SERIES D EURO-DM SECURITIES LIMITED

INTERIM REPORT AND UNAUDITED INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2019

SERIES D EURO-DM SECURITIES LIMITED
UNAUDITED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2019

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SERIES D EURO-DM SECURITIES LIMITED

UNAUDITED INTERIM REPORT OF THE DIRECTORS

The Directors submit their interim report and the unaudited interim financial statements for the period 1 January 2019 to 30 June 2019.

INCORPORATION

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

ACTIVITIES

The Company holds a forty year Schuldschein issued by the state of Baden-Württemburg, 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 a sale of a portion of the interest receivable under the Schuldschein.

RESULTS

The results for the period 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 6 month period to 30 June 2019 (6 month period to 30 June 2018 : € 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").

The Directors are responsible for keeping proper accounting records, for preparing the half-yearly financial report in accordance with IAS 34 'Interim financial reporting', and ensuring compliance with applicable listing rules. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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 period 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 principal risks and uncertainties faced by the Company are disclosed in the notes of these financial statements.

SERIES D EURO-DM SECURITIES LIMITED

UNAUDITED INTERIM REPORT OF THE DIRECTORS (continued)

DIRECTORS

The Directors of the Company who served during the period 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

BY ORDER OF THE BOARD

Equiom Corporate Secretaries (Jersey) Limited

Dated 12 September 2019

INDEPENDENT REVIEW REPORT TO SERIES D EURO-DM SECURITIES LIMITED

We have been engaged by the Company to review the interim financial statements in the half-yearly financial report for the six months ended 30 June 2019 which comprises the statement of financial position, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and related notes 1 to 11. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors.

As disclosed in note 1, the annual financial statements of the Company are prepared in accordance with IFRSs as adopted by the European Union. The interim financial statements included in this half-yearly financial report have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the interim financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements in the half-yearly financial report for the six months ended 30 June 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union.

Deloitte LLP

Deloitte LLP
Statutory Auditor
St Peter Port, Guernsey
Date: 17 September 2019

SERIES D EURO-DM SECURITIES LIMITED

UNAUDITED INTERIM STATEMENT OF FINANCIAL POSITION

FOR THE 6 MONTHS ENDED 30 JUNE 2019

(Expressed in Euro '000s unless otherwise stated)

	NOTES	€ 000s Unaudited 30 June 2019	€ 000s Audited 31 December 2018
ASSETS			
Non-current assets			
Financial assets at amortised cost	3	**522,538**	506,314
Prepaid expenses	4	**89**	95
		522,627	506,409
Current assets			
Receivable from related party	10	**14**	33
Cash and cash equivalents		-	-
TOTAL ASSETS		**522,641**	506,442
EQUITY			
Capital and reserves (attributable to the company's equity holders)			
Ordinary share capital	6	**5**	5
Accumulated losses		**(140)**	(152)
TOTAL EQUITY		**(135)**	(147)
LIABILITIES			
Non-current liabilities			
Financial liabilities at amortised cost	5	**522,768**	506,562
Current liabilities			
Trade and other payables		**8**	27
TOTAL LIABILITIES		**522,776**	506,589
TOTAL EQUITY AND LIABILITIES		**522,641**	506,442

The unaudited interim financial statements on pages 4 to 17 were approved and authorised for issue by the Corporate Board of directors on 12 SEPTEMBER 2019 and are signed on it's behalf by:

on behalf of
Equiom Corporate Directors (Jersey) Limited

Director ....

on behalf of
Equiom Corporate Services (Jersey) Limited

Authorised Person ....

SERIES D EURO-DM SECURITIES LIMITED

UNAUDITED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE 6 MONTHS ENDED 30 JUNE 2019

(Expressed in Euro '000s unless otherwise stated)

	NOTES	€ 000s Unaudited period 1 January 2019 to 30 June 2019	Unaudited period 1 January 2018 to 30 June 2018
INCOME			
Interest income	3	**16,224**	15,276
ADMINISTRATION EXPENSES			
Secretarial fee		**5**	1
Accountancy and Audit fee		**7**	6
		12	7
Less: Reimbursement	10	**(12)**	(7)
Operating profit		16,224	15,276
FINANCE COSTS			
Amortisation charge	5	**16,206**	15,261
Prepaid expenses	4	**6**	6
		16,212	**15,267**
TOTAL COMPREHENSIVE INCOME TO EQUITY HOLDERS OF THE COMPANY		12	9

There were no items of other comprehensive income in the current period.

The notes on pages 8 to 17 form an integral part of these unaudited interim financial statements

SERIES D EURO-DM SECURITIES LIMITED

UNAUDITED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE 6 MONTHS ENDED 30 JUNE 2019

(Expressed in Euro '000s unless otherwise stated)

	Share Capital € 000s	Accumulated Losses € 000s	Total Equity € 000s
Balance at 1 January 2019	5	(152)	(147)
Total comprehensive income to equity holders of the Company	-	12	12
Balance at 30 June 2019 (unaudited)	5	(140)	(135)

	Share Capital € 000s	Accumulated Losses € 000s	Total Equity € 000s
Balance at 1 January 2018	5	(170)	(165)
Total comprehensive income to equity holders of the Company	-	9	9
Balance at 30 June 2018 (unaudited)	5	(161)	(156)

The notes on pages 8 to 17 form an integral part of these unaudited interim financial statements

SERIES D EURO-DM SECURITIES LIMITED

UNAUDITED INTERIM STATEMENT OF CASH FLOWS

FOR THE 6 MONTHS ENDED 30 JUNE 2019

(Expressed in Euro '000s unless otherwise stated)

	NOTES	€ 000s Unaudited period 1 January 2019 to 30 June 2019	 Unaudited period 1 January 2018 to 30 June 2018
Cash flows from operating activities			
Cash flows from operating activities		-	(1)
Net cash used in operating activities		-	(1)
Net decrease in cash and cash equivalents		-	(1)
Cash and cash equivalents at beginning of period		-	4
Cash and cash equivalents at end of the period		-	3

UNAUDITED INTERIM RECONCILIATION OF TOTAL COMPREHENSIVE INCOME TO CASH FLOWS FROM OPERATING ACTIVITIES

	NOTES	€ 000s Unaudited period 1 January 2019 to 30 June 2019	 Unaudited period 1 January 2018 to 30 June 2018
Total comprehensive income		**12**	9
Adjustments for:			
Interest income at effective interest rate	3	**(16,224)**	(15,276)
Amortisation of discount on bearer bonds at effective interest rate	5	**16,206**	15,261
Changes in working capital:			
Decrease in receivable from related party		**19**	22
Decrease in trade payable and accrued expenses		**(19)**	(23)
Decrease in prepaid expenses		**6**	6
Cash flows from operating activities		-	(1)

The notes on pages 8 to 17 form an integral part of these unaudited interim financial statements

SERIES D EURO-DM SECURITIES LIMITED

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 30 JUNE 2019

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, and are consistent with the financial statements for the year ended 31 December 2018, unless otherwise stated.

1.1 Going Concern

Although there is a negative equity position as at 30 June 2019, 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 2 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. The Company expects the reimbursement arrangement to continue until the winding up of the structure on the maturity of the bonds.

1.1.2 Basis of preparation

These unaudited interim financial statements for the six months ended 30 June 2019 have been prepared in accordance with IAS 34, 'Interim financial reporting'. The unaudited interim financial statements should be read in conjunction with the audited annual financial statements for the year ended 31 December 2018, which have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The accounting policies are consistent with those of the previous financial year.

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 these bonds 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, amendment and interpretations mandatorily effective from 1 January 2019

There have been no new standards, interpretations or amendments to existing standards which are effective 1 January 2019 that would be expected to have a material impact on the company.

1 ACCOUNTING POLICIES (continued)

b) Standards, amendments and interpretations to existing standards that are not yet effective for the financial period beginning 1 January 2019 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 period beginning 1 January 2019 and have not been early adopted by the Company.

There are no standards, interpretations or amendments issued but not yet effective that would be expected to have a significant impact on the company

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

1.2.2 Critical judgements in applying the accounting policies

a) Significant increase in credit risk of financial asset at amortised cost

The Company follows the guidance of IFRS 9 to determine when a significant increase in credit risk has occurred.

In accordance with IFRS 9, the Company assesses at each balance sheet date whether there is any objective evidence of significant increase in credit risk; the determination requires significant judgement. In making this judgement, the Company evaluates among other factors, the financial health and business outlook of the Schuldschein issuer (Federal Republic of Germany).

The Directors of the Company are of the opinion that the State of Baden-Württemberg is financially backed by the Federal Republic of Germany.

The Directors of the Company have a duty to review for any significant increase in credit risk for the period ended 30 June 2019 in accordance with IFRS.

The Directors of the Company are of the opinion that there has been no significant increase in credit risk since initial recognition. Given the current economic conditions, they will continue to monitor the situation.

1 ACCOUNTING POLICIES (continued)

1.3 Financial assets and liabilities held at amortised cost

1.3.1 Classification

Financial Assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Schuldschein is classified as a financial asset at amortised cost. 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 at amortised cost.

1.3.2 Recognition and measurement

IFRS 9, 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.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The entity's financial assets (the Schuldschein) meet the requirement to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and those cash flows consist solely of payments of principal and interest on the principal amount outstanding.

The financial liabilities are subsequently measured at amortised cost.

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. Financial liabilities are subsequently measured at amortised cost.

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. The State of Baden-Wurttemberg (SBW) is one of the sixteen states which are partly sovereign constituent states of the Federal Republic of Germany.

1 ACCOUNTING POLICIES (continued)

1.3.5 Impairment

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

IFRS 9 outlines a three-stage model for impairment based on changes to credit quality. Stage 1 includes financial instruments that have not had a significant increase in credit risk since initial recognition, or that have low credit risk at the reporting date. Stage 2 financial instruments are those that have experienced a significant increase in credit risk since the initial recognition, but do not have objective evidence of impairment. Finally, stage 3 includes financial instruments that have experienced a significant increase in credit risk since initial recognition, and that have objective evidence of impairment at the reporting date. Per the review of the financial assets at amortised cost, the directors have concluded that the Schuldschein will be classified as Stage 1 for IFRS 9 purposes.

The directors propose to adopt a widely recognised impairment model to provide for expected credit losses based on an estimation of the probability of default and the expected recovery rate following a default scenario (loss given default). The probability of default was determined based on the appropriate credit rating of the lender using Moody's credit rating agency, which is then benchmarked against publicly available data for assets exhibiting similar characteristics to determine the probability of default. The loss given default was determined based on the average senior unsecured bond corporate debt recovery rates for emergence year's equivalent to the Schuldschein, taken from Moody's Corporate Default and Recovery Rates. These are then benchmarked against the exposure at default being the amortised cost balance of the Schuldschein on the balance sheet, in order to calculate the expected credit loss.

Based on the current analysis, the Directors have determined that the impact of the credit loss for financial assets at amortised cost is immaterial for the current financial year.

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, or;
- The financial asset is more than 90 days past due.

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 ("GBP") and United States Dollar ("USD") 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 period/year end. Foreign currency gains and losses on such transactions are recognised in the Statement of Comprehensive Income.

1 ACCOUNTING POLICIES (continued)

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 related 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 statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

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, except bond redemption expenses as explained in 1.10

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) 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.

2 FINANCIAL RISK MANAGEMENT (continued)

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 due. The Company's single investment holding is the Schuldschein (as described in note 3), with an actual balance outstanding of €522.53m as at 30 June 2019 and a fair value of €701.29m as at 30 June 2019. The Company has covenanted not to enter into any other transactions except in connection to the Schuldschein. An assessment considering whether there has been a significant increase in credit risk was carried out within the business 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. The State of Baden-Württemburg ("SBW") as a state is among the most prosperous states in Germany and is one of the wealthiest regions in Europe. SBW is one of the sixteen states which are partly sovereign constituent states of the Federal Republic of Germany.

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

The only other asset subject to credit risk is the receivable from a related party, Commerzbank AG, who is the paying agent of the Company. Given that Commerzbank AG is a well regulated bank with a credit rating of BBB+ from Standard & Poor's ratings services, 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 Directors of the Company are therefore of the opinion that the investment is not currently impaired, although they will continue to monitor the situation, given the current economic conditions. For further information please refer to note 3.

2 FINANCIAL RISK MANAGEMENT (continued)

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 30 June 2019	Less than 1 year Euro' 000s	2 to 5 years Euro' 000s	over 5 years Euro' 000s
Trade payable and accrued expenses	8	-	
Financial liabilities at amortised cost	-	-	522,768

As at 31 December 2018	Less than 1 year Euro' 000s	2 to 5 years Euro' 000s	over 5 years Euro' 000s
Trade payable and accrued expenses	27	-	
Financial liabilities at amortised cost	-	-	506,562

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

2.2 Capital risk management

As of 30 June 2019 the Company has an ordinary share capital of €5,000 (Year ended 31 December 2018: €5,000). The Company's main transaction, acquisition of Schuldschein was funded through 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 FINANCIAL ASSETS AT AMORTISED COST

This represents an unlisted investment in a Schuldschein issued by the State of Baden-Württemburg on 8 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 paid on 8 April 2006 and due on 8 April 2021 and €111,956,600 paid on 8 April 2011 and due on 8 April 2026. The principal amount of the Schuldschein is payable on 8 April 2026.

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	
	Unaudited 30 June 2019	**Audited 31 December 2018**
Amortised cost at beginning of the period/year	**506,314**	475,761
Interest income during the year at effective interest rate	**16,224**	30,553
Amortised cost at the end of the period/year	**€522,538**	€506,314

The effective rate of the Schuldschein is 6.42% p.a. (2021:6.42%). The fair value of the Schuldschein presented in the statement of financial position is estimated to be €701,293,454 as at 30 June 2019 (as at 31 December 2018: €682,418,929). 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 1.95583%. 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	
	Unaudited 30 June 2019	**Audited 31 December 2018**
Carrying cost at the beginning of the period/year	**95**	108
Amortised during the period/year	**(6)**	(13)
Carrying cost at the end of the period/year	**€89**	€95

5 FINANCIAL LIABILITIES AT AMORTISED COST

The Company issued 1,435,280,000 zero coupon Deutsche Mark bearer bonds divided into four series, (Series 2006, Series 2011, Series 2021 and Series 2026). The bonds are listed on the Frankfurt Stock Exchange. The Company has 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, and fully secured on the Schuldschein described in note 3.

5 FINANCIAL LIABILITIES AT AMORTISED COST (continued)

	€000s	
	Unaudited 30 June 2019	**Audited 31 December 2018**
Amortised cost at the beginning of the period/year	**506,562**	476,040
Amortisation of discount at effective interest rate	**16,206**	30,522
Amortised cost at the end of the period/year	**€522,768**	€506,562

The effective interest rate of the Deutsche Mark bearer bonds is 6.41% p.a. (31 December 2018:6.41%).

The contractual value at the maturity of the Deutsche Mark bearer bonds is €699.3m (31 December 2018: €699.3m).

The fair value of the Deutsche Mark bearer bonds presented in the Balance Sheet is estimated to be €696,417,177 as at 30 June 2019 (as at 31 December 2018: €677,010,730). The technique for determining 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

	Unaudited 30 June 2019	**Audited 31 December 2018**
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
Converted at historic exchange rate *	€ **5**	€ 5

* 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.

The Company has one class of ordinary shares which carry the right to receive notice of, attend, and vote at General Meetings of the Company. The ordinary shares provide the right to participate in the profits of the company but carry no right to fixed income.

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 2 July 1986 the promoters of the issue of Zero Coupon Deutsche Mark bearer bonds described in note 3, have agreed to reimburse the Company for all expenses incurred (except those outlined in 1.10). The expenses and the corresponding reimbursement are shown in the Statement of Comprehensive Income.

The Company 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.

9 TAXATION

The Company is taxed at the standard rate 0%. (2018:0%).

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 ultimate controlling party of the Company.
- Commerzbank AG as paying agent of the Company.
- Equiom Trust (CI) Limited provided administrative and accountancy services for a fee of €7,065 (6 month period to 30 June 2018 €4,401).
- Commerzbank AG has reimbursed the Company of all administrative expenses for the period of €12,000 (6 month period to 30 June 2018 €7,000).

The balance receivable from Commerzbank AG at 30 June 2019 is €13,000 (31 December 2018: €33,000).

11 SUBSEQUENT EVENTS

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