EURO-DM SECURITIES LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2007

EURO-DM SECURITIES LIMITED
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FOR THE YEAR ENDED 31ST DECEMBER 2007

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EURO-DM SECURITIES LIMITED

REPORT OF THE DIRECTORS

The directors submit their report and the audited financial statements for the year ended 31st December 2007.

INCORPORATION

The Company was incorporated in Jersey, Channel Islands, on 11th February 1986.

ACTIVITIES

The Company holds a thirty year Schuldschein issued by the German Federal Post Office. 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 income statement on page 6.

DIVIDEND

The directors do not recommend the payment of a dividend in respect of the year (2006 NIL).

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year.
In preparing those financial statements the directors are required to:

* select suitable accounting policies and then apply them consistently;
* make judgements 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 the Company will continue in business);
* keep 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 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.

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:

R M Richards (resigned 31st July 2008)

S P Harvey

J P Le Maistre

D E Smith

SECRETARY

Lloyds TSB (Jersey) Management Limited (formerly known as Hill Samuel Offshore Secretaries Limited) acted as Secretary throughout the year.

REGISTERED OFFICE

11-12 Esplanade, St Helier, Jersey, Channel Islands.

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 ..19......Oct......2009

PRICEWATERHOUSECOOPERS

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

Report on the financial statements

We have audited the accompanying financial statements of Euro - DM Securities Limited which comprise the balance sheet as of 31 December 2007 and the income statement, the statement of changes in equity and the cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of Jersey law. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 2007, 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 director's report.

In our opinion the information given in the directors' report is consistent with the financial statements.

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

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 110 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.

PricewaterhouseCoopers CI LLP

PricewaterhouseCoopers CI LLP
Chartered Accountants
Jersey, Channel Islands
20 October 2009

EURO-DM SECURITIES LIMITED

BALANCE SHEET

AS AT 31ST DECEMBER 2007

(Expressed in Euro '000s unless otherwise stated)

	NOTES	€ 000s 2007	€ 000s 2006
ASSETS			
Non-current assests			
Held to maturity financial assets	2	329,480	309,000
Prepaid expenses	3	139	156
		329,619	309,156
Current assets			
Receivable from related party		22	18
Cash at bank		1	1
TOTAL ASSETS		329,642	309,175
EQUITY			
Capital and reserves			
Ordinary share capital	5	5	5
Accumulated losses		(133)	(137)
TOTAL EQUITY		(128)	(132)
LIABILITIES			
Non-current liabilities			
Financial liabilities at amortised cost	4	329,752	309,293
Current liabilities			
Trade payable and accrued expenses		18	14
TOTAL LIABILITIES		329,770	309,307
TOTAL EQUITY AND LIABILITIES		329,642	309,175

The financial statements on pages 5 to 16 were approved by the Board of directors on 19 Oct 2009 and are signed on its behalf by:

Director ....   Director ....

The notes on pages 9 to 16 form an integral part of these financial statements

EURO-DM SECURITIES LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER 2007

(Expressed in Euro '000s unless otherwise stated)

	NOTES	€ 000s			
		2007		2006	
INCOME					
Interest income	2		**20,480**		20,631
ADMINISTRATION EXPENSES					
Secretarial fee		**7**		8	
Accountancy fee		**2**		9	
Audit fee		**2**		2	
Exempt company fee		**1**		1	
		12		20	
Less: Reimbursement	7	**(12)**		(20)	
			-		-
FINANCE COSTS					
Amortisation charge	4	**20,459**		20,612	
Bond redemption expenses		**-**		3	
Prepaid expenses	3	**17**		17	
			20,476		20,632
NET PROFIT/(LOSS) FOR THE YEAR			**4**		(1)

The notes on pages 9 to 16 form an integral part of these financial statements

EURO-DM SECURITIES LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER 2007

(Expressed in Euro '000s unless otherwise stated)

	Share Capital	Accumulated Losses	Total Equity
Balance at 1 January 2006	5	(136)	(131)
Net loss for the year	-	(1)	(1)
Balance at 31 December 2006	5	(137)	(132)

	Share Capital	Accumulated Losses	Total Equity
Balance at 1 January 2007	5	(137)	(132)
Net profit for the year	-	4	4
Balance at 31 December 2007	5	(133)	(128)

The notes on pages 9 to 16 form an integral part of these financial statements

EURO-DM SECURITIES LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER 2007

(Expressed in Euro '000s unless otherwise stated)

	NOTES	€ 000s	
		2007	2006
Cashflows from operating activities			
Cash used in operations		-	(2)
Interest received	2	-	108,274
Net cash generated from operating activities		-	108,272
Cashflows from financing activities			
Redemption of bearer bonds	4		(108,271)
Net cash used in financing activities			(108,271)
Net increase / (decrease) in cash and cash equivalents		-	1
Cash and cash equivalents at beginning of year		1	-
Cash and cash equivalents at end of the year		1	1

RECONCILIATION OF PROFIT/(LOSS) BEFORE TAX

TO CASH USED IN OPERATIONS

	NOTES	€ 000s	
		2007	2006
Profit/(loss) before tax		**4**	(1)
Adjustments for:			
Interest income at effective interest rate	2	(20,480)	(20,631)
Amortisation on discount on bearer bonds at effective interest rate	4	20,459	20,612
Changes in working capital:			
(Increase) / decrease in receivable from related party		(4)	9
Increase / (decrease) in trade payable and accrued expenses		4	(8)
Decrease in prepaid expenses		17	17
Cash used in operations		-	(2)

The notes on pages 9 to 16 form an integral part of these financial statements

1 ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all periods presented unless otherwise stated.

1.1 Basis of preparation
These financial statements have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards (IFRS), issued by International Accounting Standards Board (IASB) and International Financial Reporting Interpretation Committee (IFRIC) Interpretations.

The Company has acquired a Schuldschein issued by the Bundespost (German Federal Republic Post Office) from Commerzebank AG, funded by the proceeds of the 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 remaining balances.

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 12.

a) Standards, amendment and interpretations effective in 2007
IFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements - Capital disclosures', introduces new disclosures relating to financial instruments. The Company has adopted IFRS 7 and amendment to IAS 1 for the financial period commenced 1 January 2007.

IFRIC 8, 'Scope of IFRS 2, requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than fair value of the equity instruments issued in order to establish whether or not they fall within scope of IFRS 2. This standard does not have any impact on the Company's financial statements.

IFRIC 10, 'Interim financial reporting and impairment', prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Company's financial statements.

b) Standards and interpretations early adopted by the Company
The Company has not early adopted any standards or interpretations.

c) Standards, amendments and interpretations effective in 2007 but not relevant
The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the Company's operations:
- IFRS 4, Insurance contracts;
- IFRIC 7, 'Applying the restatement approach under IAS 29, Financial reporting in hyper-inflationary economies'; and
- IFRIC 9, ' Re-assessment of embedded derivatives'.

Adoption of these amendments and interpretations do not have an impact on Company's financial statements.

d) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2008 or later periods, but the Company has not early adopted them:

- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009).
- IFRS 8, 'Operating segments' (effective from 1 January 2009), IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'.
- IFRIC 14, 'IAS 19 - The limit on a defined benefit asset, minimum funding requirments and their interaction' (effective from 1 January 2008).
- IFRIC 11, 'IFRS 2 - Group and treasury share transactions'.

Adoption of these standards, amendments and interpretations do not have an impact on Company's financial statements.

e) Interpretations to existing standards that are not yet effective and not relevant for the Company's operations

The following interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2008 or later periods, but are not relevant to the Company's operations.

- IFRIC 12, 'Service concession arrangements' (effective from 1 January 2008).
- IFRIC 13, 'Customer loyalty programmes' (effective from 1 January 2008).

1.2 Financial assets and liabilities

1.2.1 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. The Deutsche Mark bearer bonds issued by the Company are designated as other liabilities carried at amortised cost.

1.2.2 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 Income

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

1 ACCOUNTING POLICIES (continued)

1.4 Functional and presentation currency
The Company has adopted 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 sterling and US Dollar on its payables and receivables.

1.5 Discount on financial liability
Discount on Deutsche Mark bearer bonds is amortised through the income statement over the life of the total liability using the effective interest rate method.

1.6 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 income statement 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.

1.7 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.

1.8 Foreign currency translation
Transactions denominated in currencies other than Euros have been translated to Euros at the exchange rate ruling at the date of the transaction. Monetary items on the balance sheet have been translated to Euros at the exchange rate ruling at the year end. Foreign currency gains and losses on such transactions and translation are recognised in the income statement.

1.9 Share capital
Ordinary shares are classified as equity.

2 HELD TO MATURITY FINANCIAL ASSETS

Held to maturity financial assets represents an investment in a Schuldschein issued by Bundespost, German Federal Republic Post. The investment has a face value of €300,759,780 and was purchased at a cost of €287,580,920. Between 14 March 1986 and 13 March 1996, the schuldschein yields interest at a rate of 6.3 % p.a. due and payable annually. Subsequently, it bears interest in equal instalments due in every five years on 14 March 2001, 2006, 2011 and 2016 respectively. The principal amount of the Schuldschein is payable on 14 March 2016.
The Schuldschein is used to provide security for the Deutsche Mark bearer bonds detailed in note 4 below.

	€ 000s	
	2007	2006
Amortised cost at beginning of the year	**309,000**	396,643
Interest income during the year at effective interest rate	**20,480**	20,631
Interest income received during the year	**-**	(108,274)
Amortised cost at the end of the year	**€329,480**	€309,000

The effective rate of the Schuldschein is 6.64% p.a. The amortised cost of the Schuldschein presented in the balance sheet is assumed to approximate its fair value.

EURO-DM SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2007 (continued)

3 PREPAID EXPENSE

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

	€ 000s	
	2007	2006
Carrying cost at the beginning of the year	**156**	173
Amortised during the year	**(17)**	(17)
Carrying cost at the end of the year	**€139**	€156

4 FINANCIAL LIABILITIES AT AMORTISED COST

As explained in note 2 to these financial statements, the Company issued zero coupon bonds and sold its rights to receive interest due on the Schuldschein during the period 14 March 1986 to 13 March 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 are fully secured on the Schuldschein described in note 2.

The carrying value is as follows :

	€ 000s	
	2007	2006
Amortised cost at the beginning of the year	**309,293**	396,952
Amortisation of discount at effective interest rate	**20,459**	20,612
Redeemed during the year	**-**	(108,271)
Amortised cost at the end of the year	**€329,752**	€309,293

The effective interest rate of the Deutsche Mark bearer bonds is 6.63% p.a.

The contractual value at the maturity of the Deutsche Mark bearer bonds is € 517m (2006 - € 517m).

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

	€ 000s	
5 ORDINARY SHARE CAPITAL	**2007**	2006
Authorised 10,000 shares of £1 each	**£ 10,000**	£ 10,000
Issued and fully paid 1,009 shares of £1 each	**£ 3,509**	£ 3,509
Converted to € at the exchange rate ruling at the date on which the DM ceased to be legal tender.	**€ 5**	€ 5

6 TAXATION

The Company is currently registered in Jersey as an exempt company. The States of Jersey Income Tax Authority has granted the Company exemption from Jersey income tax under the provision of Article 123A of the Income Tax (Jersey) Law 1961. The Company has been charged the annual exemption fee of £600.

With effect from 1 January 2009, Jersey has abolished the exempt company regime for existing companies. At the same time the standard rate of income tax for companies has moved from 20% to 0%. Therefore some entities previously exempt from tax under the above provision are now taxed at 0%.

7 ADMINISTRATION EXPENSES

In accordance with an undertaking dated 2nd July 1986 the promoters of the issue of 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.

8 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.

9 POST BALANCE SHEET EVENTS

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

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 €2,000 (2006 € 9,000) during the year.
- Commerzbank AG has reimbursed the Company of all administrative expenses for the year of €12,000 (2006 - €20,000).

The balance receivable from Commerzbank AG at 31 December 2007 is € 22,000 (2006 - € 18,000).

11 FINANCIAL RISK MANAGEMENT

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

11.1 Financial risk factors

a) Market risk

i) Price risk and interest rate risk

The overall position and therefore 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 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 Sterling and USD currencies, however these expenses are fully reimbursed by the controlling company, Commerzbank AG.

The Company has not provided a sensitivity analysis, given that both interest rate risk and currency risk are fully hedged.

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 Schuldshein (as described in note 2), with an actual balance outstanding of €329m as at 31 December 2007 (2006 - € 309m). The Company has convenanted 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 directors are of the view that no impairment provision is required, as more fully described below.

The Schuldschein investment is quasi-government backed and the loan originates from an EU member state. In the unlikely event of default, the German Federal Republic remains liable for the Schuldschein obligations and is committed to supporting its federal states by a process of 'financial equalization' where weaker states receive funding from stronger states per the German constitution. The counterparties, who are legally bound by the documentation, are regulated banks.

The only other asset subject to credit risk is the receivable from Commerzbank AG, the ultimate controlling party of the Company. Given that Commerzbank AG, is a well regulated bank, the credit risk of the receivable from related party is minimal.

c) Liquidity risk

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.

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

As at 31 December 2007

	Less than 1 year	**Over 5 years**	**Euro' 000s**
Trade payable and accrued expenses	18	-	
Financial liabilities at amortised cost:	-	329,752	

As at 31 December 2006

	Less than 1 year	**Over 5 years**	**Euro' 000s**
Trade payable and accrued expenses	14	-	
Financial liabilities at amortised cost:	-	309,293	

11.2 Capital risk management

As of 31 December 2007, the Company has an ordinary share capital of €5,000 (2006 - € 5,000). The Company's main transaction, acquisition of Schuldschein was funded through issue of Deutsche Mark bearer bonds as described in note 4 to the financial statements.

11.3 Fair value estimation

The carrying values of the assets and liabilities presented in the balance sheet are assumed to approximate their fair value.

12 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.

12.1 Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal and 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 Shuldschein and Deutsche Mark bearer bonds are calculated using the estimated effective interest rate. Effective interest rate was calculated based on the estimated cash inflows and cash outflows throughout the life of the Shuldschein and bearer bonds. The Company used its best judgement in estimating 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 to differ from the management estimates.

12.2 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 the operational and financing cash flow.

If all of the declines in fair value below the cost were considered prolonged and significant, the Company would suffer an additional loss as impairment in its 2007 financial statements.