Company registered number: 526121

MAGELLAN FUNDING NO2 DESIGNATED ACTIVITY COMPANY

DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

CONTENTS

COMPANY INFORMATION

DIRECTORS	Francesco Buffi Deirdre Bourke (appointed 23 March 2017) Anthony Noonan (appointed 11 April 2018) John Hackett (appointed alternate director to Stuart Maher on 7 May 2018, resigned 31 May 2018) Sam Sengupta (appointed 13 July 2018) Stuart Maher (appointed 26 July 2017, resigned 13 July 2018)
REGISTRATION NUMBER	526121
ADMINISTRATOR, COMPANY SECRETARY AND REGISTRATED OFFICE	TMF Administration Services Limited 3rd Floor, Kilmore House Park Lane Spencer Dock Dublin 1 Ireland DO1 YE64
INDEPENDENT AUDITOR	Grant Thornton Chartered Accountants and Statutory Audit Firm 24 – 26 City Quay Dublin 2 Ireland DO2 NY19
BANKER	Barclays Bank PLC 1 Churchill Place London E14 5HP United Kingdom Commonwealth Bank of Australia Tower 1 201 Sussex Street Sydney NSW 2000 Australia
ORIGINATOR	Mars Capital Finance Limited Ashcombe House 5 The Crescent Leatherhead Surrey KT22 8DY United Kingdom
SOLICITORS	Matheson 70 Sir John Rogerson's Quay Dublin 2 Ireland D02 R296

DIRECTORS' REPORT

The directors present their annual report together with the audited financial statements of Magellan Funding No2 Designated Activity Company (the "Company") for the financial year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The Company was incorporated on 12 April 2013, under the laws of Ireland.

The Company was set up to contribute funds to the Originator, to be applied in the origination of loans and receivables secured on residential properties located in the United Kingdom, and/or to acquire beneficial interests in loans and receivables and their related security held or any other funding vehicle (the "Mortgage Loans") under or pursuant to the terms of the Mortgage Original and Trust Deed ("Trust Deed").

The purchases of the Mortgage Loans were funded by the issuance of Class A Loan Notes ("Class A Notes") and Class B Loan Notes ("Class B Notes") (together, the "Notes") to investors (the "Noteholders").

The Class A Notes and the Class B Notes each form a single series. The Notes constitute secured obligations of the Company, ranking pari passu without any preference among themselves. The Notes issued by the Company are limited recourse secured obligations which are payable solely out of amounts received by or on behalf of the Company in respect of the Mortgage Loans.

On 6 January 2017, the Notes were listed on the Channel Islands Stock Exchange.

BUSINESS REVIEW

The Notes are subject to mandatory redemption in part at each interest payment date in an amount equal to the principal received or recovered in respect of the Mortgage Loans.

The Company transferred its beneficial interest in certain Mortgage Loans to Magellan Homeloans Funding No.1 Limited ("MF1H").

RESULTS AND DIVIDENDS

The results for the financial year are set out on page 11. The directors do not recommend the payment of a dividend.

FUTURE DEVELOPMENTS

The directors have no plans to liquidate the Company and have a reasonable expectation that the Company will continue in operational existence for the foreseeable future.

GOING CONCERN REVIEW

The directors have considered the financial situation of the Company including the events subsequent to the financial year-end. The portfolio of Mortgage Loans is expected to generate sufficient future cash flows to fund the Company's on-going operations. The Notes have a final maturity date of October 2044. Thus, the directors have concluded that it is appropriate to prepare the financial statements on a going concern basis.

SIGNIFICANT SUBSEQUENT EVENTS

The United Kingdom's decision to leave the European Union has created the potential for higher capital market volatility. It is too early to tell what the totality of consequences may be for currencies, the wider European Union and certain sectors that rely on the free movement of goods and services across the continent. At present, market players await the unfolding of the political situation in the U.K. and some direction on how negotiations with Europe will develop. The directors of the Company are monitoring this and are assessing its impact.

On 13 July 2018, Stuart Maher resigned as director of the Company and Sam Sengupta was appointed on the same date.

On 31 May 2018, John Hackett resigned as a director of the Company.

On 12 July 2018, the Company entered into a mortgage sale agreement with Magellan Homeloans Funding No.1 Limited, Camael Mortgages DAC and Cherub Funding DAC whereby the Company purchased the beneficial title to and interest in certain loan portfolios. The Company in turn has sold this mortgage portfolio to Trinidad Mortgage Securities 2018-1.

There were no other significant subsequent events which need to be adjusted or disclosed in the financial statements.

RELATED PARTY TRANSACTIONS

Related party	Relationship	Transactions
John Hackett	Director of TMF Administration Limited, and alternate director to Stuart Maher	None
Sam Sengupta	Director of Magellan Funding No 2 DAC, Magellan Funding Group and alternate director to Stuart Maher	None
Stuart Maher	Director of Magellan Funding No 2 DAC and Magellan Funding Group	None
Deirdre Bourke	Director of Magellan Funding No 2 DAC and Magellan Funding Group	None
Francesco Buffi	Director of Magellan Funding No 2 DAC and Magellan Funding Group	None
Anthony Noonan	Director of Magellan Funding No 2 DAC and Magellan Funding Group	None
Dominions Mortgages DAC	Common directors as the Company	On 17 August 2015, the Company transferred its beneficial interest in certain Mortgage Loans amounting to £3,882,614 to Dominions Mortgages DAC.
Magellan Homeloans Funding No.1 Limited	Group company	On the 13 October 2016, the Company transferred its beneficial interest in certain Mortgages Loans to Magellan Homeloans Funding No.1 Limited. The deemed loan at 31 December 2017 amounted to £137,094,262.

There were no other contracts of any significance in relation to the business of the Company in which the directors had any interest, as defined in the Companies Act 2014, at any time during the financial year.

PRINCIPAL RISKS AND UNCERTAINTIES

The operations of the Company are subject to various risks. Information about the financial risk management objectives and policies of the Company, along with exposure of the Company to market risk, credit risk, liquidity risk and operational risk, are disclosed in Note 14 to the financial statements.

POWERS OF DIRECTORS

The Board is responsible for managing the business affairs of the Company in accordance with the Company's Constitution. The directors may delegate certain functions to the Administrator and other parties, subject to the supervision and direction of the directors.

ANNUAL CORPORATE GOVERNANCE STATEMENT

The board of directors or (the "Board") is responsible for establishing and maintaining adequate internal control and risk management systems of the Company in relation to the financial reporting process. Such systems are designed to manage rather than eliminate the risk of failure to achieve the Company's financial reporting objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has established processes regarding internal control and risk management systems to ensure effective oversight of the financial reporting process. These include appointing the Administrator to maintain the accounting records of the Company independently of the Originator and of Citicorp Trustee Company Limited (the "Security Trustee").

The Administrator is contractually obliged to maintain proper accounting records and to that end performs reconciliations of its records to those of the Originator and the Trustee. The Administrator is also contractually obliged to prepare the annual report including financial statements for review and approval by the Board. The Board evaluates and discusses significant accounting and reporting issues as the need arises. From time to time the Board also examines and evaluates the Administrator's financial accounting and reporting routines and monitors and evaluates the external auditors' performance, qualifications and independence.

ANNUAL CORPORATE GOVERNANCE STATEMENT (CONTINUED)

The Administrator has operational responsibility for internal control in relation to the financial reporting process and the Administrator reports to the Board. The Board is responsible for assessing the risk of irregularities whether caused by fraud or error in financial reporting and ensuring that the processes are in place for the timely identification of internal and external matters with a potential effect on financial reporting. The Board has also put in place processes to identify changes in accounting rules and recommendations and to ensure that these changes are accurately reflected in the Company's financial statements.

The Administrator is contractually obliged to design and maintain control structures to manage the risks which the Board judges to be significant for internal control over financial reporting. These control structures include appropriate segregation of responsibilities and specific control activities aimed at detecting or preventing the risk of significant deficiencies in financial reporting for every significant account in the financial statements and the related notes in the Company's annual report. The Board delegates the servicing function to the Originator who operates a sophisticated system of controls to ensure appropriate record keeping.

The Company's policies and the Board's instructions with relevance for financial reporting are updated and communicated via appropriate channels, such as e-mail, correspondence and meetings to ensure that all financial reporting information requirements are met in a complete and accurate manner.

The Board has an annual process to ensure that appropriate measures are taken to consider and address recommendations by the independent auditors. The fair value of the Company's interests in financial assets has been estimated by the Originator using valuation techniques such as recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow techniques or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions. The valuation techniques are verified by an independent external valuer.Given the contractual obligations on the Administrator and the Originator, the Board has concluded that there is currently no need for the Company to have a separate internal audit function in order for the Board to perform effective monitoring and oversight of the internal control and risk management systems of the Company in relation to the financial reporting process. Therefore, the Company has taken the exemption available for Section 110 companies set out under statutory instrument No.220 of 2010 part 9 Section. 91 SS. 9(d) not to have a separate audit committee.

No director has a significant direct or indirect holding of securities in the Company or has any special rights of control over the Company's share capital. There are no restrictions on voting rights.

With regard to the appointment and replacement of directors, the Company is governed by the Company's constitution and Irish statute comprising the Companies Act 2014 and Companies (Accounting) Act 2017. The Company's constitution may be amended by special resolution of the shareholders.

DIRECTORS AND COMPANY SECRETARY

The directors and company secretary of the Company are listed on page 2 and except where indicated, have served for the entire financial year. The directors and company secretary had no material interest in any contract of significance in relation to the business of the Company other than that disclosed below. The directors and company secretary who held office on 31 December 2017 did not hold any shares, debentures or loan stock of the Company (31 December 2016: nil) on that date or during the financial year.

DIRECTORS' COMPLIANCE STATEMENT

The directors, in accordance with Section 225(2) (a) of the Companies Act 2014 (the "Act"), acknowledge that they are responsible for securing the Company's compliance with its "relevant obligations." "Relevant obligations", in the context of the Company, are the Company's obligations under:

(a) the Act, where a breach of the obligations would be a category 1 or category 2 offence;
(b) the Act, where a breach of the obligation would be a serious Market Abuse or Prospectus offence; and
(c) tax law.

Pursuant to Section 225(2) (b) of the Act, the directors confirm that:

(i) a compliance policy statement has been drawn up as required by Section 225(3)(a) of the Act setting out the Company's policies (that, in the directors' opinion, are appropriate to the Company) respecting compliance by the Company with its relevant obligations;
(ii) appropriate arrangements and structures have been put in place that, in their opinion, secure material compliance with the Company's relevant obligations, and
(iii) a review has been conducted, in financial year, of the arrangements and structures referred to in paragraph (ii).

DISCLOSURE OF INFORMATION TO AUDITORS

So far as each of the directors in office at the date of approval of the financial statements is aware:

- There is no relevant audit information of which the Company's auditors are unaware; and
- The directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 330 of the Companies Act 2014.

ACCOUNTING RECORDS

The directors are responsible for ensuring that adequate accounting records, as outlined in Section 281 to 285 of the Companies Act, 2014, are kept by the Company. The measures taken by directors to ensure compliance with the Company's obligation to keep adequate accounting records are the use of appropriate systems and procedures and by ensuring that a competent service provider is responsible for the preparation and maintenance of the accounting records. The accounting records are kept at 3rd Floor, Kilmore House, Park Lane, Spencer Dock, Dublin 1, D01 YE64, Ireland.

INDEPENDENT AUDITOR

Grant Thornton, Chartered Accountants and Statutory Audit Firm, have expressed their willingness to continue in office in accordance with Section 383(2) of the Companies Act 2014.

This report was approved and authorised for issue by the Board on 2 August 2018 and signed on its behalf by:

Sam Sengupta
Director

Deirdre Bourke
Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the directors' report and the financial statements in accordance with Irish law.

Irish law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Under Irish law the directors shall not approve the financial statements unless they are satisfied that they give a true and fair view of the Company's assets, liabilities and financial position as at the end of the financial year and of the profit or loss of the Company for the financial year.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to:

- correctly record and explain the transactions of the Company;
- enable, at any time, the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy; and
- enable the directors to ensure that the financial statements comply with the Companies Act 2014 and Companies (Accounting) Act 2017 and enable those financial statements to be audited.

The directors 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.

This report was approved by the Board and authorised for issue on 2 August 2018.

Sam Sengupta
Director

Deirdre Bourke
Director

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF MAGELLAN FUNDING NO2 DESIGNATED ACTIVITY COMPANY

Opinion
We have audited the financial statements of Magellan Funding No.2 Designated Activity Company (or the "Company") for the financial year ended 31 December 2017, which comprise of the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes to the financial statements, including the summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the financial statements is Irish law and accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland including International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the Company's financial statements:

- give a true and fair view in accordance with International Financial Reporting Standards (as adopted by the European Union) of the assets, liabilities and financial position of the Company as at 31 December 2017 and of its financial performance and cash flows for the financial year then ended; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014 and the Companies (Accounting) Act 2017.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (Ireland) ('ISAs (Ireland)) and applicable law. Our responsibilities under those standards are further described in the 'responsibilities of the auditor 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 Ireland, namely the Irish Auditing and Accounting Supervisory Authority (IAASA) Ethical Standard concerning the integrity, objectivity and independence of the auditor, and the ethical pronouncements established by Chartered Accountants Ireland, applied as determined to be appropriate in the circumstances for the entity. 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 (Ireland) 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
Other information comprises information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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 in the financial statements, 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.

INDEPENDENT AUDITOR'S REPORT (continued)
TO THE MEMBERS OF MAGELLAN FUNDING NO2 DESIGNATED ACTIVITY COMPANY

Matters on which we are required to report by the Companies Act 2014 and the Companies (Accounting) Act 2017

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited.
- The financial statements are in agreement with the accounting records.
- In our opinion the information given in the directors' report is consistent with the financial statements. Based solely on the work undertaken in the course of our audit, in our opinion, the directors' report has been prepared in accordance with the requirements of the Companies Act 2014 and the Companies (Accounting) Act 2017.

Matters on which we are required to report by exception
Based on our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

Under the Companies Act 2014 we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by section 305 to 312 of that Act have not been made. We have no exceptions to report arising from this responsibility.

Responsibilities of management and those charged with governance for the financial statements
As explained more fully in the statement of director's responsibilities, management is responsible for the preparation of the financial statements which give a true and fair view in accordance with Generally Accepted Accounting Practice in Ireland, including IFRS as adopted by the European Union, and for such internal control as they determine 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, management is 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Responsibilities of the auditor for the audit of the financial statements
The auditor's 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 their opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (Ireland), the auditor will exercise professional judgment and maintain professional scepticism throughout the audit. The auditor will also:

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

INDEPENDENT AUDITOR'S REPORT (continued)
TO THE MEMBERS OF MAGELLAN FUNDING NO2 DESIGNATED ACTIVITY COMPANY

Responsibilities of the auditor for the audit of the financial statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a matter that achieves a true and fair view.

The auditor communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that may be identified during the audit.

The purpose of our audit work and to whom we owe our responsibilities
This report is made solely to the Company's members, as a body, in accordance with section 391 of the Companies Act 2014. 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.

David Lynch
for and on behalf of
Grant Thornton
Chartered Accountants and Statutory Audit Firm
24 - 26 City Quay
Dublin 2

Date: 2 August 2018

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Notes	Financial year ended 31-Dec-17 £	Financial year ended 31-Dec-16 £
Net gain on financial assets and liabilities at fair value through profit or loss	3	1,426,355	1,197,001
Fair value movement on derivative financial instrument	4	(40,129)	(28,293)
Operating income		1,386,226	1,168,708
Administration expenses	5	(1,386,226)	(1,168,708)
Profit on ordinary activities before taxation		-	-
Taxation	6	-	-
Profit on ordinary activities after taxation		-	-
Other comprehensive income for the financial year		-	-
Total comprehensive income for the financial year		-	-

The accompanying notes on pages 15 to 29 form an integral part of these financial statements.

All amounts relate to continuing operations.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Notes	31-Dec-17 £	31-Dec-16 £
Assets			
Financial assets at fair value through profit or loss	7	182,427,062	99,890,142
Derivative financial instrument	8	578	40,707
Other receivables	9	17,977,409	11,328,575
Cash and cash equivalents	10	2,706,680	412,591
Total assets		**203,111,729**	**111,672,015**
Liabilities and equity			
Financial liabilities at fair value through profit or loss	11	205,099,055	113,683,830
Other payables	12	191,775	167,286
Total liabilities		205,290,830	113,851,116
Equity attributable to equity shareholders			
Called up share capital presented as equity	13	1	1
Retained earnings		(2,179,102)	(2,179,102)
Total equity		(2,179,101)	(2,179,101)
Total equity and liabilities		**203,111,729**	**111,672,015**

The accompanying notes on pages 15 to 29 form an integral part of these financial statements.

The financial statements were approved and authorised by the Board on 2 August 2018 and signed on its behalf by:

Sam Sengupta
Director

Deirdre Bourke
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Share capital	Retained earnings	Total
	£	£	£
As at 1-Jan-17	1	(2,179,102)	(2,179,101)
Profit for the financial year	-	-	-
As at 31-Dec-17	1	(2,179,102)	(2,179,101)

	Share capital	Retained earnings	Total
	£	£	£
As at 1-Jan-16	1	(2,179,102)	(2,179,101)
Profit for the financial year	-	-	-
As at 31-Dec-16	1	(2,179,102)	(2,179,101)

The notes on pages 15 to 29 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Notes	Financial year ended 31-Dec-2017	Financial year ended 31- Dec-2016
Cash flows from operating activities		£	£
Profit on ordinary activities before taxation		-	-
Adjustments:			
Increase in other receivables		(6,648,834)	(1,410,907)
Increase / (decrease) in other payables		24,489	(37,223)
Net cash flows (used in) operating activities		(6,624,345)	(1,448,130)
Cash flows from investing activities			
Movement in financial assets at fair value through profit or loss		(82,536,920)	(84,703,055)
Movement on derivative financial instrument		40,129	(40,707)
Net cash flows (used in) financing activities		(82,496,791)	(84,743,762)
Cash flows from financing activities			
Movement in financial liabilities at fair value through profit or loss		91,415,225	85,744,767
Net cash flows from financing activities		91,415,225	85,744,767
Net increase / (decrease) in cash and cash equivalents		2,294,089	(447,125)
Cash and cash equivalents at the beginning of the financial year	10	412,591	859,716
Cash and cash equivalents at the end of the financial year	10	2,706,680	412,591

Supplementary information:

Interest received	8,105,138	2,043,294
Interest paid	-	-
Dividends received	-	-
Dividends paid	-	-

The notes on pages 15 to 29 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

1. Background to the Company

The Company was incorporated on 12 April 2013, under the laws of Ireland with a company registration number 526121. The Company is a designated activity company and qualifies for the regime contained in Section 110 of the Irish Taxes Consolidation Act, 1997 ("TCA, 1997"). This provides that a qualifying company will be liable to corporation tax at the rate of 25% under Case III of Schedule D in respect of taxable profits. The registered office is located at 3rd Floor, Kilmore House, Park Lane, Spencer Dock, Dublin 1, D01 YE64, Ireland.

2. Accounting policies

(a) Statement of compliance

The financial statements are prepared in accordance with IFRS as adopted by the EU and those parts of the Companies Act 2014 and Companies (Accounting) Act 2017 applicable to companies reporting under IFRS. The financial statements have been prepared on a going concern basis. The directors have considered the financial situation of the Company including the events subsequent to the financial year end. The Mortgage Loans generate sufficient future cash flows to fund the Company's on-going operations. The Notes have a final maturity date of October 2044. The accounting policies adopted by the Company have been applied consistently.

(b) Adoption of new and revised accounting standards

The Company has applied all relevant and applicable standards.

(i) New standards not yet adopted

The likely impact on the future financial statements of the Company of IFRSs which are issued by the IASB but not yet effective and have not been adopted in the financial statements are briefly outlined as follows:

IFRS 9, 'Financial Instruments': This standard on classification and measurement of financial assets and financial liabilities will replace IAS 39, 'Financial Instruments: Recognition and Measurement'. IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. 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. IFRS 9 further introduces new requirements for hedge accounting that align hedge accounting more closely with risk management. The mandatory effective date of IFRS 9 is 1 January 2018.

IFRS 15, Revenue from Contracts with Customers: IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Company plans to adopt the new standard on the required effective date.

The Company has not adopted any other new standards or interpretations that are not mandatory. The directors anticipate that the adoption of those standards or interpretations will have no material impact on the financial statements of the Company in the financial year of initial application.

(c) Functional and presentation currency

The financial statements are presented in Pound Sterling (or "£") which is the Company's functional currency. The functional currency is the currency of the primary economic environment in which the entity operates. The Mortgage Loans and the Notes issued are denominated in Pound Sterling. The directors of the Company believe that the Pound Sterling most faithfully represents the economic effects of the underlying transactions, events and conditions.

(d) Use of estimates and judgements

The preparation of the financial statements requires management to make judgments, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the financial year in which the estimate is revised and in any future financial years affected.

2. Accounting policies (continued)

(d) Use of estimates and judgements (continued)

Fair value of financial assets
The most significant estimate used is the fair value measurement of the Company's financial assets. The fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Where available, fair value is based on observable market prices or parameters, or derived from such prices or parameters when observable prices or inputs are not available, valuations models are applied. The significant estimates in relation to the fair value of the Company's interests in financial assets relate to the timing of cash flows from the realisation of the financial assets and the discount rate used in the valuation techniques applied. The carrying amount of financial assets recorded at fair value has been disclosed in Note 7.

De-recognition of Mortgage Loans transferred to Dominions Mortgages DAC ("Dominions")
The beneficial ownership of certain Mortgage Loans have been transferred under a Mortgage Sale Agreement to Dominions by the Company. It has been assessed and concluded by management that the Company has transferred the residual risks and rewards of ownership.

(e) Financial instruments

Classification

The Company has adopted the following classifications for financial instruments:

Financial assets:
- At fair value through profit or loss: Investments in mortgage loans (or the "Mortgage Loans"), and receivables from Magellan Homeloans Funding No.1 Limited ("MF1H");
- Amortised cost: Cash and cash equivalents and other receivables.

Financial liabilities:
- At fair value through profit or loss: Loans repayable to the Class A and Class B Noteholders (or the "Notes") and the Deemed Loans from MF1H (or the "Deemed Loan");
- Amortised cost: Other payables.

The Company's Notes have been designated at fair value through profit or loss so as to eliminate or significantly reduce a measurement or recognition inconsistency i.e. "an accounting mismatch" that would otherwise arise from measuring liabilities or recognising gains and losses relating to the Notes held on a different basis.

Initial measurement

Financial instruments classified at fair value through profit or loss, are measured initially at fair value, with transaction costs for such instruments being recognised in the Statement of Comprehensive Income. Purchases and sales of financial instruments are accounted for on the trade date.

Financial instruments that are not held at fair value through profit or loss are initially recognised at fair value.

Subsequent measurement

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Financial instruments that are not held at fair value through profit or loss are subsequently recognised at amortised cost using the effective interest method.

Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

If a quoted market price is not available, the fair value of the financial instruments may be estimated by the directors with the assistance of the Originator using valuation techniques such as recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow techniques or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on the Originators best estimates and the discount rate used is a market rate at the Statement of Financial Position date applicable for an instrument with similar terms and conditions. The Company's financial assets were measured using discounted cash flow techniques for the financial year ended 31 December 2017 (2016: same) and have been independently verified by an external valuer.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

(e) Financial instruments (continued)

Transfer between levels of the fair value hierarchy

Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

There were no transfers between levels during the year.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position where the Company currently has a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability in the Statement of Financial Position.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised), and the consideration received (including any new asset obtained less any new liability assumed) is recognised in the Statement of Comprehensive Income.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

Net gain / loss on financial assets and liabilities at fair value through profit or loss

Realised gains or losses on 'redeemed' Mortgage Loans are recorded as part of net gain / (loss) on financial assets at fair value through profit or loss within the Statement of Comprehensive Income.

Unrealised gains or losses relate to gains or losses arising from changes in fair value of financial assets and liabilities during the financial year. Unrealised gains or losses on financial assets and liabilities are recognised within net gain / (loss) on financial assets and liabilities at fair value through profit or loss within the Statement of Comprehensive Income.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred

Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability. The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Realised gains and losses are recognised upon sale of the financial assets. The difference between the cost and proceeds received from sale is recognised in the Statement of Comprehensive Income in the year.

(f) Interest income and expense

Interest income and expense is recognised in the Statement of Comprehensive Income, using the original effective-interest rate of the instrument calculated at the acquisition or origination date. Interest income on the Mortgage Loans has been included in "Net gain / loss on financial assets and liabilities at fair value through profit or loss" in the Statement of Comprehensive Income.

(g) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the Statement of Comprehensive Income.

2. Accounting policies (continued)

(h) Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the financial years, using the tax rates applicable to the Company's activities enacted or substantively enacted at the reporting date, and adjustments to tax payable in respect of previous financial years, if any.

Deferred taxation is accounted for, without discounting, in respect of all temporary differences between the treatment of certain items for taxation and accounting purposes which have arisen but have not been reversed by the financial year end date except as otherwise required by IAS 12 'Deferred Tax'. Provision is made at the tax rates which are expected to apply in the financial year in which the temporary differences reverse. Deferred tax assets are recognised only to the extent that it is considered more likely than not that they will be recovered. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(i) Cash and cash equivalents

Cash and cash equivalents includes cash held with banks which is subject to insignificant risk in terms of changes of fair value with original maturities of three months or less, and are used by the Company in the management of its short term commitments.

(j) Operating income and expenses

All operating income and expenses are accounted for on an accruals basis.

(k) Limited recourse

If the net proceeds of realisation of the financial assets secured as collateral against the Notes are less than the aggregate amount payable by the Company to the Noteholders, the obligations of the Company will be limited to such net proceeds, which will be applied in accordance with the Notes agreement. In such circumstances, the other assets of the Company will not be available for payment of such shortfall which will be borne by the Noteholder and the other secured parties in accordance with the Notes agreement applied at the time of final settlement.

Interest expense payable to the Noteholders is calculated by the principal paying agent based on the applicable rate as defined in the Notes agreement. The recourse of the Noteholders towards the Company is limited to the Company's secured assets. Should the realisation of the secured assets prove insufficient to pay the Noteholders in full, the Noteholders will have no legal claim against the Company for the shortfall. The returns made to the Noteholders over the life of the Company would include the effect of capital gain/loss as well as interest, and the gain or loss will ultimately pass to the Noteholders. Any deficit reported in the Statement of Financial Position will be passed to the Noteholders upon maturity and no such loss will be borne by equity holders.

(l) Share Capital

Ordinary shares are not redeemable and are classified as equity.

(m) Administration expenses

Administration expenses include amounts accrued for expenses such as administration, Originator, term facility fees, audit and tax fees incurred at the financial year end.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

(n) Deemed Loan from MF1H

The Deemed Loan from MF1H represents consideration received by the Company in respect of the disposal of the beneficial ownership of certain Mortgage Loans.

The beneficial ownership of certain Mortgage Loans has been transferred under Mortgage Sale Agreements to MF1H, however the directors assessed and concluded that the Company retained the residual risks in the Mortgage Loans due to its entitlement to deferred consideration and providing finance to MF1H in the form of subordinated loans. The Company is also required to repurchase transferred loans when certain trigger credit events occur. It was therefore determined that the Company did not transfer substantially all the risks and rewards to MF1H, failing the derecogntion criteria under IAS 39. This resulted in a "deemed loan" being recognised in the Company's financial statements from MF1H.

The Deemed Loan from MF1H is carried at fair valued through profit or loss and classified as financial liabilities at fair value through profit or loss within the Company's Statement of Financial Position.

(o) Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which the contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from recent market transactions and valuation techniques, including discounted cash flow models and options pricing models as appropriate. Derivative financial instruments are included in assets when their fair value is positive and liabilities when their fair value is negative, unless there is the legal ability and intention to set off. Gain and loss arising from changes in the fair value of the derivative financial instruments are included in the Statement of Comprehensive Income in the period in which they arise. Derivative financial instruments are classified as held for trading.

3. Net gain on financial assets and liabilites at fair value through profit or loss

	Financial year ended 31-Dec-2017 £	Financial year ended 31-Dec-2016 £
Interest income received from Dominions	54,115	55,177
Net gain on financial assets and liabilities	1,372,240	1,141,824
	1,426,355	1,197,001

4. Fair value movement on derivative financial instrument

	Financial year ended 31-Dec-2017 £	Financial year ended 31-Dec-2016 £
Fair value movement on derivative financial instrument	(40,129)	(28,293)
	(40,129)	(28,293)

5. Administration expenses

	Financial year ended 31-Dec-2017 £	Financial year ended 31-Dec-2016 £
Legal and professional fees	1,338,228	1,145,200
Other costs	22,759	2,198
Audit and tax fees	25,239	21,310
	1,386,226	1,168,708

The Company has no employees. Accounting and other services have been outsourced to the Administrator. There were no directors fees charged during the financial year.

Fees and expenses paid to the statutory auditor, Grant Thornton in respect of the financial year, entirely relate to the statutory audit of the financial statements and tax compliance fees of the Company. There were no fees or expenses paid in respect of other assurance, non-routine tax advisory or non-audit services provided by the statutory auditor for the financial year ended 31 December 2017 (31 December 2016: nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

6. Taxation

	Financial year ended 31-Dec-17	Financial year ended 31-Dec-16
	£	£
Company corporation tax based on result for the financial year	-	-

Factors affecting Company tax charge for the financial year are detailed below:

The current tax charge for the financial year that would result from applying the standard rate of Irish corporation tax to profits on ordinary activities are explained below:

	Financial year ended 31-Dec-17	Financial year ended 31-Dec-16
	£	£
Company taxable profit/loss	-	-
Profit on ordinary activities multiplied by the standard rate of tax for the financial year of 12.5%		-
Effect of: Higher rate tax applicable under section 110 TCA, 1997	-	-
Current tax charge for the financial year	-	-

7. Financial assets at fair value through profit or loss

	Financial year ended 31-Dec-2017	Financial year ended 31-Dec-2016
	£	£
Mortgage Loans	145,545,791	76,971,868
Receivable from MF1H	36,881,271	22,918,274
	182,427,062	99,890,142

Receivables from MF1H relates to subordinated loans and deferred consideration due to the Company as part of the transfer of certain Mortgage Loans to MF1H. Receivables from MF1H are carried at fair value through profit or loss.

8. Derivative financial instrument

	Notional Amount	Financial year ended 31-Dec-17	Financial year ended 31-Dec-16
	£	£	£
Cost	80,000,000	69,000	69,000
Fair value movement on derivative financial instrument		(68,422)	(28,293)
		578	40,707

9. Other receivables

	Financial year ended 31-Dec-17	Financial year ended 31-Dec-16
	£	£
Receivable from Dominions	3,882,614	4,327,198
Amount owed by the Originator	14,094,794	7,001,376
Other receivables	1	1
	17,977,409	11,328,575

10. Cash and cash equivalents

	Financial year ended 31-Dec-17	Financial year ended 31-Dec-16
	£	£
Cash and cash equivalents	2,706,680	412,591

11. Financial liabilities at fair value through profit or loss

	Financial year ended 31-Dec-17 £	Financial year ended 31-Dec-16 £
Deemed Loan from MF1H	137,094,262	72,672,705
Notes issued	68,004,793	41,011,125
	205,099,055	113,683,830

The Deemed Loan from MF1H represents consideration received by the Company in respect of the disposal of the beneficial ownership of certain Mortgage Loans.

The Notes are subject to mandatory redemption in part on each interest payment date in an amount equal to the principal received or recovered in respect of the Loans and receivables including excess interest received in certain cases, and in some cases special events trigger additional repayment of principal on Notes. The Noteholders are also entitled to receive interest on each distribution date where there are funds available after paying all prior ranking claims pursuant to the loan note issuance facility deed. The Notes have a final maturity date of October 2044.The Notes constitute secured obligations of the Company, ranking pari passu without any preference among themselves.

12. Other payables

	Financial year ended 31-Dec-17 £	Financial year ended 31-Dec-16 £
Accruals	24,159	59,791
Payables to Originator	130,229	70,108
Payable to third party	37,387	37,387
	191,775	167,286

13. Ordinary share capital presented as equity

	Financial year ended 31-Dec-17 £	Financial year ended 31-Dec-16 £
Authorised		
100,000,000 ordinary shares of €1 each	84,970,000	84,970,000
Allotted, called up and fully paid		
1 ordinary share of €1	1	1

The Company's capital as at the financial year end is best represented by the ordinary shares outstanding.

The Company has issued 1 share of the total authorised shares of 100,000,000 to Magellan Funding Group Designated Activity Company, the Company's ultimate parent undertaking.

14. Financial risk management

The Company's financial instruments include financial assets, derivative financial instruments, cash and cash equivalents, other receivables, financial liabilities and other payables that arise directly from its operations.

The Board has overall responsibility for the establishment and oversight of the Company's risk management framework.

The risk profile of the Company is such that market risk, credit risk, liquidity risk and other risks of the financial assets are borne fully by the Noteholders.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

14. Financial risk management (continued)

The Company has exposure to the following risks from its use of financial instruments:

Market risk;
Credit risk;
Liquidity risk;
Operational risk; and
Concentration risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk and the Company's management of capital.

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while categorising the return on risk. Market risk embodies the potential for both losses and gains and includes interest rate risk, currency risk and market price risk. The Noteholder is exposed to the market risk of the financial assets, derivative financial instruments and other receivables.

(i) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in foreign currency.

The Notes issued by the Company are denominated in Pound Sterling. The proceeds of these issues are used to fund the purchase of the Loans and receivables. Therefore, the exposure to foreign currency movements is limited. The only non-GBP transactions are certain expenses payable in Euro (or "EUR"). The Company has not entered into any currency hedge transactions.

The following table provides an analysis of the Company position as at 31 December 2017.

31-Dec-17

	GBP	EUR	Total
Assets	£	£	£
Financial asset at fair value through profit or loss	182,427,062	-	182,427,062
Derivative financial instrument	578	-	578
Cash and cash equivalents	2,706,680	-	2,706,680
Other receivables	17,977,408	1	17,977,409
Total	203,111,728	1	203,111,729
Liabilities			
Financial liabilities at fair value through profit or loss	205,099,055	-	205,099,055
Trade and other payables	167,616	24,159	191,775
Total	205,266,671	24,159	205,290,830

31-Dec-16

	GBP	EUR	Total
Assets	£	£	£
Financial asset at fair value through profit or loss	99,890,142	-	99,890,142
Derivative financial instrument	40,707	-	40,707
Cash and cash equivalents	412,591	-	412,591
Other receivables	11,328,574	1	11,328,575
Total	111,672,014	1	111,672,015
Liabilities			
Financial liabilities at fair value through profit or loss	113,683,830	-	113,683,830
Trade and other payables	129,899	37,387	167,286
Total	113,813,729	37,387	113,851,116

Sensitivity analysis

No sensitivity analysis is presented as the exposure to foreign currency risk is limited.

14. Financial risk management (continued)

(a) Market risk (continued)

(ii) Price risk (continued)

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its seller, or factors affecting similar financial instruments traded in the market. The Originator monitors the cash flows of the financial assets on a monthly basis.

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

The level in the fair value hierarchy in which each fair value measurement is categorised includes:

- Level 1: quoted prices (unadjusted) in an active market for identical assets or liabilities;
- Level 2: inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liabilities that are not based on observable market data (unobservable inputs).

Financial instruments measured at fair value through profit or loss

31-Dec-2017	Level 1	Level 2	Level 3	Total
	£	£	£	£
Assets				
Financial assets at fair value through profit or loss	-	-	182,427,062	182,427,062
Derivative financial instrument	-	578	-	578
	-	578	182,427,062	182,427,640
Liabilities				
Financial liabilities at fair value through profit or loss	-	-	205,099,055	205,099,055
	-	-	205,099,055	205,099,055

31-Dec-2016	Level 1	Level 2	Level 3	Total
	£	£	£	£
Assets				
Financial assets at fair value through profit or loss	-	-	99,890,142	99,890,142
Derivative financial instrument	-	40,707	-	40,707
	-	40,707	99,890,142	99,930,849
Liabilities				
Financial liabilities at fair value through profit or loss	-	-	113,683,830	113,683,830
	-	-	113,683,830	113,683,830

Financial assets represent the expected future cash flows from the Company's interests in a pool of Mortgage Loans. The fair value of the financial assets have been determined using market indications and other factors such as discounted future cash flows, discount rates, prepayment rates, default rates and firesale discounts. As such level 3 is deemed to be the most appropriate categorisation for the Company's interests in financial assets

A Deemed Loan from MF1H and the Notes issued not only represent the contractual amounts and obligations due by the Company for settlement of amounts payable to MF1H and the Noteholders but also represent the residual profit or loss of the Company. As such level 3 is deemed to be the most appropriate categorisation for the Company's Deemed Loans from MF1H and the Notes issued.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

14. Financial risk management (continued)

(a) Market risk (continued)

(ii) Price risk (continued)

The table below reconciles the fair value of the financial instruments categorised in Level 3 as at 31 December 2016 to the fair value of the financial instruments categorised in Level 3 as at 31 December 2017:

	Financial year ended 31-Dec-17	Financial year ended 31-Dec-16
Level 3 Reconciliation - Mortgage Loans	**£**	**£**
Balance at the beginning of the financial year	99,890,142	15,187,087
Movement in Mortgage Loans	82,536,920	84,703,055
Balance at the end of the financial year	182,427,062	99,890,142

	Financial year ended 31-Dec-17	Financial year ended 31-Dec-16
Level 3 Reconciliation – Notes issued	**£**	**£**
Balance at the beginning of the financial year	113,683,830	27,939,063
Movement in Notes issued	91,415,225	85,744,767
Balance at the end of the financial year	205,099,055	113,683,830

The following table presents additional information about valuation techniques and inputs used for financial assets and liabilities which consist solely of Mortgage Loans and Notes issued that are measured at fair value and categorised within Level 3 as of 31 December 2017:

Financial Instrument	Valuation techniques	Unobservable inputs	Input range
			%
Financial assets	Discounted cash flow	IRR	7.00% - 5.00%
		Probability of default	7.50% - 2.50%
		Prepayment risk	6.00% - 12.00%
Deemed Loan to MF1H	N/A	N/A	N/A
Notes issued	Contingent interest	Profit sweep	N/A

The following table presents additional information about valuation techniques and inputs used for financial assets and liabilities which consist solely of Mortgage Loans and Notes issued that are measured at fair value and categorised within Level 3 as of 31 December 2016:

Financial Instrument	Valuation techniques	Unobservable inputs	Input range
			%
Financial assets	Discounted cash flow	IRR	7.0% – 5.0%
		Probability of default	1%
		Prepayment risk	6.0% - 4.0%
Deemed Loan from Dominions	N/A	N/A	N/A
Notes issued	Contingent interest	Profit sweep	N/A

Assumptions applied to the property valuation methology include prepayment rates,default rates, IRR and firesale discounts. Included in the valuation methology are assumptions about the appreciation of property prices based on locations within the country.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

14. Financial risk management (continued)

(a) Market risk (continued)

(ii) Price risk (continued)

Price risk and unobservable inputs sensitivity analysis

Due to the limited recourse nature of the Notes issued by the Company, profits or losses arising from movements in fair value of financial instruments pass to the Noteholders. Therefore, the Company has no net exposure to price risk and as such no level 3 sensitivity analysis has been presented.

Financial instruments not measured at fair value through profit or loss but for which fair values are presented

The table below analyses the fair values of financial instruments not measured at fair value, by the level in the fair value hierarchy in which each fair value measurement is categorised:

31-Dec-2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets	**£**	**£**	**£**	**£**
Other receivables	-	14,094,795	3,882,614	17,977,409
Cash and cash equivalents	2,706,680	-	-	2,706,680
	2,706,680	14,094,795	3,882,614	20,684,089
Liabilities				
Other payables	-	191,775	-	191,775
	-	191,775	-	191,775

31-Dec-2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets	**£**	**£**	**£**	**£**
Other receivables	-	7,001,377	4,327,198	11,328,575
Cash and cash equivalents	412,591	-	-	412,591
	412,591	7,001,377	4,327,198	11,741,166
Liabilities				
Other payables	-	167,286	-	167,286
	-	167,286	-	167,286

The assets and liabilities included in the above table are carried at amortised cost; their carrying values are a reasonable approximation of fair value.

Cash and cash equivalents comprise cash on hand and short term demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant changes in value with a maturity of three months or less. As such, level 1 has been deemed the most appropriate categorisation for the Company's cash and cash equivalents.

Other receivables and other payables represent the contractual amounts and obligations due to or by the Company for settlement of relevant obligations. As such, level 2 is deemed to be the most appropriate categorisation for the other receivables and other payables noted above. The fair values of the derivative financial instrument classified under Level 2 are determined by quoted prices and latest prices executed for a similar asset.

Receivables from Dominions are contingent on the performance of a pool of Mortgage Loans and as such have been classified under Level 3.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

14. Financial risk management (continued)

(a) Market risk (continued)

(iii) Interest rate risk (continued)

The financial assets and Notes are subject to floating rates of interest. The following table provides an analysis of the interest rate profile of the Company as at 31 December 2017.

Company	Interest rate	Financial year ended 31-Dec-17	Financial year ended 31-Dec-16
Assets		£	£
Non-interest bearing	-	16,802,053	7,454,675
Interest bearing	Variable	186,309,676	104,217,340
		203,111,729	111,672,015
Liabilities			
Non-interest bearing	-	191,775	167,286
Notes issued	Variable	205,099,055	113,683,830
		205,290,830	113,851,116

Due to the limited recourse nature of the Notes issued by the Company, profits arising from movements in interest rate pass to the Noteholders. Therefore, the Company has no net exposure to interest rate risk and the movements in interest rate have no impact on the profit or loss or the equity of the Company. The Company uses interest rate swaps to manage the exposure to interest rate volatility.

Sensitivity analysis

The impact of a 5% rise in interest rates on net gain / loss on financial assets and liabilities at fair value through profit or loss is shown as follows:

Description	Financial year ended 31-Dec-17 £	Financial year ended 31-Dec-16 £
5% movement in interest rates	71,318	59,850
Impact of movement in interest rate on Notes interest	(71,318)	(59,850)
Changes in profit for the year	-	-

A 5% decline would have an equal and opposite effect.

(b) Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to the credit risk at the reporting date was:

	Financial year ended 31-Dec-17	Financial year ended 31-Dec-16
	£	£
Financial assets	182,427,062	99,890,142
Derivative financial instrument	578	40,707
Cash and cash equivalents	2,706,680	412,591
Other receivables	17,977,409	11,328,575
	203,111,729	111,672,015

Financial assets

The Company's business objective rests on its interests in a portfolio of Mortgage Loans and their related security in respect of residential properties located in England and Wales.

The Originator undertakes ongoing reviews in respect of each borrower and each loan to the extent such relevant information is received from the borrowers. The Originator conducts this review process on a regular basis to identify any concerns as to the ability of a borrower to meet its financial obligations under the relevant loan agreements. Such a review may include an inspection of the related properties or property and compliance check of such borrower's covenants under the related loan documentation.

14. Financial risk management (continued)

(b) Credit risk (continued)

Financial assets (continued)

The Originator provides fair value reviews to the directors. The fair value of the financial assets is determined using market indications and other factors such as discounted future cash flows, discount rates, prepayment rates, default rates and firesale discounts and is independently verified by an external valuer.

Derivative financial instruments

The swap counterparty Commonwealth Bank of Australia has a credit rating of Aa2 from Moody's rating profile.

Cash and cash equivalents

Moody's credit rating profile of the cash and cash equivalents balance is as follows:

Cash and cash equivalents	Moody's Credit rating 31-Dec-2017	Moody's Credit rating 31-Dec-2016	Financial year ended 31-Dec-17	Financial year ended 31-Dec-16
			£	£
Barclays Bank plc	A1	A1	2,706,680	412,591

Other receivables

Other receivables consist mainly of funds held temporarily on behalf of the Company by the Originator and were transferred to the Company subsequent to the financial year end. Receivables from Dominions are assessed on an annual basis for evidence of impairment.

(c) Liquidity risk

The financial assets are financed principally by the issuance of the Notes. These financing policies substantially reduce the Company's liquidity risk by matching the maturity profile of the Company's funding to the profile of the financial assets. The Notes are subject to mandatory redemption in part on each interest payment date in an amount equal to the principal received or recovered in respect of the financial assets. If not otherwise redeemed or purchased and cancelled, the Notes will be redeemed at their principal amounts outstanding on the interest payment date falling in October 2044.

The following table gives liquidity analyses of the Company for their financial liabilities as at 31 December 2017. The table has been drawn up based on the undiscounted net cash flows on the financial liabilities that settle on a net basis and the undiscounted gross cash flows on those financial liabilities that require gross settlement.

31-Dec-17 Liabilities:	Less than 1 year	1-5 years	Over 5 years	No stated maturity	Total
	£	£	£	£	£
Notes issued	-	-	205,099,055	-	205,099,055
Other payables	191,775	-	-	-	191,775
	191,775	-	205,099,055	-	205,290,830

31-Dec-16 Liabilities:	Less than 1 year	1-5 years	Over 5 years	No stated maturity	Total
	£	£	£	£	£
Notes issued	-	-	113,683,830	-	113,683,830
Other payables	167,286	-	-	-	167,286
	167,286	-	113,683,830	-	113,851,116

Future contingent interest on the Notes issued is not included in the table above because it will be determined on the basis of future net income of the issuer which cannot be reliably estimated at this time. The Company minimised liquidity risk by matching the cash inflows from the financial assets and the cash outflows for liabilities by incorporating terms of payments in the Notes documents such as priority of payments/waterfall and limited recourse.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

14. Financial risk management (continued)

(d) Operational risk exposure

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel and infrastructure, and from external factors other than credit, markets and liquidity issues such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise due to the Company operations.

The Board has established processes to manage operational risks; these processes include appropriate segregation of responsibilities and specific control activities. The Board delegates the servicing function to the Originator who operates a sophisticated system of controls. All management and administration functions have been outsourced to the Administrator.

15. Contingent liabilities and commitments

There were no contingent liabilities or commitments as of 31 December 2017 (31 December 2016: nil). Contingent liabilities are assessed continually in line with the guidance set out in IAS 37 to determine whether transfers of economic benefits have become probable. Where future transfers of economic benefits change from previously disclosed contingent liabilities, provisions are recognised in the financial year in which the changes in probability occur.

16. Related party transactions

Related party	**Relationship**	**Transactions**
John Hackett	Director of TMF Administration Limited, and alternate director to Stuart Maher	None
Sam Sengupta	Director of TMF Administration Limited, and alternate director to Stuart Maher	None
Stuart Maher	Director of Magellan Funding No 2 DAC and Magellan Funding Group	None
Deirdre Bourke	Director of Magellan Funding No 2 DAC and Magellan Funding Group	None
Francesco Buffi	Director of Magellan Funding No 2 DAC and Magellan Funding Group	None
Anthony Noonan	Director of Magellan Funding No 2 DAC and Magellan Funding Group	None
Dominions Mortgages DAC	Common directors as the Company	On 17 August 2015, the Company transferred its beneficial interest in certain Mortgage Loans amounting to £3,882,614 to Dominions Mortgages DAC.
Magellan Homeloans Funding No.1 Limited	Group company	On the 13 October 2016, the Company transferred its beneficial interest in certain Mortgages Loans to Magellan Homeloans Funding No.1 Limited. The deemed loan at 31 December 2017 amounted to £137,094,262.

There were no other contracts of any significance in relation to the business of the Company in which the directors had any interest, as defined in the Companies Act 2014, at any time during the financial year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

17. Charges

As at 31 December 2017, the Class A Noteholders hold a fixed charge and a first floating charge on the share capital, book debts and undertakings of the Company.

18. Ownership of the Company

The Company has issued 1 share of the total authorised shares of 100,000,000 to Magellan Funding Group Designated Activity Company. The ultimate parent undertaking and controlling party is Magellan Funding Group Designated Activity Company.

19. Significant subsequent events

On 31 May 2018, John Hackett resigned as a director of the Company.

On 12 July 2018, the Company entered into a mortgage sale agreement with Magellan Homeloans Funding No.1 Limited, Camael Mortgages DAC and Cherub Funding DAC whereby the Company purchased the beneficial title to and interest in certain loan portfolios. The Company in turn has sold this mortgage portfolio to Trinidad Mortgage Securities 2018-1.

On 13 July 2018, Stuart Maher resigned as director of the Company and Sam Sengupta was appointed on the same date.

There were no other significant subsequent events which need to be adjusted or disclosed in the financial statements.

20. Capital Management

The Company views the share capital as its capital. The Company is a special purpose vehicle set up to issue debt for the purpose of making investments. Share capital of £1 was issued in line with Irish Company Law and is not used for financing the investment activities of the Company. The Company is not subject to any other externally imposed capital requirements.

21. Foreign exchange rates

The Company used the following exchange rate at the year end to translate the values denominated in a foreign currency to £:

31-Dec-2017	**31-Dec-2016**
EUR/GBP 0.88723	EUR/GBP 0.90909

22. Comparative information

Comparative information relates to the financial year end from 1 January 2016 to 31 December 2016.

23. Approval of financial statements

The financial statements were approved by the Board on 2 August 2018.