

CLARIS LIMITED
ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2017

CLARIS LIMITED

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CLARIS LIMITED

DIRECTORS AND OTHER INFORMATION

DIRECTORS

The Directors who held office during the year and subsequently were:-

G.P. Essex-Cater
C.D. Ruark (Resigned 11th April 2017)
S.J. Hopkins
J.D. Wiseman
A. Orosco (Appointed 11th April 2017)

SECRETARY

The Company Secretary is Sanne Secretaries Limited.

REGISTERED OFFICE

The registered office is 13 Castle Street, St Helier, Jersey, Channel Islands, JE4 5UT.

ARRANGER, CALCULATION AGENT AND SWAP COUNTERPARTY

Société Générale ("SG")
29 Boulevard Haussmann, 75009, Paris, France

CUSTODIAN, ISSUING AND PAYING AGENT AND BANKERS

HSBC Bank plc
8 Canada Square, London, E14 5HQ

LEGAL ADVISORS

Mourant Ozannes
22 Grenville Street, St Helier, Jersey, JE4 8PX

TRUSTEE

HSBC Corporate Trustee Company (UK) Limited
Level 24, 8 Canada Square, London, E14 5HQ

INDEPENDENT AUDITOR

Mazars Channel Islands Limited
Mielles House, La Rue des Milles, St Helier, Jersey, JE2 3QD

CLARIS LIMITED

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements of Claris Limited (the "Company") for the year ended 30th June 2017.

INCORPORATION

The Company is incorporated in Jersey, Channel Islands as a public company limited by shares.

ACTIVITIES

The principal activity of the Company is the issue of Limited Recourse Notes ("Notes") in separate series under the terms of the Offering Circular dated 2nd April 2004, last updated on 26th June 2014, under a €20,000,000,000 secured note programme, with Claris 2 Limited, Claris III Limited and Claris IV Limited, all of which are companies incorporated in Jersey, and Iris SPV Public Limited Company and Iris II SPV Limited, both of which are companies incorporated in Ireland. The proceeds from the issue of each series of Notes were used to acquire securities and/or to enter into interest rate swap ("IRS") and credit default swap ("CDS") transactions with Société Générale ("SG"). The Notes are only intended for highly sophisticated and knowledgeable investors who are capable of understanding and evaluating the risks involved in investing in the Notes. The Notes are listed on either the Irish Stock Exchange (one Series) or the Luxembourg Stock Exchange (two Series) except for Series 118 which has not been listed. See note 19 for details.

PRINCIPAL RISKS AND UNCERTAINTIES

The major risks associated with the Company's business are currency risk, interest rate risk, credit risk and liquidity risk. The Company has established policies for managing these risks. The policies and the exposure thereto are detailed in note 17 to the financial statements.

GOING CONCERN

The Directors consider the Company to be a going concern as explained in note 1 to the financial statements and it is their intention to avail themselves of further investment opportunities, should they become available.

SUBSEQUENT EVENTS

As disclosed in note 16, there were no significant events subsequent to the year-end. As disclosed in note 14, there were no credit events affecting the financial statements in the current financial year.

DIRECTORS' AND SECRETARY'S INTERESTS

The Directors and Secretary who served during the year are listed on page 1. The Directors and Secretary who held office at 30th June 2017 did not hold any shares in the Company at that date, or during the year.

RESULTS AND DIVIDENDS

The profit for the year amounted to € 285 (2016: € 280).

The Directors did not pay a dividend during the year (2016: Dividend of € 330). On 9th August 2017 the Directors declared an interim dividend of £250.

CLARIS LIMITED

DIRECTORS' REPORT - (CONTINUED)

INDEPENDENT AUDITOR

Mazars Channel Islands Limited expressed their willingness to continue in office.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

The Directors are required to prepare financial statements for each financial year under the Companies (Jersey) Law 1991. As permitted by 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 to give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that period.

International Accounting Standard 1 requires that financial statements present fairly for each financial year 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 "Conceptual Framework for Financial Reporting". In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs.

However, Directors are also required to:

- * properly select and apply accounting policies;
- * 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 IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- * make an assessment of the Company's ability to continue as a going concern.

The Directors are also responsible for keeping proper accounting records that are sufficient to show and explain its 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 (Jersey) Law 1991. 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 they have complied with the above requirements throughout the year and subsequently.

BY ORDER OF THE BOARD



Authorised Signatory
Sanne Secretaries Limited
Secretary

Date: 30th January 2018

Independent auditor's report to the members of Claris Limited

Opinion

We have audited the financial statements of Claris Limited (the 'company') for the year ended 30 June 2017 which comprise the Statement of Financial Position, Statement of Profit or Loss and Other 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.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as issued by the International Accounting Standards Board;
- 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 the UK, including the FRC's Ethical Standard 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Mazars - 2nd Floor - Mielles House - La Rue des Mielles - St Helier - Jersey - JE2 3QD
Tel: +44 (0)1534 710600 - Fax: +44 (0)1534 710601

Mazars is the trading name of Mazars Channel Islands Limited which is part of Mazars, an international advisory and accountancy organisation.

Mazars Channel Islands Limited is registered in Jersey with registered number 98418 and with its registered office at:
2nd Floor, Mielles House, La Rue des Mielles, St Helier, Jersey, JE2 3QD

Registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report and audited financial statements, 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 where 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 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
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

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 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.

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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.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK). Those standards require us to comply with the Financial Reporting Council's Ethical Standard. 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.

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.



J R Lees-Baker

for and on behalf of:

Mazars

Chartered Accountants

Date: *30 January 2018.*

CLARIS LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 30TH JUNE 2017**

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
ASSETS			
Non-current assets			
Financial assets at fair value through profit or loss	2, 18	21,121,315	53,590,131
Current assets			
Financial assets at fair value through profit or loss	2, 18	30,419,490	17,906,780
Credit default swaps	3	329,173	-
Receivables	5	4,287	300
Cash and cash equivalents	6	868,776	933,909
		<u>31,621,726</u>	<u>18,840,989</u>
TOTAL ASSETS		<u>€ 52,743,041</u>	<u>€ 72,431,120</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	7	16	16
Retained earnings		11,346	11,061
TOTAL EQUITY		<u>11,362</u>	<u>11,077</u>
LIABILITIES			
Non-current liabilities			
Financial liabilities at fair value through profit or loss	8, 19	20,494,183	51,766,302
Current liabilities			
Financial liabilities at fair value through profit or loss	8, 19	30,508,219	17,465,688
Credit default swaps	3	-	327,265
Interest rate swaps	4	867,576	1,937,656
Payables	9	861,701	923,132
TOTAL LIABILITIES		<u>52,731,679</u>	<u>72,420,043</u>
TOTAL EQUITY AND LIABILITIES		<u>€ 52,743,041</u>	<u>€ 72,431,120</u>

The financial statements on pages 7 to 31 were approved and authorised for issue by the Board of Directors on the 30th day of January 2018 and were signed on its behalf by:

Director:



(The notes on pages 11 to 31 form part of these financial statements)

CLARIS LIMITED**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME****FOR THE YEAR ENDED 30TH JUNE 2017**

	<u>2017</u>	<u>2016</u>
NET GAIN/(LOSS) ON FINANCIAL INSTRUMENTS		
Financial assets at fair value through profit or loss	1,137,686	1,980,613
Financial liabilities at fair value through profit or loss	(2,685,376)	(1,810,297)
Derivative financial instruments at fair value through profit or loss	1,547,690	(170,316)
	<u>-</u>	<u>-</u>
OTHER INCOME		
Deposit interest	76	5,301
Transaction fee income	285	280
Foreign exchange gain	-	10,032
Contribution from SG	113,685	84,303
	<u>114,046</u>	<u>99,916</u>
EXPENDITURE		
Administration fees	16,048	34,618
Professional fees	58,667	46,426
Audit fees	15,965	18,025
Bank overdraft interest and charges	1,010	101
Filing fees	-	466
Foreign exchange loss	22,071	-
	<u>113,761</u>	<u>99,636</u>
NET PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>€ 285</u>	<u>€ 280</u>

(The notes on pages 11 to 31 form part of these financial statements)

CLARIS LIMITED

STATEMENT OF CHANGES IN EQUITY**FOR THE YEAR ENDED 30TH JUNE 2017**

	Share Capital	Retained Earnings	Total
Balance at 1st July 2015	16	11,111	11,127
Total comprehensive income for the year	-	280	280
Dividend paid	-	(330)	(330)
Balance at 30th June 2016	<u>€ 16</u>	<u>€ 11,061</u>	<u>€ 11,077</u>
Balance at 1st July 2016	16	11,061	11,077
Total comprehensive income for the year	-	285	285
Balance at 30th June 2017	<u>€ 16</u>	<u>€ 11,346</u>	<u>€ 11,362</u>

(The notes on pages 11 to 31 form part of these financial statements)

CLARIS LIMITED**STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED 30TH JUNE 2017**

	<u>Note</u>	<u>2017</u>	<u>2016</u>
Cash flows from operating activities			
Total comprehensive income for the year		285	280
Adjustments for:			
Foreign exchange loss/(gain)		22,071	(10,032)
Deposit interest	(	76)	(5,301)
(Increase)/decrease in receivables	(	3,987)	361,499
Decrease in payables	(	61,431)	(363,200)
Net (gain)/loss on financial instruments:			
- Financial assets at fair value through profit or loss	(	1,137,686)	(1,980,613)
- Financial liabilities at fair value through profit or loss		2,685,376	1,810,297
- Derivative financial instruments at fair value through profit or loss	(	1,547,690)	170,316
Net cash used in operating activities		<u>(43,138)</u>	<u>(16,754)</u>
Cash flows from investing activities			
Sale of Mortgaged Property (including termination of CDS)	(	19,234,505)	983,107
Coupons received		1,853,809	1,744,593
Deposit income received		76	5,301
Swap amounts received		1,674,981	1,928,336
Swap amounts paid	(	1,853,809)	(1,744,593)
Net cash flows (used in)/derived from investing activities		<u>(17,559,448)</u>	<u>2,916,744</u>
Cash flows from financing activities			
Redemption of Limited Recourse Notes payable		19,234,505	(983,107)
Dividends paid		-	(330)
Note interest paid	(	1,674,981)	(1,928,336)
Net cash flows derived from/(used in) financing activities		<u>17,559,524</u>	<u>(2,911,773)</u>
Net decrease in cash and cash equivalents		<u>(43,062)</u>	<u>(11,783)</u>
Cash and cash equivalents at the beginning of the year		933,909	935,660
Effect of exchange rate fluctuations on cash held	(	22,071)	10,032
Cash and cash equivalents at the end of the year	6	<u>€ 868,776</u>	<u>€ 933,909</u>

(The notes on pages 11 to 31 form part of these financial statements)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee. The financial statements have been prepared under the historical cost convention as modified by the revaluation of financial instruments held at fair value through profit or loss. The more significant accounting policies used are set out below and have been consistently applied to both years presented.

Going concern

The Company's debt funding has been provided by the Noteholders, whose recourse to the assets of the Company are limited to those aggregate net assets designated as Mortgaged Property (assets acquired and other agreements) for the particular series of Limited Recourse Notes ("Notes") held and who have no right to petition for insolvency proceedings against the Company in the event that the aggregate proceeds from the realisation of the Mortgaged Property are insufficient to repay the principal amount of the Notes. From a Noteholder point of view, defaults on any one particular series cannot impact any other series.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing these financial statements.

New Accounting Standards, amendments to existing Accounting Standards and/or interpretations of existing Accounting Standards (separately or together, "New Accounting Requirements") adopted during the current year

The Directors have assessed the impact, or potential impact, of all New Accounting Requirements. In the opinion of the Directors, there are no mandatory New Accounting Requirements applicable in the current year that are relevant and/or material to the Company. Consequently, no such mandatory New Accounting Requirements are listed. The Company has not early adopted any New Accounting Requirements that are not mandatory.

Non-Mandatory New Accounting Requirements not yet adopted

The following applicable New Accounting Requirements have been issued. However, these New Accounting Requirements are not yet mandatory and have not yet been adopted by the Company. All other non-mandatory New Accounting Requirements are either not yet permitted to be adopted, or would have no material effect on the reported performance, financial position, or disclosures of the Company and consequently have neither been adopted, nor listed.

IFRS 9, "Financial Instruments" (Replacement of IAS 39 — "Financial Instruments: Recognition and Measurement") – effective date 1st January 2018

IFRS 9 addresses the recognition, classification and measurement of financial assets and financial liabilities and replaces most of the guidance in IAS 39.

IFRS 9 requires financial assets to be classified into the following measurement categories: (i) those measured at fair value through profit or loss; (ii) those measured at fair value through other comprehensive income; and, (iii) those measured at amortised cost. The determination is made at initial recognition. Unless the option to designate a financial asset as measured at fair value through profit or loss is applicable, the classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. IFRS 9 also replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model for the measurement of impairment loss. The new model applies to financial assets that are not measured at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Non-Mandatory New Accounting Requirements not yet adopted - (continued)

IFRS 9, "Financial Instruments" (Replacement of IAS 39 — "Financial Instruments: Recognition and Measurement") – effective date 1st January 2018 - (continued)

For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

The mandatory effective date for application of IFRS 9 is for accounting periods beginning on or after 1st January 2018, but early adoption is permitted at any time. The Company intends to adopt IFRS 9 no later than the mandatory effective date. In the Directors' opinion, adoption of IFRS 9 would have no material impact on the recognition, measurement or disclosures relating to its financial instruments since they are already designated at fair value through profit or loss. Further as disclosed in note 17, the Company itself is not exposed to credit risk.

IAS 7, "Statement of Cash Flows" (amendments) – effective retrospectively for accounting periods commencing on or after 1st January 2017 (early adoption is permitted)

IAS 7 has been amended to improve disclosure on an entity's liabilities. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. One way to meet this new disclosure requirement is to provide a reconciliation between the opening and closing balances for liabilities arising from financing activities. On adoption of the standard, a reconciliation between the opening and closing balances of financial liabilities at fair values through profit or loss would be included in the financial statements.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expense during the period. Actual results could differ from those estimates.

There were no significant areas of uncertainty except for the estimation of the fair values of the Company's financial instruments as set out below and in note 17. There were no significant areas of judgement in applying accounting policies except for the designation/classification of all financial assets and financial liabilities at fair value through profit or loss as set out below.

Due to the limited recourse nature of each series of Notes issued, any differences between the estimated fair values and the realisable values of such financial instruments would be borne by the Noteholders and would have no net effect on the Company's overall financial position or results.

Impairment of assets

No impairment review is required by IAS 39 for financial assets at fair value through profit or loss. All other financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where objective evidence exists that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been negatively impacted.

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

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

In accordance with IAS 39, "Financial Instruments: Recognition and Measurement", a financial instrument is classified at fair value through profit or loss if it is either held for trading, or designated as such upon initial recognition. Financial instruments at fair value through profit or loss are measured at fair value, and fair value changes thereon are recognised in the statement of profit or loss and other comprehensive income in the period in which they arise.

Under IAS 39, all derivative transactions, except designated and effective hedging instruments, are required to be classified as held for trading. The Company's derivative transactions have not been designated as hedging instruments in accordance with IAS 39. Consequently, these transactions are classified as held for trading, with all gains and losses on such transactions being recognised in profit or loss. Where a derivative transaction forms part of the Mortgaged Property for a Series, the Company has designated its associated investments held and its Notes issued as at fair value through profit or loss as permitted by IAS 39, as this results in more relevant financial information because it eliminates, or significantly reduces, the measurement and recognition inconsistencies that would result from measuring its derivative financial instruments at fair value, with the gains, or losses, on such financial instruments being recognised in profit or loss, whilst measuring its associated investments held and its Notes issued at amortised cost.

Purchases and sales of financial assets are recognised on the trade date, the date on which the Company commits to purchase or sell the financial asset. Financial instruments are initially recognised at fair value and transaction costs for all financial assets and financial liabilities carried at fair value through profit or loss are expensed as incurred. Subsequent changes in the fair value of such financial instruments, aggregated with realised profits and losses on disposal/redemption thereof and amounts received and paid thereon, are recognised in the statement of profit or loss and other comprehensive income in the period in which they arise.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to the cash flows on that financial asset are cancelled, expired or are transferred to another party, or if the Company retains the contractual rights but enters into a contract under which the relevant cash flows must be duly paid under a 'pass-through arrangement'. A financial liability (or, where applicable, a part of a financial liability or part of a group of similar financial liabilities) is derecognised when the obligation is discharged or cancelled or expired.

Derivative financial instruments

The Company may use derivative financial instruments such as interest rate swaps ("IRS") and credit default swaps ("CDS") to economically hedge its risks associated primarily with interest rate movements and credit defaults. In such cases, both the hedged item and the derivative financial instrument are recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. All derivatives are carried as an asset when fair value is positive, or as a liability when fair value is negative. The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received). Subsequent changes in the fair value of any derivative instrument and any realised gains and losses are recognised immediately in the statement of profit or loss and other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Derivative financial instruments - (continued)

No derivative transactions are held for trading purposes. However, these hedges do not qualify for hedge accounting treatment under IAS 39 "Financial Instruments: Recognition and Measurement", as the Directors have not designated any financial instruments as hedging instruments under the qualification criteria of IAS 39, as such designation would have no net effect on the financial position or results of either the Company or each separate series of Notes, due to the limited recourse nature of each separate series of Notes and the fact that all financial instruments are carried at fair value.

Fair value estimation

All fair values used in the preparation of these financial statements have been provided to the Directors by Société Générale ("SG" or the "Swap Counterparty"), the arranging investment bank, upon whom the Directors rely as an expert provider of such valuations. The actual realisable value of the Company's financial instruments may differ from such fair values.

The Company invests in and enters into a variety of financial instruments and derivative transactions (together "financial instruments"). Where these financial instruments are traded in an active market, the fair values are based upon quoted market prices. Where these financial instruments are not traded in an active market, the fair values are determined by using valuation techniques developed by SG. The valuations are produced using a variety of methods and using assumptions that are based on market conditions existing at each reporting date, which may, or may not, be supported by prices from current market transactions or observable market data. Valuation techniques used include the use of comparable recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

The majority of the inputs and assumptions used in calculating the fair values were based on observable inputs. Where unobservable inputs were used in calculating the fair values, reasonably possible changes to such inputs might materially affect the calculations of the fair values. If third party independent prices were available for the financial instruments, or if different methods and/or assumptions were used, the valuations might be different from those presented and those differences could be material. Therefore, the realisable value of the financial instruments may differ significantly from the recorded fair value. The possible outcome of these uncertainties cannot be reliably determined at present.

In the Directors' opinion, due to the limited recourse nature of the Notes issued, the fair value of each separate series of Notes is equal to the aggregate fair value of the Mortgaged Property and the derivatives relating to each separate series. Therefore, from the perspective of the Company, any change in the sum of the fair value of the Mortgaged Property and derivatives would be matched by an equal and opposite change in the fair value of the Notes. Consequently, although the Noteholders are exposed to changes in the fair value of the relevant Mortgaged Property and derivatives, the Company itself is not exposed. Therefore, if any error were to occur in measuring the fair value of the Mortgaged Property and derivatives, this would result in an equal and opposite error in measuring the fair value of the Notes, with no impact on the profit for the period or on total shareholders' equity.

IFRS 13 "Fair Value Measurement" ("IFRS 13") defines a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under IFRS 13 are as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities at the valuation date;

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Fair value estimation - (continued)

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices), including inputs from markets that are not considered to be active; and

Level 3 - Inputs that are not based upon observable market data.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgement by the Company's Directors. The Directors consider observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, provided by multiple, independent sources that are actively involved in the relevant market. The categorisation of a financial instrument within the hierarchy is based upon the pricing transparency of the financial instrument and does not necessarily correspond to the Company's perceived risk inherent in such financial instrument.

Transfers between levels are recognised at the beginning of the reporting period in which the event or change in circumstances that caused the transfer has occurred.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Deferred income and utilisation of upfront swap amounts

With respect to certain series of Notes issued, the swap counterparty pays an initial exchange amount for the purpose of covering the permitted expenses of the Company. For the series that do not have expense accounts the Company holds upfront amounts in a current account to meet the permitted expenses of the Company. Any balances held in these accounts at the year end in excess of accrued permitted expenses have been deferred to the following accounting period to match this income against the corresponding expense.

Foreign currency translation

a) Functional currency and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates, the Company's functional currency. The financial statements are presented in the Euro which is the Company's functional and presentation currency.

CLARIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Foreign currency translation - (continued)

b) Transactions and balances

Foreign currency transactions are translated into the Euro 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 the statement of profit or loss and other comprehensive income.

Transaction fees receivable

The Company is entitled to receive a minimum transaction fee of not less than £ 100 for each separate series of Notes that it issues. These fees are recognised on an accruals basis immediately on the date a new series of such Notes is issued by the Company. The Company is also entitled to receive an additional transaction fee of a minimum of £ 250 per annum.

Segmental reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the chief operating decision makers to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Board, as a whole, has been determined as constituting the chief operating decision maker of the Company. The Directors perform regular reviews of the operating results of the Company and make decisions using financial information at the entity level only. Accordingly, the Directors believe that the Company has only one reportable operating segment.

The Directors are responsible for ensuring that the Company carries out business activities in line with the transaction documents. They may delegate some or all of the day to day management of the business, including the decisions to purchase and sell securities, to other parties both internal and external to the Company. The decisions of such parties are reviewed on a regular basis to ensure compliance with the policies and legal responsibilities of the Directors. Therefore the Directors retain full responsibility as to the major allocation decisions of the Company.

Share capital

Ordinary shares are not redeemable and are classified as equity.

Dividend distributions

Dividend distributions to the Company's shareholder are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's Directors.

CLARIS LIMITED**NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)****FOR THE YEAR ENDED 30TH JUNE 2017****2. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<u>2017</u>	<u>2016</u>
Non-current assets	21,121,315	53,590,131
Current assets	30,419,490	17,906,780
	<u>€ 51,540,805</u>	<u>€ 71,496,911</u>

Series Note 85 matured On 20th December 2016. The collateral was realised amounting to USD20,005,695 and the Note of USD20,000,000 were redeemed.

The financial assets are held as collateral for each related series of Notes issued by the Company. The Company has invested the proceeds from the issue of each series of Notes together with sums received from SG, the Swap Counterparty, pursuant to the terms of the CDS and/or IRS, to purchase debt securities. The Company enters into CDS transactions to provide the Credit Linked Noteholders with the relevant risk/reward profile resulting from exposure to various reference entities. Should a credit event occur in relation to a reference entity resulting in a loss amount in excess of the relevant threshold amount (if applicable) then, under the terms of the CDS the Company is obliged to make payments (or deliver equivalent assets) to the Swap Counterparty. The Company enters into the IRS to economically hedge the potential mismatch between the amounts receivable from the Collateral and the Company's obligations under the Notes. Further details of the Collateral are set out in note 18. Further details of the swap transactions entered into are set out in notes 3 and 4.

3. CREDIT DEFAULT SWAPS

	<u>2017</u>	<u>2016</u>
Credit default swaps	€ 329,173	€ (327,265)
Notional amount outstanding at the year end	€ 10,000,000	€ 10,000,000
Notional amount outstanding at the year end	- USD	20,000,000

Under the CDS the Company is obliged to make payment (or deliver equivalent assets) to the Swap Counterparty if a credit event occurs in relation to a reference entity resulting in a loss amount in excess of the relevant threshold amount (if applicable). The principal amount of the Notes would also be reduced following such a credit event. In exchange for the credit protection provided by the Company premiums are receivable by the Company.

4. INTEREST RATE SWAPS

	<u>2017</u>	<u>2016</u>
Interest rate swaps (including cross-currency swaps)	€ (867,576)	€ (1,937,656)
Notional amount outstanding at the year end	€ 50,000,000	€ 50,000,000
Notional amount outstanding at the year end	USD 320,000	USD 320,000

IRS are transacted to economically hedge the risk associated with the potential mismatch between the amounts receivable from the Collateral and CDS (if applicable) and the Company's obligations under the Notes. Coupon income received from the investments is paid to the Swap Counterparty and in return under the terms of the swap agreements the Swap Counterparty will pay the Company the interest amount payable by the Company to the Noteholders.

CLARIS LIMITED**NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)****FOR THE YEAR ENDED 30TH JUNE 2017**

5. RECEIVABLES	<u>2017</u>	<u>2016</u>
Transaction and corporate benefit fee receivable	583	300
Prepaid expenses	3,704	-
	<u>€ 4,287</u>	<u>€ 300</u>
6. CASH AND CASH EQUIVALENTS	<u>2017</u>	<u>2016</u>
HSBC EUR Deposit account	236,096	236,942
HSBC EUR Suspense accounts	7,345	7,345
HSBC EUR Deposit account - unpledged	15,787	15,844
HSBC USD Deposit account	133,625	150,974
HSBC USD Suspense accounts	442,814	485,968
HSBC USD Deposit account - unpledged	418	476
HSBC GBP Deposit account - unpledged	959	709
HSBC JPY Deposit account	31,493	35,399
Sanne Fiduciary Services Limited Client account	239	252
	<u>€ 868,776</u>	<u>€ 933,909</u>
7. SHARE CAPITAL	<u>2017</u>	<u>2016</u>
AUTHORISED:		
10,000 ordinary shares of £ 1 each	<u>£ 10,000</u>	<u>£ 10,000</u>
ISSUED AND FULLY PAID:		
10 ordinary shares of £ 1 each	<u>€ 16</u>	<u>€ 16</u>
<p>All ordinary shares rank equally with regards to the Company's residual assets. Holders of ordinary shares are entitled to dividends as declared from time to time and to one vote per share at general meetings of the Company.</p> <p>The share capital account records all ordinary shares issued at nominal price. The retained earnings reserve records cumulative profits/(losses) over the years.</p>		
8. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	<u>2017</u>	<u>2016</u>
Non-current liabilities	20,494,183	51,766,302
Current liabilities	30,508,219	17,465,688
	<u>€ 51,002,402</u>	<u>€ 69,231,990</u>

Series Note 85 matured On 20th December 2016. The collateral was realised amounting to USD20,005,695 and the Note of USD20,000,000 were redeemed.

CLARIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 30TH JUNE 2017

8. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS - (CONTINUED)

The Company has entered into a programme for the issue of limited recourse obligations (the "Programme") whereby the Company may issue Notes, or other limited recourse obligations, in separate series. Each such series is separately secured by a charge on assets acquired and other agreements entered into (the "Mortgaged Property") to fund the Company's payment obligations on each series. The maximum aggregate principal amount of all obligations issued pursuant to the Programme shall not exceed € 20,000,000,000 or its equivalent in other currencies at the time of issue. In the event that the net proceeds from the redemption of any of the investments secured as Collateral are insufficient to discharge the obligations of the Company to the Noteholders of that particular series, the recourse of holders of any series of Notes is limited to amounts receivable from the net proceeds of the Mortgaged Property and derivatives applicable to that series. In such event, the holder of any Note is not entitled to proceed directly against any other assets of the Company.

The Notes issued were designated as "Financial liabilities at fair value through profit or loss" upon initial recognition.

On the maturity of the Notes, the Company will pay to the Noteholders an amount equal to the redemption value of the Mortgaged Property and derivatives. The commercial substance of each transaction is that the liability under the Notes payable will always be exactly matched by the proceeds from the Mortgaged Property and derivatives applicable to that series. Further details of the Notes are set out in note 19.

9. PAYABLES

	<u>2017</u>	<u>2016</u>
Deferred income	821,770	877,773
Professional fees	5,200	3,618
Administration fees	741	5,691
Audit fee	33,990	36,050
	<u>€ 861,701</u>	<u>€ 923,132</u>

10. OPERATING SEGMENTS

Geographical information

The Company's country of domicile is Jersey, Channel Islands. All of the Company's revenues are generated from outside the Company's country of domicile. The amount of the Company's revenues attributable to each material individual foreign country is not disclosed as such information is not currently available and, in the Directors' opinion, the cost to obtain such information would be excessive.

Non-current assets

The Company has no non-current assets other than financial instruments.

Sources of income

The Company's primary source of net income is SG, from which the Company derives transaction fees, as described in note 1. Other income derived from SG and income from all other sources is matched against equal and opposite liabilities under each series of limited recourse liabilities. Consequently, the Company's net exposure is limited to income derived from SG.

CLARIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 30TH JUNE 2017

11. TAXATION

Profits arising in the Company are subject to Jersey Income Tax at a rate of 0% (2016: 0%).

12. CONTROLLING PARTY

The Company's immediate holding entity is The Claris Trust, which is a charitable trust constituted under the laws of Jersey, Channel Islands. Control may be exercised by several parties, including the Trustee of The Claris Trust, Sanne Trustee Services Limited, and the Noteholders. In addition, the Notes have been issued in bearer form and are represented by global notes and global certificates. Therefore, in the opinion of the Directors, there is no identifiable single ultimate controlling party.

13. RELATED PARTIES

During the period, Sanne Fiduciary Services Limited ("SFSL") and Sanne Secretaries Limited ("SSL") provided administration and/or secretarial services respectively to the Company at commercial rates. Each of SFSL and SSL is a member of the "Sanne Group" (where the "Sanne Group" means Sanne Group PLC and all of its subsidiaries and affiliates). Each of G.P. Essex-Cater, S.J. Hopkins, J.D. Wiseman, C.D. Ruark and A. Angelo is/was a Director and/or employee of SFSL and should be regarded as interested in any transaction with any member of the Sanne Group. They are not remunerated directly by the Company.

Administration and secretarial fees with SFSL incurred during the year amounted to € 16,048 (2016: € 34,618). As at 30th June 2017, amounts payable to SFSL amounted to € 741 (2016: € 5,691).

Société Générale is considered to be a related party. Société Générale is the counterparty for all derivative transactions entered into by the Company and is also the counterparty to the Company with regard to certain collateral financial instruments, as disclosed in note 18.

14. CREDIT EVENTS

The following credit event was received during the financial year. However it occurred in the financial year ended 30th June 2016 and had no impact on the financial year ended 30th June 2017:

Reference entity	Series of Notes affected
Portugal Telecom International Finance B.V.	85

The Notice of Credit Event was received on 11th July 2016, in relation to the Bankruptcy Credit Event that occurred with respect to Portugal Telecom International Finance B.V. on 20th June 2016 as a result of the joint filing on 20th June 2016 by Oi S.A. (Oi), Portugal Telecom International Finance B.V. and certain other entities of the Oi group (together, the "Oi Companies") with the Court of the State of Rio de Janeiro, requesting judicial reorganisation of the Oi Companies pursuant to Article 51 of Federal Law No. 11,101 dated 9th February 2005, as amended and Article 122 of the Brazilian Corporations Law proceedings. As per note 17 Credit Risk, any credit events would have no overall effect on the Company's financial position or performance due to the limited recourse nature of each separate series of Notes.

Series 85 matured during the year, see note 8.

CLARIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 30TH JUNE 2017

15. CAPITAL MANAGEMENT

The Company is not subject to externally imposed capital requirements. The Company was initially financed by € 16 equity. Any subsequent transactions entered into by the Company are designed to enable the Company to pay its liabilities as they fall due. Each Note issue is structured such that the Company's expenses are met either by the Noteholders (indirectly through the suspense accounts set up at inception), or are met by equal and opposite receipts under the relevant derivative transactions.

16. SUBSEQUENT EVENTS

Subsequent to the year end, Note Series 117 matured on 21st December 2017 and was redeemed. On 15th January 2018, Series 118 Collateral matured and was realised. Note Series 118 will be redeemed on 2nd February 2018 when it matures.

On 9th August 2017, the Directors declared an interim dividend of £250.

17. FINANCIAL INSTRUMENTS

Strategy in using financial instruments

As stated in the Directors' Report, the principal activity of the Company is limited to the issue of Limited Recourse Notes in separate series. The proceeds from the issue of each series of Notes are used to invest in financial transactions in order to enable the Company to meet its obligations under the Notes. Therefore the role of financial assets and financial liabilities is central to the activities of the Company; the financial liabilities provided the funding to purchase the Company's financial assets. Financial assets and liabilities provide the majority of the assets and liabilities of the Company along with all of the income.

The Company has entered into two classes of swap transactions. These swap transactions have economically hedged the interest rate risk and allowed the Company to sell credit protection over certain reference entities in exchange for an annual premium as detailed in notes 3 and 4.

The strategies used by the Company in achieving its objectives regarding the use of its financial assets and liabilities were set when the Company entered into the transactions. The Company has matched the properties of its financial liabilities to its assets to avoid significant elements of risk generated by mismatches of investment performance against its obligations, together with any maturity or interest rate risk.

IFRS 7 states that its objective is to "enable users to evaluate: (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the reporting date, and how the entity manages those risks." IFRS 7 also states that "an entity shall disclose information that enable users of its financial statements to evaluate the significance of financial instruments for its financial position and performance".

In the Directors' opinion, whilst the financial instruments held by the Company are themselves separately exposed to risks such as credit risk, liquidity risk, interest rate risk and market price risk, the Company itself is not exposed to such risks overall due to the fact that the Company's exposure has been eliminated by matching its financial assets to its financial liabilities, with any change in the fair values of its financial assets being matched by equal and opposite changes in the fair value of its financial liabilities. Therefore, in the Directors' opinion, the requirements of IFRS 7 are met by the following disclosures.

In the following disclosures the Company's financial assets are presented net of all applicable derivative transactions in order to present a useful comparison against the Company's liabilities.

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 30TH JUNE 2017

17. FINANCIAL INSTRUMENTS - (CONTINUED)

Strategy in using financial instruments - (continued)

Sensitivity analysis

In the Directors' opinion, there is no material difference between the sum of the aggregate fair value of the Mortgaged Property and derivatives and the aggregate fair value of the Notes. From the perspective of the Company, any change in the fair value of the Mortgaged Property and derivatives would be matched by an equal and opposite change in the fair value of the Notes. Consequently the Company is not exposed to market price risk, as any changes in the fair value of the Mortgaged Property and derivatives would have no overall effect on profit or loss and/or equity. Also as disclosed below, in the Directors' opinion, there is no material interest rate risk to the Company, nor is there any currency rate risk to the Company.

IFRS 7 requires disclosure of "a sensitivity analysis for each type of market risk to which the entity is exposed at the reporting date, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date." As stated, whilst the financial instruments held by the Company are separately exposed to interest rate risk and market price risk, the Company itself is not exposed to market risk overall. Therefore, in the Directors' opinion, no sensitivity analysis is required to be disclosed.

Critical accounting judgements and key sources of estimation

As described in note 1, the preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts disclosed in the financial statements. Moreover, where these are significant, further disclosure is required.

In the opinion of the Directors, the critical accounting judgements and key sources of estimation uncertainty are derived from the Company's indirect exposure to the valuation of financial assets and financial liabilities that are currently valued using "Level 3" methodology (i.e. using valuation parameters that are not based on observable market data and therefore classified within Level 3 under the IFRS 13 fair value hierarchy). The principal uncertainties concern the valuation of various types of structured credit derivatives, including: Collateralised Debt Obligations ("CDOs"); and Credit Default Swaps ("CDS").

The values of unobservable parameters result from hypotheses and/or correlations that are not based on either transaction prices observable on the same instrument on the valuation date, or observable market data available on such date. As mentioned in the sensitivity analysis disclosure, any change in the fair value of a financial asset and/or derivatives resulting from such unobservable parameters would be matched by an equivalent change in the fair value of the Notes. Therefore any such changes have no overall effect on either the profit or the financial position of the Company. Consequently, the Company bears no material risk in relation to any such estimation uncertainties.

Interest rate risk

The Company primarily finances its operations through the issue of Notes upon which interest is payable, other than the zero coupon Notes. Under the swap transactions, amounts equal to the coupons received from the investments are paid to the Swap Counterparty. The Company also receives a premium on the principal amount of the interest bearing Notes, in exchange for the protection sold through the CDS. In turn the Swap Counterparty pays to the Company amounts sufficient to cover its obligations to pay the interest due on the Notes. Accordingly, the Directors believe that there is no material net interest rate risk to the Company. Interest rate risk is ultimately borne by the Noteholders.

CLARIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 30TH JUNE 2017

17. FINANCIAL INSTRUMENTS - (CONTINUED)

Interest rate risk - (continued)

The interest rate profile of the Company's financial assets and liabilities is as follows:

	<u>2017</u>		<u>2016</u>	
	Weighted average interest rate (%)	Amount	Weighted average interest rate (%)	Amount
Financial assets (net of Derivatives):				
Variable	2.78%	50,751,679	2.83%	68,977,051
Non-interest bearing	n/a	250,723	n/a	254,939
		<u>€ 51,002,402</u>		<u>€ 69,231,990</u>
Financial liabilities (Notes) :				
Variable	2.78%	(50,751,679)	2.83%	(68,977,051)
Non-interest bearing	n/a	(250,723)	n/a	(254,939)
		<u>€ (51,002,402)</u>		<u>€ (69,231,990)</u>

Currency rate risk

Where the Company has issued Notes denominated in a currency different from the currency of the underlying investments related to such series of Notes, the Company has matched its foreign currency obligations by entering into Swap Agreements whereby the proceeds received from its underlying investments will always be exactly matched by the currency required to make payments due under the Notes issued. Consequently, the Directors believe that there is no material net currency risk to the Company. Currency risk is ultimately borne by the Noteholders. The table below shows financial assets and liabilities net of derivatives.

	<u>2017</u>		<u>2016</u>	
	Financial Assets	Financial Liabilities	Financial Assets	Financial Liabilities
Denominated in EUR	50,979,169	(50,979,169)	51,749,034	(51,749,034)
Denominated in USD	23,233	(23,233)	17,482,956	(17,482,956)
	<u>€ 51,002,402</u>	<u>€ (51,002,402)</u>	<u>€ 69,231,990</u>	<u>€ (69,231,990)</u>

Credit risk

Credit risk is the risk of financial loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The carrying amounts of financial assets best represent the maximum credit risk exposure at the year end.

As at the year end, the Company's financial assets exposed to credit risk are financial assets at fair value through profit or loss, financial derivatives, receivables and cash and cash equivalents amounting to a total of € 52,743,041 (2016: € 72,431,120).

CLARIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 30TH JUNE 2017

17. FINANCIAL INSTRUMENTS - (CONTINUED)

Credit risk - (continued)

The principal credit risks that the Company is exposed to are: (i) the risk of credit events within the reference portfolio; and (ii) the risk of a failure of a Collateral counterparty to meet its obligations under the terms of the Collateral. Credit events within the reference portfolio may occur if one or more reference entities or reference obligations, as applicable, either fail to make payments on the scheduled payment dates, or enter into bankruptcy proceedings. In such event, a credit event may be declared by the Swap Counterparty. If the aggregate loss amounts resulting from such credit events were to exceed the relevant threshold amount, if applicable, this may result in a payment to the Swap Counterparty and final maturity/redemption of the Notes at below nominal value. As the obligations under the Notes are limited to amounts received from the Collateral, the Directors believe that the Company has no net exposure to any non-performing financial agreements or credit risk. Credit risk is ultimately borne by the Noteholders.

The initial concentrations of credit risks for each separate series of Notes were disclosed in the Offering Circular Supplement relating to each series of Notes. Subsequent changes are not monitored directly by the Company, as the Company itself is not exposed to such risks, as described above.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Liquidity risk is ultimately borne by the Noteholders.

IFRS 7 requires the maturity profile to disclose the gross undiscounted cash flows payable on the Company's financial liabilities at maturity. However, where the amount payable at maturity is dependent upon the performance of the relevant Mortgaged Property, it is not possible to accurately estimate such cash flows. Instead, in the opinion of the Directors, the liquidity risk of the Company is best assessed by comparing the fair values of the Company's financial liabilities to the fair values of the Company's financial assets and derivatives as at the reporting date, as disclosed in the maturity analysis below.

Accrued amounts receivable and payable on the Company's financial instruments are recognised within the fair values of the relevant financial instruments and have not been presented separately in the maturity analysis below. For each Series, the aggregate of any such accrued amounts receivable is at all times equal and opposite to the aggregate of any such accrued amounts payable. Therefore, in the opinion of the Directors, the non-disclosure of separate amounts for accrued amounts receivable and accrued amounts payable is not material to the financial statements.

The maturity profile of the Company's financial assets and liabilities is as follows;

2017

	Financial Assets	Derivatives	Financial Liabilities
In one year or less	30,419,490	(538,403)	(30,508,219)
In more than one year, but not more than two	-	-	-
In more than two years, but not more than five years	21,121,315	-	(20,494,183)
In more than five years	-	-	-
	<u>€ 51,540,805</u>	<u>€ (538,403)</u>	<u>€ (51,002,402)</u>

CLARIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 30TH JUNE 2017

17. FINANCIAL INSTRUMENTS - (CONTINUED)

Liquidity risk - (continued)

2016

	Financial Assets	Derivatives	Financial Liabilities
In one year or less	17,906,780	(2,264,921)	(17,465,688)
In more than one year, but not more than two	32,265,672	-	(31,822,076)
In more than two years, but not more than five years	21,324,459	-	(19,944,226)
In more than five years	-	-	-
	<u>€ 71,496,911</u>	<u>€ (2,264,921)</u>	<u>€ (69,231,990)</u>

Financial assets and financial liabilities measured at fair value by fair value hierarchy

The fair values of the Company's significant financial assets and financial liabilities, except for cash and cash equivalents, receivables and payables, the carrying values of which are a reasonable estimation of fair value, are as set out below:

Financial assets	2017	2016
Financial assets at fair value through profit or loss ("FVTPL")	51,540,805	71,496,911
Credit default swaps	329,173	-
	<u>€ 51,869,978</u>	<u>€ 71,496,911</u>
	2017	2016
Financial liabilities		
Financial liabilities at fair value through profit or loss ("FVTPL")	(51,002,402)	(69,231,990)
Credit default swaps	-	(327,265)
Interest rate swaps	(867,576)	(1,937,656)
	<u>€ (51,869,978)</u>	<u>€ (71,496,911)</u>

The following table analyses within the fair value hierarchy the Company's financial assets and liabilities measured at fair value at 30th June 2017 and 2016.

30th June 2017	Level 1	Level 2	Level 3	Total
	€	€	€	€
Financial assets				
Financial assets at FVTPL	11,403,805	40,137,000	-	51,540,805
Credit default swaps	-	329,173	-	329,173
	<u>11,403,805</u>	<u>40,466,173</u>	<u>-</u>	<u>51,869,978</u>
Financial liabilities				
Financial liabilities at FVTPL	-	(50,751,679)	(250,723)	(51,002,402)
Interest rate swaps	-	(890,810)	23,234	(867,576)
	<u>-</u>	<u>(51,642,489)</u>	<u>(227,489)</u>	<u>(51,869,978)</u>

CLARIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 30TH JUNE 2017

17. FINANCIAL INSTRUMENTS - (CONTINUED)

30th June 2016	Level 1 €	Level 2 €	Level 3 €	Total €
Financial assets				
Financial assets at FVTPL	11,776,131	59,720,780	-	71,496,911
Financial liabilities				
Financial liabilities at FVTPL	-	(68,977,050)	(254,940)	(69,231,990)
Credit default swaps	-	(327,265)	-	(327,265)
Interest rate swaps	-	(1,954,924)	17,268	(1,937,656)
	-	(71,259,239)	(237,672)	(71,496,911)

There were no transfers between Level 1 and Level 2 in the current year.

The table below shows the changes in financial instruments classified within Level 3 for the year ended 30th June 2017 and 2016.

	Financial liabilities at FVTPL €	Credit default swaps €	Interest rate swaps €
30th June 2017			
Opening balance	(254,940)	-	17,268
(Losses)/gains included in the statement of comprehensive income	4,217	-	5,966
Closing balance	(250,723)	-	23,234
30th June 2016			
Opening balance	(11,521,153)	274,948	12,500
Reclass from level 3 to level 2 at beginning of year	10,298,902	(274,948)	-
Redemptions	983,107	-	-
(Losses)/gains included in the statement of comprehensive income	(15,797)	-	4,768
Closing balance	(254,940)	-	17,268

The most common change in fair value hierarchy is certain Credit Default Swaps (CDS) moving out of level 3. The change from 3 to 2 is driven by CDS becoming observable, making the entire structure observable. There were no CDS transferred in or out of level 3 during the year (2016: Series 56 CDS transferred from level 3 to level 2).

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NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)**FOR THE YEAR ENDED 30TH JUNE 2017****17. FINANCIAL INSTRUMENTS - (CONTINUED)****Fair value measurements***Estimate of main unobservable inputs:*

The following table provides the valuation of Level 3 instruments on the financial position and the relationship of unobservable inputs used on the fair values:

Product Category	Valuation technique	Unobservable parameter	Level 3 uncertainty in €'000
Equity, Interest rate or Hybrid derivatives	Different valuation models for interest rate, equity or hybrid derivatives	Correlations	-

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NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 30TH JUNE 2017

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Related Note Issue	Nominal	Scheduled Maturity Date	Cur	Investment details	Coupon	Fair value at 2017	Fair value at 2016
Investments held at the year end							
Series 50	10,000,000	17/06/2020	EUR	Compagnie Financière du Crédit Mutuel	n/a	9,945,000	9,786,000
Series 56	10,000,000	07/02/2020	EUR	HBOS Treasury Services Plc	3.875%	11,176,315	11,538,459
Series 85	-	20/12/2016	USD	Cash collateral deposit at HSBC	1M USD Libor + 0.25%	-	17,906,780
Series 117	30,000,000	04/12/2017	EUR	France Telecom	CMS index linked	30,192,000	32,028,000
Series 118	217,000	15/01/2018	EUR	Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.	4.750%	227,490	237,672
						€ 51,540,805	€ 71,496,911

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NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 30TH JUNE 2017

19. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Issue No	Issue Date	Scheduled Maturity Date	Cur	Nominal Amount	Issue Price	Note description	Listing	Coupon	Fair value at			
									2017	2016		
Notes outstanding as at year end												
Series 50	22/06/2005	22/06/2020	EUR	10,000,000	100%	Variable Rate Notes	Luxembourg	CMS Indexed	10,189,590	9,968,682		
Series 56	05/08/2005	12/10/2020	EUR	10,000,000	100%	CMS Indexed rate Credit Linked Notes	Luxembourg	CMS Indexed	10,304,593	9,975,544		
Series 85	24/10/2006	20/12/2016	USD	-	100%	Algebra	Ireland	3M USD Libor + 2.05%	-	17,465,688		
Series 117	04/12/2007	21/12/2017	EUR	30,000,000	100%	CMS Indexed Rate Credit Linked Notes	Ireland	CMS Indexed	30,257,496	31,567,137		
Series 118	25/10/2011	05/02/2018	USD	320,000	100%	Gold Lock-in Notes	None	0.00%	250,723	254,939		
									€	51,002,402	€	69,231,990