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**MAGELLAN FUNDING NO2 DESIGNATED ACTIVITY COMPANY**

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**DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

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**MAGELLAN FUNDING NO2 DESIGNATED ACTIVITY COMPANY**

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**MAGELLAN FUNDING NO2 DESIGNATED ACTIVITY COMPANY**

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**COMPANY INFORMATION**

**DIRECTORS**

John E. Cahill  
Deirdre Bourke  
Anthony Noonan  
Danica Gutierrez

**COMPANY REGISTRATION NUMBER**

526121

**ADMINISTRATOR, COMPANY SECRETARY  
AND REGISTERED OFFICE**

TMF Administration Services Limited  
3rd Floor,  
Kilmore House  
Park Lane  
Spencer Dock  
Dublin 1  
Ireland  
D01 YE64

**INDEPENDENT AUDITOR**

Grant Thornton  
Chartered Accountants and Statutory Auditors  
13-18 City Quay  
Dublin 2  
Ireland  
D02 ED70

**BANKERS**

Barclays Bank PLC  
1 Churchill Place  
London E14 5HP  
United Kingdom

**SECURITY TRUSTEE**

Citicorp Trustee Company Limited  
Citigroup Centre  
33 Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

**CASH MANAGER AND SERVICER**

Mars Capital Finance Limited  
Belvedere  
12 Booth Street  
Manchester M2 4AW  
United Kingdom

Arrow Global Limited  
Belvedere  
12 Booth Street  
Manchester M2 4AW  
United Kingdom

**SOLICITORS**

Matheson  
70 Sir John Rogerson's Quay  
Dublin 2  
D02 R296  
Ireland

Dentons UK & Middle East LLP  
One Fleet Place  
London  
EC4M 7WS

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## MAGELLAN FUNDING NO2 DESIGNATED ACTIVITY COMPANY

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### 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 2020.

#### PRINCIPAL ACTIVITIES

The Company is a designated activity company, which was incorporated on 12 April 2013, under the laws of Ireland with a company registration number 526121.

The Company was set up to contribute funds to the Servicer, to be applied in the origination of Mortgage Loans on residential properties located in the United Kingdom, and/or to acquire beneficial interests in financial assets at Mortgage Loans 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 Notes ("Class A Notes") and Class B Notes ("Class B Notes") (together, the "Notes issued") to investors (the "Noteholders").

The Class A Notes and the Class B Notes each form a single series. The Notes issued 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. The Notes issued 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.

On 17 August 2015, the Company transferred the beneficial interest in certain Mortgage Loans to Dominions Mortgages Designated Activity Company ("Dominions"). Whilst the beneficial ownership of the Mortgage Loans was transferred from the Company to Dominions, the directors have assessed that the transfer failed the de-recognition criteria of International Financial Reporting Standards 9 ("IFRS 9") - Financial Instruments; therefore, the Mortgage Loans should remain on the Statement of Financial Position. This is because the Company retains the risks and rewards to the Mortgage Loans due to its entitlement to deferred consideration. Consequently, the Company recognises a Deemed loan payable to Dominions (the "Deemed loan").

On 6 January 2017, Class A and Class B Notes issued were listed on The International Stock Exchange ("TISE").

The Company transferred its beneficial interest in certain Mortgage Loans to Magellan Homeloans Funding No.1 Limited ("MF1H") in 2017. In 2019 Magellan Homeloans Funding No.1 Limited ("MF1H") was liquidated.

On 5 July 2018, the Company purchased the beneficial interests in certain Mortgage Loans of Camael Mortgages Designated Activity Company ("Camael") and Cherub Funding Designated Activity Company ("Cherub"). On 12 July 2018, the Company sold its beneficial interests in certain Mortgage Loans and their related security to Trinidad Mortgage Securities 2018-1 plc ("TMS 18") under a mortgage sale agreement for an aggregate amount of cash and class H and Z notes of TMS 18. Whilst the beneficial ownership of the Mortgage Loans was transferred from the Company to TMS 18, the directors have assessed that the transfer failed the de-recognition criteria of International Financial Reporting Standards 9 ("IFRS 9") - Financial Instruments; therefore, the Mortgage Loans should remain on the Statement of Financial Position. This is because the Company retains the risks and rewards to the Mortgage Loans. Consequently, the Company recognises a Deemed loan payable to TMS 18 (the "Deemed loan").

On 8 August 2019, the Company sold their interests in the Thrones 2014-1 and Magellan Mortgage Loans portfolio to a third party under a mortgage sale agreement.

On 17 August 2020, the Company sold its interests in the Thrones-2015-1 portfolio to a third party under a mortgage sale agreement.

#### BUSINESS REVIEW

The Company continues to operate in line with the directors' expectations.

#### 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 (2019: nil).

#### 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.

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## MAGELLAN FUNDING NO2 DESIGNATED ACTIVITY COMPANY

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### DIRECTORS' REPORT (CONTINUED)

#### GOING CONCERN REVIEW

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

Covid-19 was declared a global pandemic by the World Health Organisation during the prior year and the impact of the pandemic has been considered in the Company's assessment of the fair value of the investment as at 31 December 2020, particularly with regard to the risk notes as disclosed on pages 23 to 30. Whilst the exact impact of Covid-19 remains uncertain given the Delta variant, management has considered the consequential impact on the portfolio positioning based on current facts and circumstances, and the reduced uncertainty around the UK economic environment given the ending of UK's pandemic restrictions on 21 June 2021. Combined with this, UK business activity has rebounded strongly in 2021 with unemployment falling for 4 consecutive months, and there has been a very significant increase in house prices as the lockdown measures were relaxed. Given these factors, management are still actively monitoring the impact of the current Delta variant, and there is sufficient liquidity to meet all contractual obligations as they fall due over the next 12 months.

#### SIGNIFICANT SUBSEQUENT EVENTS

The significant subsequent events in relation to the Company are disclosed in note 16.

#### RELATED PARTY TRANSACTIONS

The related party transactions in relation to the Company are disclosed in note 15.

#### OWNERSHIP OF THE SHARE CAPITAL

The ownership of the share capital in relation to the Company are disclosed in note 18.

#### 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, concentration risk and operational risk, are disclosed in note 13 to the financial statements.

#### ECONOMIC RISK

##### COVID-19

There has been increased uncertainty and disruption in the global economy and financial markets due to the COVID-19 pandemic, that may be mitigated by an effective vaccine being rolled out and distributed globally. Based on current information, the directors are not aware of any material impact on the financial statements arising from the COVID-19 outbreak. In addition, there is no indication that the going concern assumption is inappropriate.

##### Brexit

The European Union and Britain have agreed upon a post-Brexit trade deal on 24 December 2020. However, there may still be potential economic consequences of Brexit on investments with UK exposure, which have implications for all aspects of financial risk management. Although, there may be broader economic consequences, which cannot be accurately quantified, any impact is expected to be immaterial given the underlying assets are UK based and the Company's functional currency is the Pound Sterling (or "£"). These broader economic consequences include the impact on interest rate risk, credit risk, liquidity risk, capital risk, and market price risk which are being actively monitored.

#### 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 TMF Administration Services Limited (or the "Administrator") to maintain the accounting records of the Company independently of the Servicer and of the Security Trustee.

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## MAGELLAN FUNDING NO2 DESIGNATED ACTIVITY COMPANY

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### DIRECTORS' REPORT (CONTINUED)

#### ANNUAL CORPORATE GOVERNANCE STATEMENT (CONTINUED)

The Administrator is contractually obliged to maintain proper accounting records and to that end performs reconciliations of its records to those of the Servicer 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

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 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 Servicer 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 the recommendations by the independent auditors.

The fair value of the Company's interests in financial assets has been estimated by the Servicer 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 Servicer, 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. The Company's Constitution may be amended by special resolution of the shareholders.

#### DIRECTORS AND COMPANY SECRETARY

The directors and company secretary 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 those disclosed below. The directors and company secretary who held office on 31 December 2020 did not hold any shares, debentures or loan stock of the Company (2019: nil) on that date or during the financial year.

#### 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.

#### 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:

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## MAGELLAN FUNDING NO2 DESIGNATED ACTIVITY COMPANY

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### DIRECTORS' REPORT (CONTINUED)

#### DIRECTORS' COMPLIANCE STATEMENT (CONTINUED)

- (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 the 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 the directors to ensure compliance with the Company's obligation to keep adequate accounting records are the use of appropriate systems and procedures and ensuring that a competent service provider is responsible for the preparation and maintenance of the accounting records. The accounting records are kept at the Company's registered office at 3rd Floor, Kilmore House, Park Lane, Spencer Dock, Dublin 1, D01 YE64, Ireland.

#### SHAREHOLDER'S MEETINGS

The Shareholder's rights and the operations of the shareholder's meetings are defined in the Company's Constitution and complies with the Companies Act 2014.


#### POLITICAL DONATIONS


The Company did not make any political donations during the financial year (2019: Nil).

#### INDEPENDENT AUDITOR

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

This report was approved by the Board on 30 July 2021 and signed on its behalf by:

  
\_\_\_\_\_  
John E. Cahill  
Director

  
\_\_\_\_\_  
Danica Gutierrez  
Director

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## MAGELLAN FUNDING NO2 DESIGNATED ACTIVITY COMPANY

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### STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Irish company 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 as adopted by the European Union (IFRS).

Under Irish company 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 ensure that they contain the additional information required by the Companies Act 2014; 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 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 on 30 July 2021 and signed on its behalf by:

  
\_\_\_\_\_  
John E. Cahill  
Director

  
\_\_\_\_\_  
Danica Gutierrez  
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 No2 Designated Activity Company (the "Company"), which comprise of the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows for the financial year ended 31 December 2020, and the related notes to the financial statements, including the summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation of the financial statements is Irish law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the Magellan Funding No2 Designated Activity Company financial statements:

- give a true and fair view in accordance with IFRS as adopted by the European Union of the assets, liabilities and financial position of the Company as at 31 December 2020 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.

## 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, including the Ethical Standard for Auditors (Ireland) issued by the Irish Auditing and Accountancy Supervisory Authority (IAASA), 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

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

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## Other information

Other information comprises information included in the annual report, other than the financial statements and the auditor's report thereon, including the Director's Report. 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 to the members of Magellan Funding No2 Designated Activity Company (continued)

### **Matters on which we are required to report by the Companies Act 2014**

- 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.

### **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 Directors' Responsibilities, management is responsible for the preparation of the financial statements which give a true and fair view in accordance with 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.

## Independent auditor's report to the members of Magellan Funding No2 Designated Activity Company (continued)

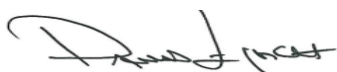
### **Responsibilities of the auditor for the audit of the financial statements (continued)**

- 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.
- 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 & Statutory Audit Firm  
Dublin  
Ireland

30 July 2021

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**MAGELLAN FUNDING NO2 DESIGNATED ACTIVITY COMPANY**

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**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	Notes	Financial year ended 31 December 2020 £	Financial year ended 31 December 2019 £
Net gain on financial assets at fair value through profit or loss	3	7,538,680	7,117,276
Net loss on financial liabilities at fair value through profit or loss	4	(7,469,815)	(6,136,794)
<b>Operating income</b>		<b>68,865</b>	<b>980,482</b>
Administration expenses	5	(68,865)	(980,482)
<b>Profit on ordinary activities before taxation</b>		<b>-</b>	<b>-</b>
Taxation	6	-	-
<b>Profit on ordinary activities after taxation</b>		<b>-</b>	<b>-</b>
Other comprehensive income for the financial year		-	-
<b>Total comprehensive income for the financial year</b>		<b>-</b>	<b>-</b>

All amounts relate to continuing operations.

The accompanying notes on pages 15 to 32 form an integral part of these financial statements.


MAGELLAN FUNDING NO2 DESIGNATED ACTIVITY COMPANY


STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2020

	Notes	As at 31 December 2020 £	As at 31 December 2019 £
<b>Assets</b>			
Financial assets at fair value through profit or loss	7	119,240,237	167,520,858
Other receivables	8	27,880	8,954
Cash and cash equivalents	9	536,241	593,596
<b>Total assets</b>		<b>119,804,358</b>	<b>168,123,408</b>
<b>Liabilities and equity</b>			
Financial liabilities at fair value through profit or loss	10	121,929,066	170,248,743
Other payables	11	54,393	53,766
<b>Total liabilities</b>		<b>121,983,459</b>	<b>170,302,509</b>
<b>Equity attributable to equity shareholders</b>			
Ordinary share capital presented as equity	12	1	1
Retained earnings		(2,179,102)	(2,179,102)
<b>Total equity</b>		<b>(2,179,101)</b>	<b>(2,179,101)</b>
<b>Total equity and liabilities</b>		<b>119,804,358</b>	<b>168,123,408</b>

The accompanying notes on pages 15 to 32 form an integral part of these financial statements.

The financial statements were approved and authorised for issue by the Board on 30 July 2021 and signed on its behalf by:

  
John E. Cahill  
Director

  
Danica Gutierrez  
Director

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MAGELLAN FUNDING NO2 DESIGNATED ACTIVITY COMPANY

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STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

Financial year ended 31 December 2020	Share capital £	Retained earnings £	Total £
As at 1 January 2020	1	(2,179,102)	(2,179,101)
Profit for the financial year	-	-	-
As at 31 December 2020	1	(2,179,102)	(2,179,101)

Financial year ended 31 December 2019	Share capital £	Retained earnings £	Total £
As at 1 January 2019	1	(2,179,102)	(2,179,101)
Profit for the financial year	-	-	-
As at 31 December 2019	1	(2,179,102)	(2,179,101)

The accompanying notes on pages 15 to 32 form an integral part of these financial statements.

**STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	Notes	Financial year ended 31 December 2020	Financial year ended 31 December 2019
		£	£
<b>Cash flows from operating activities</b>			
Profit on ordinary activities before taxation		-	-
<i>Adjustments:</i>			
Movement in other receivables		(18,926)	3,163,753
Movement in other payables		627	(237,319)
<b>Net cash flows (used in)/from operating activities</b>		<b>(18,299)</b>	<b>2,926,434</b>
<b>Cash flows from investing activities</b>			
Movement in financial assets at fair value through profit or loss		48,280,621	118,786,291
Movement in derivative financial instrument		-	-
<b>Net cash flows from/(used in) investing activities</b>		<b>48,280,621</b>	<b>118,786,291</b>
<b>Cash flow from financing activity</b>			
Movement in financial liabilities at fair value through profit or loss		(48,319,677)	(125,168,595)
<b>Net cash flow (used in)/from financing activity</b>		<b>(48,319,677)</b>	<b>(125,168,595)</b>
<b>Net (decrease)/ increase in cash and cash equivalents</b>		<b>(57,355)</b>	<b>(3,455,870)</b>
Cash and cash equivalents at the beginning of the financial year		593,596	4,049,466
<b>Cash and cash equivalents at the end of the financial year</b>	9	<b>536,241</b>	<b>593,596</b>
<b>Supplementary information:</b>			
Interest received		3,096,850	6,278,852
Interest paid		222,068	-

The accompanying notes on pages 15 to 32 form an integral part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

**1. General information**

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 (the "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 of the TCA in respect of taxable profits. The Company's registered office is 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 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 Company's financial assets are expected to generate sufficient future cash flows to fund the Company's on-going operations. The Notes issued 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.

**New standards and interpretations not yet adopted during the financial year**

The following standards, amendments and interpretations that are not yet effective have not been adopted early by the Company. The directors anticipate that the adoption of those standards or interpretations will have no material impact on the financial statements of the Company.

<b>Standard</b>	<b>Effective date*</b>	<b>Description</b>
Classification of Liabilities as Current or Non-Current – Amendments to IAS 1	1 January 2022 (possibly deferred to 1 January 2023)	This is a narrow-scope amendment to IAS 1, 'Presentation of Financial Statements', to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. This amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability
Annual improvements to IFRS Standards 2018-2020	1 January 2022	Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial Instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'

\*Where new requirements are endorsed the EU, effective date is disclosed. For un-endorsed standards and interpretations, the IASB's effective date is noted. Where any of the upcoming requirements are applicable to the Company, it will apply them from their EU effective date.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

**2. Accounting policies (continued)**

**(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 financial assets and the financial liabilities 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. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected. The key areas involving estimates and judgements are below:

**Fair value of financial assets**

Estimates are used in 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 financial assets at fair value through profit or loss relate to the timing of cash flows. These cash flows are dependent on the realisation of the financial assets and the discount rate used in the valuation techniques applied. The carrying amount of financial assets at fair value through profit or loss is disclosed in note 7.

**Derecognition of Mortgage Loans**

The beneficial ownership of certain Mortgage Loans has been transferred under Mortgage Sale Agreements to Dominions in 2015 and TMS in 2018, however the directors assessed and concluded that the Company retained the residual risks in the Mortgage Loans due to its entitlement to deferred consideration. It was therefore determined that the Company did not transfer substantially all the risks and rewards to Dominions and TMS 18, failing the derecognition criteria under IFRS 9.

The Deemed Loan to Dominions and TMS 18 represents consideration received by the Company in respect of the disposal of the beneficial ownership of certain Mortgage Loans.

The Company purchased interests in certain Mortgage Loans of Camael and Cherub, which in turn were transferred to TMS 18; thus, the recognition of a Deemed loan from these companies.

The Deemed Loan to Dominions and TMS 18 is carried at fair value through profit or loss and classified as financial liabilities at fair value through profit or loss within the Statement of Financial Position.

The Deemed Loan from Camael and Cherub Magellan is carried at fair value through profit or loss and classified as financial assets at fair value through profit or loss within the Company’s Consolidated Statement of Financial Position.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

**2. Accounting policies (continued)**

**(e) Financial instruments**

**Classification**

The Company has adopted the following classifications for financial instruments:

Financial assets:

- At fair value through profit or loss: Mortgage Loans, deferred consideration and Deemed loan receivable
- Amortised cost: Cash and cash equivalents and other receivables

Financial liabilities:

- At fair value through profit or loss: Notes issued and Deemed loan payable
- Amortised cost: Other payables.

**Recognition**

Purchases and sales of financial instruments are recognised using trade date accounting, the day that the Company commits to purchase or sell the asset. From this date any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded through the Statement of Comprehensive Income.

**Measurement**

Financial instruments are measured initially at fair value (transaction price) plus, in case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately.

**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 Servicer 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 amounts receivable by Company are contingent on the performance of a portfolio of Mortgage Loans. These underlying Mortgage Loans were measured using discounted cash flow techniques for the financial year ended 31 December 2020 (2019: same). These techniques have been independently verified by an external valuer.

**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 that occurred between levels at the end of the financial year end.

**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.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

**2. Accounting policies (continued)**

**(e) Financial instruments (continued)**

**Net gain on financial assets at fair value through profit or loss**

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

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

**Impairment**

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost and debt investments at FVOCI, but not to investments in equity instruments.

The financial assets at amortised cost consist of cash and cash equivalents and other receivables.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured as 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

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

**(f) Limited recourse**

If the net proceeds of realisation of the financial assets secured as collateral against the Notes issued 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 Noteholders 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. As the Notes issued are limited recourse obligations, the return of interest and principal to the Noteholders is contingent on the realisable value of the assets. The returns made to the Noteholders over the life of the Company include the effect of capital gain/loss as well as interest, and the gain or loss ultimately passes 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.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

**2. Accounting policies (continued)**

**(f) Limited recourse (continued)**

Notes issued have been classified at fair value through profit or loss to avoid an accounting mismatch in accordance with IFRS 9. Interest expense and realised and unrealised gain/loss on the Notes issued are included within net loss on financial liabilities at fair value through profit or loss within the Statement of Comprehensive Income.

**(g) 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.

**(h) Ordinary share capital presented as equity**

Ordinary shares are not redeemable and do not participate in the net income of the Company and are classified as equity as per the Company's Constitution.

**(i) Interest income and expense**

Interest income and on balances carried at amortised cost 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 received from the Company's financial assets has been included in net gain/(loss) on financial assets at fair value through profit or loss within the Statement of Comprehensive Income.

**(j) Operating income and expenses**

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

**(k) 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 year 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 periods, 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 that 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.

**(l) Administration expenses**

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

**2. Accounting policies (continued)****(m) Foreign currency transaction**

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.

**(n) Deemed Loan**

The Deemed Loan represents consideration receivable/(payable) 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 TMS18 and Dominions, however, the directors assessed and concluded that the Company retained the residual risks in the Mortgage Loans due to its entitlement to deferred consideration. It was therefore determined that the Company did not transfer substantially all the risks and rewards, thus failing the derecognition criteria under IFRS 9. This resulted in a 'Deemed Loan' being recognised in the financial statements.

The Deemed Loan to TMS18 is carried at fair value through profit or loss and classified as financial liabilities at fair value through profit or loss within the Statement of Financial Position. The Deemed Loan payable to Dominions was repaid during the year.

The Deemed Loan from Cherub and Camael is carried at fair value through profit or loss and classified as financial assets at fair value through profit or loss within the Statement of Financial Position.

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

	<b>Financial year ended 31 December 2020 £</b>	<b>Financial year ended 31 December 2019 £</b>
Net gain on financial assets at fair value through profit or loss	<u>7,538,680</u>	<u>7,117,276</u>

Net gain on financial assets at fair value through profit or loss arises from the Company's interest in Mortgage Loans which were securitized.

**4. Net loss on financial liabilities at fair value through profit or loss**

	<b>Financial year ended 31 December 2020 £</b>	<b>Financial year ended 31 December 2019 £</b>
Net loss on financial liabilities at fair value through profit or loss	<u>(7,469,815)</u>	<u>(6,136,794)</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

<b>5. Administration expenses</b>	<b>Financial year ended 31 December 2020</b>	<b>Financial year ended 31 December 2019</b>
	<b>£</b>	<b>£</b>
Legal and professional fees	-	(922,235)
Audit and tax compliance fees	(18,924)	(20,151)
Other costs	(49,941)	(38,096)
	<u>(68,865)</u>	<u>(980,482)</u>

The Company has no employees and services required are contracted from third parties. The directors received no remuneration from the Company in respect of qualifying services rendered 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 2020 (2019: same).

<b>6. Taxation</b>	<b>Financial year ended 31 December 2020</b>	<b>Financial year ended 31 December 2019</b>
	<b>£</b>	<b>£</b>
Corporation tax based on result for the financial year	-	-

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

	<b>Financial year ended 31 December 2020</b>	<b>Financial year ended 31 December 2019</b>
	<b>£</b>	<b>£</b>
Profit on ordinary activities before taxation	-	-
Profit on ordinary activities multiplied by the standard rate of Irish corporation tax for the financial year of 12.5%	-	-
Effect of higher tax rate (25%) applicable under Section 110 TCA, 1997	-	-
Current tax charge for the financial year	-	-

The Company is a qualifying company within the meaning of Section 110 of the TCA, 1997. As such, the profits are chargeable to corporation tax under Case III of Schedule D of the TCA at a rate of 25% but are computed in accordance with the provisions applicable to Case I of Schedule D of the TCA. There was no deferred tax during the financial year (2019: nil).

<b>7. Financial assets at fair value through profit or loss</b>	<b>As at 31 December 2020</b>	<b>As at 31 December 2019</b>
	<b>£</b>	<b>£</b>
Mortgage Loans	51,049,270	87,193,490
Deferred consideration from Dominions	-	2,521,727
Deemed loan receivable	68,190,967	77,805,641
	<u>119,240,237</u>	<u>167,520,858</u>

Deferred consideration from Dominions relate to deferred consideration due to the Company as part of the transfer of certain Mortgage Loans to Dominions. Deemed loan receivable relate to the Deemed loan due from Camael and Cherub as part of the transfer of certain Mortgage Loans to the Company, which in turn were transferred to TMS 18. Deferred consideration and Deemed loan receivable are carried at fair value through profit or loss. Deferred consideration and Deemed loan receivable are dependent on the future performance of the Mortgage Loans held by Dominions and TMS 18. On 17 August 2020, deferred consideration from Dominions was fully settled as the related Mortgage loans were sold to a third party.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

<b>8. Other receivables</b>	<b>As at</b>	<b>As at</b>
	<b>31 December 2020</b>	<b>31 December 2019</b>
	<b>£</b>	<b>£</b>
Amount owed by the Servicer	27,879	8,953
Share capital receivable	1	1
	<u>27,880</u>	<u>8,954</u>

<b>9. Cash and cash equivalents</b>	<b>As at</b>	<b>As at</b>
	<b>31 December 2020</b>	<b>31 December 2019</b>
	<b>£</b>	<b>£</b>
Cash and cash equivalents	<u>536,241</u>	<u>593,596</u>

<b>10. Financial liabilities at fair value through profit or loss</b>	<b>As at</b>	<b>As at</b>
	<b>31 December 2020</b>	<b>31 December 2019</b>
	<b>£</b>	<b>£</b>
Deemed loan to Dominions	-	1,688,030
Deemed loan to TMS 18	119,240,239	163,311,103
Notes issued	<u>2,688,827</u>	<u>5,249,610</u>
	<u>121,929,066</u>	<u>170,248,743</u>

The Deemed loan to Dominions and TMS 18 represents the consideration received by the Company in respect of the disposal of the beneficial ownership of certain Mortgage Loans. On 17 August 2020, Deemed Loan to Dominions was fully settled as the related Mortgage loans were sold.

The Notes issued are subject to mandatory redemption on part of each interest payments date in an amount equal to the principal received or recovered in respect of the financial assets including excess interest received in certain cases, and in some cases special event triggers additional repayment of principal on Notes issued. 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 note issuance facility deed. The Notes issued have a final maturity date of October 2044.

The Notes issued constitute secured obligations of the Company, ranking pari passu without any preference among themselves.

<b>11. Other payables</b>	<b>As at</b>	<b>As at</b>
	<b>31 December 2020</b>	<b>31 December 2019</b>
	<b>£</b>	<b>£</b>
Audit and tax compliance fees payable	13,797	13,461
Payable to third party	<u>40,596</u>	<u>40,305</u>
	<u>54,393</u>	<u>53,766</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

<b>12. Ordinary share capital presented as equity</b>	<b>As at</b>	<b>As at</b>
	<b>31 December 2020</b>	<b>31 December 2019</b>
	<b>£</b>	<b>£</b>
Authorised		
100,000,000 ordinary shares of €1 each	<u>84,970,000</u>	<u>84,970,000</u>
Allotted, called up and fully paid		
1 ordinary share of €1	<u>1</u>	<u>1</u>

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 ("Magellan Funding Group"), the Company's ultimate parent undertaking.

**13. Financial risk management**

The Company's financial instruments include the financial assets at fair value through profit or loss, other receivables, cash and cash equivalents, financial liabilities at fair value through profit or loss and other payables that arise directly from its operations.

There was no impact of Covid-19 on risk management policies and procedures.

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.

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, interest rates and securities prices, 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 optimising 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 Noteholders are exposed to the market risk of the financial assets and derivative financial instruments.

**(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 Mortgage Loans. 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.



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

**13. Financial risk management (continued)****(a) Market risk (continued)****(i) Foreign exchange risk (continued)**

The following table provides an analysis of the Company position as at 31 December 2020 and 31 December 2019.

<b>As at 31 December 2020</b>	<b>GBP</b>	<b>EUR</b>	<b>Total</b>
<b>Assets</b>	<b>£</b>	<b>£</b>	<b>£</b>
Mortgage loans	51,049,270	-	51,049,270
Deemed loan receivable	68,190,967	-	68,190,967
Other receivables	27,879	1	27,880
Cash and cash equivalents	536,241	-	536,241
<b>Total</b>	<b>119,804,357</b>	<b>1</b>	<b>119,804,358</b>

**Liabilities**

Notes issued	2,688,827	-	2,688,827
Deemed loan to TMS 18	119,240,239	-	119,240,239
Other payables	40,596	13,797	54,393
<b>Total</b>	<b>121,969,662</b>	<b>13,797</b>	<b>121,983,459</b>

<b>As at 31 December 2019</b>	<b>GBP</b>	<b>EUR</b>	<b>Total</b>
<b>Assets</b>	<b>£</b>	<b>£</b>	<b>£</b>
Mortgage Loans	87,193,490	-	87,193,490
Deferred consideration from Dominions	2,521,727	-	2,521,727
Deemed loan receivable	77,805,641	-	77,805,641
Deferred consideration from MFH1	-	-	-
Other receivables	8,953	1	8,954
Cash and cash equivalents	593,596	-	593,596
<b>Total</b>	<b>168,123,407</b>	<b>1</b>	<b>168,123,408</b>

**Liabilities**

Notes issued	5,249,610	-	5,249,610
Deemed loan to Dominions	1,688,030	-	1,688,030
Deemed loan to TMS 18	163,311,103	-	163,311,103
Deemed loan to MF1H	-	-	-
Other payables	40,305	13,461	53,766
<b>Total</b>	<b>170,289,048</b>	<b>13,461</b>	<b>170,302,509</b>

**Sensitivity analysis**

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

**(ii) Price risk**

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 Servicer monitors the cash flows of the financial assets at fair value through profit or loss on a monthly basis.

The Company uses the hierarchy as shown on the next page for determining and disclosing the fair value of financial instruments by valuation technique.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

**13. Financial risk management (continued)****(a) Market risk (continued)****(ii) Price risk (continued)**

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); and
- 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**

The table below analyses within the fair value hierarchy the Company's assets and liabilities measured at fair value.

<b>As at 31 December 2020</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Assets</b>			
Mortgage loans	-	51,049,270	51,049,270
Deemed loan receivable	-	68,190,967	68,190,967
	-	119,240,237	119,240,237
<b>Liabilities</b>			
Notes issued	-	2,688,827	2,688,827
Deemed loan to TMS 18	-	119,240,239	119,240,239
	-	121,929,066	121,929,066
<b>As at 31 December 2019</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Assets</b>			
Mortgage loans	-	87,193,490	87,193,490
Deferred consideration from Dominions	-	2,521,727	2,521,727
Deemed loan receivable	-	77,805,641	77,805,641
	-	167,520,858	167,520,858
<b>Liabilities</b>			
Notes issued	-	5,249,610	5,249,610
Deemed loan to Dominions	-	1,688,030	1,688,030
Deemed loan to TMS 18	-	163,311,103	163,311,103
	-	170,248,743	170,248,743

Financial assets represent the expected future cash flows from the Company's interests in a pool of Mortgage Loans including the receivable from TMS 18 and Dominions. The fair value of these 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 financial assets at fair value through profit or loss.

Notes issued not only represent the contractual amounts and obligations due by the Company for settlement of amounts payable to TMS 18 and Dominions 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 financial liabilities at fair value through profit or loss. Deemed loan is the fair value of the disposed portfolio of certain Mortgage Loans where the risk and rewards have been retained by the Company. The classification is Level 3, the same as the associated Mortgage Loans.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

**13. Financial risk management (continued)****(a) Market risk (continued)****(ii) Price risk (continued)****Financial instruments measured at fair value through profit or loss (continued)**

The table below reconciles the fair value of the financial instruments categorised in level 3 as at 31 December 2019 to the fair value of the financial instruments categorised in Level 3 as at 31 December 2020:

	<b>Financial year ended 31 December 2020</b>	<b>Financial year ended 31 December 2019</b>
	<b>£</b>	<b>£</b>
<b>Level 3 Reconciliation – financial assets at fair value through profit or loss</b>		
Balance at the beginning of the financial year	167,520,858	286,307,149
Movement in Mortgage Loans held at fair value	(52,411,924)	(125,705,551)
Movement in deferred consideration from Dominions	(3,407,377)	(198,016)
Net gains on financial assets at fair value through profit or loss	7,538,680	7,117,276
<b>Balance at the end of the financial year</b>	<b>119,240,237</b>	<b>167,520,858</b>
	<b>Financial year ended 31 December 2020</b>	<b>Financial year ended 31 December 2019</b>
	<b>£</b>	<b>£</b>
<b>Level 3 Reconciliation – financial liabilities at fair value through profit or loss</b>		
Balance at the beginning of the financial year	170,248,743	295,417,338
Notes principal and interest (repaid)/ issued	(3,377,568)	(13,424,284)
Movement in Deemed loan	(52,411,924)	(117,881,105)
Net losses on financial liabilities at fair value through profit and loss	7,469,815	6,136,794
<b>Balance at the end of the financial year</b>	<b>121,929,066</b>	<b>170,248,743</b>

The following table presents additional information about valuation techniques and inputs used for financial assets and liabilities that are measured at fair value and categorised within level 3 as of 31 December 2020:

<b>Financial instrument</b>	<b>Valuation techniques</b>	<b>Unobservable inputs</b>	<b>Input range %</b>
Financial assets at fair value through profit or loss	Discounted cash flow and recent transactions	IRR Probability of default Prepayment risk	7.50% - 5.00% 2.00% - 1.00% 11.00% - 15.00%
Financial liabilities at fair value through profit or loss	Contingent interest and recent transactions	Profit sweep and movement in Mortgages loans	N/A

The following table presents additional information about valuation techniques and inputs used for financial assets and liabilities that are measured at fair value and categorised within Level 3 as of 31 December 2019:

<b>Financial instrument</b>	<b>Valuation techniques</b>	<b>Unobservable inputs</b>	<b>Input range %</b>
Financial assets at fair value through profit or loss	Discounted cash flow and recent transactions	IRR Probability of default Prepayment risk	7.00% - 5.00% 2.25% - 1.75% 15.00% - 11.50%
Financial liabilities at fair value through profit or loss	Contingent interest and recent transactions	Profit sweep and movement in Mortgages loans	N/A

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

**13. Financial risk management (continued)****(a) Market risk (continued)****(ii) Price risk (continued)****Financial instruments measured at fair value through profit or loss (continued)**

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

**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:

1. Quoted (unadjusted) prices in active markets for identical assets or liabilities;
2. Other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly; and
3. Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The table below analyses within the fair value hierarchy the Company's assets and liabilities not measured as at fair value but for which fair values are presented.

<b>As at 31 December 2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
<b>Assets</b>	<b>£</b>	<b>£</b>	<b>£</b>
Other receivables	-	27,880	27,880
Cash and cash equivalents	536,241	-	536,241
	<u>536,241</u>	<u>27,880</u>	<u>564,121</u>
<b>Liabilities</b>			
Other payables	-	54,393	54,393
	<u>-</u>	<u>54,393</u>	<u>54,393</u>

<b>As at 31 December 2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
<b>Assets</b>	<b>£</b>	<b>£</b>	<b>£</b>
Other receivables	-	8,954	8,954
Cash and cash equivalents	593,596	-	593,596
	<u>593,596</u>	<u>8,954</u>	<u>602,550</u>
<b>Liabilities</b>			
Other payables	-	53,766	53,766
	<u>-</u>	<u>53,766</u>	<u>53,766</u>

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 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 represent the contracted amounts for settlement of share capital receivable and amount owed by the Servicer. Level 2 is most appropriate for share capital receivable and amount owed by the Servicer.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

**13. Financial risk management (continued)****(a) Market risk (continued)****(ii) Price risk (continued)****Financial instruments measured at fair value through profit or loss (continued)**

Other payables represent the contractual amounts and obligations due by the Company for settlement of payables and expenses. As a result, Level 2 is deemed to be the most appropriate categorisation for the Company's other payables.

**(iii) Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The cash and cash equivalents, financial assets at fair value through profit or loss and financial liabilities at fair value through profit or loss 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 2020 and 31 December 2019.

	Interest rate	As at 31 December 2020	As at 31 December 2019
		£	£
<b>Assets</b>			
Non-interest bearing	-	27,880	8,954
Interest bearing	Variable	119,240,237	167,520,858
Cash and cash equivalents	Variable	536,241	593,596
		<u>119,804,358</u>	<u>168,123,408</u>
<b>Liabilities</b>			
Non-interest bearing	-	54,393	53,766
Interest bearing	Variable	121,929,066	170,248,743
		<u>121,983,459</u>	<u>170,302,509</u>

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 sweeps to manage the exposure to interest rate volatility.

**(b) Credit risk**

Credit risk arises from the possibility of obligors failing to meet their obligations to the Company and represents the most significant category of risk. Due to the limited recourse nature of the Notes, any profit or loss arising from the credit risk will pass on to the Noteholders.

The maximum exposure to the credit risk of the Noteholders at the reporting date was:

	As at 31 December 2020	As at 31 December 2019
	£	£
Mortgage Loans	51,049,270	87,193,490
Deemed loan receivable	68,190,967	77,805,641
Deferred consideration from Dominions	-	2,521,727
Other receivables	27,880	8,954
Cash and cash equivalents	536,241	593,596
	<u>119,804,358</u>	<u>168,123,408</u>

Financial assets at fair value through profit or loss

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 the United Kingdom.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

**13. Financial risk management (continued)****(b) Credit risk (continued)**

The Servicer undertakes ongoing reviews in respect of each borrower and each loan to the extent such relevant information is received from the borrowers. The Servicer 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.

The Servicer 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.

The amount of change during the financial year relating to the fair value of financial instruments designated at fair value through profit or loss that is attributable to changes in credit risk is reflective of the unrealised gain/(loss) on financial assets and liabilities at fair value through profit or loss set out within the Level 3 reconciliation on page 26.

Other receivables

Other receivables consist mainly of funds held temporarily on behalf of the Company by the Servicer and were transferred to the Company subsequent to the financial year end (2019: same).

Cash and cash equivalents

The credit risk on cash transactions is mitigated by transacting with counterparties that are regulated entities subject to prudential supervision or with high credit ratings assigned by international credit rating agencies.

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

	<b>Moody's Credit rating</b>	<b>Moody's Credit rating</b>	<b>As at 31 December 2020</b>	<b>As at 31 December 2019</b>
<b>Cash and cash equivalents</b>	<b>31 December 2020</b>	<b>31 December 2019</b>		
			<b>£</b>	<b>£</b>
Barclays Bank plc	A-	A-	536,241	593,596

**(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 issued 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 issued will be redeemed at their principal amounts outstanding on the interest payment date falling in October 2044.

Movements on the Deemed loan are dependent on the performance of the associated Mortgage Loans.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

**13. Financial risk management (continued)****(c) Liquidity risk (continued)**

The following table gives liquidity analyses of the Company for their financial liabilities as at 31 December 2020 and 31 December 2019. 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.

**As at 31 December 2020**

<b>Liabilities:</b>	<b>Less than 1 year</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Notes issued	-	-	2,688,827	2,688,827
Deemed loan to TMS 18	-	-	119,240,239	119,240,239
Other payables	54,393	-	-	54,393
	<u>54,393</u>	<u>-</u>	<u>121,929,066</u>	<u>121,983,459</u>

**As at 31 December 2019**

<b>Liabilities:</b>	<b>Less than 1 year</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Notes issued	-	-	5,249,610	5,249,610
Deemed loan to Dominions	-	-	1,688,030	1,688,030
Deemed loan to TMS 18	-	-	163,311,103	163,311,103
Other payables	53,766	-	-	53,766
	<u>53,766</u>	<u>-</u>	<u>170,248,743</u>	<u>170,302,509</u>

Future 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 provision.

**(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 behaviour.

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

**(e) Concentration risk**

Concentration risk can arise from the type of assets held in the portfolio, the maturity of assets, the concentration of sources of funding, concentration of counterparties or geographical locations.

The Company is a special purpose structure set up for a particular transaction which involved acquiring the Mortgage Loans and their related security in respect of residential properties located in the United Kingdom.

Due to the limited recourse nature of the Notes issued, any profit or loss arising from the concentration risk will pass on to the Noteholders. There is no residual risk remaining to the Company.

**14. Contingent liabilities and commitments**

There were no contingent liabilities or commitments as of 31 December 2020 (2019: none). Contingent liabilities are assessed continually to determine whether transfers of economic benefits have become probable.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

**14. Contingent liabilities and commitments (continued)**

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.

**15. Related party transactions**

<b>Related party</b>	<b>Relationship</b>	<b>Transactions</b>
John E. Cahill	Director of the Company, Funding Group and Cherub since 29 July 2019	None
Danica Gutierrez	Director of the Company, Funding Group and Dominions since 12 July 2019	None
Anthony Noonan	Director of the Company	None
Deirdre Bourke	Director of the Company and Magellan Funding Group	None
Dominions	Common directors as the Company	Receivable of £Nil (2019: £2,521,727) from Dominions.  Deemed loan of £Nil (2019: £1,688,030) from Dominions.
TMS 18	Under the same group company	Receivable of £54,454,962 (2019: £62,413,254) from Cherub.  Receivable of £13,736,005 (2019: £15,392,387) from Camael.  Deemed loan of £119,240,237 (2019: £163,311,103) from TMS18

The Administrator provides corporate administration services to the Company at arm's length commercial rates. 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 year or at the end of the financial year.

**16. Significant subsequent events**

Covid-19 was declared a global pandemic by the World Health Organisation during the prior year and the impact of the pandemic has been considered in the Company's assessment of the fair value of the investment as at 31 December 2020, particularly with regard to the risk notes as disclosed on pages 23 to 30. Whilst the exact impact of Covid-19 remains uncertain given the Delta variant, management has considered the consequential impact on the portfolio positioning based on current facts and circumstances, and the reduced uncertainty around the UK economic environment given the ending of UK's pandemic restrictions on 21 June 2021. Combined with this, UK business activity has rebounded strongly in 2021 with unemployment falling for 4 consecutive months, and there has been a very significant increase in house prices as the lockdown measures were relaxed. Given these factors, management are still actively monitoring the impact of the current Delta variant, and there is sufficient liquidity to meet all contractual obligations as they fall due over the next 12 months.

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

**17. Charges**

As at 31 December 2020 and 31 December 2019, 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 share capital**

The Company has issued 1 share of the total authorised shares of 100,000,000 to Magellan Funding Group.



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

**19. 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.

**20. Segment Analysis**

IFRS 8 "Operating Segments", adopts a strict management approach to segment reporting and requires that operating segments be identified on the same basis as financial information is reported internally for the purpose of allocating resources between segments and assessing their performance.

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 Company's Chief Operating Decision maker and for which financial information is available. The Company's Chief Operating Decision maker is the Board.

The single operating segment for the Company has been identified based on the aforementioned criteria keeping in view the role of segment manager, who in this case is the Servicer. The operating segment consists of the Company's investment in a large pool of assets located in the United Kingdom that is managed by the Servicer. This pool earns income and requires expenditure for its day to day operational maintenance. The operating segment derives its income from interest earned and realised gains during the financial year.

The Servicer provides the Board with monthly reports discussing the performance of the pool of assets as well as the quality of assets within the pool. Based on the operating segment identified earlier the Company has one distinct reportable segment where results are represented by the financial statements of the Company.

**21. Foreign exchange rates**

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

**Closing rate**

<b>31 December 2020</b>	<b>31 December 2019</b>
EUR/GBP 0.8990	EUR/GBP 0.8508

**22. Comparative information**

The Company comparative financial statements are for the financial year ended 31 December 2019.

**23. Approval of financial statements**

The financial statements were approved and authorised for issue by the Board on 30 July 2021.