Report gives a true and fair review of the development of the Company's business, financial position and the important events that have occurred during the financial year and their impact on the financial statements. The principal risks and uncertainties faced by the Company are disclosed in note 11 of these financial statements.

Statement of disclosure of information to auditors

So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Approved by the Board of Directors and signed on behalf of the Board

DocuSigned by:



A092946BBA364A1

Secretary - Ocorian Secretaries (Jersey) Limited

Dated: 30 April 2024

26 New Street
St Helier
Jersey
JE2 3RA
Channel Islands

Independent auditor's report to the members of Millshaw SAMS No.1 Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Millshaw SAMS No.1 Limited (the "company") as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

What we have audited

The company's financial statements comprise:

- the statement of financial position as at 31 December 2023;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

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 *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements of the company, as required by the Crown Dependencies' Audit Rules and Guidance. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Audit scope

- We have performed our audit on the company and tested material transactions and balances.
- We conducted all our audit work in Jersey, with the support of valuation experts in the United Kingdom who were engaged as an auditor's expert for the valuation of the Deemed Loan.

Key audit matters

- Valuation of the Deemed Loan and Shared Appreciation Mortgages ("SAMS") Notes.

Materiality

- Overall materiality: GBP 1,394,000 (2022: GBP 1,456,000) based on 1% of total assets.
- Performance materiality: GBP 1,045,500 (2022: GBP 1,092,500).

Independent auditor's report to the members of Millshaw SAMS No.1 Limited (continued)

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditor's professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
Valuation of the Deemed Loan and Shared Appreciation Mortgages ("SAMS") Notes As disclosed in note 4 to the financial statements, subsequent to the acquisition of the SAMS by the company, due to the retention of significant risk in the SAMS portfolio by the originator of the SAMS (Barclays SAMS Limited), the originator failed to derecognise the SAMS. Accordingly, the payment of consideration by the company has been recognised as a Deemed Loan to the originator and a Deemed Loan asset is recognised instead of recognition of the SAMS. The company remains the legal owner of the interest in the SAMS. However, the amounts receivable by the company in respect of the Deemed Loan are solely dependent on the future proceeds (being repayment of principal plus shared appreciation on the underlying mortgages) from the SAMS. The fair value of the Deemed Loan has been calculated by reference to the underlying pool of mortgage receivables. A model has been generated by an independent valuer to determine the fair value as at 31 December 2023 using an income approach. The valuation model employs significant unobservable inputs that require a higher degree of management judgement and estimation in the determination of fair value as disclosed in note 3 to the financial statements. The key inputs and assumptions used in determining the fair value are disclosed in note 3 to the financial statements. The SAMS Notes are limited recourse in nature, such that upon maturity of the SAMS Notes the only proceeds available to the noteholders will be the net amounts received by the company from the	<p>We have reviewed the accounting treatment of the SAMS by the company as a Deemed Loan to the originator and concluded that the classification remains appropriate in line with IFRS Accounting Standards.</p> <p>We engaged the services of internal auditor's experts to assist in evaluating management's fair value assessment.</p> <p>Through discussions with the directors of the company, the independent valuer and service providers we obtained an updated understanding of the internal controls operating over the valuation and redemptions processes of the Deemed Loan and SAMS.</p> <p>We reviewed the appropriateness of the methodology used in calculating the fair values assigned to the Deemed Loan and SAMS Notes and considered it reflects a reliable and relevant estimate of market conditions in line with IFRS Accounting Standards.</p> <p>We assessed the reasonableness of key inputs and assumptions disclosed in note 3 to the financial statements, which includes life table and age group, redemption time lag, capital appreciation, defaults, prepayment, dilapidation discount and discount rate used in the calculation of the fair value, and agreed them to appropriate supporting evidence.</p> <p>We assessed the mathematical accuracy of the fair value calculation.</p> <p>For the year ended 31 December 2023, we assessed the reasonableness of the assumptions in the calculation of the adjustment to the fair value of the Deemed Loan and SAMS notes in relation to any potential future litigation.</p>

Independent auditor's report to the members of Millshaw SAMS No.1 Limited (continued)

underlying mortgage pool of the Deemed Loan.

Accordingly, in the opinion of the directors the clearest evidence of the fair value of the SAMs Notes is the fair value of the mortgage pool, which underlies the Deemed Loan.

The carrying value of the Deemed Loan is the key driver of the carrying value of the SAMs Notes issued by the company. The valuation of the Deemed Loan and SAMs Notes is one of the key judgemental areas that our audit focused on due to the inherent uncertainty in estimates and judgements used in the valuation model. We have therefore considered this to be a key audit matter.

We evaluated management's assumptions detailed in notes 3 and 12 in the financial statements against comparable market evidence and considered whether the disclosures are consistent with IFRS 13 and other applicable standards.

Management has performed a re-calibration exercise of the underlying fair value of properties by comparing the post valuation settlement amount to the original fair value. We have obtained this comparison and performed backtesting on this data to corroborate the dilapidation discount applied in the current year valuation report.

We have performed sensitivity analysis in respect of litigation risk to ascertain the impact on the fair value of the SAMs as a result of changes in the underlying assumptions.

No material concerns were noted for the valuation of the Deemed Loan and SAMs Notes as at 31 December 2023 based on the work performed above.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which the company operates, and we considered the risk of climate change and the potential impact thereof on our audit approach.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

<i>Overall materiality</i>	£1,394,000 (2022: £1,456,000)
<i>How we determined it</i>	1% of total assets
<i>Rationale for the materiality benchmark</i>	We believe that total assets is the most appropriate benchmark because it is the key metric of interest to noteholders. The company is asset driven and by its nature it has a corresponding liability (to the noteholders) which equals its asset base. It is also a generally accepted measure used for companies in the structured finance industry.

Independent auditor's report to the members of Millshaw SAMS No.1 Limited (continued)

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2022: 75%) of overall materiality, amounting to £1,045,000 (2022: £1,092,000) for the company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £69,700 (2022: £72,800), as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Reporting on other information

The other information comprises all the information included in the Annual Report and Audited Financial Statements (the "Annual Report") but does not include the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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 based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibility Statement, the directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS Accounting Standards, the requirements of Jersey law and for such internal control as the directors determine 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, the directors are 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 auditor's 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

Independent auditor's report to the members of Millshaw SAMS No.1 Limited (continued)

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' 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 over a period of at least twelve months from the date of approval of the financial statements. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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 auditor's 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.

Use of this report

This independent auditor's report, including the opinions, has been prepared for and only for the members as a body in accordance with Article 113A of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent auditor's report to the members of Millshaw SAMS No.1 Limited (continued)

Report on other legal and regulatory requirements

Company Law exception reporting

Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit;
- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

Other matter

In due course, as required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements will form part of the European Single Electronic Format ("ESEF") prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ("ESEF RTS"). This auditor's report provides no assurance over whether the annual financial report will be prepared using the single electronic format specified in the ESEF RTS.



James de Veulle
For and on behalf of PricewaterhouseCoopers CI LLP
Chartered Accountants and Recognised Auditor
Jersey, Channel Islands
30 April 2024

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023**

		2023 GBP	2022 GBP
Income			
Realised gain on financial assets at fair value through profit or loss	4	14,739,001	18,010,949
Unrealised gain on financial liabilities at fair value through profit or loss	8	2,519,256	10,051,580
Finance income		225,725	101,804
Other income		2,993	-
Total income		17,486,975	28,164,333
Expenses			
Realised loss on redemption of SAMs Notes	8	14,019,497	16,776,439
Unrealised loss on financial assets at fair value through profit or loss	4	2,346,243	10,113,456
Amortisation of prepaid expenses		24,750	29,759
Administration fees		497,831	562,550
Legal and professional fees		414,188	568,313
Audit fees		105,700	93,000
Subordinated loan note interest	8	77,126	19,026
Annual return fee		540	690
Sundry expenses		600	600
Total expenses		17,486,475	28,163,833
Total comprehensive income for the year		500	500

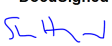
All the items dealt with in arriving at the profit for the year relate to continuing activities.


There were no items of other comprehensive income which are required to be separately disclosed during the current and preceding year.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Notes	2023 GBP	2022 GBP
Assets			
Non-current assets			
Financial assets at fair value through profit or loss	4	135,959,330	140,357,829
Prepayments		<u>312,057</u>	<u>336,808</u>
		136,271,387	140,694,637
Current assets			
Trade and other receivables	5	-	377,490
Cash and cash equivalents	6	<u>3,157,436</u>	<u>4,535,148</u>
		3,157,436	4,912,638
Total assets		<u>139,428,823</u>	<u>145,607,275</u>
Liabilities			
Non-current liabilities			
Financial liabilities	8	138,280,279	142,774,672
Current liabilities			
Trade and other payables	7	1,148,042	2,832,101
Total liabilities		<u>139,428,321</u>	<u>145,606,773</u>
Equity			
Capital and reserves			
Share capital	9	2	2
Retained earnings		<u>500</u>	<u>500</u>
Total equity		<u>502</u>	<u>502</u>
Total equity and liabilities		<u>139,428,823</u>	<u>145,607,275</u>

The financial statements on pages 13 to 35 were approved and authorised for issue by the Board of Directors on 26th April 2024 and were signed on its behalf by:

DocuSigned by:

 A092946BDA364A1...
 Director
 Date: 30 April 2024

DocuSigned by:

 FDB861BE224D4BC...
 Director
 Date: 30 April 2024

MILLSHAW SAMS NO.1 LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Share capital	Retained earnings	Total
	GBP	GBP	GBP
Balance at 1 January 2023	2	500	502
Total comprehensive income for the year	-	500	500
Dividends	-	(500)	(500)
Balance at 31 December 2023	2	500	502

	Share capital	Retained earnings	Total
	GBP	GBP	GBP
Balance at 1 January 2022	2	500	502
Total comprehensive income for the year	-	500	500
Dividends	-	(500)	(500)
Balance at 31 December 2022	2	500	502

The notes on pages 17 to 35 form an integral part of these financial statements

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

		2023 GBP	2022 GBP
Cash flows from operating activities			
Total comprehensive income for the year		500	500
<i>Adjusted for:</i>			
Finance income		(225,725)	(101,804)
Unrealised gain on financial liabilities at FVTPL	8	(2,519,256)	(10,051,580)
Unrealised loss on financial assets at FVTPL	4	2,346,243	10,113,456
Realised loss on redemption of SAMs Notes	8	14,019,497	16,776,439
Amortisation of prepaid expenses		24,750	29,759
Subordinated loan note interest	8	77,126	19,026
Proceeds from redemption of financial assets		2,096,631	2,648,178
Decrease in trade and other receivables		333,116	912,186
Increase in trade and other payables		27,775	4,700
Net cash inflow from operating activities		16,180,657	20,350,860
Cash outflows from investing activities			
Finance income received		225,725	101,804
Net cash inflow from investing activities		225,725	101,804
Cash flows from financing activities			
Dividends paid to Company shareholders		(500)	(500)
Principal repayment on SAMs Notes	8	(2,234,763)	(2,708,361)
Shared appreciation payments to SAMs Notes		(15,548,831)	(18,307,748)
Net cash outflow from financing activities		(17,784,094)	(21,016,609)
Net decrease in cash and cash equivalents		(1,377,712)	(563,945)
Cash and cash equivalents at the beginning of the year	6	4,535,148	5,099,093
Cash and cash equivalents at the end of the year	6	3,157,436	4,535,148

The notes on pages 17 to 35 form an integral part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

1 General information

The Company was incorporated in Jersey on 18 December 1998 under the Companies (Jersey) Law 1991, as amended, and is a public company with registered number 73181. The Company was established as a rated note issuing vehicle whereby the proceeds of a £97,840,000 note issuance were invested in the portfolio of shared appreciation mortgages (**SAMS**). The SAMS Notes issued by the Company are listed on the London Stock Exchange and are not actively traded on the exchange.

The Company holds the interest in the SAMS purchased until maturity and uses the principal repayments and shared appreciation monies received to make quarterly distributions to noteholders, based on the value of the maturing mortgages within each quarter, known as a determination period.

The registered office of the Company is at 26 New Street, St Helier, Jersey, JE2 3RA, Channel Islands.

2 Summary of material accounting policy information

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of preparation

The Company's financial statements have been prepared in accordance with IFRS Accounting Standards and Companies (Jersey) Law 1991. The financial statements have been prepared under the historic cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss (**FVTPL**). The principal accounting policies applied in the preparation of these financial statements are set out below.

The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting year. The estimate and assumption used in the Company's financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual amounts and results could differ from such estimates and assumptions. The estimates and assumptions are reviewed on an on-going basis. Any revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. In particular, fair value calculation and disclosures require significant judgement. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates were significant to the financial statements are disclosed in notes 3, 11 and 12.

Adoption of new and revised standards

(a) Standards, amendments and interpretations issued and effective

The Company has applied the below amendments to IFRS Accounting Standards and Interpretations issued by IASB that are effective for an annual period that begins on or after 1 January 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- IFRS 17 Insurance Contracts
- Definition of Accounting Estimates - Amendments to IAS 8
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

(b) New standards, amendments and interpretations issued but not yet effective

At the date of authorisation of these financial statements, the Company has not applied new standards, amendments to standards and interpretations that have been issued but are not yet effective.

- Amendments to IAS 1 - Classification of liabilities as current or non-current
- Amendments to IFRS 16: Lease Liability in a Sale and Leaseback
- Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023
2 Summary of material accounting policy information (continued)**2.2 Going concern**

The Directors have performed an assessment of the Company's ability to continue as a going concern. The Directors have considered the available cash balances on the Company's bank accounts and the Company's forecast expenditure and are satisfied that the Company has sufficient liquid resources to cover 12 months from the date of approval of these financial statements, the Directors are of the opinion that the conditions for the going concern principle to apply to the Company are currently being met and accordingly the financial statements have been prepared on a going concern basis.

2.3 Foreign currency translation**(i) Functional and presentation currency**

The Board considers the British Pound (**GBP or Sterling**) as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates. The financial statements are presented in Sterling, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Transactions denominated in foreign currencies are translated into Sterling at the rate ruling on the date of the transaction. Monetary assets and monetary liabilities at the statement of financial position date denominated in foreign currencies are translated into Sterling at the rate ruling on the statement of financial position date. Any gains or losses arising on translation are recognised in the statement of comprehensive income.

2.4 Financial assets and liabilities at fair value through profit or loss

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Financial instruments

The financial instruments held by the Company include the following:

- Financial assets at fair value through profit or loss (**Financial assets at FVTPL**)
- Financial liabilities at fair value through profit or loss (**Financial liabilities at FVTPL**)
- Financial assets and liabilities at amortised cost (see notes 2.6, 2.7, 2.8 and 2.9)

a) Classification

The classification depends on the Company's business model for managing the financial instruments and the contractual cash flow characteristics of the financial instruments.

The business model of the Company is to hold the financial assets and to collect the contractual cash flows of the financial assets which are solely principal and shared appreciation income from the redemption of the financial assets. Further, the cash flows do not occur at predetermined dates and do not contain interest. In accordance with IFRS 9, the Company's financial assets are classified as FVTPL.

The Company's financial assets have been designated at FVTPL due to the fact that their performance is managed and evaluated on a fair value basis, in accordance with the documented strategy.

The Company issued the SAMS Notes to purchase an equivalent amount of the financial assets. The repayment proceeds received from the financial assets of the Company are substantially passed on to the SAMS Notes. The liability under SAMS Notes carries limited recourse and payable only to the extent of the receipts from the financial assets. To eliminate and significantly reduce the inconsistencies that would otherwise arise from measuring the Company's financial assets and financial liabilities on different bases, the Company's SAMS Notes are classified as FVTPL.

The Company's policy requires the Board to evaluate the information about these financial assets and liabilities on a fair value basis together with other related financial information.

b) Recognition, derecognition and measurement

Regular purchases and sales of financial assets are recognised on trade date, the date on which the Company commits to purchase or sell the asset. At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**2 Summary of material accounting policy information (continued)****2.4 Financial assets and liabilities at fair value through profit or loss (continued)****b) Recognition, derecognition and measurement (continued)**

The financial liabilities are recognised on the date upon which the Company becomes party to the contractual provision of the liability. Financial liabilities at fair value are initially recognised at fair value, being their issue proceeds (fair value of consideration received).

Subsequent to initial recognition, all financial assets and financial liabilities at FVTPL are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at FVTPL' category are presented in the statement of comprehensive income in the period in which they arise.

IFRS 9 requires that the changes in the fair value of the financial liabilities that is attributable to changes in credit risk be presented in the other comprehensive income, unless the recognition of the effects of changes in the financial liabilities' credit risk in other comprehensive income would create or enlarge an accounting mismatch in the profit or loss.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Financial liabilities are derecognised when the obligation is discharged, cancelled or expires.

The Deemed Mortgage Loan Portfolio is a non-derivative financial asset with fixed or determinable payments that is not quoted in an active market. Under IFRS Accounting Standards, if a transferor retains substantially all the risks and rewards associated with the transferred assets, the transaction is accounted for as a financing transaction, notwithstanding that it is a sale transaction from a legal perspective. The Directors of the Company have concluded that the Originator has retained substantially all the risks and rewards of the mortgage loan pool of SAMs and, as a consequence, the Company does not recognise the SAMs mortgage loan portfolio on its statement of financial position but rather consider it as the "Deemed Loan" due from the Originator, where recourse to the Originator is limited to the cash flows from the underlying mortgage portfolio.

The initial amount of the Deemed Loan to the Originator corresponds to the consideration paid by the Company for acquiring the SAMs mortgage portfolio, which reflected the fair value. The Company recognises cash flows from the underlying pool of SAMs only to the extent that it is entitled to retain such cash flows. Cash flows attributable to the Originator are not recognised by the Company.

The Deemed Loan is categorised as a financial asset held at FVTPL, and classified as a non-current asset. It is initially recognised at fair value, with direct and incremental transaction costs expensed to the statement of comprehensive income. It is subsequently valued at fair value, with any movements over the accounting period recognised through the statement of comprehensive income. It is derecognised when the rights to receive cash flows have expired or the Company has transferred substantially all the risks and rewards of ownership of the underlying mortgage portfolio.

Transaction costs are costs incurred to acquire financial assets or liabilities at FVTPL. They include fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, are immediately recognised in statement of comprehensive income as an expense.

c) Fair value estimates

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities not traded in active markets are based on the valuation techniques as determined by the Directors with support from an independent valuer.

The Company uses assumptions that are based on market conditions existing at each reporting date. Refer to note 3 for the valuation techniques and assumptions used.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

2 Summary of material accounting policy information (continued)

2.4 Financial assets and liabilities at fair value through profit or loss (continued)

d) Limited recourse

The financial liabilities are limited recourse obligation of the Company and are payable only to the extent of the amounts received from the underlying financial assets. If the net proceeds of realisation of the financial assets secured as collateral are less than the aggregate amounts payable, the obligation of the Company to pay amounts due and payable in respect of the SAMs Notes and to the other secured parties at any time shall be limited to the proceeds available at such time to make such payments in accordance with the priorities of payments.

2.5 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.6 Financial liabilities at amortised cost

Loans and borrowings are recognised as financial liabilities initially at their issue proceeds. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using effective interest rate plus any accrued interest at the year end. Any gains or losses on derecognition or through the amortisation process are recognised in statement of comprehensive income. The effective interest rate amortisation is included as finance costs in the statement of comprehensive income.

2.7 Trade and other receivables

Trade and other receivables are amounts due from customers in the ordinary course of business, if collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The Company applies the IFRS 9 simplified approach to measuring the expected credit losses which uses the lifetime expected credit loss allowance for all receivables. Receivables are written off when there is no reasonable expectation of recovery. The Directors consider the possibility of default is negligible as the counterparties have a strong capacity to meet their contractual obligations. As a result, no allowance has been recognised based on lifetime expected credit losses as any such impairment would be wholly insignificant to the Company.

2.8 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, net of bank charges. The Company's cash and cash equivalents at the end of the financial year is shown in note 6.

2.9 Trade and other payables

Trade and other payables are obligations to pay for goods and services that have been acquired in the ordinary course of business. They are classified as current liabilities if payment is due and payable within one year or less. If not, they are presented as non-current liabilities.

Trade and other payables are not interest bearing, short term in nature, and are accordingly stated at their amortised cost.

2.10 Revenue recognition

The Company recognises proceeds from the redemption of mortgages when the right to receive payment is notified to it by the Administrator. The difference between the proceeds received and the cost of each mortgage is recognised in the statement of comprehensive income as a realised gain on financial assets at FVTPL.

Interest income is recognised in the statement of comprehensive income on a time-proportionate basis using the effective interest method. It includes interest income from cash and cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

2 Summary of material accounting policy information (continued)

2.11 Expenses

Expenses are accounted for on an accruals basis.

2.12 Taxation

The Company is subject to Jersey income tax at a rate of 0% (2022: 0%).

The Company is not registered for Goods and Service Tax (**GST**) in Jersey however the Company is registered as an International Services Entity (**ISE**). The annual fee for registration of an ISE is £300 (2022: £300). During the year the Directors of the Company have also settled the ISE fees of £300 (2022: £300) for its holding company, Millshaw SAMS Holdings Limited.

2.13 Share capital

Ordinary shares held by the Company are classified as equity. Any incremental costs directly attributable to the issue of shares have been shown in equity as a deduction, net of tax, from the proceeds.

2.14 Dividend

Dividends on ordinary shares are recognised in the period in which they are declared.

3 Critical accounting estimates and judgements

(a) Accounting estimates and assumptions - fair value

The accounting estimates and assumptions used in the Company's financial statements are based upon management's evaluation of relevant facts and circumstances as of the reporting date. Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related results. Actual amounts and results could differ from such estimates and assumptions.

In particular, fair value of financial assets and liabilities and disclosure requires significant judgement. The Directors of the Company have made certain assumptions and made the judgement to measure the financial asset of the Company, the Deemed loan, at fair value. There are however a number of challenges in measuring the financial assets and liabilities at fair value, as follows :

- Although the mortgages are secured over real property, the underlying value of this collateral has not been formally reviewed since the sale of the mortgage, but only updated each year as part of the valuation process using the HPI index and other factors;
- The SAMs Notes are not actually traded;
- There is no active market for second hand mortgages and accordingly there is no market price available for the interests held by the Company;
- The mortgages have no fixed interest element or fixed maturity date. Maturity will occur on the sale of an underlying property, death of the owner or the decision by the owner to repay;
- There is no intention or expectation on the part of the Company that any of the underlying mortgages will be sold, cancelled or transferred by the Company in the normal course of business, all such mortgages are expected to be held to their maturity; and
- The shared appreciation on a mortgage is based upon increases in the value of the underlying properties, between the date of the mortgage advance and the date of the mortgage repayment, estimated by a third party.

There is no evidence of any material impairment within the mortgage pool. At the origination of the mortgages there was a maximum 25% loan to value over the underlying properties which is not considered to have deteriorated to date.

A fair value of the Deemed Loan has therefore been calculated by reference to the underlying pool of mortgage loans. The Directors of the Company consider the current valuation basis results in a measurement that is more representative of the fair value. A model has been generated by an independent valuer to determine the fair value as at 31 December 2023 and 2022 using an income approach.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023
3 Critical accounting estimates and judgements (continued)**(a) Accounting estimates and assumptions - fair value (continued)**

Income approach is a valuation technique that provides an estimation of fair value of the Deemed Loan based on expectations about the cash flows it would generate over time. The income approach starts with an estimation of the annual cash flows expected to be generated over a discrete projection period. The estimated cash flows for each of the years in the discrete projection period are then converted to their present value equivalent using a rate of return appropriate for the risk of achieving the projected cash flows. The present value of the estimated cash flows is then added to the present value equivalent of the residual value of the Deemed Loan, if any, at the end of the discrete projection period to arrive at the fair value.

The following key inputs and assumptions have been used in determining the fair value as at 31 December 2023:

i) Life table and age group

As most of the mortgage redemption occurs upon the death of the borrower, the life tables provided by the Office for National Statistics (**ONS**) were used to estimate the expected remaining years to live for each borrower.

The life tables of ONS was extended to include the probability of survival by people aged 100 and above by using linear interpolation. This resulted to a probability of survival at age 100 (59.9% for men and 64.1% for women) (2022: 61.0% for men and 65.0% for women) down to zero (2021: zero) at the age of 109 .

ii) Redemption time lag

The model assumes that there is a delay between the death of the mortgagee and the resulting cash flow due to the periodicity of the cash flow model and input setting.

iii) Capital appreciation

The capital appreciation amount to be paid by mortgagee is defined as three times property value appreciation times initial loan amount.

The estimated capital appreciation component on any projected repayments is based on a combination of:

- property valuation as of 31 December 2021
- observed HPI changes from the 31 December 2021 to the Valuation Date

During the year, the methodology was updated since the previous valuation review to using the Office for Budget Responsibility (**OBR**) long term forecast instead of the normalised 4.0% annualised rate. The Company considers the OBR forecast to be more appropriate reflection of the long term HPI growth, in comparison to historical trends, given the volatility in the market in recent years due to macro-economic events. The following table summarises the long term OBR UK HPI forecast and actual historical 10 year regional standard deviation as at the valuation date, and used in the projection from Q2 2028:

Region	10-yr average	Annualised average	10- yr std	Region weight
South East	0.92%	3.73%	3.24%	23.46%
South West	0.92%	3.73%	3.55%	14.02%
West Midlands	0.92%	3.73%	3.08%	7.26%
North West	0.92%	3.73%	4.41%	5.86%
London	0.92%	3.73%	3.99%	22.09%
Yorkshire and the Humber	0.92%	3.73%	4.35%	5.21%
East Midlands	0.92%	3.73%	3.19%	2.32%
Wales	0.92%	3.73%	3.92%	3.38%
North East	0.92%	3.73%	5.84%	1.74%
East of England	0.92%	3.73%	3.29%	14.65%
Regional weighted 10 yr average	0.92%	3.73%	3.64%	100.00%

iv) Defaults

The weighted average Loan to Value (**LTV**) of the mortgage pool as of the valuation date was 60% (2022: 60%), indicating strong collateral coverage and, therefore, no defaults have been assumed.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023
3 Critical accounting estimates and judgements (continued)
(a) Accounting estimates and assumptions - fair value (continued)
v) Prepayment

To account for mortgages that can be repaid other than the death of the borrowers, an annual constant prepayment rate (**CPR**) at a portfolio level was applied. The CPR was assumed to redeem at the portfolio weighted average capital appreciation amount that was simulated using the OBR forecasts (simulated with the actual historic 10-year standard deviation). Accordingly, this reduced the notional of all remaining mortgages by the CPR in each period.

Based on an assessment of recent redemption data, the CPR assumption was unchanged 2% (2022: 2%).

vi) Dilapidation discount

Homeowners have limited economic interest in the realised proceeds and often have a reduced incentive and capacity to maintain the properties at the same level as the UK average, causing these properties to lose value over time. Using the property value implied by HPI indexing divided by the actual redeemed property value since the first redemption in March 1999 until valuation date, an average difference over the whole period of 40.2% (2022: 39.4%) was generated and the trend line indicates an increase in differential of 1.3% (2022: 1.3%) annually. As not all this differential can be attributed to dilapidation, a 1% (2022: 1%) annual dilapidation discount was used from the most recent valuation date of 31 December 2021 onwards.

The following table summarises the regional difference over the last 10 years:

Region	10-yr average quarterly	Annualised average	Region weight
South East	0.25%	1.02%	23.50%
South West	0.30%	1.19%	14.00%
West Midlands	0.31%	1.26%	7.30%
North West	0.43%	1.73%	5.90%
London	0.41%	1.66%	22.10%
Yorkshire and the Humber	0.36%	1.44%	5.20%
East Midlands	0.36%	1.45%	2.30%
Wales	0.40%	1.63%	3.40%
North East	0.30%	1.21%	1.70%
East of England	0.35%	1.40%	14.60%
Regional weighted 10 yr average	0.34%	1.35%	

The dilapidation discount is applied to the projected property values at redemption when calculating capital appreciation.

In addition actual property redemptions since the previous valuation on 29 March 2019 were compared to that valuation as adjusted for HPI and dilapidation. The result was an average negative difference of -12.8% of the actual sale proceeds to the HPI affected estimates reflecting that the properties are not being maintained to market standard conditions.

The following table summarises the regional difference of the properties sold since the previous valuation:

Region	No. of Properties	Region Weight	Total Contribution	Region Specific Difference
South East	111	31.1%	(5.3%)	(17.0%)
South West	71	16.6%	(1.7%)	(10.5%)
West Midlands	62	11.8%	(1.5%)	(12.8%)
North West	32	5.1%	(0.9%)	(17.3%)
London	34	12.3%	(1.1%)	(8.6%)
Yorkshire and the Humber	28	4.5%	(0.3%)	(7.0%)
East Midlands	14	2.2%	(0.2%)	(7.0%)
Wales	12	2.8%	0.2%	7.5%
North East	8	1.3%	(0.0%)	(1.0%)
East of England	59	12.33%	(2.04%)	(16.56%)
Regional weighted average	431	100.00%	(12.8%)	(12.8%)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023
3 Critical accounting estimates and judgements (continued)**(a) Accounting estimates and assumptions - fair value (continued)**

vi) Dilapidation discount (Continued)

To mitigate this impact the regional specific differences have been applied to the property valuations as at 31 December 2021, which are assumed to be similarly overvalued.

Furthermore, a comparison was performed on the smaller population of 2022 and 2023 redemptions to assess the difference between actual property sale proceeds at redemption during 2022 and 2023 against the property valuations from most recent valuation date of 31 December 2021 after applying the above mentioned adjustment of -12.8% (2022: -13.3%). The results showed that the adjustment made to the 31 December 2021 valuation, described above, is appropriate as there is a minimal discrepancy of 3% (2022: 0.27%).

vii) Discount rate

The discount rate reflects the long-term nature of the asset and factors the lack of liquidity of the financial asset. The discount rate also incorporates the significant improvement of the UK housing market in recent years. Since the referendum on Brexit, there has been a reduction in sales volumes but there has not been a significant impact on house prices. Given that the above inputs have been considered, the Directors, therefore, believe that a discount rate of 10% (2022: 10%) is appropriate to estimate the fair value of the mortgage pool.

These calculations represent the Directors' best estimate of the fair value of the Deemed Loan. The possible financial outcome of the potential litigation exposure has been considered in determining the fair value of the deemed loan and the SAMs Notes as discussed in note 12.

The Board of Directors considers Sterling to be the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. Sterling is the currency in which the Company measures its performance and reports its results, as well as the currency in which it receives subscriptions from its investors. This determination also considers the competitive environment in which the Company is compared to other investment products.

(b) Critical judgement - recognition of Deemed Loan

As described in note 1, due to the retention of significant risk in the SAMs portfolio by the originator of the SAMs (Barclays SAMs Limited), the originator failed to derecognise the SAMs. Accordingly the payment of consideration by the Company has been recognised as a Deemed Loan to the originator and a Deemed Loan asset is recognised instead of recognition of the SAMs.

4 Financial assets at fair value through profit or loss

	2023 GBP	2022 GBP
<u>Deemed Loan</u>		
Opening balance	140,357,829	152,976,337
Principal proceeds from redemptions of loans	(2,052,256)	(2,505,052)
Unrealised loss on the financial assets at FVTPL	(2,346,243)	(10,113,456)
Closing balance	<u>135,959,330</u>	<u>140,357,829</u>

The Company has purchased a mortgage loan portfolio from Barclays SAMS Limited. The Company does not recognise the purchase of the mortgage portfolio from the Originator in its financial statements, but rather shows a loan to the Originator.

Subsequent to the acquisition of the portfolio of SAMs, due to the retention of significant risk in the SAMs portfolio by the originator of the SAMs (Barclays SAMs Limited), the originator failed to derecognise the SAMs. Accordingly the payment of consideration by the Company has been recognised as a Deemed Loan to the originator and a Deemed Loan asset is recognised instead of recognition of the SAMs. The Company remains the legal owner of the interest in the SAMs.

However, the amounts receivable by the Company in respect of the Deemed Loan is solely dependent on the proceeds (being repayment of principal plus shared appreciation on the underlying mortgages) from the SAMs. In the financial statements, Deemed Loan and SAMs are used interchangeably as the economics of the Deemed Loan is wholly linked to the performance of the SAMs.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023
4 Financial assets at fair value through profit or loss (continued)

The Deemed Loan has been initially recognised at the amount corresponding to the consideration paid by the Company for the pool of mortgage loans and subsequently measured at fair value.

The Deemed Loan has no fixed maturity date but would terminate on the earlier of the date of sale of the property, death of the mortgage holder, or decision to repay the mortgage .

The shared appreciation on the Deemed Loan is based upon increases in the value of the underlying properties between the date of the mortgage advance and the date of the mortgage repayment. These returns are substantially passed on to the holders of the SAMs Notes and recognised as realised gain on financial assets in the statement of comprehensive income. During the year, the total shared appreciation of GBP 14,739,001 (2022: GBP 18,010,949) was recognised in the statement of comprehensive income.

As at 31 December 2023, there were 72 mortgages (2022: 56) which pertain to deceased mortgage holders and remained unredeemed as at reporting date. 23 of these have been unredeemed for more than 18 months after the mortgage holders died (2022: 16). These mortgages are being monitored by the Directors on a periodic basis in order to assess their impact on the Company's revenue.

5 Trade and other receivables

	2023 GBP	2022 GBP
Redemption principal receivable	-	44,375
Redemption shared appreciation receivable	-	331,875
Prepayments and other receivables	-	1,240
	<u>-</u>	<u>377,490</u>

6 Cash and cash equivalents

	2023 GBP	2022 GBP
Cash at Bank	<u>3,157,436</u>	<u>4,535,148</u>

The Company deposits cash in the Guaranteed Investment Contract Account (**GIC Account**) which accrues interest at 5% per annum, or the annual Retail Price Index of Jersey, whichever is higher. The GIC Account is used to meet ordinary operating and administrative expenses of the Company.

There are no restrictions on the cash balances.

7 Trade and other payables

	2023 GBP	2022 GBP
Redemption due to SAMs noteholders	56,875	239,375
Shared appreciation payable to SAMs noteholders	380,625	1,909,959
Accrued expenses	710,542	682,767
	<u>1,148,042</u>	<u>2,832,101</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

8 Financial liabilities

	2023 GBP	2022 GBP
SAMs Notes - due 2054		
<u>Financial liabilities at fair value through profit or loss</u>		
Opening balance	141,269,840	153,789,031
Principal repayment	(2,052,263)	(2,467,611)
Unrealised gain on the financial liabilities at FVTPL	(2,519,256)	(10,051,580)
Closing balance	136,698,321	141,269,840
Subordinated Loan Notes - due 2060		
<u>Financial liabilities at amortised cost</u>		
Opening balance	500,000	500,000
Interest payable	1,081,958	1,004,832
Closing balance	1,581,958	1,504,832
Total financial liabilities	<u>138,280,279</u>	<u>142,774,672</u>

The financial liabilities as at the year end represents SAMs Notes and the Subordinated Loan Notes issued by the Company.

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL represents SAMs Notes classified and stated at fair value, with any resultant gain or loss being recognised in the statement of comprehensive income.

The proceeds from the issue of SAMs Notes were applied to acquire a mortgage loan portfolio from Barclays SAMS Limited. The SAMs Notes issued by the Company are listed on the London Stock Exchange. However, the SAMs Notes are not actively traded and accordingly there is no readily available market price for the SAMs Notes.

Interest

No interest is payable on the SAMs Notes.

Shared appreciation

The SAMs Notes confer the right to receive shared appreciation money received by the Company, during each determination period, upon the whole or partial redemption of the mortgages. Shared appreciation money is payable on participation payments date, 15 March, 15 June, 15 September and 15 December, to the noteholders. Shared appreciation amounts are accounted for on an accruals basis. During the year, the total shared appreciation of GBP 14,019,497 (2022: GBP 16,776,439) was paid to the SAMs noteholders. This was a net amount set off by the following:

	GBP
Net redemptions of SAMs Notes during the year	14,739,001
Expenses paid out of transaction account	(719,504)
	<u>14,019,497</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

8 Financial liabilities (continued)

Barclays, as agent of the Company continues to deal with a small number of issues raised by homeowner mortgagors in relation to their SAMS mortgages. However, the Board are not aware that any claim has been made or threatened to be made against the Company arising out of these matters.

The directors consider this remains the position and don't believe anything further is needed regarding the claims situation.

Redemption

The SAMS Notes are subject to mandatory redemption in part, on each participation payment date, in an amount aggregate to the value of the maturing mortgages within each quarter.

The proceeds received from the redemption of the mortgage portfolio amounting GBP 437,500 (2022: GBP 2,149,334) between the period from last determination date, i.e. 1st December 2023, and the year end date will be settled on the following participation payment date, i.e. 15th March 2024.

Barclays Bank Plc (**Option Provider**) granted each noteholder an option to purchase notes from noteholders at a price in accordance with the term of a Deed Poll dated 25 March 1999. On 2 March 2018, the Option Provider cancelled the option with effect from 12 March 2018.

Limited recourse

The SAMS Notes will rank pari passu without any preference or priority among themselves. The SAMS Notes are limited recourse in nature, such that upon maturity of the SAMS Notes the only proceeds available to the note holders will be the net amounts received by the Company from the underlying mortgage pool. Accordingly, in the opinion of the Directors the clearest evidence of the fair value of the SAMS Notes is the fair value of the mortgage pool, Deemed Loan.

Maturity

The SAMS Notes are scheduled to mature on 15 June 2054.

Financial liabilities at amortised cost

Financial liabilities at amortised cost represents Subordinated Loan Notes. The Subordinated Loan Notes were issued pursuant to the terms of a Mortgage Sale Agreement and are not listed on any stock exchange. The obligations of the Company under and in respect of the Subordinated Loan Notes is unsecured.

Interest

The Subordinated Loan Notes accrue interest in respect of each interest period, payable on 15 March, 15 June, 15 September and 15 December each year which is recognised as finance cost in the statement of comprehensive income. The Special Servicer will, on the calculation date prior to each interest period, calculate the interest amount payable to the Subordinated Loan Notes for such period in accordance with the terms set out in the Cash and Bond Administration Agreement.

Interest payments on Subordinated Loan Notes have been deferred since 2006. During the year, interest amounting to GBP 77,126 (2022: GBP 19,026) has been accrued. The Subordinated noteholders have confirmed that they will defer calling for the payment of the interest in the next 12 months.

Redemption

The Subordinated Loan Notes will be redeemed at their face amount on the final maturity date, or if earlier, the date which is ten business days following the date on which all of the mortgages have been redeemed and discharged in full.

Maturity

The Subordinated Loan Notes are scheduled to mature on 31 December 2060.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023
8 Financial liabilities (continued)**Net debt reconciliation**

The table below sets out the analysis of net debt and the movement in net debt for the year ended 31 December 2023:

	2023 GBP	2022 GBP
Cash and cash equivalents	3,157,436	4,535,148
Financial liabilities payable within one year	(56,875)	(239,375)
Financial liabilities payable after one year	(138,280,279)	(142,774,672)
	<u>(135,179,718)</u>	<u>(138,478,899)</u>

	Cash and cash equivalents GBP	Liabilities from financing activities Financial liabilities FVTPL GBP	Financial liabilities amortised cost GBP	Total GBP
Net debt as at 1 January 2023	4,535,148	(141,509,215)	(1,504,832)	(138,478,899)
<u>Cash flow movements</u>				
Net decrease in the cash flow	(1,377,712)	-	-	(1,377,712)
Repayments - liabilities at FVTPL	-	2,234,763	-	2,234,763
<u>Non-cash flow movements</u>				
Interest accrual	-	-	(77,126)	(77,126)
Fair value movement	-	2,519,256	-	2,519,256
Net debt as at 31 December 2023	<u>3,157,436</u>	<u>(136,755,196)</u>	<u>(1,581,958)</u>	<u>(135,179,718)</u>

The table below sets out the analysis of net debt and the movement in net debt for the year ended 31 December 2022:

	Cash and cash equivalents GBP	Liabilities from financing activities liabilities GBP	liabilities GBP	Total GBP
Net debt as at 1 January 2022	5,099,093	(154,269,156)	(1,485,806)	(150,655,869)
<u>Cash flow movements</u>				
Net increase in the cash flow	(563,945)	-	-	(563,945)
Repayments - liabilities at FVTPL	-	2,708,361	-	2,708,361
<u>Non-cash flow movements</u>				
Interest accrual	-	-	(19,026)	(19,026)
Fair value movement	-	10,051,580	-	10,051,580
Net debt as at 31 December 2022	<u>4,535,148</u>	<u>(141,509,215)</u>	<u>(1,504,832)</u>	<u>(138,478,899)</u>

9 Called up share capital

	2023 GBP	2022 GBP
Authorised:		
Equity		
10,000 ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>
Issued and fully paid:		
Equity		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

The issued share capital of the Company is held by Millshaw SAMS Holdings Limited, a private company incorporated in Jersey. Each issued and fully paid share is entitled to dividends when declared and carries one voting right. The Company has no restrictions or specific capital requirements on the issue and re-purchase of ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

9 Called up share capital (continued)

Capital management

The Directors believe that the Company's capital is not subject to significant risk as the expenditure of the Company was applied against any income received in accordance with the priority of payments where any residual profit or loss will be applied to the SAMs noteholders.

There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

10 Ultimate controlling party

The Board consider Ocorian Trustees (Jersey) Limited, as Trustee of the Millshaw SAMS Charitable Trust (the beneficial owner of the issued share capital of the Company), to be the ultimate controlling party of the Company.

11 Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (being principally price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

The Company's assets and liabilities comprised of financial instruments that include financial assets, cash, short term debtors and creditors that arise directly from its underlying mortgage portfolio and the debt securities issued by the Company.

The key driver of performance of the Company is the level of proceeds received on redemption of underlying mortgages and the fair value of the Deemed Loan. As disclosed in note 4, the proceeds received on the redemption of mortgages is dependent on underlying property values at the time of redemption. The timing of such redemptions is not under the control of the Company. The returns on the redemption of the property are substantially passed through the holders of the SAMs Notes. The Company does not trade in financial instruments.

The Board has overall responsibility for the establishment and oversight of the Company's risk management framework. The Directors seek to assess, monitor and manage the potential adverse effects of the risk on the Company's financial performance by appropriate methods as discussed below, including the impact of the Russia-Ukraine war, on mortality rates and HPI which have been taken into account within the valuation inputs.

(a) Market risk

Market risk is the risk that changes in market prices, foreign exchange rates and interest rates 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 on risk.

The Company's exposure to market risk is comprised of the following risks:

Currency risk

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

The Company's material monetary assets and liabilities are denominated in Sterling, the same as the reporting currency of the operations of the Company. The Board therefore believes there is no material currency risk to the Company.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company does not have substantial interest bearing financial instruments. The Deemed Loan is interest free and the return on the SAMs Notes is linked to the performance of the Deemed Loan. Interest payable to the Subordinated Loan Notes is not linked to market interest rate and therefore the Company has no material exposure to interest rate risk.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023
11 Financial risk management (continued)**(a) Market risk (continued)****Price risk**

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market.

The fair value of the financial assets of the Company is based upon changes in the value of the underlying properties between the date of the mortgage advance and the date of the mortgage repayment. The proceeds received on the redemption of mortgages is dependent on underlying property values at the time of redemption and the timing of such redemption is not under the control of the Company. Thus the Company is exposed to the price risk. The Company's exposure to price risk was GBP135,959,330 (2022: GBP140,357,829) as at the year end. The fair value measurement of the financial instrument is further detailed in note 12. The performance of the mortgage portfolio is monitored periodically by the Directors against the market indices. In the Directors' opinion, there is no significant difference between the fair value of the Deemed Loan and the SAMs notes. Any change in the fair value of the Deemed Loan would be matched by an almost equal and opposite change in the fair value of the SAMs notes since its obligations to the SAMs noteholders are limited recourse to the amounts due and receivable from the Deemed Loan. Consequently the Company is not exposed to significant net price risk.

Sensitivity analysis

IFRS 7 requires disclosure of a sensitivity analysis for each type of market risk to which the entity is exposed at the reporting date, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date.

As stated, whilst the financial instruments held by the Company are separately exposed to interest rate risk and market price risk, the profit or loss and equity of the Company are not exposed to any significant net interest rate or market price risk. Sensitivity analysis is disclosed in note 12.

(b) Credit risk

Credit risk is the risk of suffering financial loss, should any of the Company's customers or market counterparties fail to fulfil their contractual obligations to the Company.

The likelihood of defaults in the mortgage pool and the amounts that may be recovered in the event of default are related to a number of factors and may vary according to characteristics and product type. Significant changes in the economy, or in the health of a particular geographical zone that represents a concentration in the mortgage pool, could also affect the cash flows from the mortgage pool. All risk factors were assessed in detail at inception and are outlined in the offering circular.

The Company assesses its counterparties, including Barclays Bank UK PLC, for credit risk before contracting with them. Risk rating is the main method used to measure credit risk. Third party financial instrument counterparties are required to be rated BBB or better, and the Company's exposure to them is subject to financial limits.

The SAMs Notes issued by the Company have been rated by Moody's at Baa3 (2022: Baa3). Given the return on proceeds over cost being a multiple of 7.35 (2022: 7.51), it is considered that no material evidence of any credit risk exists in respect of the underlying mortgages.

The Company has a concentration of risk to the Originator. Whilst the underlying mortgage assets of the securitisation are concentrated in the UK market, they are dispersed across a number of geographical regions and the mortgage portfolio is related to residential properties which reduces the counterparty risk. The Company had no net exposure to any default or under recovery of mortgage assets since its obligations to the SAMs noteholders are limited recourse to the amounts due and receivable from the Company's financial assets.

All loans in the mortgage portfolio pay a zero rate of interest prior to redemption and as a result there are no arrears of interest. Also as at the year end no properties were accounted with provisions for bad debts within the portfolio.

The credit risk on cash transactions is in part mitigated by transacting with counterparties that are regulated entities subject to prudential supervision, or with credit-rating assigned by international credit-rating agencies.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023
11 Financial risk management (continued)
(b) Credit risk (continued)

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

Financial assets

	2023 GBP	2022 GBP
Financial assets at FVTPL	135,959,330	140,357,829
Cash and cash equivalents	3,157,436	4,535,148
Trade and other receivables	-	377,490
	<u>139,116,766</u>	<u>145,270,467</u>

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter in realising assets or otherwise raising funds to meet its financial commitments/payment obligations as they fall due.

The majority of the Company's assets comprise a financial asset classified as a financial asset held at FVTPL which is held for investment purposes. By its underlying nature, this asset is not highly liquid however the principal liabilities of the Company, the SAMs Notes, are redeemable in conjunction with redemptions of the underlying mortgage portfolio. In this way the repayment profile of the Company's principal liabilities have been matched to the liquidity profile of the Company's principal assets. Accordingly, the Board believes that there is no material liquidity risk to the Company.

Short-term funding requirements are satisfied using cash resources. The Company has enough cash resources, see note 6, to meet its short term funding requirement. Consequently, the Company is in a position, for the foreseeable future, to meet liabilities that may fall due.

The face value of the SAMs notes payable in 15 June 2054 is GBP 25,679,517 & the face value of the subordinated loan payable 31 December 2060 is GBP 500,000. The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

31 December 2023

	Due within 1 year GBP	1 to 2 years GBP	More than 5 years GBP	Total GBP
Trade and other payable	1,148,042	-	-	1,148,042
Financial liabilities at FVTPL	-	-	138,280,279	138,280,279
	<u>1,148,042</u>	<u>-</u>	<u>138,280,279</u>	<u>139,428,321</u>

31 December 2022

	Due within 1 year GBP	1 to 2 years GBP	More than 5 years GBP	Total GBP
Trade and other payable	2,832,101	-	-	2,832,101
Financial liabilities at FVTPL	-	-	142,774,672	142,774,672
	<u>2,832,101</u>	<u>-</u>	<u>142,774,672</u>	<u>145,606,773</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023
12 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transactions between market participants at the measurement date. The fair value of a liability reflects its non-performance risk. The Directors have considered the fair values of the Company's financial assets and financial liabilities under the below level of fair value hierarchy. The limited recourse SAMs Notes issued by the Company are not actively traded on the London stock exchange. As such, there was no publicly available pricing source which the Directors could refer to for obtaining the fair value of the financial liabilities. Due to the limited recourse nature of the financial liabilities, the Directors considered that the fair value of the financial liabilities is the residual value of the financial assets at FVTPL and net current assets or liabilities.

(a) Fair value hierarchy

The Company's mortgage loan portfolio and SAMs Notes issued are carried at fair value on the statement of financial position.

The Company used the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Level 1 prices are quoted in the active markets. The fair value of the financial instruments traded in active market is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 prices use widely recognised valuation models for determining the fair value of common and more simple financial instruments such as interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs were usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives, e.g., interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

Level 3 prices use valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of probability of counterparty default and selection of appropriate discount rates. Any change in the pricing assumptions for those assets which use level 3 valuation techniques would not have an impact on the overall financial position of the Company due to the limited recourse nature of the notes in issue. The variability in pricing of such assets would directly impact the noteholders but does not alter the underlying risk faced by each noteholder or the ultimate return on the transaction. For the valuation technique used by the directors refer to note 3.

The Company has valued its financial assets at FVTPL at GBP139,959,330 (2022: GBP140,357,829). The fair values of the financial assets are determined based on the management assumptions and judgement as detailed in note 3 and are not based on observable data. Thus the fair value of financial assets are classified at level 3 as at the year ended 31 December 2023.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023
12 Fair value measurement (continued)

(a) Fair value hierarchy (continued)

Due to the limited recourse nature of the financial liabilities, the Directors considered that the fair value of the financial liabilities is the residual value of the financial assets at FVTPL and net current assets or liabilities. Thus it is appropriate to disclose the fair values of the financial liabilities at level 3.

	Level 1 GBP	Level 2 GBP	Level 3 GBP
For the year ended 31 December 2022			
Financial assets at fair value through profit or loss	-	-	135,959,330
Financial liabilities at fair value through profit or loss	-	-	136,698,321
	Level 1 GBP	Level 2 GBP	Level 3 GBP
For the year ended 31 December 2022			
Financial assets at fair value through profit or loss	-	-	140,357,829
Financial liabilities at fair value through profit or loss	-	-	141,269,840

(b) Transfer between the hierarchy levels

There were no transfers between hierarchy levels during the financial year (2022: none).

(c) Level 3 reconciliation

The table below sets out the reconciliation of the movements in the fair value of the financial assets and liabilities at FVTPL classified as level 3 in the fair value hierarchy:

Financial assets

	2023 GBP	2022 GBP
Opening balance	140,357,829	152,976,337
Proceeds from disposal of assets	(2,052,256)	(2,505,052)
Unrealised loss recognised	(2,346,243)	(10,113,456)
Closing balance	<u>135,959,330</u>	<u>140,357,829</u>

Financial liabilities

	2023 GBP	2022 GBP
Opening balance	141,269,840	153,789,031
Repayments	(2,052,263)	(2,467,611)
Unrealised gain recognised	(2,519,256)	(10,051,580)
Closing balance	<u>136,698,321</u>	<u>141,269,840</u>

(d) Sensitivity analysis

Any change in the fair value assumptions for the financial assets will have equal and opposite impact on the fair value of financial liabilities and hence would not have an impact on the overall financial position of the Company due to the limited recourse of the financial liabilities. Thus the profit or loss and equity of the Company are not exposed to any significant net fair value risk.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023
12 Fair value measurement (continued)

(d) Sensitivity analysis (continued)

31 December 2023

i) The table below shows the sensitivity of the valuation to changes in the redemption time lag assumption:

Input delay in months	Actual discounting delay in months	Average at 10% discounting
0	6	£141.2m
3	9	£138.4m
6	12	£134.2m
9	15	£132.6m
12	18	£130.2m

ii) The below shows the distribution of simulation outcomes for different CPRs (with 10% discount rate and 1% per annum dilapidation discount):

CPR	Average at 10%
0%	£121.2m
1%	£129.4m
2%	£134.2m
3%	£140.2m
5%	£150.7m

iii) The table below shows the distribution of simulation outcomes applying a range of discount rates around the 10% base case assumption (2% CPR and 1% per annum dilapidation discount):

Discount rate	5%	10%	15%	20%
1st decile	£156.7m	£117.7m	£92.3m	£75.0m
Average - 1 std	£160.9m	£120.4m	£94.4m	£76.8m
Average	£181.2m	£134.2m	£104.5m	£84.4m
Average + 1 std	£201.5m	£148.0m	£114.5m	£92.1m
Top decile	£208.3m	£152.7m	£118.0m	£94.8m

31 December 2022

i) The table below shows the sensitivity of the valuation to changes in the redemption time lag assumption:

Input delay in months	Actual discounting delay in months	Average at 10% discounting
0	6	£146.5m
3	9	£141.5m
6	12	£139.9m
9	15	£138.6m
12	18	£134.6m

ii) The below shows the distribution of simulation outcomes for different CPRs (with 10% discount rate and 1% per annum dilapidation discount):

CPR	Average at 10%
0%	£125.0m
1%	£131.1m
2%	£139.9m
3%	£144.6m
5%	£155.5m

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023
12 Fair value measurement (continued)

(d) Sensitivity analysis (continued)

31 December 2022 (continued)

iii) The table below shows the distribution of simulation outcomes applying a range of discount rates around the 10% base case assumption (2% CPR and 1% per annum dilapidation discount):

Discount rate	5%	10%	15%	20%
1st decile	£157.1m	£115.8m	£90.1m	£72.8m
Average - 1 std	£162.5m	£119.5m	£92.7m	£74.8m
Average	£192.3m	£139.9m	£107.6m	£86.2m
Average + 1 std	£222.0m	£160.3m	£122.5m	£97.6m
Top decile	£230.8m	£166.6m	£126.9m	£101.1m

13 Related party transactions

During the year corporate services fees of GBP194,583 (2022: GBP212,290) were paid to Ocorian Limited of which nil (2022: nil) was outstanding at the year end. These fees include directors' fees payable to Shane Hollywood who is also a director of Ocorian Limited. The Company does not have any employees. Fees of GBP102,042 were incurred during the year to the external directors, Michael Richardson and Simon Radford in respect of their services (2022: GBP 107,452).

The Directors of the Company are considered the key management personnel.

14 Operating segments

The Directors have considered there to be only a single reporting segment. This is on the basis that there is a single geographical area as 100% of the mortgage portfolio is located within the United Kingdom. It has therefore been considered that no additional segmental reporting is required.

15 Events after reporting period

There were no events after the reporting period that require adjustment or disclosure in the financial statements.