

Signum Finance II PLC

**Management report and
Condensed unaudited interim financial statements**

For the half year ended 30 June 2011

***Registered number* 352705**

Signum Finance II PLC

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Signum Finance II PLC

Directors and other information

Directors

Michael Whelan (Irish)
Carmel Naughton (Irish)

Registered Office

5 Harbourmaster Place
International Financial Services Centre
Dublin 1
Ireland

Custodian & Banker

The Bank Of New York
One Canada Square
London E14 5AL
United Kingdom

Trustee

BNY Corporate Trustee Services Limited
One Canada Square
London E14 5AL
United Kingdom

Administrator & Company Secretary

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

Paying Agent

The Bank Of New York (Luxembourg) SA
Aerogolf Center
1 A Hoehenhof
L-1736 Senningerberg
Luxembourg

Swap Counterparty, Purchasing and Selling Agent

Goldman Sachs International
Peterborough Court
133 Fleet Street
London EC4A 2BB
United Kingdom

Solicitors

A&L Goodbody
International Financial Services Centre
North Wall Quay
Dublin 1
Ireland

Interim management report

The directors present their interim report and the unaudited financial statements of Signum Finance II PLC (the "Company") for the half year ended 30 June 2011.

Principal activities and key events for the first six months

The Company has established a USD 10,000,000,000 Secured Obligation Programme (the "Programme") to issue secured notes (the "Notes") and/or other secured limited recourse indebtedness (the "Alternative Investments"). Notes will be issued in Series (each a "Series") and the terms and conditions of the Notes of each Series will be set out in an offering circular supplement (each an "Offering Circular Supplement").

Each Series of Notes will be secured as set out in the terms and conditions of the Notes as set out in the relevant Offering Circular Supplement. Each Series may also be secured by an assignment of the Company's rights under a Swap Agreement and/or Option Agreement and/or Repurchase Agreement and/or Credit Support Document (each as defined in the terms and conditions of the Notes) and any additional security as may be described in the relevant Offering Circular Supplement.

During the half year,

- the Company made a profit of Nil (30 June 2010: €750);
- the net loss on derivative financial instruments was €35,154,291 (30 June 2010: net gain of €71,402,425);
- the total amount of financial liabilities issued during the period was Nil (30 June 2010: €281,022,400);
- the total amount of financial liabilities redeemed during the period was €267,745,200 (30 June 2010: €564,820,124);
- the total amount of financial assets acquired during the period was Nil (30 June 2010: €281,022,400);
- the total amount of financial assets disposed of during the period was €268,311,440 (30 June 2010: €522,111,450).

As at 30 June 2011,

- the Company's indebtedness of the Company was €344,807,245 (31 December 2010: €676,535,830);
- the net assets was €61,730 (31 December 2010: €61,730).

At the 30 June 2011, the Company had the following Series of Notes in issue:

Series 2005-01	EUR 12,500,000 Class A Secured Medium Term Credit-Linked Notes due 2012
Series 2005-02	EUR 2,000,000 Class B Secured Medium Term Credit-Linked Notes due 2012
Series 2005-04	EUR 2,500,000 Class D Secured Medium Term Credit-Linked Notes due 2012
Series 2005-15	EUR 90,500,000 Danish Inflation Linked Notes due 2022
Series 2006-01	EUR 15,000,000 Secured Medium Term Credit-Linked Notes due 2012
Series 2006-12	EUR 30,000,000 Sovereign Credit Linked Notes due 2019
Series 2007-03	EUR 20,000,000 Floating Rate Notes due 2014
Series 2007-04	EUR 20,000,000 Class A Floating Rate Notes due 2014
Series 2007-06	EUR 100,000,000 Zero Coupon Notes due 2019 linked to Siemens AG
Series 2007-07	EUR 45,000,000 Class A Floating Rate Notes due 2014
Series 2007-11	EUR 20,000,000 Class A Floating Rate Notes due 2014
Series 2007-12	SEK 200,000,000 Class A Floating Rate Notes due 2014
Series 2009-01	EUR 50,000,000 Secured Medium Term Floating Rate Notes due 2012
Series 2009-02	EUR 10,000,000 Secured Medium Term Credit-linked Notes due 2012
Series 2009-06	MXN 300,000,000 UDI-Linked Notes due 2029

The following Notes were redeemed/matured during the half year ended 30 June 2011:

Series 2005-07	EUR 4,000,000 Secured Medium Term Zero Coupon Credit-Linked Notes due 2012
Series 2010-01	USD 356,000,000 AP Fund 7 Emerging Markets 2 Linked Notes due 2013
Series 2010-02	USD 20,000,000 AP Fund 7 Emerging Markets 2 Linked Notes due 2013

Interim management report (Continued)

Credit events

No credit events were noted during the half year.

Future developments

The directors expect the current level of activity to continue in the foreseeable future.

Results and dividends for the period

The results for the period are set out on page 5. No dividends are recommended by the directors.

Changes in directors and secretary and registered office

There has been no change in directors during the period.

Directors, secretary and their interests

Carmel Naughton, as director holds one share in the Company on trust for charity. The other director who held office on 30 June 2010 did not hold any share in the Company at that date, or during the half 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 half year.

Accounting records

The directors 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.

Subsequent events

Details of the subsequent events following the reporting date, are disclosed in Note 18.

On behalf of the board



**Michael Whelan
Director**



**Carmel Naughton
Director**

Date: 29 August 2011

Statement of directors' responsibilities

The Company's directors are responsible for preparing the management report and the interim financial statements in accordance with applicable law and regulations. The Directors confirm that, to the best of their knowledge:

- the condensed financial statements, which have been prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and results of the issuer, and
- the Interim Management Report includes a fair review of:
 - Important events that have occurred during the first six months of the year;
 - The impact of those events on the condensed financial statements; and
 - A description of the principal risks and uncertainties for the remaining six months of the financial period.

The directors further indicate that such interim financial statements for the half year ended 30 June 2011 have not been audited

On behalf of the board



Michael Whelan
Director



Carmel Naughton
Director

Date: 29 August 2011

**Statement of comprehensive income
For the period ended 30 June 2011**

	Notes	Period ended 30 June 2011 €	Period ended 30 June 2010 €
Interest income		5,433,246	1,146,248
Interest expense		(1,323,113)	(91,911)
Net derivative expense		(4,063,125)	(1,134,051)
Net (loss)/ gain on financial assets designated at fair value through profit or loss	7	(28,829,093)	59,956,433
Net gain on financial liabilities designated at fair value through profit or loss	9	63,983,385	11,335,329
Net loss on derivative financial instruments	11	(35,154,291)	(71,402,425)
		<u>47,008</u>	<u>(189,377)</u>
Other income	4	2,868	3,890
Foreign exchange movements		(49,868)	186,487
Bank charges		(8)	-
Profit before taxation		<u>-</u>	<u>1,000</u>
Taxation	5	<u>-</u>	<u>(250)</u>
Total comprehensive income for the period		<u><u>-</u></u>	<u><u>750</u></u>

All items dealt with in arriving at the profit for the period ended 30 June 2011 related to continuing operations.

The Company had no recognised gains or losses in the financial year other than those dealt in the statement of comprehensive income.

On behalf of the board



**Michael Whelan
Director**



**Carmel Naughton
Director**

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Statement of financial position As at 30 June 2011

	Notes	30-Jun-11 €	31 Dec 10 €
ASSETS			
Financial assets designated at fair value through profit or loss	7	359,202,120	656,342,653
Derivative financial assets	11	30,711,743	72,526,889
Other receivables	8	3,130,142	2,375,331
Cash and cash equivalents	6	2,804,911	38,118,330
Total assets		395,848,916	769,363,203
EQUITY AND LIABILITIES			
Liabilities			
Financial liabilities designated at fair value through profit or loss	9	344,807,245	676,535,830
Derivative financial liabilities	11	45,106,617	52,333,712
Other payables	10	5,873,324	40,431,931
Total liabilities		395,787,186	769,301,473
Equity			
Share capital	12	40,000	40,000
Retained earnings		21,730	21,730
Total equity		61,730	61,730
Total equity and liabilities		395,848,916	769,363,203

On behalf of the board



Michael Whelan
Director



Carmel Naughton
Director

Date: 29 August 2011

The accompanying notes on pages 10 to 15 form an integral part of the financial statements.

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Statement of changes in equity For the period ended 30 June 2011

	Share capital €	Retained earnings €	Total €
Balance as at 01 January 2010	40,000	20,980	60,980
Total comprehensive income for the period	-	750	750
Balance as at 30 June 2010	40,000	21,730	61,730
Total comprehensive income for the year	-	-	-
Balance as at 31 December 2010	40,000	21,730	61,730
Total comprehensive income for the period	-	-	-
Balance as at 30 June 2011	40,000	21,730	61,730

The accompanying notes on pages 10 to 15 form an integral part of the financial statements.

Signum Finance II PLC

Statement of cash flows For the period ended 30 June 2011

	Notes	Period ended 30 Jun 11 €	Period ended 30 Jun 10 Restated €
Cash flow from operating activities			
Profit before taxation		-	1,000
<i>Adjustments for:</i>			
Interest income*		(5,433,246)	(1,145,248)
Interest expense*		1,323,113	91,911
Net derivative expense*		4,063,125	1,134,051
Decrease in other receivables		-	2,903
Increase in other payables		-	1,845
Net (loss)/ gain on financial assets designated at fair value through profit or loss	7	28,829,093	(59,956,433)
Net gain on financial liabilities designated at fair value through profit or loss	8	(63,983,385)	(11,336,329)
Net loss on derivative financial instruments	11	35,154,291	71,402,425
Foreign exchange movements		49,868	(186,487)
<i>Cash generated from operating activities</i>		2,860	8,638
Interest paid*		(202,295)	(1,279,069)
Derivative expense paid*		(39,742,552)	(7,777,103)
Net cash used in operating activities		(39,941,987)	(9,047,534)
Cash flow from investing activities			
Purchase of financial assets designated at fair value through profit or loss		-	(281,022,400)
Redemption of financial assets designated at fair value through profit or loss	7	268,311,440	522,111,450
Cash (paid to)/ received from swap counterparty	11	(566,240)	42,708,674
Interest received*		4,678,436	5,332,181
Net cash generated from investing activities		272,423,636	289,129,905
Cash flow from financing activities			
Proceeds from issuance of financial liabilities designated at fair value through profit or loss		-	281,022,400
Redemption of financial liabilities designated at fair value through profit or loss	9	(267,745,200)	(564,820,124)
Net cash used in financing activities		(267,745,200)	(283,797,724)
Decrease in cash and cash equivalents			
Cash and cash equivalents at start of the period		(35,263,551)	(3,715,353)
Foreign exchange movements		38,118,330	26,915,226
		(49,868)	186,487
Cash and cash equivalents at end of the period	13	2,804,911	23,386,360

* Refer to Note 20 for reclassification of cash flows

The accompanying notes on pages 10 to 15 form an integral part of the financial statements.

**Notes to the financial statements
For the half year ended 30 June 2011**

1 General information

Signum Finance II Plc (the "Company") was incorporated as a public limited liability company in Ireland. The Company has been established as a special purpose vehicle for the purposes of acquiring certain qualifying assets and issuing or entering into Debt Instruments.

The Company has established a USD 10,000,000,000 Secured Obligation Programme (the "Programme") to issue secured notes (the "Notes") and/or other secured limited recourse indebtedness (the "Alternative Investments"). Notes will be issued in series (each a "Series") and the terms and conditions of the Notes of each Series will be set out in an offering circular supplement (each an "Offering Circular Supplement").

Each Series of Notes will be secured as set out in the terms and conditions of the Notes in the relevant Offering Circular Supplement. Each Series may also be secured by an assignment of the Company's rights under a Swap Agreement and/or Option Agreement and/or Repurchase Agreement and/or Credit Support Document (each as defined in the terms and conditions of the Notes) and any additional security as may be described in the relevant Offering Circular Supplement.

The net proceeds of each Series will be used by the Company to purchase the Collateral and to pay for or enter into any Swap Agreement or Credit Enhancement Agreement. The swap agreements entered into include Interest rate swaps, Credit default swaps and other swaps such as Index Swaps with Goldman Sachs International being the swap counterparty in each case. They will also be used in meeting certain expenses and fees payable in connection with the operations of the Company and the issue of the Notes as set out in the relevant Offering Circular Supplement relating to such Tranche.

Details of the Notes issued for each Series under the Programme are outlined in Note 9 to the financial statements including the key terms. The related financial assets held under each Series are described in Note 7 while description of the swaps entered into has been detailed under Note 11 of the financials. A summary of the key risks regarding these financial instruments is outlined in Note 15.

The Company has no employees as all management and administration functions are outsourced to Deutsche International Corporate Services (Ireland) Limited.

The notes are listed on the main market of the Irish Stock Exchange.

2 Basis of preparation

The condensed financial statements for the half year ended 30 June 2011 have been prepared in accordance with International Accounting Standard (IAS) 34 'Interim Financial Reporting'. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2010.

3 Significant accounting policies

The same accounting policies, presentation and methods of computation are followed in these condensed interim financial statements as were applied in the preparation of the Company's financial statements for the year ended 31 December 2010.

4 Other income

	Period ended 30-Jun-11	Period ended 30-Jun-10
	€	€
Corporate benefit	-	1,000
Bank interest	2,868	2,890
	<u>2,868</u>	<u>3,890</u>

Notes to the financial statements (continued)
For the half year ended 30 June 2011

5 Income tax expense	Period ended 30-Jun-11	Period ended 30-Jun-10
	€	€
Profit before taxation	-	1,000
Current tax at standard rate of 25%	-	(250)
Current tax charge	-	(250)

The Company will continue to be taxed at 25% in accordance with Section 110 of the Taxes Consolidation Act, 1997.

6 Cash and cash equivalents	30-Jun-11	31-Dec-10
	€	€
Cash at bank	2,804,911	38,118,330

The majority of the cash and cash equivalents relates to cash collateral held posted after margin calls.

7 Financial assets at fair value through profit or loss	30-Jun-11	31-Dec-10
	€	€
At beginning of the period	656,342,653	812,430,179
Additions during the period	-	313,343,790
Disposals during the period	(268,311,440)	(524,831,378)
Net (losses)/ gains on collateral	(28,829,093)	55,395,062
At end of the period	359,202,120	656,342,653

Maturity analysis of financial assets

Within 1 year	75,464,800	60,854,688
Between 1 to 2 years	-	78,753,839
Between 2 to 5 years	60,330,536	345,923,206
Greater than 5 years	223,406,784	170,805,920
	359,202,120	656,342,653

Series	CCY	Interest rate basis	Maturity	Nominal outstanding Local CCY	Nominal outstanding €
2005-01	EUR	6 month euribor -0.04%	02-Mar-12	12,500,000	12,500,000
2005-02	EUR	6 month euribor -0.04%	02-Mar-12	2,000,000	2,000,000
2005-04	EUR	6 month euribor -0.04%	02-Mar-12	2,500,000	2,500,000
2005-15	EUR	Fixed rate 5.9%	22-Oct-22	63,759,000	63,759,000
2006-12	EUR	3 month euribor + 0.25%	25-May-21	12,200,000	12,200,000
2007-03	EUR	3 month euribor + 0.315%	25-May-21	20,000,000	20,000,000
2007-04	EUR	3 month euribor - 0.03%	20-Mar-14	20,000,000	20,000,000
2007-06	EUR	3 month euribor + 0.4175%	31-Dec-19	53,000,000	53,000,000
2007-07	EUR	3 month euribor + 0.24%	21-Jan-11	45,000,000	45,000,000
2007-07	EUR	3 month euribor + 0.25%	21-Jan-11	21,600,000	21,600,000
2007-11	EUR	3 month euribor + 0.42%	20-Mar-14	20,000,000	20,000,000
2007-12	SEK	3 month SEK Libor - 0.05%	20-Mar-14	200,000,000	21,794,778
2009-01	EUR	3 month euribor - 0.05%	20-Dec-12	50,000,000	50,000,000
2009-02	EUR	3 month euribor - 0.05%	20-Dec-12	10,000,000	10,000,000
2009-06	MXN	Fixed rate 8.64%	10-Oct-29	300,000,000	17,661,000
2006-12	EUR	3 month euribor	20-Dec-54	7,886,000	7,886,000
2006-12	EUR	3 month euribor + 0.1%	17-Dec-54	31,948,000	31,948,000
					411,848,778

Notes to the financial statements (continued)
For the half year ended 30 June 2011

8 Other receivables	30-Jun-11	31-Dec-10
	€	€
Accrued interest	3,063,773	2,308,962
Other receivables	42,153	42,153
Corporate benefit receivable	24,216	24,216
	<u>3,130,142</u>	<u>2,375,331</u>

9 Financial liabilities at fair value through profit or loss	30-Jun-11	31-Dec-10
	€	€
Debt securities issued	344,807,245	676,535,830
	<u>344,807,245</u>	<u>676,535,830</u>

Movement:	30-Jun-11	31-Dec-10
	€	€
At beginning of the year	676,535,830	882,364,996
Issued during the year	-	284,128,220
Redemptions during the year	(267,745,200)	(578,450,883)
Fair value movement on financial liabilities	(63,983,385)	88,493,497
At end of the year	<u>344,807,245</u>	<u>676,535,830</u>

Maturity analysis of the financial liabilities

Within 1 year	90,626,616	-
1 to 2 years	-	97,049,529
2 to 5 years	116,758,068	436,632,254
Greater than 5 years	137,422,561	142,854,047
	<u>344,807,245</u>	<u>676,535,830</u>

Details of the nominal values and terms of each series are disclosed below:

Series	CCY	Interest rate basis	Maturity	Nominal outstanding Local CCY	Nominal outstanding €
2005-01	EUR	6 month euribor + 0.65%	02-Mar-12	12,500,000	12,500,000
2005-02	EUR	6 month euribor + 1 %	02-Mar-12	2,000,000	2,000,000
2005-04	EUR	6 month euribor + 2.2 %	02-Mar-12	2,500,000	2,500,000
2005-15	EUR	DNCPI + 1.73%	22-Oct-22	90,500,000	90,500,000
2006-01	EUR	6 month euribor + 9%	02-Mar-12	15,000,000	15,000,000
2006-12	EUR	3 month euribor + 0.7%	20-Jun-19	30,000,000	30,000,000
2007-03	EUR	3 month euribor	20-Mar-14	20,000,000	20,000,000
2007-04	EUR	3 month euribor + 0.43%	20-Mar-14	20,000,000	20,000,000
2007-06	EUR	Zero Coupon	31-Dec-19	100,000,000	100,000,000
2007-07	EUR	3 month euribor + 0.5%	20-Mar-14	45,000,000	45,000,000
2007-11	EUR	3 month euribor + 2.05%	20-Mar-14	20,000,000	20,000,000
2007-12	SEK	3 month stibor + 1.3%	20-Mar-14	200,000,000	21,794,778
2009-01	EUR	3 month euribor - 0.05%	20-Dec-12	50,000,000	50,000,000
2009-02	EUR	3 month euribor + 0.6%	20-Dec-12	10,000,000	10,000,000
2009-06	MXN	Variable Rate	10-Oct-29	300,000,000	17,661,000
				<u>456,955,778</u>	

Notes to the financial statements (continued)
For the half year ended 30 June 2011

10 Other payables	30-Jun-11	31-Dec-10
	€	€
Accrued interest payable	2,919,934	1,799,114
Swap payable	2,952,485	38,631,912
Corporation tax payable	905	905
	<u>5,873,324</u>	<u>40,431,931</u>
11 Derivative financial instruments	30-Jun-11	31-Dec-10
	€	€
Derivative financial assets	30,711,743	72,526,889
Derivative financial liabilities	(45,106,617)	(52,333,712)
	<u>(14,394,874)</u>	<u>20,193,177</u>
Movement:		
At the beginning of the year	20,193,177	47,892,533
Cash paid to/ (received from) swap counterparty	566,240	(60,738,781)
Fair value movement on derivative financial instruments	(35,154,291)	33,039,425
At end of the year	<u>(14,394,874)</u>	<u>20,193,177</u>
12 Share Capital – equity	30-Jun-11	31-Dec-10
	€	€
<i>Authorised:</i>		
10,000,000 ordinary shares of €1 each	<u>(10,000,000)</u>	<u>(10,000,000)</u>
<i>Issued and partly paid</i>		
40,000 ordinary share of €1 each	<u>(40,000)</u>	<u>(40,000)</u>

13 Ownership of Company

The issued shares are held in trust by Mr David McGuinness, Mr Conor Blake, Ms Carmel Naughton, Mr Eamonn Sherry, Ms Claire Lyons and Ms Eimir McGrath each holding one share and Signum (Holdings) Limited holding 39,994 shares (the 'Share Trustees'). The Share Trustees hold the issued shares of the Company in trust for charity.

14 Charges

The Notes issued by the Series are secured by way of a charge over the collateral purchased by the respective series and by an assignment of a fixed first charge of the Company's rights, title and interest under respective swap agreements for the series. The Charged Assets comprise those financial assets and derivatives detailed in Note 13 and 16 respectively.

15 Financial risk management

Introduction and overview

The principal activity of the Company is to issue Notes. The proceeds of the Notes will be used to either purchase collaterals and/or making payment to the Swap Counterparty under the Swap Agreement.

Risk management framework

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

- (i) Credit risk;
- (ii) Liquidity risk;
- (iii) Market risk; and
- (iv) Operational risk.

The risk profile of the Company is such that market, credit, liquidity and other risks of the financial assets and derivative financial instruments are borne fully by the holders of the financial liabilities.

Notes to the financial statements (continued)

For the half year ended 30 June 2011

15 Financial risk management (continued)

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's credit linked assets. The Company's principal financial assets are cash and cash equivalents, other receivables, derivative financial instruments and financial assets designated at fair value through profit or loss, which represents the Company's maximum exposure to credit risk. The Company limits its exposure to credit risk by investing in secured securities and only with counterparties that have a credit rating defined in the documentation of relevant series. The risk of default on these assets is borne by the swap counterparty or the Noteholders in accordance with their respective agreements.

(ii) Liquidity and cash flow risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset and thus, the Company will not be able to meet its financial obligations as they fall due.

The Company's approach to managing liquidity 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 unacceptable losses or risking damage to the Company's reputation.

The Company's obligation to the Noteholders is limited to the net proceeds upon realisation of the collateral of the 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 are not contractually required to be made available to meet payment and the deficit is instead borne by the Noteholders and the swap counterparties according to the priority of payments mentioned in the agreements.

The expediency and proceed amounts from realising the collateral of each series is subject to market conditions. There were no liquidity issues experienced by the Company or the swap counterparty in respect to meeting obligations to Noteholders or to Swap counterparties. The Company or the Swap counterparty did not default on any of its contractual commitments during the period.

(iii) Market risk

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

Market risk is the risk that changes in market factors, such as foreign exchange rates, interest rates and other price risks will affect the Company's income or the value of its holdings of financial instruments. The Noteholders are exposed to the market risk of the assets portfolio.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risks.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Noteholders are entitled to receive distributions from interest received on the assets to the extent of funds available.

Interest rate swaps have been entered into where necessary, to match the interest flows on the financial assets, financial liabilities and derivative financial instruments.

(b) Currency risk

Currency risk is the risk which arises due to the assets and liabilities of the Company held in foreign currencies, which will be affected by fluctuations in foreign exchange rates.

The Company limits its exposure to currency risk by operating bank accounts in other currencies than its functional currency for receipts and payments in currencies other than its functional currency. Moreover, the Company matches foreign currency assets with foreign currency liabilities. The Company is exposed to movement in exchange rates between the Euro, its functional currency and foreign currencies namely United States Dollar, British Pound, Swedish Kroner.

The following significant exchange rates have been applied during the period.

	30-Jun-11	31-Dec-10	30-Jun-10
USD-EUR	0.68962	0.7471	0.8193
SEK-EUR	0.1090	0.1113	0.1051
MXN-EUR	0.05887	0.0606	0.0639

Notes to the financial statements (continued)

For the half year ended 30 June 2011

15 Financial risk management (continued)*(c) Price risk*

Price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all 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. The Company is exposed to price risk by investing in a portfolio of investments and is also exposed under swap arrangements outlined in Note 12. However, any fluctuation in the value of financial assets at fair value through profit or loss held by the Company will be borne by the Noteholders to the extent not borne by swap counterparties.

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, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

Operational risks arise from all of the Company's operations. The Company was incorporated with the purpose of engaging in those activities outlined in the preceding paragraphs. The Company limits its exposure to operational risks by outsourcing all management and administration functions to Deutsche International Corporate Services (Ireland) Limited (DICSIL) which has years of experience in this field.

Fair value hierarchy

The Company's investment securities, derivative financial instruments 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 statement of financial position date approximated their fair values. Their fair values together with carrying amounts shown in the statement of financial position are disclosed in the notes above.

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 relying on valuation techniques of the arranging bank and swap counterparty, Goldman Sachs International.

Level 2 prices use widely recognised valuation models for determining the fair value of common and more simple financial instruments such as options, interest rate and currency swaps. For these financial instruments, inputs into models are market observable. 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, valuation techniques used by Goldman Sachs International include are based on proprietary models including net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions. The assumptions used in the proprietary models include amongst others, discount rates, timing of cash flows, credit spreads and volatility assumptions. 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.

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.

Any change in the pricing assumptions for those assets which use Level 3 valuation techniques would not have an impact on the overall financial position of the Company due to the limited recourse nature of the notes in issue. However, the variability in pricing of such assets would directly impact the note-holders in each specific series but does not alter the underlying risk faced by each Noteholder.

16 Capital management

The Company view the share capital as its capital. The Company is a special purpose vehicle set up to issue debt 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.

Notes to the financial statements (continued)
For the half year ended 30 June 2011

17 Comparatives

In line with IAS 34, the comparative information for the Statement of comprehensive income, Statement of cash flows and Statement of changes in equity are for the period ended 30 June 2010 and the comparative information for the Statement of financial position is as at 31 December 2010.

18 Subsequent events

On 10 August 2011, the Company fully redeemed the Series 2009-01 Notes and disposed of the corresponding collaterals.

The Company also fully terminated the notes held in Series 2009-02 and disposed of the charged securities on 10 August 2011.

19 Reclassification of comparative amounts
Reclassification of statement of cash flows

The comparative amounts for interest income, interest expense and derivative expense paid has been included and other receivables and other payables amended in the financial statements to comply with the requirements of paragraphs 31 and 35 of IAS 7 'Cash flow statement'. Restatement has been done only in the statement of cash flows, therefore, in line with IAS 1, no third statement of financial position is required.

Nature of reclassified items	(From management accounts 2010)	Reclassified	Period ended
	Period ended 30-Jun 2010	Period ended 30-Jun 2010	Restated 30-Jun 2010
<i>Adjustments for:</i>			
Interest income			
Interest expense	-	(1,146,248)	(1,146,248)
Derivative expense	-	91,911	91,911
		1,134,051	1,134,051
<i>Movements in working capital</i>			
Decrease in other receivables	6,451,094	(6,448,191)	2,903
(Decrease) in other payables	(10,090,623)	10,092,468	1,845
Cash generated from operating activities			
Interest paid	-	(1,279,069)	(1,279,069)
Derivative income received	-	(7,777,103)	(7,777,103)
Cash flows from investing activities			
Interest received	-	5,332,181	5,332,181

These reclassifications have no impact on the equity and profit or loss of the Company and therefore, three statements of financial position are not provided.

20 Approval of financial statements

The board of directors approved these financial statements on 29 August 2011.