CLARIS 2 LIMITED

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2017

CONTENTS

DIRECTORS AND OTHER INFORMATION

DIRECTORS

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

G.P. Essex-Cater	(resigned 20th March 2018)
S.J. Hopkins	
C.D. Ruark	(resigned 11th April 2017)
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

TRUSTEES

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

HSBC Trustee (C.I.) Limited
HSBC House, Esplanade, St Helier, Jersey, JE1 1GT

INDEPENDENT AUDITOR

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

REPORT OF THE DIRECTORS

The Directors present their annual report and the audited financial statements of Claris 2 Limited (the "Company") for the year ended 30th June 2017.

INCORPORATION

The Company was incorporated in Jersey, Channel Islands on 23rd October 2002 as a private limited company.

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, and last updated on 8th July 2016, under a € 20,000,000,000 secured note programme with Claris Limited, Claris III Limited and Claris IV Limited, all of which are incorporated in Jersey, Channel Islands, and Iris SPV Public Limited Company and Iris II SPV Limited, both companies incorporated in Ireland. The proceeds from the issue of each series of Notes are used to acquire assets and/or to enter into credit default swap ("CDS") and interest rate swap ("IRS") transactions with Société Générale ("SG"). The Notes are only intended for sophisticated and knowledgeable investors who are capable of understanding and evaluating the risks involved in investing in the Notes. Five series are listed on The International Stock Exchange ("ISE"), four series are listed on the Irish Stock Exchange and sixteen series are not listed on a recognised stock exchange.

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 19 to the financial statements.

SUBSEQUENT EVENTS

There were three redemptions between the statement of financial position date and the date of approval of the financial statements (note 17). No credit events have occurred after the year end.

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: € 290).

The Directors do not approve the payment of a dividend for the year (2016: € 330). A dividend of £250 was approved by the Directors on 9th August 2017 subsequent to the year end.

INDEPENDENT AUDITOR

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

REPORT OF THE DIRECTORS - (CONTINUED)

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Report of the Directors 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 adequate 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

Director: Stephanie Hopkins
Date: 24th April 2018

MAZARS

Independent auditor's report to the members of Claris 2 Limited

We have audited the financial statements of Claris 2 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 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.

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.

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.

JRLees-Baker

J R Lees-Baker
for and on behalf of:
Mazars
Chartered Accountants

Date: 25 April 2018.

STATEMENT OF FINANCIAL POSITION

AS AT 30TH JUNE 2017

	Notes	2017	2016
ASSETS			
Non-current assets			
Financial assets at fair value through profit or loss	2, 20	565,588,393	611,822,858
Loans and receivables	3, 21	396,013,509	433,915,211
		961,601,902	1,045,738,069
Current assets			
Financial assets at fair value through profit or loss	2, 20	52,143,170	-
Credit default swaps	4	145,364	185,646
Interest rate swaps	5	56,634,685	71,248,145
Receivables and prepayments	6	4,659,328	6,374
Cash and cash equivalents	7	121,295	283,050
		113,703,842	71,723,215
TOTAL ASSETS	€	1,075,305,744	€ 1,117,461,284
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	8	16	16
Retained earnings		4,558	4,273
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY SHAREHOLDERS		4,574	4,289
Non-current liabilities			
Financial liabilities at fair value through profit or loss	9, 22	579,620,402	620,095,491
Other liabilities	10, 23	396,013,509	433,915,211
		975,633,911	1,054,010,702
Current liabilities			
Financial liabilities at fair value through profit or loss	9, 22	47,719,982	-
Interest rate swaps	5	47,171,228	63,161,158
Payables	11	4,776,049	285,135
		99,667,259	63,446,293
TOTAL LIABILITIES		1,075,301,170	1,117,456,995
TOTAL EQUITY AND LIABILITIES	€	1,075,305,744	€ 1,117,461,284

The financial statements on pages 7 to 32 were approved and authorised for issue by the Board of Directors on the 24th day of April 2018 and were signed on its behalf by:

Director: Angelo Grosso

(The notes on pages 11 to 32 form part of these financial statements)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30TH JUNE 2017

	Notes	2017	2016
NET GAIN/(LOSS) ON FINANCIAL INSTRUMENTS			
Financial assets at fair value through profit or loss	2	19,541,359	38,564,181
Financial liabilities at fair value through profit or loss	9	(24,689,771)	(31,340,770)
Derivative financial instruments at fair value through profit or loss		5,148,412	(7,223,411)
Interest income on loans and receivables		17,610,435	22,675,659
Interest expense on other liabilities		(17,610,435)	(22,675,659)
		-	-
INTEREST AND SIMILAR ITEMS			
Deposit interest		130	-
Transaction fee income		285	290
Utilisation of upfront swap amounts		123,292	91,575
		123,707	91,865
EXPENDITURE			
Administration fees		16,764	18,488
Management fees		5,540	4,832
Legal and professional fees		41,809	44,206
Annual trustee fee		570	866
Audit fees		18,281	16,128
Bank overdraft interest and charges		3,076	181
Fiscal fees		9,984	6,182
Foreign exchange loss		27,398	692
		123,422	91,575
NET PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO EQUITY SHAREHOLDERS		€ 285	€ 290

Other comprehensive income

There were no items of other comprehensive income in either the current year or prior year.

(The notes on pages 11 to 32 form part of these financial statements)

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30TH JUNE 2017

	Share capital	Retained earnings	Total
Balance at 1st July 2015	16	4,313	4,329
Total comprehensive income for the year	-	290	290
Transaction with owners:			
Dividends paid during the year of £ 25 (€ 33) per share	-	(330)	(330)
Balance at 30th June 2016	€ 16	€ 4,273	€ 4,289
Balance at 1st July 2016	16	4,273	4,289
Total comprehensive income for the year	-	285	285
Balance at 30th June 2017	€ 16	€ 4,558	€ 4,574

(The notes on pages 11 to 32 form part of these financial statements)

CLARIS 2 LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30TH JUNE 2017

	Notes	2017	2016
Cash flows from operating activities			
Total comprehensive income for the year		285	290
Increase in receivables and prepayments		(4,652,954)	(1,681)
Increase in payables		4,490,914	133,854
Foreign exchange loss		27,398	692
Net (gain)/loss on financial instruments:			
- Financial assets at fair value through profit or loss	2	(19,541,359)	(38,564,181)
- Financial liabilities at fair value through profit or loss	9	24,689,771	31,340,770
- Derivative financial instruments at fair value through profit or loss		(5,148,412)	7,223,411
- Interest income on loans and receivables		(17,610,435)	(22,675,659)
- Interest expense on other liabilities		17,610,435	22,675,659
Net cash (used in)/generated from operating activities		(134,357)	133,155
Cash flows from investing activities			
Income received on financial assets at fair value through profit or loss		18,689,676	21,187,267
Loan interest received		16,652,064	22,675,659
Swap amounts received		20,402,490	22,225,849
Swap amounts paid		(16,222,104)	(20,454,052)
Net cash flows generated from investing activities		39,522,126	45,634,723
Cash flows from financing activities			
Note interest paid		(22,870,062)	(22,959,064)
Interest paid on other liabilities		(16,652,064)	(22,675,659)
Dividend paid		-	(330)
Net cash flows used in financing activities		(39,522,126)	(45,635,053)
Net (decrease)/increase in cash and cash equivalents		(134,357)	132,825
Cash and cash equivalents at the beginning of the year		283,050	150,917
Effect of exchange rate fluctuations on cash held		(27,398)	(692)
Cash and cash equivalents at the end of the year	7	€ 121,295	€ 283,050

(The notes on pages 11 to 32 form part of these financial statements)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

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 Note holders, 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 (the "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 Note holder 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. The Directors do not expect the adoption of IFRS 9 to have a material impact on the financial statements.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (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 profit or loss, 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 some of the Company's financial assets are designated at FVTPL whereas others are classified as loans and receivables measured at amortised cost.

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 FVTPL 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 year. 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 in note 19. There were no significant areas of judgement in applying accounting policies except for the designation/classification of all financial assets and financial liabilities, whose accounting policies are set out within note 1. This excludes cash and cash equivalents, receivables and prepayments and payables.

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 Note holders and would have no net effect on the Company's overall financial position or results.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest method ("EIR"), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in the statement of profit or loss and other comprehensive income. The losses arising from impairment are recognised in the statement of profit or loss and other comprehensive income.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Loans and receivables - (continued)

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 amortised cost of the loans and receivables relating to each separate series. From the perspective of the Company, any change in the amortised cost of the loans and receivables would be matched by an equal and opposite change in the value of the Notes. Consequently, although the Note holders are exposed to changes in the amortised cost of the loans and receivables, the Company itself is not exposed. Therefore, if any error was to occur in measuring the amortised cost of the loans and receivables, this would result in an equal and opposite error in measuring the Notes, with no impact on the profit for the year or on total shareholders' equity.

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.

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 thereafter 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Financial assets and financial liabilities at fair value through profit or loss - (continued)

Derivative financial instruments

The Company may use derivative financial instruments such as interest rate swaps ("IRS") and credit default swaps ("CDS"). 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 the fair value is positive, or as a liability when the 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.

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.

Cash and cash equivalents

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

Other liabilities

Other liabilities are non-derivative financial liabilities with fixed or determinable payments. The Company initially recognises Notes payable on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument. After initial measurement, such financial liabilities are subsequently measured at amortised cost using the effective interest method ("EIR"). Amortised cost is calculated by taking into account any discount or premium on issuance that are an integral part of the EIR. The EIR amortisation is included in interest expense in the statement of profit or loss and other comprehensive income.

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.

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 "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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Fair value estimation - (continued)

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 should not 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 aggregate fair value of each separate series of Notes is equal to the aggregate fair value of the Mortgaged Property and derivatives relating to each separate series. 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 Note holders 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 prioritises 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;

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Fair value estimation - (continued)

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 categorization 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.

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.

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. 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. 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 amounts held in these accounts at the year end relating to future permitted expenses have been deferred to the following accounting period to match this income against the corresponding expense.

Foreign currency transactions and 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 Euro which is the Company's functional and presentation currency.

b) Transactions and balances
Foreign currency transactions are translated into 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.

Share capital

Ordinary shares are not redeemable and are classified as equity.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

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 Directors.

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.

2. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

		2017		2016
Collateral				
Non-current assets	€	565,588,393	€	611,822,858
Current assets		52,143,170		-
	€	617,731,563	€	611,822,858

The financial assets are held as collateral for each related series of Notes issued by the Company. Such assets have been purchased or invested in by using essentially the issuance proceeds of each Series of Notes. They can take the form of securities, loans or deposits. Further details of the financial assets at fair value through profit or loss are set out in note 20.

During the year, the net gain on the financial assets at fair value through profit or loss was € 19,541,359 (2016: € 38,564,181).

3. LOANS AND RECEIVABLES

		2017		2016
Non-current	€	396,013,509	€	433,915,211

Further details of loans and receivables are set out in note 21.

4. CREDIT DEFAULT SWAPS

	2017	2016
Credit default swaps	€ 145,364	€ 185,646
Notional amount outstanding at year end	€ 50,000,000	€ 50,000,000

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. Premiums are receivable by the Company in exchange for the credit protection provided by the Company. There are CDS in place for Series 06/2006 and 07/2006 (2016: Series 06/2006 and 07/2006).

5. INTEREST RATE SWAPS

	2017	2016
Interest rate swaps assets	€ 56,634,685	€ 71,248,145
Interest rate swaps liabilities	€ (47,171,228)	€ (63,161,158)
Notional amount outstanding at year end	€ 352,000,000	€ 352,000,000

IRS are generally 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 Note holders. There are IRS in place for Series 8/2007, 9/2007, 13/2007, 14/2007, 16/2007, 21/2009, 24/2010, 25/2010 and 57/2012 (2016: 8/2007, 9/2007, 13/2007, 14/2007, 16/2007, 21/2009, 24/2010, 25/2010 and 57/2012).

6. RECEIVABLES AND PREPAYMENTS

	2017	2016
Transaction fees receivable	570	300
Prepayments	807	4,807
Swap amount receivable	1,167	1,267
Accrued interest on loans and receivables	4,656,784	-
	€ 4,659,328	€ 6,374

7. CASH AND CASH EQUIVALENTS

	2017	2016
HSBC GBP Deposit accounts	7,996	2,408
HSBC USD Deposit accounts	2,777	2,866
HSBC USD fee account	2,927	3,020
HSBC EUR Deposit accounts	107,584	274,744
Sanne client account	11	12
	€ 121,295	€ 283,050

8. SHARE CAPITAL

		2017		2016
AUTHORISED:				
10,000 ordinary shares of £ 1 each	£	10,000	£	10,000
ISSUED AND FULLY PAID:				
10 ordinary shares of £ 1 each	€	16	€	16

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.

The share capital account records all ordinary shares issued at nominal price. The retained earnings reserve records cumulative profits/(losses) over the years.

9. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

		2017		2016
Non-current liabilities	€	579,620,402	€	620,095,491
Current liabilities		47,719,982		-
	€	627,340,384	€	620,095,491

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 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 Note holders 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. During the year, the net loss on the Notes was € 24,689,771 (2016: € 31,340,770).

On the maturity of the Notes, the Company will pay to the Note holders 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 Limited Recourse Notes payable will always be exactly matched by the proceeds from the Mortgaged Property and derivatives applicable to that series. Further details of the financial liabilities at fair value through profit or loss are set out in note 22.

10. OTHER LIABILITIES

		2017		2016
Non-current	€	396,013,509	€	433,915,211

Further details of other liabilities are set out in note 23.

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 30TH JUNE 2017

11. PAYABLES

		2017		2016
Overdue amounts payable on swaps		2,334		2,334
Interest payable on swap		-		141,833
Legal and professional fees		10,010		16,114
Administration fees		10,241		6,370
Deferred income		59,398		99,484
Audit fee		37,282		19,000
Accrued interest on other liabilities		4,656,784		-
	€	4,776,049	€	285,135

12. 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.

13. TAXATION

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

14. CONTROLLING PARTY

The Company's immediate holding entity is The Claris 2 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 2 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.

15. RELATED PARTIES

During the year, 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, A. Orosco and C.D. Ruark 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 € 22,304 (2016: € 23,320). As at 30th June 2017, amounts owed to SFSL amounted to € 10,241 (2016: € 6,370).

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 notes 20 and 21.

16. CREDIT EVENTS

There were no credit events during the year and subsequent to the year end.

17. SUBSEQUENT EVENTS

A dividend of £250 was approved by the directors on 9th August 2017 subsequent to the year end.

Notes series 31 and 35 collateral matured subsequent to the year end on 31st December 2017 and was realised on 18th January 2018. The related notes were redeemed on 25th January 2018.

Notes series 14, which has a maturity date of 20th July 2022, was redeemed early subsequent to the year end on 20th April 2018.

18. 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 Note holders (indirectly through the suspense accounts set up at inception), or are met by equal and opposite receipts under the relevant derivative transactions.

19. FINANCIAL INSTRUMENTS

Strategy in using financial instruments

As stated in the Report of the Directors, 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 and expenses.

The Company may enter into two classes of swap transactions. Generally, these swap transactions economically hedge the interest rate risks and currency risks and have allowed the Company to sell credit protection over certain reference entities in exchange for an annual premium, as detailed in notes 4 and 5.

19. FINANCIAL INSTRUMENTS - (CONTINUED)

Strategy in using financial instruments - (continued)

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 enables 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 values of its financial assets being matched by equal and opposite changes in the values 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.

Sensitivity analysis

In the Directors' opinion, there is no material difference between 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/amortised cost of the Notes. Consequently the Company is not exposed to market price risk, as any changes in the fair value of the Collateral 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 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 value of a financial asset and/or derivatives resulting from such unobservable parameters would be matched by an equivalent change in the 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.

19. FINANCIAL INSTRUMENTS - (CONTINUED)

Interest rate risk

Interest rate risk occurs when there is a mismatch between the interest rates of the Company's assets and liabilities.

The Company primarily finances its operations through the issue of Notes upon which interest is payable. 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 Credit Default Swaps. 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 net interest rate risk to the Company. Any interest rate risk is ultimately borne by the Note holders.

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

Interest charging basis	2017 Weighted average interest rate %	2017 Amount	2016 Weighted average interest rate %	2016 Amount
Financial assets at fair value through profit or loss (net of derivatives)				
Fixed	4.52%	136,977,191	4.52%	125,351,350
Variable	3.25%	463,230,023	3.26%	467,242,811
No interest	n/a	27,133,170	n/a	27,501,330
Loans and receivables				
Fixed	4.85%	150,179,310	4.85%	172,454,405
Variable	5.39%	245,834,199	5.21%	261,460,806
		€ 1,023,353,893		€ 1,054,010,702

Interest charging basis	2017 Weighted average interest rate %	2017 Amount	2016 Weighted average interest rate %	2016 Amount
Financial liabilities at fair value through profit or loss				
Fixed	4.52%	(136,977,191)	4.52%	(125,351,350)
Variable	3.25%	(463,230,023)	3.26%	(467,242,811)
No interest	n/a	(27,133,170)	n/a	(27,501,330)
Other liabilities				
Fixed	4.85%	(150,179,310)	4.85%	(172,454,405)
Variable	5.39%	(245,834,199)	5.21%	(261,460,806)
		€ (1,023,353,893)		€ (1,054,010,702)

19. FINANCIAL INSTRUMENTS - (CONTINUED)

Currency risk (net of derivatives)

Currency risk occurs when there is a mismatch between the currencies of the Company's assets and liabilities.

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 currency risk to the Company. Any currency risk is ultimately borne by the Note holders.

	2017		2016	
	Financial Assets net of derivatives	Financial Liabilities	Financial Assets net of derivatives	Financial Liabilities
Denominated in Euro	846,284,373	(846,284,373)	865,205,071	(865,205,071)
Denominated in US$	181,726,304	(181,726,304)	188,805,631	(188,805,631)
	€ 1,028,010,677	€ (1,028,010,677)	€ 1,054,010,702	€ (1,054,010,702)

Cash and cash equivalents, receivables and prepayments (excluding accrued interest on loans and receivables), and payables (excluding accrued interest on other liabilities) which are held in foreign currency are exposed to limited currency risk as the amounts are not considered significant.

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, loans and receivables, financial derivatives, receivables and cash and cash equivalents amounting to € 1,075,305,744 (2016: € 1,117,461,284).

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 amount resulting from such credit events were to exceed the relevant threshold amount (as defined in the Offering Circular Supplement relating to each series of Notes), 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. Any credit risk is borne by the Note holders.

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. All substantial risks and rewards associated with the Company's financial assets and liabilities are ultimately borne by the Note holders.

19. FINANCIAL INSTRUMENTS - (CONTINUED)

Liquidity risk - (continued)

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 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:

As at 30th June 2017	Financial Assets	Net derivatives	Financial Liabilities
In one year or less	52,143,170	9,608,821	(47,719,982)
In more than one year, but not more than two	-	-	(50,198,138)
In more than two years, but not more than five	467,266,384	-	(349,676,542)
In more than five years	494,335,518	-	(575,759,231)
	€ 1,013,745,072	€ 9,608,821	€ (1,023,353,893)

As at 30th June 2016	Financial Assets	Net derivatives	Financial Liabilities
In one year or less	-	8,272,633	-
In more than two years, but not more than five	77,619,090	-	(390,830,081)
In more than five years	968,118,979	-	(612,877,215)
	€ 1,045,738,069	€ 8,272,633	€ (1,054,010,702)

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 prepayments, and payables, the carrying values of which are a reasonable estimation of fair value, are as set out below.

	2017	2016
Financial assets		
Financial assets at fair value through profit or loss	617,731,563	611,822,858
Loans and receivables	396,013,509	433,915,211
Interest rate swaps	56,634,685	71,248,145
Credit default swaps	145,364	185,646
	€ 1,070,525,121	€ 1,117,171,860

19. FINANCIAL INSTRUMENTS - (CONTINUED)

Financial assets and financial liabilities measured at fair value by fair value hierarchy - (continued)

	2017	2016
Financial liabilities		
Financial liabilities at fair value through profit or loss	(627,340,384)	(620,095,491)
Other liabilities	(396,013,509)	(433,915,211)
Interest rate swaps	(47,171,228)	(63,161,158)
	€ (1,070,525,121)	€ (1,117,171,860)

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.

As at 30th June 2017	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss	149,310,219	468,421,344	-	617,731,563
Loans and receivables	-	396,013,509	-	396,013,509
Interest rate swaps	-	56,634,685	-	56,634,685
Credit default swaps	-	145,364	-	145,364
	€ 149,310,219	€ 921,214,902	€ -	€ 1,070,525,121
Financial liabilities				
Financial liabilities at fair value through profit or loss	-	(490,314,339)	(137,026,045)	(627,340,384)
Other liabilities	-	(396,013,509)	-	(396,013,509)
Interest rate swaps	-	(34,887,054)	(12,284,174)	(47,171,228)
	€ -	€ (921,214,902)	€ (149,310,219)	€ (1,070,525,121)

As at 30th June 2016	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss	156,281,968	455,540,890	-	611,822,858
Loans and receivables	-	433,915,211	-	433,915,211
Credit default swaps	-	185,646	-	185,646
Interest rate swaps	-	71,248,145	-	71,248,145
	€ 156,281,968	€ 960,889,892	€ -	€ 1,117,171,860
Financial liabilities				
Financial liabilities at fair value through profit or loss	-	(482,264,620)	(137,830,871)	(620,095,491)
Other liabilities	-	(433,915,211)	-	(433,915,211)
Interest rate swaps	-	(44,710,061)	(18,451,097)	(63,161,158)
	€ -	€ (960,889,892)	€ (156,281,968)	€ (1,117,171,860)

19. FINANCIAL INSTRUMENTS - (CONTINUED)

Financial assets and financial liabilities measured at fair value by fair value hierarchy - (continued)

There were no transfers between Levels during the year or in the prior year.

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

30th June 2017	**Financial liabilities**	**Interest rate swaps**	**Credit default swaps**
Opening balance	(137,830,871)	(18,451,097)	-
Gains/(losses) recognised in the statement of profit or loss and other comprehensive income	804,826	6,166,923	-
Closing balance	€ (137,026,045)	€ (12,284,174)	€ -

30th June 2016	**Financial liabilities**	**Interest rate swaps**	**Credit default swaps**
Opening balance	(138,763,827)	(11,927,885)	-
(Losses)/gains recognised in the statement of profit or loss and other comprehensive income	932,956	(6,523,212)	-
Closing balance	€ (137,830,871)	€ (18,451,097)	€ -

Fair value measurements

Estimate of main unobservable inputs:

The following table provides the valuation of Level 3 instruments on the statement of financial position and the relationship of unobservable inputs of 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	113

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 30TH JUNE 2017

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Related Note Issue	Nominal	Maturity/ early redemption Date	CCY	Investment details	Fair Value Hierarchy	Fair value 2017	Fair value 2016
Series 06/2006	30,000,000	20-Sep-18	EUR	Dexia Municipal Agency	Level 2	30,000,000	30,023,885
Series 07/2006	20,000,000	20-Sep-18	EUR	Deutsche Genossenschafts-Hypothekenbank Aktiengesellschaft	Level 2	20,052,774	20,093,875
Series 08/2007	40,000,000	01-Jun-22	EUR	Caisse Régionale de Crédit Agricole Mutuel du Nord Est Class A	Level 2	39,836,000	38,924,000
Series 08/2007	40,000,000	01-Jun-22	EUR	Caisse Régionale de Crédit Agricole Mutuel du Nord Est Class B	Level 2	41,156,000	40,544,000
Series 08/2007	40,000,000	01-Jun-22	EUR	Caisse Régionale de Crédit Agricole Mutuel du Nord Est Class C	Level 2	41,180,000	40,544,000
Series 09/2007	12,000,000	23-Feb-22	EUR	Caisse Régionale de Crédit Agricole Mutuel Pyrénées Gascogne	Level 2	13,712,400	14,254,800
Series 13/2007	20,000,000	20-Jul-22	EUR	Caisse Régionale de Crédit Agricole Mutuel Centre-Est	Level 2	25,892,000	26,458,000
Series 14/2007	20,000,000	20-Apr-18	EUR	Caisse Régionale de Crédit Agricole Mutuel Centre-Est	Level 2	25,010,000	26,458,000
Series 16/2007	10,000,000	17-Aug-22	EUR	Caisse Régionale de Crédit Agricole Mutuel Atlantique Vendée	Level 2	11,869,000	12,144,000
Series 21/2009	50,000,000	23-Feb-24	EUR	Caisse Régionale de Crédit Agricole Mutuel de Normandie	Level 2	74,350,000	77,840,000
Series 24/2010	50,000,000	05-Feb-23	EUR	Crédit Coopératif BMTN Coupon Indexed	Level 2	59,995,000	50,895,000
Series 25/2010	50,000,000	01-Mar-22	EUR	Crédit Coopératif BMTN Coupon Indexed	Level 2	58,235,000	49,860,000
Series 31/2011	10,000,000	31-Dec-17	EUR	Fully funded swap - Cheyne Corporate Loan Fund A (Class A shares)	Level 2	9,044,390	9,167,110
Series 35/2011	20,000,000	31-Dec-17	EUR	Fully funded swap - Cheyne Corporate Loan Fund A (Class A shares)	Level 2	18,088,780	18,334,220
Series 57/2012	90,360,000	25-Oct-25	EUR	Republic of France	Level 1	134,916,256	137,082,728
Series 57/2012 *	9,640,000	25-Oct-25	EUR	Securities lending to SG (Republic of France)	Level 1	14,393,963	19,199,240
						€ 617,731,563	€ 611,822,858

** this represents the nominal amount of securities sent from the Company to SG under a bilateral Credit Support Annex agreement.*

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 30TH JUNE 2017

21. LOANS AND RECEIVABLES

Related Loan Issue	Nominal	Maturity/ early redemption Date	CCY	Investment details	Coupon	Amortised cost 2017	Amortised cost 2016
Series 10/2007	5,671,609	n/a	EUR	Loan to JOE SNC	5.10%	5,818,244	6,784,845
Series 11/2007	23,163,603	n/a	EUR	Loan to WILLIAM SNC	5.11%	23,763,653	26,390,834
Series 12/2007	27,346,020	31-Dec-20	EUR	Loan to SNC Valerie Finance 1 - MSN 35667	5.15%	28,144,096	35,106,352
Series 18/2008	27,667,931	30-Jun-21	EUR	Loan to SNC Valerie Finance 3 - MSN 35669	4.915%	28,429,435	34,730,131
Series 20/2008	34,396,444	30-Jun-24	EUR	Loan to Jack SNC	4.90%	35,250,862	38,492,561
Series 27/2010	28,215,182	31-Dec-25	EUR	Loan to Averell SNC	3.90%	28,773,020	30,949,682
Series 39/2011	39,299,896	18-Oct-33	USD	Loan to SNC Heloise Finance 1 MSN 37865	Index linked	35,425,137	37,748,868
Series 41/2011	39,247,935	06-Nov-33	USD	Loan to SNC Heloise Finance 2 MSN 37945	Index linked	35,338,073	37,679,772
Series 42/2011	39,361,735	16-Dec-33	USD	Loan to SNC Heloise Finance 3 MSN 37866	Index linked	35,418,470	37,768,138
Series 43/2012	39,488,102	08-Jan-34	USD	Loan to SNC Heloise Finance 3 MSN 37867	Index linked	35,545,266	37,886,615
Series 44/2012	39,352,558	05-Feb-34	USD	Loan to SNC Heloise Finance 3 MSN 37868	Index linked	35,342,574	37,722,238
Series 50/2012	67,189,095	12-Oct-20	EUR	Fiduciary Deposit Agreement	Index linked	68,764,679	72,655,175
						€ 396,013,509	€ 433,915,211

22. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Issue No	Issue Date	Maturity / Early Redemption Date	CCY	Nominal Amount	Note/loan description	Listing	Coupon		Fair values 2017	Fair values 2016
Notes issued by the Company										
Series 06/2006	28-Sep-06	20-Sep-18	EUR	30,000,000	Floating Rate Credit-Linked Notes	Not listed	12M EURIBOR + 0.23%		30,081,128	30,126,117
Series 07/2006	30-Oct-06	20-Sep-18	EUR	20,000,000	Floating Rate Credit-Linked Notes	Not listed	12M EURIBOR + 0.27%		20,117,010	20,177,289
Series 08/2007	08-Jun-07	08-Jun-22	EUR	120,000,000	Index Linked Rate Notes	ISE	Index linked		143,205,818	144,794,657
Series 09/2007	28-Jun-07	28-Feb-22	EUR	12,000,000	Index Linked Rate Notes	ISE	Index linked		14,339,207	14,850,607
Series 13/2007	25-Jul-07	25-Jul-22	EUR	20,000,000	Index Linked Rate Notes	ISE	Index linked		27,601,609	28,104,670
Series 14/2007	25-Jul-07	20-Apr-18	EUR	20,000,000	Index Linked Rate Notes	ISE	3M EURIBOR + 0.96%	**	20,586,812	22,411,939
Series 16/2007	24-Aug-07	24-Aug-22	EUR	10,000,000	Index Linked Rate Notes	ISE	Index linked		12,462,800	12,792,633
Series 21/2009	23-Feb-09	28-Feb-24	EUR	50,000,000	Variable Rate Notes	Ireland	Index linked		57,809,594	56,154,028
Series 24/2010	05-Feb-10	09-Feb-23	EUR	50,000,000	Fixed Rate Credit-Linked Notes	Ireland	4.665%		70,183,884	64,159,521
Balance carried forward									€ 396,387,862	€ 393,571,461

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 30TH JUNE 2017

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

Issue No	Issue Date	Maturity / Early Redemption Date	CCY	Nominal Amount	Note/loan description	Listing	Coupon		Fair values 2017	Fair values 2016
Balance brought forward									396,387,862	393,571,461
Series 25/2010	01-Mar-10	04-Mar-22	EUR	50,000,000	Fixed Rate Credit-Linked Notes	Ireland	4.370%		66,793,307	61,191,829
Series 31/2011	31-Jan-11	25-Jan-18	EUR	10,000,000	Cheyne Pass Through Notes	Not listed	n/a	*	9,044,390	9,167,110
Series 35/2011	31-Jan-11	25-Jan-18	EUR	20,000,000	Cheyne Pass Through Notes	Not listed	n/a	*	18,088,780	18,334,220
Series 57/2012	19-Oct-12	30-Oct-25	EUR	100,000,000	Index Linked Notes	Ireland	Index linked		137,026,045	137,830,871
								€	627,340,384 €	620,095,491

* The original maturity of Notes series 31 and 35 was 30th June 2020. The related collateral matured subsequent to the year end on 31st December 2017 and was realised on 18th January 2018. The Notes series 31 and 35 were redeemed on 25th January 2018.

** Notes series 14 was redeemed early subsequent to the year end on 20th April 2018 and has been reclassified to current liabilities.

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 30TH JUNE 2017

23. OTHER LIABILITIES

Issue No	Issue Date	Maturity / Early Redemption Date	CCY	Nominal Amount	Loan description	Listing	Coupon	Amortised cost 2017	Amortised cost 2016
Series 10/2007	27-Sep-07	30-Jun-22	EUR	5,671,609	Partly-Paid Credit-Linked Note	Not listed	5.10%	5,818,244	6,784,845
Series 11/2007	27-Sep-07	30-Jun-23	EUR	23,163,603	Partly-Paid Credit-Linked Note	Not listed	5.11%	23,763,653	26,390,834
Series 12/2007	24-Jul-07	31-Dec-20	EUR	27,346,020	Pass Through Notes	Not listed	5.15%	28,144,096	35,106,352
Series 18/2007	03-Dec-07	30-Jun-21	EUR	27,667,931	Pass Through Notes	Not listed	4.915%	28,429,435	34,730,131
Series 20/2008	18-Dec-08	30-Jun-24	EUR	34,396,444	Partly-Paid Credit-Linked Note	Not listed	4.90%	35,250,862	38,492,561
Series 27/2010	06-Aug-10	31-Dec-25	EUR	28,215,182	Partly-Paid Credit-Linked Note	Not listed	3.90%	28,773,020	30,949,682
Series 39/2011	18-Apr-11	18-Oct-33	USD	39,299,896	Pass Through Notes	Not listed	Index linked	35,425,137	37,748,868
Series 41/2011	06-May-11	06-Nov-33	USD	39,247,935	Pass Through Notes	Not listed	Index linked	35,338,073	37,679,772
Series 42/2011	16-Jun-11	16-Dec-33	USD	39,361,735	Pass Through Notes	Not listed	Index linked	35,418,470	37,768,138
Series 43/2012	08-Jul-11	08-Jan-34	USD	39,488,102	Pass Through Notes	Not listed	Index linked	35,545,266	37,886,615
Series 44/2012	05-Aug-11	05-Feb-34	USD	39,352,558	Pass Through Notes	Not listed	Index linked	35,342,574	37,722,238
Series 50/2012	20-Feb-12	12-Oct-20	EUR	67,189,095	Deposit Linked Notes	Not listed	Index linked	68,764,679	72,655,175
								€ 396,013,509	€ 433,915,211