SERIES D EURO-DM SECURITIES LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

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FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

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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 2012.

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-Württemburg, Germany. The purchase of the Schuldschein has been financed from the net proceeds on the issue of Zero-Coupon Deutsche Mark Bearer Bonds on the Frankfurt Stock Exchange and 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 (2011 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 ensuring compliance with applicable listing rules. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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.

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

INDEPENDENT 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 26/4/2013

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 2012 and the statement of comprehensive income, statement of changes in equity 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 statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union 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 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union 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 110 of the Companies (Jersey) Law 1991and 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.

James de Veulle
For and on behalf of PricewaterhouseCoopers CI LLP
Chartered Accountants and Recognized Auditor
Jersey, Channel Islands

26 April 2013

SERIES D EURO-DM SECURITIES LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31ST DECEMBER 2012

(Expressed in Euro '000s unless otherwise stated)

	NOTES	€ 000s 2012	2011
ASSETS			
Non-current assets			
Held to maturity financial assets	3	**348,523**	327,451
Prepaid expenses	4	**173**	186
		348,696	327,637
Current assets			
Receivable from related party	10	**8**	10
Cash and cash equivalents		**12**	13
TOTAL ASSETS		**348,716**	327,660
EQUITY			
Capital and reserves (attributable to the company's equity holders)			
Ordinary share capital	6	**5**	5
Accumulated losses		**(202)**	(199)
TOTAL EQUITY		**(197)**	(194)
LIABILITIES			
Non-current liabilities			
Financial liabilities at amortised cost	5	**348,899**	327,837
Current liabilities			
Trade payable and accrued expenses		**14**	17
TOTAL LIABILITIES		**348,913**	327,854
TOTAL EQUITY AND LIABILITIES		**348,716**	327,660

The financial statements on pages 4 to 13 were approved and authorised for issue by the Board of directors on 26/4/2013 and are signed on its behalf by:

Director .... Director ....

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 2012

(Expressed in Euro '000s unless otherwise stated)

	NOTES	€ 000s 2012		2011	
INCOME					
Interest income	3		21,072		21,577
EXPENSES					
Secretarial fee		8		7	
Accountancy fee		5		2	
Audit fee		10		6	
Disbursements		3		1	
		26		16	
Less: Reimbursement	10	(26)		(16)	
Operating profit			21,072		21,577
FINANCE COSTS					
Amortisation charge	5	21,062		21,567	
Prepaid expenses	4	13		13	
Redemption expenses		-		2	
			21,075		21,582
TOTAL COMPREHENSIVE LOSS TO EQUITY HOLDERS OF THE COMPANY			(3)		(5)

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 EQUITY

FOR THE YEAR ENDED 31ST DECEMBER 2012

(Expressed in Euro '000s unless otherwise stated)

	Share Capital	Accumulated Losses	Total Equity
Balance at 1 January 2011	5	(194)	(189)
Total comprehensive loss to equity holders of the Company	-	(5)	(5)
Balance at 31 December 2011	5	(199)	(194)

	Share Capital	Accumulated Losses	Total Equity
Balance at 1 January 2012	5	(199)	(194)
Total comprehensive loss to equity holders of the Company	-	(3)	(3)
Balance at 31 December 2012	5	(202)	(197)

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 2012

(Expressed in Euro '000s unless otherwise stated)

	NOTES	€ 000s 2012	€ 000s 2011
Cash flows from operating activities			
Cash flows from operating activities		(1)	9
Cash used in operations		-	-
Interest received		-	(111,953)
Net cash generated from operating activities		(1)	(111,944)
Cash flows from financing activities			
Redemption of bearer bonds		-	111,957
Net cash used in financing activities		-	111,957
Net increase in cash and cash equivalents		(1)	13
Cash and cash equivalents at beginning of year		13	-
Cash and cash equivalents at end of the year		12	13

RECONCILIATION OF TOTAL COMPREHENSIVE LOSS TO EQUITY HOLDERS OF THE COMPANY

TO CASH FLOWS FROM OPERATING ACTIVITIES

	NOTES	€ 000s 2012	€ 000s 2011
Total comprehensive loss to equity holders of the Company		(3)	(5)
Adjustments for:			
Interest income at effective interest rate	3	(21,072)	(21,577)
Amortisation on discount on bearer bonds at effective interest rate	5	21,062	21,567
Changes in working capital:			
Decrease / (increase) in receivable from related party		2	6
(Decrease) / increase in trade payable and accrued expenses		(3)	5
Decrease in prepaid expenses		13	13
Cash flows from operating activities		(1)	9

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 Series D Euro-DM Securities Limited ("the Company") are set out below. These policies have been applied consistently to all periods presented unless otherwise stated.

1.1 Going Concern
Although there is a negative equity position as at 31 December 2012, 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 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 State of Baden-Württemburg, Germany from Commerzbank AG funded by the proceeds of the Zero Coupon Deutsche Mark bearer bonds listed on the Frankfurt Stock Exchange. These bonds are issued with a maturity date corresponding to the payment date on the Schuldschein loan. The Company neither has, nor 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 2012

There have been no new standards, interpretations or amendments to existing standards which are effective 1 January 2012 that would be expected to 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 2012 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 2012 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. The standard improves consistency and reduces complexity by providing a precise definition of fair valve and a single source of fair value measurement and disclosure requirements for use across IFRSs.

The Directors are yet to conclude on the impact of the above on the financial statements.

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 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 in the calculation of the 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 used differed 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.

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 issuer (Federal Republic of Germany).

The Directors of the Company have a duty to review for any impairment of the asset for the year ended 31 December 2012 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, although they will 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 classified its investment in the Schuldschein as a held-to-maturity investment, 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 classified 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 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 is determined with the 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 5 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. These bonds are issued with a maturity date corresponding to the payment date on the Schuldschein loan. The Schuldschein investment is government backed and the loan originates from an EU member state. LBW is one of the sixteen states which are partly sovereign constituent states of the Federal Republic of Germany.

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 ("EUR") 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 and United States Dollar on its payables and receivables.

1.4.2 Transactions and balances

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.

1.5 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

The 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 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.

1.10 Share capital

Ordinary shares are classified as equity.

1.11 Expenses

In accordance with an undertaking dated 2nd July 1986 the promoters Commerzbank of the issue of Zero upon Deutsche Mark bearer bonds described in note 5, have agreed to reimburse the Company for all expenses incurred.

1.12 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 converted to the 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 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 €348.52m as at 31 December 2012 (2010; €327.8m). 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 is government backed and the loan originates from an EU member state. Land Baden-Wurttemberg ("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 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.

On balance the Directors have accepted that there is 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 investment is not currently impaired, although the Directors 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.

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

As at 31 December 2012	Less than 1 year Euro' 000s	2 to 5 years Euro' 000s	Over 5 years Euro' 000s
Trade payable and accrued expenses	14	-	-
Financial liabilities at amortised cost	-	-	699,325

As at 31 December 2011	Less than 1 year Euro' 000s	2 to 5 years Euro' 000s	Over 5 years Euro' 000s
Trade payable and accrued expenses	17	-	-
Financial liabilities at amortised cost	-	-	699,325

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

2 FINANCIAL RISK MANAGEMENT (continued)

2.2 Capital risk management

As of 31 December 2012 the Company has an ordinary share capital of €5,000 (2011: €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 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-Wurttemburg 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:	€000s	
	2012	2011
Amortised cost at beginning of the year	**327,451**	417,831
Interest income during the year at effective interest rate	**21,072**	21,577
Interest income received during the year	-	(111,957)
Amortised cost at the end of the year	**€348,523**	€327,451

The effective rate of the Schuldschein is 6.42% p.a. (2011:6.42%). The fair value of the Schuldschein presented in the statement of financial position is estimated to be €572,494,987 as at 31 December 2012 (2011: €517,516,477).

4 PREPAID EXPENSE

This represents advance payments made in respect of Trustees and Paying Agents fees and is amortised through the Statement of Comprehensive Income on a straight line basis over the life of the Schuldschein.	€ 000s	
	2012	2011
Carrying cost at the beginning of the year	**186**	199
Amortised during the year	**(13)**	(13)
Carrying cost at the end of the year	**€173**	€186

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

5 FINANCIAL LIABILITIES AT AMORTISED COST (continued)

	€ 000s	
	2012	2011
Amortised cost at the beginning of the year	**327,837**	418,223
Amortisation of discount at effective interest rate	**21,062**	21,567
Redeemed during the year	-	(111,953)
Amortised cost at the end of the year	**€348,899**	€327,837

The effective interest rate of the Deutsche Mark bearer bonds is 6.41% p.a. (2011:6.41%).

The contractual value at the maturity of the Deutsche Mark bearer bonds is € 699.3m (2011 - € 699.3m).

The fair value of the Deutsche Mark bearer bonds presented in the Balance Sheet is estimated to be €525,560,865 as at 31 December 2012 (2011: €517,516,477).

6 ORDINARY SHARE CAPITAL

	2012	2011
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

7 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

The immediate controlling party of the Company is Lloyds TSB Offshore Trust Company Ltd, 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.

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.

The Company had engaged the services of Lloyds TSB Offshore Trust Company 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 € 13,000 (2011: € 10,000).

9 TAXATION

The Company is taxed at the standard rate 0%. (2011:0%).

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. S P Harvey & J Le Maistre are directors of Lloyds TSB Offshore Trust Company Ltd and 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 € 12,000 (2011 € 9,000) during the year.

- Commerzbank AG has reimbursed the Company for all administrative expenses for the year of € 26,000 (2011 - € 12,000).

The balance receivable from Commerzbank AG at 31 December 2012 is € 8,000 (2011 - € 10,000).

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.

During the year BaFin carried out a review of the companies filing of financial statements within Germany and the publishing of the financial statements on the German Website. All issues found were resolved with no financial loss to the company.