

SERIES D EURO-DM SECURITIES LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

SERIES D EURO-DM SECURITIES LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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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 2011.

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 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 (2010 NIL).

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing financial statements in accordance with applicable law and International Financial Reporting Standards ("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 year.

In preparing those financial statements the directors should:

- * select suitable accounting policies and then apply them consistently;
- * make judgements and estimates that are reasonable and prudent;
- * state whether applicable accounting standards have been followed, subject to any material departures as disclosed and explained in the financial statements;
- * prepare the financial statements on the going concern basis (unless it is inappropriate to presume that the Company will continue in business).

The Directors confirm they have complied with all the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. 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.

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

With regard to Regulation 2004/109/EC of the European Union (the "EU Transparency Directive"), 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:

S P Harvey

J P Le Maistre

SECRETARY

Lloyds TSB (Jersey) Management Limited acted as Secretary throughout the year.

REGISTERED OFFICE

11-12 Esplanade
St Helier
Jersey
JE4 8PH
Channel Islands

ADMINISTRATOR

EES Trustees International Limited (resigned 26 January 2012)
Queensway House
Hilgrove Street
St Helier
JE1 1ES
Channel Islands

Lloyds TSB Offshore Trust Company (appointed 26 January 2012)
11-12 Esplanade
St Helier
Jersey
JE4 8PH
Channel Islands

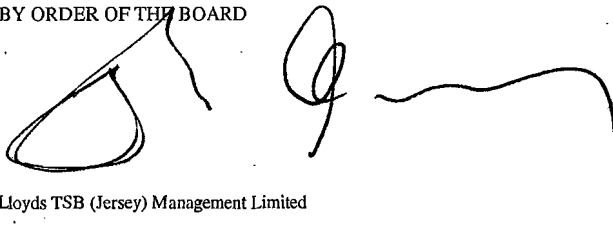
PAYING AGENT

Commerzbank AG
Mainzer Landstraße 151
60327 Frankfurt am Main
Frankfurt
Germany

AUDITORS

PricewaterhouseCoopers CI LLP acted as auditors during the year and have expressed their willingness to continue in office.

BY ORDER OF THE BOARD



Lloyds TSB (Jersey) Management Limited

Dated 26.4.2012

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

Report on the financial statements

We have audited the accompanying financial statements of Series D Euro - DM Securities Limited (the "Company") which comprise the Statement of financial position as of 31 December 2011 and the statement of comprehensive income, statement of changes in net assets attributable to equity holders and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of financial that give a true and fair view in accordance with International Financial Reporting Standards and with the requirements of Jersey law. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion


In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Report on other legal and regulatory requirements

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Report of the Directors.

In our opinion the information given in the Report of the Directors is consistent with the financial statements.

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 113A of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



Michael Byrne
For and on behalf of PricewaterhouseCoopers CI LLP
Chartered Accountants and Recognized Auditor
Jersey, Channel Islands

27 April 2012

SERIES D EURO-DM SECURITIES LIMITED

STATEMENT OF FINANCIAL POSITION

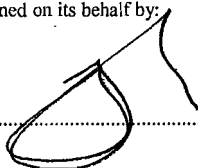
AS AT 31ST DECEMBER 2011

(Expressed in Euro '000s unless otherwise stated)

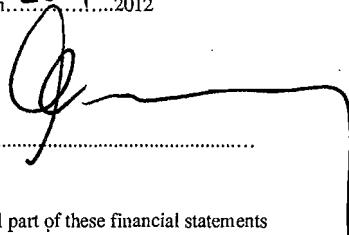
	NOTES	€ 000s	
		2011	2010
ASSETS			
Non-current assets			
Held to maturity financial assets	3	327,451	417,831
Prepaid expenses	4	186	199
		<u>327,637</u>	<u>418,030</u>
Current assets			
Receivable from related party	10	10	16
Cash and cash equivalents		13	-
TOTAL ASSETS		<u><u>327,660</u></u>	<u><u>418,046</u></u>
EQUITY			
Capital and reserves (attributable to the company's equity holders)			
Ordinary share capital	6	5	5
Accumulated losses		(199)	(194)
TOTAL EQUITY		<u>(194)</u>	<u>(189)</u>
LIABILITIES			
Non-current liabilities			
Financial liabilities at amortised cost	5	327,837	418,223
Current liabilities			
Trade payable and accrued expenses		17	12
TOTAL LIABILITIES		<u>327,854</u>	<u>418,235</u>
TOTAL EQUITY AND LIABILITIES		<u><u>327,660</u></u>	<u><u>418,046</u></u>

The financial statements on pages 4 to 13 were approved by the Board of directors on 26.4. 2012 and are signed on its behalf by:

Director



Director

26.4.


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

SERIES D EURO-DM SECURITIES LIMITED**STATEMENT OF COMPREHENSIVE INCOME****FOR THE YEAR ENDED 31ST DECEMBER 2011****(Expressed in Euro '000s unless otherwise stated)**

		<u>€ 000s</u>	
	<u>NOTES</u>	<u>2011</u>	<u>2010</u>
INCOME			
Interest income	3	21,577	25,214
EXPENSES			
Secretarial fee		7	7
Accountancy fee		2	2
Audit fee		6	2
Disbursements		1	-
Exempt company fee		-	1
		<u>16</u>	<u>12</u>
Less: Reimbursement	10	<u>(16)</u>	<u>(12)</u>
Operating profit		21,577	25,214
FINANCE COSTS			
Amortisation charge	5	21,567	25,199
Prepaid expenses	4	13	13
Redemption expenses		2	-
		<u>21,582</u>	<u>25,212</u>
DECREASE / INCREASE IN NET ASSETS ATTRIBUTABLE TO EQUITY HOLDERS		<u><u>-5</u></u>	<u><u>2</u></u>

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

SERIES D EURO-DM SECURITIES LIMITED

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO EQUITY HOLDERS

FOR THE YEAR ENDED 31ST DECEMBER 2011

(Expressed in Euro '000s unless otherwise stated)

	Share Capital	Accumulated Losses	Total Equity
Balance at 1 January 2010	5	(196)	(191)
Increase in net assets attributable to equity holders	-	2	2
Balance at 31 December 2010	<u>5</u>	<u>(194)</u>	<u>(189)</u>

	Share Capital	Accumulated Losses	Total Equity
Balance at 1 January 2011	5	(194)	(189)
Decrease in net assets attributable to equity holders	-	(5)	(5)
Balance at 31 December 2011	<u>5</u>	<u>(199)</u>	<u>(194)</u>

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

SERIES D EURO-DM SECURITIES LIMITED**STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED 31ST DECEMBER 2011****(Expressed in Euro '000s unless otherwise stated)**

	<u>NOTES</u>	<u>€ 000s</u>	
		<u>2011</u>	<u>2010</u>
Cash flows from operating activities			
Cash flows from operating activities		9	-
Cash used in operations		-	-
Interest received		111,957	-
Net cash generated from operating activities		<u>111,966</u>	<u>-</u>
Cash flows from financing activities			
Redemption of bearer bonds		(111,953)	-
Net cash used in financing activities		<u>(111,953)</u>	<u>-</u>
Net increase in cash and cash equivalents		13	-
Cash and cash equivalents at beginning of year		-	-
Cash and cash equivalents at end of the year		<u>13</u>	<u>-</u>

RECONCILIATION OF INCREASE IN NET ASSETS ATTRIBUTED TO EQUITY HOLDERS**TO CASH FLOWS FROM OPERATING ACTIVITIES**

	<u>NOTES</u>	<u>€ 000s</u>	
		<u>2011</u>	<u>2010</u>
Increase / decrease in net assets attributable to equity holders		(5)	2
Adjustments for:			
Interest income at effective interest rate	3	(21,577)	(25,214)
Amortisation on discount on bearer bonds at effective interest rate	5	21,567	25,199
Changes in working capital:			
(Increase) / decrease in receivable from related party		6	-
Increase / (decrease) in trade payable and accrued expenses		5	-
Decrease in prepaid expenses		13	13
Cash flows from operating activities		<u>9</u>	<u>-</u>

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

SERIES D EURO-DM SECURITIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2011

1 ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements 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 2011, 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 and 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 (IFRS) as adopted by the European Union, issued by International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC).

The Company has acquired a Schuldschein issued by the State of Baden-Wurttemberg, Germany from Commerzbank AG funded by the proceeds of the Zero Coupon Deutsche Mark bearer bonds. The 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 and certain of the agreements 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 income statement 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 effective in 2011

- IAS 24, 'Related party disclosures', clarifies the definitions of a related party.
- IFRS 7, (amendment) 'Financial instruments: Disclosures', the amendment emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments.

There have been no new standards or amendments to existing standards which are effective 1 January 2011 and applicable to the Company.

b) Standards, amendments and interpretations to existing standards that are not yet effective for the financial year beginning 1 January 2011 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 2011 and have not been early adopted by the Company.

- IFRS 9, 'Financial instruments', effective for annual periods beginning on or after 1 January 2015, specifies how an entity should classify and measure financial assets and liabilities, including some hybrid contracts.
- IFRS 12, 'Disclosures of interest in other entities', effective for annual periods beginning on or after 1 January 2013, includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.
- IFRS 13, 'Fair value measurement', effective for annual periods beginning on or after 1 January 2013, has been early adopted. The standard improves consistency and reduces complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs.

There are no other standards, interpretation or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the Company.

SERIES D EURO-DM SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2011 (continued)

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

1.2.2 Critical judgements in applying the accounting policies

a) Impairment of held to maturity financial assets

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

The determination requires significant judgement. In making this judgement, the Company evaluates, among other factors, the financial health and business outlook of the investee including factors such as industry and sector performance, changes in operational and financing cash flow.

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 investee (Federal Republic of Germany) including factors such as industry and sector performance, changes in operational and financing cash flow.

The Directors of the Company have a duty to review the impairment for the year ended 31 December 2011 in accordance with International Financial reporting Standards (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, although they propose to continue to monitor the situation, given the current adverse economic conditions.

1.3 Financial assets and liabilities held at amortised cost

1.3.1 Classification

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. The Company has designated its investment in the Schuldschein as held-to-maturity investments, as the Company has the positive intention and ability to hold the investment in the Schuldschein to its maturity. 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 designated as other liabilities carried at amortised cost.

1.3.2 Recognition and measurement

IAS 39, Financial Instruments: Recognition and Measurement, requires held-to-maturity 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. The investment and financial liabilities of the Company are initially recorded at cost.

However, this departure has no material effect on the carrying value of investment or the financial liability as the management estimates that the cost of the financial assets and financial liabilities approximated to their fair values at the time of the initial recognition.

1.3.3 Derecognition of financial assets and financial liabilities

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

SERIES D EURO-DM SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2011 (continued)

1 ACCOUNTING POLICIES (continued)

1.3.4 Fair value estimation

The fair value of financial assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) 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 include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models 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. See note 3 and note 5 for fair value estimation.

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.

1.4.1 Functional and presentation currency

The Company has adopted the Euro ("EURO") as its presentation and functional currency, as the Company's primary activity is to invest in EURO 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.

1.4.2 Transactions and balances

Transactions denominated 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 Consolidated Income.

1.5 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.

1.6 Amortisation charge

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.

1.7 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.

1.8 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.

1.9 Administration expenses

The Company had engaged the services of Computershare to provide administration services, this has now been transferred back to Lloyds TSB Offshore Trust Company for a fixed fee of \$10,000 per annum and a fee of \$3,000 for bookkeeping and accounting services plus disbursements.

Total administration and accounting fees for the year amounted to € 10,000 (2010: € 9,000).

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.

SERIES D EURO-DM SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2011 (continued)

2 FINANCIAL RISK MANAGEMENT

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

2.1 Financial risk factors

a) Market risk

i) Price risk and Interest rate risk

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

ii) Currency risk

The Company's presentation and functional reporting currency is the Euro and there is no exchange rate risk on income since the DM was converted to the Euro in 2002 at a fixed rate of 1.95583. There is some limited exposure on expenses charged in Pound Sterling ("GBP") and United States Dollar ("USD") currencies, however these expenses are fully reimbursed by the controlling company, 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 in the opinion of the Directors, 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 €327.8m as at 31 December 2011 (2010; €418.2m). The Company has covenanted not to enter into any other transactions except in connection to the Schuldschein. An impairment review 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 Directors believe that the Schuldschein investment is government backed and the loan originates from an EU member state. Land Baden-Württemberg ("LBW") as a state is among the most prosperous states in Germany and is one of the wealthiest regions in Europe. LBW is one of the sixteen states which are partly sovereign constituent states of the Federal Republic of Germany.

LBW is a key shareholder in Lanesbank 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 the related party, Commerzbank AG is the ultimate controlling party of the Company. Given that Commerzbank AG, is a well regulated bank with a credit rating of A-1 the credit risk of the receivable from the related party is deemed to be minimal.

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 2011	Less than 1 year	2 to 5 years	Over 5 years
	Euro' 000s		Euro' 000s
Trade payable and accrued expenses	17	-	-
Financial liabilities at amortised cost	-	-	327,837
As at 31 December 2010	Less than 1 year	2 to 5 years	Over 5 years
	Euro' 000s		Euro' 000s
Trade payable and accrued expenses	12	-	-
Financial liabilities at amortised cost	111,957	-	306,266

SERIES D EURO-DM SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2011 (continued)

2 FINANCIAL RISK MANAGEMENT (continued)

2.2 Capital risk management

As of 31 December 2011 the Company has an ordinary share capital of €5,000 (2010: €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 but are guaranteed by the issuer for repayment.

3 HELD TO MATURITY FINANCIAL ASSETS

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 2016 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 cost 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:

	<u>€000s</u>	
	<u>2011</u>	<u>2010</u>
Amortised cost at beginning of the year	417,831	392,617
Interest income during the year at effective interest rate	21,577	25,214
Interest income received during the year	<u>(111,957)</u>	<u>-</u>
Amortised cost at the end of the year	<u>€327,451</u>	<u>€417,831</u>

The effective rate of the Schuldschein is 6.42% p.a. The fair value of the Schuldschein presented in the Balance Sheet is estimated to be €517,516,477 as at 31 December 2011 (2010: €553,448,607).

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.

	<u>€ 000s</u>	
	<u>2011</u>	<u>2010</u>
Carrying cost at the beginning of the year	199	212
Amortised during the year	<u>(13)</u>	<u>(13)</u>
Carrying cost at the end of the year	<u>€186</u>	<u>€199</u>

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 during the period 8 April 1986 to 7 April 1996 to finance the purchase of the Schuldschein. These liabilities are recorded in the financial statements at their amortised cost which is determined after taking into account discount and transaction cost amortisation and payment of interest instalments to settle the liability arising on the sale of rights to receive interest on the Schuldschein.

SERIES D EURO-DM SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2011 (continued)

5 FINANCIAL LIABILITIES AT AMORTISED COST (continued)

	€ 000s	
	<u>2011</u>	<u>2010</u>
Amortised cost at the beginning of the year	418,223	393,024
Amortisation of discount at effective interest rate	21,567	25,199
Redeemed during the year	(111,953)	-
Amortised cost at the end of the year	<u>€327,837</u>	<u>€418,223</u>

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

The contractual value at the maturity of the Deutsche Mark bearer bonds is € 699.3m (2010 - € 811.2m).

The amortised cost of the Deutsche Mark bearer bonds presented in the balance sheet is assumed to approximate their fair value.

The fair value of the Deutsche Mark bearer bonds presented in the Balance Sheet is estimated to be €517,516,477 as at 31 December 2011 (2010: €553,448,607).

6 ORDINARY SHARE CAPITAL

	<u>2011</u>	<u>2010</u>
Authorised 10,000 shares of £1 each	£ <u>10,000</u>	£ <u>10,000</u>
Issued and fully paid 3,509 shares of £1 each	£ <u>3,509</u>	£ <u>3,509</u>
	€ 000s	
Converted to € at the exchange rate ruling at the date on which the Deutsche Mark ("DM") ceased to be legal tender.	€ <u>5</u>	€ <u>5</u>

7 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

The immediate controlling party of the Company is Lloyds TSB Offshore Trust Company Ltd (formerly known as Hill Samuel Offshore Trust Company Limited), as trustee of a charitable trust. In the opinion of the trustee the ultimate controlling party is Commerzbank AG, a regulated German bank.

8 ADMINISTRATION EXPENSES

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

9 TAXATION

The Company is taxed at the standard rate 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:

- Lloyds TSB Offshore Trust Company Ltd as immediate controlling party of the Company. The directors of Lloyds TSB Company Offshore Trust Company Ltd are also directors of the Company.
- Commerzbank AG as the ultimate controlling party and paying agent of the Company.
- Lloyds TSB Offshore Trust Company Ltd provided administrative and accountancy services for a fee of € 9,000 (2010 € 9,000 Computershare) during the year.
- Commerzbank AG has reimbursed the Company of all administrative expenses for the year of € 12,000 (2010 - € 12,000).

The balance receivable from Commerzbank AG at 31 December 2011 is € 10,000 (2010 - € 16,000).

11 SUBSEQUENT EVENTS

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