Kalvebod PLC

Directors' report and audited financial statements

For the year ended 31 July 2014

Registered number 409286

Kalvebod PLC

Contents

Directors and other information

Directors	Brian Brady (Irish) Michael Whelan (Irish) Joseph Boyle (Irish) - appointed on 1 April 2014 Paul McNaughton (Irish) - resigned on 1 April 2014
Registered Office	5 Harbourmaster Place International Financial Services Centre Dublin 1 Ireland
Administrator & Company Secretary	Deutsche International Corporate Services (Ireland) Limited 6th Floor Pinnacle 2 Eastpoint Business Park Dublin 3 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, Statutory Audit Firm 1 Harbourmaster Place International Financial Services Centre Dublin 1 Ireland
Solicitors	Matheson 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 2014.

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 pay interest at a fixed or floating 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. At the year end, the only swap in place was an Asset Swap in respect of Series 2, see further details in note 15.

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 (2013: Nil);
- the Company did not issue any new series;
- the net gain on investment securities was DKK 155,142,471 (2013: DKK 168,575,461)
- the net loss from debt securities issued was DKK 122,214,132 (2013. DKK 173,139,067)
- the net loss from derivative financial instruments amounted to DKK 37,627,561 (2013: DKK 1,227,413), and
- the Company disposed the following:

Redemptions
DKK 70,000,000 nominal amount of Series 1 collaterals and its related Notes DKK 70,000,000 Fixed/Floating Rate Secured Notes due 2013;
DKK 50,000,000 nominal amount of Series 2 collaterals and its related Notes DKK 68,268,382 Fixed/Floating Rate Secured Notes due 2016;
DKK 75,000,000 nominal amount of Series 3 collaterals and its related Notes DKK 75,000,000 Fixed/Floating Rate Secured Notes due 2014;

As at 31 July 2014:
- the carrying value of the Company's total indebtedness was DKK 460,545,550 (2013: DKK 508,667,091)
- the Company had the following Notes in issue:
  Series 2 DKK 314,034,559 Fixed/Floating Rate Secured Notes due 2016
  Series 3 DKK 215,000,000 Fixed/Floating Rate Secured Notes due 2014

- the Company had the following collaterals in issue:
  Series 2 DKK 230,000,000 bearing fixed/floating interest rates
  Series 3 DKK 215,000,000 bearing floating interest rates

The Company's net assets were DKK 315,750 (2013. DKK 315,750).

The Company incurred DKK 15,580,851 (2013: DKK 18,226,619) as coupon on the Notes issued and earned DKK 20,280,073 (2013: DKK 24,017,638) as coupon on the investment securities.

Credit events
Following the interest default by Vestjysk Bank A/S on 1 May 2014, the latter has posted a deposit in the form of a security which was posted as collateral in the amount of DKK 75,000,000 in favour of the Company free of charge, booked in other assets On 10 September 2014, when all interest in arrears were received, the Company freely disposed the collateral, posted in other liabilities There was no further credit event during the year.

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 (2013: DKK Nil).

Changes in directors, secretary and registered office
On 31 May 2014, Joseph Boyle was appointed as director in replacement of the resigning director Paul McNaughton, effective 1 April 2014. There were no further changes in directors, secretary or registered office during the year and /or since the year end.

Directors, secretary and their interests
The directors who held office on 31 July 2014 did not hold any share in the Company at that date, or during the year With the exception of directors' fee ,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.

Subsequent events

On 10 September 2014, when all interest in arrears were received, the Company freely disposed the collateral in the amount of DKK 75,000,000, posted in other liabilities. There has been no further significant subsequent event after the year end.

Going concern

The Company's financial statements for the year ended 31 July 2014 have been prepared on a going concern basis. The directors anticipate that the investment securities will continue to generate enough cash flow on an ongoing basis to meet the Company liabilities as they fall due. The Notes in issue as at 31 July 2014 have maturities ranging between the years 2014 to 2016. For these reasons, the directors believe that the going concern basis is appropriate

Corporate Governance Statement

Introduction

The Company is subject to and complies with Irish Statute comprising the Companies Acts 1963 to 2013 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 2013 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.

Accounting records
The directors believe that they have complied with the requirements of Section 202 of the Companies Act, 1990 with regard to the keeping of 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, Statutory Audit Firm have signified their willingness to continue in office.

On behalf of the board

Michael Whelan
Director

Brian Brady
Director

Date: 10/11/14

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 European Union (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 2013 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 2013; 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 2013. They are also responsible for safeguarding the assets of the Company. In this regard, they have entrusted the assets of the Company to a trustee for safe-keeping. They have the general responsibility for taking such steps as are reasonably open to them 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: 10/11/14

KPMG
Audit
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 2014 which comprise of the Statement of comprehensive income, the Statement of financial position, the Statement of cash flows, the Statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is Irish law and International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

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 auditor

As explained more fully in the Statements of directors' responsibilities set out on page 5 the directors are responsible for the preparation of the financial statements giving a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the company's affairs as at 31 July 2014; and
- the financial statements have been properly prepared in accordance with the Companies Acts, 1963 to 2013.

Independent Auditor's report to the members of Kalvebod PLC *(continued)*

Matters on which we are required to report by the Companies Acts 1963 to 2013

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

In our opinion the financial statements are in agreement with the books of account and, in our opinion proper books of account have been kept by the Company.

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

Matters on which we are required to report by exception

We have nothing to report in respect of the provisions in the Companies Acts 1963 to 2013, which require us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.

Colm Clifford

for and on behalf of
KPMG
Chartered Accountants, Statutory Audit Firm
1 Harbourmaster Place
IFSC
Dublin 1

Date: 10/11/14

Kalvebod PLC

Statement of comprehensive income
For the year ended 31 July 2014

	Notes	Year ended 31-Jul-14 DKK	Year ended 31-Jul-13 DKK
Net gain on investment securities	5	175,422,544	192,593,099
Net loss on debt securities issued	6	(137,794,983)	(191,365,686)
Net loss from derivative financial instruments	7	(37,627,561)	(1,227,413)
Operating results		-	-
Net gain on foreign exchange movements	8	304	670
Other income	9	459,204	457,907
Other expenses	10	(459,508)	(458,577)
Operating results before taxation		-	-
Income tax expense	11	-	-
Result 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 2014 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: 10/11/14

Kalvebod PLC

Statement of financial position
As at 31 July 2014

	Notes	31-Jul-14 DKK	31-Jul-13 DKK
Assets			
Cash and cash equivalents	12	307,094	306,789
Derivative financial assets	15	76,185,190	84,448,897
Investment securities at fair value through profit or loss	13	384,667,454	424,524,983
Other receivables	14	79,994,859	5,456,220
Total assets		541,154,596	514,736,889
Liabilities			
Debt securities issued at fair value through profit or loss	16	460,852,644	508,973,880
Other payables	17	79,986,202	5,447,259
Total liabilities		540,838,846	514,421,139
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		541,154,596	514,736,889

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: 10/11/14

Kalvebod PLC

Statement of changes in equity
For the year ended 31 July 2014

	Share capital DKK	Retained earnings DKK	Total equity DKK
Balance as at 1 August 2012	298,528	17,222	315,750
Comprehensive income for the year			
Result for the financial year	-	-	-
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	-	-
Balance as at 31 July 2013	298,528	17,222	315,750
Comprehensive income for the year			
Result for the financial year	-	-	-
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	-	-
Balance as at 31 July 2014	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: 10/11/14.

Kalvebod PLC

Statement of cash flows

For the year ended 31 July 2014

	Year ended 31-Jul-14 DKK	Year ended 31-Jul-13 DKK
Cash flows from operating activities		
Profit before income tax	-	-
Adjustments for:		
Decrease in receivables	461,362	1,252,048
Decrease in payables	(461,057)	(1,250,852)
Interest income received during the year	(20,280,073)	(24,017,638)
Interest paid during the year	15,580,851	18,226,619
Net swap income	4,699,222	5,791,019
Net changes in fair value on investment securities	(155,142,471)	(168,575,461)
Net changes in fair value on debt securities issued	122,214,132	173,139,067
Net changes in fair value on derivative financial instruments	32,928,339	(4,563,606)
Cash used in operating activities	305	1,196
Interest paid	(15,580,851)	(18,226,619)
Derivatives paid	(4,699,222)	(5,791,019)
Net cash flows from operating activities	(20,279,768)	(24,016,442)
Cash flows from investing activities		
Disposal of investment securities	195,000,000	50,000,000
Interest received	20,280,073	24,017,638
Net cash flows from investing activities	215,280,073	74,017,638
Cash flows from financing activities		
Redemption of debt securities issued	(170,335,368)	(50,000,000)
Net swap payments from disposals	(24,664,632)	-
Net cash flows from financing activities	(195,000,000)	(50,000,000)
Net (decrease)/increase in cash and cash equivalents	305	1,196
Cash and cash equivalents at start of the year	306,789	305,593
Cash and cash equivalents at end of the year	307,094	306,789

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

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 pay interest at a fixed or floating 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 ("IFRS"s) as adopted by the European Union (EU) and as applied in accordance with the Companies Acts 1963 to 2013.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 31 July 2014, the comparative information presented in these financial statements are for the year ended 31 July 2013.

The Company's financial statements for the year ended 31 July 2014 have been prepared on a going concern basis The directors anticipate that the investment securities will continue to generate enough cash flow on an ongoing basis to meet the Company liabilities as they fall due. The Notes in issue as at 31 July 2014 have maturities ranging between the years 2014 to 2016. For these reasons, the directors believe that the going concern basis is appropriate

(b) New standards and interpretations

(i) Effective for annual periods beginning on or after 1 January 2013

A number of new standards and interpretations are effective for annual periods beginning on or after 1 January 2013 Of these, the following were of relevance to the Company and were adopted by it:

IFRS 13 Fair Value Measurement. This standard establishes a single framework for measuring fair value and making disclosures about fair value measurements, subject to limited exceptions, when such measurements are required or permitted by other IFRSs. Under IFRS 13, 'fair value' is 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 in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk. IFRS 13 replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 Financial Instruments: Disclosures Although many of the IFRS 13 disclosure requirements regarding financial assets and financial liabilities were already required, the adoption of IFRS 13 requires the Company to provide additional disclosures These include, but are not limited to, fair value hierarchy disclosures for certain financial assets and financial liabilities measured at amortised cost. There was no measurement impact on the Company in relation to adoption of this standard.

The change in accounting policy did not have a significant impact on the measurement of the Company's assets and liabilities.

Amendments to IFRS 7 Financial Instruments: Disclosures (Offsetting Financial Assets and Financial Liabilities) The amendments introduce disclosures about the effect or potential effect of offsetting arrangements on an entity's financial position Based on the new requirements, the Company assessed that at this time no new disclosures arise as there is no offsetting of financial assets and financial liabilities in the statement of financial position and there are currently no master netting arrangement or similar arrangements in place.

(ii) Effective for annual periods beginning on or after 1 January 2014

Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)

Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32). The amendments to IAS 32 clarify the offsetting criteria in IAS 32 by explaining when an entity currently has a legal enforceable right to set-off and when gross settlement is considered to be equivalent to net settlement.

The Directors have set out below both the upcoming EU endorsed and un-endorsed accounting standards, amendments or interpretations and have then summarised the new requirements that may be relevant to the Company.

IFRS 9 Financial Instruments (2014), effective for annual periods beginning on or after 1 January 2018

2. Basis of preparation (continued)

(b) New standards and interpretations (continued)

The Directors have considered the new standards, amendments and interpretations as detailed above and have concluded that the following may be relevant to the Company.

IFRS 9 Financial Instruments (2014)

IFRS 9 has two financial asset measurement categories: amortised cost and fair value and eliminates the existing IAS 39 categories of held-to-maturity, available for sale and loans and receivables. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold the assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be continually remeasured at fair value with these generally being presented through profit or loss.

IFRS 9 introduces a new requirement in respect of a financial liability designated under the fair value option, with certain exemptions, to present fair value changes that are attributable to the liability's credit risk in other comprehensive income rather than being reflected through profit or loss. Apart from this change, IFRS 9 largely carries forward without substantive amendment the guidance on classification and measurement of financial liabilities from IAS 39.

Future amendments are expected, in relation to impairment of financial assets and macro hedging. IAS 39 at that point will be completely replaced. The Company has commenced the process of evaluating the potential effect of this standard.

(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; and
- 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. 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

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Net gain on investment securities

Net gain 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 and coupon income.

(b) Net loss from derivative financial instruments

Net loss from derivative financial instruments relates to the swaps held by the Company, and includes swap income, swap expense, all realised and unrealised fair value changes.

(c) Net loss on debt securities issued

Net loss 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 and coupon payments

3. **Significant accounting policies (continued)**

(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.

(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

3. Significant accounting policies (continued)

(f) Financial instruments (continued)

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.

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

(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.

(k) 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.

4. Determination of 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 22 to the financial statements. 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.

For more complex instruments, the Company uses proprietary models, which usually are developed from recognised valuation models. Some or all of the inputs into these models may not be market observable, and are derived from market prices or rates or are estimated based on assumptions.

Critical accounting judgements in applying the Company's accounting policies

Critical accounting judgements made in applying the Company's accounting policies in relation to valuation of financial instruments is further described in note 22(d).

Fair value measurement principles

The determination of fair values of financial liabilities at fair value through profit or loss is based on quoted market prices from the Copenhagen Stock Exchange.

The fair value of derivative financial instruments is obtained from the Swap counterparty which uses its proprietary valuation model that takes into accounts the notional amount, maturity date and any early redemption clause.

Because on limited recourse, the investment securities at fair value through profit or loss of the Company is determined by reference to the fair value of the associated debt securities at fair value through profit or loss and the fair value of derivative financial instruments Any future change in the fair value of financial liabilities and derivatives will have an equal but opposite impact on the fair value of financial assets.

5. Net gain on investment securities

Designated at fair value through profit or loss	**Year ended 31-Jul-14 DKK**	**Year ended 31-Jul-13 DKK**
Coupon income	20,280,073	24,017,638
Net gain on investment securities	155,142,471	168,575,461
	175,422,544	192,593,099

6. Net loss on debt securities issued

Designated at fair value through profit or loss	**Year ended 31-Jul-14 DKK**	**Year ended 31-Jul-13 DKK**
Coupon expenses including accruals	(15,580,851)	(18,226,619)
Net loss on debt securities issued	(122,214,132)	(173,139,067)
	(137,794,983)	(191,365,686)

7. Net loss from derivative financial instruments

	Year ended 31-Jul-14 DKK	**Year ended 31-Jul-13 DKK**
Coupon expense	(4,699,222)	(5,791,019)
Net (loss)/gain from derivative financial instruments	(32,928,339)	4,563,606
	(37,627,561)	(1,227,413)

8. Net gain on foreign exchange movements

	Year ended 31-Jul-14 DKK	**Year ended 31-Jul-13 DKK**
Net gain on foreign exchange movements	304	670
	304	670

9. Other income

	Year ended 31-Jul-14 DKK	**Year ended 31-Jul-13 DKK**
Arranger income	459,204	457,379
Bank interest	-	528
	459,204	457,907

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

10. Other expenses

	Year ended 31-Jul-14 DKK	Year ended 31-Jul-13 DKK
Administration expenses	(136,935)	(136,906)
Audit fees	(165,157)	(165,122)
Tax fees	(52,194)	(52,183)
Directors fees	(104,388)	(104,366)
Bank Charges	(834)	-
	(459,508)	(458,577)

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

Auditor's remuneration (VAT exclusive)	Year ended 31-Jul-14 DKK	Year ended 31-Jul-13 DKK
Statutory audit	134,274	134,245
Other assurance services	-	-
Tax advisory services	42,434	42,425
Other non-audit services	-	-
	176,708	176,670

11. Income tax expense

	Year ended 31-Jul-14 DKK	Year ended 31-Jul-13 DKK
Profit before taxation	-	-
Current tax at standard rate of 25%		
Current tax charge	-	-
Total tax charge	-	-

The Company is charged to corporation tax at a rate of 25% (2013: 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-14 DKK	31-Jul-13 DKK
Cash at bank	307,094	306,789

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-14 DKK	31-Jul-13 DKK
Designated as at fair value through profit or loss	384,667,454	424,524,983
Maturity analysis of investment securities		
Within 1 year	209,625,000	70,000,000
More than 1 year and less than 2 years	175,042,454	194,300,000
More than 2 years and less than 5 years	-	160,224,983
More than 5 years	-	-
	384,667,454	424,524,983
Movement in investment securities		
At beginning of year	424,524,983	305,949,522
Additions during the year	-	-
Disposals during the year	(195,000,000)	(50,000,000)
Net changes in fair value during the year	155,142,471	168,575,461
At end of year	384,667,454	424,524,983

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.

Notes to the financial statements (continued)
For the year ended 31 July 2014

13. Investment securities (continued)

Series	Description	Interest rate	Maturity date	31-Jul-14 Nominal (DKK)	DKK 31-Jul-14 Fair value
Series 2	Forstædernes Bank A/S	3 months Cibor + 1 70%	01-May-16	100,000,000	76,105,415
Series 2	Gjerlev-Enslev Sparekasse	5.87%	01-May-16	10,000,000	7,610,542
Series 2	Vestjysk Bank A/S	5.44%	01-May-16	50,000,000	38,052,707
Series 2	Skjern Bank A/S	6.09%	01-May-16	70,000,000	53,273,790
Series 3	Saxo Privatbank A/S	3 months Cibor - 2.60%	01-Nov-14	90,000,000	87,750,000
Series 3	Vestjysk Bank A/S	3 months Cibor + 2 60%	01-Nov-14	75,000,000	73,125,000
Series 3	Sparekassen Bredebro	3 months Cibor + 2.85%	01-Nov-14	50,000,000	48,750,000
					384,667,454

Series	Description	Interest rate	Maturity date	31-Jul-13 Nominal (DKK)	DKK 31-Jul-13 Fair value
Series 1	Saxo Privatbank A/S	3 months Cibor + 2 60%	01-Nov-13	70,000,000	70,000,000
Series 2	Forstædernes Bank A/S	3 months Cibor + 1 70%	01-May-16	100,000,000	57,223,208
Series 2	Gjerlev-Enslev Sparekasse	5.87%	01-May-16	10,000,000	5,722,321
Series 2	Vestjysk Bank A/S	5 44%	01-May-16	50,000,000	28,611,604
Series 2	Skjern Bank A/S	6 09%	01-May-16	70,000,000	40,056,246
Series 2	Sparekassen Farso	6 24%	01-May-16	50,000,000	28,611,604
Series 3	Saxo Privatbank A/S	3 months Cibor + 2 60%	01-Nov-14	90,000,000	60,300,000
Series 3	Vestjysk Bank A/S	3 months Cibor + 2.60%	01-Nov-14	75,000,000	50,250,000
Series 3	Møns Bank A/S	3 months Cibor + 2.75%	01-Nov-14	50,000,000	33,500,000
Series 3	Skjern Bank A/S	3 months Cibor + 2.55%	01-Nov-14	25,000,000	16,750,000
Series 3	Sparekassen Bredebro	3 months Cibor + 2.85%	01-Nov-14	50,000,000	33,500,000
					424,524,983

During the year, no disposal of investment securities was settled on a net basis against payments for debt securities being redeemed (2013: Nil).
Refer to note 22 for credit risk, currency risk and interest rate risk disclosures relating to investing activities.

14. Other receivables

	31-Jul-14 DKK	31-Jul-13 DKK
Coupon receivable on investment securities	4,671,747	5,134,904
Other income receivable	323,112	321,316
Other receivables	75,000,000	-
	79,994,859	5,456,220

All other receivables are current.
Other receivables of DKK 75,000,000 is collateral received following the interest default of Vestjysk Bank A/S. The collateral is expected to be returned when Vestjysk Bank A/S repays the interest in arrears
Refer to note 22 for credit risk, currency risk and interest rate risk disclosures relating to other receivables

15. Derivative financial instruments

	31-Jul-14 DKK	31-Jul-13 DKK
At beginning of the year	84,448,897	79,885,290
Net changes in fair value during the year	(32,928,339)	4,563,607
Net swap paid	24,664,632	-
At end of the year	76,185,190	84,448,897
Derivative financial assets	76,185,190	84,448,897

The legal maturity of all derivative financial instruments is greater than one year.

The derivative financial instruments relates to Series 2 only (2013: Series 2).

Assets swap	Notional (DKK) 31-Jul-14	Notional (DKK) 31-Jul-13	Maturity date	Fair value DKK 31-Jul-14	Fair value DKK 31-Jul-13
Series 2	314,034,559	382,302,941	01-May-16	76,185,190	84,448,897

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. The principal will be repaid on maturity. 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 wih respect to changes in the value of the investment securities held on each Noteholders behalf.

16. Debt securities issued

	31-Jul-14	31-Jul-13
	DKK	DKK
Designated at fair value through profit or loss	460,852,644	508,973,880

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

Movement in debt securities issued	Year ended 31-Jul-14	Year ended 31-Jul-13
	DKK	DKK
At beginning of year	508,973,880	385,834,813
Debt securities issued during the year	-	-
Debt securities redeemed during the year	(170,335,368)	(50,000,000)
Net changes in fair value during the year due to market risk	122,214,132	173,139,067
	460,852,644	508,973,880

During the year, no disposal of investment securities was settled on a net basis against payments for debt securities being redeemed (2013: Nil).

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.

Maturity analysis of the debt securities issued	31-Jul-14	31-Jul-13
	DKK	DKK
Within 1 year	209,625,000	70,000,000
1 to 2 years	251,227,644	194,300,000
2 to 5 years	-	244,673,880
Greater than 5 years	-	-
	460,852,644	508,973,880

The nominal values of debt securities in issue at 31 July 2013 are as follows:

	Interest rate	Callable on (at Company option)	Currency	31-Jul-14 (Nominal)	31-Jul-13 (Nominal)
Series 1	3 months Cibor + 2.60%	01-Nov-10	DKK	-	70,000,000
Series 2	2.00%	01-May-16	DKK	314,034,559	382,302,941
Series 3	Variable	01-Nov-14	DKK	215,000,000	290,000,000

The carrying value of debt securities issued at year end was DKK 68,181,915 (2013. DKK 233,329,061) less than the contractual amount at maturity.

17. Other payables

	31-Jul-14	31-Jul-13
	DKK	DKK
Coupon payable on debt securities issued	3,742,770	3,867,296
Net swap amounts payable	920,857	1,258,293
Bank overdraft	834	-
Accrued expenses	321,741	321,670
Other payables	75,000,000	-
	79,986,202	5,447,259

All other payables are current.
Other payables of DKK 75,000,000 is collateral received following the interest default of Vestjysk Bank A/S. The collateral is expected to be returned when Vestjysk Bank A/S repays the interest in arrears
Refer to note 22 for risk disclosures relating to other payables.

18. Share Capital – equity

	31-Jul-14	31-Jul-13
	DKK	DKK
Authorised:		
40,000 ordinary shares of €1 each	298,528	298,528
Issued and fully paid:		
40,000 ordinary share of €1 each	298,528	298,528

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 136,935 (2013. DKK 136,906) relating to administration services provided by Deutsche International Corporate Services (Ireland) Limited. Michael Whelan and Paul McNaughton (up to his date of resignation), 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 104,388 (2013: DKK 104,366) in relation to services provided by Paul McNaughton, Joseph Boyle 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 As at the year end, arranger income receivables was DKK 323,112 (2013: DKK 321,316)

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.

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 in respect of series 2, 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. For series 1 and 3, interest received is paid as interest expense to the noteholders thereby, eliminating any interest rate risk.

22. Financial risk management (continued)

(a) Market risk (continued)

(i) Interest rate risk (continued)

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

Investment securities at fair value through profit or loss

	Fair values	
Fixed rate	**31-Jul-14**	**31-Jul-13**
Class of notes	**DKK**	**DKK**
Asset backed securities notes	98,937,039	103,001,775

Floating rate	**31-Jul-14**	**31-Jul-13**
Class of notes	**DKK**	**DKK**
Asset backed securities notes	285,730,415	321,523,208

Debt securities issued at fair value through profit or loss

	Fair values	
Fixed rate	**31-Jul-14**	**31-Jul-13**
Class of notes	**DKK**	**DKK**
Asset backed securities notes	251,227,644	244,673,880

Floating rate	**31-Jul-14**	**31-Jul-13**
Class of notes	**DKK**	**DKK**
Asset backed securities notes	209,625,000	264,300,000

Sensitivity analysis

The sensitivity analysis below has been determined based on the Company's exposure to interest rates for interest bearing assets and liabilities (included in the interest rate exposure tables above) at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting year in the case of instruments that have floating rates.

A 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates.

If interest rates had been 100 basis points higher and all other variables were held constant, the interest income on the financial assets would have increased by DKK239,256 (2013: DKK240,176) and the interest expense on the financial liabilities would have increased by DKK159,629 (2013: DKK182,266).

Any such change in income generated from the financial assets and expense incurred from the financial liabilities will result in an equivalent net change in interest on derivatives.

22. Financial risk management (continued)

(a) Market risk (continued)

(i) Interest rate 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. For the series with no swap agreements, the interest earned on financial assets exactly matches that of debt securities issued for that particular series. 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 partially denominated in EUR with all other assets and liabilities denominated in 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 the Company receiving arranger income for all foreign exchange transactions.

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

	31 July 2014		
	EUR	DKK	Total
	DKK	DKK	DKK
Cash and cash equivalents	307,094	-	307,094
Investment securities	-	384,667,454	384,667,454
Derivative financial assets	-	76,185,190	76,185,190
Other receivables	-	79,994,859	79,994,859
	307,094	540,847,503	541,154,596
Debt securities issued	-	460,852,644	460,852,644
Other payables	-	79,986,202	79,986,202
	-	540,838,846	540,838,846
Net position	307,094	8,657	315,750

	31 July 2013		
	EUR	DKK	Total
	DKK	DKK	DKK
Cash and cash equivalents	306,789	-	306,789
Investment securities	-	424,524,983	424,524,983
Derivative financial assets	-	84,448,897	84,448,897
Other receivables	-	5,456,220	5,456,220
	306,789	514,430,100	514,736,889
Debt securities issued	-	508,973,880	508,973,880
Other payables	-	5,447,259	5,447,259
	-	514,421,139	514,421,139
Net position	306,789	8,961	315,750

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

	31-Jul-14		31-Jul-13	
	Average rate	Closing rate	Average rate	Closing rate
EUR:DKK	7.4602	7.4563	7.4561	7.4547

Sensitivity analysis

The Company has limited exposure to foreign exchange risks. Any foreign exchange transaction is netted off against arranger income receivable by the Company and thus have no net impact on equity or profit and loss of the Company.

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	31 July 2014	31 July 2013
Corporate bonds	**DKK**	**DKK**
Unlisted	384,667,454	424,524,983
	384,667,454	424,524,983

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:

	2013	2013
	DKK	**DKK**
Cash and cash equivalents	307,094	306,789
Investment securities	384,667,454	424,524,983
Derivative financial assets	76,185,190	84,448,897
Other receivables	79,994,859	5,456,220
	541,154,596	514,736,889

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 20% of the Company's investment portfolio The highest individual investment in any particular institution represents 20%.

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 A3 (2013: A2).

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 (2013: Ba2) by Moody's.

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 liability balances (if any) 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 2014						
Liabilities						
Other payables	79,986,202	79,986,202	79,986,202	-	-	-
Debt securities issued	460,852,644	541,879,240	222,959,699	318,919,541	-	-
	540,838,846	621,865,442	302,945,901	318,919,541	-	-
31 July 2013						
Liabilities						
Other payables	5,447,259	5,447,259	5,447,259	-	-	-
Debt securities issued	508,973,880	773,517,930	85,403,934	299,757,925	388,356,071	-
	514,421,139	778,965,189	90,851,193	299,757,925	388,356,071	-

(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(f) 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(f) 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(f). 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.

22. Financial risk management (continued)

(d) Fair values (continued)

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

	2014		2013	
	Fair value	**Carrying value**	**Fair value**	**Carrying value**
	31-Jul-14	**31-Jul-14**	**31-Jul-13**	**31-Jul-13**
Assets	**DKK**	**DKK**	**DKK**	**DKK**
Cash and cash equivalents	307,094	307,094	306,789	306,789
Investment securities	384,667,454	384,667,454	424,524,983	424,524,983
Derivative financial assets	76,185,190	76,185,190	84,448,897	84,448,897
Other receivables	79,994,859	79,994,859	5,456,220	5,456,220
	541,154,596	541,154,596	514,736,890	514,736,890
Liabilities				
Debt securities issued	460,852,644	460,852,644	508,973,880	508,973,880
Other payables	79,986,202	79,986,202	5,447,259	5,447,259
	540,838,846	540,838,846	514,421,139	514,421,139

Financial assets and liabilities not measured at fair value but for which fair value is disclosed

All the financial instruments not measured at fair value through profit or loss are classified as level 2 within the fair value hierarchy

23. Capital risk management

The Company view the share capital as its capital. 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

On 10 September 2014, when all interest in arrears were received, the Company freely disposed the collateral in the amount of DKK 75,000,000, posted in other liabilities. There has been no further significant subsequent event after the year end.

25. Credit events

Following the interest default by Vestjysk Bank A/S on 1 May 2014, the latter has posted a deposit in the form of a security which was posted as collateral in the amount of DKK 75,000,000 in favour of the Company free of charge, booked in other assets. On 10 September 2014, when all interest in arrears were received, the Company freely disposed the collateral, posted in other liabilities. There was no further credit event during the year.

26. Approval of financial statements

The Board of Directors approved these financial statements on..2014