SERIES D EURO-DM SECURITIES LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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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 31 December 2019.

INCORPORATION

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

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 period are shown in the Statement of Comprehensive Income on page 8.

DIVIDEND

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

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.

GOING CONCERN

Although there is a negative equity position as at 31st December 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 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. The company expects the reimbursement arrangement to continue until the winding up of the structure on the maturity of the bonds. The Directors have assessed the impact of COVID-19 on going concern. See note 11 for further details.

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

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   20th May 2020.

Dated

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

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Series D Euro-DM Securities Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of the group'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 which comprise:

- the statement of financial position;
- the statement of comprehensive income;
- 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.

2. 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 Financial Reporting Council's (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.

3. 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. Within this report, key audit matters are identified as follows: Similar level of risk
Materiality	The materiality that we used in the current year was €10,700,000 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.
Significant changes in our approach	There were no significant changes to our approach in the current year.

4. 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.

5. 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.

5.1. The valuation of loans and receivables

Key audit matter description	The key balance within the financial statements is the loans and receivables (representing the Schuldschein; a debt obligation issued by the State of Baden-Württemberg, Germany) which is held at an amortised cost of €538,762,000 (2018: €506,314,000) in line with IFRS 9: Financial Instruments (IFRS 9). 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 expected credit loss including significant increase in credit risk of the loans and receivables held. Since initial recognition, loans and receivables have been determined to have a low credit risk and as at reporting date the credit risk has not increased significantly. The key assumption used in the assessment of significant increase in credit risk is the fact that the Schuldschein is government backed, having been issued by the State of Baden-Württemberg, Germany (a German federal 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	In performing the audit procedures below, we involved our Centre of Credit Excellence specialists and: • we obtained an understanding of the relevant controls around the loans and receivables valuations put in place by the company; • we challenged the judgements (including qualitative and quantitative criteria) taken by management to determine low credit risk, changes in credit risk and expected credit losses in the context of IFRS 9; • 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 around the credit risk of the issuer of the Schuldschein; and • we compared the carrying value of the loans and receivables balance in the financial statements to our expectation, which was developed by performing a computation of the amortised cost of loans and receivables.
Key observations	Based on our audit work, we have concluded that the key assumptions, judgements and resulting estimate of expected credit losses are appropriate.

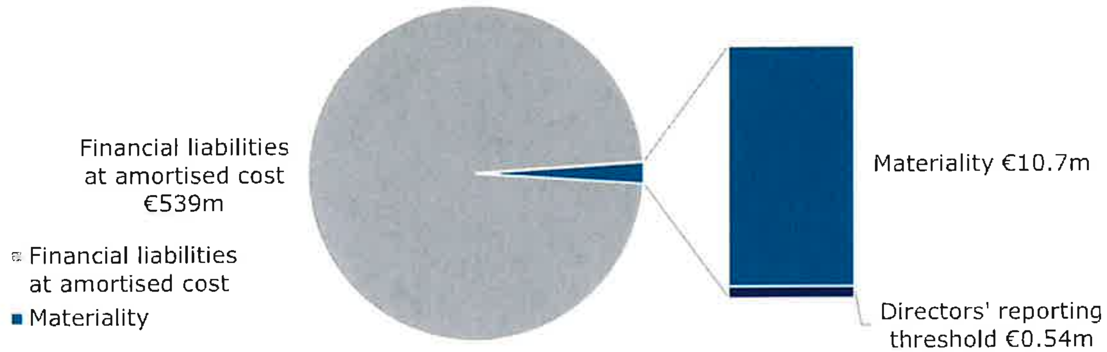
6. Our application of materiality

6.1. 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	€10,700,000 (2018: €9,800,000)
Basis for determining materiality	2% of Financial Liabilities at Amortised Cost (2018: 2% of Financial Liabilities at Amortised Cost)
Rationale for the benchmark applied	The primary users of the financial statements (being the bondholders) are concerned with the recoverability of their investment in the zero coupon bonds and their fair values. We have thus used the financial liabilities at amortised cost balance for materiality determination.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2019 audit (2018: 70%). In determining performance materiality, we considered the following factors:

a) our risk assessment, including the quality of the control environment and whether we were able to rely on controls; and
b) our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.

6.3. Error reporting threshold

We agreed with the Directors that we would report to them all audit differences in excess of €535,000 (2018: €490,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Scoping

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

8. 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.

9. 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.

10. 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

11. Matters on which we are required to report by exception

11.1. 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, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

12. 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.

S.W Crowley

Stuart Crowley
For and on behalf of Deloitte LLP
Guernsey, Channel Islands
Date: 21 May 2020

SERIES D EURO-DM SECURITIES LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31ST DECEMBER 2019

(Expressed in Euro '000s unless otherwise stated)

	NOTES	€ 000s 2019	2018
ASSETS			
Non-current assets			
Loans and receivables	3	**538,762**	506,314
Prepaid expenses	4	**82**	95
		538,844	506,409
Current assets			
Receivable from related party	10	29	33
Cash and cash equivalents		-	-
TOTAL ASSETS		**538,873**	506,442
EQUITY			
Capital and reserves (attributable to the company's equity holders)			
Ordinary share capital	6	**5**	5
Accumulated losses		**(129)**	(152)
TOTAL EQUITY		**(124)**	(147)
LIABILITIES			
Non-current liabilities			
Financial liabilities at amortised cost	5	**538,974**	506,562
Current liabilities			
Trade payables and accrued expenses		**23**	27
TOTAL LIABILITIES		**538,997**	506,589
TOTAL EQUITY AND LIABILITIES		**538,873**	506,442

The financial statements on pages 7 to 21 were approved and authorised for issue by the Corporate Board of directors on 20th May 2020 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 ....

The notes on pages 11 to 21 form an integral part of these financial statements

SERIES D EURO-DM SECURITIES LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER 2019

(Expressed in Euro '000s unless otherwise stated)

	NOTES	€ 000s 2019	€ 000s 2018
INCOME			
Interest income	3	32,448	30,553
ADMINISTRATION EXPENSES			
Secretarial fee		8	10
Accountancy fee		5	5
Audit fee		25	23
Disbursements		1	1
		39	39
Less: Reimbursement	10	(39)	(39)
Operating profit		32,448	30,553
FINANCE COSTS			
Amortisation charge	5	32,412	30,522
Prepaid expenses	4	13	13
		32,425	30,535
TOTAL COMPREHENSIVE INCOME TO EQUITY HOLDERS OF THE COMPANY		23	18

There were no items of other comprehensive income during the year or previous year.

The notes on pages 11 to 21 form an integral part of these financial statements

SERIES D EURO-DM SECURITIES LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER 2019

(Expressed in Euro '000s unless otherwise stated)

	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	-	18	18
Balance at 31 December 2018	5	(152)	(147)

	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	-	23	23
Balance at 31 December 2019	5	(129)	(124)

The notes on pages 11 to 21 form an integral part of these financial statements

SERIES D EURO-DM SECURITIES LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST DECEMBER 2019

(Expressed in Euro '000s unless otherwise stated)

	NOTES	€ 000s 2019	€ 000s 2018
Cash flows from operating activities			
Cash flows from operating activities		-	(4)
Net cash used in operating activities		-	(4)
Net decrease in cash and cash equivalents		-	(4)
Cash and cash equivalents at beginning of year		-	4
Cash and cash equivalents at end of the year		-	-

RECONCILIATION OF TOTAL COMPREHENSIVE INCOME TO CASH FLOWS FROM OPERATING ACTIVITIES

	NOTES	€ 000s 2019	€ 000s 2018
Total comprehensive income		23	18
Adjustments for:			
Interest income at effective interest rate	3	(32,448)	(30,553)
Amortisation of discount on loans and receivables at effective interest rate	5	32,412	30,522
Changes in working capital:			
Decrease in receivable from related party		4	-
Decrease in trade payable and accrued expenses		(4)	(4)
Decrease in prepaid expenses		13	13
Cash flows from operating activities		-	(4)

The notes on pages 11 to 21 form an integral part of these financial statements

SERIES D EURO-DM SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 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, unless otherwise stated.

1.1 Going Concern

Although there is a negative equity position as at 31st December 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 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. The company expects the reimbursement arrangement to continue until the winding up of the structure on the maturity of the bonds. The Directors have assessed the impact of COVID-19 on going concern. See note 11 for further details.

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 (IFRS) as adopted by the European Union.

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 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 have a significant impact on the company.

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 held maturity financial asset

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 year ended 31 December 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

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 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 other liabilities carried at amortised cost.

1.3.2 Recognition and measurement

IFRS 9, Financial Instruments 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 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.

1.3.4 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.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

1.3.5 Impairment of financial assets

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 Loans and Receivables, the directors have concluded that the Schuldschein will be classified as Stage 1 for IFRS 9 purposes, since it meets the requirements to be considered low credit risk.

The directors have considered that the Schuldschien is low credit risk since SBW as borrower has a strong capacity to meet its contractual cash flow obligations. The credit rating for SBW is also Aaa which falls within the investment grade interpretation.

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 Loans and Receivables 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 ACCOUNTING POLICIES (continued)

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.

1.6 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 2 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 €538.76m as at 31 December 2019 (2018:€506.31m) and a fair value of €698.5m as at 31 December 2019 (2018 €682.4m). 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-Württemberg ("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 31 December 2019	Less than 1 year Euro' 000s	2 to 5 years Euro' 000s	over 5 years Euro' 000s
Trade payable and accrued expenses	23	-	-
Financial liabilities at amortised cost	-	-	538,974

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 31 December 2019 the Company has an ordinary share capital of €5,000 (2018: €5,000). The Company's main transaction, the 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 LOANS AND RECEIVABLES

This represents an unlisted investment in a Schuldschein issued by the State of Baden-Württemberg 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	€000s
	2019	2018
Amortised cost at beginning of the year	**506,314**	475,761
Interest income during the year at effective interest rate	**32,448**	30,553
Amortised cost at the end of the year	**€538,762**	€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 €698,486,473 as at 31 December 2019 (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.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are creditimpaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

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	
	2019	2018
Carrying cost at the beginning of the year	**95**	108
Amortised during the year	**(13)**	(13)
Carrying cost at the end of the year	**€82**	€95

5 FINANCIAL LIABILITIES AT AMORTISED COST

As explained in note 3 to these financial statements, 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	
	2019	2018
Amortised cost at the beginning of the year	**506,562**	476,040
Amortisation of discount at effective interest rate	**32,412**	30,522
Amortised cost at the end of the year	**€538,974**	€506,562

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

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

The fair value of the Deutsch Mark bearer bonds presented in the Balance Sheet is estimated to be €695,664,907 as at 31 December 2019 (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.

The amortised cost of a financial liability is the amount at which the financial liability is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial liability is the amortised cost of a financial liability before adjusting for any loss allowance.

6 ORDINARY SHARE CAPITAL

	2019	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.

Total administration and accounting fees for the year amounted to €12,815 (2018: €13,094).

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 €12,815 (2018 - €13,094).
- Commerzbank AG has reimbursed the Company of all administrative expenses for the year of €39,000 (2018 - €39,000).

The balance receivable from Commerzbank AG at 31 December 2019 is €29,000 (31 December 2018 - €33,000).

11 SUBSEQUENT EVENTS

During the period from the date of 1st January 2020 to 14th May 2020, the coronavirus (COVID-19) outbreak has caused extensive disruptions to businesses and economic activities globally. The uncertainties over the emergence and spread of COVID-19 have caused market volatility on a global scale. The EURO DM D security is very illiquid and has therefore shown a limited reaction to the COVID-19. The price on 14th May 2020 was 99.808%. The security is secured by a Schuldschein of the German State of Baden Wurttemberg, of which the credit quality has not be effected by COVID-19. Equiom Corporate Directors (Jersey) Limited and Equiom Corporate Services (Jersey) Limited in its capacity as directors continue to monitor the situation. In accordance with the requirements of IFRS the fair valuations at the date of the statement of financial position reflect the economic conditions in existence at that date. The next date at which a valuation will be performed will be as at 30th June 2020. COVID-19 has been classified as a non-adjusting post balance sheet event and as such there has been no impact on these accounts.