

Kalvebod PLC

Directors' report and audited financial statements

For the year ended 31 July 2012

Registered number 409286

Kalvebod PLC

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Directors and other information

Directors

Brian Brady (Irish)
Paul McNaughton (Irish)
Michael Whelan (Irish)

Registered office

5 Harbournmaster Place
International Financial Services Centre
Dublin 1
Ireland

**Administrator &
Company Secretary**

Deutsche International Corporate Services (Ireland) Limited
5 Harbournmaster Place
International Financial Services Centre
Dublin 1
Ireland

Trustee

Deutsche Trustee Company Limited
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

**Paying Agent, Agent Bank,
Swap Counterparty and
Custodian**

Deutsche Bank AG London
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

Independent Auditor

KPMG
Chartered Accountants
1 Harbournmaster Place
International Financial Services Centre
Dublin 1
Ireland

Solicitors

Matheson Ormsby Prentice
70 Sir John Rogerson's Quay
Dublin 2
Ireland

Gide Loyrette Nouel MNP
Citypoint
One Ropemaker Street
London EC2Y 9HT
United Kingdom

Directors' report

The Directors present their annual report together with the audited financial statements of Kalvebod Plc (the "Company") for the year ended 31 July 2012.

Principal activities

The Company has established a EUR 10,000,000,000 Secured Notes Programme (the "Programme") to issue secured notes (the "Notes") and/or other secured limited recourse indebtedness (the "Alternative Investments"). The net proceeds from each issue of Notes or Alternative Investments are used to purchase the Collateral comprised in the Mortgaged Property in respect of the relevant Notes or Alternative Investments, to pay for or enter into any Credit Support Document or Swap Agreement in connection with such Notes or Alternative Investments and to pay expenses in connection with the administration of the Issuer or the issue of the Notes or Alternative Investments.

Notes earn interest at a fixed, floating or zero percentage rate. The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. All such information was set out in the relevant Prospectus.

The Company entered into Swap Agreements with Swap counterparties and any swap or repurchase entered into in connection with Notes of any Series by the Company are limited recourse obligations of the Issuer and the terms are set out in the relevant Prospectus.

Business review

During the year:

- the Company's profit was Nil (2011: Nil);
- the Company did not issue any new series;
- the Company disposed the following:

Partial redemption

DKK 25,000,000 nominal amount of Series 1 collaterals and its related Notes DKK 25,000,000 Fixed/Floating Rate Secured Notes due 2013;
DKK 100,000,000 nominal amount of Series 2 collaterals and its related Notes DKK 136,536,765 Fixed/Floating Rate Secured Notes due 2016;
DKK 405,000,000 nominal amount of Series 3 collaterals and its related Notes DKK 506,800,899 Fixed/Floating Rate Secured Notes due 2014;

- net loss from derivative financial instruments amounted to DKK 113,854,144 (2011: DKK 76,093,444);
- total nominal value of the investment securities was DKK 690,000,000 (2011: DKK 1,220,000,000)

Credit events

On 10 October 2011, following a Bond Collateral Default Nominal Amount Reduction, the aggregate principal amount of the Series 2 Notes would be equal to DKK 382,302,941 with effect from the calendar date immediately following 01 May 2012. On 24 October 2011, an Adjusted Recovery Amount of DKK 23,300,729 has been paid to the note holders following the Bond Collateral Default.

As at 31 July 2012:

- the carrying value of the Company's total indebtedness was DKK 385,529,221 (2011: DKK 705,107,045)
- the Company had the following Notes in issue:

Series 1	DKK 70,000,000 Fixed/Floating Rate Secured Notes due 2013
Series 2	DKK 382,302,941 Fixed/Floating Rate Secured Notes due 2016
Series 3	DKK 340,000,000 Fixed/Floating Rate Secured Notes due 2014

The Company's net assets were DKK 315,750 (2011: DKK 315,750).

The Company incurred DKK 28,727,042 (2011: DKK 51,108,126) as coupon on the Notes issued and earned DKK 34,012,582 (2011: DKK 57,436,034) as coupon on the investment securities.

Future developments

The Directors expect the current level of activity to continue in the foreseeable future. The Directors will continue to seek new opportunities for the Company and will continue to ensure proper management of the current portfolio of notes of the Company.

Results and dividends for the year

The results for the year are set out on page 8. No dividends are recommended by the directors for the year under review (2011: DKK Nil).

Changes in directors, secretary and registered office

There were no changes in directors, secretary or registered office during the year.

Directors, secretary and their interests

The directors who held office on 31 July 2012 did not hold any share in the Company at that date, or during the year. There were no contracts of any significance in relation to the business of the company in which the directors had any interest, as defined in the Companies Act 1990, at any time during the year.

Principal risks and uncertainties

The Company is subject to various risks. The key risks facing the Company are outlined in Note 22 to the financial statements.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel and infrastructure, and from external factors other than credit, markets and liquidity issues such as those arising from legal and regulatory requirements and generally accepted standards to corporate behaviour.

Operational risks arise from all of the Company's operations. All management and administration functions are outsourced to Deutsche International Corporate Services (Ireland) Limited.

Directors' report (continued)**Subsequent events**

There has been no significant subsequent event after the year end.

Corporate Governance Statement*Introduction*

The Company is subject to and complies with Irish Statute comprising the Companies Acts 1963 to 2012 and the Listing Rules of the Copenhagen Stock Exchange. The Company does not apply additional requirements in addition to those required by the above. Each of the service providers engaged by the Company is subject to their own corporate governance requirements.

Financial Reporting Process

The Board of Directors ("the Board") is responsible for establishing and maintaining adequate internal control and risk management systems of the Company in relation to the financial reporting process. Such systems are designed to manage rather than eliminate the risk of failure to achieve the Company's financial reporting objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has established processes regarding internal control and risk management systems to ensure its effective oversight of the financial reporting process. These include appointing the Administrator, Deutsche International Corporate Services (Ireland) Limited, to maintain the accounting records of the Company independently of the Arranger and the Custodian. The Administrator is contractually obliged to maintain proper books and records as required by the Corporate Administration agreement. To that end the Administrator performs reconciliations of its records to those of the Arranger and the Custodian. The Administrator is also contractually obliged to prepare for review and approval by the Board the annual report including financial statements intended to give a true and fair view.

The Board evaluates and discusses significant accounting and reporting issues as the need arises. From time to time the Board also examines and evaluates the Administrator's financial accounting and reporting routines and monitors and evaluates the external auditors' performance, qualifications and independence. The Administrator has operating responsibility for internal control in relation to the financial reporting process and the Administrator's report to the Board.

Risk Assessment

The Board is responsible for assessing the risk of irregularities whether caused by fraud or error in financial reporting and ensuring the processes are in place for the timely identification of internal and external matters with a potential effect on financial reporting. The Board has also put in place processes to identify changes in accounting rules and recommendations and to ensure that these changes are accurately reflected in the Company's financial statements.

Control Activities

The Administrator is contractually obliged to design and maintain control structures to manage the risks which the Board judges to be significant for internal control over financial reporting. These control structures include appropriate division of responsibilities and specific control activities aimed at detecting or preventing the risk of significant deficiencies in financial reporting for every significant account in the financial statements and the related notes in the Company's annual report.

Monitoring

The Board has an annual process to ensure that appropriate measures are taken to consider and address the shortcomings identified and measures recommended by the independent auditors.

Given the contractual obligations on the Administrator, the Board has concluded that there is currently no need for the Company to have a separate internal audit function in order for the board to perform effective monitoring and oversight of the internal control and risk management systems of the Company in relation to the financial reporting process.

Capital Structure

No person has a significant direct or indirect holding of securities in the Company. No person has any special rights of control over the company's share capital.

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, Irish Statute comprising the Companies Acts, 1963 to 2012 and the Listing Rules of the Copenhagen Stock Exchange. The Articles of Association themselves may be amended by special resolution of the shareholders.

Powers of Directors

The Board is responsible for managing the business affairs of the Company in accordance with the Articles of Association. The Directors may delegate certain functions to the Administrator and other parties, subject to the supervision and direction by the Directors. The Directors have delegated the day to day administration of the Company to the Administrator.

Audit committee

Statutory audits in Ireland are regulated by the European Communities Regulations, 2010 (S.I. 220 of 2010). According to the regulations, if the sole business of the Company relates to the issuing of asset backed securities, the Company is exempt from the requirement to establish an audit committee (under Regulation 91(9) (d) of the Regulations). In this respect, the Company is not required to establish an audit committee.

Directors' report (continued)

Accounting records

The directors believe that they have complied with the requirements of Section 202 of the Companies Act, 1990 with regard to the books of account by employing accounting personnel with the appropriate expertise and by providing adequate resources to the financial function. The books of account of the Company are maintained at 5 Harbourmaster Place, IFSC, Dublin 1.

Independent auditor

In accordance with Section 160(2) of the Companies Act, 1963, KPMG, Chartered Accountants, have signified their willingness to continue in office.

On behalf of the board



Michael Whelan
Director

Date: 19 November 2012



Brian Brady
Director



Statement of directors' responsibilities

The Directors are responsible for preparing the Directors' Report and financial statements, in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The Company's financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position and performance of the Company. The Companies Acts, 1963 to 2012 provide in relation to such financial statements that references in the relevant parts of those Acts to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state that the financial statement comply with IFRS as adopted by EU and in accordance with Companies Act 1963 to 2012; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Acts, 1963 to 2012. They are also responsible 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 also required by the Transparency (Directive 2004/109/EC) Regulation 2007 and the Transparency Rules of the Irish Financial Services Regulatory Authority to include a Directors' report containing a fair review of the business and a description of the principal risks and uncertainties facing the Company.

The Directors confirm that, to the best of their knowledge and belief:

- they have complied with the above requirements in preparing the financial statements;
- the financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view, of the state of the assets, liabilities, financial position and of its profit/loss of the Company for the year then ended; and
- the Directors' report includes a fair review of the development and performance of the business and of the financial position of the Company, together with a description of the principal risks and uncertainties that it faces.

On behalf of the board



Michael Whelan
Director



Brian Brady
Director



Date: 19 November 2012



KPMG
Chartered Accountants
1 Harbourmaster Place
IFSC
Dublin 1
Ireland

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KALVEBOD PLC

We have audited the financial statements of Kalvebod plc for the year ended 31 July 2012 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity, the statement of cash flows and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 193 of the Companies Act 1990. 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 auditors

The Statement of Directors' Responsibilities on page 5 sets out the directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and International Financial Reporting Standards as adopted by the European Union (IFRS).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Acts 1963 to 2012. We also report to you, in our opinion whether proper books of account have been kept by the Company; whether at the balance sheet date, there exists a financial situation requiring the convening of an extraordinary general meeting of the Company; and whether the information given in the Directors' Report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit, and whether the Company's financial statements are in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law regarding directors' remuneration and directors' transactions is not disclosed and, where practicable, include such information in our report.

We read the Directors' Report and consider implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

Basis of audit opinion (continued)

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS), of the state of the Company's affairs as at 31 July 2012 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Acts 1963 to 2012.

Other matters

We have obtained all the information and explanations which we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Company. The financial statements are in agreement with the books of account.

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

The net assets of the Company, as stated in the statement of financial position on page 9 are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 July 2012 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the Company.



Colm Clifford

for and on behalf of

KPMG

Chartered Accountants, Statutory Audit Firm

1 Harbourmaster Place

IFSC

Dublin 1

Date: 19 November 2012

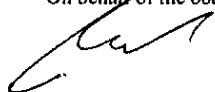
**Statement of comprehensive income
For the year ended 31 July 2012**

	Notes	Year ended 31-Jul-12 DKK	Year ended 31-Jul-11 DKK
Net gain/(loss) on investment securities	5	276,318,303	(467,114,180)
Net (loss)/gain on debt securities issued	6	(162,464,159)	543,207,624
Net loss from derivative financial instruments	7	(113,854,144)	(76,093,444)
Operating results		-	-
Net loss on foreign exchange movements	8	(406)	(102)
Other income	9	415,947	415,840
Other expenses	10	(415,541)	(415,738)
Operating results before income tax		-	-
Income tax expense	11	-	-
Profit for the financial year		-	-
Other comprehensive income		-	-
Total comprehensive income for the financial year		-	-

All items dealt with in arriving at the result for the year ended 31 July 2012 related to continuing operations.

The notes on pages 12 to 26 form an integral part of these financial statements.

On behalf of the board



Michael Whelan
Director



Brian Brady
Director



Date: 19 November 2012

**Statement of financial position
As at 31 July 2012**

		31-Jul-12 DKK	31-Jul-11 DKK
Assets	Notes		
Cash and cash equivalents	12	305,592	291,379
Derivative financial assets	15	79,885,290	188,453,894
Investment securities at fair value through profit or loss	13	305,949,522	516,944,530
Other receivables	14	6,708,269	16,520,722
Total assets		392,848,673	722,210,525
Liabilities			
Debt securities issued at fair value through profit or loss	16	385,834,813	705,398,424
Other payables	17	6,698,110	16,496,351
Total liabilities		392,532,923	721,894,775
Equity			
Share capital	18	298,528	298,528
Retained earnings		17,222	17,222
Shareholders' funds – equity		315,750	315,750
Total liabilities and equity		392,848,673	722,210,525

The notes on pages 12 to 26 form an integral part of these financial statements.

On behalf of the board



**Michael Whelan
Director**



**Brian Brady
Director**



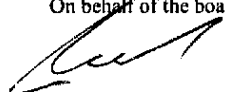
Date: 19 November 2012

**Statement of changes in equity
For the year ended 31 July 2012**

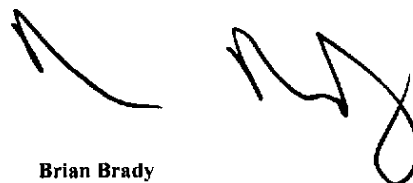
	Share capital DKK	Retained earnings DKK	Total DKK
Balance as at 01 August 2010	298,528	17,222	315,750
<i>Comprehensive income for the year</i>			
Result for the financial year	-	-	-
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	-	-
Balance as at 31 July 2011	298,528	17,222	315,750
<i>Comprehensive income for the year</i>			
Result for the financial year	-	-	-
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	-	-
Balance as at 31 July 2012	298,528	17,222	315,750

The notes on pages 12 to 26 form an integral part of these financial statements.

On behalf of the board



**Michael Whelan
Director**



**Brian Brady
Director**

Date: 19 November 2012

Statement of cash flows
For the year ended 31 July 2012

	Year ended 31-Jul-12 DKK	Year ended 31-Jul-11 DKK
Cash flows from operating activities		
Profit before income tax	-	-
<i>Adjustments for:</i>		
- Net loss from derivative financial instruments	108,568,604	69,765,536
- Net loss/(gain) on debt securities issued	133,737,118	(594,315,750)
- Net (gain)/loss on investment securities	(242,305,721)	524,550,214
Operating cash flow before movement in working capital	1	-
Decrease in receivables	9,812,453	19,352,715
Decrease in payables	(9,798,240)	(19,347,906)
Net cash flows from operating activities	14,214	4,809
Cash flows from investing activities		
Disposal of investment securities	305,000,000	655,000,000
Net cash flows from investing activities	305,000,000	655,000,000
Cash flows from financing activities		
Redemption of debt securities issued	(305,000,000)	(655,000,000)
Net cash flows from financing activities	(305,000,000)	(655,000,000)
Net increase in cash and cash equivalents	14,214	4,809
Cash and cash equivalents at start of the year	291,379	286,570
Cash and cash equivalents at end of the year	305,593	291,379

The notes on pages 12 to 26 form an integral part of these financial statements.

Notes to the financial statements
For the year ended 31 July 2012

1. General Information

Kalvebod PLC is a special purpose Company incorporated and registered in Ireland with limited liability on 12 October 2005 under registered number 409286. The Company has established a EUR 10,000,000,000 Secured Notes Programme (the "Programme") to issue secured notes (the "Notes") and/or other secured limited recourse indebtedness (the "Alternative Investments"). The net proceeds from each issue of Notes (or Alternative Investments) are used to purchase the Collateral comprised in the Mortgaged Property in respect of the relevant Notes or Alternative Investments, to pay for or enter into any Credit Support Document or Swap Agreement in connection with such Notes or Alternative Investments and to pay expenses in connection with the administration of the Issuer or the issue of the Notes or Alternative Investments.

Notes earn interest at a fixed, floating or zero percentage rate. The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. All such information was set out in the relevant Prospectus.

The Company has entered into Swap Agreements with Swap counterparties and any swap or repurchase entered into in connection with Notes of any Series by the Company are limited recourse obligation of the Issuer and the terms are set out in the relevant Prospectus.

The Company has no direct employees.

The debt securities issued are listed on the Copenhagen Stock Exchange.

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) and as applied in accordance with the Companies Acts 1963 to 2012.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 31 July 2012, the comparative information presented in these financial statements are for the year ended 31 July 2011.

These financial statements have been prepared on a going concern basis.

(b) New standards and interpretations

New standards and interpretations in issue, not yet adopted

IFRS 9 Financial Instruments, effective 1 January 2013: This Standard introduces new requirements for the classification and measurement of financial assets and is effective from 1 January 2013 with early adoption permitted. New requirements for classification and measurement of financial liabilities were added during 2010 but have not yet been adopted by the European Union. New requirements for derecognition of financial instruments, impairment and hedge accounting are expected to be added to IFRS 9 in 2011. As a result, IFRS 9 will eventually be a complete replacement for IAS 39. An early adopter of IFRS 9 continues to apply IAS 39 for other accounting requirements for financial instruments within its scope that are not covered by IFRS 9.

Amendments to IFRS 7 Financial Instruments: Disclosures (improvement project), effective 1 January 2011: The amendments to IFRS 7 clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans.

Amendments to IFRS 7 Financial Instruments: (Enhanced Derecognition Disclosure Requirements), effective 1 July 2011: The amendments are designed to ensure that users of financial statements are able to more readily understand transactions involving the transfer of financial assets (for example, securitisations), including the possible effects of any risks that may remain with the entity that transferred the assets.

IFRS 12-Disclosure of Interests (effective 1 January 2013)-IFRS 12 Disclosure of Interests in Other Entities is a new and comprehensive standard on 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 to annual reporting periods beginning on or after 1 January 2013).

This standard establishes a single source of guidance for fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (also referred to as "the exit price"). The standard also provides guidance for fair value determination and introduces consistent requirements for disclosure and measurement.

The directors anticipate that the adoption of standards or interpretations currently in issue but not yet effective will have no material impact on the financial statements of the Company in the period of initial application.

The Company has not adopted any new standards or interpretations that are not mandatory.

Notes to the financial statements (continued)
For the year ended 31 July 2012

2. Basis of preparation (continued)

(c) Changes in accounting policies

There were no changes to accounting policies which had a financial impact on the Company's financial statements during the year.

(d) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following:

- Investment securities designated at fair value through profit or loss are measured at fair value
- Debt securities issued designated at fair value through profit or loss are measured at fair value
- Derivative financial instruments are measured at fair value

The methods used to measure the fair values are discussed further in Note 3(f).

(e) Functional and presentation currency

These financial statements are presented in Danish Kroner (DKK) which is the Company's functional currency. Functional currency is the currency of the primary economic environment in which the entity operates. Debt securities issued and investment securities of the Company are primarily denominated in DKK and the Directors of the Company believe that DKK most faithfully represents the economic effects of the underlying transactions, events and conditions.

(f) Use of estimates and judgements

The preparation of the financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and any future years affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in notes 3(f) and 22.

3. Significant accounting policies

(a) Net gain/(loss) on investment securities

Net gain/(loss) on investment securities designated at fair value through profit or loss relates to investments in corporate bonds and includes all realised and unrealised fair value changes, coupon income, and foreign exchange differences.

(b) Net loss from derivative financial instruments

Net gain/(loss) from derivative financial instruments relates to the swaps held by the Company, and include swap income, swap expense, all realised and unrealised fair value changes and foreign exchange differences.

(c) Net (loss)/gain on debt securities issued

Net (loss)/gain on debt securities issued designated at fair value through profit or loss relates to debt securities issued and includes all realised and unrealised fair value changes, coupon payments and foreign exchange differences.

(d) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates applicable to the Company's activities enacted or substantively enacted at the year end date, and adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(e) 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 less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Company in the management of its short term commitments.

There are no restrictions on cash and cash equivalents.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

Notes to the financial statements (continued)
For the year ended 31 July 2012

3. Significant accounting policies (continued)

(f) Financial instruments

The financial instruments held by the Company include the following

- Investment securities;
- Debt securities issued; and
- Derivative financial instruments

Categorisation

The Company has designated the investment securities and debt securities issued at fair value through profit or loss.

Derivative financial instruments are carried at fair value through profit or loss.

A financial asset or financial liability at fair value through profit or loss is a financial asset or liability that is classified as held-for-trading or designated as at fair value through profit or loss upon initial recognition.

Investment securities

All investment securities held by the Company are designated at fair value through profit and loss at initial recognition when they eliminate or significantly reduce an accounting mismatch, which would otherwise arise in relation to derivatives and debt securities issued.

Derivative financial instruments

Derivative financial instruments include all derivative assets and liabilities that are not classified as trading assets or liabilities. When a derivative is not held for trading and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in the Statement of comprehensive income.

Debt securities issued

The debt securities issued are initially measured at fair value and are designated as liabilities at fair value through profit or loss when they either eliminate or significantly reduce an accounting mismatch or contain an embedded derivative that significantly modify the cash flows that would otherwise be required under the contract.

Financial assets and liabilities that are not at fair value through profit or loss

Financial assets that are not fair value through profit or loss and are not quoted in an active market include cash at bank and other receivables. These are categorised as loans and receivables for measurement purposes.

Financial liabilities that are not fair value through profit or loss include other payables, and are categorised as other liabilities for measurement purposes.

Recognition and measurement

The Company initially recognises all financial assets and liabilities on the trade date at which the Company becomes a party to the contractual provisions of the instruments. From trade date, any gains and losses arising from changes in fair value of the financial assets or financial liabilities at fair value through profit or loss are recorded in the Statement of comprehensive income.

Financial assets and liabilities not at fair value through profit or loss are subsequently measured at amortised cost.

Subsequent measurement

After initial measurement, the Company measures financial instruments which are classified at fair value through profit or loss at their fair value. Subsequent changes in the fair value of financial instruments designated at fair value through profit or loss are recognised directly in the Statement of comprehensive income. The fair value of financial instruments is based on their quoted market prices on a recognised exchange or sourced from a reputable broker/counterparty, in the case of non-exchange traded instruments, at the reporting date without any deduction for estimated future selling costs.

Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

Offsetting

Financial assets and liabilities are set off and the net amount presented in the Statement of financial position when, and only when, the Company has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

Notes to the financial statements (continued)
For the year ended 31 July 2012

3. Significant accounting policies (continued)

(f) Financial instruments (continued)

Fair value measurement principles

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, Level 1 prices for financial instruments are measured using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, prices are established using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Company, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

The valuation techniques used by the Company has been described in note 22 (d).

(g) Equity instruments

Equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of issue costs.

Share capital

Share capital is issued in Euro. Dividends are recognised as a liability in the period in which they are approved.

(h) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the Statement of comprehensive income and are included under net gain/(losses) from investment securities, derivatives and debt securities issued respectively.

(i) Other income and expenses

All income and expenses are accounted for on an accruals basis.

(j) Other receivables

Other receivables do not carry any interest and are short-term in nature and are accordingly stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

4. Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity). The Company's business involves the repackaging of bonds and other debt instruments, on behalf of investors, which are bought in the market and subsequently securitised to avail of potential market opportunities and risk return asymmetries. The Company has only one business unit and all administrating and operating functions are carried out and reviewed by the Administrator and Corporate Secretary, Deutsche International Company Services Ireland Limited. The investments are based in Denmark.

5. Net gain/(loss) on investment securities

Designated at fair value through profit or loss

	Year ended 31-Jul-12	Year ended 31-Jul-11
	DKK	DKK
Coupon income	34,012,582	57,436,034
Net gain/(loss) on investment securities	242,305,721	(524,550,214)
	<u>276,318,303</u>	<u>(467,114,180)</u>

Notes to the financial statements (continued)
For the year ended 31 July 2012

6. Net (loss)/gain on debt securities issued
Designated at fair value through profit or loss

	Year ended 31-Jul-12	Year ended 31-Jul-11
	DKK	DKK
Coupon expenses including accruals	(28,727,041)	(51,108,126)
Net (loss)/gain on debt securities issued	(133,737,118)	594,315,750
	<u>(162,464,159)</u>	<u>543,207,624</u>

7. Net loss from derivative financial instruments

	Year ended 31-Jul-12	Year ended 31-Jul-11
	DKK	DKK
Coupon expense	(5,285,540)	(6,327,908)
Net loss from derivative financial instruments	(108,568,604)	(69,765,536)
	<u>(113,854,144)</u>	<u>(76,093,444)</u>

8. Net loss on foreign exchange movements

	Year ended 31-Jul-12	Year ended 31-Jul-11
	DKK	DKK
Net loss on foreign exchange movements	(406)	(102)
	<u>(406)</u>	<u>(102)</u>

9. Other income

	Year ended 31-Jul-12	Year ended 31-Jul-11
	DKK	DKK
Arranger income	415,507	415,550
Bank interest	440	290
	<u>415,947</u>	<u>415,840</u>

Deutsche Bank, AG London, as arranger bear all the expenses of the Company. Arranger income is the total expenses incurred by the Company during the year that is borne by Deutsche Bank AG London.

10. Other expenses

	Year ended 31-Jul-12	Year ended 31-Jul-11
	DKK	DKK
Administration expenses	(104,138)	(104,287)
Audit fees	(162,678)	(162,912)
Tax fees	(44,102)	(44,166)
Directors fees	(104,138)	(104,287)
Bank Charges	(485)	(86)
	<u>(415,541)</u>	<u>(415,738)</u>

The Company is administered by Deutsche International Corporate Services (Ireland) Limited and has no employees.

	Year ended 31-Jul-12	Year ended 31-Jul-11
	DKK	DKK
Auditor's remuneration (VAT exclusive)		
Statutory audit	132,258	134,638
Other assurance services	-	-
Tax advisory services	35,856	36,501
Other non-audit services	-	-
	<u>168,114</u>	<u>171,139</u>

11. Income tax expense

	Year ended 31-Jul-12	Year ended 31-Jul-11
	DKK	DKK
Profit before taxation	-	-
Current tax at standard rate of 25%	-	-
Current tax charge	-	-
Total tax charge	<u>-</u>	<u>-</u>

Notes to the financial statements (continued)
For the year ended 31 July 2012

11. Income tax expense (continued)

The Company is charged to corporation tax at a rate of 25% (2011: 25%). The Company will continue to be actively taxed at 25% in accordance with Section 110 of the Taxes Consolidation Act, 1997.

Deferred tax

Any temporary differences arising on the assets will be offset by a corresponding difference in liabilities. Therefore, the Company does not have any deferred tax expense.

12. Cash and cash equivalents

31-Jul-12
DKK

31-Jul-11
DKK

Cash at bank	305,592	291,379
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The cash balances are held with Deutsche Bank Amsterdam and Bank of Ireland.

Refer to note 22 for credit risk, currency risk and interest rate risk disclosures relating to cash and cash equivalents.

13. Investment securities

31-Jul-12
DKK

31-Jul-11
DKK

<i>Designated as at fair value through profit or loss</i>	305,949,522	516,944,530
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Maturity analysis of investment securities

Within 1 year	-	141,285,256
More than 1 year and less than 2 years	59,500,000	-
More than 2 years and less than 5 years	246,449,522	375,659,274
More than 5 years	-	-
	305,949,522	516,944,530

Movement in investment securities

At beginning of year	516,944,530	2,603,827,500
Additions during the year	-	-
Disposals during the year	(453,300,729)	(1,562,332,756)
Net changes in fair value during the year	242,305,721	(524,550,214)
At end of year	305,949,522	516,944,530

The carrying value of the assets of the Company represents the maximum exposure to credit risk. The credit risk is eventually transferred to the Noteholders. The investment securities are held as collateral for debt securities issued by the Company.

During the year, a portion of the disposal proceeds from the investment securities has been settled on a net basis against payments for debt securities being redeemed. The amount settled on a net basis was DKK 148,300,729 (2011: DKK 907,332,756).

Refer to note 22 for credit risk, currency risk and interest rate risk disclosures relating to investing activities.

14. Other receivables

31-Jul-12
DKK

31-Jul-11
DKK

Coupon receivable on investment securities	6,396,056	15,014,657
Net swap amounts receivable	-	1,179,295
Other income receivable	312,213	326,770
	6,708,269	16,520,722

All other receivables are current.

Refer to note 22 for credit risk, currency risk and interest rate risk disclosures relating to other receivables.

15. Derivative financial instruments

31-Jul-12
DKK

31-Jul-11
DKK

At beginning of the year	188,453,894	258,219,430
Net changes in fair value during the year	(108,568,604)	(69,765,536)
At end of the year	79,885,290	188,453,894

Derivative financial assets

79,885,290	188,453,894
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The legal maturity of all derivative financial instruments is greater than one year.

The derivative financial instruments relates to Series 2 only (2011: Series 2 and 3).

15. Derivative financial instruments (continued)**Asset swap**

On the date of each Note issuance, the Company entered into an Asset Swap Agreement, the effect of which is that the Swap Counterparty will pay to the Company sums equal to the interest payable to the Noteholders under the Notes issued and the Company will pay to the Swap Counterparty sums equal to the scheduled interest receivable in respect of the Investment Securities acquired out of the issue proceeds of the Notes. Under the terms of the Asset Swaps, currency risk is also transferred to the Swap Counterparty, where applicable.

The Company enters into such Swap Agreements for risk management purposes (i) to reduce or eliminate the mismatch between the amounts payable in respect of interest payable on the debt securities issued and the interest receivable from the investment securities held as collateral and (ii) to eliminate currency risks.

The effect of the Asset Swaps is that interest rate risk and currency risk is transferred to the Swap Counterparty leaving Noteholders exposed to market price risk with respect to changes in the value of the investment securities held on each Noteholders behalf.

16. Debt securities issued

	31-Jul-12 DKK	31-Jul-11 DKK
Designated at fair value through profit or loss	(385,834,813)	(705,398,424)

The debt securities are listed on the Copenhagen Stock Exchange.

The Company's obligations under the debt securities issued are secured by investment securities purchased as per Note 13. The investors' recourse per series is limited to the assets of that particular series. In the event that accumulated losses prove not to be recoverable during the life of the Company, then this will reduce the obligation to the holders of the debt securities by an equivalent amount.

	As at Year ended 31-Jul-12 DKK	As at Year ended 31-Jul-11 DKK
Movement in debt securities issued		
At beginning of year	(705,398,424)	(2,862,046,930)
Debt securities issued during the year	-	-
Debt securities redeemed during the year	453,300,729	1,562,332,756
Net changes in fair value during the year due to market risk	(133,737,118)	594,315,750
	<u>(385,834,813)</u>	<u>(705,398,424)</u>

During the year, a portion of the disposal proceeds from the investment securities has been settled on a net basis against payments for debt securities being redeemed. The amount settled on a net basis was DKK 148,300,729 (2011: DKK 907,332,756).

Debt securities issued for a particular series are designated at fair value through profit or loss when the related investment securities and derivatives are fair valued or when they contain embedded derivatives that significantly modifies cashflows that otherwise would be required to be separated.

	31-Jul-12 DKK	31-Jul-11 DKK
Maturity analysis of the debt securities issued		
Within 1 year	-	(280,000,000)
1 to 2 years	(59,500,000)	-
2 to 5 years	(326,334,813)	(425,398,424)
Greater than 5 years	-	-
	<u>(385,834,813)</u>	<u>(705,398,424)</u>

The nominal values of debt securities in issue at 31 July 2012 are as follows:

	Callable on (at Company option)	Currency	31-Jul-12	31-Jul-11
Series 1 - Fixed/Floating Rate Secured Notes due 2013	01-Nov-10	DKK	(70,000,000)	(95,000,000)
Series 2 - Fixed/floating rate secured notes due 2016	01-May-16	DKK	(382,302,941)	(518,839,706)
Series 3 - Fixed/Floating Rate Secured Notes due 2014	01-Nov-14	DKK	(340,000,000)	(846,800,899)

The carrying value of debt securities issued at year end was DKK 406,468,128 (2011: DKK 755,242,181) less than the contractual amount at maturity.

Notes to the financial statements (continued)
For the year ended 31 July 2012

17. Other payables

	As at 31-Jul-12 DKK	As at 31-Jul-11 DKK
Coupon payable on debt securities issued	(5,657,120)	(16,184,987)
Net swap amounts payable	(730,072)	-
Accrued expenses	(310,918)	(311,364)
	<u>(6,698,110)</u>	<u>(16,496,351)</u>

All other payables are current.

Refer to note 22 for risk disclosures relating to other payables.

18. Share Capital – equity

	31-Jul-12 DKK	31-Jul-11 DKK
<i>Authorised:</i>		
40,000 ordinary shares of €1 each	<u>298,528</u>	<u>298,528</u>
<i>Issued and fully paid:</i>		
40,000 ordinary share of €1 each	<u>298,528</u>	<u>298,528</u>

19. Ownership of the Company

The issued shares are held in trust for charitable purposes by BADB Charitable Trust Limited, Eurydice Charitable Trust Limited and MEDB Charitable Trust Limited each holding 13,332 shares (the 'Share Trustees') and Mr Anthony Walsh, Mr James Scanlon, Mr Patrick Molloy and Mr Turlough Galvin each holding one share. The Share Trustees hold the issued shares of the Company in trust for charity. The Board of Directors have considered the issue as to who is the Controlling Party. It has been determined that the control of the day to day activities of the Company rests with the Board. The Board comprises of three directors.

20. Transactions with related and certain other parties

During the year the Company incurred a fee of DKK 104,138 (2011: DKK104,287) relating to administration services provided by Deutsche International Corporate Services (Ireland) Limited. Michael Whelan and Paul McNaughton, as directors of the Company, had an interest in this fee in their capacity as directors of Deutsche International Corporate Services (Ireland) Limited. The Company also paid director fees of DKK 104,138 (2010: 104,287) in relation to services provided by Paul McNaughton and Brian Brady as directors of the Company.

Deutsche Bank, AG London, as Arranger for each Series on issue of each series held, shall pay the Company \$1,000 per Series and agrees to reimburse the Company for any costs, fees, expenses, or out-goings incurred.

The directors are of the view that there were no other related party transactions requiring disclosure.

21. Charges

The debt securities issued by the Company under each Series are secured by way of mortgage over the collateral purchased in respect of that Series, and by the assignment of a fixed first charge of the Company's rights, title and interest under respective Swap Agreements for each Series.

22. Financial risk management**Introduction and overview**

The Company has established a EUR 10,000,000,000 Secured Notes Programme (the "Programme") to issue secured notes (the "Notes") and/or other secured limited recourse indebtedness (the "Alternative Investments"). The net proceeds from each issue of Notes or Alternative Investments will be used to purchase the Collateral comprised in the Mortgaged Property in respect of the relevant Notes or Alternative Investments, to pay for or enter into any Credit Support Document or Swap Agreement in connection with such Notes or Alternative Investments and to pay expenses in connection with the administration of the Issuer or the issue of the Notes or Alternative Investments.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The risk profile of the Company is such that market, credit, liquidity and other risks of the investment securities and derivatives held for risk management are borne fully by the holders of debt securities issued.

The Company has exposure to the following risks from its use of financial instruments:

- (a) Market risk;
- (b) Credit risk;
- (c) Liquidity risk;
- (d) Fair values.

Notes to the financial statements (continued)
For the year ended 31 July 2012

22. Financial risk management (continued)

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Company limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have a credit rating defined in the documentation of the relevant series. The risk of default on these assets is borne by the holders of the debt securities of the relevant series.

The Company entered into a number of Series in the Programme. Each Series is governed by a separate Supplemental Programme Memorandum. Each Series consists of an investment in collateral from the proceeds of the issuance of debt securities and/or Alternative Investments.

The Programme offers investors the opportunity to invest in a portfolio of investments, the "investment securities", and alter the interest rate risk and currency risk profile of the portfolio through the use of derivative instruments.

The debt securities issued are recorded at the value of the net proceeds received in DKK and are carried at fair value through profit or loss. The ultimate amount repaid to the Note holders will depend on the proceeds from the collateral and any payments the Swap counterparty is obliged to make under the terms of the swap agreement. The Company is obliged to provide for the payment or physical delivery of the deliverable obligations to the Swap counterparty and to the Note holders.

All substantial risks and rewards associated with the investment securities are ultimately borne by the Noteholders.

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or value of its holdings of financial instruments.

Market risk embodies the potential for both loss and gains and includes interest rate risk, currency risk and price risk.

The objective of market risk management is to manage and control market risk exposures with acceptable parameters while optimizing the returns on risk.

i) Interest rate risk

The Company has entered into Asset Swaps which fully swaps the interest payable on the Notes with the interest receivable on the collateral. Under the terms of the Asset Swap, the interest receivable on the collateral is payable to the Swap Counterparty and the interest payable to the Noteholders is receivable from the Swap Counterparty thereby, eliminating any interest rate risk.

At the reporting date, the interest rate profile of the Company's financial assets and liabilities was:

	Fixed rate	Floating rate	Non interest bearing	Total
	31-Jul-12	31-Jul-12	31-Jul-12	31-Jul-12
	DKK	DKK	DKK	DKK
Cash and cash equivalents	-	305,592	-	305,592
Derivative financial assets	-	79,885,290	-	79,885,290
Investment securities at fair value through profit or loss	45,845,693	260,103,829	-	305,949,522
Other receivables	-	-	6,708,269	6,708,269
Debt securities issued at fair value through profit or loss	(151,200,813)	(234,634,000)	-	(385,834,813)
Other payables	-	-	(6,698,110)	(6,698,110)
	<u>(105,355,120)</u>	<u>105,660,710</u>	<u>10,159</u>	<u>315,750</u>

	Fixed rate	Floating rate	Non interest bearing	Total
	31-Jul-11	31-Jul-11	31-Jul-11	31-Jul-11
	DKK	DKK	DKK	DKK
Cash and cash equivalents	-	291,379	-	291,379
Derivative financial assets	-	188,453,894	-	188,453,894
Investment securities at fair value through profit or loss	113,242,717	403,701,813	-	516,944,530
Other receivables	-	-	16,520,722	16,520,722
Debt securities issued at fair value through profit or loss	(638,328,424)	(67,070,000)	-	(705,398,424)
Other payables	-	-	(16,496,351)	(16,496,351)
	<u>(525,085,707)</u>	<u>525,377,086</u>	<u>24,371</u>	<u>315,750</u>

Notes to the financial statements (continued)
For the year ended 31 July 2012

22. Financial risk management (continued)

(a) Market risk (continued)

Sensitivity analysis

The Company does not bear any interest rate risk as the interest rate risk associated with the debt securities issued by the Company is neutralised by entering into swap agreements whereby the swap counterparty pays the Company amounts equal to the interest payable to the note holders in return for the interest earned by the Company on its financial assets. Therefore any change in the interest rates would not affect the equity or the profit or loss of the Company.

The Company has designated its fixed rate financial assets and liabilities at fair value through profit or loss. Any changes in interest rates would also affect the fair value of the fixed rate financial assets and liabilities which in turn would impact on the profit or loss and the equity of the Company. However, the Company has neutralised any risk by entering into swap agreements whereby all fair value changes are borne by the swap counterparty.

(ii) Currency risk

Only the cash and cash equivalents are denominated in either EUR or DKK. Therefore, the Company has limited exposure to fluctuation in exchange rates between Euro and its functional currency, i.e., DKK. The risk has been mitigated by entering into swap transactions whereby the impact of any fluctuations in foreign currency rates will be passed on to the swap counterparty.

The Company's exposure to foreign currency risk as at reporting date is as follows:

31 July 2012			
	EUR	DKK	Total
	DKK	DKK	DKK
Cash and cash equivalents	305,592	-	305,592
Investment securities	-	305,949,522	305,949,522
Derivative financial assets	-	79,885,290	79,885,290
Other receivables	-	6,708,269	6,708,269
	305,592	392,543,081	392,848,673
Debt securities issued	-	(385,834,813)	(385,834,813)
Other payables	-	(6,698,110)	(6,698,110)
	-	(392,532,923)	(392,532,923)
Net position	305,592	10,158	315,750

31 July 2011			
	EUR	DKK	Total
	DKK	DKK	DKK
Cash and cash equivalents	291,379	-	291,379
Investment securities	-	516,944,530	516,944,530
Derivative financial assets	-	188,453,894	188,453,894
Other receivables	-	16,520,722	16,520,722
	291,379	721,919,146	722,210,525
Debt securities issued	-	(705,398,424)	(705,398,424)
Other payables	-	(16,496,351)	(16,496,351)
	-	(721,894,775)	(721,894,775)
Net position	291,379	24,371	315,750

The following significant exchange rates were applied at the year end.

	Average rate	Closing rate	Average rate	Closing rate
	31-Jul-12		31-Jul-11	
EUR:DKK	7.4179	7.4384	7.4539	7.4491

Sensitivity analysis

The impact of any change of the exchange rates on interest on the financial assets is passed to the swap counterparty by entering into an asset swap, whereby the swap counterparty pays the Company an amount equal to the interest payable to the noteholders in return for the interest earned by the Company on its financial assets.

The impact of any change in exchange rates on investment securities relating to any series is offset by the foreign exchange rate changes on the debt securities issued under the series. Any difference is borne by the swap counterparty and thus the exchange rate changes have no net impact on equity or profit and loss of the Company.

Notes to the financial statements (continued)
For the year ended 31 July 2012

22. Financial risk management (continued)

(a) Market risk (continued)

(iii) Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Other price risk may include risks such as equity price risk, commodity price risk, prepayment risk (i.e. the risk that one party to a financial asset will incur a financial loss because the other party repays earlier or later than expected), and residual value risk.

In relation to the Company's portfolio, it is not subject to equity price risk, commodity price risk, prepayment risk or residual value risk.

The following is the breakdown of the Company's investment securities at the reporting date:

Investment securities	2012	2011
Corporate bonds	DKK	DKK
Listed	-	-
Unlisted	305,949,522	516,944,530
	<u>305,949,522</u>	<u>516,944,530</u>

Sensitivity analysis

Any change in the fair values of the investment securities held by the Company would not have any effect on the equity or profit or loss of the Company as any fair value fluctuations are ultimately borne by either the swap counterparty or the holders of the debt securities issued by the Company.

(b) Credit risk

The Company limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have a credit rating defined in the documentation of relevant series. The risk of default of these assets is borne by the swap counterparty or the holder of the debt securities of the relevant series.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to the credit risk at the reporting date was:

	2012	2011
	DKK	DKK
Cash and cash equivalents	305,592	291,379
Investment securities	305,949,522	516,944,530
Derivative financial assets	79,885,290	188,453,894
Other receivables	6,708,269	16,520,722
	<u>392,848,673</u>	<u>722,210,525</u>

At the reporting date, the Company's investment securities comprises bonds which are not rated by any rating agency.

Concentration risk

The financial instruments held by the Company and concentration risk of each is outlined below:

- i) *Collateral:* 100% of the investment securities held by the Company relates to subordinated debt of Danish banks.

The Company has invested across a wide range of Danish Banks. The highest investment in any particular institution represents 23% of the Company's investment portfolio. The highest individual investment in any particular institution represents 13%.

None of these subordinated bonds held by the Company are rated.

- ii) *Derivatives:* 100% of the derivatives held by the Company represent asset swaps, the counterparty for which is Deutsche Bank AG London. The credit rating of the counterparty is A+.

Other receivables

Other receivables mainly include income receivable from investments securities held by the company at the year end. The credit rating and concentration of these investment securities at the reporting date are disclosed above.

Cash and Cash equivalents

The Company's cash and cash equivalents are held mainly with Bank of Ireland which is rated Ba2 (2011: Ba1) by Moody's in 2012.

Notes to the financial statements (continued)
For the year ended 31 July 2012

22. Financial risk management (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset or that such obligations will have to be settled in a manner disadvantageous to the Company. The Company's approach is to ensure, as far as possible that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring acceptable losses or risking damage to the Company's reputation.

The Company's obligation to the Noteholders of a particular series is limited to the net proceeds upon realisation of the collateral of that series. Should the net proceeds be insufficient to make all payments due in respect of a particular series of Notes, the other assets of the Company will not be available for payment and the deficit is instead borne by the Noteholders and/or the swap counterparty according to the established priorities.

The derivative balances in the table below represent the present value of all future cash flows. The directors believe that this best represents the cash flow that would have to be paid if these positions had to be closed out. Derivatives balances are shown within 'carrying value' which management believes most accurately reflects the short-term nature of these activities. The contractual maturity of the instruments may however extend over significantly longer periods.

	Carrying amount DKK	Gross contractual cash flows DKK	Less than one year DKK	Between one to two years DKK	Between two to five years DKK	More than five years DKK
31 July 2012						
Liabilities						
Other payables	6,698,110	6,698,110	6,698,110	-	-	-
Debt securities issued	385,834,813	852,857,580	302,505,159	90,701,725	459,650,696	-
	<u>392,532,923</u>	<u>859,555,690</u>	<u>309,203,269</u>	<u>90,701,725</u>	<u>459,650,696</u>	<u>-</u>
31 July 2011						
Liabilities						
Other payables	16,496,351	16,496,351	16,496,351	-	-	-
Debt securities issued	705,398,424	1,606,052,068	311,178,182	31,178,182	1,263,695,704	-
	<u>721,894,775</u>	<u>1,622,548,419</u>	<u>327,674,533</u>	<u>31,178,182</u>	<u>1,263,695,704</u>	<u>-</u>

(d) Fair values

The Company's investment securities and debt securities issued are carried at fair value on the Statement of Financial Position. Usually, the fair value of the financial instruments can be reliably determined within a reasonable range of estimates. The carrying amounts of all the Company's financial assets and financial liabilities at the reporting date approximated their fair values.

The major methods and assumption used in estimating the fair values of financial instruments are disclosed below:

Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in note 3(g) under the subheading "Fair value measurement principles". For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. See also "Valuation of financial instruments" below.

The Company's accounting policy on fair values measurements is disclosed under note 3(g) under the subheading "Fair value measurement principles".

Critical accounting judgements made in applying the Company's accounting policies in relation to valuation of financial instruments is as follows:

Valuation of financial instruments

The Company's accounting policy on fair value measurements is discussed in Note 3(g). The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Notes to the financial statements (continued)
For the year ended 31 July 2012

22. Financial risk management (continued)
(d) Fair values (continued)

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. Fair values of financial assets and financial liabilities that are traded in active markets, level 1, are based on quoted market prices or dealer price quotations. For all other financial instruments the Company determines fair values using valuation techniques.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

Level 2 prices use widely recognised valuation models for determining the fair value of common and more simple financial instruments such as interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives, e.g. interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

For more complex level 3 instruments proprietary valuation models are used which usually are developed from recognised valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Examples of instruments involving significant unobservable inputs include certain over the counter derivatives and certain securities for which there is no active market. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of probability of counterparty default and selection of appropriate discount rates.

The Company has used available market prices to fair value its debt securities issued. Net present value and discounted cash flow techniques were used to fair value its derivative financial instruments. While, for its investment securities, the Company used a combination of observable prices and a little management judgement.

At the reporting date, the carrying amounts of investment securities, derivative financial instruments and debt securities issued by the Company which fair values were determined directly, in full or in part, by reference to published price quotations and determined using valuation techniques are as follows:

31-Jul-12

	Level 1	Level 2	Level 3	Total Fair Value
	DKK	DKK	DKK	DKK
Investment securities	-	305,949,522	-	305,949,522
Derivative financial assets	-	79,885,290	-	79,885,290
Debt securities issued at fair value through profit or loss	-	(385,834,813)	-	(385,834,813)
	-	-	-	-

Notes to the financial statements (continued)
For the year ended 31 July 2012

22. Financial risk management (continued)

(d) Fair values

Valuation of financial instruments (continued)

31-Jul-11	Level 1 DKK	Level 2 DKK	Level 3 DKK	DKK
Investment securities	-	516,944,530	-	516,944,530
Derivative financial assets	-	188,453,894	-	188,453,894
Debt securities issued at fair value through profit or loss	-	(705,398,424)	-	(705,398,424)
	-	-	-	-

Liabilities measured at fair value based on Level 3

	Financial liabilities designated at fair value through profit or loss	
	DKK	DKK
31-Jul-11		
Opening balance	2,862,046,930	2,862,046,930
Transfers out of level 3 to level 2	(2,862,046,930)	(2,862,046,930)
Redemptions during the year	-	-
Fair value movement	-	-
Closing balance	-	-

Although the directors believe that their estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value as fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement e.g. interest rates, volatility, credit spreads, probability of defaults, estimates cashflows etc and therefore, cannot be determined with precision.

For recognised fair values measured using significant unobservable inputs, changing one or more assumptions used to reasonably possible alternative assumptions would not have any effect on the profit or loss or on equity as any change in fair value will be borne by the noteholders due to the limited recourse nature of the debt issued by the Company.

Accounting categorisation and fair values of financial assets and liabilities

	2012		2011	
	Fair value 31-Jul-12 DKK	Carrying value 31-Jul-12 DKK	Fair value 31-Jul-11 DKK	Carrying value 31-Jul-11 DKK
Assets				
Cash and cash equivalents	305,592	305,592	291,379	291,379
Investment securities	305,949,522	305,949,522	516,944,530	516,944,530
Derivative financial assets	79,885,290	79,885,290	188,453,894	188,453,894
Other receivables	6,708,269	6,708,269	16,520,722	16,520,722
	392,848,673	392,848,673	722,210,525	722,210,525
Liabilities				
Debt securities issued	385,834,813	385,834,813	705,398,424	705,398,424
Other payables	6,698,110	6,698,110	16,496,351	16,496,351
	392,532,923	392,532,923	721,894,775	721,894,775

Notes to the financial statements (continued)
For the year ended 31 July 2012

23. Capital risk management

The Company view the share capital as its capital. The Company is a special purpose vehicle set up to issue debt instruments for the purpose of making investments as defined under the programme memorandum and in each of the Series memorandum agreements. Share capital of € 40,000 was issued in line with Irish Company Law and is not used for financing the investment activities of the Company. The Company is not subject to any other externally imposed capital requirements.

24. Subsequent event

There has been no significant subsequent event after the year end.

25. Credit events

On 10 October 2011, following a Bond Collateral Default Nominal Amount Reduction, the aggregate principal amount of the Series 2 Notes would be equal to DKK 382,302,941 with effect from the calendar date immediately following 01 May 2012. On 24 October 2011, an Adjusted Recovery Amount of DKK 23,300,729 has been paid to the note holders following the Bond Collateral Default.

26. Approval of financial statements

The Board of Directors approved these financial statements on 19 November 2012 .