

Memel Capital PCC (formerly known as Memel Capital Limited)

**Annual report and audited financial statements
for the year ended 31 December 2020**

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Directors' Report

The Directors present their Report, together with the audited financial statements of Memel Capital PCC (formerly known as Memel Capital Limited) (the 'Company') for the year ended 31 December 2020.

Incorporation

The Company was incorporated as a public company in Jersey, Channel Islands on 26 June 2014. The Company changed its status from a public limited company to a public cell company on 3 February 2021.

Principal Activities

The principal activity of the Company is to issue secured and unsecured certificates under a US\$10,000,000,000 certificate programme. The certificates offer exposure on a 1:1 basis to shares in certain companies, as detailed in the prospectus. The Company has not yet issued any certificates and has been dormant as of the reporting date.

The Company changed its status from a public limited company to a public cell company on 3 February 2021 and established the first Cell on 18 February 2021. On 23 February 2021 the Directors of Company approved a programme to issue secured and unsecured notes under a US\$30,000,000,000 note programme. Under the programme, a protected cell may issue secured and unsecured notes. Each note of a series will be linked to the reference assets as specified in the relevant pricing supplement as detailed in the prospectus. The Company had not yet incorporated any protected cells as of the reporting date.

Going concern

The Directors have prepared the financial statements on a going concern basis as all of the operating expenses of the Company are borne by Morgan Stanley. Also, the Directors have no reason to believe that Memel Capital PCC (formerly known as Memel Capital Limited) will not continue as a going concern amidst the current uncertain market conditions derived from the outbreak of the COVID-19 Virus. Accordingly the Directors are satisfied that the Company will be able to settle its liabilities as they fall due and continue in existence for the foreseeable future.

COVID-19

COVID-19, which is a respiratory illness caused by a new virus, was declared a world-wide pandemic by the World Health Organisation in March 2020. COVID-19, as well as measures to slow the spread of the virus, have since had a significant impact on global economies and equity, debt and commodity markets. The Company has considered the impact of COVID-19 and other market volatility in preparing its financial statements.

While the specific areas of judgement did not change, the impact of COVID-19 resulted in the application of further judgement within those identified areas. Given the dynamic and evolving nature of COVID-19, limited recent experience of the economic and financial impacts of such a pandemic, changes to the estimates and outcomes that have been applied in the measurement of the Company's assets and liabilities may arise in the future.

As a consequence of COVID-19 and in preparing these financial statements, the Directors:

- re-evaluated whether there were any additional areas of judgement or estimation uncertainty beyond what has been disclosed
- reviewed external market communications to identify other COVID-19 related impacts
- reviewed public forecasts and experience from previous downturns
- conducted several internal processes to ensure consistency in the application of the expected impact of COVID-19 across all asset classes
- assessed the carrying values of its assets and liabilities and determined the impact thereon as a result of market inputs and variables impacted by COVID-19
- considered the impact of COVID-19 on the Company's financial statement disclosures

The Directors have concluded that there were no material matters that needed to be disclosed as a result of Covid 19.

Directors' Report (continued)

Results and Dividends

The Company did not generate any income during the year and all expenses were met by a third party, Morgan Stanley & Co International Plc (the sponsor for the entity), therefore a Statement of Total Comprehensive Income has not been prepared for this year or the previous year.

Directors

The Directors who held office during the year and up to the date of this report were:

S Conroy
M Newton (resigned 19 March 2021)
T Ridgway (appointed 19 March 2021)

Independent Auditor

The Independent Auditor, Grant Thornton Limited, has indicated its willingness to continue in office. Accordingly, a resolution to reappoint Grant Thornton Limited was approved at the Manager's Meeting on the date of this report.

Secretary

Crestbridge Corporate Services Limited were appointed as Secretary to the Company on 26 June 2014.

Statement of Directors' Responsibilities

The Directors are responsible for preparing 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 Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board. The Financial Statements are required by law to be properly prepared in accordance with the Companies (Jersey) Law 1991, as amended.

International Accounting Standard 1 "Presentation of Financial Statements" requires that financial statements present fairly, for each financial period, the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, the Directors are also required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

Directors' Report (continued)

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company at that time and to enable them to ensure that any financial statements comply with the Companies (Jersey) Law 1991, as amended. 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.

The Directors confirm that they have complied with the above requirements in preparing these audited financial statements.

The Directors confirm that so far as they are aware, there is no relevant audit information, of which the Company's auditor is unaware and they have taken all the steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of this information.

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



Company Secretary
Date: 30 April 2021

Registered Office

47 Esplanade
St Helier
Jersey
JE1 0BD

Independent auditor's report To the members of Memel Capital PCC

Opinion

We have audited the financial statements of Memel Capital PCC (the 'Company') for the year ended 31 December 2020 which comprise the Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board.

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020;
- are in accordance with IFRSs; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) 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 Jersey, including the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants, 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.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the Company; or
- the Company financial statements are not in agreement with the accounting records; or
- we have not received proper returns adequate for our audit from branches not visited by us; or
- we have not obtained all the information and explanations, which to the best of our knowledge and belief, are necessary for the purposes of our audit.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements which give a true and fair view in accordance with IFRSs, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. 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.



Alexander Ross Langley
For and on behalf of
Grant Thornton Limited
Chartered Accountants
St Helier, Jersey


Date: 4 May 2021

Statement of Financial Position

As at 31 December 2020

	Notes	31 December 2020 £	31 December 2019 £
CURRENT ASSETS			
Cash		<u>2</u>	<u>2</u>
		<u>2</u>	<u>2</u>
EQUITY			
Share capital	3	<u>2</u>	<u>2</u>
		<u>2</u>	<u>2</u>

The financial statements on pages 7 to 12 were approved and authorised for issue by the Board of Directors on 30 April 2021 and were signed on its behalf by:



Director

Statement of Changes in Equity

For the year ended 31 December 2020

	Share capital	Retained earnings	Total
	£	£	£
Balance at 01 January 2020	<u>2</u>	<u>-</u>	<u>2</u>
Balance at 31 December 2020	<u><u>2</u></u>	<u><u>-</u></u>	<u><u>2</u></u>
	Share capital	Retained earnings	Total
	£	£	£
Balance at 01 January 2019	<u>2</u>	<u>-</u>	<u>2</u>
Balance at 31 December 2019	<u><u>2</u></u>	<u><u>-</u></u>	<u><u>2</u></u>

Statement of Cash Flows

For the year ended 31 December 2020

	Year ended	
	31 December 2020	31 December 2019
Cash at the beginning of the year	<u>2</u>	<u>2</u>
Cash at the end of year	<u>2</u>	<u>2</u>

Notes to the Financial Statements

For the year ended 31 December 2020

1 General Information

Memel Capital PCC (formally known as Memel Capital Limited) ("the Company") is a Public Cell Company whose principal place of business is at 47 Esplanade, St. Helier, Jersey JE1 0BD and was incorporated and established in Jersey on 26 June 2014 as a Company under the Companies (Jersey) Law 1991, as amended. The Company is domiciled in Jersey.

The principal activity of the Company is to issue secured and unsecured certificates under a US\$10,000,000,000 certificate programme. The certificates offer exposure on a 1:1 basis to shares in certain companies, as detailed in the prospectus. The Company has not yet issued any certificates and has been dormant as of the reporting date.

The Company changed its status from a public limited company to a public cell company on 3 February 2021 and established the first Cell on 18 February 2021. On 23 February 2021 the Directors of Company approved a programme to issue secured and unsecured notes under a US\$30,000,000,000 note programme. Under the programme, a protected cell may issue secured and unsecured notes. Each note of a series will be linked to the reference assets as specified in the relevant pricing supplement as detailed in the prospectus. The Company had not yet incorporated any protected cells as of the reporting date.

The Company did not generate any income during the year and all expenses were met by a third party, Morgan Stanley & Co International Plc, therefore a Statement of Comprehensive Income has not been prepared for this year or the previous period.

2 Summary of significant accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year is set out below:

Basis of preparation

The audited financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB. These audited financial statements have been prepared on an historical cost convention. The preparation of financial statements to comply with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and 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 about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and the 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 and future periods if the revision affects both current and future periods.

Going Concern

The Directors have prepared the financial statements on a going concern basis as all of the operating expenses of the Company are borne by Morgan Stanley. Also, the Directors have no reason to believe that Memel Capital PCC (formerly known as Memel Capital Limited) will not continue as a going concern amidst the current uncertain market conditions derived from the outbreak of the COVID-19 Virus. Accordingly the Directors are satisfied that the Company will be able to settle its liabilities as they fall due and continue in existence for the foreseeable future.

New accounting standards and interpretations

(i) *Standards and amendments to existing standards for reporting periods beginning on 1 January 2020:*

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2020 that have a material effect on the financial statements of the Company.

(ii) *New standards, amendments and interpretations not yet effective for reporting periods beginning on 1 January 2021:*

A number of new standards and amendments to standards and interpretations are not yet effective for reporting periods beginning after 1 January 2021, and have not been applied in preparing these financial statements. The Directors have assessed that these standards will not have a material effect on the financial statements of the Company.

Notes to the Financial Statements

For the year ended 31 December 2020 (continued)

2 Summary of significant accounting policies (continued)

General expenses

The general expenses of the Company are paid by a third party, Morgan Stanley & Co International Plc, and consequently not recognised within these financial statements.

Taxation

The Company is liable to Jersey income tax at a rate of 0% (2019: 0%).

Cash

Cash is represented by cash in hand.

Functional and presentational currency

The functional currency of the Company is Pound Sterling ("£"), the currency of the primary economic environment in which the Company operates. The reporting currency of the Company for accounting purposes is also Pound Sterling.

Share Capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3 Equity share capital

	31 December 2020 £	31 December 2019 £
Authorised		
Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>
Allotted, called up and fully paid		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

4 Related Party Transactions

During the year £17,085 (2019: £17,085) was due to Crestbridge in respect of services of which £17,085 (2019: £17,010) was outstanding at the year end. As these expenses are paid by a third party they have not been recognised in these financial statements.

S Conroy and T Ridgway, Directors of the Company, are senior employees of Crestbridge, which provides administration services to the Company at normal commercial rates.

5 Risk management

The Company's investment activities could expose it to various types of risk in the future, which are associated with the financial instruments in which it intends to invest. These activities could expose the Company, in varying degrees, to elements of credit risk, market risk (including foreign exchange risk and interest rate risk) and capital management risk. The Company's risk management policies employed to manage these risks are discussed below.

Notes to the Financial Statements

For the year ended 31 December 2020 (continued)

5 Risk management (continued)

(a) Credit risk

Credit risk is the risk that a counterparty will be unable to meet a commitment that it has been entered into with the Company. Credit risk is the potential exposure of the Company to loss in the event of non-performance by the counterparties. The Directors consider that the Company is not currently exposed to any material net credit risk as the Company has not yet begun trading.

(b) Market risk

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

(i) Foreign exchange risk

The Company is not exposed to any material foreign exchange risk as the majority of the Company's transactions are in Pound Sterling which is the Company's functional and presentational currency.

(ii) Interest rate risk

Interest rate risk is the possibility that the value of an asset will decline or the value of a liability will rise as a result of an unexpected change in interest rates. As the Company has no interest bearing assets or liabilities, and its income and operating cash flows are substantially independent of changes in market interest rates, the risk is minimal.

Capital management

When managing capital, the Company's objectives are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Company aims to deliver these objectives by achieving consistent returns from its assets and maintaining sufficient liquidity with financial support from the Trustees of the Memel Charitable Trust.

6 Ultimate Controlling Party

The shares are held on trust for charitable purposes. The Directors consider the ultimate controlling party to be Crestbridge Corporate Trustees Limited as Trustee of The Memel Charitable Trust.

7 Events after the Reporting Period

The Company changed its status from a public limited company to a public cell company on 3 February 2021. The principal activity of the Company is to issue secured and unsecured notes under a US\$30,000,000,000 note programme which was approved by the Directors of the Company on 23 February 2021. Under the programme, a protected cell may issue secured and unsecured notes. Each note of a series will be linked to the reference assets as specified in the relevant pricing supplement as detailed in the prospectus. On 18 February the Company incorporated its first cell company, Basket Linked 1 PC.