Signum Finance II PLC

Directors' report and audited financial statements

For the year ended 31 December 2010

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
Independent Auditor	Deloitte & Touche Chartered Accountants and Registered Auditors Deloitte & Touche House Earlsfort Terrace Dublin 2 Ireland
Solicitors	A&L Goodbody International Financial Services Centre North Wall Quay Dublin 1 Ireland

Directors' report

The Directors present their annual report together with the audited financial statements of Signum Finance II PLC (the "Company") for the year ended 31 December 2010.

Principal activities, business review and future developments

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 USD10,000,000,000 Secured Obligation Programme (the "Programme") to issue secured notes (the "Notes") and/or other secured limited recourse indebtedness (the "Alternative Investments"). Notes are issued in series (each a "Series") and the terms and conditions of the Notes of each Series are 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 including by a first fixed charge over certain collateral (the "Collateral") 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 (together the "Mortgaged Property"). Alternative Investments will be secured in the manner set out above in relation to the Notes or in such other manner as may be set out 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 10 to the financial statements including the key terms. The related financial assets held under each Series are described in Note 8 while description of the swaps entered into has been detailed under Note 12 of the financials. A summary of the key risks regarding these financial instruments is outlined in Note 17.

General information regarding the Company is further described in Note 1 of the financial statements.

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

Future development

The Directors expect that the present level of activity will be sustained for the foreseeable future. The Board will continue to seek new opportunities for the Company and will continue to manage the current portfolio of series of the Company. It is anticipated that while some Series will redeem or mature, it is also expected that new issuances will be made.

Going concern

The Company's financial statements for the year ended 31 December 2010 have been prepared on a going concern basis. Each asset and derivative transaction are referenced with a specific note, and any loss derived from the asset or derivative will be ultimately borne by the Noteholders. The Directors anticipate that the financial assets 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 December 2010 have maturities ranging between the years 2012 to 2029. There have also been new Series of Notes issued during the year and for these reasons, the directors believe that the going concern basis is appropriate.

Results and dividends for the year

The results for the year are set out on page 9. No dividends are recommended by the Directors (2009: Nil).

Key performance indicators

During the year:

- The Company made a profit of €750 (2009: €2,250).
- The fair value gain on financial assets designated at fair value through profit or loss is €55,395,062 (2009: fair value loss of €76,385,542). The increase in the financial assets is a result of the favourable market conditions in comparison with the prior year.
- The fair value loss on financial liabilities designated at fair value through profit or loss is €88,493,497 (2009: €121,725,585). The fair value loss on financial liabilities is due to gains made on the financial assets and derivative financial instruments.
- The fair value gain on derivative financial instruments is €33,039,425 (2009: €198,111,125).
- The structure performed in accordance with the parameters set out in the multi-issuance programme and the performance is considered satisfactory due to the increased benefit owing to the Noteholders.

Directors' report (continued)

Key performance indicators (continued)

- The Company issued the following series during the year:
  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

- The following notes were redeemed/matured during the year:
  Series 2005-02 EUR 2,500,000 Class B Secured Medium Term Credit-Linked Notes due 2012
  Series 2005-03 EUR 2,500,000 Class C Secured Medium Term Credit-Linked Notes due 2012
  Series 2005-09 SEK 44,000,000 Secured Medium Term Credit-Linked Notes due 2010
  Series 2005-10 DKK 350,000,000 Secured Medium Term Credit-Linked Notes due 2010
  Series 2005-15 EUR 22,000,000 Danish Inflation Linked Notes due 2022
  Series 2007-05 EUR 14,967,187.5 Secured Medium Term Credit Linked Notes due 2012
  Series 2009-03 USD 213,000,000 AP Fund 7 Emerging Markets 2 Linked Notes due 2013
  Series 2009-04 USD 300,000,000 MSCI Daily TR Gross North America Linked Notes due 2011
  Series 2009-05 USD 20,000,000 AP Fund 7 Emerging Markets 2 Linked Notes due 2013

  As per the conditions specified in the Offering Circular Supplement, the Company has an option to redeem its Series of Notes early.

As at 31 December 2010,
- The Company's total indebtedness was €676,535,830 (2009:€882,364,996);
- The Company had the following 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 2005-07	EUR 4,000,000 Secured Medium Term Zero Coupon 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
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

Business Risks
The key risks to the business relate to the use of financial instruments. A summary of these risks is set out in Note 17 to the financial statements.

Shares and shareholders
The authorised share capital of the Issuer is €40,000 which has been fully issued and paid. The issued shares are held in trust by Mr Conor Blake, Ms Carmel Naughton, Mr Eamonn Sherry, Mr Martin Schwobel, Ms Eimir McGrath and Deutsche International Corporate Services (Ireland) Limited each holding one share and Signum (Holdings) Limited holding 39,994 shares (the 'Share Trustees') under the terms of a declaration of trust (the "Declaration of Trust") dated 21 February, 2002 under which the Share Trustee holds the benefit of the shares on trust for charitable purposes. The Share Trustee has no beneficial interest in and derives no benefit from its holding of the shares. There are no other rights that pertain to the shares and the shareholders.

Directors, secretary and their interests
None of the directors and secretary who held office on 31 December 2010 held any shares in the Company at that date, or during the year. Except for the Administration agreement entered into by the Company with Deutsche International Corporate Services (Ireland) Limited, 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.

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 proper books of account by appointing an administrator who employs 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, Ireland.

Subsequent events
Subsequent events have been disclosed in note 20 to the financial statements.

Corporate Governance Statement
Introduction
The Company is subject to and complies with Irish Statute comprising the Companies Acts 1963 to 2009 and the Listing rules of the Irish 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 are 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. The Board of Directors are also responsible for the review of half yearly and annual financial statements. 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, Goldman Sachs International 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 reports 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. More specifically;

- The Administrator has a review procedure in place to ensure errors and omissions in the financial statements are identified and corrected.
- Regular training on accounting rules and recommendations is provided to the accountants employed by the Administrator.
- Accounting bulletins, issued by DB AG, London, an entity related to Deutsche International Corporate Services (Ireland) Limited, are distributed monthly to all accountants employed by the Administrator.

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.

Directors' report (continued)

Corporate Governance Statement (continued)
Capital Structure
Signum (Holdings) Limited holds 39,994 shares in the Company. Other than that, 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.

The Directors confirm that share trustees have entered into a share trust agreement whereby they have agreed not to exercise their voting rights.

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association and Irish Statute comprising the Companies Acts, 1963 to 2009. 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 and Irish Statute comprising the Companies Acts, 1963 to 2009. The Directors may delegate certain functions to the Administrator and other parties, subject to the supervision and direction of 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 (Statutory audits) (Directive 2006/43/EC) Regulations, 2010. According to the regulations, if the sole business of the Irish SPV relates to the issuing of asset backed securities, the SPV is exempt from the requirement to establish an audit committee (under Regulation 91(9)(d) of the Regulations). The Company is a debt issuing vehicle incorporated in Ireland and is therefore not required to establish an audit committee.

Independent auditor
Deloitte & Touche, Chartered Accountants and Registered Auditors, have signified their willingness to continue in office in accordance with Section 160(2) of the Companies Act, 1963.

On behalf of the board

Michael Whelan
Director

Carmel Naughton
Director

Date: 29 April 2011

Statement of directors' responsibilities

The Directors are responsible for preparing the annual report and the financial statements. The Directors are required to prepare financial statements for the Company in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs). Company law requires the Directors to prepare such financial statements in accordance with IFRSs and the Companies Acts 1963 to 2009.

International Accounting Standard 1 'Presentation of Financial Statements', requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs.

Directors are also required to:

- Properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance;
- state that the financial statements have been prepared in accordance with IFRS as issued by the IASB and as adopted by the EU; and
- prepare the financial statements on a 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 which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Acts 1963 to 2009. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are also responsible for the preparation of a Directors' report which complies with the requirements of the Companies Acts 1963 to 2009 and for complying with the Rules issued by the Irish Stock Exchange.

The Directors are responsible for the maintenance and integrity of the annual report and financial statements posted to the Company and group websites. Legislation in Ireland governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

Responsibility statement
We confirm to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards as issued by the IASB and as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the management report which is incorporated into the Directors' report, includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties they face.

On behalf of the board

Michael Whelan
Director

Carmel Naughton
Director

Date: 29 April 2011

Deloitte.

Deloitte & Touche
Chartered Accountants &
Registered Auditors

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SIGNUM FINANCE II PLC

We have audited the financial statements of Signum Finance II Plc for the year ended 31 December 2010 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 193 of the Companies Act, 1990. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
The directors are responsible for preparing the financial statements, as set out in the Statement of Directors' Responsibilities, in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, and are properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2009. We also report to you whether in our opinion: proper books of account have been kept by the company; whether, at the Statement of Financial Position date, there exists a financial situation requiring the convening of an extraordinary general meeting of the company; and whether the information given in the Directors' Report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purpose of our audit and whether the company's Statement of Financial Position and Statement of Comprehensive Income are in agreement with the books of account.

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

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatement within it. Our responsibilities do not extend to other information.

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Deloitte.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SIGNUM FINANCE II PLC

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance IFRSs as adopted by the European Union, of the state of the affairs of the company as at 31 December 2010 and of the profit for the year then ended; and

- have been properly prepared in accordance with the Companies Acts, 1963 to 2009.

Emphasis of matter – Valuation of financial assets

Without qualifying our opinion, we draw your attention to the valuation policy of financial instruments set out in Note 3(h) to the financial statements. The Company has financial assets valued at €656,342,653, financial liabilities valued at €676,535,830, derivative financial assets valued at €72,526,889 and derivative financial liabilities valued at €52,333,712 as of 31 December 2010, the fair values of which have been estimated by the directors in the absence of readily determinable market prices, as outlined in Note 17 to the financial statements. The directors' estimates are based on prices obtained from the arranging investment bank, who may use a variety of different valuation techniques 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. If actual transaction prices were available for the financial instruments, the valuations may be different to those presented and those differences could be material. Therefore, the realisable value of the Company's financial instruments may differ significantly from the fair value recorded. The ultimate outcome of these uncertainties cannot at present be determined.

We have obtained all the information and explanations we considered necessary for the purpose of our audit. In our opinion proper books of account have been kept by the company. The company's Statement of Financial Position and Statement of Comprehensive Income are in agreement with the books of account.

In our opinion the information given in the Directors' Report is consistent with the financial statements.

The net assets of the company, as stated in the Statement of Financial Position are more than half the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2010 a financial situation which, under Section 40(1) of the Companies (Amendment) Act, 1983, would require the convening of an extraordinary general meeting of the company.

Deloitte & Touche

Chartered Accountants and Registered Auditors

Dublin

Date: 29/4/11

Statement of comprehensive income
For the year ended 31 December 2010

	Notes	Year ended 31 Dec 10 €	Year ended 31 Dec 09 €
Interest income		10,303,760	33,765,921
Interest expense		(5,507,280)	(18,246,469)
Net derivative expense		(4,976,261)	(16,726,004)
Net gain/(loss) on financial assets designated at fair value through profit or loss	8	55,395,062	(76,385,542)
Net loss on financial liabilities designated at fair value through profit or loss	10	(88,493,497)	(121,725,585)
Net gain on derivative financial instruments	12	33,039,425	198,111,125
		(238,791)	(1,206,554)
Foreign exchange movements		212,926	457,389
Other income	4	27,133	752,177
Other expenses	5	(268)	(12)
Profit before taxation		1,000	3,000
Income tax expense	6	(250)	(750)
Profit for the year		750	2,250
Total comprehensive income for the year		750	2,250

All items dealt with in arriving at the profit for the year ended 31 December 2010 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

Date: 29 April 2011

Statement of financial position
As at 31 December 2010

	Notes	31 Dec 10 €	31 Dec 09 €
ASSETS			
Financial assets designated at fair value through profit or loss	8	656,342,653	812,430,179
Derivative financial assets	12	72,526,889	124,666,950
Other receivables	9	2,375,331	10,288,407
Cash and cash equivalents	7	38,118,330	26,915,226
Total assets		769,363,203	974,300,762
EQUITY AND LIABILITIES			
Liabilitites			
Financial liabilities designated at fair value through profit or loss	10	676,535,830	882,364,996
Derivative financial liabilities	12	52,333,712	76,774,417
Other payables	11	40,431,931	15,100,369
Total liabilities		769,301,473	974,239,782
Equity			
Share capital	13	40,000	40,000
Retained earnings		21,730	20,980
Total equity		61,730	60,980
Total equity and liabilities		769,363,203	974,300,762

On behalf of the board

Michael Whelan
Director

Carmel Naughton
Director

Date: 29 April 2011

Signum Finance II PLC

Statement of changes in equity
For the year ended 31 December 2010

	Share capital	Retained earnings	Total
	€	€	€
Balance as at 01 January 2009	40,000	18,730	58,730
Total comprehensive income for the year	-	2,250	2,250
Balance as at 31 December 2009	40,000	20,980	60,980
Total comprehensive income for the year	-	750	750
Balance as at 31 December 2010	40,000	21,730	61,730

Signum Finance II PLC

Statement of cash flows
For the year ended 31 December 2010

	Notes	31-Dec-10 €	Restated 31-Dec-09 €
Cash flow from operating activities			
Profit before taxation		1,000	3,000
Adjustments for:			
Interest income*		(10,303,760)	(33,765,921)
Interest expense*		5,507,280	18,246,469
Net derivative expense*		4,976,261	16,726,004
Decrease/(increase) in other receivables		2,687,109	(15,153)
Increase/(decrease) in other payables		30,377,998	(8,077,487)
Net (gain)/loss on financial assets designated at fair value through profit or loss		(55,395,062)	76,385,542
Net loss on financial liabilities designated at fair value through profit or loss		88,493,497	121,725,585
Net (gain) on derivative financial instruments		(33,039,425)	(198,111,125)
Foreign exchange movements		(212,926)	(457,389)
Cash generated from/(used in) operating activities		33,091,972	(7,340,475)
Interest paid*		(9,902,321)	(25,632,794)
Derivative (expense paid)/income received		(5,627,406)	2,017,488
Tax paid		(500)	-
Net cash generated from/(used in) operating activities		17,561,745	(30,955,781)
Cash flow from investing activities			
Purchase of financial assets designated at fair value through profit or loss	8	(313,348,790)	(488,585,029)
Redemption of financial assets designated at fair value through profit or loss	8	524,831,378	799,423,114
Cash received from/(paid to) swap counterparty	12	60,738,781	(71,099,359)
Interest received*		15,529,727	35,351,578
Net cash generated from investing activities		287,751,096	275,090,304
Cash flow from financing activities			
Financial liabilities designated at fair value through profit or loss	10	284,128,220	457,064,100
Redemption of financial liabilities designated at fair value through profit or loss	10	(578,450,883)	(674,760,544)
Net cash used in financing activities		(294,322,663)	(217,696,444)
Increase in cash and cash equivalents		10,990,178	26,438,079
Cash and cash equivalents at start of the year		26,915,226	19,758
Foreign exchange movements		212,926	457,389
Cash and cash equivalents at end of the year	7	38,118,330	26,915,226

* Refer to Note 22 for reclassification of cash flows

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 10 to the financial statements including the key terms. The related financial assets held under each Series are described in Note 8 while description of the swaps entered into has been detailed under Note 12 of the financials. A summary of the key risks regarding these financial instruments is outlined in Note 17.

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

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards and its interpretations as adopted by the EU (IFRS) and in accordance with the Companies Acts 1963 to 2009.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 31 December 2010; the comparative information for 2009 presented in these financial statements has been prepared on a consistent basis except for the statement of cash flows where some figures have been reclassified. These reclassifications have been disclosed under Note 22 to the financial statements.

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

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following:
- Financial assets designated at fair value through profit or loss are measured at fair value;
- Financial liabilities at fair value through profit or loss are measured at fair value; and
- Derivative financial instruments classified as held for trading at fair value.

The methods used to measure fair values are disclosed further in Note 3.

(c) Functional and presentation currency

These financial statements are presented in Euro (€) which is the Company's functional currency. Functional currency is the currency of the primary economic environment in which the entity operates. The issued share capital of the Company is denominated in Euro and the financial liabilities are also primarily denominated in Euro. The Directors of the Company believe that Euro most faithfully represents the economic effects of the underlying transactions, events and conditions.

2 Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

The preparation of the financial statements 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 period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Details of material judgments and estimates have been further described in accounting policy 3(h) "Fair value measurement principles" and Note 17 to the financial statements.

Key sources of estimation uncertainty

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 accounting policy 3(h) "Fair value measurement principles" and Note 17 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.

Critical accounting judgements in applying the Company's accounting policies

The Company's accounting policy on fair value measurements is discussed under note 3(h) "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 measures fair values using the following hierarchy of methods:

- Quoted market price in an active market for an identical instrument.
- Valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for 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.
- 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 could 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.

More details on the actual methods used for the year ended 31 December 2010 are included in Note 3(h).
Methods of valuation of financial instruments are disclosed in Note 17 to the financial statements.

3 Significant accounting policies

(a) Net gain/(loss) on financial assets designated at fair value through profit or loss
Net gain/(loss) on financial assets designated at fair value through profit or loss relates to investments and includes all realised and unrealised fair value changes and foreign exchange differences. Any gains and losses arising from changes in fair value of the financial assets at fair value through profit or loss are recorded in the statement of comprehensive income.

(b) Net loss on financial liabilities designated at fair value through profit or loss
Net loss on financial liabilities designated at fair value through profit or loss relates to debt securities issued and includes all realised and unrealised fair value changes and foreign exchange differences. Any gains and losses arising from changes in fair value of the financial liabilities at fair value through profit or loss are recorded in the statement of comprehensive income.

(c) Net gain on derivative financial instruments
Net gain from derivatives held for trading relates to the fair value movements on swaps held by the Company and includes realised and unrealised fair value movements and foreign exchange differences and are recognised in the statement of comprehensive income.

3 Significant accounting policies (continued)

(d) Interest income and interest expense

Interest income relates to coupon receipts on financial assets and interest expense relates to coupon payments on financial liabilities. Interest income and expense are accounted for on an effective interest basis and recognised in the statement of comprehensive income.

(e) Other income and expenses

All other income and expenses are accounted for on an accrual basis.

(f) Derivative income and expense

Derivative income and expense include cash flows under derivative transactions and are recognised in the statement of comprehensive income accounted for on an effective interest rate basis.

(g) Taxation

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 consistent with the accounting for the item to which it is related.

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 reporting date, and adjustment to tax payable in respect of previous years.

For the purposes of Section 110 Taxes Consolidation Act 1997, the Company is or intends to be a qualifying Company. The Company is a qualifying Company as it carries on in Ireland the business of holding, managing, or both the holding and management of, qualifying assets.

(h) Financial instruments

The financial instruments held by the Company include the following:

- Financial assets designated at fair value through profit or loss;
- Financial liabilities designated at fair value through profit or loss; and
- Derivative financial instruments classified as held for trading.

Classification

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. (Investment securities, debt securities issued and derivative financial instruments).

Derivative financial instruments that are not designated and effective as hedging instruments are classified as held for trading.

Financial assets designated at fair value through profit or loss

All investment securities held by the Company are designated as at fair value through profit or loss at initial recognition in order to eliminate or significantly reduce an accounting mismatch.

Derivative financial instruments

Derivative financial instruments include all derivative assets and liabilities that are used to economically hedge or create an appropriate risk exposure. Derivatives are not formally designated into a qualifying hedge relationship and therefore all changes in their fair value are recognised immediately in the statement of comprehensive income. Along with hedging, the Company will also be exposed to some risks by entering into certain derivative instruments such as the risk of defaults in a credit default swap.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in the statement of comprehensive income immediately. A derivative with a positive fair value is recognised as a financial asset; a derivative with a negative fair value is recognised as a financial liability.

Financial liabilities designated at fair value through profit or loss

The debt securities issued are initially measured at fair value and are designated as financial liabilities at fair value through profit or loss when they either eliminate or significantly reduce an accounting mistmatch.

3 Significant accounting policies (continued)

(h) Financial instruments (continued)

Recognition
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. Purchases and sales of financial assets and financial liabilities are recognised using trade date accounting. From the trade date, any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded in the statement of comprehensive income.

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 from 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 expire.

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.

Subsequent measurement
After initial measurement, the Company measures financial instruments which are classified as 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. 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. Details regarding the fair value measurement principles are included in the next section.

Fair Value Measurement Principles
The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets.

For all other financial instruments fair value is determined by relying on the valuation techniques of the arranging investment bank and swap counterparty, Goldman Sachs International.

Valuation techniques 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.

The Company uses more widely recognised valuation models for determining the fair value of common and simpler financial instruments like options, interest rate and currency swaps which are also provided by Goldman Sachs International. For these financial instruments, inputs into models are market observable. For more complex instruments, 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.

When entering into a transaction, the financial instrument is recognised initially at the transaction price, which is the best indicator of fair value, although the value obtained from the valuation model may differ from the transaction price. The initial difference in fair value indicated by the valuation method is recognised in income depending upon the individual facts and circumstances of each transaction and not later than when the market data becomes observable.

(i) Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits held on 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.

3 Significant accounting policies (continued)

(j) Other receivables
Other receivables do not carry any interest and are short-term in nature and have been reviewed for any evidence of impairment. Other receivables are accounted at amortised cost.

(k) Other payables
Other payables are accounted at amortised cost.

(l) Foreign currency transaction
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.

(m) Segmental 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 is a special purpose vehicle whose principal activities are the issuance of notes and investment in collaterals, which are the revenue generating segment of the Company. All administrating and operating functions are carried out and reviewed by the Administrator and Corporate Secretary, Deutsche International Corporate Services (Ireland) Limited. The Chief operating decision maker (CODM) is the Board. The CODM is responsible for the Company's entire portfolio and considers the business to have a single operating segment. The Board's asset allocation decisions are based on a single, integrated investment strategy, and the Company's performance is evaluated on an overall basis. Based on that fact, the directors confirm that there is only one operating segment. Further details of the concentration of the investment type of assets and geographical location are disclosed in Note 17.

(n) Share capital
Share capital is issued in Euro.

(o) Financial liability and equity
The financial instruments issued by the Company are treated as equity (i.e. forming part of shareholder's funds) only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

- where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital exclude amounts in relation to those shares.

Where a financial instrument that contains both equity and financial liability components exists, these components are separated and accounted for individually under the above policy. The finance cost on the financial liability component is correspondingly higher over the life of the instrument.

Finance payments associated with financial liabilities are dealt with as part of the interest expense in the statement of comprehensive income. Finance payments associated with financial instruments that are classified in equity are distributions from the net income attributable to equity holders and are recorded directly in equity.

3 Significant accounting policies (continued)

(p) New standards and interpretations not yet adopted

(i) New and amended standards effective but not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2010, and have not been applied in preparing these financial statements. A brief outline of the likely impact on future financial statements of relevant IFRSs which are issued by the IASB and endorsed by the EU and have not been adopted in these financial statements are as follows:

- IFRIC 9, '*Reassessment of embedded derivatives*' and IAS 39, '*Financial instruments: Recognition and measurement*'- effective 1 July 2009. This amendment to IFRIC 9 requires an entity to assess whether an embedded derivative should be separated from a host contract when the entity reclassifies a hybrid financial asset out of the 'fair value through profit or loss' category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. If the entity is unable to make this assessment, the hybrid instrument must remain classified as at fair value through profit or loss in its entirety.

- IAS 1 (amendment), '*Presentation of financial statements*'. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

- IFRS 2 (amendments), '*Group cash-settled share-based payment transactions*', effective form 1 January 2010. In addition to incorporating IFRIC 8, '*Scope of IFRS 2*', and IFRIC 11, '*IFRS 2 – Group and treasury share transactions*', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation.

(ii) New and amended standards issued, not yet effective and not early adopted

The Company's assessment of the impact of these new standards is set out below:

- IFRS 9, '*Financial instruments*', issued in November 2009. This standard is the first step in the process to replace IAS 39, '*Financial instruments: recognition and measurement*'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. However, the standard has not yet been endorsed by the EU and therefore not adopted.

- Revised IAS 24 (revised), '*Related party disclosures*', issued in November 2009. It supersedes IAS 24, '*Related party disclosures*', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. Earlier application, in whole or in part, is permitted. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Company will apply the revised standard from 1 January 2011.

None of the above amendments are expected to have a significant effect on the financial statements of the Company except for IFRS 9 Financial Instruments, which could change the classification and measurement of financial assets, but which has not yet been endorsed by the EU.

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

Signum Finance II PLC

Notes to the financial statements (continued)
For the year ended 31 December 2010

4 Other income

	Year ended 31-Dec-10	Year ended 31-Dec-09
	€	€
Other income	22,512	749,177
Corporate benefit	1,000	3,000
Bank interest	3,621	-
	27,133	752,177

5 Other expenses

	Year ended 31-Dec-10	Year ended 31-Dec-09
	€	€
Bank charges	(268)	(12)

6 Income tax expense

	Year ended 31-Dec-10	Year ended 31-Dec-09
	€	€
Profit before taxation	1,000	3,000
Current tax at standard rate of 25%	(250)	(750)
Current tax charge	(250)	(750)

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

7 Cash and cash equivalents

	31-Dec-10	31-Dec-09
	€	€
Cash at bank	38,118,330	26,915,226

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

8 Financial assets at fair value through profit or loss

	31-Dec-10	31-Dec-09
	€	€
At beginning of the year	812,430,179	1,199,653,806
Additions during the year	313,348,790	488,585,029
Disposals during the year	(524,831,378)	(799,423,114)
Fair value movement on financial assets	55,395,062	(76,385,542)
At end of the year	656,342,653	812,430,179
Maturity analysis of financial assets		
Within 1 year	60,854,688	51,041,685
Between 1 to 2 years	78,758,839	304,082,063
Between 2 to 5 years	345,923,206	239,573,155
Greater than 5 years	170,805,920	217,733,276
	656,342,653	812,430,179

8 Financial assets at fair value through profit or loss (continued)

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
2005-07	EUR	3 month euribor + 0.01%	04-Oct-12	4,800,000	4,800,000
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	22,254,367
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	18,180,000
2010-01	USD	3 month USD Libor + 0.85%	08-May-13	48,000,000	35,860,800
2010-01	USD	3 month USD Libor + 0.85%	14-May-13	166,000,000	124,018,600
2010-01	USD	3 month USD Libor + 0.9%	15-May-13	122,000,000	91,146,200
2010-01	USD	Fixed rate 5.125%	10-Apr-13	20,000,000	14,942,000
2010-02	USD	Fixed rate 5.125%	10-Apr-13	20,000,000	14,942,000
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
					698,536,967

The liquidity of the financial assets are as follows:

	Gross contractual cashflows €	<1 year €	1 to 2 years €	2 to 5 years €	More than 5 years €
2010					
Financial assets designated at fair value through profit or loss	817,224,890	79,678,919	94,662,719	367,950,271	274,932,981
	817,224,890	79,678,919	94,662,719	367,950,271	274,932,981
2009					
Financial assets designated at fair value through profit or loss	1,006,146,888	67,863,785	404,421,175	268,772,466	265,089,462
	1,006,146,888	67,863,785	404,421,175	268,772,466	265,089,462

Investment securities have upon initial recognition been designated at fair value through profit or loss when the Company holds related derivatives at fair value through profit or loss, and designation therefore eliminates or significantly reduces an accounting mismatch that would otherwise arise. The investment securities are held as collateral for debt securities issued by the Company.

The carrying value of the assets of the Company represents their maximum exposure to the credit risk. The credit risk is eventually transferred to the swap counterparty or the Noteholders.

Refer to Note 17 for a description of the credit risk, concentration risk and currency risk disclosures relating to investment securities.

Notes to the financial statements (continued)
For the year ended 31 December 2010

9 Other receivables

	31-Dec-10	31-Dec-09
	€	€
Accrued interest	2,308,962	7,534,929
Swap receivable	-	2,688,109
Other receivables	42,153	42,153
Corporate benefit receivable	24,216	23,216
	2,375,331	10,288,407

10 Financial liabilities at fair value through profit or loss

	31-Dec-10	31-Dec-09
	€	€
Debt securities issued	676,535,830	882,364,996
	676,535,830	882,364,996

Movement:	31-Dec-10	31-Dec-09
	€	€
At beginning of the year	882,364,996	978,335,855
Issued during the year	284,128,220	457,064,100
Redemptions during the year	(578,450,883)	(674,760,544)
Fair value movement on financial liabilities	88,493,497	121,725,585
At end of the year	676,535,830	882,364,996

Maturity analysis of the financial liabilities		
Within 1 year	-	50,488,663
1 to 2 years	97,049,529	351,727,315
2 to 5 years	436,632,254	323,069,618
Greater than 5 years	142,854,047	157,079,400
	676,535,830	882,364,996

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
2005-07	EUR	Zero Coupon	02-Mar-12	4,000,000	4,000,000
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	22,254,367
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	18,180,000
2010-01	USD	Index-linked	15-May-13	356,000,000	265,967,600
2010-02	USD	Index-linked	10-Apr-13	20,000,000	14,942,000
					742,843,967

10 Financial liabilities at fair value through profit or loss (continued)

Debt securities issued for a particular series are designated at fair value through profit and loss when the related investment securities and derivatives are fair valued.

All the Notes are limited recourse notes and are secured by a way of a charge over the collateral held as described in Note 8. They have an option for early redemption.

In the event that the accumulated losses on the financial assets prove not to be recoverable during the life of the debt securities issued, either the swap counterparty will bear the loss or this will reduce the obligation to the Noteholders of the Company.

The debt securities issued are listed on the Irish Stock Exchange. Refer to Note 17 for a description of the key risks regarding the issue of these instruments.

11 Other payables

	31-Dec-10	31-Dec-09
	€	€
Accrued interest payable	1,799,114	6,194,154
Swap payable	38,631,912	8,905,060
Corporation tax payable	905	1,155
	40,431,931	15,100,369

12 Derivative financial instruments

	31-Dec-10	31-Dec-09
	€	€
Derivative financial assets	72,526,889	124,666,950
Derivative financial liabilities	(52,333,712)	(76,774,417)
	20,193,177	47,892,533
Movement:		
At the beginning of the year	47,892,533	(221,317,951)
Cash (received from)/paid to Swap counterparty	(60,738,781)	71,099,359
Fair value movement on derivative financial instruments	33,039,425	198,111,125
At end of the year	20,193,177	47,892,533

The Company enters into a derivative contract for each series issued either to reduce mismatch between the amounts payable in respect of the debt securities and return from the investment securities held as collateral, to create a risk profile appropriate for the investor or to mitigate its exposure to market risk (interest rate risk and currency risk) within the Company. The rationale behind entering into these instruments is to provide an asset risk profile which is suited to the needs of the investors (the holders of debt securities) and provide to them an administrative platform for managing and monitoring the performance of the Company.

The Arranger also provides funding to meet expenses incurred by the Company.

Swap transactions
The fair value of derivative financial instruments held at the year end includes credit default swaps, interest rate swaps and index swaps.

The derivatives entered into by the Company can be grouped into two categories, those that create a risk profile appropriate to the investor and, those that mitigate exposure to market risk.

The following derivatives have been entered into by the Company and may create exposure to risk as opposed to mitigating risk.

Credit Default Swaps
As part of certain series programmes the Company has entered into a number of Credit Default Swap Agreements with Goldman Sachs International in exchange for the receipt of premium income for the relevant series, the Company has sold credit protection on a number of reference entities, the "Reference Obligations". By entering into the Credit Default Swap Agreements, the Company is exposed to the risk that the Reference Portfolio underperforms resulting in the default of the reference entities.

12 Derivative financial instruments (continued)

Swap transaction (continued)
Credit Default Swaps (continued)
The Noteholders are exposed to the performance of the reference portfolio that is, the ability of the Company to meet its obligations under the Notes will depend on the receipt by it of payments of interest and principal under the Collateral Assets, as well as payments owed to the Company by the Swap Counterparty and the Swap Guarantor under the terms of the swap. Consequently, an investor is exposed not only to the occurrence of Credit Events in relation to any of the Reference Entities comprised in the Specified Portfolio, but also to the ability of the Asset Issuer, the Swap Counterparty and the Swap Guarantor to perform their respective obligations to make payments to the Company.

The aggregate liability of the Company under the Credit Default Swap Agreements for individual series shall not exceed the aggregate of the eligible investment securities for those Series. No payment calls under the credit default swaps were made during the year.

In the event of an issuance of a credit event notice with respect to the Reference Portfolio, the Company will pay an amount as defined in the Credit Default Swap Agreements from the assets of that series to which the Credit Default Swap Agreement relates. As a consequence of defaults in reference obligations, the nominal is proportionally reduced by the relevant debt securities. However, this will only occur when subordinate tranches within the corresponding portfolio have been fully reduced.

Credit Events
During the year on the specified dates, the following credit events occurred:

Date	**Series**	**Description**
05 Jul 10	2007-04	World-Directories B.V
05 Jul 10	2007-11	World-Directories B.V
05 Jul 10	2007-12	World-Directories B.V

The credit events with respect to the above reference entity to which the Notes are credit linked did not result in the occurrence of any payment under the relevant credit default swap agreement or early redemption in whole or in part in accordance with the terms of the Notes due to sufficient headroom in place.

After the year end no credit events occurred.

The Company has Credit Default Swaps in place for Series 2005-01, 2005-02, 2005-04, 2005-07, 2006-01, 2007-03, 2007-04, 2007-06, 2007-07, 2007-11 and 2007-12.

Under the Credit Default Swaps, there is exposure to a wide range of countries, industries and sectors.

Index Swaps
An Index Swap is a hedging arrangement in which one party exchanges one cashflow with another's party cash flow on specified dates for a specified period. These cashflows are associated with an index (debt index, equity index or a price risk). An index swap is a variant of the conventional fixed rate swap and its terms may range from three months to a year or more.

The Company has Index Swaps in place for Series 2010-01 and 2010-02.

In these series, the Noteholders are exposed to the performance of the Index, and also to the ability of the Swap Guarantor and the Swap Counterparty (Goldman Sachs International) to perform their obligations to make payments to the Company. The ability of the Company to meet its obligations under the Notes will depend on the receipt by it of payments of interest and principal owed to the Company by the Swap Counterparty. The AP Fund 7 Emerging Markets 2 Index (the "Index"), a custom index calculated by MSCI Barra (the "Index Sponsor"), is a free float-adjusted, market capitalization index designed to measure equity market performance in the global emerging markets. The index was composed of securities issued by companies in emerging market countries included in the MSCI Emerging Markets IndexSM, which include Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand and Turkey.

12 Derivative financial instruments (continued)

Swap transaction (continued)
The Company has also entered into the following derivatives to hedge its exposure interest rate risk:

Interest Rate Swaps
The Company has Interest Rate Swaps in place for Series 2005-15, 2006-12 and 2009-06.
Under the Interest Rate Swap, any difference between the interest rate from interest expense on debt securities and interest income from financial assets will be borne by the swap counterparty.

13 Share Capital – equity

	31-Dec-10	31-Dec-09
	€	€
Authorised:		
10,000,000 ordinary shares of €1 each	(10,000,000)	(10,000,000)
Issued and partly paid		
40,000 ordinary share of €1 each	(40,000)	(40,000)

14 Ownership of Company

The issued shares are held in trust by Mr David McGuiness, 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.

15 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 8 and 12 respectively. Further details on the profile of both are included in Note 17.

16 Accounting classification of financial assets and financial liabilities

	31-Dec-10		31-Dec-09	
	Carrying value	Fair value	Carrying value	Fair value
	€	€	€	€
Financial assets designated at fair value through profit or loss	656,342,653	656,342,653	812,430,179	812,430,179
Derivative financial assets	72,526,889	72,526,889	124,666,950	124,666,950
Cash and cash equivalents	38,118,330	38,118,330	26,915,226	26,915,226
Other receivables	2,375,331	2,375,331	10,288,407	10,288,407
	769,363,203	769,363,203	974,300,762	974,300,762
Financial liabilities designated at fair value through profit or loss	676,535,830	676,535,830	882,364,996	882,364,996
Derivative financial liabilities	52,333,712	52,333,712	76,774,417	76,774,417
Other payables	40,431,931	40,431,931	15,100,369	15,100,369
	769,301,473	769,301,473	974,239,782	974,239,782

17 Financial risk management

Signum Finance II PLC was incorporated on the 31st January 2002 and commenced to trade on the 17th May 2002. The Company can issue Securities under its USD 10,000,000,000-Limited Recourse Secured Obligations Programme. The Issuer may raise finance by way of the issue of Notes or in other forms under the Programme including, without limitation, by way of loan or entering into derivative transactions.

17 Financial risk management (continued)

The net proceeds of each Series will be used by the Company to purchase the Collateral, pay for or enter into any Swap Agreement or Credit Enhancement Agreement and 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.

Risk management framework
The Company has exposure to the following risks:

- Operational risk;
- Credit risk;
- Market risk; and
- Liquidity and cash flow risk.

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.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board authorises any changes or amendments to the Programme.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company has entered into a number of Series in the Programme. Each Series is governed by a separate Prospectus and consists of an investment in collateral from the proceeds of the issuance of debt securities.

The Company has, in all of its Series, entered into Swap Agreements with Goldman Sachs International. Refer to Note 12 for a description of the different types of swaps entered into by the Company.

In most of the Series, the notes are designed to allow holders of the notes to invest in a pool of collateral. Through the transaction, some interest rate risk of the underlying bond pool is hedged in order to give the Noteholders a security which has the same credit risk profile but a different interest rate profile than the underlying bonds. In many series the collateral is credit linked to certain reference entities. In the case of a credit event on any of these reference entities, the Notes may become subject to mandatory redemption. The ultimate amount repayable to the Noteholders will be dependent upon the proceeds from the sale of the collateral.

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 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. The Company was incorporated with the purpose of engaging in those activities outlined in the preceding paragraphs. All management and administration functions are outsourced to Deutsche International Corporate Services (Ireland) Limited which has years of experience in this field.

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.

The Company's maximum exposure to credit risk in the event that counterparties fail to perform their obligations as at 31 December 2010 in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the statement of financial position.

17 Financial risk management (continued)
Credit risk (continued)

	31-Dec-10	31-Dec-09
	€	€
Financial assets designated at fair value through profit or loss	656,342,653	812,430,179
Derivative financial assets	72,526,889	124,666,950
Cash and cash equivalents	38,118,330	26,915,226
Trade and other receivables	2,375,331	10,288,407
	769,363,203	974,300,762

The Notes issued in each Series are limited recourse to the assets in each particular Series and therefore the Noteholders are exposed to the issuers of the securities forming the portfolio of collateral of each Series.

The directors recognise the requirement under IFRS 7 to disclose the change in fair value attributable to both market and credit risks. All changes in fair value have been disclosed in the accounts as due to market risk, which includes the credit risk element. The information to allow this amount to be split out is not available.

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

Cash and cash equivalents
The Company held cash and cash equivalents of €259,133,004 as at 31 December 2010 (2009: €278,497,273), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with banks and financial institutions, which are currently rated by Standard & Poor's as follows:

	2010	2009
Bank of Ireland	B	A-1
Bank of New York	A-1+	AA

Credit quality of financial assets
The credit quality of financial assets that are neither past due nor impaired can be assessed with external credit ratings from rating agencies.

At the reporting date, the rating analysis of the investment securities was as follows:

Ratings	31-Dec-10	31-Dec-09
	%	%
Aa	30%	0%
Aaa	30%	16%
Not rated	17%	60%
A	7%	0%
BBB+	6%	0%
A+	5%	0%
Aa-	5%	0%
A1	0%	14%
Aa2	0%	8%
Aa3	0%	2%
	100%	100%

Concentration risk
At the reporting date, the Company's financial assets designated at fair value through profit or loss were concentrated in the following assets types and geographical locations:

17 Financial risk management (continued)

Credit risk (continued)

Concentration risk (continued)

By industry	31-Dec-10	31-Dec-09
Types of collaterals	**%**	**%**
Bank	40%	0%
Others	35%	0%
Financial	19%	100%
Government	6%	0%
	100%	100%

	31-Dec-10	31-Dec-09
By geographical locations	**%**	**%**
Country of origin		
Australia	24%	7%
Ireland	21%	12%
USA	21%	18%
New Zealand	14%	4%
Greece	6%	14%
UK	6%	6%
Sweden	3%	4%
France	3%	2%
Luxembourg	2%	0%
Cayman Islands	0%	27%
Denmark	0%	6%
	100%	100%

The Company is exposed to the credit risk of the Swap Counterparty with respect to payments due under the Swaps. This risk is borne by the Noteholders who are subject to risk of defaults by the Swap Counterparty as well as to the risk of defaults by the reference obligations and the reference entities, in case of Credit Default Swaps. Goldman Sachs International is the counterparty on all the swap transactions. Goldman Sachs Group Inc is currently rated A-1 (2009: A-1) by Standard & Poor's and the Directors are therefore satisfied with the current exposure.

The Company's maximum credit risk exposure to derivative instruments as at 31 December 2010 is disclosed in Note 12. The Company is also exposed to the credit profile of the underlying reference entities in the various swap agreements, including credit default swaps and index swaps in particular. Due to the extensive exposures under these agreements, it is not practical to present the credit exposure of each in these financial statements.

The actual interest rates applicable to the financial assets and liabilities of each Series are detailed in Notes 8 and 10.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates 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.

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

(i) 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.

17 Financial risk management (continued)

Market risk (continued)

(i) Interest rate risk (continued)

At the reporting date, the interest rate risk profile of the Company's financial instruments was:

31-Dec-2010	**Floating rate** €	**Fixed rate** €	**Non-interest bearing** €	**Total** €
Financial assets at fair value through profit or loss				
Maturing within 1 year	60,854,688	-	-	60,854,688
Maturing in 1-5 years	392,632,052	32,049,992	-	424,682,044
Maturing after 5 years	112,597,440	58,208,481	-	170,805,921
Financial liabilities at fair value through profit or loss				
Maturing within 1 year	-	-	-	-
Maturing in 1-5 years	(525,072,185)	-	(8,609,594)	(533,681,779)
Maturing after 5 years	(66,271,502)	(15,556,696)	(61,025,853)	(142,854,051)
Net exposure	(25,259,507)	74,701,777	(69,635,447)	(20,193,177)

31-Dec-2009	**Floating rate** €	**Fixed rate** €	**Non-interest bearing** €	**Total** €
Financial assets at fair value through profit or loss				
Maturing within 1 year	4,011,093	47,030,592	-	51,041,685
Maturing in 1-5 years	529,014,263	14,640,955	-	543,655,218
Maturing after 5 years	90,388,000	127,345,276	-	217,733,276
Financial liabilities at fair value through profit or loss				
Maturing within 1 year	(50,488,663)	-	-	(50,488,663)
Maturing in 1-5 years	(668,103,913)	-	(6,693,020)	(674,796,933)
Maturing after 5 years	(104,525,535)	-	(52,553,865)	(157,079,400)
Net exposure	(199,704,755)	189,016,823	(59,246,885)	(69,934,817)

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 €6,985,370 (2009: €8,647,072).

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

17 Financial risk management (continued)

Market risk (continued)

(ii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company limits its exposure to currency risk by operating bank accounts in currencies other than its functional currency for receipts and payments in other currencies than its functional currency. The Company also mitigates its exposure to currency mainly by matching the foreign currency assets with foreign currency liabilities. The Company is exposed to movement in exchange rates between the Euro, its functional currency, and certain foreign currencies namely US Dollars (USD), Mexican Peso (MXN) and Swedish Krona (SEK).

The Company's exposure to foreign currency risk as at 31 December 2010 is as follows:

	USD	DKK	SEK	MXN	Total
	€	€	€	€	€
Financial assets	285,361,868	-	21,849,338	16,725,600	323,936,806
Cash and cash equivalents	632,851	-	78,661	-	711,512
Other receivables	-	-	-	-	-
Financial liabilities	(324,126,774)	-	(19,888,401)	(15,556,696)	(359,571,871)
Derivative financial instruments	38,764,906	-	(1,960,937)	(1,168,904)	35,635,065
Net position	632,851	-	78,661	-	711,512

The Company's exposure to foreign currency risk as at 31 December 2009 is as follows:

	USD	DKK	SEK	MXN	Total
	€	€	€	€	€
Financial assets	369,077,795	47,030,592	21,661,453	14,954,400	452,724,240
Cash and cash equivalents	3,791,144	73,696	96,336	-	3,961,176
Other receivables	-	-	-	-	-
Financial liabilities	(471,543,902)	(46,979,284)	(18,057,912)	(15,012,293)	(551,593,391)
Derivative financial instruments	102,466,107	(51,308)	(3,603,541)	57,893	98,869,151
Other payables	(315,855)	(561,945)	(14,464)	-	(892,264)
Net position	3,475,289	(488,249)	81,872	-	3,068,912

17 Financial risk management (continued)

Market risk (continued)

(ii) Currency risk (continued)

The following significant exchange rates have been applied during the year:

	Closing rate	
	31-Dec-10	**31-Dec-09**
USD	0.7471	0.6977
DKK	0.1342	0.1344
SEK	0.1113	0.0970
MXN	0.0606	0.0536

Sensitivity analysis

An entity discloses how profit or loss and equity would have been affected by changes in a relevant risk variable that were reasonably possible at the end of the reporting period. The estimation of a reasonably possible change in a relevant risk variable depends on an entity's circumstances.

A strengthening of the Euro (€) by 10%, as indicated below, against the USD, SEK and MXN at 31 December 2010 would have increased (decreased) the fair value of the debt securities issued by the amounts shown below.

A 10% weakening of the Euro (€) against the USD, SEK and MXN at 31 December 2010 would have had an equal but opposite effect on the fair value of the notes issued.

This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of any forecast. The analysis is performed on the same basis for 2009 as indicated below.

	Strengthening	Weakening
2010	€	€
Debt securities issued	35,957,187	(35,957,187)
2009	€	€
Debt securities issued	55,159,339	(55,159,339)

(iii) 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 agreements outlined in Note 13. 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.

Sensitivity analysis

Any changes in the prices of the financial assets at fair value through profit or loss would not have any effect on the equity or net profit or loss of the Company as any fair value fluctuations in prices are ultimately borne by the Noteholders. As at 31 December 2010, exposure to price risk relates to the value of financial assets amounting to €656,342,653 and to the value of derivative financial instruments amounting to €20,193,177. Price risk is actively managed by investing in highly rated investments ensuring that we have priority of payment.

Due to the financial instruments being carried at fair value, any percentage movement in market prices will impact proportionately on the carrying amount of these instruments.

17 Financial risk management (continued)

Market risk (continued)

Liquidity risk 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 year.

The following are the contractual maturities of financial assets and liabilities including undiscounted interest payments and excluding the impact of netting agreements:

The maturity profile of the financial liabilities as at 31 December 2010 is as follows:

	Carrying amount	Gross contractual cash flows	Less than one year	One to 5 years	Greater than 5 yrs
	€	€	€	€	€
Financial liabilities	(676,535,830)	(820,834,335)	(9,778,079)	(534,445,689)	(276,610,567)
Other payables	(40,431,931)	(40,431,931)	(40,431,931)	-	-
Derivative financial liabilities	(52,333,712)	(52,333,712)	-	(33,040,289)	(19,293,423)
	(769,301,473)	(913,599,978)	(50,210,010)	(567,485,978)	(295,903,990)

The maturity profile of the financial liabilities as at 31 December 2009 was as follows:

	Carrying amount	Gross contractual cash flows	Less than one year	One to 5 years	Greater than 5 yrs
	€	€	€	€	€
Financial liabilities	(882,364,996)	(1,225,705,387)	(68,160,260)	(884,877,132)	(272,667,995)
Other payables	(15,100,369)	(15,100,369)	(15,100,369)	-	-
Derivative financial liabilities	(76,774,417)	(76,774,417)	(553,022)	(48,180,425)	(28,040,970)
	(974,239,782)	(1,317,580,173)	(83,813,651)	(933,057,557)	(300,708,965)

In line with the requirements under IFRS 7, the above liabilities table shows principal balances and undiscounted interest cash flows over the life of the liabilities.

17 Financial risk management (continued)

Fair values
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.

The Company's financial instruments carried at fair value are analysed below by valuation method. The different levels have been defined as follows:
- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

Fair values of financial assets and financial liabilities that are traded in active markets, Level 1, are based on quoted market prices or dealer price quotations. For all other financial instruments the Company determines fair values 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 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.

17 Financial risk management (continued)

Fair values (continued)

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

	2010			
	Level 1 Quoted price in active market	Level 2 Valuation technique observable parameters	Level 3 Valuation technique unobservable parameters	Total
	€	€	€	€
Financial assets designated at fair value through profit or loss	-	567,774,069	88,568,584	656,342,653
Derivative financial instruments	-	-	20,193,177	20,193,177
Financial liabilities designated at fair value through profit or loss	-	-	(676,535,830)	(676,535,830)
	-	567,774,069	(567,774,069)	-

	2009			
	Level 1 Quoted price in active market	Level 2 Valuation technique observable parameters	Level 3 Valuation technique unobservable parameters	Total
	€	€	€	€
Financial assets designated at fair value through profit or loss	-	603,120,179	209,310,000	812,430,179
Derivative financial instruments	-	-	47,892,533	47,892,533
Financial liabilities designated at fair value through profit or loss	-	-	(882,364,996)	(882,364,996)
	-	603,120,179	(625,162,463)	(22,042,284)

Financial liabilities measured at fair value based on Level 3

	Financial liabilities designated at fair value through profit or loss	
	Total 31-Dec-10	Total 31-Dec-09
	€	€
Balance at beginning of the year	882,364,996	978,335,855
Issued during the year	284,128,220	457,064,100
Redemptions during the year	(578,450,883)	(674,760,544)
Fair value movement	88,493,497	121,725,585
	676,535,830	882,364,996

17 Financial risk management (continued)

Fair values (continued)

Financial assets measured at fair value based on Level 3

	Financial assets designated at fair value through profit or loss	
	Total	Total
	31-Dec-10	31-Dec-09
	€	€
Balance at beginning of the year	209,310,000	215,010,000
Disposals during the year	(224,160,000)	-
Fair value movement	14,850,000	(5,700,000)
Transfers to Level 3	88,568,584	-
	88,568,584	209,310,000

Financial assets disclosed under Level 2 in the year ended 2009 have been disposed of during the year ended 2010. In the year ended 2010, financial assets have been moved to Level 3 since the prices have been provided by the Swap Counterparty, Goldman Sachs International, and the valuation technique uses unobservable parameters.

During the year, due to changes in market conditions for certain investment securities, the significant inputs used in their fair value measurement was based on unobservable rather than observable inputs.

Derivative financial instruments measured at fair value based on Level 3

	Derivative financial instruments	
	Total	Total
	31-Dec-10	31-Dec-09
	€	€
At the beginning of the year	47,892,533	(221,317,951)
Cash (paid to)/received from Swap counterparty	(60,738,781)	71,099,359
Fair value movement on derivative financial instruments	33,039,425	198,111,125
Transfers to Level 3	-	-
	20,193,177	47,892,533

During the year, due to changes in market conditions for certain investment securities, the significant inputs used in their fair value measurement was based on unobservable rather than observable inputs.

The total amount of change in fair value estimated using a valuation technique based on significant unobservable data (Level 3) that was recognised in the statement of comprehensive income is as follows:

	2010	2009
Financial assets designated at fair value through profit or loss	14,850,000	(5,700,000)
Derivative financial instruments	33,039,425	198,111,125
Financial liabilities designated at fair value through profit or loss	88,493,497	(121,725,585)
	136,382,922	70,685,540

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, estimated 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.

18 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.

19 Related party transaction

Transactions with administrator
During the year, €11,954 ($16,000) (2009: €14,580 ($16,000)) relating to administration services were paid to Deutsche International Corporate Services (Ireland) Limited. Both directors are employees of Deutsche International Corporate Services (Ireland) Limited, which is the administrator of the Company and is considered to be a related party. Michael Whelan, as director of the Company has an interest in this fee in his capacity as director of Deutsche International Corporate Services (Ireland) Limited. As at 31 December 2010, no amount is due to the administrator of the Company.

Transactions with arranger
Goldman Sachs International is the Arranger and Swap counterparty of the Company. Goldman Sachs International as Arranger for each Series, paid the Company €500 per Series. All payments to and from the swap counterparty have been disclosed on the statement of comprehensive income and the notes to the financial statements. In addition, all costs associated with the Company are paid by the Arranger. During the year, a fee of €11,954 (USD 16,000) relating to administration services and €14,520 (2009: €14,520) relating to audit fees were paid by the arranger.

There were no other transactions with related parties that require disclosure in the financial statements.

20 Subsequent events

There has been no significant subsequent event that requires disclosure and/or adjustment in the financial statements.

21 Statutory information regarding auditor's remuneration

	€	€
- Audit of individual account	12,000	12,000
- Other assurance services	-	-
- Tax advisory services	4,000	4,000
- Other non-audit services	-	-

The Company is administered by Deutsche International Corporate Services (Ireland) Limited and accordingly has no employees. The costs associated with the Company are paid by Goldman Sachs International, including the audit fee of €14,520, including VAT (2009: €14,520). No fees are paid to the directors (2009: Nil).

22 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 audited accounts 2009) Year ended 31-Dec 2009	Reclassified Year ended 31-Dec 2009	Year ended Restated 31-Dec 2009
Adjustments for:			
Interest income			
Interest expense	-	(33,765,921)	(33,765,921)
Derivative expense	-	18,246,469	18,246,469
	-	16,726,004	16,726,004
Movements in working capital			
Decrease in other receivables	11,408,936	(11,424,089)	(15,153)
(Decrease) in other payables	(6,558,752)	(1,518,735)	(8,077,487)
Cash generated from operating activities			
Interest paid	-	(25,632,794)	(25,632,794)
Derivative income received	-	2,017,488	2,017,488
Cash flows from investing activities			
Interest received	-	35,351,578	35,351,578

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..

23 Approval of financial statements
The board of directors approved these financial statements on 29 April 2011.