Memel Capital PCC

Annual report and audited financial statements for the year ended 31 December 2021

Contents

Directors' Report

The Directors present their Report, together with the audited financial statements of Memel Capital PCC (the 'Company') for the year ended 31 December 2021.

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 the following programmes:
- a US$30,000,000,000 certificate programme
- a US$10,000,000,000 note programme – dormant

The certificates are issued in the protected cells created by the company. The certificates and notes offer exposure on a 1:1 basis to shares in certain companies, as detailed in the prospectus.

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 which is listed on the Gibraltar Stock Exchange. A protected cell may issue secured and unsecured notes. Each note will be linked to the reference assets as specified in the relevant pricing supplement as detailed in the prospectus. There was one protected cell created at the reporting date.

Going concern

The Directors have prepared the financial statements of the Company on a going concern basis. The expenses of the Company, other than bank charges, are paid by Morgan Stanley & Co International Plc ("Morgan Stanley") and income is received from Morgan Stanley to cover bank charges. The Directors have no reason to believe that Morgan Stanley will not honour this agreement for a period of 12 months from the signing of these financial statements and note that this agreement has been in place for a number of years and Morgan Stanley have continued to meet their obligations under it. Also, the Directors have no reason to believe that Morgan Stanley will not continue as a going concern amidst the current uncertain market conditions derived from the outbreak of the COVID-19 Virus. The unsecured Certificates are limited recourse as the principal repayment of each series is linked to the value for the financial assets. The Directors have therefore prepared the financial statements on a going concern basis.

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.

Directors

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

M Newton (resigned 18 March 2021)
S Conroy
T Ridgway (appointed 18 March 2021)

Company Secretary

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

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.

Directors' Report - (continued)

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.
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Timothy Ridgway
Director

Date: **21** July 2022

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 2021 which comprise the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity, 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 ("IASB").

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of the Company's profit for the year then ended;
- are in accordance with IFRSs as issued by the IASB; 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 (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 Jersey, including the FRC's Ethical Standard as applied to listed 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

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

- As per the disclosure in Note 13 of the financial statements (Events After the Reporting Period), the Company has continued to issue new series and certificates in line with its different programmes.
- The certificates issued are limited recourse asset backed securities. The Company's liabilities are highly liquid and their repayment profile have been matched to the liquidity profile of the investments which are publicly traded.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the Company's business model and we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

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

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

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Our approach to the audit

<table>
<tr><td rowspan="4">Grant Thornton

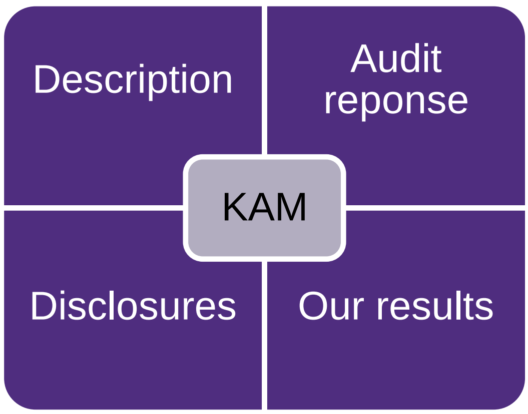
</td><td>Overview of our audit approach</td></tr>
<tr><td>Overall materiality: £15 which represents 2% of the Company's total assets.</td></tr>
<tr><td>Key audit matters were identified as:

• Valuation of investments. This key audit matter is derived from the investments issued by the Company on behalf of Basket Linked 1 PC.</td></tr>
<tr><td>Scoping:

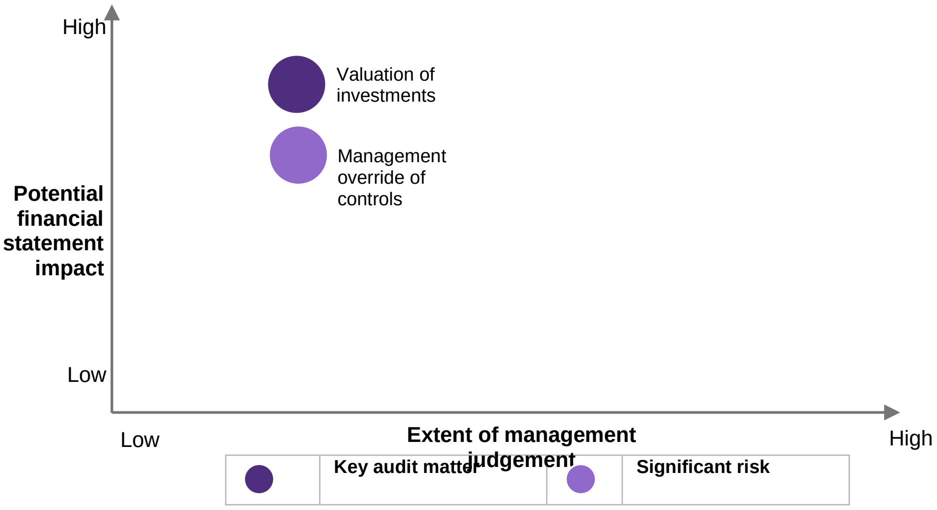
Financial assets at fair value through profit or loss has been scoped in as a Significant Class of Transaction, Account Balance and Disclosure with an elevated inherent risk on the Valuation and Allocation assertion.</td></tr>
</table>

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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 that 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 forming our opinion thereon, and we do not provide a separate opinion on these matters.



In the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.



Key Audit Matters and Significant Risks	How our scope addressed the matter
Key audit matter and significant risk: **Investments may be materially misstated due to incorrect valuation** We identified Investments may be materially misstated due to incorrect valuation as one of the most significant assessed risks of material misstatement due to error. Investments comprise of positions in leveraged products that hold investments in a range of trading programmes. The fair value of investments (financial assets at fair value through profit or loss) is based on the price of the underlying leveraged products. The fair value may be misstated due to inaccuracies in the underlying products valuations or incorrect calculation of the fair value as at year end.	In responding to the key audit matter, we performed the following audit procedures: o We assessed the design and implementation of controls relating purchases, disposals and valuation of investments; o We reviewed of the Company's accounting policies to confirm their compliance with IFRS requirements; o We traced the subscriptions during the year to the relevant confirmations of subscriptions to confirm their existence and valuation; o We reconciled units held under each series as at 31 December 2021 to confirmations received from independent custodians or units within investor reports; and o We recalculated the fair value as at 31 December 2021 using the closing prices and units confirmed by independent custodians or units within investor reports.
Relevant disclosures in the Annual Report and Accounts 2021 Financial statements: Note 4, Financial Assets at Fair Value through Profit or Loss	Based on the results of our audit procedures, we are satisfied that the investments have been appropriately valued.

Significant risk: Management override of controls Under ISA (UK) 240 there is a presumed risk that the risk of management override of controls is present in all entities.	In responding to the key audit matter, we performed the following audit procedures: o We assessed the design and implementation of controls around journal entry posting; o We obtained a listing of all journal entries posted during the year and reviewed it for journal entries with specific characteristics; and o We inquired with management to understand if there were unusual transactions processed during the year, none were identified. Based on the results of our audit procedures, we did not identify any journals that met our risk criteria and did not identify any instances of management override of internal control.
Relevant disclosures in the Annual Report and Accounts 2021 Financial statements: All financial statement line items	

Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

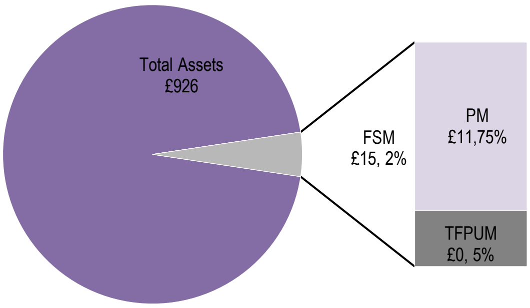
Materiality was determined as follows:

Materiality measure	Company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.
Materiality threshold	£15 which is 2% of the company's total assets.
Significant judgements made by auditor in determining the materiality	In determining materiality, we made the following significant judgements: This benchmark is considered the most appropriate because certificate holders consider total assets value to be the main key performance indicator. We used a maximum range of 2% as the structure of the Fund is simple, despite the certificates being listed. Materiality for the current year is higher than the level that we determined for the year ended 31 December 2020 to reflect the increase in total assets.

Materiality measure	Company
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.
Performance materiality threshold	$11 which is 75% of financial statement materiality.
Significant judgements made by auditor in determining the performance materiality	In determining materiality, we made the following significant judgements: We used a maximum range of 75% as the structure of the Fund is simple, despite the certificates being listed.
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.
Specific materiality	No areas of specific materiality were determined.
Communication of misstatements to the Board	We determine a threshold for reporting unadjusted differences to the audit committee.
Threshold for communication	All misstatements, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality



FSM: Financial statements materiality

PM: Performance materiality

TFPUM: Tolerance for potential uncorrected misstatements

An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the Company's business and in particular matters related to:

- Obtaining an understanding of the Company and its environment, including the controls, and assessed the risks of material misstatement;
- Performing substantive procedures around the areas of signification risks and key audit matters and areas above our assessed performance materiality.
- Reviewing the financial statements to ensure that the disclosures made are in line with the requirements of IFRS as issued by the IASB.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report set out on pages 2-3 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 of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report 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 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 financial statements are not in agreement with the accounting records; 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 3, 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 (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 material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the company and the industry in which it operates. We determined that the following laws and regulations were most significant: Companies (Jersey) Law 1991 and the requirements of the stock exchanges on which the some of the certificates issued are listed.
- We obtained our understanding of the laws and regulations governing the Company through inquiry with management and confirmed that the responsibility of ensuring compliance with the laws and regulations lies with the directors.
- We designed procedures to check whether the Company complied with laws and regulations and noted no instances of non-compliance were noted.
- The engagement partner confirms that the engagement team collectively had the appropriate competence and capabilities to identify non-compliance with laws and regulations.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
  - journal entries as there is a presumed risk of management override in controls present in all entities
  - potential management bias in determining accounting estimates, especially in relation to the calculation of the fair value of the financial assets at fair value through profit or loss

Our audit procedures involved:

- Identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud, including those controls related to the valuation of investments;
- Understanding how those charged with governance considered and addressed the potential for override of controls or other inappropriate influence over the financial reporting process;
- Evaluating the valuation policy and methodology adopted by management in comparison to IFRS and industry practice;
- Reconciling and verifying the number of equity shares held by the Company as at year-end to independently received custodian confirmations;
- Recalculating the fair value of the investments through obtaining independent pricing information from custodians as at year-end;
- Reviewing the assumptions and judgments made by management in its significant accounting estimates, i.e. the valuation of investments;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations;

No exceptions were noted.

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

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Section 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: 21 July 2022

Statement of Financial Position

As at 31 December 2021

	Notes	Basket Linked 1 PC 31 December 2021 £	Memel Capital PCC 31 December 2021 £	Memel Capital PCC 31 December 2020 £
ASSETS				
Non-Current Assets				
Financial assets at fair value through profit and loss	4	13,403,282	2	-
Current Assets				
Other receivables	5	2	924	-
Cash		-	2	2
		2	926	2
Total Assets		13,403,284	928	2
LIABILITIES				
Non-Current Liabilities				
Financial liabilities at fair value through profit and loss	7	13,368,187	-	-
Current Liabilities				
Other payables	6	35,095	2	-
Total Liabilities		13,403,282	2	-
EQUITY				
Share capital	8	2	2	2
Retained earnings		-	924	-
		2	926	2
Total Liabilities and Equity		13,403,284	928	2

The financial statements on pages 12 to 15 were approved and authorised for issue by the Board of Directors on 21 July 2022 and were signed on its behalf by:

Timothy Ridgway

Director

The notes on pages 16 to 23 are an integral part of these audited financial statements

Statement of Comprehensive Income

For the year ended 31 December 2021

	Notes	Basket Linked 1 PC 18 February to 31 December 2021 £	Memel Capital PCC Year ended 31 December 2021 £	Memel Capital PCC Year ended 31 December 2020 £
Income				
Net movement on financial assets at fair value through profit or loss	4	2,006,850	-	-
Sundry income		-	924	-
		2,006,850	924	-
Expenses				
Structuring fee		35,095	-	-
Net movement on financial liabilities at fair value through profit or loss	6	1,971,755	-	-
		2,006,850	-	-
Profit and total comprehensive income for the year		-	924	-

The notes on pages 16 to 23 are an integral part of these audited financial statements

Statement of Changes in Equity

For the year ended 31 December 2021

Basket Linked 1 PC	Share capital £	Retained earnings £	Total £
Balance at 1 January 2021	2	-	2
Balance at 31 December 2021	2	-	2

Memel Capital PCC	Share capital £	Retained earnings £	Total £
Balance at 1 January 2021	2	-	2
Profit and total comprehensive income for the year	-	924	924
Balance at 31 December 2021	2	924	926

Memel Capital PCC	Share capital £	Retained earnings £	Total £
Balance at 1 January 2020	2	-	2
Balance at 31 December 2020	2	-	2

The notes on pages 16 to 23 are an integral part of these audited financial statements

Statement of Cash Flows

For the year ended 31 December 2021

	Notes	Basket Linked 1 PC 31 December 2021	Memel Capital PCC 31 December 2021	Memel Capital PCC 31 December 2020
Cash flows from operating activities				
Profit for the year		-	924	-
Net movement on financial assets at fair value through profit or loss	4	(2,006,850)	-	-
Net movement on financial liabilities at fair value through profit or loss	6	1,971,755	-	-
Increase in payables		35,095	-	-
Increase in other receivables		-	(924)	-
Net cash generated from operating activities		-	-	-
Cash flows from investing activities				
Purchase of investments	4	(11,396,432)	-	-
Net cash used in investing activities		(11,396,432)	-	-
Cash flows from financing activities				
Issue of notes	6	11,396,432	-	-
Net cash generated from financing activities		11,396,432	-	-
Net increase in cash and cash equivalents		-	-	-
Cash at the beginning of the year		-	2	2
Cash and cash equivalents at the end of the year		-	2	2

The notes on pages 16 to 23 are an integral part of these audited financial statements

Notes to the Financial Statements

For the year ended 31 December 2021

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 the following programmes:
- a US$30,000,000,000 certificate programme
- a US$10,000,000,000 note programme – dormant

The certificates are issued in the protected cells created by the company. The certificates and notes offer exposure on a 1:1 basis to shares in certain companies, as detailed in the prospectus.

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 which is listed on the Gibraltar Stock Exchange. A protected cell may issue secured and unsecured notes. Each note will be linked to the reference assets as specified in the relevant pricing supplement as detailed in the prospectus. There was one protected cell created at the reporting date.

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

These audited financial statements have been prepared on an historical cost basis, except for financial assets and liabilities designated at Fair Value Through Profit or Loss ('FVTPL') which have all been measured at fair value. The financial statements are presented in Great British Pound ('GBP'). The results for Basket Linked 1 PC have been converted from Euro to GBP at a rate of 1.1892.

Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB").

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 a period of 12 months from the signing of these financial statements.

New accounting standards and interpretations

(i) Standards and amendments to existing standards for reporting periods beginning on 1 January 2021:

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2021 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 2022:

Several new standards and amendments to standards and interpretations are not yet effective for reporting periods beginning after 1 January 2022 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 2021

2 Summary of significant accounting policies – (continued)

New accounting standards and interpretations (continued)

	Effective Date
• Annual Improvements to IFRS Standards 2018-2020 Cycle - Amendments to IFRS 1, IFRS 9, IFRS 16, IAS 41	1 January 2022
• References to Conceptual Framework - Amendments to IFRS 3	1 January 2022
• IFRS 9 Financial Instruments - Fees in the "10 per cent" test for derecognition of financial liabilities	1 January 2022
• Proceeds before intended use - Amendments to IAS 16	1 January 2022
• Onerous Contracts - Cost of Fulfilling a Contract - Amendments to IAS 37	1 January 2022

Financial instruments

2.1 Classification

The Company classifies its financial assets and financial liabilities in the following measurement categories:

- those to be measured subsequently at fair value; and
- those to be measured at amortised cost.

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

Assets measured at fair value are Financial Assets at FVTPL and Financial Assets at Fair Value through Other Comprehensive Income ("FVOCI"), gains and losses of which will be recorded in profit or loss or other comprehensive income ("OCI") respectively. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI. No such irrevocable election has been made.

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

2.2 Recognition and initial measurement

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs, except for those carried at FVTPL which are measured initially at fair value.

Financial assets

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Company classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the Statement of Comprehensive Income.
- FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Notes to the Financial Statements

For the year ended 31 December 2021

2 Summary of significant accounting policies – (continued)

Financial liabilities

Financial liabilities are classified and subsequently measured at amortised cost, except for those that are derivative financial instruments or financial liabilities that are held for trading i.e. the Certificates, which are classified as FVTPL. The FVTPL option can also be irrevocably elected at initial recognition of financial liabilities, if it eliminates or significantly reduces an accounting mismatch, the financial liability is part of a portfolio that is managed and evaluated on a fair value basis, in accordance with a documented risk management or investment strategy or there is an embedded derivative in the financial or non-financial host contract and the derivative is not closely related to the host contract.

Equity instruments

The Company subsequently measures all equity investments at FVTPL. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established. No such irrevocable election has been made.

Changes in the fair value of financial assets at FVTPL are recognised in fair value gains/(losses) in the Statement of Comprehensive Income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2.4 Impairment

The Company assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

2.5 Derecognition

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled, or expires. Gains and losses on sales are calculated on an average cost basis.

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.

The Company is liable to Jersey income tax at a rate of 0% (2020: 0%).

Cash & cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks. For the purpose of the Statement of Cash Flows, cash and cash equivalents are considered to be all highly liquid investments with maturity of three months or less.

Functional and presentational currency

Items included in the financial statements of the Company are measured using the primary currency in which the Company operates. The financial statements are presented in Great British Pound for the Company and Euros for the Cell, which is their functional and presentation currency.

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.

Retained earnings

Retained earnings represent all current and prior period results of operations as reported in the Statement of Comprehensive Income, reduced by the amounts of dividends declared, if any.

Notes to the Financial Statements

For the year ended 31 December 2021

2 Summary of significant accounting policies – (continued)

Expenses

All the Company expenses other than bank charges are paid by Morgan Stanley & Co. International Plc ("Morgan Stanley") and consequently are not recognised in these financial statements. Bank charges are recognised on an accruals basis.

Revenue

Revenue has been recognised as and when it falls due to the Company. The Company is entitled to transaction fees of £750 for each series of Certificates issued during the year. In addition, income is received by the Company from Morgan Stanley to cover bank charges.

Taxation

The Company is liable to Jersey income tax at a rate of 0% (2020: 0%).

3 Accounting Estimates and Judgements

Critical accounting judgements

The Directors of the Company have considered there to be no critical accounting judgements made in respect of the preparation of these financial statements.

Key sources of estimation

The Company uses valuations received from the third-party administrators of the underlying investments for daily Net Asset Valuation calculations. Financial assets at fair value through profit or loss are independently valued on an individual basis depending on the nature of the investment. Fair value estimates are made at a specific point in time, based on market conditions and other available information. The certificate investments fall under Level 1, 2 and 3 of the fair value hierarchy. The table in note 4 shows a reconciliation of opening balances to the year end balances. The Directors consider there to be no other key sources of estimation uncertainty at the yearend date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

Capital risk management

When managing capital, the Company's objective is to safeguard its 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 to meet the expenses of the Company. Currently, there are no externally imposed capital requirements.

Foreign currency

Items included in the audited financial statements are measured and presented in Great British Pound for the Company and Euro for the Cell being reflective of the primary economic environment in which they operate (the "functional currency").

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Notes to the Financial Statements

For the year ended 31 December 2021

4 Financial Assets at Fair Value through Profit or Loss

Basket Linked 1 PC	31-Dec 2021 £	31-Dec 2020 £
Financial assets at fair value through profit or loss		
Cost of investments purchased during the period	11,396,432	-
Cost of investments carried forward at the end of the period	11,396,432	-
Movements on revaluations during the period	2,386,546	-
Unrealised gain carried forward at the end of the period	2,386,546	-
Total financial assets at fair value through profit or loss	13,782,978	
Unrealised fair value movement	2,386,546	-
Memel Capital PCC		
Financial assets at fair value through profit or loss		
Cost of investments purchased	2	-
Cost of investments carried forward at the end of the period	2	-
Total financial assets at fair value through profit or loss	2	-

On 18th February 2022 Basket Linked 1 PC was created as the first protected cell of Memel Capital PCC. Memel Capital PCC is the beneficial owner of 2 shares issued at £1.00 each.

5 Other receivables

	31 December 2021 £	31 December 2020 £
Basket Linked 1 PC		
Share Capital	2	-
Memel Capital PCC		
Due from Morgan Stanley International Plc	924	-

Notes to the Financial Statements

For the year ended 31 December 2021

6 Other payables

	31 December 2021 £	31 December 2020 £
Basket Linked 1 PC		
Structuring fee payable	35,095	-
Memel Capital PCC		
Share Capital	2	-

7 Financial Liabilities at Fair Value Through Profit or Loss

At the year end, the Cell issued 103 unsecured Notes under the terms of the Note Programme dated 25 March 2021 as detailed below.

Basket Linked 1 PC **Notional amount**	Aggregate nominal amount of Notes 31/12/2021 £	Nominal price of Notes at Issue 31/12/2021 £	Cost of Notes Subscribed 31/12/2021 £
Series			
€13,552,637 Programme notes	103	110,645	11,396,432
Total	103	110,645	11,396,432

Fair values	Fair value per Note 31/12/2021 £	Fair Value of Subscribed Notes 31/12/2021 £
Series		
€13,552,637 Programme notes	129,788.23	13,368,187
Total	129,788.23	13,368,187
Unrealised fair value movement		1,971,755
Fair value movement on liabilities measured at fair value through profit or loss		1,971,755

The Notes constitute a straight pass-through exposure, net of fees, to the underlying investments detailed in note 4. The Notes are limited recourse to the proceeds of the investments. The Note holders shall have no rights or claims against any other assets of the Notes issued by the Cell.

The amount of the Cell's obligations in respect of the Notes is dependent on the performance of the underlying investment in the interest units of the Investment Programmes that each of the Notes is exposed to, which will in turn determine the amounts repaid to the Note holders. The investment in the Notes is not capital protected and therefore any negative performance of interest units in each of the underlying Investments will be reflected in the redemption price, which could result in a total loss on redemption of the Notes. The Notes can be redeemed at any time.

Notes to the Financial Statements

For the year ended 31 December 2021

7 Financial Liabilities at Fair Value Through Profit or Loss – (continued)

The holders of the Notes have no shareholder rights and no duty to cover losses.

As per the Prospectus, Crestbridge Fund Administrators Limited, acting as the Calculation Agent, will determine the termination amount, liquidation repayment amount or the repayment of the repurchase price.

Following the issue of the Notes detailed above there are no Notes available for issue under the Note Programme dated 25 March 2021. These notes are not listed on the Gibraltar Stock Exchange.

The maturity date of the Notes detailed above is 6 January 2031.

8 Equity share capital

	31 December 2021 £	31 December 2020 £
Basket Linked 1 PC		
Authorised		
Ordinary shares of £1 each	10,000	10,000
Allotted, called up and unpaid		
2 ordinary shares of £1 each	2	2
Memel Capital PCC		
Authorised		
Ordinary shares of £1 each	10,000	10,000
Allotted, called up and fully paid		
2 ordinary shares of £1 each	2	2

9 Related Party Transactions

During the year £12,164 (2020: £17,085) was due to Crestbridge from the Company in respect of services of which £12,164 (2020: £17,085) 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.

Notes to the Financial Statements

For the year ended 31 December 2021

10 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 Directors consider that the Company is not exposed to any material net credit risk as the Notes issued have limited recourse to the proceeds of the investments and hence, amounts due to the Note holders are limited to the amount received from the underlying investments.

(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. he Directors consider that the Company is not exposed to any material net credit risk as the notes issued have limited recourse to the proceeds of the investments and hence, amounts due to the Note holders are limited to the amount received from the Underlying Investments..

(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.

11 Immediate Parent and 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 Capital Charitable Trust.

12 Segmental Reporting

The Directors, who together are the Chief Operating Decision Makers, consider that the Company comprises of one operating segment and that it operates in the country of incorporation. The Company provides the Directors with the financial information that is on an aggregated level. As such, there is no segmental information to disclose.

13 Events after the Reporting Period

On 14 January 2022 the Company entered into US$ 50,000,000,000 secured and unsecured note programme with alphabeta access products ltd. Both the Company and alphabeta access products ltd may issue notes separately with proceeds invested into bonds or notes of any form, denomination, type and issue or other assets as specified in the relevant Issuance Document.