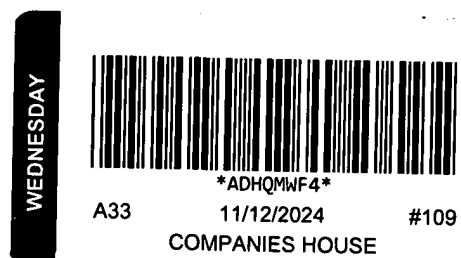


# **ELVET MORTGAGES 2023-1 PLC**

**Annual Report and Financial Statements for the period  
from incorporation on 13 August 2023 to 31 March 2024**

Company registration number: 15067142



**Annual Report and Financial Statements for the period from incorporation on 13 August 2023 to 31 March 2024**

<b>Content</b>	<b>Page(s)</b>
Company information	3
Strategic report	4-8
Directors' report	9-11
Independent auditors' report to the members of Elvet Mortgages 2023-1 PLC	12-16
Statement of comprehensive income	17
Balance sheet	18
Statement of changes in equity	19
Notes to the financial statements	20-32

**Annual Report and Financial Statements for the period from incorporation on 13 August 2023 to 31 March 2024****Company information**

Directors	Mark Filer (Appointed 13 August 2023) L.D.C. Securitisation Director No.1 Limited (Appointed 13 August 2023) L.D.C. Securitisation Director No.2 Limited (Appointed 13 August 2023)
Secretary	Law Debenture Corporate Services Limited
Company number	15067142
Registered office	8th Floor, 100 Bishopsgate, London, EC2N 4AG
Independent Auditors	PricewaterhouseCoopers LLP, Chartered Accountants and Statutory Auditors, 7 More London Riverside, London, United Kingdom, SE1 2RT

## Annual Report and Financial Statements for the period from incorporation on 13 August 2023 to 31 March 2024

### Strategic Report

The Directors present their first strategic report for Elvet Mortgages 2023-1 PLC (the "Company") for the period from incorporation on 13 August 2023 to 31 March 2024.

### General company information

The Company is a public company limited by shares, incorporated in the United Kingdom on 13 August 2023 with the registered number of 15067142.

### Principal activities

The Company is a special purpose vehicle ("SPV") established for the securitisation of mortgage loans originated by Atom Bank PLC (the "Originator" and the "Seller") in order to obtain funding and liquidity for the Atom Bank PLC Group (the "Group").

The sole principal activity of the Company is therefore to issue loan notes in order to raise finance under the terms of a securitisation transaction to acquire a portfolio of residential mortgages from the Originator. The activities of the Company are managed in accordance with the securitisation transaction documents (the "Transaction Documents").

On 1 November 2023 the Company issued a prospectus as part of the securitisation transaction in order to issue the following loan notes (the "Notes"), which are non-recourse:

Class	Principal	Interest rate	Interest rate after step up date
Class A	£414,012,000	SONIA + 0.65%	SONIA + 1.30%
Class B	£15,119,000	SONIA + 1.80%	SONIA + 2.80%
Class C	£11,629,000	SONIA + 2.80%	SONIA + 3.80%
Class D	£4,652,000	SONIA + 3.80%	SONIA + 4.80%
Class E	£5,814,000	SONIA + 5.50%	SONIA + 6.50%
Class Z	£13,955,000	-	-
Class VRR	£24,487,000	-	-

The Notes are listed on Euronext Dublin. The Notes have a final maturity date of the IPD falling in August 2065. Interest is paid quarterly on the interest payment dates ("IPD") 22<sup>nd</sup> February, May, August and November of every year.

The Class VRR ('Vertical Risk Retention') notes are held by the Seller, and provide entitlement to a minimum of 5% of the cashflows received from the underlying mortgage portfolio. The Company also issued 10,000 certificates for £nil consideration to the Seller. The certificates are non interest bearing and purely have an entitlement to receive a residual payment after all payments have been made at an IPD in accordance with the terms of the Transaction Documents ("Deferred Consideration").

On 1 November 2023 the Seller provided the Company with a subordinated loan totalling £25,863k in order to facilitate payments on that date. The loan is interest free and the Company repays the loan by instalments on each IPD at an amount equal to the amount (if any) available for that purpose in accordance with the applicable Priorities of Payments.

Under the terms of the Transaction Documents, the proceeds of the Notes were used to acquire a portfolio of residential mortgages originated by the Seller. The Seller continues to service the mortgages under the terms of a servicing agreement entered into with the Company. The Notes are secured over the mortgage portfolio and Citicorp Trustee Company Limited acts as the Note Trustee and Security Trustee.

The Company has entered into a call option with the Seller, under which the Company will, amongst other things, be required to sell the mortgage portfolio held as security for the Notes to allow the Notes to be redeemed in full. The call option can only be exercised from the date the interest steps up on the Notes, being the IPD in November 2028, or any IPD thereafter. As at the date of signing, there has been no decision to call the Notes.

**Annual Report and Financial Statements for the period from incorporation on 13 August 2023 to 31 March 2024****Strategic report (continued)**

The Directors of the Company have concluded under IFRS 9 that the Seller retained substantially all the exposure to risks and rewards of the pool of mortgage loans at the point of sale through, amongst other things, its retention of 100% of the Class B, C, D, E and Z Notes and residual certificates issued by the Company. As a consequence of the accounting treatment, the Company cannot recognise the mortgage loans on its balance sheet, instead it recognises a deemed loan to the Seller, where recourse to the Seller is limited to the cash flows from the securitised mortgage loans. At initial recognition, this represented the amount corresponding to the consideration paid by the Company for the mortgage loans, less the proportion of the Notes issued to (retained by) the Seller. On an ongoing basis, the balance of the deemed loan is adjusted for subsequent principal receipts from the underlying mortgage loans, net of any principal payments to the Originator in relation to the retained notes and the Deferred Consideration.

The Company has also entered into an agreement with Citibank, N.A. London Branch under the securitisation transaction for it to act as the cash manager, account bank and principal paying agent.

To manage interest rate risk the Company entered into interest rate swap derivative financial instruments to economically hedge the interest rate risk (pass back to the Seller) that swap the fixed rate on the underlying mortgages to a floating rate that matches those to which the debt securities in issue are exposed.

The carrying value of the mortgage loans decreased to £460,782,000 at 31 March 2024 due to principal repayments (see note 7).

**Financial performance**

The results for the period and the Company's financial position at the end of the period are shown in the attached Financial Statements. Under the terms of the Transaction Documents the Company is entitled to a pre-determined retained profit of £300 per IPD. During the period the Company made a profit of £300 and had net assets at the period end of £13,000.

**Key performance indicators ("KPI")**

As the Company is managed as part of the Group, there are few key performance indicators or principal risks and uncertainties that are specific to the Company. The key performance indicators of the Group are set out in the financial statements of the Seller.

Financial KPIs - the Directors monitor the actual receipts and payments of interest to and by the Company through the bank statements and measure these against schedules and forecasts prepared by the Originator of the mortgage pool, in accordance with the Transaction Documents. Detailed information about the performance of the mortgage portfolio is contained in the quarterly investor reports that contain a range of data on its performance. As presented in the April 2024 investor report, the KPIs, as at 31 March 2024, of the portfolio include:

- the percentage of the pool greater than 3 months in arrears was 0.00%
- the weighted average current loan to value (by original value) was 78.57%
- the average loan size was £195,744.
- the weighted average interest rate was 4.27%

The Directors are satisfied with the performance of the mortgage pool and the above metrics remain in acceptable levels.

There has been no breaches of trigger events during the period.

Non-financial KPIs – as the purpose of the business is entirely finance-related, the Directors are of the view that there are no meaningful non-financial KPIs that could be adopted.

**Annual Report and Financial Statements for the period from incorporation on 13 August 2023 to 31 March 2024****Strategic report (continued)****Economic Environment**

The UK has been exposed to significant economic uncertainty in recent years, although some key aspects of this uncertainty are now showing signs of reducing. The Consumer Price Index (CPI) measure of inflation was at 3.2% in UK in the year ended 31 March 2024 and fell to 2.3% in October 2024 as per the Office for National Statistics (ONS). This is a significant decrease compared to 10.1% in the year ended 31 March 2023. The Bank of England has also cut down the base rate for the first time since the onset of the COVID-19 pandemic from 5.25% in August 2023 to 5% in August 2024 and since further reduced the base rate to 4.75% in November 2024. In contrast, factors such as elevated energy prices – triggered in large part by the ongoing Russia-Ukraine war, ongoing global supply chain bottlenecks, increased geopolitical tensions in the Middle East and along the vital Red Sea shipping route still remain potential threats to the UK economy.

While the extent and duration of the full effect of these economic uncertainties remain unclear, there is a risk of financial instability for the Company – for example, a detrimental effect on the UK economy may ultimately impact the borrowers' ability to repay their Mortgage Loans. However, as at the report date there has been no material impact from these macroeconomic factors on the Company's financial performance or cash flows. However, in the worst- case scenario, the Notes are a limited recourse obligation of the Company, therefore payment of them is limited to the application of receipts from the mortgage loans and the Company is not ultimately exposed if the customers are unable to pay. The Company is expected to continue its current principal activities for the foreseeable future.

The Company will continue to monitor the effect of these macroeconomic factors. The Directors envisage *no changes to the nature of the Company's business in the foreseeable future*. In order to form a view as to the most appropriate basis of preparation of these financial statements, the Directors have assessed the likelihood of whether the Company will be able to continue trading over a period of more than twelve months from the date of the approval of these financial statements, versus the likelihood of either intending to or being forced to cease trading and place the Company into liquidation. The Directors consider that the Company is able to meet its liabilities as they fall due, and accordingly, the financial statements have been prepared on a going concern basis.

**Financial instruments**

The Company's operations are financed primarily by the Notes. The Company issued the Notes to finance the acquisition of the mortgage loans. It is not the Company's policy to trade in financial instruments. The Seller administers the mortgage loans under a servicer agreement with the Company. In administering the mortgage loans, the Seller applies their own formal risk management and control procedures with respect to the day-to-day management of the portfolio. The derivative instruments utilised by the Company are interest rate swaps. Such instruments are used for economic hedging purposes to manage the interest rate risk.

**Principal risks and uncertainties**

Whilst the Directors have overall responsibility for the establishment and oversight of the Company's risk management framework, this obligation has been allocated and managed in accordance with the Transaction Documents. Further details of financial risk management are outlined in Note 12 of the financial statements.

Impacts of geopolitical tensions and macro-economic factors are also considered as uncertainties. For details please refer to section "Economic Environment".

The Company is mainly exposed to credit risk, liquidity risk, market risk and interest rate risk. The principal nature of such risks is summarised below:

**Annual Report and Financial Statements for the period from incorporation on 13 August 2023 to 31 March 2024****Strategic report (continued)****Financial instruments and financial risk management (continued)****Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's deemed loan and cash and cash equivalents held at banks.

Credit risk of the deemed loan is mitigated by the credit enhancements of the transaction in the form of overcollateralisation through the Notes retained by the Originator, excess spread and the secured nature of the underlying mortgage loans.

**Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when it falls due without incurring unacceptable losses or risking damage to the Company's position. All payments made by the Company are made in strict order using a payment waterfall set out in the Transaction Documents and the funding raised by the Company is limited recourse in nature which means that it is only obliged to pay amounts falling due to the extent that it has received income from the mortgages underlying the deemed loan.

**Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The market risk to which the Company is exposed to is interest rate risk.

**Interest rate risk**

Interest rate risk exists where assets and liabilities have interest rates set under different bases or which reset at different times.

Interest paid on the Company's loan facilities is at a floating rate whilst interest received on the mortgages underlying the deemed loan are at fixed and floating rates.

In order to manage (pass back to the Seller) the interest rate risk associated with the interest received on the underlying mortgage portfolio and the interest paid on the financing in relation to the securitisation transaction. The Company has entered into interest rate swap agreement, as a result, the Company does not have a material net interest rate risk exposure.

The Company's financial instruments, other than the deemed loan and derivatives, comprise the Notes, and cash and other liquid resources. Further details are set out in Note 13.

**Streamlined Energy and Carbon Reporting (SECR):**

The Company is out of the scope of the Streamlined Energy and Carbon Reporting (SECR), as does not meet the numerical thresholds in relation to turnover and number of employees.

**Risk management**

The principal risks faced by the Company are set out in Note 12, including a description of how those risks are managed.

**Future developments**

The Directors envisage no changes to the nature of the Company's business in the foreseeable future.

**Annual Report and Financial Statements for the period from incorporation on 13 August 2023 to 31 March 2024****Strategic report (continued)****Section 172(1) of the Companies Act 2006**

As a special purpose vehicle the governance structure of the Company is such that the key policies have been predetermined at the time the Company issued the Notes which are listed on the Irish Stock Exchange, trading as Euronext Dublin. The Directors have had regards to the matters set out in section 172(1) of the Companies Act 2006 as follows;

- a) the Transaction Documents, have been formulated to achieve the Company's purpose and business objectives, safeguard the assets and promote the success of the Company with a long term view and in accordance with the relevant securitisation legislation;
- b) the Company has no employees;
- c) the Company is a securitisation vehicle and therefore a key stakeholder are the noteholders. The Transaction Documents determine the nature and quality of assets that can be securitised, how the cash flows from securitised assets are distributed and associated reporting. Relationships are also fostered with suppliers and others via professional third parties who have been assigned operational roles, with are strictly governed by the Transaction Documents and fee arrangements agreed in advance;
- d) as a securitisation vehicle the Company has no physical presence or operations and accordingly has minimal impact on the community and the environment;
- e) the Company maintains a reputation for high standards of business conduct via professional third parties who have been assigned operational roles. Fee arrangements have been agreed in advance and supplier invoices paid strictly in accordance with the Transaction Documents including a priority of payments, if applicable; and
- f) the Company has a sole member; Elvet Mortgages 2023-1 Holdco Limited. The entire issued share capital of Elvet Mortgages 2023-1 Holdco Limited is held by The Law Debenture Intermediary Corporation Plc, as share trustee, under a Declaration of Trust for discretionary charitable purposes.

On behalf of the board



Mark Filer

for and on behalf of L.D.C. Securitisation Director No. 1 Limited  
Director  
6 December 2024



**Annual Report and Financial Statements for the period from incorporation on 13 August 2023 to 31 March 2024****Directors' Report**

The Directors present their first report and the audited financial statements of the Company for the period from incorporation on 13 August 2023 to 31 March 2024.

**Corporate governance statement**

The Directors are responsible for the Company's internal control environment and for reviewing its effectiveness. Procedures have been designed for safeguarding assets against unauthorised use or disposition; for maintaining proper accounting records; and for the reliability and usefulness of financial information used within the business or for publication. Such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement, errors, losses or fraud. The procedures enable the Company to comply with any regulatory obligations. For further details, refer to the notes to the financial statements particularly Note 12 on financial risk management. Due to the nature of the securities which have been issued on the Euronext Dublin, the Directors are satisfied that there is no requirement to publish a corporate governance statement and that the Company is exempt from the disclosure requirements of the provisions of the UK Code Corporate Governance.

**Directors**

The Directors of the Company who were in office during the period up to the date of signing the financial statements were:

Mark Filer	(Appointed 13 August 2023)
L.D.C. Securitisation Director No.1 Limited	(Appointed 13 August 2023)
L.D.C. Securitisation Director No.2 Limited	(Appointed 13 August 2023)

None of the Directors who held office during the period and up to the date of this report held any beneficial interest in the share capital of the Company and nor did they have any material contract or arrangement with the Company.

The Company has no employees.

**Directors' indemnities**

The Directors are provided by Law Debenture Corporate Services Limited under the terms of a Corporate Services Agreement which contains certain indemnities for the Directors provided by it. These indemnities were in place during the period and remain in force at the date of this report. Law Debenture Corporate Services Limited maintains its own insurance for the services it provides.

**Going concern**

In order to form a view as to the most appropriate basis of preparation of these financial statements, the Directors have assessed the likelihood of whether the Company will continue trading over the foreseeable future versus the likelihood of either intending to or being forced to either cease trading or to place the Company into liquidation.

The ability of the Company to meet its obligations on the Notes and to meet its operating and administrative expenses is dependent principally on the performance of the mortgage loans. The Notes are a limited recourse obligation of the Company, secured over the mortgage loans, and the Company's ability to pay amounts due on the Notes are, in substance, limited to the application of the receipts from the mortgage loans under the terms of the priority of payments, as set out in the Transaction Documents.

While the Notes are limited recourse in nature, the interest on the top tranche of Notes cannot be deferred and would therefore, be considered to be an event of default under the terms contained with the Transaction Documents, which, if met, would trigger an acceleration of the repayment of the Notes. However, there is sufficient cash/liquidity reserves in order to pay up to 12 months of interest. Therefore, an event of default would not be expected to occur.

**Annual Report and Financial Statements for the period from incorporation on 13 August 2023 to 31 March 2024****Directors' Report (continued)****Going concern (continued)**

The Directors have assessed, taking into consideration the principal risks and uncertainties, the Strategic Report and the current global economic climate, and the Company's ability to continue as a going concern.

The Directors are satisfied that the Company will continue to be able to meet its liabilities as they fall due and will continue in operation in the foreseeable future in excess of 12 months from the date of these financial statements. Therefore, consider that the going concern basis of preparation is appropriate.

**Principal risks and uncertainties and risk management**

See Strategic Report.

**Results and dividends**

During the period the Company made a profit of £300. The Company paid no dividends during the period and the Directors do not recommend a final dividend.

**Political and charitable donations**

The Company did not make any political or charitable donations during the period.

**Events after the reporting period**

There have been no significant events between 31 March 2024 and the date of approval of these financial statements which would require additional disclosure in the financial statements.

**Independent Auditors**

PricewaterhouseCoopers LLP were appointed as the first auditors to the Company and have expressed their willingness to continue in office and a resolution for their reappointment as auditors to the Company will be proposed at the forthcoming Annual General Meeting.

**Statement of Directors' responsibilities in respect of the financial statements**

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, Directors must not approve the financial statements unless they are satisfied that they 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 period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

**Annual Report and Financial Statements for the period from incorporation on 13 August 2023 to 31 March 2024**

**Directors' Report (continued)**

**Statement of Directors' responsibilities in respect of the financial statements (continued)**

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

**Directors' Confirmation**

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Signed on behalf of the board:



Mark Filer

for and on behalf of L.D.C. Securitisation Director No. 1 Limited  
Director

6 December 2024

# Independent auditors' report to the members of Elvet Mortgages 2023-1 Plc

## Report on the audit of the financial statements

### Opinion

In our opinion, Elvet Mortgages 2023-1 Plc's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2024 and of its result for the period from 13 August 2023 to 31 March 2024;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance sheet as at 31 March 2024; the Statement of comprehensive income and Statement of changes in equity for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' 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 remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Our audit approach

#### Context

The Company is a special purpose vehicle ("SPV") that forms part of a securitisation structure, established for the purpose of securitisation of mortgage loans originated by Atom Bank PLC (the "Originator") via the issuance of residential mortgage-backed securities (the "Notes") as a means of creating collateral to be used for funding and liquidity by the Originator. The Notes issued by the Company are listed on the Euronext Dublin. The activities of the Company are conducted primarily by reference to a series of transaction documents (the "Transaction Documents").

#### Overview

##### Audit scope

- As part of designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statement.
- The scope of our audit and the nature, timing and extent of audit procedures performed were determined by our risk assessment and other qualitative factors.
- We identified all material financial statement line items and disclosures, including those that were considered qualitatively material, and conducted our work over these accordingly.

## Key audit matters

- Risk of error in the priority of payments (the "Waterfall")

## Materiality

- Overall materiality: £2,953,540 based on 1% of total assets.
- Performance materiality: £2,215,155.

## 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.

## Key audit matters

Key audit matters are those matters that, in the auditors' 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.

This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
<p><i>Risk of error in the priority of payments (the "Waterfall")</i></p> <p>As an SPV, the Company is required on each interest payment date ('IPD') to make payments in accordance with a priority of payments set out in the Transaction Documents. This ensures that creditors, including noteholders receive payments in accordance with their seniority in the Waterfall. The correct sequencing of payments at each interest payment date is therefore important given the limited recourse nature of the Notes. If the Waterfall is incorrectly processed, there is a risk that the interest expense and principal balances payable to investors are not appropriately calculated and settled, and the cash flows returned to the seller as excessive spread are incorrect. Due to the complexity and pervasive impact of the Waterfall on the financial statements, this was an area of focus for our first year audit of the Company.</p> <p>Related disclosures in the financial statements:</p> <p>Note 1: Accounting Policies Note 2: Interest receivable and similar income Note 10: Financial liabilities: amounts falling due within one year Note 11: Financial liabilities: amounts falling after more than one year Note 12: Risk management and control</p>	<p>In response to this key audit matter we have:</p> <ul style="list-style-type: none"><li>• Obtained an understanding of the processes and controls surrounding the preparation of the waterfall;</li><li>• Agreed that the Waterfalls prepared during the period are consistent with the priority of payments set out in the Transaction Documents;</li><li>• For the IPDs during the period, compared the available amounts for distribution to the amount received in respect of the mortgage loans and for a sample of mortgage loans tested the split of interest and principal received;</li><li>• Recalculated interest paid based on the terms of the Notes as set out in the Transaction Documents;</li><li>• Tested the payments made in the Waterfall to the bank statements of the Company; and</li><li>• Read the investor reports and minutes of board meetings for the period to identify and investigate any usual trends of incidents that would indicate a misstatement in the preparation and calculation of the Waterfall.</li></ul>

## 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 it operates.

As part of designing our audit we determined materiality and assessed the risks of material misstatement in the financial statements. We identified all material financial statement line items and disclosures including those which were considered qualitatively material. In particular, we looked at where the Directors made subjective judgements, for example in respect of accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

## The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the company's financial statements.

## 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 company materiality</i>	£2,953,540.
<i>How we determined it</i>	1% of total assets
<i>Rationale for benchmark applied</i>	The Company is a not for profit special purpose entity, whose main priority is to remit the cash received in respect of its assets so as to repay its liabilities. As such, total assets is considered an appropriate benchmark.

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% of overall materiality, amounting to £2,215,155 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 £147,677 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

## Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Reviewing the directors' going concern assessment. This sets out why the directors believe that the Company will continue in operational existence for the foreseeable future and why they anticipate that the Company will have adequate funds available to meet its obligation as they fall due;
- An assessment to identify factors that could impact the going concern basis of accounting, including the key terms of the transaction as set out in the Transaction Documents, such as what constitutes an event of default, and that the Notes are limited recourse instruments; and
- Assessing the appropriateness of the disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

### **Strategic report and Directors' report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the period ended 31 March 2024 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

## **Responsibilities for the financial statements and the audit**

### **Responsibilities of the directors for the financial statements**

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

### **Auditors' responsibilities for the audit of the financial statements**

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to a breach of the listing requirements of the Euronext Dublin (formerly the Irish Stock Exchange) under which the offering circular was issued, and we considered the extent to which non-compliance might have a material

effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent

manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of inappropriate journal entries. Audit procedures performed by the engagement team included:

- Making inquiries with management and those charged with governance in relation to known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluating the business rationale for any significant transactions that are unusual or outside the scope of the Transaction Documents;
- Testing that the priority of payments has been applied in accordance with the Transaction Documents; and
- Audit procedures performed to address risk of management override of controls, including through testing journal entries and accounting estimates (because of the risk of management bias)

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### **Use of this report**

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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.

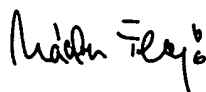
### **Other required reporting**

### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Marton Fenyo (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

6 December 2024



**Annual Report and Financial Statements for the period from incorporation on 13 August 2023 to 31 March 2024**

**Statement of comprehensive income for the period from incorporation on 13 August 2023 to 31 March 2024**

	Note	13 August 2023 to 31 March 2024 £000
Interest receivable and similar income	2	7,473
Interest payable and similar expenses	3	(7,222)
<b>Net interest income</b>		<b>251</b>
Administrative expenses	5	(251)
<b>Profit before taxation</b>		<b>-</b>
Tax on profit	6	-
<b>Profit for the financial period</b>		<b>-</b>
Other comprehensive income for the period		-
<b>Total comprehensive income</b>		<b>-</b>

All the Company's income is derived from continuing activities

The notes on pages 20 to 32 form part of these financial statements.

## Annual Report and Financial Statements for the period from incorporation on 13 August 2023 to 31 March 2024

Balance sheet  
As at 31 March 2024

	Note	31 March 2024 £000
<b>Non-current assets</b>		
Deemed loan	7	255,806
<b>Total non-current assets</b>		<b>255,806</b>
<b>Current assets</b>		
Deemed loan	7	8,943
Debtors	8	654
Cash at bank	9	29,951
<b>Total current assets</b>		<b>39,548</b>
<b>Current liabilities</b>		
Financial liabilities: Amounts falling due within one year	10	(29,067)
<b>Total current liabilities</b>		<b>(29,067)</b>
<b>Net current assets</b>		<b>10,481</b>
<b>Total assets less current liabilities</b>		<b>266,287</b>
<b>Non-current liabilities</b>		
Financial liabilities: Amounts falling due after more than one year	11	(266,274)
<b>Net assets</b>		<b>13</b>
<b>Capital and reserves</b>		
Called up share capital	14	13
Retained earnings		-
<b>Total shareholders' funds</b>		<b>13</b>

The financial statements on pages 17 to 32 were approved by the Board of Directors and authorised for issue on 6 December 2024 and signed on its behalf by:



Mark Filer

for and on behalf of L.D.C. Securitisation Director No. 1 Limited  
Director

The notes on pages 20 to 32 form part of these financial statements.

**Annual Report and Financial Statements for the period from incorporation on 13 August 2023 to 31 March 2024**

**Statement of changes in equity from incorporation on 13 August 2023 to 31 March 2024**

	<b>Called up share capital £000</b>	<b>Retained earnings £000</b>	<b>Total £000</b>
Issue of share capital	13	-	13
Total comprehensive income for the period	-	-	-
<b>Balance at 31 March 2024</b>	<b>13</b>	<b>-</b>	<b>13</b>

The notes on pages 20 to 32 form part of these financial statements.

**Annual Report and Financial Statements for the period from incorporation on 13 August 2023 to 31 March 2024****NOTES TO THE FINANCIAL STATEMENTS****1. Accounting Policies****General information**

The Company was incorporated and domiciled in the United Kingdom on 13 August 2023. The Company is a public company limited by shares, registered in England, and has its registered office at 8th Floor, 100 Bishopsgate, London, EC2N 4AG.

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

**Basis of preparation**

The Company meets the definition of a qualifying entity under Financial Reporting Standard 101 The Reduced Disclosure Framework ("FRS 101"). The financial statements were prepared in accordance with FRS 101, the Companies Act 2006 as applicable to companies using FRS 101 and IFRS 9 where applicable. The presentation currency of these financial statements is pound sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The financial statements are prepared on the historical cost basis.

The Directors have adjusted the format of the statement of comprehensive income as allowed under Companies Act 2006. In the opinion of the Directors, net interest income is a more appropriate measurement of the Company's performance than turnover and cost of sales.

The functional currency of the Company is considered to be pound sterling because that is the currency of the primary economic environment in which the Company operates.

**Disclosure exemptions adopted**

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore, these financial statements do not include:

- IAS 1 10(d) and 111 statement of cash flows and related notes.

**Going concern**

In order to form a view as to the most appropriate basis of preparation of these financial statements, the Directors have assessed the likelihood of whether the Company will continue trading over the foreseeable future versus the likelihood of either intending to or being forced to either cease trading or to place the Company into liquidation.

The ability of the Company to meet its obligations on the Notes and to meet its operating and administrative expenses is dependent principally on the performance of the mortgage loans. The Notes are a limited recourse obligation of the Company, secured over the mortgage loans, and the Company's ability to pay amounts due on the Notes are, in substance, limited to the application of the receipts from the mortgage loans under the terms of the priority of payments, as set out in the Transaction Documents.

While the Notes are limited recourse in nature, the interest on the top tranche of notes cannot be deferred and would therefore, be considered to be an event of default under the terms contained with the Transaction Documents, which, if met, would trigger an acceleration of the repayment of the Notes. However, there is sufficient cash/liquidity reserves in order to pay up to 12 months of interest. Therefore, an event of default would not be expected to occur.

Annual Report and Financial Statements for the period from incorporation on 13 August 2023 to 31 March 2024

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**1. Accounting Policies (continued)**

**Going concern (continued)**

The Directors have assessed, taking into consideration the principal risks and uncertainties, the Strategic Report and the current global economic climate, and the entity's ability to continue as a going concern.

The Directors are satisfied that the Company will continue to be able to meet its liabilities as they fall due and will continue in operation in the foreseeable future in excess of 12 months from the date of these financial statements. Therefore, consider that the going concern basis of preparation is appropriate.

**Revenue recognition and interest expense**

Interest income on financial assets and interest expense on financial liabilities are recorded using the effective interest method ("EIR"). The EIR is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense over the expected life of the financial instrument. The EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the EIR, the future cash flows are estimated after considering all the contractual terms of the instrument but not future credit losses.

**Administration expenses**

All administrative expenses, which comprise primarily professional fees and other overheads, are accounted for on an accrual basis.

**Financial instruments**

The principal financial instruments used by the Company, from which financial instrument risk arises, are: the deemed loan, debtors, cash and cash equivalents, Notes and creditors.

Financial assets are classified and measured at amortised cost

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Annual Report and Financial Statements for the period from incorporation on 13 August 2023 to 31 March 2024

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 1. Accounting Policies (continued)

#### *Deemed loan*

Under IFRS 9, where 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 legally it is a sale transaction and that the Company has acquired legal and beneficial title to the mortgages.

The Directors of the Company have concluded under IFRS 9 that the Seller retained substantially all the exposure to risks and rewards of the pool of mortgage loans at the point of sale. As a consequence of this accounting treatment, the Company cannot recognise the mortgage loans on its balance sheet but rather it recognises a deemed loan due to the Seller.

The initial amount of the deemed loan corresponds to the initial consideration paid by the Company for the mortgage loans, less the notes issued to the Seller. The Company recognises principal and interest cash flows from the mortgage loans only to the extent that it is entitled to retain such cash flows. The deemed loan is stated at amortised cost. On the basis that the deemed loan to the Seller is to hold for collection of the underlying contractual cash flows and the cash flows are deemed to represent solely payments of principal and interest ("SPPI"), it is measured initially at fair value and then subsequently at amortised cost using the effective interest rate method.

To manage interest rate risk the Company holds interest rate swap derivative financial instruments to economically hedge the interest rate risk (pass back to the Seller) that swap the fixed rate on the underlying mortgages to a floating rate that matches those to which the debt securities in issue are exposed. These derivatives are included as part of the deemed loan and are therefore measured at amortised cost with interest recognised on the effective interest rate basis.

#### *Deemed loan impairment provisioning*

The Company regularly reviews the underlying mortgage loans in relation to the deemed loan to the Originator in order to assess for impairment of the mortgage loan. In arriving at the Expected Credit Losses ("ECL") associated in respect of the underlying mortgage loan, a three-stage model is adopted:

- Stage 1: 12 month ECL calculated at initial recognition covering expected defaults over the next 12 months;
- Stage 2: Lifetime ECL (not credit impaired) calculated following a significant deterioration in credit quality relative to initial recognition; and
- Stage 3: Lifetime ECL (credit impaired) calculated once deemed to be credit impaired and interest revenue recognised on the revised receivable balance, net of the lifetime loss allowance (as opposed to gross).

ECL on the deemed loan is recognised where the calculated ECL was greater than the overcollateralisation plus the estimated value of the excess spread remaining in the structure payable to the originator. As excess spread exceeds ECL there is no impairment recognised on the Deemed Loan as at the balance sheet date. Taking into account these factors, the Directors conclude that there is no significant increase in credit risk of the Deemed loan since inception and therefore recorded it as Stage 1.

#### *Financial Liabilities*

Financial liabilities included in trade and other payables and interest bearing liabilities are recognised initially at fair value and subsequently at amortised cost. The fair value of a non-interest bearing liability is its repayment amount. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

The issuer cost is amortised over the period until the IPD falling in November 2028 (Portfolio call option completion date). The actual expense incurred over the period is £375k.

**Annual Report and Financial Statements for the period from incorporation on 13 August 2023 to 31 March 2024**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**1. Accounting Policies (continued)**

**Taxation**

The Company has elected to be taxed under The Taxation of Securitisation Companies Regulations 2006 (the “permanent tax regime”) under which the Company is taxed by reference to the retained amount as defined in the transaction legal documents.

**Cash at bank**

Cash and cash equivalents comprise cash and amounts due from banks with a maturity of less than three months. As the cash can only be used to meet certain specific liabilities and is not available to be used at the Company's discretion, it is viewed as restricted cash.

**Judgements**

A key judgement is that the Directors have assessed that the sale of the mortgage loans from the Seller to the Company has failed the derecognition criteria under IFRS9, because the Seller has retained substantially all risks and rewards. The main factor in this assessment is the Originator's their retention of the Class B, C, D, E and Z notes, which are subordinated to and provide credit enhancement to the externally issued Class A notes (downside risk) and the retention of the Certificates which entitles them to receive any excess spread in the form of deferred consideration (upside risk).

**Estimates**

There are no critical accounting estimates in the preparation of the financial statements.

**Segmental analysis**

The Directors consider that the Company has one operating segment due to the similarity of risks faced in relation to the investment of the funding raised in the underlying residential mortgages and therefore is not required to produce additional segmental disclosure.

## Annual Report and Financial Statements for the period from incorporation on 13 August 2023 to 31 March 2024

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 2. Interest receivable and similar income

	13 August 2023 to 31 March 2024 £000
Interest receivable on deemed loan	7,015
Bank interest	458
	<u>7,473</u>

## 3. Interest payable and similar expenses

	13 August 2023 to 31 March 2024 £000
Interest on externally held Class A Notes	7,195
Amortisation of issue costs	27
	<u>7,222</u>

## 4. Directors' remuneration and employees

The Company has no employees and, with Directors being provided by the corporate service provider, Law Debenture Corporate Services Limited, other than the fees paid to Law Debenture Corporate Services Limited as set out in Note 15, the Directors received remuneration totalling £Nil directly from the Company during the period.

## 5. Administrative expenses

	13 August 2023 to 31 March 2024 £000
Auditors' remuneration for the audit of the Company's financial statements (excluding VAT - £43k)	51
Other administrative fees	200
	<u>251</u>

No non-audit services were provided by the Company's auditor during the period.



## Annual Report and Financial Statements for the period from incorporation on 13 August 2023 to 31 March 2024

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 6. Tax on profit

13 August 2023 to  
31 March 2024  
£000

## a) Analysis of Company tax charge

Current tax

Total tax charge

-  
-

## b) Factors affecting the Company tax charge for the period

13 August 2023 to  
31 March 2024  
£000

Result before taxation

Tax charge at 19%

Accounting profit not taxable in accordance with Statutory  
Instrument No 3296 The Taxation of Securitisation Companies  
Regulation 2006

Accounting profit not taxed in accordance with SI 2006/3296

Total tax charge

-  
-  
-  
-  
-

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill (on 03 March 2021). These include an increase of the main rate to 25% from 01 April 2023. The small profits rate will remain at 19% for the financial year beginning 01 April 2023.

Under the powers conferred by Finance Act 2005, secondary legislation (the permanent tax regime) was enacted in 2006 which ensures that, subject to certain conditions being met and an election being made, for periods commencing on or after 1 January 2007, corporation tax for a 'securitisation company' will be calculated by reference to the profit of the securitisation company required to be retained in accordance with the relevant capital market arrangement.

The Company has elected to enter the permanent tax regime as in prior periods for securitisation companies for periods commencing on or after 1 January 2007.

The Directors are satisfied that the Company meets the definition of a 'securitisation company' as defined by both The Finance Act 2005 and subsequent secondary legislation and that no incremental unfunded tax liabilities will arise.

## 7. Deemed Loan

Deemed loan - due more than one year  
Deemed loan - due within one year

2024  
£000  
255,806  
8,943  
264,749

## Annual Report and Financial Statements for the period from incorporation on 13 August 2023 to 31 March 2024

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 7. Deemed Loan (continued)

The above has been calculated based on the contracted principal repayments of the underlying mortgage loans.

The Company has provided security over its financing by granting charges over its rights to receive principal and interest on the mortgages underlying the deemed loan. The interest on the deemed loan is linked to the interest on the underlying mortgage portfolios which contain both fixed and floating rate mortgage loans. For information on the credit quality of the underlying loans see Note 12. The deemed loan balance includes:

Deemed loan	2024 £000
Mortgage pool	460,782
Deferred consideration due to the Seller	(3,562)
A Notes (retained by the Seller)	(111,625)
B Notes	(15,119)
C Notes	(11,629)
D Notes	(4,652)
E Notes	(5,814)
Z Notes	(13,955)
VRR Notes	(24,031)
Issue cost	(375)
General Reserve	(137)
Liquidity Reserve	(7,208)
Subordinated loan	(22,595)
Interest due on Notes	(1,194)
Day 1 swap consideration	25,863
	<u>264,749</u>

Liquidity reserve, General reserve and 30% discount on Class Z notes collectively refer to day 1 discount on purchase of mortgage pool from the Seller. Therefore, represent a deduction of equivalent amounts in the deemed loan to the Seller.

## 8. Debtors

	2024 £000
Sundry debtors	654
	<u>654</u>

## 9. Cash at bank

	2024 £000
Cash at bank	29,951
	<u>29,951</u>

Annual Report and Financial Statements for the period from incorporation on 13 August 2023 to 31 March 2024

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 10. Financial liabilities: amounts falling due within one year

	2024 £000
Externally held Class A Notes	27,111
Interest accrued on externally held Class A Notes	1,832
Sundry creditors	124
	<u>29,067</u>

### 11. Financial liabilities: amounts falling due after more than one year

	2024 £000
Externally held Class A notes	266,607
Unamortised issue costs	(333)
	<u>266,274</u>

All the Notes are denominated in Sterling. Interest is paid quarterly on the relevant IPD, as set out in the Transaction Documents, based on Compounded Daily SONIA plus the relevant margin, as set out below:

Class	Interest rate	Interest rate after step up date
Class A	SONIA + 0.65%	SONIA + 1.30%
Class B	SONIA + 1.80%	SONIA + 2.80%
Class C	SONIA + 2.80%	SONIA + 3.80%
Class D	SONIA + 3.80%	SONIA + 4.80%
Class E	SONIA + 5.50%	SONIA + 6.50%
Class Z	-	-
Class VRR	-	-

The Notes have a final maturity date of the IPD falling in August 2065, but can be expected to redeem earlier due to the timing of the redemption of the mortgage pool underlying the deemed loan. The Notes are limited recourse in nature and repayment is restricted to the income received by the Company on the underlying residential mortgages acquired and is subject to a priority of payments under the securitisation Transaction Documents.

The balance of the Notes as at the reporting date, is set out below:

	2024 £000	2024 £000	2024 £000
	Carrying Value	Retained by Atom Plc*	As disclosed in liabilities
Class A	405,343	111,625	293,718
Class B	15,119	15,119	-
Class C	11,629	11,629	-
Class D	4,652	4,652	-
Class E	5,814	5,814	-
Class Z	13,955	13,955	-
Class VRR	24,031	24,031	-
Unamortised issue cost	(333)	-	(333)
<b>Total</b>	<u>480,210</u>	<u>186,825</u>	<u>293,385</u>

\* The Notes retained by the Seller are incorporated in the balance of the deemed loan as disclosed in Note 7.

**Annual Report and Financial Statements for the period from incorporation on 13 August 2023 to 31 March 2024**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**12. Risk management and control**

**General**

The Company's financial instruments, other than the Notes it has issued, comprise the deemed loan asset, cash and liquid resources, and various items, such as debtors, creditors etc. that arise directly from its operations. The main purpose of the Notes is to fund the acquisition of mortgages (recognised as the deemed loan) and to provide the Company's working capital. The timing of principal payments and interest payments thereon are designed to match the risks inherent in the mortgage portfolios acquired by the Company.

Whilst the Directors have overall responsibility of the establishment and oversight of the Company's risk management framework, this obligation has been allocated and managed in accordance with the Transaction Documents.

The principal risks arising from the Company's financial instruments are credit risk, interest rate risk and liquidity risk. As all the Company's assets and liabilities are denominated in Sterling, there is no currency risk.

***Credit risk***

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's deemed loan and cash and cash equivalents held at banks.

Credit risk arises primarily from the potential for default, defined as a borrower greater than 3 months past due, in the mortgage pool. This risk is managed via the Note issue terms and conditions whereby credit risk is transferred to the noteholders. All mortgages are secured on residential property, and the Company places strong emphasis on the market value of the properties.

There are no significant concentrations of risk due to the large number of customers within the underlying mortgage portfolio.

The balance sheet carrying amounts represent the Company's maximum exposure to credit risk.

**Securitised mortgage loans**

The table below present the characteristics of the entire portfolio of mortgage underlying the deemed loan.

	<b>2024</b>
	<b>£000</b>
Aggregate loan balance	460,782
Average balance of mortgage loan	188
Number of mortgage loans	2,354

## Annual Report and Financial Statements for the period from incorporation on 13 August 2023 to 31 March 2024

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 12. Risk management and control (continued)

## Securitised mortgage assets (continued)

Distribution by current loan to value ratio:

	2024
Current loan to value	%
< 70%	17.39
70% - 80%	20.51
80% - 90%	61.01
90% - 100%	1.09
> 100%	0.00
	<b>100.00</b>

No impairment has been raised on the deemed loan asset. The table below provides further information on the mortgage loans by payment due status. The deemed loan is neither past due or impaired.

Mortgage loans	2024	
	£ 000	%
Not past due	460,782	100.00
Past due 3 to 6 months	-	-
Past due over 6 to 12 months	-	-
Past due over 12 months	-	-
In repossession	-	-
	<b>460,782</b>	<b>100.00</b>

**Interest rate risk**

Interest rate risk exists where assets and liabilities have interest rates set under different bases or which reset at different times.

Interest paid on the Company's loan facilities is at a floating rate whilst interest received on the mortgages underlying the deemed loan are at fixed and floating rates. The Company mitigates its interest rate risk on the underlying fixed rate mortgage loans by entering into interest rate swap agreements with suitably rated counterparties. As a result, the Company does not have a material net interest rate risk exposure.

If SONIA for 1-month sterling deposits was 1% higher or lower, with all other variables held constant, the effect on the Company's net interest income would be immaterial due to the equivalent movements on interest on the Notes and deemed loan.

**Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when it falls due without incurring unacceptable losses or risking damage to the Company's position. All payments made by the Company are made in strict order using a payment waterfall set out in the transaction documents and the funding raised by the Company is limited recourse in nature which means that it is only obliged to pay amounts falling due to the extent that it has received income from the mortgages underlying the deemed loan. A key component of liquidity risk is the funding for the purposes of long-term lending.

## Annual Report and Financial Statements for the period from incorporation on 13 August 2023 to 31 March 2024

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 12. Risk management and control (continued)

*Liquidity risk (continued)*

The acquisition of the underlying mortgage portfolio was funded by the issue of the Notes. Liquidity risk is managed by issuing the Notes prior to or at the same time as the assets are acquired. Liquidity risks generated by delinquencies and any ultimate credit losses are managed through the limited recourse nature of the Notes.

The contractual undiscounted cash flows associated with financial liabilities were as follows:

	Within 3 months £000	After 3 months but within 1 year £000	After 1 year but within 5 years £000	After 5 years £000	Total £000
<b>As at 31 March 2024</b>					
Interest due on Class A Notes	4,238	11,813	56,087	-	72,138
Sundry creditors	124	-	-	-	124
Class A Notes	22,532	4,580	266,607	-	293,719
	<b>26,894</b>	<b>16,393</b>	<b>322,694</b>	<b>-</b>	<b>365,981</b>

The above has been calculated based on the contractual principal repayments of the underlying mortgage loans.

## 13. Fair value of financial assets and liabilities measured at amortised cost

The following table summarises the carrying amounts and values of those financial assets and liabilities not presented on the Company's balance sheet at their fair value. Cash and cash equivalents, interest bearing loans and borrowings, receivables and payables are recognised on an amortised cost basis, which is considered to be a close approximation to fair value.

<b>As at 31 March 2024</b>	<b>Fair value £000</b>	<b>Book value £000</b>
<b>Financial assets</b>		
Cash	29,951	29,951
Deemed loan	265,274	264,749
Debtors	654	654
	<b>295,879</b>	<b>295,354</b>
<b>Financial liabilities</b>		
Class A Loan Notes	294,746	293,718
Payables	1,956	1,956
	<b>296,702</b>	<b>295,674</b>

Fair value of cash and cash equivalents approximates to carrying value because cash and cash equivalents have no history of credit losses and are short term in nature. Fair value of receivables and payables approximates to carrying value because they represent balances that are non-interest bearing and expected to settle within a short time period.

## Annual Report and Financial Statements for the period from incorporation on 13 August 2023 to 31 March 2024

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 14. Called up share capital

	2024 £000
50,000 ordinary shares of £1.00 each	50
<b>Allotted, called up and fully paid</b>	
1 ordinary share of £1.00	-
<b>Allotted, called up and 25% paid</b>	
49,999 ordinary shares of £1.00 each	13

During the period the Company issued 50,000 ordinary £1 shares, one fully paid and 49,999 25% paid up.

## 15. Related party transactions

The related party transactions between the Company and its related parties are summarised below.

The Company incurred the following transactions with Atom Bank PLC, as seller and servicer of the underlying mortgage pool:

## Transactions during the period

	2024 £000
Interest receivable on deemed loan	7,015
Redemption of deemed loan	28,889
Loan notes repaid	2,843
Subordinated loan repaid	3,268
Servicer fees	180

As at the period end the net deemed loan balance with Atom Bank PLC totalled £264,749.

Under the terms of a corporate service agreement Law Debenture Corporate Services Limited is contracted to provide certain corporate services including a registered office, administration and Directors among other things for which it charges a corporate service fee. The fee paid during the period amounted to £10k and the amount accrued at period end was £10k.

**Annual Report and Financial Statements for the period from incorporation on 13 August 2023 to 31 March 2024****NOTES TO THE FINANCIAL STATEMENTS (continued)****16. Ultimate controlling party**

The entire issued share capital of the Company is held by the legal parent company, Elvet Mortgages 2023-1 Holdco Limited, a company incorporated in the United Kingdom and registered in England.

The entire issued share capital of Elvet Mortgages 2023-1 Holdco Limited is held by The Law Debenture Intermediary Corporation Plc, as share trustee, under a Declaration of Trust for discretionary charitable purposes.

In the opinion of the Directors, the Seller is the ultimate controlling party of the Company. As such, the results of the Company are included in the consolidated financial statements of the Seller. Copies of these can be obtained from Atom Bank PLC, The Rivergreen Centre, Aykley Heads, Durham, DH1 5TS.

**17. Subsequent events**

There have been no reportable subsequent events between the balance sheet date and the date of signing these Financial Statements that would meet the criteria to be disclosed or adjusted.