EURO-DM SECURITIES LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

EURO-DM SECURITIES LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

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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 2013.

INCORPORATION

Euro-DM Securities Limited ("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 on the Frankfurt Stock Exchange and the sale of a portion of the interest receivable under the Schuldschein.

RESULTS

The results for the year are shown in the Statement of Comprehensive Income on page 5.

DIVIDEND

The Directors do not recommend the payment of a dividend in respect of the year (2012 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 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 and with applicable listing rules. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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.

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 (resigned 18 September 2013)

J P Le Maistre (resigned 18 September 2013)

Lloyds Management (Channel Islands) Limited (appointed 18 September 2013)

Lloyds Services (Channel Islands) Limited (appointed 18 September 2013)

SECRETARY

Lloyds Management (Channel Islands) Limited acted as Secretary throughout the year.

REGISTERED OFFICE

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

ADMINISTRATOR

Lloyds Trust Company (Channel Islands) Limited
11-12 Esplanade
St Helier
Jersey
JE4 8PH
Channel Islands

PAYING AGENT

Commerzbank AG
Mainzer Landstraße 151
60327 Frankfurt am Main
Frankfurt
Germany

INDEPENDENT AUDITOR

Deloitte LLP were appointed as auditor on 8 January 2014. They have expressed their willingness to continue in office.

BY ORDER OF THE BOARD

Lloyds Management (Channel Islands) Limited

Dated 5/3/14

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

We have audited the financial statements of Euro-DM Securities Limited ("the Company") for the year ended 31 December 2013, which comprise the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity, 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

Respective responsibilities of directors and auditor
As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union
- have been properly prepared in accordance with the Companies (Jersey) Law 1991.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

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

A Isham

Andrew Isham
For and on behalf of Deloitte LLP
Chartered Accountants and Recognized Auditor
St Helier, Jersey

5 March 2014

EURO-DM SECURITIES LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31ST DECEMBER 2013

(Expressed in Euro '000s unless otherwise stated)

	NOTES	€ 000s 2013	2012
ASSETS			
Non-current assets			
Loan and receivables	3	355,067	332,950
Prepaid expenses	4	37	54
		355,104	333,004
Current assets			
Receivable from related party		15	12
Cash and cash equivalents		10	10
TOTAL ASSETS		355,129	333,026
EQUITY			
Capital and reserves (attributable to the Company's equity holders)			
Ordinary share capital	8	5	5
Accumulated losses		(55)	(72)
TOTAL EQUITY		(50)	(67)
LIABILITIES			
Non-current liabilities			
Financial liabilities at amortised cost	7	355,161	333,079
Current liabilities			
Trade payables and accrued expenses		18	14
TOTAL LIABILITIES		355,179	333,093
TOTAL EQUITY AND LIABILITIES		355,129	333,026

The financial statements on pages 4 to 13 were approved and authorised for issue by the Corporate Board of directors on 5 MARCH 2014 and are signed on its behalf by:

on behalf of
Lloyds Management (Channel Islands) Limited

Director ....

on behalf of
Lloyds Services (Channel Islands) Limited

Director ....

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

EURO-DM SECURITIES LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER 2013

(Expressed in Euro '000s unless otherwise stated)

	NOTES	€ 000s 2013		2012	
INCOME					
Interest income	3		**22,117**		20,784
EXPENSES					
Secretarial fee		**7**		8	
Accountancy fee		**5**		5	
Audit fee		**13**		10	
Disbursements		**2**		3	
		27		26	
Less: Reimbursement		**(27)**		(26)	
Operating profit			**22,117**		20,784
FINANCE COSTS					
Amortisation charge	7	**22,082**		20,753	
Prepaid expenses	4	**17**		17	
			22,099		20,770
PROFIT FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME			**17**		**14**

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

EURO-DM SECURITIES LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER 2013

(Expressed in Euro '000s unless otherwise stated)

	Share Capital	**Accumulated Losses**	**Total Equity**
Balance at 1 January 2012	5	(86)	(81)
Total comprehensive income to equity holders of the Company	-	14	14
Balance at 31 December 2012	5	(72)	(67)

	Share Capital	**Accumulated Losses**	**Total Equity**
Balance at 1 January 2013	5	(72)	(67)
Total comprehensive income to equity holders of the Company	-	17	17
Balance at 31 December 2013	5	(55)	(50)

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

EURO-DM SECURITIES LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST DECEMBER 2013

(Expressed in Euro '000s unless otherwise stated)

	NOTES	€ 000s	
Cash flows from operating activities		2013	2012
Cash flows from operating activities		-	(2)
Interest received		-	-
Net cash used in operating activities		-	(2)
Cash flows from financing activities			
Redemption of bearer bonds	7	-	-
Net cash used in financing activities		-	-
Net decrease in cash and cash equivalents		-	(2)
Cash and cash equivalents at beginning of the year		10	12
Cash and cash equivalents at end of the year		10	10

RECONCILIATION OF TOTAL COMPREHENSIVE INCOME TO EQUITY HOLDERS OF THE COMPANY

TO CASH FLOWS FROM OPERATING ACTIVITIES

	NOTES	€ 000s	
		2013	2012
Total comprehensive income to equity holders of the Company		17	14
Adjustments for:			
Interest income	3	(22,117)	(20,784)
Amortisation charge	7	22,082	20,753
Changes in working capital:			
(Increase) / decrease in receivable from related party		(3)	5
Increase / (decrease) in trade payable and accrued expenses		3	(7)
Prepaid expenses		17	17
Cash flows from operating activities		-	(2)

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

1 ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements for Euro-DM Securities Limited ("the Company") are set out below. These policies have been applied consistently to all periods presented unless otherwise stated.

1.1 Going Concern

Although there is a negative equity position as at 31 December 2013, 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 7, have agreed to reimburse the Company for all expenses incurred. The expenses and corresponding reimbursement are shown in the Statement of Comprehensive Income.

1.1.2 Basis of preparation

These financial statements have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS), 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 Bundespost (German Federal Republic Post Office) from Commerzbank AG, funded by the proceeds of the Zero Coupon Deutsche Mark bearer bonds listed on the Frankfurt Stock Exchange. These bonds are issued with a maturity date corresponding to the payment date on the Schuldschein loan. The Company neither has, nor will have, any other significant assets or liabilities and has covenanted not to enter into any other transactions except in connection with the Schuldschein.

It should be noted that the terms of issue of the Deutsche Mark bearer bonds contain provisions that if changes are made before the final redemption date of the Schuldschein, then the calculation of the amounts due is on the basis set out in such terms.

These financial statements have been prepared keeping in view that the transactions mentioned in the previous paragraphs are not separable. Total income arising from the Schuldschein and total expenses incurred on the financial liabilities (excluding the expenses pertaining to redemption of such liabilities) are recognised in the statement of comprehensive income during the terms of the Schuldschein and Deutsche Mark bearer bonds respectively so as to produce a constant rate of return over their term.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 1.2

a) Standards, amendments and interpretations to existing standards effective 1 January 2013

There have been no new standards, interpretations or amendments to existing standards which are effective 1 January 2013 that have a material impact on the Company.

b) Standards, amendments and interpretations to existing standards that are not yet effective for the financial year beginning 1 January 2013 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 2013 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.

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

1.1.3 Change in classification of held to maturity financial assets to loans and receivables

In accordance with the requirements of IFRS, the Company changed its classification of the Schuldschein from held to maturity financial assets to loans and receivables. The change in classification was on the basis that the Schuldschein is a non-derivative financial asset with fixed or determinable repayments that are not quoted on an active market. As described in note 1.2.1a, the Schuldschein is carried at amortised cost determined using the effective interest rate. This measurement basis is consistent with that applied in previous years, and accordingly the reclassification did not have any impact on the reported profit or loss or carrying value of assets for the periods presented.

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

1.2.2 Critical judgements in applying the accounting policies

a) Impairment of loans and receivables

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

In accordance with IAS 39, the Company assesses at each balance sheet date whether there is any objective evidence of impairment; the determination requires significant judgement. In making this judgement, the Company evaluates among other factors, the financial health and business outlook of the Schuldschein issuer (Bundespost, German Federal Republic Post Office).

Deutsche Post, under Postumwandlungsgestz law, is backed by the Federal Republic of Germany, to fulfil the prior obligations of Deutsche Bundespost Post following its split and privatisation in to three separate entities.

The Directors of the Company have a duty to review for any impairment of the asset for the year ended 31 December 2013 in accordance with IFRS, and to conclude whether the Company would suffer an additional charge for impairment.

The Directors of the Company are of the opinion that the investment is not currently impaired. Given the current adverse economic conditions, they will continue to monitor the situation.

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. As described in note 1.1.3, the Company has reclassified its investment in the Schuldschein from a held to maturity investment to loans and receivables. Financial liabilities arise when the Company has a contractual obligation to deliver cash or other financial assets to another entity. The Deutsche Mark bearer bonds issued by the Company are classified as other liabilities carried at amortised cost.

1.3.2 Recognition and measurement

IAS 39, Financial Instruments: Recognition and Measurement, requires financial assets and financial liabilities at amortised cost to be measured on initial recognition at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

1.3.3 Derecognition of financial assets and financial liabilities

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

1 ACCOUNTING POLICIES (continued)

1.3.4 Fair value estimation

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. See note 3 and note 7 for fair value estimation.

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. The Zero Coupon Bonds are issued with a maturity date corresponding to the payment date on the Schuldschein loan. The Schuldschein investment continues to be government backed and the loans originate from an EU member state. This is because the Deutsche Post, under Postumwandlungsgestz law, is backed by the Federal Republic of Germany, to fulfil the prior obligations of Deutsche Bundespost Post following its split and privatisation in to three separate entities. The counterparts, who are legally bound by the documentation, are regulated banks.

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 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 balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1.10 Bond redemption expenses

According to the terms of arrangement the difference between the interest instalments receivable on the Schuldschein and the redemption value of the relevant Deutsche Mark bearer bonds will be utilised for payment of costs pertaining to redemption of the Deutsche Mark bearer bonds. Accordingly, bond redemption expenses are recorded at the time when the bonds are actually redeemed.

1.11 Share capital

Ordinary shares are classified as equity.

1.12 Expenses

In accordance with an undertaking dated 2nd July 1986 the promoters (Commerzbank AG) of the issue of Zero Coupon Deutsche Mark bearer bonds described in note 7, have agreed to reimburse the Company for all expense incurred.

1.13 Segmental Reporting

The Company is deemed to be organised into one activity and geographical segment. No additional disclosures have therefore been included in relation to segmental reporting.

2 FINANCIAL RISK MANAGEMENT

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

2.1 Financial risk factors

a) Market risk

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 couverted 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 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 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 €355.07m as at 31 December 2013 (2012; €332.95m). 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 Schuldschein investment continues to be government backed and the loans originate from an EU member state. This is because Deutsche Post, under Postumwandlungsgestz law, is backed by the Federal Republic of Germany through a commitment made to fulfil the prior obligations of Deutsche Bundespost Post following its split and privatisation into three separate entities. The counterparty and paying agent who is legally bound by the documentation, is a regulated bank.

The only other asset subject to credit risk is the receivable from a related party, Commerzbank AG, who is the ultimate controlling party of the Company and paying agent. Given that Commerzbank AG, is a well regulated bank with a credit rating of A-1, 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 adverse economic conditions. For further information please refer to note 3.

c) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet the payment obligations associated with its financial liabilities when they fall due.

The Company currently has minimal exposure to liquidity risk as its obligations to meet its liabilities are offset by the investment held in accordance with the terms of the loan agreement. There have been no defaults or breaches to date, in relation to financial obligations of the Company.

As at 31 December 2013	Less than 1 year Euro' 000s	2 to 5 years Euro'000s	Over 5 years Euro' 000s
Trade payables and accrued expenses	18	-	-
Financial liabilities at amortised cost	-	409,034	-

As at 31 December 2012	Less than 1 year Euro' 000s	2 to 5 years Euro'000s	Over 5 years Euro' 000s
Trade payables and accrued expenses	14	-	-
Financial liabilities at amortised cost	-	409,034	-

The final amount due on maturity is €409,033,505

2 FINANCIAL RISK MANAGEMENT (continued)

2.2 Capital risk management

As of 31 December 2013 the Company has an ordinary share capital of €5,000 (2012: €5,000). The Company's main transaction, the acquisition of the Schuldschein, was funded through the issue of Deutsche Mark bearer bonds as described in note 7 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 LOANS AND RECEIVABLES

Loans and receivables represent an investment in a Schuldschein issued by Bundespost, German Federal Republic Post. The investment has a face value of €300,759,933 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 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 7 below.

The carrying value of the Schuldschein is as follows:	€000s	
	2013	2012
Amortised cost at the beginning of the year	**332,950**	312,166
Interest income during the year at effective interest rate	**22,117**	20,784
Amortised cost at the end of the year	**€355,067**	€332,950

The effective rate of the Schuldschein is 6.64% p.a. (2012:6.64%). The fair value of the Schuldschein presented in the Statement of Financial Position is estimated to be €399,048,279 as at 31 December 2013 (2012: €404,401,806).

4 PREPAID EXPENSES

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	
	2013	2012
Carrying cost at the beginning of the year	**54**	71
Amortised during the year	**(17)**	(17)
Carrying cost at the end of the year	**€37**	€54

5 ADMINISTRATION EXPENSES

In accordance with an undertaking dated 2nd July 1986, the promoters of the issue of Zero Coupon Deutsche Mark bearer bonds described in note 7, have agreed to reimburse the Company for all expenses incurred. The expenses and the corresponding reimbursement are shown in the Statement of Comprehensive Income.

The Company engaged the services of Lloyds Trust Company (Channel Islands) 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 €12,000 (2012: €13,000).

6 TAXATION

The Company is taxed at the standard rate 0%. (2012:0%).

7 FINANCIAL LIABILITIES AT AMORTISED COST

The Company issued 1,435,280,000 Zero-Coupon Deutsche Mark bearer bonds divided into series (Series 2001, Series 2006, Series 2011 and Series 2016). The bonds are listed on the Frankfurt Stock Exchange. The Company sold its right to receive the interest due on the Schuldschein for the period 14 March 1986 to 13 March 1996 in order 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.

7 FINANCIAL LIABILITIES AT AMORTISED COST (continued)

	€ 000s	
	2013	2012
Amortised cost at the beginning of the year	**333,079**	312,326
Amortisation of discount at effective interest rate	**22,082**	20,753
Amortised cost at the end of the year	**€355,161**	€333,079

The effective interest rate of the Deutsche Mark bearer bonds is 6.63% p.a. (2012:6.63%).

The contractual value at the maturity of the Deutsche Mark bearer bonds is € 409m (2012 - €409m).

The fair value of the Deutsche Mark bearer bonds presented in the Statement of Financial Position is estimated to be €399,445,760 as at 31 December 2013 (2012: €391,457,335).

8 ORDINARY SHARE CAPITAL

		2013		2012
Authorised 10,000 shares of £1 each with ordinary voting rights	**£**	**10,000**	£	10,000
Issued and fully paid 3,509 shares of £1 each with ordinary voting rights	**£**	**3,509**	£	3,509
		€ 000s		
Converted to € at the exchange rate ruling at the date on which the Deutsche Mark ("DM") ceased to be legal tender, and not re-converted each year.	**€**	**5**	€	5

9 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

The immediate controlling party of the Company is Lloyds Trust Company (Channel Islands) Limited, as trustee of a charitable trust, which is the beneficial owner of the issued shares. In the opinion of the trustee the ultimate controlling party is Commerzbank AG, a regulated German bank.

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 Trust Company (Channel Islands) Limited as immediate controlling party of the Company.
- Commerzbank AG as the ultimate controlling party and paying agent of the Company.
- Lloyds Trust Company (Channel Islands) Limited provided administrative and accountancy services for a fee of € 12,000 (2012 € 13,000) during the year.
- Commerzbank AG has reimbursed the Company for all administrative expenses for the year of € 27,000 (2012 - € 26,000).

The balance receivable from Commerzbank AG at 31 December 2013 is € 15,000 (2012 - € 12,000).

11 SUBSEQUENT EVENTS

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