

**SERIES D EURO-DM SECURITIES LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

**SERIES D EURO-DM SECURITIES LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

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## **SERIES D EURO-DM SECURITIES LIMITED**

### **REPORT OF THE DIRECTORS**

The Directors submit their report and the audited financial statements for the year ended 31st December 2016.

#### **INCORPORATION**

Series D Euro-DM Securities Limited ("the Company") was incorporated in Jersey, Channel Islands, on 7th March 1986.

#### **ACTIVITIES**

The Company holds a forty year Schuldschein issued by the state of Baden-Württemberg, Germany. The purchase of the Schuldschein has been financed from the net proceeds on the issue of Zero-Coupon Deutsche Mark Bearer Bonds on the Frankfurt Stock Exchange and the sale of a portion of the interest receivable under the Schuldschein.

#### **RESULTS**

The results for the year are shown in the Statement of Comprehensive Income on page 5.

#### **DIVIDEND**

The Directors do not recommend the payment of a dividend in respect of the year (2015 NIL).

#### **DIRECTORS' RESPONSIBILITIES**

The Directors are responsible for preparing financial statements in accordance with applicable law and International Financial Reporting Standards as adopted by the European Union ("IFRS").

Companies (Jersey) Law 1991 requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and the profit and loss for that period.

In preparing those financial statements the directors should:

- \* properly select suitable and apply accounting policies;
- \* present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- \* provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- \* make an assessment of the company's ability to continue as a going concern

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the website. They acknowledge that uncertainty regarding legal requirements is compounded as information published on the internet is accessible in many countries with different legal requirements relating to the preparation and dissemination of financial statements.

So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

#### **STATEMENT OF PERSONS RESPONSIBLE WITHIN THE ISSUER**

The Directors of the Company confirm to the best of their knowledge that the financial statements for the year end give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company as required by the applicable accounting standards. The Report of the Directors gives a fair review of the development of the Company's business, financial position and the important events that have occurred during the financial year and their impact on the financial statements. The principal risks and uncertainties faced by the Company are disclosed in the notes of these financial statements.

**SERIES D EURO-DM SECURITIES LIMITED**

**REPORT OF THE DIRECTORS (continued)**

**DIRECTORS**

The Directors of the Company who served during the year and subsequently were as follows:

Equiom Corporate Directors (Jersey) Limited appointed 18 November 2016	Equiom Management (CI) Limited resigned 18 November 2016
Equiom Corporate Services (Jersey) Limited appointed 18 November 2016	Equiom Services (CI) Limited resigned 18 November 2016

**SECRETARY**

Equiom Corporate Secretaries (Jersey) Limited appointed 18 November 2016  
Equiom Management (CI) Limited resigned 18 November 2016

**REGISTERED OFFICE**

One The Esplanade  
St Helier  
Jersey  
JE2 3QA  
Channel Islands

**ADMINISTRATOR**

Equiom (Jersey) Limited  
One The Esplanade  
St Helier  
Jersey  
JE2 3QA  
Channel Islands

**PAYING AGENT**

Commerzbank AG  
Mainzer Landstraße 151  
60327 Frankfurt am Main  
Frankfurt  
Germany

**INDEPENDENT AUDITOR**

Deloitte LLP acted as auditor during the year and have expressed their willingness to continue in office.

BY ORDER OF THE BOARD



Equiom Corporate Secretaries (Jersey) Limited

Dated 20 April 2017

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF**  
**SERIES D EURO-DM SECURITIES LIMITED**

We have audited the financial statements of Series D Euro-DM Securities Limited ("the Company") for the year ended 31 December 2016, which comprise the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and the related notes 1 to 11. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

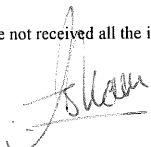
In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union
- have been properly prepared in accordance with the Companies (Jersey) Law 1991.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the company,
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

  
Andrew Isham  
For and on behalf of Deloitte LLP  
Chartered Accountants and Recognized Auditor  
St Helier, Jersey

24 April 2017

**SERIES D EURO-DM SECURITIES LIMITED**

**STATEMENT OF FINANCIAL POSITION**

**AS AT 31ST DECEMBER 2016**

(Expressed in €000s unless otherwise stated)

		€000s	
	<u>NOTES</u>	2016	2015
<b>ASSETS</b>			
<b>Non-current assets</b>			
Loan and receivables	3	447,051	420,021
Prepaid expenses	4	121	134
		<b>447,172</b>	<b>420,155</b>
<b>Current assets</b>			
Receivable from related party	10	28	12
Cash and cash equivalents		8	12
<b>TOTAL ASSETS</b>		<b>447,208</b>	<b>420,179</b>
<b>EQUITY</b>			
<b>Capital and reserves (attributable to the company's equity holders)</b>			
Ordinary share capital	6	5	5
Accumulated losses		(185)	(195)
<b>TOTAL EQUITY</b>		<b>(180)</b>	<b>(190)</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Financial liabilities at amortised cost	5	447,358	420,351
<b>Current liabilities</b>			
Trade payables and accrued expenses		30	18
<b>TOTAL LIABILITIES</b>		<b>447,388</b>	<b>420,369</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>447,208</b>	<b>420,179</b>

The financial statements on pages 4 to 13 were approved and authorised for issue by the Corporate Board of directors on <sup>20</sup> April 2017 and are signed on its behalf by:

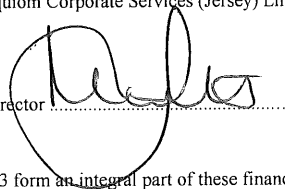
on behalf of  
Equiom Corporate Directors (Jersey) Limited

Director .....



on behalf of  
Equiom Corporate Services (Jersey) Limited

Director .....



The notes on pages 8 to 13 form an integral part of these financial statements

**SERIES D EURO-DM SECURITIES LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

(Expressed in €000s unless otherwise stated)

		€000s	
	<u>NOTES</u>	<u>2016</u>	<u>2015</u>
<b>INCOME</b>			
Interest income	3	27,030	25,297
<b>EXPENSES</b>			
Secretarial fee		9	8
Accountancy fee		5	5
Audit fee		24	14
Disbursements		<u>2</u>	<u>2</u>
		40	29
Less: Reimbursement		<u>(40)</u>	<u>(29)</u>
Operating profit		27,030	25,297
<b>FINANCE COSTS</b>			
Amortisation charge	5	27,007	25,278
Prepaid expenses	4	13	13
		<u>27,020</u>	<u>25,291</u>
<b>PROFIT FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME</b>		<u>10</u>	<u>6</u>

There were no other comprehensive income items during the year and the previous years

The notes on pages 8 to 13 form an integral part of these financial statements

**SERIES D EURO-DM SECURITIES LIMITED**

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

(Expressed in €'000s unless otherwise stated)

	Share Capital	Accumulated Losses	Total Equity
<b>Balance at 1 January 2015</b>	5	(201)	(196)
Total comprehensive income to equity holders of the Company	-	6	6
<b>Balance at 31 December 2015</b>	<u>5</u>	<u>(195)</u>	<u>(190)</u>

	Share Capital	Accumulated Losses	Total Equity
<b>Balance at 1 January 2016</b>	5	(195)	(190)
Total comprehensive income to equity holders of the Company	-	10	10
<b>Balance at 31 December 2016</b>	<u>5</u>	<u>(185)</u>	<u>(180)</u>

The notes on pages 8 to 13 form an integral part of these financial statements



**SERIES D EURO-DM SECURITIES LIMITED**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

(Expressed in €000s unless otherwise stated)

	<u>NOTES</u>	<u>€000s</u>	
		<u>2016</u>	<u>2015</u>
<b>Cash flows from operating activities</b>			
Cash flows from operating activities		(4)	-
Cash used in operations		-	-
Interest received		-	-
<b>Net cash used in operating activities</b>		<u>(4)</u>	<u>-</u>
<b>Cash flows from financing activities</b>			
Redemption of bearer bonds		-	-
<b>Net cash used in financing activities</b>		<u>-</u>	<u>-</u>
<b>Net decrease in cash and cash equivalents</b>		(4)	-
<b>Cash and cash equivalents at beginning of the year</b>		12	12
<b>Cash and cash equivalents at end of the year</b>		<u>8</u>	<u>12</u>

**RECONCILIATION OF TOTAL COMPREHENSIVE INCOME TO EQUITY HOLDERS OF THE COMPANY**

**TO CASH FLOWS FROM OPERATING ACTIVITIES**

	<u>NOTES</u>	<u>€000s</u>	
		<u>2016</u>	<u>2015</u>
<b>Total comprehensive income to equity holders of the Company</b>		10	6
Adjustments for:			
Interest income	3	(27,030)	(25,297)
Amortisation charge	5	27,007	25,278
Changes in working capital:			
Decrease / (Increase) in receivable from related party		(16)	-
Increase / (Decrease) in trade payable and accrued expenses		12	-
Prepaid expenses		13	13
<b>Cash flows from operating activities</b>		<u>(4)</u>	<u>-</u>

The notes on pages 8 to 13 form an integral part of these financial statements

**SERIES D EURO-DM SECURITIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**1 ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements for Series D Euro-DM Securities Limited ("the Company") are set out below. These policies have been applied consistently to all periods presented unless otherwise stated.

**1.1 Going Concern**

Although there is a negative equity position as at 31 December 2016, in the Directors' opinion the Company is still considered to be a going concern as the Company is able to meet its liabilities as they fall due for the next 12 months. In accordance with an undertaking dated 2nd July 1986, Commerzbank AG as promoters of the issue of Zero Coupon Deutsche Mark bearer bonds described in note 5, have agreed to reimburse the Company for all expenses incurred. The expenses and corresponding reimbursement are shown in the Statement of Comprehensive Income.

**1.1.2 Basis of preparation**

These financial statements have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

The Company has acquired a Schuldschein issued by the State of Baden-Württemberg, Germany from Commerzbank AG funded by the proceeds of the Zero Coupon Deutsche Mark bearer bonds listed on the Frankfurt Stock Exchange. These bonds are issued with a maturity date corresponding to the payment date on the Schuldschein loan. The Company neither has, nor will have, any other significant assets or liabilities and has covenanted not to enter into any other transactions except in connection with the Schuldschein.

It should be noted that the terms of issue of the Deutsche Mark bearer bonds contain provisions that if changes are made before the final redemption date of the Schuldschein, then the calculation of the amounts due is on the basis set out in such terms.

These financial statements have been prepared keeping in view that the transactions mentioned in the previous paragraphs are not separable. Total income arising from the Schuldschein and total expenses incurred on the financial liabilities (excluding the expenses pertaining to redemption of such liabilities) are recognised in the statement of comprehensive income during the terms of the Schuldschein and Deutsche Mark bearer bonds respectively so as to produce a constant rate of return over their term.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 1.2.

**a) Standards, amendments and interpretations to existing standards effective 1 January 2016**

There have been no new standards, interpretations or amendments to existing standards which are effective 1 January 2016 that would be expected to have a material impact on the Company.

**b) Standards, amendments and interpretations to existing standards that are not yet effective for the financial year beginning 1 January 2016 and have been early adopted by the Company**

The Company has not early adopted any standards or interpretations.

**c) Standards, amendments and interpretations issued but not yet effective for the financial year beginning 1 January 2016 and have not been early adopted by the Company.**

- IFRS 9, 'Financial instruments', effective for annual periods beginning on or after 1 January 2018.

The Directors do not believe that this change will have an impact on the Company as the Company meets the two conditions outlined in IFRS9 to continue to account for financial assets at amortised cost.

The two conditions outlined in the Standard met are:

Business model test - the financial assets are held by the Company with the objective to collect their contractual cash flows.

Cash flow characteristics test - the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principle and interest on the principle amount outstanding.

**SERIES D EURO-DM SECURITIES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

**1 ACCOUNTING POLICIES (continued)**

**1.2 Critical Accounting Estimates and Judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

**1.2.1 Critical Accounting Estimates and Assumptions**

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

**a) Amortised cost of investment in Schuldschein and Deutsche Mark bearer bonds**

The amortised cost of the Schuldschein and Deutsche Mark bearer bonds are calculated using the estimated effective interest rate. The effective interest rate was calculated throughout the life of the Schuldschein and bearer bonds. The Company used its best judgement in estimating the cash inflows and cash outflows in the calculation of the effective interest rate. The amortised cost of the Schuldschein and Deutsche Mark bearer bonds would be over or under estimated if the actual cash flows were to differ from the management estimates.

**1.2.2 Critical judgements in applying the accounting policies**

**a) Impairment of loans and receivables**

The Company follows the guidance of IAS 39 to determine when a financial asset is impaired.

In accordance with IAS 39, the Company assesses at each balance sheet date whether there is any objective evidence of impairment; the determination requires significant judgement. In making this judgement, the Company evaluates among other factors, the financial health and business outlook of the issuer (Federal Republic of Germany).

The Directors of the Company have a duty to review for any impairment of the asset for the year ended 31 December 2016 in accordance with IFRS, and to conclude whether the Company would suffer an additional charge for impairment.

The Directors of the Company are of the opinion that the investment is not currently impaired.

**1.3 Financial assets and liabilities held at amortised cost**

**1.3.1 Classification**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Schuldschein is classified as loans and receivables. Financial liabilities arise when the Company has a contractual obligation to deliver cash or other financial assets to another entity. The Deutsche Mark bearer bonds issued by the Company are classified as financial liabilities carried at amortised cost.

**1.3.2 Recognition and measurement**

IAS 39, Financial Instruments: Recognition and Measurement, requires financial assets and financial liabilities at amortised cost to be measured on initial recognition at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

**1.3.3 Derecognition of financial assets and financial liabilities**

Financial assets and liabilities are derecognised when the rights to receive cash flows from the assets/liabilities have expired or the Company has transferred substantially all risks and rewards of ownership.

## **SERIES D EURO-DM SECURITIES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

#### **FOR THE YEAR ENDED 31 DECEMBER 2016**

#### **1 ACCOUNTING POLICIES (continued)**

##### **1.3.4 Fair value estimation**

Fair values are only provided for disclosure purposes as the Schuldschein and Deutsche Mark bearer bonds are accounted for at amortised cost. See note 3 and note 5 for fair value estimation. The fair value of any financial assets and liabilities that are traded in an active market are determined with reference to the market price at the measurement date. The fair value of financial assets and liabilities that are not traded in an active market (for example, inactively traded bonds) is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Valuation techniques used may include the use of discounted cash flow analysis and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

Due to the inherent uncertainty in respect of the measurement of fair value of both the investment in the Schuldschein and the liability of the Zero Coupon Bond, the estimated fair values disclosed may differ significantly from the realisable value, and the differences could be material. These bonds are issued with a maturity date corresponding to the payment date on the Schuldschein loan. The Schuldschein investment is government backed and the loan originates from an EU member state. LBW is one of the sixteen states which are partly sovereign constituent states of the Federal Republic of Germany.

##### **1.4 Cash and cash equivalents**

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

##### **1.5 Functional and presentation currency**

The Company has adopted the Euro ("EUR") as its presentation and functional currency, as the Company's primary activity is to invest in EUR denominated securities. The Company has no exposure to currency on its investment, and only minimal exposure to Pound Sterling and United States Dollar on its payables and receivables.

Transactions denominated in currencies other than EUR have been translated to EUR at the exchange rate ruling at the date of the transaction. Monetary items on the balance sheet have been translated to EUR at the exchange rate ruling at the year end. Foreign currency gains and losses on such transactions are recognised in the Statement of Comprehensive Income.

##### **1.6 Income**

Income, which includes interest income and discount on the Schuldschein, is recognised in the Statement of Comprehensive Income using the effective interest rate method over the term of the Schuldschein.

##### **1.7 Amortisation charge**

The discount on Deutsche Mark bearer bonds is amortised through the Statement of Comprehensive Income over the life of the total liability using the effective interest rate method.

##### **1.8 Issue costs**

Costs necessarily incurred in relation to the issue of the Deutsche Mark bearer bonds are classified as transaction costs. These transaction costs are subsequently amortised through the Statement of Comprehensive Income using the effective interest rate method over the life of the related liability. Any unamortised transaction costs are presented by way of netting from the related liability to which they pertain.

##### **1.9 Offsetting financial instruments**

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

##### **1.10 Bond redemption expenses**

According to the terms of arrangement the difference between the interest instalments receivable on the Schuldschein and the redemption value of the relevant Deutsche Mark bearer bonds will be utilised for payment of costs pertaining to redemption of the Deutsche Mark bearer bonds. Accordingly, bond redemption expenses are recorded at the time when the bonds are actually redeemed.

##### **1.11 Share capital**

Ordinary shares are classified as equity.

##### **1.12 Expenses**

In accordance with an undertaking dated 2nd July 1986, the promoters (Commerzbank AG) of the issue of Zero Coupon Deutsche Mark bearer bonds described in note 5, have agreed to reimburse the Company for all expenses incurred.

##### **1.13 Segmental Reporting**

The Company is deemed to be organised into one activity and geographical segment. No additional disclosures have therefore been included in relation to segmental reporting.

**SERIES D EURO-DM SECURITIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**2 FINANCIAL RISK MANAGEMENT**

The Company's activities expose it to a variety of financial risks: Market risk, credit risk and counter-party risk, and liquidity risk as explained below.

**2.1 Financial risk factors**

**a) Market risk**

**i) Price risk and Interest rate risk**

The overall position and risk is governed by terms of the determined loan document under the Schuldschein and is matched and funded by Zero Coupon Deutsche Mark bearer bonds. The interest rate on the Schuldschein is fixed and therefore interest rate risk is deemed to be minimal.

**ii) Currency risk**

The Company's presentation and functional reporting currency is the Euro and there is no exchange rate risk on income since the DM was converted to Euro in 2002 at a fixed rate of 1.95583. There is some limited exposure on expenses charged in Pound Sterling and United States Dollar currencies, however these expenses are fully reimbursed in the source currency by the promoter, Commerzbank AG.

**iii) Sensitivity analysis**

The Company has not provided a sensitivity analysis, given that both interest rate risk and currency risk are not deemed to be relevant as the Zero Coupon Deutsche Mark bearer bonds are fully funded by the Schuldschein. Therefore no sensitivity analysis is required to be disclosed.

**b) Credit risk and counter party risk**

Credit risk is the risk that the counter-parties will be unable to pay amounts in full when they fall due. The Company's single investment holding is the Schuldschein (as described in note 3), with an actual balance outstanding of €447.05m (at amortised cost) as at 31 December 2016 (2015; €420.02m). The Company has covenanted not to enter into any other transactions except in connection to the Schuldschein. An impairment review was carried out in respect of the Schuldschein and based on such the Directors are of the view that no impairment provision is required, as more fully described below.

The Schuldschein investment is government backed and the loan originates from an EU member state. Land Baden-Württemberg ("LBW") as a state is among the most prosperous states in Germany and is one of the wealthiest regions in Europe. LBW is one of the sixteen states which are partly sovereign constituent states of the Federal Republic of Germany.

LBW is a key shareholder in Landesbank Baden-Württemberg ("LBBW") who are of high systemic importance to the Federal Republic of Germany. LBBW will continue to receive extraordinary financial support from LBW if needed.

The only other asset subject to credit risk is the receivable from a related party, Commerzbank AG, who is the ultimate controlling party of the Company and paying agent. Given that Commerzbank AG, is a well regulated bank with a credit rating of A2, Moody's credit opinion dated 15 August 2016, the credit risk of the receivable from the related party is deemed to be minimal.

The Directors have no evidence to suggest that the Schuldschein investment had suffered a decline in fair value below the cost, or that any decline was prolonged or significant. The investment is not currently impaired, although the Directors will continue to monitor the situation, given the current adverse economic conditions. For further information please refer to note 3.

**c) Liquidity risk**

Liquidity risk is the risk that the Company is unable to meet the payment obligations associated with its financial liabilities when they fall due.

The Company currently has minimal exposure to liquidity risk as its obligations to meet its liabilities are offset by the investment held in accordance with the terms of the loan agreement. There have been no defaults or breaches to date, in relation to financial obligations of the Company.

The maturity of the Company's liabilities are given in the table below.

As at 31 December 2016	Less than 1 year €000s	2 to 5 years €000s	Over 5 years €000s
Trade payables and accrued expenses	30	-	-
Financial liabilities at amortised cost	-	-	447,358
<b>As at 31 December 2015</b>	<b>Less than 1 year €000s</b>	<b>2 to 5 years €000s</b>	<b>Over 5 years €000s</b>
Trade payables and accrued expenses	18	-	-
Financial liabilities at amortised cost	-	-	420,351

The final amount due on maturity is €699,324,583

**SERIES D EURO-DM SECURITIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**2 FINANCIAL RISK MANAGEMENT (continued)**

**2.2 Capital risk management**

As of 31 December 2016 the Company has an ordinary share capital of €5,000 (2015: €5,000). The Company's main transaction, the acquisition of the Schuldschein was funded through the issue of Deutsche Mark bearer bonds as described in note 5 to the financial statements.

**2.3 Limited recourse**

There is no limited recourse in place, as the financial assets are not secured on any specific assets of the issuer.

**3 LOANS AND RECEIVABLES**

This represents an unlisted investment in a Schuldschein issued by the State of Baden-Wurtemberg on 8th April 1986. The Schuldschein, which has a face value of €322,641,499, was purchased at a cost of €307,642,326.

Between 8 April 1986 and 7 April 1996, the Schuldschein yields interest at a rate of 6.09% p.a. due and payable annually. Subsequently, it bears interest in equal instalments of €264,727,350 due on 8 April 2006 and 2021 and €111,956,600 due on 8 April 2011 and 2026. The principal amount of the Schuldschein is payable on 8 April 2026.

This investment is recorded initially at fair value and is subsequently measured at amortised cost which is determined after taking into account interest yield, discount amortised and receipts of interest instalments as they become due.

The Schuldschein is used to provide security for the Deutsche Mark bearer bonds detailed in note 5 below.

The carrying value of the Schuldschein is as follows:

	<b>€000s</b>	
	<b>2016</b>	<b>2015</b>
Amortised cost at the beginning of the year	<b>420,021</b>	394,724
Interest income during the year at effective interest rate	<b>27,030</b>	25,297
Amortised cost at the end of the year	<b>€447,051</b>	<b>€420,021</b>

The effective rate of the Schuldschein is 6.42% p.a. (2015:6.42%). The fair value of the Schuldschein presented in the Statement of Financial Position is estimated to be €673,933,459 as at 31 December 2016 (2015: €643,508,370). The fair value of the Schuldschein was determined in accordance with generally accepted pricing models based on discounted cash flow analysis, with the most significant input being the discount rate. The fair value hierarchy is considered to be level 3.

**4 PREPAID EXPENSE**

This represents advance payments made in respect of Trustees and Paying Agents fees and is amortised through the Statement of Comprehensive Income on a straight line basis over the life of the Schuldschein.

	<b>€000s</b>	
	<b>2016</b>	<b>2015</b>
Carrying cost at the beginning of the year	<b>134</b>	147
Amortised during the year	<b>(13)</b>	(13)
Carrying cost at the end of the year	<b>€121</b>	<b>€134</b>

**5 FINANCIAL LIABILITIES AT AMORTISED COST**

As explained in note 3 to these financial statements, the Company issued zero coupon bonds and sold its right to receive interest due on the Schuldschein for the period 8 April 1986 to 7 April 1996 to finance the purchase of the Schuldschein. These liabilities are recorded in the financial statements at their amortised cost which is determined after taking into account discount and transaction cost amortisation and payment of interest instalments to settle the liability arising on the sale of rights to receive interest on the Schuldschein.

**SERIES D EURO-DM SECURITIES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

**5 FINANCIAL LIABILITIES AT AMORTISED COST (continued)**

	€000s	
	<u>2016</u>	<u>2015</u>
Amortised cost at the beginning of the year	420,351	395,073
Amortisation of discount at effective interest rate	27,007	25,278
Amortised cost at the end of the year	<u>€447,358</u>	<u>€420,351</u>

The effective interest rate of the Deutsche Mark bearer bonds is 6.41% p.a. (2015:6.41%).

The contractual value at the maturity of the Deutsche Mark bearer bonds is € 699.3m (2015 - € 699.3m).

The fair value of the Deutsche Mark bearer bonds presented in the Statement of Financial Position is estimated to be €661,339,260 as at 31 December 2016 (2015: €630,839,046). The technique for fair value is determined on the basis of quoted prices on Bloomberg and the hierarchy is considered to be Level 2.

**6 ORDINARY SHARE CAPITAL**

	<u>2016</u>	<u>2015</u>
Authorised 10,000 shares of £1 each with ordinary voting rights	£ <u>10,000</u>	£ <u>10,000</u>
Issued and fully paid 3,509 shares of £1 each with ordinary voting rights	£ <u>3,509</u>	£ <u>3,509</u>
	€ 000s	
Converted to € at the exchange rate ruling at the date on which the Deutsche Mark ("DM") ceased to be legal tender, and not re-converted each year.	€ <u>5</u>	€ <u>5</u>

**7 IMMEDIATE AND ULTIMATE CONTROLLING PARTY**

The immediate controlling party of the Company is Equiom Trust (CI) Limited, as trustee of a charitable trust, which is the beneficial owner of the issued shares. In the opinion of the trustee the ultimate controlling party is Commerzbank AG, a regulated German bank.

**8 ADMINISTRATION EXPENSES**

In accordance with an undertaking dated 2nd July 1986 the promoters of the issue of the issue of Zero Coupon Deutsche Mark bearer bonds described in note 3, have agreed to reimburse the Company for all expenses incurred. The expenses and the corresponding reimbursement are shown in the income statement.

The Company had engaged the services of Equiom Trust (CI) Limited for a fixed fee of \$10,000 per annum and an annual fee of \$3,000 for bookkeeping and accounting services, plus an interim fee of £2,000 for the production of interim financial statements plus disbursements.

Total administration and accounting fees for the year amounted to €14,667 (2015: €13,250).

**9 TAXATION**

The Company is taxed at the standard rate 0%. (2015:0%).

**10 RELATED PARTY TRANSACTIONS**

Parties are considered related if one party has ability to control the other party or exercise influence over the party in making financial or operational decisions. The following are considered by the directors of the Company to be related parties:

- Equiom Trust (CI) Limited as immediate controlling party of the Company.
- Commerzbank AG as the ultimate controlling party and paying agent of the Company.
- Equiom Trust (CI) Limited provided administrative and accountancy services for a fee of € 14,667 (2015 € 13,250) during the year.
- Commerzbank AG has reimbursed the Company for all administrative expenses for the year of €38,000 (2015 - € 27,000).

The balance receivable from Commerzbank AG at 31 December 2016 is €28,000 (2015 - € 12,000).

**11 SUBSEQUENT EVENTS**

No significant events occurred between the year end date and the date of signing the financial statements, which would require adjustments to, or disclosure in, the financial statements.