SERIES D EURO-DM SECURITIES LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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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 2017.

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 (2016 : 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 and apply suitable 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

Equiom Corporate Services (Jersey) Limited

SECRETARY

Equiom Corporate Secretaries (Jersey) Limited

REGISTERED OFFICE

3rd Floor
One The Esplanade
St Helier
Jersey
JE2 3QA
Channel Islands

ADMINISTRATOR

Equiom (Jersey) Limited
3rd Floor
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

6 APRIL
Dated 2018

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- **give a true and fair view of the state of the company's affairs as at 31 December 2017 and of the company's profit for the year then ended;**
- **have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and**
- **have been properly prepared in accordance with Companies (Jersey) Law, 1991.**

We have audited the financial statements of Series D Euro-DM Securities Limited (the 'company') which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the statement of cash flows; and
- the related notes 1 to 11.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was the valuation of loans and receivables.
Materiality	The materiality that we used for the financial statements was €9,200,000 which was determined on the basis of 2% of financial liabilities at amortised cost.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of loans and receivables	
Key audit matter description	The key balance within the financial statements is the loan and receivable (representing the Schuldschein) which is held at an amortised cost of €475,761,000 in line with IAS 39 (Financial Instruments: Recognition and Measurement). These are highly material to the company and they account for 99.97% of total assets. Judgement is required in assessing the carrying value of the assets and the consideration of impairment indicators of the loans and receivables held. The key assumption used in the assessment is the fact that the Schuldschein is government backed, having been issued by Land Baden Wurttemberg (a German state). Further details are included within the critical accounting estimates and judgements note in note 1.2.2 to the financial statements.
How the scope of our audit responded to the key audit matter	We have evaluated the design and implementation of key controls related to the impairment assessment process. We assessed the appropriateness of key assumptions used and the carrying value of these assets by reference to third party pricing and market data available.
Key observations	As a result of our audit procedures we concluded that the assumptions used in the impairment assessment are satisfactory and that therefore the determination that no impairment is required is deemed appropriate.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	€9,200,000
Basis for determining materiality	2% of Financial Liabilities at Amortised Cost
Rationale for the benchmark applied	The primary purpose of the business is the issue of zero coupon bonds to purchase the Schuldschein. We have thus used the financial liabilities at amortised cost balance for materiality determination.

We agreed with the directors that we would report to them all differences in excess of €460,000, as well as differences below that threshold that, in our view, warrant reporting on qualitative grounds. We also report to the directors on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Report of the directors, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Report on other legal and regulatory requirements

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records
Under the Companies (Jersey) Law, 1991 we are required to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.

Andrew Isham, BA FCA
For and on behalf of Deloitte LLP
Recognized Auditor
Jersey
9 April 2018

SERIES D EURO-DM SECURITIES LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31ST DECEMBER 2017

(Expressed in €000s unless otherwise stated)

	NOTES	€000s 2017	2016
ASSETS			
Non-current assets			
Loan and receivables	3	**475,761**	447,051
Prepaid expenses	4	**108**	121
		475,869	447,172
Current assets			
Receivable from related party	10	**33**	28
Cash and cash equivalents		**4**	8
TOTAL ASSETS		**475,906**	447,208
EQUITY			
Capital and reserves (attributable to the company's equity holders)			
Ordinary share capital	6	**5**	5
Accumulated losses		**(170)**	(185)
TOTAL EQUITY		**(165)**	(180)
LIABILITIES			
Non-current liabilities			
Financial liabilities at amortised cost	5	**476,040**	447,358
Current liabilities			
Trade payables and accrued expenses		**31**	30
TOTAL LIABILITIES		**476,071**	447,388
TOTAL EQUITY AND LIABILITIES		**475,906**	447,208

The financial statements on pages 4 to 13 were approved and authorised for issue by the Corporate Board of directors on 6 APRIL ~~xxxx~~ 2018 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 11 to 16 form an integral part of these financial statements

SERIES D EURO-DM SECURITIES LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

(Expressed in €000s unless otherwise stated)

	NOTES	€000s 2017		2016	
INCOME					
Interest income	3		28,710		27,030
EXPENSES					
Secretarial fee		11		9	
Accountancy fee		7		5	
Audit fee		22		24	
Disbursements		3		2	
		43		40	
Less: Reimbursement		(43)		(40)	
Operating profit			28,710		27,030
FINANCE COSTS					
Amortisation charge	5	28,682		27,007	
Prepaid expenses	4	13		13	
			28,695		27,020
PROFIT FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME			15		10

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

The notes on pages 11 to 16 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 2017

(Expressed in €'000s unless otherwise stated)

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

	Share Capital	**Accumulated Losses**	**Total Equity**
Balance at 1 January 2017	5	(185)	(180)
Total comprehensive income to equity holders of the Company	-	15	15
Balance at 31 December 2017	5	(170)	(165)

The notes on pages 11 to 16 form an integral part of these financial statements

SERIES D EURO-DM SECURITIES LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

(Expressed in €000s unless otherwise stated)

	NOTES	€000s	
		2017	2016
Cash flows from operating activities			
Cash flows from operating activities		(4)	(4)
Interest received		-	-
Net cash used in operating activities		(4)	(4)
Cash flows from financing activities			
Redemption of bearer bonds		-	-
Net cash used in financing activities		-	-
Net decrease in cash and cash equivalents		(4)	(4)
Cash and cash equivalents at beginning of the year		8	12
Cash and cash equivalents at end of the year		4	8

RECONCILIATION OF TOTAL COMPREHENSIVE INCOME TO EQUITY HOLDERS OF THE COMPANY

TO CASH FLOWS FROM OPERATING ACTIVITIES

	NOTES	€000s	
		2017	2016
Total comprehensive income to equity holders of the Company		15	10
Adjustments for:			
Interest income	3	(28,710)	(27,030)
Amortisation charge	5	28,682	27,007
Changes in working capital:			
Increase in receivable from related party		(5)	(16)
Increase in trade payable and accrued expenses		1	12
Prepaid expenses		13	13
Cash flows from operating activities		(4)	(4)

The notes on pages 11 to 16 form an integral part of these financial statements

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 2017, 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-Württemburg, 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 2017

There have been no new standards, interpretations or amendments to existing standards which are effective 1 January 2017 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 2017 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 2017 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.

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 2017 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.

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. Land Baden-Wurttemberg ("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.

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

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks.

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 €475.76m (at amortised cost) as at 31 December 2017 (2016; €447.05m). 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 is required, as more fully described below.

The Schuldschein investment is government backed and the loan originates from an EU member state. 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 2017	Less than 1 year €000s	2 to 5 years €000s	Over 5 years €000s
Trade payables and accrued expenses	31	-	-
Financial liabilities at amortised cost	-	-	476,040

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

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

2 FINANCIAL RISK MANAGEMENT (continued)

2.2 Capital risk management

As of 31 December 2017 the Company has an ordinary share capital of €5,000 (2016: €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-Wurttemberg 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:	€000s	
	2017	2016
Amortised cost at the beginning of the year	**447,051**	420,021
Interest income during the year at effective interest rate	**28,710**	27,030
Amortised cost at the end of the year	**€475,761**	€447,051

The effective rate of the Schuldschein is 6.42% p.a. (2016:6.42%). The fair value of the Schuldschein presented in the Statement of Financial Position is estimated to be €672,481,572 as at 31 December 2017 (2016: €673,933,459). 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.	€000s	
	2017	2016
Carrying cost at the beginning of the year	**121**	134
Amortised during the year	**(13)**	(13)
Carrying cost at the end of the year	**€108**	€121

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.

5 FINANCIAL LIABILITIES AT AMORTISED COST (continued)

	€000s	
	2017	2016
Amortised cost at the beginning of the year	**447,358**	420,351
Amortisation of discount at effective interest rate	**28,682**	27,007
Amortised cost at the end of the year	**€476,040**	€447,358

The effective interest rate of the Deutsche Mark bearer bonds is 6.41% p.a. (2016:6.41%).

The contractual value at the maturity of the Deutsche Mark bearer bonds is € 699.3m (2016 - € 699.3m).

The fair value of the Deutsche Mark bearer bonds presented in the Statement of Financial Position is estimated to be €665,368,152 as at 31 December 2017 (2016: €661,339,260). 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

	2017	2016
Authorised 10,000 shares of £1 each with ordinary voting rights	£ 10,000	£ 10,000
Issued and fully paid 3,509 shares of £1 each with ordinary voting rights	£ 3,509	£ 3,509
	€ 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.	€ 5	€ 5

7 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

The ultimate 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.

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 €18,007 (2016: €14,667).

9 TAXATION

The Company is taxed at the standard rate 0%. (2016:0%).

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.
- Equiom Trust (CI) Limited as the ultimate controlling party and paying agent of the Company.
- Equiom Trust (CI) Limited provided administrative and accountancy services for a fee of € 18,007 (2016 € 14,667) during the year.
- Commerzbank AG has reimbursed the Company for all administrative expenses for the year of €39,000 (2016 - € 38,000).

The balance receivable from Commerzbank AG at 31 December 2017 is €33,000 (2016 - € 28,000).

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.