

LONDON WALL MORTGAGE CAPITAL PLC

Annual report and financial statements

For the year ended 31 December 2023

Registered number 10001337

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LONDON WALL MORTGAGE CAPITAL PLC

COMPANY INFORMATION

Directors

L.D.C Securitisation Director No.3 Limited
L.D.C Securitisation Director No.4 Limited
Mark Howard Filer

Company secretary

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8th Floor
100 Bishopsgate
London EC2N 4AG

Registered office

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London EC2N 4AG

Statutory auditor

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Harcourt Centre
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Cash manager

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Canada Square
London
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LONDON WALL MORTGAGE CAPITAL PLC

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LONDON WALL MORTGAGE CAPITAL PLC

STRATEGIC REPORT

The directors present their strategic report for London Wall Mortgage Capital Plc (the "Company") for the year ended 31 December 2023.

General Company Information

The Company was incorporated in England and Wales on 11 February 2016 as a public limited company with the registered number of 10001337.

Principal activity, Objective, Business Model and Review of the Year

The Company was set up as a special purpose vehicle to establish a residential mortgage-backed securities programme whereby it may from time-to-time issue floating and fixed rate Loan Notes ("Notes") in separate segregated Series (each being a "Series"). There is no cross collateralisation or comingling between any of the Series issued, or to be issued, under the programme, and each Series has its own separate features as indicated in the relevant Series Prospectus (including, without limitation, its own assets, Notes and Deferred Consideration Instruments ("DCIs"), credit structure and cash flows) which are able to be separately enforced. There is no limit to the programme size. The proceeds of each Series Note issuance are currently used to acquire the beneficial interest in residential buy-to-let mortgage loans (the "loans") from London Wall Capital Investments LLP (the "LLP" or the "Seller") or from one of the LLP's Investment Members directly. The Company continues to have an agreement in place with a mortgage servicer ("Servicer") to manage the loans on a day to day basis.

The Company entered into interest rate swaps (IRS) specifically to economically hedge the interest rate risk on the fixed rate mortgages within each Series. Instruments such as derivatives must be measured at Fair Value Through Profit or Loss (FVTPL). In addition, the Series issuance resulted in the recognition of the DCI at FVTPL. Measuring the mortgage loans and notes liabilities within each Series at amortised cost results in an accounting mismatch between the financial instruments measured at FVTPL and the instruments measured at amortised cost within the individual Series. In order to reduce the measurement mismatch, the Company has elected to designate the mortgage loan assets and loan note liabilities at FVTPL in accordance with IFRS 9.

Details of the Series Notes in issue at 31 December 2023, all of which are listed on the London Stock Exchange, are summarised below with further details set out in note 14.

Series	Date Notes issued	Principal amount of A to X Notes (excluding S and Z Notes)	Principal amount of residual Notes	Maturity date	Call option date
		£000	£000		
Series 2021-1	17 May 2021	193,616	18,458	15 May 2051	15 May 2026
Series 2021-2	30 Nov 2021	181,654	5,098	15 May 2052	15 May 2026

The LLP Investment Member of Series 2018-1 exercised their call rights in February 2023 and this Series was terminated and the Loan Notes repaid. This series had availed the option to account for its financial assets and liabilities at amortised cost and its mortgage loans were accounted for as a deemed loan to the LLP.

In addition to the Series Notes issued, the Company has also issued DCIs for each Series as shown below. The DCIs have a nil par value (2022: £nil). The R DCIs for all the series are the residual Notes which are entitled to the excess profits after payment of all other expenses as per series waterfall.

LONDON WALL MORTGAGE CAPITAL PLC

STRATEGIC REPORT (continued)

Principal activity, Objective, Business Model and Review of the Year (continued)

Details of the DCIs outstanding at 31 December 2023 are shown below.

Series	Number of R DCIs outstanding
Series 2021-1	1,000,000
Series 2021-2	1,000,000

The respective LLP investment members of Series 2021-1 and Series 2021-2 hold all the RDCIs for the respective Note issuances. The investment members also hold the Notes listed below for risk retention purposes:

Series	Notes class					
	Z1	Z2	Z3	Z	S	A to E
Series 2021-1	100%	100%	100%	n/a	100%	-
Series 2021-2	n/a	n/a	n/a	100%	100%	Not less than 5%

During the year, £163,803,000 (2022: £216,099,000) of the Loan Notes were redeemed in line with the redemption of the underlying mortgage loans. The results for the year are set out on page 20 and the key results for the year are summarised in the KPI section below.

Key Performance Indicators (KPIs)

Financial KPIs

Recoverability of the mortgage loans is a key performance indicator. The quarterly investor reports contain a range of data on the performance of the mortgage portfolio including payment arrears, Loan to Value percentages and restructured mortgages. As at 31 December 2023, the KPIs for the Company as a whole, are shown in the table below:

	2023	2023	2022	2022
	Number of mortgages	£000	Number of mortgages	£000
Mortgage loan in arrears	1	103	6	1,341
Mortgage loans in default	1	449	1	299
Mortgage loans restructured	-	-	-	-

Due to the highly collateralised buy-to-let mortgages and the availability of £8.6m (2022: £24.7m) credit enhancements (see Note 17 – “Credit risk section”), the Company is unlikely to incur a loss in the event of default.

A mortgage loan is defined as being in arrears when the borrower goes into payment arrears of up to 90 days.

A mortgage loan is defined as being in default when the borrower goes into payment arrears in excess of 90 days or it is determined that the mortgage loan can no longer be repaid.

Financial risk management and objectives

The main risks that could affect the Company are credit, interest, price, liquidity and operational risks. These include the correct and timely receipt of interest and principal on the deemed loans and mortgage loans.

LONDON WALL MORTGAGE CAPITAL PLC

STRATEGIC REPORT (continued)

Financial risk management and objectives (continued)

Credit risk

Credit risk is the risk that the borrowers of the underlying mortgage loans will not be able to meet their obligations as they fall due. For each Series, the underlying mortgage loans are required to adhere to specific lending criteria and late payments are subject to regular reviews by Fleet Mortgages Limited (the originator and servicer of the mortgages) to ensure credit risks are identified on a timely basis and losses are minimised. The Company has appointed Citibank as the Cash Manager to produce quarterly portfolio performance reports for each Series.

Market risk

Market risk is the risk that changes in market prices will affect the Company's income or the value of the financial instruments. Market risk comprises foreign currency risk, interest rate risk and price risk.

Foreign currency risk

All transactions and financial instruments are denominated in the Company's functional currency (pound sterling) and consequently no currency exposure arises.

Interest rate risk

Interest rate risk exists where assets and liabilities have interest rates set under different bases or which reset at different times. The Company has issued various Series of floating rate Notes and the underlying mortgage loans are both fixed and floating rate loans. The Company hedges its interest rate risk on the underlying fixed rate mortgage loans by entering into swap agreements with suitably rated counterparties. As a result, the Company does not have a material net interest rate risk exposure.

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 seller, or factors affecting similar financial instruments traded in the market. The Company is exposed to price risk because of changes in the market values of the mortgage loans. The Notes issued by the Company are Limited recourse in nature and the Company is only expected to pay its Noteholders to the extent of the income it receives. The Company therefore has no material price risk because it can only pay out what it receives.

The fair value of the mortgages loans is the net fair value of all financial instruments which gives the Company a net asset value which equals the equity balance. As a result, any change in fair value of the Loan Notes or derivatives will have an equal but opposite effect on the fair value of the mortgage loans, resulting in no impact on the Company.

Liquidity risk

Liquidity risk is the risk that the Company will default on its obligations to its creditors. For the purposes of managing this risk, the cash manager ensures that all monies received are paid in accordance with an agreed Series waterfall. The Company is structured so that its assets and liabilities are organised into separate Series, reflecting a "protected cell" approach where assets are allocated to specified pools which secure liabilities owing to specified secured creditors which can be separately enforced. The Company maintains Series specific reserve funds to cover any revenue or principal shortfalls.

LONDON WALL MORTGAGE CAPITAL PLC

STRATEGIC REPORT (continued)

Financial risk management and objectives (continued)

Operational risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, people and systems within one or more of the Company's third party providers or from external events. For all Series, the Company appointed Fleet Mortgages Limited ("Fleet") as its mortgage servicer and Citibank as its cash manager and bank account provider. Mortgage servicer operational risk is mitigated by having a back-up servicer in place. The cash manager has adequate back-up facilities in case of operational failure and where the Company finds the need to terminate the services of the cash manager, a grace period is given to find a suitable replacement under the terms of the transaction documents.

Cost of living crisis

Many households in the UK continue to experience a cost of living crisis with interest rates at 5.25% compared to 0.25% in December 2021. While the extent and duration of the effect of this economic uncertainty remains unclear, there is a risk of financial instability for the Company as this may impact the borrowers' ability to repay the loans. Although the rate at which the Company receives and pays interest has increased, there has been no negative material impact from these macroeconomic factors on the Company's financial performance or cash flows.

Due to the nature of the Company, the Directors are of the opinion that climate change has a negligible impact on the Company.

Capital Structure

The capital structure of the Company consists of the debt and equity comprising of issued share capital and retained earnings as disclosed in the Statement of Financial Position, attributable to the note trustee and the share trustee (The Law Debenture Intermediary Corporation plc), respectively. The Company's objectives when managing share capital are to safeguard its ability to continue as a going concern in order to maintain an optimal capital structure to reduce the cost of capital. This was considered at the onset of the transaction by issuing the underlying mortgages for all Series to prime borrowers who are expected to have a lower risk of default. The cost of capital was also considered by agreeing most of the Series fees upfront. The Company is not subject to any external capital requirements except the minimum requirement for issued share capital for a plc under the Companies Act 2006. The Company has not breached the minimum requirement.

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date of this report. Further detail is set out in note 1.

Derivatives and other financial instruments

The Company's financial instruments comprise the mortgage loans, interest rate swaps, the Loan Notes, cash and other liquid resources, and various other items, such as trade and other receivables and payables that arise directly from its operations. The swaps are entered into for managing interest rate risk.

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STRATEGIC REPORT (continued)

Task Force on Climate-related Financial Disclosures (TCFD)

Please see Directors' report.

Future developments

The Company's business model is set out above. The Company intends to issue further Note Series in due course but this will be dependent upon the securitisation market and continued availability of suitable mortgage portfolios to acquire, accepting that the market for new mortgages may fluctuate according to factors beyond the Company's control, such as interest rates, unemployment, house prices and inflation amongst other factors.

All the underlying property collateral backing the mortgage assets in the Company are in the UK and hence the Company's prospects are closely linked to economic conditions in the UK. Monthly borrower repayments are monitored closely by the servicer to ensure any potential or actual borrower defaults are identified and managed closely to mitigate losses to the Company.

By order of the board,



Mark Filer

For and on behalf of L.D.C. Securitisation Director No.3 Limited
Director

Date: 23 April 2024

LONDON WALL MORTGAGE CAPITAL PLC

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2023.

Business review for the year

The business review for the year can be found in the Strategic Report on page 1 and forms part of this report by cross-reference.

Dividends

During the current year, the directors do not recommend the payment of a dividend (2022: £ nil).

Directors

The directors who held office during the year and up to the date of signing these financial statements are:

L.D.C Securitisation Director No.3 Limited
L.D.C Securitisation Director No.4 Limited
Mark Howard Filer

The Company has no employees (2022: none).

The directors are not subject to retirement by rotation.

Directors' interests

During the year none of the directors held any beneficial interests in the shares of the Company (2022: none).

Director indemnities

Adequate qualifying third-party indemnity provisions for the benefit of the directors were in place during the year and remain in force at the date of this report.

Political and charitable contributions

The Company made no political or charitable donations during the year (2022: none).

Financial risk management and objectives

Details of financial risk management objectives and policies can be found in the Strategic Report and form part of this report by cross-reference.

Future developments

Details of future developments can be found in the Strategic Report and form part of this report by cross reference.

Events after Statement of Financial Position date

Please see note 20 for details of significant events after the Statement of Financial Position date.

Going concern

Details of the Company's ability to continue as a going concern can be found in the strategic report and note 1 and form part of this report by cross reference.

LONDON WALL MORTGAGE CAPITAL PLC

DIRECTORS' REPORT (continued)

Corporate governance

The directors have been charged with governance in accordance with the transaction documents detailing the mechanism and structure of the Company. The structure of the Company is such that the key policies have been predetermined at the time of issuance of the various Note Series and the operational roles have been assigned to third parties and these are strictly governed by the transaction documents.

The transaction documents provide for procedures that 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 Company or for publication. Such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives whilst enabling the directors to comply with the regulatory obligations.

Due to the nature of all of the Note Series issued (excluding the DCIs), each of which is listed on the London Stock Exchange, the Company is exempt from the provisions of UK Corporate Governance Code and the Disclosure and Transparency Rules (DTR) of the Financial Conduct Authority with the exception of DTR 7.2.5. The directors are therefore satisfied that there is no requirement for an audit committee or to publish a corporate governance statement.

DTR 7.2.5 requires a description of the main features of the issuer's internal control and risk management systems in relation to the financial reporting process. The directors are responsible for establishing and maintaining adequate internal control and risk management systems of the Company in relation to the financial reporting process. Such systems are designed to manage rather than eliminate the risk of failure to achieve the Company's financial reporting objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The directors have established processes regarding internal control and risk management systems to ensure its effective oversight of the financial reporting process. The directors are responsible for evaluating and discussing significant accounting and reporting issues as the need arises. The directors are also responsible for examining and evaluating the external auditors' performance, qualifications and independence.

As a special purpose vehicle, the Company has no physical presence or operations and accordingly has minimal impact on the community and the environment.

Section 172(1) statement

Section 172 (1) of Companies Act 2006 requires directors to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- a) The likely consequences of any decision in the long term
- b) The interests of the Company's employees
- c) The need to foster the Company's business relationships with suppliers, customers and others,
- d) The impact of the Company's operations on the community and the environment
- e) The desirability of the Company maintaining a reputation for high standards of business conduct and
- f) The end to act fairly as between members of the Company

As a special purpose vehicle, the governance structure of the Company is such that the policies have been predetermined at the time of the issuance. The Directors have had regards to the matters set out in section 172(1) of the Companies Act 2006 as follows:

LONDON WALL MORTGAGE CAPITAL PLC

DIRECTORS' REPORT (continued)

Section 172(1) statement (continued)

- 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 as disclosed in note 1 in accordance with relevant securitisation legislation the Company is only permitted to retain minimal profit;
- the Company has no employees;
- 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 and how the cash flows from securitised assets are distributed. Relationships are also fostered with suppliers and other via professional third parties who have been assigned operational roles and their strictly governed by the transaction documents and fee arrangements agreed in advance. The Company has no customers;
- as a securitisation vehicle the Company has no physical presence or operations and accordingly has minimal impact on the community and the environment;

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 in accordance with the transaction documents including a priority of payments, if applicable.

Task Force on Climate-related Financial Disclosures (TCFD)

The Company is exempt from the TCFD disclosures because it is not trading company, a bank nor an insurance company.

Capital structure

Details of the capital structure can be found in the Strategic Report and form part of this report by cross reference.

Auditor

Deloitte LLP resigned as auditor of the Company on 12 September 2023. Pursuant to Section 487 of the Companies Act 2006, Ernst and Young Chartered Accountants, Dublin have been appointed as auditor of the Company and have expressed their willingness to continue in office as auditor. A resolution for their reappointment as auditor to the Company will be proposed at the forthcoming Annual General Meeting.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

By order of the board,



Mark Filer

For and on behalf of L.D.C. Securitisation Director No.3 Limited
Director

Date: 23 April 2024

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with International accounting standards as adopted by the UK in conformity with the requirements of the Companies Act 2006. Under company law, the 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 these financial statements, the Companies Act 2006 requires that directors to:

- properly select and apply accounting policies;
- make accounting judgements and estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in International Financial Reporting Standards (IFRSs) are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON WALL MORTGAGE CAPITAL PLC

Opinion

We have audited the financial statements of London Wall Mortgage Capital plc (the "Company") for the year ended 31 December 2023 which comprise the Statement of financial position, the Statement of comprehensive income, the Statement of changes in equity, the Cash flow statement and the related notes 1 to 20, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. 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 are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

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. Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included;

- Confirming our understanding of management's going concern assessment process and engaging with management to understand the key factors, which were considered in their assessment;
- Obtaining management's going concern assessment, which covers a period of at least a year from the date of approval of the financial statements and reviewing the key factors considered by management in making their assessment of going concern;
- Obtaining and reviewing each of the Series Prospectuses and other legal documents for the Company in order to understand and assess the legal structure of the Company, contractual events of default and the limited recourse nature of the loan notes.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON WALL MORTGAGE CAPITAL PLC (CONTINUED)

Conclusions relating to going concern (continued)

- Performing an independent reverse stress test to establish whether the Company has sufficient liquidity to meet its obligations as they fall due;
- Considering post year-end performance and making inquiries of management of any other subsequent events, which might give rise to conditions which could lead management to discontinue the operations of the Company;
- Reviewing the Company's going concern disclosures included in the annual report in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

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 12 months from the date the Annual Report and Accounts are approved.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Overview of our audit approach

Key audit matters	<ul style="list-style-type: none"> • Valuation of long-term borrowings, R2 DCIs and mortgage loans
Materiality	<ul style="list-style-type: none"> • Overall materiality of £3.94m which represents 1% of the loan notes, including the long-term borrowings and R2 DCIs.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the company and effectiveness of controls, the potential impact of climate change and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Climate change

In planning and performing our audit we assessed the potential impacts of climate change on the Company's business and any consequential material impact on its financial statements. We also challenged the Directors' considerations of climate change risks in their assessment of going concern and associated disclosures. Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.



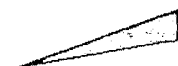
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON WALL MORTGAGE CAPITAL PLC (CONTINUED)

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included 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 were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Board of Directors
<p>Valuation of long-term borrowings (2023: £387.6m (2022: £545.1m)), R2 DCIs (2023: £6.8m (2022: £6.7m)) and mortgage loans (2023: £389.9m (2022: £454.8m))</p> <p><i>Refer to the; Accounting policies (page 23); and Note 9 (page 31), Note 14 (page 33) and Note 15 (page 35) of the Financial Statements</i></p> <p>We have considered valuation of long-term borrowings, R2 DCIs and mortgage loans as a key audit matter for the financial year because it significantly impacts the value and performance of the loan notes and R2 DCIs. We have identified this as a significant risk.</p>	<p>We have obtained an understanding of the process to value the long-term borrowings, R2 DCIs and mortgage loans.</p> <p>We have obtained the listing of all long-term borrowings, R2 DCIs and mortgage loans as at year-end and assessed the reasonableness of the valuation by performing the following procedures:</p> <p>We independently confirmed the quotes for the long-term borrowings and R2 DCIs with the broker, which were used to determine their fair value.</p> <p>We recomputed the fair value for each class of loan notes included within long-term borrowings, as well as for the R2 DCIs.</p> <p>We involved our internal specialists to develop a reasonable range of value for each class of loan notes included within long-term borrowings, as well as for the R2 DCIs, and we checked that the Company's fair value fell within that range.</p> <p>Where available, we obtained a price from Bloomberg for the various classes within each series of loan notes and compared that to the Company's value.</p> <p>We recalculated the value of the mortgage loans, using the inputs determined by management and assessed that those inputs were appropriate, accurate and complete.</p>	<p>No issues have been noted from the performance of our procedures over this key audit matter.</p>



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON WALL MORTGAGE CAPITAL PLC (CONTINUED)

Key audit matters (continued)

In the prior year, our auditor's report included a key audit matter in relation to the valuation of fair value of the loan notes. In the current year, we have included the valuation of the long-term borrowings, R2 DCIs and the mortgage loans, as they are inherently linked due to the structure of the Company.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the company to be £3.94 million, which is 1% of the long-term borrowings and R2 DCIs. We believe that the long-term borrowings and R2 DCIs provide us with the most appropriate basis to base determine materiality, because the Company has been established as a securitisation vehicle to invest into through the loan notes issued by the Company.

During the course of our audit, we reassessed initial materiality based on 31 December 2023 financial statement amounts and adjusted our audit procedures accordingly.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 50% of our planning materiality, namely £1.97 million. We have set performance materiality at this percentage, as this is the first year we have audited the Company.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Board of Directors that we would report to them all uncorrected audit differences in excess of £ 0.197 million, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON WALL MORTGAGE CAPITAL PLC (CONTINUED)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON WALL MORTGAGE CAPITAL PLC (CONTINUED)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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 (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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

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

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are UK adopted international accounting standards, the Companies Act 2006, tax legislation and the London Stock Exchange Listing Rules.
- We understood how London Wall Mortgage Capital Plc is complying with those frameworks by making inquiries of management and those charged with governance, as well as reviewing minutes of meetings of the board of directors.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the controls in place to address the risks of fraud identified by the Company or that otherwise seek to prevent, deter or detect fraud.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON WALL MORTGAGE CAPITAL PLC (CONTINUED)

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making inquiries of management and those charged with governance regarding known or suspected instances of non-compliance with applicable laws and regulations, reviewing minutes of meetings of the board of directors, performing analytical reviews to identify unusual balances or transactions and examining journal entries and operating expenses in the Company.
- As the Company operates in a specialized area, the Audit Engagement Partner checked that the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations, and address those matters about non-compliance with laws and regulations and fraud that were communicated to the engagement team.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Other matters we are required to address

- We were appointed by the Company on 25 January 2024 to audit the financial statements for the year ending 31 December 2023 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is one year, covering the years ending 31 December 2023.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.
- The audit opinion is consistent with the additional report to the Board of Directors.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Kieran Daly

for and on behalf of Ernst & Young Chartered Accountants and Statutory Audit Firm

Dublin, 23 April 2024

STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

		2023	2022
		£000	£000
Non-current assets			
Deemed loans	8	-	40,454
Mortgage loans	9	389,858	454,847
Derivative financial instruments	13	20,436	32,320
		<u>410,294</u>	<u>527,621</u>
Current assets			
Trade and other receivables	10	209	171
Cash and cash equivalents	11	13,230	45,008
		<u>13,439</u>	<u>45,179</u>
Total current assets		<u>13,439</u>	<u>45,179</u>
Total assets		<u><u>423,733</u></u>	<u><u>572,800</u></u>
Current liabilities			
Trade and other payables	12	29,174	20,846
Non-current liabilities			
Long-term borrowings	14,15	387,602	545,117
R DCI	15	6,823	6,705
		<u>394,425</u>	<u>551,822</u>
Total liabilities		<u>423,599</u>	<u>572,668</u>
Equity			
Share capital	16	50	50
Retained earnings		<u>84</u>	<u>82</u>
Total equity		<u>134</u>	<u>132</u>
Total equity and liabilities		<u><u>423,733</u></u>	<u><u>572,800</u></u>

These financial statements were approved and authorised for issue by the board of directors on 23 April 2024 and were 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 23 to 48 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Note	Year Ended 31 December 2023 £000	Year ended 31 December 2022 £000
Interest and similar income	3	11,217	14,582
Interest expense and similar charges	4	(22,928)	(14,187)
		<u>(11,711)</u>	<u>395</u>
Net interest income			
Net (loss)/gain from Loan Notes held at fair value		(6,288)	13,578
Net loss from R DCIs held at fair value		(118)	(405)
Net gain/(loss) from Mortgage Loans held at fair value		18,710	(41,827)
Net gain from derivative financial instruments held at fair value	6	691	30,036
Other operating expenses	5	<u>(1,282)</u>	<u>(1,775)</u>
Profit before taxation		2	2
Taxation	7	<u>-</u>	<u>-</u>
Profit for the year		2	2
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>2</u>	<u>2</u>

All the Company's results are derived from continuing activities.

The notes on pages 23 to 48 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Share capital £000	Retained earnings £000	Total equity £000
Balance at 1 January 2022	50	80	130
Total comprehensive income for the year	-	2	2
Balance as at 31 December 2022	50	82	132
Total comprehensive income for the year	-	2	2
Balance as at 31 December 2023	50	84	134

The notes on pages 23 to 48 form part of these financial statements.

STATEMENT OF CASHFLOWS

For the year ended 31 December 2023

	Note	Year ended 31 December 2023 £000	Year ended 31 December 2022 £000
Operating activities			
Profit on ordinary activities before taxation		2	2
Adjustments:			
Fair value movement on mortgage loans	9	(18,710)	42,867
Fair value movement on loan notes	15	6,288	(13,578)
Fair value movement on derivative financial instruments	13	11,884	(29,215)
Fair value movement on R DCI	15	118	405
Bank interest	3	(1,218)	(632)
Note interest	4	22,928	14,187
Reversal of interest EIR adjustment		-	(357)
Payments on RDCIs held at amortised cost	8	-	2,011
Movement in deferred consideration on deemed loans	8	-	(138)
		21,292	15,552
Changes in operating assets and liabilities			
(Increase)/decrease in trade and other receivables	10	(38)	65
Increase in trade and other payables	12	8,328	7,005
Net cash generated from operating activities before tax		29,582	22,622
Tax paid		-	(1)
Net cash generated from operating activities after tax		29,582	22,621
Investing activities			
Deemed loan repaid	8	40,454	119,091
Mortgage loans repaid	9	83,699	90,624
Bank interest received	3	1,218	632
Net cash generated from investing activities		125,371	210,347
Financing activities			
Loan Notes repaid	14,15	(163,803)	(216,099)
R DCI repaid	15	-	(2,011)
Loan Note interest paid	4	(22,928)	(12,153)
Net cash used in financing activities		(186,731)	(230,263)
		(31,778)	2,705
Net (decrease)/ increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		45,008	42,303
Cash and cash equivalents at the end of the year	11	13,230	45,008

The notes on pages 23 to 48 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. Material Accounting Information

The Company was incorporated in England and Wales on 11 February 2016 as a public limited company with the registered number of 10001337.

Principal activity, Objective, Business Model and Review of the Year

The Company was set up as a special purpose vehicle to establish a residential mortgage-backed securities programme whereby it may from time-to-time issue floating and fixed rate Loan Notes ("Notes") in separate segregated Series (each being a "Series"). There is no limit to the programme size. The proceeds of each Series Note issuance are currently used to acquire the beneficial interest in residential buy-to-let mortgage loans (the "loans") from London Wall Capital Investments LLP (the "LLP" or the "Seller") or from one of the LLP's Investment Members directly. The LLP is also the programme servicer and the Investment Members are separate funds that their money into the LLP to enable it to carry on its business.

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

Basis of accounting

The financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006, and with International Financial Reporting Standards (IFRS) as issued by the IASB. The financial information has been prepared on a fair value basis.

The financial assets and liabilities of Series 2018-01, which were originated in 2018, were measured at amortized cost at the initial recognition. The Fair Value Through Profit and Loss (FVTPL) election was not made at initial measurement, hence this series was not eligible to opt for this option. Series 2018-01 was terminated during the year and therefore didn't exist at year end. Series 2021-01 and Series 2021-02 were originated in 2021 and were able to avail this option and to measure financial instruments at fair value on initial recognition. The Company has entered into interest rate swaps (IRS) specifically to economically hedge the interest rate risk on the fixed rate mortgages within each Series. Instruments such as derivatives must be measured at FVTPL. In addition, the Series issuance resulted in the recognition of the DCI at fair value through profit or loss. Measuring the mortgage loan and notes liabilities within each Series at amortised cost results in an accounting mismatch between the financial instruments measured at FVTPL and the instruments measured at amortised cost within the individual Series. In order to reduce the measurement mismatch, the company has elected to designate the mortgage loan assets and loan note liabilities at FVTPL in accordance with IFRS 9.

Currency presentation

The functional currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. The financial information is presented in pounds sterling and amounts have been presented in round thousands ("£000s") unless otherwise stated.

Going concern

At 31 December 2023 the Company had the following two Series (2022: three Series) in issue:

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

1. Material Accounting Information (continued)**Going concern (continued)**

Series	Date securitised	Carrying value of deemed loan		Carrying value of Note at amortised cost	
		31/12/2023 £'000	31/12/2022 £'000	31/12/2023 £'000	31/12/2022 £'000
2018-1	February 2018	-	40,454	-	55,921

Series	Date securitised	Fair value of mortgage assets		Fair value of Notes issued	
		31/12/2023 £'000	31/12/2022 £'000	31/12/2023 £'000	31/12/2022 £'000
2021-1	May 2021	213,332	236,041	205,149	253,732
2021-2	November 2021	176,526	218,806	182,453	235,464

The Company issues floating rate loan Notes in separate segregated Series. There is no cross collateralisation or comingling of funds between any of the Series issued, or to be issued, under the programme. Each Series has its own separate features as indicated in the relevant Series Prospectus (including, without limitation, its own bank account, assets, Notes and deferred consideration instruments ("DCIs"), credit structure and cash flows) and is able to be separately enforced. Transactions are made to and from specific bank accounts as per Series issue documents and there is a priority of payments in place for paying expenses.

The proceeds of each Series Note issuance are used to acquire the beneficial interest in buy-to-let mortgage loans. Management's intention is to issue more Notes and use the proceeds to purchase more beneficial interests in mortgage loans.

Key factors in determining going concern include cash flows and mortgage payment arrears. The legal structure of the Notes means that for each Series, the Company is only required to pay out funds to the extent that it has received them from the underlying mortgage loans and interest rate swaps attributable to that Note Series. These funds are paid out in accordance with a priority of payments as defined in each Series prospectus. During the year the Company incurred deferred consideration expenses of £10.5m (2022: £11.1m) to the residual Note holders. Deferred consideration was only payable to the Noteholders for Series 2018-1. For Series 2021-1 and 2021-2, the residual notes are held by the investment members. Deferred consideration is only payable to them after the repayment of the principal on the X Notes.

Call rights exist within the residual tranches of Notes. These positions with call rights are beneficially owned by the LLP or directly by the respective investment member of the LLP and can be executed at the discretion of the Investment Member of the applicable investment series that owns the position with call right. The Investment Member of Series 2018-1 exercised their call rights in February 2023 and this Series was terminated and the Loan Notes repaid. This did not have an impact on the ability of the Company to continue as a going concern because of the existence of the other Series that continue with their programme.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

1. Material Accounting Information (continued)**Going concern (continued)**

Many households in the UK continue to experience a cost of living crisis with Bank of England base interest rates at 5.25% compared to 0.25% in December 2021. While the extent and duration of the effect of this economic uncertainty remains unclear, there is a risk of financial instability for the Company as this may impact the borrowers' ability to repay the loans. Although the rate at which the Company receives and pays interest has increased, there has been no negative material impact from these macroeconomic factors on the Company's financial performance or cash flows.

The Company reviewed the cash on-hand and cash reserves of each Series and believes each Series has sufficient cash funding available to cover annual operating expenses for the next 12 months from the date of issuing these financial statements.

Segmental reporting

The Company operates in one business sector and generates all income in the United Kingdom. The Chief Operating Decision Makers (CODMs) are the directors, based in the United Kingdom and there are no major customers or sources of revenue over 10% of total revenue. No separate segmental reporting information is presented, therefore.

New standard or amendments in issue but not yet effective

A number of new accounting standards and amendments to accounting standards which have been issued by the IASB are not yet effective and have not been early adopted by the Company. None of these are relevant to the Company.

Interest income

The Company's principal source of income is interest income. Interest income is accrued on a time basis, by reference to the principal mortgage loans and at the applicable coupon rate. This relates to the series which value their financial assets and liabilities at fair value.

Effective interest rate method

The effective interest rate ("EIR") is the rate that effectively discounts estimated future cash receipts or payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. This related to Series 2018-1 which valued its financial assets and liabilities at amortised cost.

Interest payable

Interest expense is accrued on a time basis, by reference to the principal outstanding of the Loan Notes and at the applicable coupon rate.

Issuer profit

Under the terms of the transaction documentation, the Company retains an annual issuer profit of £7,812.50 for its first 2 financial years and £2,000 thereafter. For Series 2021-1 and 2021-2, the excess profit is only payable to the R DCI holder once the principal on the X Note has been paid.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

1. Material Accounting Information (continued)**Taxation**

The Company operates under the permanent tax regime for securitisation companies (The Taxation of Securitisation Companies Regulation 2006). 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. As a result, the Company is subject to tax on its issuer profit as determined in the securitisation documents.

Cash and cash equivalents

Cash and cash equivalents comprise cash, short-term bank deposits and the reserve accounts that are highly liquid with a maturity of less than 3 months

Financial instruments

Financial assets and financial liabilities are recognised in the Company's Statement of financial position 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. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial assets

In line with IFRS 9, all financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as FVTPL where transaction costs directly attributable to the acquisition of financial assets are recognised immediately in profit or loss.

IFRS 9 requires the classification of financial assets to be determined by a contractual cash flows test referred to as solely payment of principal and interest ("SPPI") and the nature of the underlying financial asset and the business model under which it is being held. Financial assets that fail the SPPI test are measured at fair value through the profit and loss net of any expected credit losses.

During the current and previous financial year there was no change in the business model under which the Company holds financial assets and therefore no reclassifications were made. (See Principal activities set out on page 1). However, Series 2021-01 and Series 2021-02 were originated in 2021 and were therefore able to avail this option at initial recognition to measure financial instruments at FVTPL if these Series meet the required criteria. The Company has entered into interest rate swaps (IRS) specifically to economically hedge the interest rate risk on the fixed rate mortgages within each Series. Instruments such as derivatives must be measured at FVTPL. In addition, the Series issuance resulted in the recognition of the DCI at fair value through profit or loss. Measuring the mortgage loan and notes liabilities within each Series at amortised cost results in an accounting mismatch between the financial instruments measured at FVTPL and the instruments measured at amortised cost within the individual Series. In order to reduce the measurement mismatch, the company has elected to designate the mortgage loans and loan notes at FVTPL in accordance with IFRS 9.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

1. Material Accounting Information (continued)**Financial instruments (continued)*****Derecognition***

A financial asset is derecognised when the rights to receive cash flows from the asset have expired.

Mortgage Loans

The mortgage loans are recognised at FVTPL. Because of the economic offset that exists between the mortgage loans, the derivative financial instruments and the loan notes of each Series, the fair value of the mortgage loans is derived from the value of the loan notes, DCIs, derivatives and other assets and liabilities associated with a particular series, to give each series a net asset value equal to the equity in the series. See Note 17 – Fair value hierarchy - for valuation methodology of derivatives and loan notes.

Derivative financial instruments

The Company enters into derivative financial contracts to manage its exposure to interest rate risk. Further details of derivative financial instruments are disclosed in note 13.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each Statement of Financial Position date. The resulting gain or loss is recognised in profit or loss immediately.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Other financial liabilities

The Company has elected to measure the Series 2021-1 and 2021-2 Notes at FVTPL. The change in fair value for these liabilities primarily reflect changes in fair value of the assets and is considered asset-specific performance risk. As such, all fair value movements will go through fair value through profit or loss.

Other financial liabilities are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

1. Material Accounting Information (continued)**R DCI liability**

The R DCI liability represents deferred consideration that has been given up in favour of each Series investment member. It is recognised at fair value.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expense, in particular the estimation of future cash flows on the portfolio of mortgage loans in order to determine the amortised cost balance of these investments.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements on carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates used in the financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both the current and future periods.

Critical accounting judgements

The key areas where critical accounting judgements have been made in the financial statements are:

Fair Value of mortgage loans

The fair value of the mortgage loans is derived from the fair value of all financial instruments to give the Series a nil Net Asset Value. The fair value of the Loan Notes is derived from vendor prices and the fair value of the interest rate swaps is based on discounted future cash flows. The fair value of all other current assets and liabilities approximates their carrying amount.

Fair value of the loan notes

The fair value of the loan notes is derived from third party vendor prices.

Fair value of DCI

The fair value of the DCI is based on vendor quotes.

Key sources of estimation uncertainty

The key sources of estimation uncertainty are the valuation of the loan notes and DCI which are all based on third vendor prices. Please see Note 17 "Fair value hierarchy section".

2. Directors' remuneration and employees

The Company has no employees (2022: none). No director received any remuneration during the year (2022: none). The directors are all provided by Law Debenture Corporate Services Limited who received a corporate services fee for the provision of certain services (see note 18).

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

3. Interest and similar income

	2023 £000	2022 £000
Other income	2	2
Bank interest	1,218	632
	<u>1,220</u>	<u>634</u>
Early Repayment Charge (ERC) income	174	525
Interest income on deemed loan and mortgage assets	20,322	24,488
Deferred consideration payable	(10,499)	(11,065)
	<u>9,997</u>	<u>13,948</u>
	<u>11,217</u>	<u>14,582</u>

4. Interest expense and similar charges

	2023 £000	2022 £000
Interest expense on loan Notes	22,928	14,187
	<u>22,928</u>	<u>14,187</u>

5. Auditor's remuneration

Auditor's remuneration has been accounted for within "Other operating expenses" within the Statement Of Comprehensive Income. The audit fees for Series 2018-1 was paid by the LLP and was charged in aggregate of the whole structure (including London Wall Investment Warehouse and London Wall Capital Investments LLP). Series 2021-1 and 2021-2, pay their own audit fees. The analysis of the auditor's fees for the year is described below.

There were no fees or expenses paid in respect of other assurance, or non-audit services provided by the statutory auditor for the year-ended 31 December 2023 (2022:Nil).

	2023 £000	2022 £000
Audit fees payable by LLP for Series 2018-1	-	78
Audit fees payable by Series 2021-1 & 2021-2	111	81
	<u>111</u>	<u>159</u>

6. Net gain from derivative financial instruments held at fair value

	2023 £000	2022 £000
Realised gain on derivatives	12,574	821
Change in unrealised (loss)/gain on derivatives	(11,883)	29,215
	<u>691</u>	<u>30,036</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

7. Taxation

	2023 £000	2022 £000
Current tax:		
UK corporation tax on taxable profit for the year	-	-

Factors affecting the tax charge for the year:

The tax assessed for the year is the same as the standard rate of corporation tax in the UK of 19% (2022: 19%). A reconciliation of the charge that would result from applying the standard UK corporation tax rate to the profit before tax to the actual tax charge for the year is given below:

	2023 £000	2022 £000
Profit before tax	2	2
Current tax charge at 19% (2022: 19%)	-	-
Factors affecting charge:		
Accounting profits not taxed in accordance with the regulations	-	-
Tax on cash retained profit taxed in accordance with the regulations	-	-
Current tax charge for the year	-	-

For UK corporation tax purposes, the Company has been considered as a securitisation company under the 'Taxation of Securitisation Companies Regulations'. Therefore, the Company is not required to pay corporation tax on its accounting profit. Instead, the Company is required to pay tax on its retained profits as specified in the documentation governing the securitisation transaction into which the Company has entered. In line with the previously enacted legislation, the UK corporation tax rate increased to 25% from 1 April 2023. However, the corporation tax rate for small profits remains at 19%.

8. Deemed loans

	2023 £000 Series 2018-1	2022 £000 Total
Balance at 1 January - amortised cost:	40,454	161,017
Mortgage redemptions	(40,454)	(66,783)
Mortgages transferred out	-	(52,308)
RDCI Amortisation	-	44
R DCI asset side	-	(2,011)
Movement in deferred consideration	-	138
EIR adjustment	-	357
Balance at 31 December	-	40,454

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

8. Deemed loans (continued)

Presented as:

	2023 £000 Total	2022 £000 Total
Due in one year	-	-
Due after more than one year	-	40,454
Total	-	40,454

9. Mortgage loans

	2023 £000 Series 2021-1	2023 £000 Series 2021-2	2023 £000 Total	2022 £000 Series 2021-1	2022 £000 Series 2021-2	2022 £000 Total
Balance at 1 January	236,041	218,806	454,847	320,677	267,622	588,339
Mortgage redemptions	(33,992)	(49,707)	(83,699)	(62,793)	(27,831)	(90,624)
Reversal of 2021 LLP creditor	-	-	-	(1,041)	-	(1,041)
Movement in fair value	11,282	7,428	18,710	(20,802)	(21,025)	(41,827)
Balance at 31 December	213,331	176,527	389,858	236,041	218,806	454,847

The Company has charged by way of security to the Loan Notes Trustee, its rights to receive principal and interest on the mortgage loans. The mortgage loan portfolio contains both fixed and floating rate loans.

Presented as:

	2023 £000 Total	2022 £000 Total
Due in one year	-	-
Due after more than one year	389,858	454,847
Total	389,858	454,847

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

10. Trade and other receivables

	2023	2022
	£000	£000
Interest receivable	117	81
Other receivables	54	52
Unpaid share capital	38	38
	<u>209</u>	<u>171</u>

11. Cash and cash equivalents

	2023	2022
	£000	£000
Cash at bank	13,230	45,008
	<u>13,230</u>	<u>45,008</u>

12. Trade and other payables

	2023	2022
	£000	£000
Other payables	26,029	17,548
Interest payable	2,901	3,024
Creditors	244	274
	<u>29,174</u>	<u>20,846</u>

13. Derivative financial instruments

	2023	2022	Notional	Notional
	£000	£000	2023	2022
			£000	£000
Derivative financial assets	20,436	32,320	319,630	388,945
	<u>20,436</u>	<u>32,320</u>	<u>319,630</u>	<u>388,945</u>

The interest rate swaps for Series 2021-1 and 2021-2 were issued to economically hedge against the difference in interest rates between the fixed and floating rate mortgage loans and the floating rate Loan Notes. The Company is the swap contract fixed rate payer. The terms of the swap contracts are detailed in the table below:

	2021-1	2021-2
Fixed interest rate	0.37%	1.25%
Maturity date	15 May 2026	15 February 2027

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

14. Long term borrowings

	2023 £000	2022 £000
Loan Notes held at amortised cost	-	55,921
Loan Notes held at FVTPL	387,602	489,196
	387,602	545,117

For all new series established from 1 January 2021, the Company irrevocably elected to designate all financial assets and liabilities at FVTPL.

The Company has charged by way of security to the Note Trustee its rights to receive principal and interest on the mortgage loans.

All Series Note issuances are denominated in GBP pounds sterling.

The terms of the Loan Notes for each Series are listed below.

Class of Notes	Outstanding principal amount £000	Issue Price	Interest	Annual margin prior to step-up	Step-up date	Annual margin after step-up	Maturity
Series 2021-1							
A	169,762	100%	SONIA	0.75%	May 2026	1.125%	May 2051
B	15,458	100%	SONIA	1.20%	May 2026	1.800%	May 2051
C	4,637	100%	SONIA	1.55%	May 2026	2.325%	May 2051
Z1	6,183	100%	n/a	n/a	May 2026	n/a	May 2051
Z2	6,183	100%	n/a	n/a	May 2026	n/a	May 2051
Z3	3,092	100%	n/a	n/a	May 2026	n/a	May 2051
X	3,759	100%	SONIA	4%	May 2026	4%	May 2051
S	3,000	100%	n/a	n/a	May 2026	n/a	May 2051
Series 2021-2							
A	146,827	100%	SONIA	0.80%	May 2026	1.200%	May 2052
B	17,207	100%	SONIA	1.20%	May 2026	1.800%	May 2052
C	8,285	100%	SONIA	1.35%	May 2026	2.025%	May 2052
D	3,824	100%	SONIA	2.00%	May 2026	3.000%	May 2052
E	2,549	100%	SONIA	3.50%	May 2026	4.500%	May 2052
Z	2,549	100%	n/a	n/a	May 2026	5.000%	May 2052
X	2,962	100%	SONIA	3.90%	May 2026	3.900%	May 2052
S	2,549	100%	SONIA	3.25%	May 2026	3.250%	May 2052

The notes are listed above in their series principal waterfall order of priorities.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

15. Reconciliation of opening and closing balance of financial liabilities arising from financing activities

	2023 £000	2022 £000
Loan Notes at amortised cost		
Opening balance at 1 January	55,921	185,402
Notes redeemed	(55,921)	(129,481)
Closing balance at 31 December	-	55,921

Loan Notes at fair value

Opening balance at 1 January	489,196	589,392
Notes redeemed	(107,882)	(86,618)
Movement in fair value	6,288	(13,578)
Closing balance at 31 December	387,602	489,196

Total Loan Notes

Opening balance at 1 January	545,117	774,794
Notes redeemed	(163,803)	(216,099)
Movement in fair value	6,288	(13,578)
Closing balance at 31 December	387,602	545,117

	2023 £000	2022 £000
R DCI liability		
Opening balance	6,705	8,267
R DCI repaid	-	(2,011)
Amortisation for the year	-	44
Fair value movement on R DCI	118	405
Closing balance	6,823	6,705

Presented as:

Current liabilities	-	-
Non-current liabilities – R DCI	6,823	6,705
	6,823	6,705

The fair value movement on R DCI is the movement in fair value of the expected residual payments in future. It therefore has no predetermined final maturity date and it doesn't bear interest. It ranks junior to all other Notes and secured creditors.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

16. Share capital

	2023 £000	2022 £000
Authorised		
50,000 £1 shares	50	50
Allotted and called up		
50,000 £1 shares £0.25 paid	13	13
50,000 £1 shares £0.75 unpaid	37	37
	<u>50</u>	<u>50</u>

17. Financial Instruments

The Company's financial instruments are summarised in the table below including their classification in accordance with IFRS 9. It is and has been throughout the year the Company's policy that no trading in financial instruments shall be undertaken.

31 December 2023

	Financial assets/liabilities at amortised cost £000	Financial assets/liabilities at fair value through profit and loss £000
Financial assets		
Mortgage loans	-	389,858
Derivative financial assets	-	20,436
Trade and other receivables	209	-
Cash and cash equivalents	13,230	-
	<u>13,439</u>	<u>410,294</u>
Financial liabilities		
Trade and other payables	29,174	-
Loan Notes	-	387,602
R DCI liability	-	6,823
	<u>29,174</u>	<u>394,425</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

17. Financial Instruments (continued)31 December 2022

	Financial assets/liabilities at amortised cost £000	Financial assets/liabilities at fair value through profit and loss £000
Financial assets		
Deemed loan	40,454	-
Mortgage loans	-	454,847
Derivative financial assets	-	32,320
Trade and other receivables	171	-
Cash and cash equivalents	45,008	-
	<u>85,633</u>	<u>487,167</u>
Financial liabilities		
Trade and other payables	20,846	-
Loan Notes	55,921	489,196
R DCI liability	-	6,705
Derivative financial liabilities	-	-
	<u>76,767</u>	<u>495,901</u>

The main risks arising from the Company's financial instruments are credit risk, market risk, liquidity risk and operational risk.

Credit risk

Credit risk is the risk that the borrowers of the underlying mortgage loans will not be able to meet their obligations as they fall due.

For each Series, the underlying mortgage loans are required to adhere to specific lending criteria and late payments are subject to regular reviews by Fleet Mortgages Limited (the originator and servicer of the mortgages) to ensure credit risks are identified on a timely basis and losses are minimised. The Company has appointed Citibank as the Cash Manager to produce quarterly portfolio performance reports for each Series.

Credit Scorecard *(applicable to each Series)*

At the reporting date, 99.88% (2022:99.95%) of the underlying mortgages were neither past due nor impaired.

There has been 1 instance of default during the year (2022: 1). This loan has been in default since 2022 and the servicer has taken measures to try and recover the outstanding amounts. As at the Statement of Financial Position date, 1 underlying mortgage is in arrears exceeding 30 days (2022: 6) and considered to be underperforming but not in default. An event of default is defined as when an underlying mortgage borrower goes into payment arrears in excess of 90 days or it is determined that the underlying mortgage can no longer be repaid. The primary evidence of an event of default is the borrower missing payments for more than 90 days.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

17. Financial Instruments (continued)**Credit risk (continued)***Key lending criteria and scoring characteristics*

Typical Lending Criteria	Up to 80% Loan-to-Value Rental Cover down to 120% Lending in England and Wales properties
Customer Profile	Private investors Professional & Semi-professional landlords
Exclusion	No Credit Bureau Data Credit Bureau Score <200 Northern Ireland & Scotland properties

The current Loan-to Value ("LTV") for all the underlying mortgages ranges from 0%-82%. (2022:0%-82%.) For the tables below, an indexed valuation (using regional HPI data to 31 December 2023) of the underlying collateral property has been used to provide a more representative valuation as at the Statement of financial position date and to account for average regional price movements since the individual loan was originated.

All series			
LTV	Percentage	Number	Value £000
>80%	2%	25	5,126
>75% <80%	45%	736	223,343
>50% <75%	48%	774	231,926
>25% <50%	4%	62	14,180
<25%	1%	24	1,198
Total	100%	1621	475,773

If the current collateral value for the buy-to-let mortgages decreased by 17% at the least, based on the BoE stress scenario lowest level, this would cause the LTV range to be in the range of 10% to 99%. The Company would not be expected to suffer any credit loss because the fall in collateral values could be absorbed by the company's credit enhancements of £8.6m (2022: £24.7m).

There has been 1 borrower default (2022: 1) during the year on the mortgages loans. The servicer has processes in place to recover all outstanding amounts. As such it is considered unlikely that the mortgage loans would not be recoverable. The servicer has indicated that none of the underlying mortgages have been restructured (2022: nil).

The Statement of financial position carrying amounts represent the Company's maximum exposure to credit risk.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

17. Financial Instruments (continued)**Credit risk (continued)****Credit enhancements**

	2023 £000	2023 £000	2023 £000	2022 £000
	Series 2021-1	Series 2021-2	Total	Total
S Notes	2,429	2,376	4,805	6,905
Z Notes (reserve funds)	2,048	1,713	3,761	19,961
	4,477	4,089	8,566	26,866
Less Notes repaid to LLP	-	-	-	(2,196)
Balance of credit enhancements	4,477	4,089	8,566	24,670

The Company has Series specific reserve funds to fund any cash flow deficits (see liquidity risk section below for more details)

The table below provides further information on the mortgage loans by payment due status as at the last Interest Payment Date on 31 October 2023. These figures have not changed materially as at 31 December 2023.

	2023 Number of mortgages	2023 £000	2022 Number of mortgages	2022 £000
Mortgage loan in arrears	1	103*	6	1,341*
Mortgage loans in default	1	449*	1	299*
Mortgage loans restructured	-	-	-	-

*The value shown above is that of the mortgage loans at cost.

The Company also has credit risk exposure to the swap counterparty, BNP Baribas (rated A+ by S&P) and the cash manager Citi bank (rated A+ by S&P). This credit risk is managed by engaging with counterparties that have very good credit ratings, therefore lower risk of default. See Note 13 for the value of this exposure at year end.

Operational risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, people and systems within one or more of the Company's third-party providers or from external events. For all Series, the Company appointed Fleet Mortgages Limited ("Fleet") as its mortgage servicer and Citibank as its cash manager and bank account provider. Mortgage servicer operational risk is mitigated by having a back-up servicer in place. The cash manager has adequate back-up facilities in case of operational failure and where the Company finds the need to terminate the services of the cash manager, a grace period is given to find a suitable replacement under the terms of the transaction documents.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

17. Financial instruments (continued)**Market risk**

Market risk is the risk that changes in market prices will affect the Company's income or the value of the financial instruments. Market risk comprises foreign currency risk, interest rate risk and price risk.

Foreign currency risk

All transactions and financial instruments are denominated in the Company's functional currency (pound sterling) and consequently no currency exposure arises.

Interest rate risk

Interest rate risk exists where assets and liabilities have interest rates set under different bases or which reset at different times. The Company has issued various Series of floating rate Notes and the underlying mortgage loans are both fixed and floating rate loans. The Company economically hedges its interest rate risk by entering into swap agreements with suitably rated counterparties and the directors closely monitor the impact of any remaining exposure.

The interest rate risk profile of the Company's financial assets and liabilities is shown below:

<u>31 December 2023</u>	Total Non-interest bearing £000	Total Variable £000	Total fixed £000	Weighted average interest rate %
Financial assets				
Mortgage loans	-	55,547	334,311	5.26
Derivative financial assets	-	20,436	-	3.55
Trade and other receivables	209	-	-	-
Cash and cash equivalents	-	13,230	-	4.18
	209	89,213	334,311	
Financial liabilities				
Trade and other payables	29,174	-	-	-
Loan Notes	-	387,602	-	4.92
R DCI liability	-	6,823	-	7.59
	29,174	394,425	-	

The fixed rate mortgages were taken for a maximum of 5 years from origination. They will revert to variable rate over time, at which point the interest rate risk on the assets and liabilities will be matched. In the meantime, the risk is managed by having interest rate swap contacts in place.

During the year ended 31 December 2023, if the SONIA rate had been 1% higher, with all other variables held constant, the effect on the Company's interest income on the mortgage loans would amount to an increase of approximately £4.1 million (2022: £5.1 million) and the effect on the Company's interest expense on the loan notes and R DCIs would also amount to an increase of approximately £4.3 million (2022: £5.3 million). A 1% decrease in the SONIA rate would result in a corresponding fall in interest income and expense. The net overall impact on the profit of the Company would be £0.2million (2022: £2million).

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

17. Financial instruments (continued)***Interest rate risk (continued)***

<u>31 December 2022</u>	Total Non-interest bearing £000	Total Variable £000	Total fixed £000	Weighted average interest rate %
Financial assets				
Deemed loan	-	40,277	177	4.83
Mortgage loans	-	72,240	382,607	3.82
Derivative financial assets	-	32,320	-	4.63
Trade and other receivables	171	-	-	-
Cash and cash equivalents	-	45,008	-	1.45
	<u>171</u>	<u>189,845</u>	<u>382,784</u>	
Financial liabilities				
Trade and other payables	20,846	-	-	-
Loan Notes	-	545,117	-	2.35
R DCI liability	-	6,705	-	14.05
	<u>20,846</u>	<u>551,822</u>	<u>-</u>	

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 seller, or factors affecting similar financial instruments traded in the market. The Company is exposed to price risk because of changes in the market values of the Loan Notes and derivatives. The Loan Notes issued by the Company are Limited recourse in nature and the Company is only expected to pay its Noteholders to the extent of the income it receives. The Company therefore has no material price risk because it can only pay out what it receives.

The fair value of the mortgages loans is the net fair value of all financial instruments which gives the Company a net asset value of nil. As a result, any change in fair value of the Loan Notes or derivatives will have an equal but opposite effect on the fair value of the mortgage loans, resulting in no impact on the Company.

The Company uses the hierarchy below for determining and disclosing the fair value of financial instruments by valuation technique.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

17. Financial instruments (continued)**Price risk (continued)****Fair value hierarchy****Quoted market prices - Level 1**

Financial instruments, the valuations of which are determined by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions on an arm's length basis. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Valuation technique using observable inputs - Level 2

Financial instruments that have been valued using inputs other than quoted prices as described for level 1 but which are observable for the asset or liability, either directly or indirectly. The interest rate swaps are valued using broker prices. The broker prices are calculated using discounted cash flow models.

Valuation technique using significant unobservable inputs - Level 3

Financial instruments, the valuation of which incorporates significant inputs for the asset or liability that are not based on observable market data (unobservable inputs). Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the product. These inputs are generally determined based on observable inputs of a similar nature, historic observations on the level of the input or analytical techniques. The loan notes and DCI are valued using prices provided by third party vendors which are based on discounted cash flow models that are calculated using unobservable inputs based on information relating to the mortgage loans. The fair value of the mortgage loans is derived from the fair value of all their financial instruments to give the Company a net asset value equal to the equity.

Financial instruments recognised at fair value in the statement of financial position:

31 December 2023	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets				
Mortgage loans	-	-	389,858	389,858
Derivative financial instruments	-	20,436	-	20,436
Financial liabilities				
Loan notes	-	-	387,602	387,602
R DCI at fair value	-	-	6,823	6,823

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

17. Financial instruments (continued)**Price risk (continued)****Financial instruments recognised at fair value in the statement of financial position:**

31 December 2022	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets				
Mortgage loans	-	-	454,847	454,847
Derivative financial instruments	-	32,320	-	32,320
Financial liabilities				
Loan notes	-	489,196	-	489,196
R DCI at fair value	-	-	6,705	6,705

Financial instruments not recognised at fair value in the statement of financial position

31 December 2023	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets				
Deemed loans	-	-	-	-
Financial liabilities				
Loan Notes	-	-	-	-

31 December 2022	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets				
Deemed loans	-	-	59,019	59,019
Financial liabilities				
Loan Notes	-	56,121	-	56,121

The balances above exclude cash and cash equivalents and short-term trade receivables/payables as the carrying amount of such instruments approximates their fair value.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

17. Financial instruments (continued)*Price risk (continued)*

The table below shows the movement in level 3 financial instruments during the year:

2023

	Opening balance	Additions during the year	Disposals during the year	Unrealised fair value gain through profit and loss	Transfer from level 2	Closing balance
	£000	£000	£000	£000	£000	£000
Mortgage loans	454,847	-	(83,699)	18,710	-	389,858
Loan Notes	545,117	-	(163,803)	6,288	-	387,602
R DCI	6,705	-	-	118	-	6,823

2022

	Opening balance	Additions during the year	Disposals during the year	Unrealised fair value gain through profit and loss	Transfer from level 2	Closing balance
	£000	£000	£000	£000	£000	£000
Mortgage loans	588,339	-	(91,665)	(41,827)	-	454,847
R DCI	6,300	-	-	405	-	6,705
Balance	160	-	-	(160)	-	-
Guarantee Swap						

There were no transfers from Level 2 during the year (2022:nil).

Management uses prices provided by a third party vendor to value the loan notes and R DCIs. If the broker quote increased by 1%, that would result in an increase in the value of the loan notes of £3.87 million and the R DCIs of £0.07 million, this would also result in an increase in the value of the mortgages of £3.94 million. A decrease in the broker quotes would result in a corresponding fall in the value of the loan notes, R DCIs and mortgage loans.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

17. Financial Instruments (continued)**Liquidity risk**

The Company maintains Series specific Main Reserve Funds to cover revenue and principal shortfalls. There are also balance guarantee swaps in place to mitigate against prepayment risk which could affect liquidity if not mitigated.

The reserves are funded from proceeds of the class Z Notes of each Series. In the event that the Series reserves fall below their target amount, they will be topped up from the Series revenue receipts after the Class C, D or E interest according to the Series revenue priority of payments. The Series reserves will remain in place until such time as the class C, D or E Notes have been redeemed in full, when they will be released as a principal receipt. The Company also maintains Series Liquidity Reserve Funds. These reserves will be built up through principal receipts as the most senior items in the principal priority of payments. Once fully funded to the various levels stated in each Series prospectus, the reserves will be topped up from collections income to the extent necessary to maintain their balance at the target amounts. They are available to cover senior fees and interest shortfalls on the class A and B Notes for all Series. The target amount will fall to zero once the class B Notes have been paid in full, with any balance released and paid in accordance with the Series principal priority of payments. In the event of a shortfall, the residual Note holders will suffer the loss. Please see Note 14 for details of the priority of payments on the various classes of notes.

The table below shows expected cash flows of financial assets and liabilities of the Company at the statement of the financial position date based on call option date of the notes. This presentation is considered by the Company to appropriately reflect the liquidity risk arising from those financial liabilities, presented in a way that is consistent with how the liquidity risk on these financial statements is managed by the Company.

31 December 2023

	Less than 1 year £000	1-2 Years £000	2-5 Years £000	More than 5 years £000	Total £000
Financial assets					
Mortgage loans	-	-	389,858	-	389,858
Derivative financial assets	-	-	20,436	-	20,436
Trade and other receivables	209	-	-	-	209
Cash and cash equivalents	13,230	-	-	-	13,230
Financial liabilities					
Trade and other payables	(29,174)	-	-	-	(29,174)
Loan Notes	-	-	(387,602)	-	(387,602)
R DCI liability at fair value	(6,823)	-	-	-	(6,823)

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

17. Financial Instruments (continued)**Liquidity risk (continued)****31 December 2022**

	Less than 1 year £000	1-2 Years £000	2-5 Years £000	More than 5 years £000	Total £000
Financial assets					
Deemed loans	40,454	-	-	-	40,454
Mortgage loans	-	-	454,847	-	454,847
Derivative financial assets	-	-	32,320	-	32,320
Trade and other receivables	171	-	-	-	171
Cash and cash equivalents	45,008	-	-	-	45,008
Financial liabilities					
Trade and other payables	(20,846)	-	-	-	(20,846)
Loan Notes	-	(55,921)	(489,196)	-	(545,117)
Derivative financial liabilities	-	-	-	-	-
R DCI liability at fair value	(6,705)	-	-	-	(6,705)

The table below shows expected cash flows of financial assets and liabilities of the Company at the statement of the financial position date based on the contractual maturity dates. The fair value of the mortgage loans, loan notes and R DCI liability are representative of the undiscounted expected future cash flows.

31 December 2023

	Less than 1 year £000	1-2 Years £000	2-5 Years £000	More than 5 years £000	Total £000
Financial assets					
Mortgage loans	-	-	4,234	385,624	389,858
Derivative financial assets	-	-	20,436	-	20,436
Trade and other receivables	209	-	-	-	209
Cash and cash equivalents	13,230	-	-	-	13,230
Financial liabilities					
Trade and other payables	(29,174)	-	-	-	(29,174)
Loan Notes	-	-	-	(387,602)	(387,602)
R DCI liability at fair value	(6,823)	-	-	-	(6,823)

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

17. Financial Instruments (continued)**Liquidity risk (continued)****31 December 2022**

	Less than 1 year £000	1-2 Years £000	2-5 Years £000	More than 5 years £000	Total £000
Financial assets					
Deemed loans	-	177	2,808	37,469	40,454
Mortgage loans	-	-	5,144	449,703	454,847
Derivative financial assets	-	-	32,320	-	32,320
Trade and other receivables	171	-	-	-	171
Cash and cash equivalents	45,008	-	-	-	45,008
Financial liabilities					
Trade and other payables	(20,846)	-	-	-	(20,846)
Loan Notes	-	-	-	(545,117)	(545,117)
Derivative financial liabilities	-	-	-	-	-
R DCI liability at fair value	(6,705)	-	-	-	(6,705)

The notes are subject to mandatory redemption on their respective final maturity dates. If borrower repays any amount due on the loans earlier than the contractual loan terms, any such amount would need to be paid to noteholders.

Fair values

The fair values of the Company's financial assets and liabilities are shown below:

	Carrying value 2023 £000	Fair value 2023 £000	Carrying value 2022 £000	Fair value 2022 £000
Financial assets				
Deemed loans	-	-	40,454	59,019
Mortgage loans	389,858	389,858	454,847	454,847
Derivative financial assets	20,436	20,436	32,320	32,320
Trade and other receivables	209	209	171	171
Cash and cash equivalents	13,230	13,230	45,008	45,008
	423,733	423,733	572,800	591,365
Financial liabilities				
Trade and other payables	29,174	29,174	20,846	20,846
Loan Notes - at amortised cost	-	-	55,921	56,121
Loan Notes at fair value	387,602	387,602	489,196	489,196
R DCI liability at FVTPL	6,823	6,823	6,705	6,705
	423,599	423,599	572,668	572,668

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

17. Financial Instruments (continued)**Fair values (continued)**

The fair value of the mortgage loans is derived from the fair value of all their financial instruments to give the Company a net asset value equal to the equity. The fair value of the Loan Notes is based on vendor prices whilst the interest rate swap and the R DCIs are valued on the basis of discounted future cash flows.

18. Related party transactions

Law Debenture Corporate Services Limited ("Law Deb") charges a management fee for the provision of a range of services including provision of all of the directors.

London Wall Mortgage Capital Holdings Limited ("Holdings") is the immediate parent company and sole share shareholder.

The related party transactions between the Company and its related parties are summarised as follows:

	Related party	2023 £000	2022 £000
Statement of comprehensive income			
Interest income on deemed loans	LLP	1,640	4,603
Deferred consideration expense	LLP	(1,005)	(1,714)
Corporate service fee	Law Deb	(49)	(84)
Statement of financial position			
Deemed loans from LLP	LLP	-	40,454
Collections due from LLP	LLP	-	27
Share capital receivable	Holdings	37	37
Accrued corporate service fee	Law Deb	(24)	(27)

19. Ultimate parent undertaking

The Company's immediate parent company is London Wall Mortgage Capital Holdings Limited ("Holdings"), a Company registered in England and Wales. The entire share capital of Holdings is held on trust for discretionary charitable purposes by The Law Debenture Intermediary Corporation plc. The investment members of the different Series can exercise call options and can wind up the individual series but they cannot wind up the company. Furthermore, the trustees are not entitled to any economic benefits from the Company and the beneficiaries do not have any decision-making power, and they do not control the Company. The Company therefore, has no ultimate controlling party.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

20. Commitments and contingencies

As at the year-end date, the Company neither had any commitments nor contingencies (2022: None).

21. Post balance sheet events

Since the date of the Statement of Financial Position, repayments for the mortgage assets have continued in line with expectations. Although any wider macroeconomic implications on the Company are harder to quantify at the moment, the Directors are continuing to monitor the situation.