
COMPANY REGISTRATION NUMBER: 447197

SCANDINOTES FIVE PUBLIC LIMITED COMPANY

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

SCANDINOTES FIVE PUBLIC LIMITED COMPANY
FOR THE YEAR ENDED 31 DECEMBER 2010

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SCANDINOTES FIVE PUBLIC LIMITED COMPANY
FOR THE YEAR ENDED 31 DECEMBER 2010

COMPANY INFORMATION

DIRECTORS	Sandra Richardson Neil Synnott (resigned 21 March 2011) Sandra Berger (Austrian, appointed 21 March 2011)
SECRETARY AND REGISTERED OFFICE	TMF Administration Services Limited 53 Merrion Square Dublin 2 Ireland
TRUSTEE	The Law Debenture Trust Corporation Plc Fifth Floor 100 Wood Street London EC2V 7EX Great Britain
PRINCIPAL ISSUING AGENT, PAYING AGENT & CUSTODIAN	Nordea Bank Danmark A/S Strandgade 3 Postboks 850 DK-0900 Copenhagen C Denmark
ARRANGER, MANAGER, COLLATERAL ADMINISTRATOR AND SERVICER	HSB NORDBANK AG Copenhagen Branch Kalvebod Brygge 39-41 DK-1560 Copenhagen V Denmark
LEGAL ADVISORS	McCann FitzGerald Riverside One Sir John Rogerson's Quay Dublin 2 Ireland
BANKERS	Nordea Bank Danmark A/S Strandgade 3 Postboks 850 DK-0900 Copenhagen C Denmark Bank of Ireland Custom House Dock International Financial Services Centre Dublin 1 Ireland
INDEPENDENT AUDITORS	KPMG Chartered Accountants 1/2 Harbourmaster Place International Financial Services Centre Dublin 1 Ireland

SCANDINOTES FIVE PUBLIC LIMITED COMPANY
FOR THE YEAR ENDED 31 DECEMBER 2010

DIRECTORS' REPORT

The directors present their annual report on the affairs of Scandinotes Five Public Limited Company (the "Company") together with the financial statements and auditors' report, for the year ended 31 December 2010.

NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES

The Company is a bankruptcy-remote special purpose company with limited liability, which was incorporated on 4 October 2007 under the laws of Ireland.

The Company was established to issue asset-backed notes (the "Notes") pursuant to a loan participation notes transaction (the "Transaction"). Under the Transaction, the Company issued the aforementioned Notes to investors (the "Noteholders"), which were backed by subordinated term loans (the "Loans") originally advanced by HSH Nordbank AG, Copenhagen branch, as lender to fourteen commercial and savings banks in Denmark.

To date, the Company has issued the following Notes, all of which are due to be repaid on 5 December 2015:

	DKK
Class A Floating Rate Limited Recourse Secured Senior Notes	218,100,000
Class B Floating Rate Guaranteed Limited Recourse Secured Senior Notes	672,000,000
Class C Guaranteed Limited Recourse Secured Mezzanine Notes	417,900,000
Class D Limited Recourse Secured Junior Notes	255,000,000

The Class C and D Notes were issued at a discount of DKK 11,395,000 and DKK 51,605,000 respectively.

The Company may from time to time issue further classes of Notes. The specific terms and conditions of the Notes issued on any subsequent date will be set out in the respective offering circular for the Notes.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

During the year, the fair value of financial assets of the Company increased from DKK 1,230,626,811 to DKK 1,263,954,990. At the year-end, the Notes issued had a fair value of DKK 1,320,597,532 (2009: DKK 1,273,572,542). The financial assets and financial liabilities of the Company are valued at fair value through profit or loss ("FVTPL").

The fair value of the Loans is calculated using the fair value of the Notes and the Derivatives. The fair value of the Class A, B and C Notes have shown an increase from the previous year of DKK 54,358,512 in total, whilst the fair value of Class D Notes has fallen by DKK 8,794,064.

During the year, Moody's Investors Services ("Moody's") published rating changes relating to various classes of the Company's Notes. The rating actions are as follows:

Class	Principal	Downgraded on 14 January 2010	Downgraded on 20 July 2010	Downgraded on 16 March 2011	Rating at the year-end
A	218,100,000	Baa1	Baa3	Baa3	Baa3
B	672,000,000	B1	Caa1	Caa2	Caa2
C	417,900,000	Caa3	Caa3	Ca	Ca
D	255,000,000	Ca	C	C	C

The downgrades during the year reflect a widespread deterioration in the credit quality of the Loans, as indicated by the updated credit estimates used by Moody's to assess the credit quality of the portfolio. This deterioration is reflected in the change in the average rating of the Notes from B1 to Caa1. The downgrades have also impacted on the values of the Notes and reduced their potential recoverable value.

Moody's noted that the Class D Notes have a low potential recovery value under the terms of the swap in place and will receive repayment only in the event that sufficient recoveries are received from the single defaulted loan in the pool.

The deterioration of the Loans has been driven by the negative performance of the Danish banking sector in the context of the global financial crisis. In response to the financial crisis, the Danish government created two bank packages that have been providing support to the banks. Bank Package I guarantees depositor and senior debt, but requires each bank covered by the scheme to pass a solvency test that specifies a minimum level of capital. If a bank fails this test, it is taken over by the government-owned Financial Stability Company as part of the guarantee of depositors and senior debt, causing the subordinated debt, which is not covered by the scheme and referenced by the Scandinotes CDO's, to default. Bank Package II enables Danish banks considered in the scheme to benefit from capital support in the form of hybrid core capital and to issue medium term loans of up to three years under a state guarantee. The Danish banks could apply for Bank Package II whereby, under the terms of Bank Package II, they may be lent money for up to three years i.e. January 2012. As these support schemes are intended to be temporary, Moody's has considered the risk posed to the outstanding pools from the withdrawal of state funding support.

SCANDINOTES FIVE PUBLIC LIMITED COMPANY
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DIRECTORS' REPORT - CONTINUED

BUSINESS REVIEW AND FUTURE DEVELOPMENTS - CONTINUED

Bank Package I expired on 30 September 2010. Moody's expects this will have a further negative impact for Danish banks. In particular, this may affect weaker institutions which may see some depositors withdraw their funds in favour of stronger banks. Whilst this may be mitigated by Bank Package II, which offers government guarantees on senior debt for up to three years, the subordinated debt of Danish banks remains likely to suffer large losses in the event of insolvency. As the Company owns subordinated loans, it faces the risk of the aforementioned losses. At 31 December 2010, all fourteen banks were approved by Bank Package II.

CREDIT ENHANCEMENT SECURITISATION

The Company has received a guarantee from the European Investment Fund (the "EIF") in relation to the Class B and C Notes. EIF enjoys widespread recognition in Europe as a leading provider of triple A-rated credit enhancement in Small and Medium Enterprise ("SME") securitisations. It benefits from Multilateral Development Bank status, which enables financial institutions to apply a 0% risk-weighting to assets it guarantees. Typically, EIF guarantees certain tranches of notes (senior and/or mezzanine tranches) issued through SME securitisation transactions. The effect of this guarantee is to make the notes secure and improve their risk rating.

SIGNIFICANT SUBSEQUENT EVENTS

On 31 January 2011, Aarhus Lokalbank A/S, one of the fourteen Danish banks in the Company's Loan portfolio, owing a subordinated term loan of DKK 75,000,000, used the right to convert 80% of the Danish government's hybrid capital, or 147 million kroner, into shares. It is not known what percentage of shares will be held by the government because the conversion price has yet to be decided. However, the government will definitely become a major shareholder in the bank. This is a non-adjusting post balance sheet event under IAS 10, Events after the Reporting Period, the impact of which is disclosed in notes 10 and 12 of the financial statements. In the event that the bank does default, the Class C Notes balance will be reduced by the same amount. However, they are protected by the EIF.

On 6 February 2011, Amagerbanken A/S, another Danish bank in the Company's Loan portfolio, owing an amount under a subordinated term loan of DKK 150,000,000, filed a bankruptcy petition. Amagerbanken A/S is unable to honour its obligations in relation to the underlying loan agreements. This will affect the bond owners negatively, since a lack in the servicing of its debt will mean that Noteholders will receive a proportionally smaller interest payment and also, lose a proportional part of the principal unless sufficient profit to cover all the bank's debt and obligations are generated in the termination process. In the case that interest and principal payments are not sufficient, the Class D tranche will be affected first in line with the prospectus. The filing of the bankruptcy petition is a non-adjusting post balance sheet event, the impact of which is disclosed in notes 10 and 12 of the financial statements.

OPERATING HIGHLIGHTS AND DIVIDENDS

The Company's results and financial position at the end of the year are disclosed on pages 8 and 9 respectively. The profit for the year is DKK 2,000 (2009: 2,000). The directors do not recommend the payment of a dividend.

The key performance indicators for the Company are as follows:

	2009	2010	% Change
Profit before tax in DKK	2,000	2,000	-
Net assets in DKK	301,332	302,832	0.05%
Remaining loan term in years	6	5	n/a
Defaults during the year in DKK	-	-	-
Interest income earned in DKK	118,165,148	71,278,038	(40%)
Interest expenses paid in DKK	(111,976,985)	(65,089,875)	42%
Fair value of the assets in DKK	1,230,626,811	1,263,954,990	3%
Fair value of the derivatives in DKK	41,101,523	53,337,793	30%
Fair value of the Notes in DKK	(1,273,572,542)	(1,320,597,532)	(4%)

There were no repayments of the Loans or the Notes during the year. However, there were two potential defaults on the Loans subsequent to the year-end as disclosed in the significant subsequent events note above.

SCANDINOTES FIVE PUBLIC LIMITED COMPANY
FOR THE YEAR ENDED 31 DECEMBER 2010

DIRECTORS' REPORT - CONTINUED

OPERATING HIGHLIGHTS AND DIVIDENDS - CONTINUED

The average interest rates on the Loans, Notes and Derivatives are disclosed below:

	2009	2010	Change %
Loans	3.59%	1.57%	(56%)
Notes	2.73%	1.27%	(53%)
Derivative Assets	2.73%	1.27%	(53%)
Derivative Liabilities	3.59%	1.57%	(56%)

The 3 month CIBOR interest rates decreased in the last year. The majority of Notes interest is based on this rate. This has impacted the interest income and expense for the year, both of which have decreased. The fair value of the derivatives has risen with the fall in interest rates.

DIRECTORS AND COMPANY SECRETARY

The Directors and company secretary of the Company are listed on page 2 and have served for the entire year. The Directors and company secretary had no material interest in any contract of significance in relation to the business of the Company other than that disclosed below. The Directors and company secretary who held office on 31 December 2010 did not hold any shares, debentures or loan stock of the Company on that date or during the period.

RELATED PARTY TRANSACTIONS

There were no significant related party transactions during the year (2009: Nil).

FINANCIAL RISK MANAGEMENT

The operations of the Company are subject to various risks. Information about the capital and financial risk management objectives and policies of the Company, along with exposure of the Company to market risk, credit risk, liquidity risk and price risk, are disclosed in Note 16 to the financial statements.

CORPORATE GOVERNANCE REVIEW

The European Communities (Directive 2006/46/EC) Regulations (S.I. 450 of 2009 and S.I. 83 of 2010) (the "Regulations") requires the inclusion of a corporate governance statement in the Directors' Report. Although, there is no specific statutory corporate governance code applicable to Irish collective investment schemes whose shares are admitted to trading on the Irish Stock Exchange ("ISE"), the Company is subject to corporate governance practices imposed by the Irish Companies Acts, 1963 to 2009, the Articles of Association of the Company, the Central Bank of Ireland (the "Central Bank") in their Non-UCITS Notices and Guidance Notes and the Irish Stock Exchange ("ISE") through the ISE Code of Listing Requirements and Procedures.

The Board of Directors (the "Board") is responsible for establishing and maintaining adequate control and risk management systems of the Company in relation to the financial reporting process. Such systems are designed to manage rather than eliminate the risk of failure to achieve the Company's financial reporting objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has established processes regarding internal control and risk management systems to ensure its effective oversight of the financial reporting process. These include appointing TMF Administration Services Limited (the "Administrator") to maintain the accounting records of the Company independently of the Arranger. The Administrator is contractually obliged to maintain proper books and records as required pursuant to the Administration agreement. To that end, the Administrator performs reconciliations of its records to those of the Arranger. 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 reporting and reporting routines and monitors and evaluates the external auditors' performance, qualifications and independence. The Administrator has operating responsibility for internal control in relation to the financial reporting process and the Administrator's report to the Board. 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 financial statements are prepared by the Administrator in compliance with International Financial Reporting Standards (the "IFRS") and the Administrator uses internal controls and checklists to ensure that the financial statements include complete and appropriate disclosures required under IFRS and relevant legislation.

During the period of these financial statements, the Board was responsible for the review and approval of the annual financial statements as set out in the Statement of Directors' Responsibilities. The statutory financial statements are required to be audited by independent auditors who report annually to the Board of Directors on their findings. The Board of Directors evaluates and discusses significant accounting and reporting issues as the need arises.

SCANDINOTES FIVE PUBLIC LIMITED COMPANY
FOR THE YEAR ENDED 31 DECEMBER 2010

DIRECTORS' REPORT - CONTINUED

CORPORATE GOVERNANCE REVIEW – CONTINUED

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. 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. The Board delegates the asset valuation function to HSH Nordbank AG who operates a sophisticated system of controls to ensure appropriate valuation.

All the values for the financial instruments held by the Company (other than derivatives) have been provided by HSH Nordbank AG. In our opinion, HSH Nordbank AG is the most appropriate and reliable source of such fair values in its capacity as servicer. The fair values for the derivatives have been provided by HSH Nordbank AG. In our opinion, HSH Nordbank AG is the most appropriate and reliable source of such fair values in its capacity as swap counterparty. We are satisfied that the amounts as stated in the Company's financial statements represent a reasonable approximation of those values.

The Company's policies and the Board's instructions with relevance for financial reporting are updated and communicated via appropriate channels, such as e-mail, correspondence and meetings to ensure that all financial reporting information requirements are met in a complete and accurate manner. The Board has an annual process to ensure that appropriate measures are taken to consider and address the shortcomings identified and measures recommended by the independent auditors.

Given the contractual obligations on the Administrator, the Board has concluded that there is currently no need for the Company to have a separate internal audit function in order for the board to perform effective monitoring and oversight of the internal control and risk management systems of the Company in relation to the financial reporting process. 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. There are no restrictions on voting rights. With regard to the appointment and replacement of directors, the Company is governed by its Articles of Association which empower the existing Directors to appoint and (if necessary) replace the Directors. The Articles of Association themselves may be amended by special resolution of the shareholders.

In accordance with the Irish Companies Acts and the Articles of Association, unless otherwise determined by an ordinary resolution of the Company in general meeting, the number of Directors may not be less than two. Currently the Board is comprised of two non-executive Directors, who are independent. Details of the current Directors are set out on page 1.

The business of the Company is managed by the Directors, who exercise all such powers of the Company and the Group as are not by the Companies Acts or by the Articles of Association of the Company required to be exercised by the Company in general meeting. A Director may, and the Company Secretary on the requisition of a Director will, at any time summon a meeting of the Directors and ad hoc meetings. In addition to the four meetings are convened as required.

There were no sub-committees of the Board in operation during the period or at the period end.

The Board is responsible for managing the business affairs of the Company in accordance with the Articles of Association. The directors may delegate certain functions to the Administrator and other parties, subject to the supervision and direction by the directors. The Board of directors consists of two executive directors.

The Noteholders' rights and operations of annual general meetings are defined in the Articles of Association and comply with the Companies Acts, 1963 to 2009. The Company holds a general meeting each year as its annual general meeting in addition to any other meeting in that year. The annual general meeting is specified in the notice sent out for the meeting.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with IFRS and International Financial Reporting Interpretations Committee ("IFRIC") Interpretations endorsed by the European Union (the "EU") and with those parts of the Companies Acts, 1963 to 2009 applicable to companies reporting under IFRS. Irish company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year.

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

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

SCANDINOTES FIVE PUBLIC LIMITED COMPANY
FOR THE YEAR ENDED 31 DECEMBER 2010

DIRECTORS' REPORT – CONTINUED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS - CONTINUED

The Directors confirm that they have complied with the above requirements in preparing the financial statements. The Directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements are prepared in accordance with IFRS and IFRIC interpretations endorsed by the EU and with those parts of the Companies Acts, 1963 to 2009 applicable to companies reporting under IFRS and Article 4 of the International Accounting Standard ("IAS") Regulation. 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.

BOOKS OF ACCOUNT


The Directors are responsible for ensuring that proper books and accounting records, as outlined in Section 202 of the Companies Act, 1990, are kept by the Company. The measures taken by Directors to ensure compliance with the Company's obligation to keep proper books of account are the use of appropriate systems and procedures and by ensuring that a competent service provider is responsible for the preparation and maintenance of the books of account. The books of account are kept at 53 Merrion Square, Dublin 2.

AUDITORS

KPMG have expressed their willingness to continue in office in accordance with section 160(2) of the Companies Act, 1963.

This report was approved by the Board and authorised for issue on 28 April 2011.


Sandra Richardson
Director


Sandra Berger
Director

SCANDINOTES FIVE PUBLIC LIMITED COMPANY
FOR THE YEAR ENDED 31 DECEMBER 2010

Independent auditor's report to the members of Scandinotes Five Public Limited Company

We have audited the financial statements of Scandinotes Five Public Limited Company for the year ended 31 December 2010 which comprises the Statement of Financial Position, Statement of Comprehensive Income, Statement of Cash Flows, Statement of changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and independent auditor

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) are set out in the Statement of Directors' Responsibilities on page 5 to 6.

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

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Acts 1963 to 2009 and all Regulations to be construed as one with these Acts. We also report to you whether, in our opinion:

- proper books of account have been kept by the Company;
- at the reporting date, there exists a financial situation requiring the convening of an extraordinary general meeting of the Company; and
- the information given in the Directors' Report is consistent with the financial statements.

In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit, and whether the Company's financial statements are in agreement with the books of account.

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

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

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 also evaluated the overall adequacy of the presentation of information in the financial statements.

SCANDINOTES FIVE PUBLIC LIMITED COMPANY
FOR THE YEAR ENDED 31 DECEMBER 2010

Independent auditor's report to the members of Scandinotes Five Public Limited Company (continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU of the state of the Company's affairs as at 31 December 2010 and of its result for the period then ended
- the financial statements have been properly prepared in accordance with the Companies Acts, 1963 to 2009 and all Regulations to be construed as one with these Acts.

Other Matters

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

In our opinion, the information given in the directors' report on pages 2 to 6 is consistent with the financial statements.

The net assets of the Company, as stated in the Statement of Financial Position on page 10 are not less than half of 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, required the convening of an extraordinary general meeting of the Company.



KPMG
Chartered Accountants
Registered Auditor
1-2 Harbourmaster Place
IFSC
Dublin

Date: 28 April 2011

SCANDINOTES FIVE PUBLIC LIMITED COMPANY
FOR THE YEAR ENDED 31 DECEMBER 2010

STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2010 DKK	Year ended 31 December 2009 DKK
Continuing operations			
Net interest income			
Interest receivable and similar income	3	71,278,038	118,165,148
Interest payable and similar expenses	4	(65,089,875)	(111,976,985)
		<u>6,188,163</u>	<u>6,188,163</u>
Other income and expenses			
Unrealised foreign exchange gain/(loss)		469	(858)
Unrealised gain on fair value of the Loans	10	33,328,179	1,031,811
Unrealised gain on fair value of derivatives	11	12,236,270	19,426,936
Unrealised gain/(loss) on fair value of Notes	12	(47,024,990)	(21,252,923)
		<u>(1,460,072)</u>	<u>(795,034)</u>
Operating profit before operating costs		4,728,091	5,393,129
Administration expenses	5	(4,726,091)	(5,391,129)
Operating profit before taxation		2,000	2,000
Corporation tax charge	7	(500)	(500)
Profit for the year after taxation		<u>1,500</u>	<u>1,500</u>
Other comprehensive income for the year		-	-
Total comprehensive income for the year attributable to the Shareholders		<u><u>1,500</u></u>	<u><u>1,500</u></u>

All amounts relate to continuing operations.

The notes on pages 13 to 26 form an integral part of these financial statements.

The financial statements were approved by the Board on 28 April 2011 and signed on its behalf by:


Sandra Richardson
Director


Sandra Berger
Director

SCANDINOTES FIVE PUBLIC LIMITED COMPANY
FOR THE YEAR ENDED 31 DECEMBER 2010

STATEMENT OF FINANCIAL POSITION


Company registration number: 447197

	Notes	Year ended 31 December 2010 DKK	Year ended 31 December 2009 DKK
Assets			
Non-current assets			
Financial assets at FVTPL	10	1,263,954,990	1,230,626,811
Current assets			
Derivative financial instruments	11	56,973,659	42,233,408
Trade and other receivables	9	4,529,947	4,796,168
Cash and cash equivalents	8	<u>4,066,780</u>	<u>2,741,267</u>
Total assets		<u>1,329,525,376</u>	<u>1,280,397,654</u>
Liabilities			
Current liabilities			
Trade and other payables	13	4,989,146	5,391,895
Derivative financial instruments	11	<u>3,635,866</u>	<u>1,131,885</u>
		8,625,012	6,523,780
Non-current liabilities			
Notes issued at FVTPL	12	<u>1,320,597,532</u>	<u>1,273,572,542</u>
Total liabilities		<u>1,329,222,544</u>	<u>1,280,096,322</u>
Equity			
Ordinary share capital	14	298,332	298,332
Retained earnings		4,500	3,000
Total equity		<u>302,832</u>	<u>301,332</u>
Total equity and liabilities		<u>1,329,525,376</u>	<u>1,280,397,654</u>

The notes on pages 13 to 26 form an integral part of these financial statements.

The financial statements were approved by the Board on 28 April 2011 and signed on its behalf by:


Sandra Richardson
Director


Sandra Berger
Director

SCANDINOTES FIVE PUBLIC LIMITED COMPANY
FOR THE YEAR ENDED 31 DECEMBER 2010

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2010	Share Capital	Retained earnings	Total
	DKK	DKK	DKK
As at the start of the year	298,332	3,000	301,332
Total comprehensive income for the year	-	1,500	1,500
As at the end of the year	<u>298,332</u>	<u>4,500</u>	<u>302,832</u>
Year ended 31 December 2009	Share Capital	Retained earnings	Total
	DKK	DKK	DKK
As at the start of the year	298,332	1,500	299,832
Total comprehensive income for the year	-	1,500	1,500
As at the end of the year	<u>298,332</u>	<u>3,000</u>	<u>301,332</u>

SCANDINOTES FIVE PUBLIC LIMITED COMPANY
FOR THE YEAR ENDED 31 DECEMBER 2010

STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2010

	Year ended 31 December 2010 DKK	Year ended 31 December 2009 DKK
Cash flows from operating activities:		
Profit after tax	1,500	1,500
Adjustment for:		
Decrease in trade and other receivables	266,221	5,983,570
(Decrease) in trade and other payables	(402,749)	(5,406,946)
Unrealised loss/(gain) on fair value of the Portfolio	(33,328,179)	(1,031,811)
Unrealised (gain) on fair value of derivatives	(12,236,270)	(19,426,937)
Unrealised (gain)/loss on fair value of Notes	47,024,990	21,252,923
Net cash from operating activities	1,325,513	1,372,299
Net increase in cash and cash equivalents	1,325,513	1,372,299
Cash and cash equivalents at 1 January 2010 / 2009	2,741,267	1,368,968
Cash and cash equivalents at 31 December 2010 / 2009	4,066,780	2,741,267
Interest received	70,948,356	112,132,253
Interest paid	65,419,554	118,012,719

SCANDINOTES FIVE PUBLIC LIMITED COMPANY
FOR THE YEAR ENDED 31 DECEMBER 2010

NOTES TO THE FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

The Company was incorporated on 4 October 2007, under the laws of Ireland with registration number 447197. The Company is a special purpose company with limited liability and qualifies for the regime contained in Section 110 of the Irish Taxes Consolidation Act, 1997 (the "TCA"). This provides that a qualifying company will be liable to corporation tax at the rate of 25% under Case III of Schedule D of the TCA in respect of taxable profits. The Company was established to enter into a loan participation notes transaction with HSH Nordbank AG, Copenhagen branch. Under the Transaction, the Company issued Notes to Noteholders, which were backed by subordinated Loans originally advanced by HSH Nordbank AG, Copenhagen branch as Lender to a number of commercial and savings banks in Denmark.

2 ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Basis of compliance and preparation

The financial statements have been prepared in accordance with IFRS and International Financial Reporting Interpretations Committee ("IFRIC") interpretations endorsed by the EU and with those parts of the Companies Acts, 1963 to 2009 applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at FVTPL.

2.2 Adoption of new and revised accounting standards

New accounting pronouncements

The Company has applied the following new standards, amendments to standards and interpretations that have been approved by the International Accounting Standards Board (the "IASB") and applicable for financial year beginning on or after 1 July 2009:

- Amendments to IAS 27 "Consolidated and separate financial statements"
- Improvements to IAS 38 "Intangible assets"
- Improvements to IFRS 5 "Non-current assets held for sale and discontinued operations"
- IFRIC 17 "Distributions of non-cash assets to owners"

The Company has also applied the following new standards, amendments to standards, improvements to existing standards and interpretations that have been approved by the IASB and which would be applicable to the Company with an effective date on or after 1 Jan 2010:

- IFRS 5 "Non-current assets held for sale and discontinued operations" applicable from 1 Jan 2010 - This has no impact on the financial statements of the Company.
- IFRS 8 "Operating segments" applicable from 1 Jan 2010 - The financial statements have been updated to reflect the relevant changes.
- IAS 1 "Presentation of financial statements" applicable from 1 Jan 2010 - The financial statements have been updated to reflect the relevant changes.
- IAS 7 "Statement of cash flows" applicable from 1 Jan 2010 - The financial statements have been updated to reflect the relevant changes.
- IAS 17 "Leases" applicable from 1 Jan 2010 - This has no impact on the financial statements of the Company.
- IAS 36 "Impairment of assets" applicable from 1 Jan 2010 - The financial statements have been updated to reflect the relevant changes.
- IAS 39 "Financial instruments: recognition and measurement" applicable from 1 Jan 2010 - The financial statements have been updated to reflect the relevant changes.
- IFRS 2 "Share-based payments - Company cash-settled share-based payments" applicable from 1 Jan 2010 - This has no impact on the financial statements of the Company.
- IAS 32 "Financial instruments presentation" applicable from 1 Feb 2010 - The financial statements have been updated to reflect the relevant changes.

SCANDINAVIAN FIVE PUBLIC LIMITED COMPANY
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NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

2 ACCOUNTING POLICIES – CONTINUED

2.3 Use of estimates and judgements

The preparation of the financial statements requires the directors to make judgments, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis by directors. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The key area of estimate and judgement for the Company is determining the fair value of financial assets, liabilities and derivatives. The fair value of financial assets, financial liabilities and derivatives where there is no active market, is determined using valuation techniques.

The fair values are estimated by management in the absence of readily determinable market prices. Management estimates are based on values obtained from FinE Analytics, who use a variety of different valuation techniques such as obtaining prices from specialist loan pricing vendors, discounted cash flow techniques, option pricing model or any other valuation technique that provides an estimate of prices obtained should the investment be traded. If other prices were available for the investment, they may be different to those presented and those differences could be material. Therefore, the realisable value of the Company's investments may differ significantly from the fair value recorded.

2.4 Critical accounting estimates and judgements in applying accounting policies

The Company makes estimates and assumptions that affect the reported amounts of the financial assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Impairment losses on the Loans

The Company reviews the Loans portfolio to assess impairment regularly. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Company makes a judgement as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a Loan within the portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of the borrowers, or national or local economic conditions that correlate with defaults on related assets, including the takeover of a Bank by the Danish Government.

These estimates are based on historical loss experience for assets with credit risk characteristics similar to those in the portfolio. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual losses experienced.

Also, where the banks to which the Company has made subordinated Loans are taken over by the Danish Government under Banking Package II, the Loans are considered to be defaulted.

2.5 Foreign currency transactions

Monetary assets and liabilities denominated in foreign-currency included in the Company's financial statements are measured in Danish Krone denoted by the symbol "DKK" which is the Company's functional and presentation currency. Foreign-currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign-exchange gains and losses resulting from the settlement of such transactions and from the re-translation at the period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

2.6 Interest income and expense

Interest income and expense are accounted for on an accruals basis.

2.7 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term, highly liquid investments with original maturities of three months or less.

2.8 Taxation

The tax expense represents the sum of the tax payable for the current reporting period. The tax currently payable is based on taxable profit for the period as calculated in accordance with Irish Tax Laws. Taxable profit differs from profit before tax as reported in the statement of comprehensive income because it excludes items of income or expense that are not taxable or deductible. The Company's liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted at the end of reporting period date. Deferred income tax is provided in full, using the liability method,

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

2 ACCOUNTING POLICIES – CONTINUED

2.8 Taxation - CONTINUED

on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of reporting period date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.9 Financial assets and liabilities at FVTPL

The Company has designated its financial assets and financial liabilities at FVTPL. Purchases and sales of financial assets during the year are recognised on a trade date basis which is, the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognised at fair value and subsequently, re-measured at FVTPL. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has transferred substantially all the risks and rewards of ownership. Gains and losses are included in the statement of comprehensive income in the year in which they arise.

Notes issued

Notes issued are recognised initially at fair value, and are subsequently re-measured at FVTPL. A liability may be designated at FVTPL when it eliminates or significantly reduces a measurement or recognition inconsistency i.e. "an accounting mismatch" that would otherwise arise from measuring assets or liabilities or recognising gains and losses on them on a different basis. The Company derecognises a financial liability (or a part of the financial liability) from its statement of financial position when the obligation specified in the contract is discharged or cancelled or expires.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at FVTPL. Fair values are obtained from recent market transactions and valuation techniques, including discounted cash flow models and options pricing models as appropriate. Derivatives are included in assets when their fair value is positive and liabilities when their fair value is negative, unless there is the legal ability and intention to set off. Gains and losses arising from changes in the fair value of derivatives are included in the statement of comprehensive income in the year in which they arise. Derivatives financial instruments are classified as held for trading.

Valuation of financial instruments

The Company categorises the financial assets, liabilities and derivatives using the following hierarchy:

- 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.

Offsetting financial instruments

Financial assets and financial liabilities are offset 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.

2.10 Share Capital

Ordinary shares are not redeemable and do not participate in the net income of the Company and are classified as equity as per the Company's Articles of Association.

2.11 Limited recourse and receivable/payable from/to noteholders

If the net proceeds of realisation of the Loans secured as collateral against the Notes are less than the aggregate amount payable by the Company to the Noteholders the obligations of the Company will be limited to such net proceeds, which shall be applied in accordance with the prospectus. In such circumstances, the other assets (if any, including the Issuer Irish Account) of the Company will not be available for payment of such shortfall which shall be borne by the senior Noteholders, the subordinated Noteholders and the other secured parties in accordance with the prospectus applied at the time of final settlement. Interest expense payable to the Noteholders is calculated by the calculation agent based on the applicable rate

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FOR THE YEAR ENDED 31 DECEMBER 2010

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

2 ACCOUNTING POLICIES – CONTINUED

2.11 Limited recourse and receivable/payable from/to noteholders - CONTINUED

as defined in the prospectus. The returns made to the Noteholders over the life of the Company would include the effect of capital gains/losses as well as interest. At each reporting date, when the results of operations are computed, this gain or loss is recognised in the statement of comprehensive income and added to or set off against the principal amounts due to Noteholders.

2.12 Guarantees

Guarantees received are treated as off statement of financial position items when they relate to amounts calculable and due in the future, which cannot be reasonably estimated at the current year end, either due to uncertainty on the happening or not happening of a future event or the extent of the amounts involved.

3	Interest receivable and similar Income	Year ended 31 December 2010	Year ended 31 December 2009
		DKK	DKK
	Interest income on financial assets at FVTPL	36,126,192	67,564,001
	Interest income on derivatives at FVTPL	35,151,846	50,601,147
		<u>71,278,038</u>	<u>118,165,148</u>
4	Interest payable and similar expenses	Year ended 31 December 2010	Year ended 31 December 2009
		DKK	DKK
	Interest expense on Notes issued at FVTPL	31,246,338	46,695,638
	Interest expense on derivatives at FVTPL	33,843,537	65,281,347
		<u>65,089,875</u>	<u>111,976,985</u>
5	Administration expenses	Year ended 31 December 2010	Year ended 31 December 2009
		DKK	DKK
	Audit fee	167,286	154,435
	Operational services fees	371,216	394,233
	Paying agent fees	90,598	227,818
	Rating agency fees	86,629	362,203
	European Investment Fund fees	3,921,460	4,097,333
	Listing fees	532	12,110
	Legal fees	12,144	-
	Bank fees	4,027	800
	Other fees	72,199	142,197
		<u>4,726,091</u>	<u>5,391,129</u>

The Company has no employees (2009: Nil). Accounting, management and corporate secretarial services have been outsourced to the Administrator. No fees were paid to directors during the year (2009: Nil).

6	Operating profit before taxation	Year ended 31 December 2010	Year ended 31 December 2009
		DKK	DKK
	Operating profit before taxation includes:		
	Auditors' remuneration		
	Statutory audit fee	167,286	154,435
	Directors fees	-	-
		<u>167,286</u>	<u>154,435</u>
7	Taxation on profit on ordinary activities	Year ended 31 December 2010	Year ended 31 December 2009
		DKK	DKK
	Corporation tax based on profit for the year	500	500

SCANDINOTES FIVE PUBLIC LIMITED COMPANY
FOR THE YEAR ENDED 31 DECEMBER 2010

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

7 Taxation on profit on ordinary activities – CONTINUED

Factors affecting tax charge for year: The current tax charge for the year is higher than the current charge that would result from applying the standard rate of Irish corporation tax to profits on ordinary activities. The differences are explained below:

	Year ended 31 December 2010 DKK	Year ended 31 December 2009 DKK
Profit on ordinary activities before tax	2,000	2,000
Profit on ordinary activities multiplied by the standard rate of Irish corporation tax for the year of 12.5%	250	250
Effects of:		
Higher rate of tax applicable under Section 110 TCA, 1997	250	250
Current tax charge for year	500	500

The Company is a qualifying Company within the meaning of Section 110 of the TCA. As such, the profits are chargeable to corporation tax under Case III of Schedule D at a rate of 25%, but are computed in accordance with the provisions applicable to Case I of schedule D of the TCA.

8 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly-liquid investments with original maturities of three months or less. The total amount of cash and cash equivalents held at the year-end was DKK 4,066,780 (2009: DKK 2,741,267).

	Year ended 31 December 2010 DKK	Year ended 31 December 2009 DKK
Nordea Bank	3,766,126	2,443,793
Bank of Ireland	300,654	297,474
	4,066,780	2,741,267

9 Trade and other receivables

	Year ended 31 December 2010 DKK	Year ended 31 December 2009 DKK
Accrued interest on financial assets at FVTPL	2,722,024	2,895,938
Accrued interest on derivatives at FVTPL	1,695,137	1,850,905
Prepayments	107,536	-
Other receivables	5,250	49,325
	4,529,947	4,796,168

10 Financial assets - designated at FVTPL

	Year ended 31 December 2010 DKK	Year ended 31 December 2009 DKK
Balance at the beginning of the year	1,230,626,811	1,229,595,000
Purchases during the year	-	-
Disposals during the year	-	-
	1,230,626,811	1,229,595,000
Unrealised foreign exchange gain on financial assets	-	-
Fair value movement on financial assets at FVTPL	33,328,179	1,031,811
Balance at the end of the year	1,263,954,990	1,230,626,811

SCANDINOTES FIVE PUBLIC LIMITED COMPANY
FOR THE YEAR ENDED 31 DECEMBER 2010

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

10 Financial assets - designated at FVTPL – CONTINUED

The portfolio of investments is made up of fourteen subordinated term loans with Danish banks. Interest is paid on a semi-annual basis and they will reach maturity in December 2015.

Originally, there were fifteen subordinated term loans. However, the Company's investment in Roskilde bank suffered significant losses. As Roskilde Bank could not honour its obligations in relation to the underlying loan agreements, the Hedging Agreement was terminated by HSH Nordbank AG on 24 September 2008. The Class D swap under the Hedging Agreement was reset to reflect the loss of cashflow from Roskilde Bank. The investment of around DKK 200,000,000 was written down to nil in the books of accounts at 31 December 2008 to reflect the fair value of the loan.

On 31 January 2011, Aarhus Lokaibank A/S, one of the fourteen Danish banks in the Company's Loan portfolio owing a subordinated term loan of DKK 75,000,000, will use the right to convert 80% of the Danish government's hybrid capital, or 147 million kroner, into common shares. It is not known what percentage of common shares will be held by the government because the conversion price has yet to be decided. However, the government will definitely become a major shareholder in the bank.

On 6 February 2011, Amagerbanken A/S, another Danish bank in the Company's Loan portfolio, owing a subordinated term loan of DKK 150,000,000, filed a bankruptcy petition. Amagerbanken A/S is unable to honour its obligations in relation to the underlying loan agreements. This will affect the bond owners negatively, since a lack in the servicing of its debt will mean that Noteholders will receive a proportionally smaller interest payment and also, lose a proportional part of the principal unless sufficient profit to cover all the bank's debt and obligations are generated in the termination process. In the case that interest and principal payments are not sufficient, the Class D tranche will suffer first. The Class C tranche is protected by the EIF.

The post year-end defaults noted above will reduce the total nominal amount of Loans by DKK 225,000,000 in the year ending 31 December 2011.

The unrealised gain on the fair value of financial assets for the year is DKK 33,328,179 (2009: unrealised gain of DKK 1,031,811).

11 Derivative financial instruments

The Company has the following derivatives in place as at the year-end. The Company receives fixed and pays floating rates of interest on the principal amounts in the table below. The swap counterparty is HSH Nordbank AG.

(i) Interest Rate Swaps

The interest rate swaps held by the Company at the year-end are as follows:

Description	Fixed Rate	Fixed Rate Fixing	Floating Rate	Floating
	Principal		Principal	Rate Fixing
	DKK		DKK	
Class A Notes	218,100,000	3M CIBOR + 30BP	218,100,000	6M CIBOR + 30BP
Class B Notes	672,000,000	3M CIBOR + 25BP	672,000,000	6M CIBOR + 25BP
Class C Notes	417,900,000	4.69%	406,505,000	6M CIBOR + 79BP
Class D Notes	37,190,000	4.00%	3,395,000	6M CIBOR + 21,150 BP

The respective fair values of the interest rate swaps are as follows:

Description	Type	Year ended	Year ended
		31 December 2010	31 December 2009
		DKK	DKK
Class C Notes	Asset	27,516,215	24,938,841
Class D Notes	Asset	21,055,251	14,151,705
Total Derivative Assets		48,571,466	39,090,546
Class A Notes	Liability	(892,317)	(278,376)
Class B Notes	Liability	(2,743,549)	(853,510)
Total Derivative Liabilities		(3,635,866)	(1,131,886)

SCANDINAVIAN FIVE PUBLIC LIMITED COMPANY
FOR THE YEAR ENDED 31 DECEMBER 2010

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

11 Derivative financial instruments - CONTINUED

(ii) Floor Transaction

The Floor transaction agreement between HSH Nordbank AG and the Company was entered into on 30 November 2007.

The calculation amount is DKK 687,000,000 at a rate of 2.50%. The payment dates commence on 3 June 2013 and thereafter, on 3 December and 3 June in each year up to and including 3 December 2015. The fair value of the floor transaction was DKK 8,402,193 (2009: 3,142,862) and the movement in unrealised gain was DKK 5,259,331 (2009: (56,063)).

The unrealised gain on the fair value of derivative financial instruments is DKK 12,236,270 (2009: unrealised gain of DKK 19,426,936).

12 Notes issued at FVTPL

	Year ended 31 December 2010			Year ended 31 December 2009		
	Nominal	Price	Fair Value	Nominal	Price	Fair Value
	DKK	DKK	DKK	DKK	DKK	DKK
A	218,100,000	96.72	210,946,320	218,100,000	95.34	207,927,158
B	672,000,000	99.31	667,363,200	672,000,000	94.79	636,965,988
C	417,900,000	103.00	430,437,000	417,900,000	97.99	409,494,862
D	37,190,000	22.98	8,546,262	37,190,000	46.63	17,340,326
	<u>1,345,190,000</u>		<u>1,317,292,782</u>	<u>1,345,190,000</u>		<u>1,271,728,334</u>
Adjustment for other timing differences	-		3,304,750	-		1,844,208
Notes issued at FVTPL	<u>1,345,190,000</u>		<u>1,320,597,532</u>	<u>1,345,190,000</u>		<u>1,273,572,542</u>

The movement in the unrealised loss on the fair value of Notes is DKK 47,024,990 (2009: unrealised loss of DKK 21,252,923).

The Class A Notes have a floating interest rate of 3 month CIBOR + 0.30%, Class B Notes have a floating interest rate of 3 month CIBOR + 0.10%, and Class C and D Notes have a fixed interest rate of 4%.

The Notes may be redeemed before their final legal maturity, in whole or in part, on any payment date if the relevant coverage tests are not satisfied. The Company may redeem the Notes sequentially in order of seniority according to payment priority, using available principal, interest and sale proceeds. In addition, mandatory redemption can occur if subordinated Noteholders vote in favour of such in accordance with the terms and conditions of the Notes. The Notes are all due for repayments in 2015. The entity had an operating gain arising from the decrease in the fair value of notes issued during the period which was passed on to the Noteholders as a fair value adjustment.

The Company originally issued an aggregate principal amount of DKK 1,563,000,000 in Notes due 2015. Interest on the senior notes is paid quarterly in arrears on 13 March, June, September & December from 13 March 2008 up to September 2012, thereafter semi-annually on 5 June and 5 December. Interest on mezzanine and junior notes is paid annually in arrears on 13 December commencing 13 December 2008 up to December 2011, thereafter semi-annually on 5 June and 5 December.

The Notes are listed on the Irish Stock Exchange. The Notes are direct, secured, limited recourse obligations of the Company payable solely out of the assets charged by the Company in favour of the Trustee on behalf of the Noteholders and other secured parties.

The EIF has provided a guarantee to the Class B and C Noteholders, whereby on the maturity date, if there is any shortfall as principal, the EIF will provide the amount. From the Company's perspective, this is an off balance sheet item being a guarantee received. The guarantee will only be called at maturity, when the Class B and C Notes fall due.

The default of Amagerbanken A/S (DKK 150,000,000) will affect Class D Noteholders (DKK 37,190,000 remaining). The outstanding default amount of DKK 112,810,000 will then be offset against the Class C Notes. The default provision for Aarhus Lokalbank A/S will reduce the Class C Notes further by DKK 75,000,000. The new Class C Notes nominal value will be DKK 230,090,000. The Class C Notes are protected by the EIF.

SCANDINOTES FIVE PUBLIC LIMITED COMPANY
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NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

13	Trade and other payables	Year ended 31 December 2010 DKK	Year ended 31 December 2009 DKK
	Interest payable on Notes issued at FVTPL	1,502,536	1,658,304
	Interest payable on Derivatives at FVTPL	2,546,920	2,720,831
	Accrued expenses	939,690	1,012,760
		4,989,146	5,391,895

All accrued expenses are due within one year.

14	Share capital - equity and ownership of the Company	Year ended 31 December 2010 DKK	Year ended 31 December 2009 DKK
	EUR		
	Authorised Share Capital		
	40,000 Ordinary shares of €1 each	40,000	298,332
	Issued		
	40,000 Ordinary shares of €1 each	40,000	298,332
	Note: €1 = DKK 7.4583		

The Company's share capital as at the year-end is best represented by the ordinary shares outstanding. The Company has issued its shares to seven shareholders: 39,994 shares, of the 40,000 shares in issue, are held by TMF Management (Ireland) Limited on behalf of Scandinotes Five Plc Trust, the remaining six shares are held by six individuals on behalf of TMF Management (Ireland) Limited, who in turn, holds on behalf of Scandinotes Five Plc Trust. The six individuals are employees of TMF Management (Ireland) Limited.

15	Reconciliation of movements in shareholders' funds	Year ended 31 December 2010 DKK	Year ended 31 December 2009 DKK
	Shareholders' funds at the beginning of the year	301,332	299,832
	Profit for the year	1,500	1,500
	Shares issued at par	-	-
	Shareholders' funds at the end of the year	302,832	301,332

16 Financial instruments and risk management

Categories of financial instruments

The Company's financial instruments include cash and cash equivalents, Loans, Derivatives, Notes issued and other accruals that arise directly from its operations.

The Company is exposed to a variety of financial risks: capital risk, market rate risk, credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

(a) Capital risk management

The Company manages its capital to ensure that it is able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balances.

The capital managed by the Company comprises of ordinary shares outstanding and the Notes issued and outstanding as at the year-end. The objective of the Company is to provide the Noteholders with above average returns over the medium to long term through both capital growth and income. The Company aims to deliver this objective through investing in a portfolio of subordinated Loans. The Company also uses derivatives for risk management purposes. The Company is not subject to externally imposed capital requirements. There were no changes to the policies and procedures during the year with respect to the Company's approach to its capital management program. The capital structure of the Company consists of debt, which includes the Notes payable disclosed in Note 12, cash and cash equivalents and equity comprising issued capital and retained earnings as disclosed in Notes 8, 14 and 15 respectively.

SCANDINOTES FIVE PUBLIC LIMITED COMPANY
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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

16 Financial instruments and risk management – CONTINUED

(b) Market risk

Market risk is the potential change in the value caused by the movements in the foreign-currency exchange rates, interest rates or market prices of the financial instruments. The Noteholders are exposed to the market risk of the portfolio of Loans.

(i) Foreign-currency exchange rate 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-currency exchange rates. The Company is not exposed to currency risk as the majority of the assets and liabilities are in the same currency.

Foreign exchange sensitivity

The profits of the Company and the gains/losses allocated to the Noteholders are not significantly exposed to the risk of fluctuation of DKK against any other currency.

(ii) Interest rate risk

The financial assets and financial liabilities of the Company receive and pay interest at various rates.

The interest rate risk profile of the Company's financial liabilities is disclosed below:

Interest rate type	Year ended 31 December 2010 DKK	Year ended 31 December 2009 DKK
Fixed / Floating rate	(1,320,597,532)	(1,273,572,542)
Non-interest bearing	(9,217,485)	(7,079,563)
	<u>(1,329,815,017)</u>	<u>(1,280,652,105)</u>

The interest rate risk profile of the financial assets is disclosed below:

As at 31 December 2010	Cash and cash equivalents DKK	Financial Assets DKK	Total DKK
Interest rate type			
Floating rate	4,066,780	1,263,954,990	1,268,021,770
Fixed rate	-	-	-
Non-interest bearing	-	61,244,297	61,244,297
	<u>4,066,780</u>	<u>1,325,199,287</u>	<u>1,329,266,067</u>
As at 31 December 2009			
Interest rate type			
Floating rate	2,741,267	1,230,626,811	1,233,368,078
Fixed rate	-	-	-
Non-interest bearing	-	47,343,721	47,343,721
	<u>2,741,267</u>	<u>1,277,970,532</u>	<u>1,280,711,799</u>

Interest rate sensitivity

The Noteholders are exposed to interest rate risk arising from movements on assets and liabilities. Profits or losses arising from movements in interest rates are passed on to the Noteholders.

At 31 December 2010, should the interest income on the Investment have lowered by 5% per annum, (€3,563,902), with all other variables remaining constant, the fair value of the Notes would decrease to approximately €1,317,033,630 (2009: €1,267,664,285). If the interest income had risen by 5% per annum, the impact would be equal and move in the opposite direction.

SCANDINAVIAN FIVE PUBLIC LIMITED COMPANY
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NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

16 Financial instruments and risk management – CONTINUED

(b) Market risk - CONTINUED

(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.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The tables below provide an analysis of the basis of measurement used by the Company to fair value its financial instruments into the aforementioned categories:

	As at 31 December 2010		As at 31 December 2009	
	Level 2	Level 3	Level 2	Level 3
	DKK	DKK	DKK	DKK
Financial assets at FVTPL				
Financial assets at FVTPL	-	1,263,954,990	-	1,230,626,811
Derivative financial assets	56,973,659	-	42,233,408	-
	<u>56,973,659</u>	<u>1,263,954,990</u>	<u>42,233,408</u>	<u>1,230,626,811</u>
Financial liabilities at FVTPL				
Notes Issued at FVTPL	-	(1,320,597,532)	-	(1,273,572,542)
Derivative financial liabilities	(3,635,866)	-	(1,131,886)	-
	<u>(3,635,866)</u>	<u>(1,320,597,532)</u>	<u>(1,131,886)</u>	<u>(1,273,572,542)</u>

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety. There have been no significant movements between the levels during the year.

The changes in the fair values of Loans, derivatives and Notes are discussed in Notes 10, 11 and 12 respectively.

	As at 31 December 2010		As at 31 December 2009	
	Assets	Notes	Assets	Notes
	DKK	DKK	DKK	DKK
Level 3 reconciliation				
Balance at the start of the year	1,230,626,811	(1,273,572,542)	1,229,595,000	(1,252,319,619)
Fair value movements	33,328,179	(47,024,990)	1,031,811	(21,252,923)
Purchases	-	-	-	-
Sales	-	-	-	-
Settlements	-	-	-	-
Transfers into or out of level 3	-	-	-	-
Balance at the end of the year	<u>1,263,954,990</u>	<u>(1,320,597,532)</u>	<u>1,230,626,811</u>	<u>(1,273,572,542)</u>

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NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

16 Financial risk management – CONTINUED

(b) Market risk - CONTINUED

(iii) Price risk – CONTINUED

Although the Company believed that its estimates of fair value are appropriate, the use of difference methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, the key factor in the valuation methodology is default rate, and if the annual default rate of the underlying portfolio doubles, there would be the following effect:

Assets measured at fair value based on Level 3	2010	Total 2010	2009	Total 2009
Fair value if annual default rate doubles	1,200,757,240	1,200,757,240	1,169,095,470	1,169,095,470

Price sensitivity

The Noteholders are exposed to price risk on the Investment. Profits or losses arising from movements in price are passed to the Noteholders.

At 31 December 2010, should the price have lowered by 5% per annum with all other variables remaining constant, the fair value of the Notes would decrease to approximately €1,257,399,782 (2009: €1,212,041,201). If the price had risen by 5% per annum, the impact would be equal and move in the opposite direction

(c) Credit risk

Credit risk arises from the possibility of counterparties failing to meet their contractual obligations to the Company and represents the most significant category of risk faced by the Noteholders. The table below represents the maximum exposure to credit risk:

	Year ended 31 December 2010 DKK	Year ended 31 December 2009 DKK
Credit risk exposures relating to financial assets		
Financial assets at FVTPL	1,263,954,990	1,230,626,811
Derivative financial instruments	56,973,659	42,233,408
Trade and other receivables	4,529,947	4,796,168
Cash balances	4,066,780	2,741,267
	<u>1,329,525,376</u>	<u>1,280,397,654</u>

The Company's exposure and the credit ratings of its counterparties are continuously monitored by the Manager. The following table details the aggregate investment grade of the debt instruments in the portfolio, as rated by HSH Nordbank AG:

Name	Amount	%	As at 31 December 2010 Rating	As at 31 December 2009 Rating
Alm Brand Bank	200,000,000	13%	BBB-	BBB
Amagerbanken	150,000,000	10%	B	BB-
DiBa Bank	150,000,000	10%	BBB-	BBB-
Aarhus Lokalbank	75,000,000	5%	BBB	BBB-
Lan & Spar Bank	75,000,000	5%	BBB+	BBB
Max Bank	50,000,000	3%	BB+	BBB-
Middelfart Sparekasse	100,000,000	7%	BBB-	BBB-
Roskilde Bank	200,000,000	13%	Default	Default
Skælskør Bank	50,000,000	3%	BB+	BB
Skjern Bank	100,000,000	7%	BBB-	BBB
Sparekassen Himmerland	100,000,000	7%	BBB+	BBB
Spar Nord Bank	100,000,000	7%	A-	A-
Totalbanken	25,000,000	2%	BBB	BBB
Tønder	50,000,000	3%	BBB	BBB-
Østjydsk Bank A/S	75,000,000	5%	BBB+	BBB
	<u>1,500,000,000</u>	<u>100%</u>		

SCANDINOTES FIVE PUBLIC LIMITED COMPANY
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NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

16 Financial risk management – CONTINUED

(c) Credit risk – CONTINUED

The risk management systems in place do not facilitate splitting the overall fair value movement into its individual components, specifically credit risk and market risk. The directors rely on the overall fair value movement to assess the performance of portfolio and as such do not require the individual components of the risk. In their opinion the credit ratings assigned to each investment in the portfolio along with the ongoing monitoring of its performance are reasonable assessments of the credit risk.

The credit risk on cash transactions and transactions involving derivative financial instruments is mitigated by transacting with counterparties that are regulated entities subject to prudential supervision, or with high credit-ratings assigned by international credit-rating agencies. The portfolio of Loans is made up of fourteen subordinated term loans with Danish banks. Interest is paid on a semi-annual basis and they will reach maturity in December 2015 (with call option after December 2012). The Company has not recognised any amounts receivable under the guarantee from EIF as this guarantee will only be called at maturity. However, EIF can be considered a secured lender due to its status as a Multilateral Development Bank.

(d) Liquidity risk

Prudent liquidity risk management means that the Company should maintain sufficient cash and liquid investments for its short and medium term operations with adequate planning for significant long term commitments. The ability of the Company to meet its ongoing obligations towards the Noteholders is dependent on the receipt of interest and principal from its portfolio of assets. The table below represents the cashflows payable by the Company under non-derivative financial liabilities by remaining contractual maturities at the end of reporting period. The amounts disclosed in the table are the contractual undiscounted cash flows whereas the Company manages the inherent liquidity risk based on expected undiscounted cash inflows.

As at 31 December 2010	Less than 1 month DKK	1-3 months DKK	3 months to 1 year DKK	Between 1-5 years DKK	Over 5 years DKK	Total DKK
Liabilities:						
Notes issued at FVTPL	-	-	-	1,320,597,532	-	1,320,597,532
Derivative financial instruments	3,635,866	-	-	-	-	3,635,866
Interest on Notes issued and Derivatives at FVTPL	4,049,456	-	-	-	-	4,049,456
Other liabilities	939,690	-	-	-	-	939,690
	<u>8,625,012</u>	-	-	<u>1,320,597,532</u>	-	<u>1,329,222,544</u>
As at 31 December 2009						
Liabilities:						
Notes issued at FVTPL	-	-	-	1,273,572,542	-	1,273,572,542
Derivative financial instruments	1,131,885	-	-	-	-	1,131,885
Interest on Notes issued and Derivatives at FVTPL	4,379,135	-	-	-	-	4,379,135
Other liabilities	1,012,760	-	-	-	-	1,012,760
	<u>6,523,780</u>	-	-	<u>1,273,572,542</u>	-	<u>1,280,096,322</u>

Interest payable on Notes has been calculated using the assumption that the year-end Euribor rate would remain unchanged in the future.

(e) Concentration risk

Concentration risk can arise from the type of assets held in the portfolio, the maturity of assets, the concentration of sources of funding, concentration of counterparties or geographical locations. Prudent risk management implies maintaining the exposure to various risks at a reasonable level.

The financial assets of the Company have the same geographical location and industry significance. Hence, there is a high level of concentration risk.

17 Segment analysis

IFRS 8 "Operating Segments", adopts a strict management approach to segment reporting and requires that operating segments be identified on the same basis as financial information is reported internally for the purpose of allocating

SCANDINOTES FIVE PUBLIC LIMITED COMPANY
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NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

17 Segment analysis - CONTINUED

resources between segments and assessing their performance. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Company's Chief Operating Decision maker and for which financial information is available. The Company's Chief Operating Decision maker is the Board of Directors.

The operating segment for the Company has been identified based on the aforementioned criteria keeping in view the role of segment manager, who in this case is the Arranger. The operating segment consists of the Company's investment in a large pool of assets that is managed by the Arranger. This pool earns income and requires expenditure for its day to day operational maintenance. The operating segment derives its income from interest earned and realised gains during the year. Based on the operating segment identified earlier the Company has one distinct reportable segment.

	Year ended 31 December 2010 DKK	Year ended 31 December 2009 DKK
General segment financial information		
Segment profit / loss for the year	2,000	2,000
Assets at the year-end	1,263,954,990	1,230,626,811
Liabilities at the year-end	(1,320,597,532)	(1,273,572,542)
Interest revenue and expense		
Interest receivable and similar income	71,278,038	118,165,148
Interest payable	(65,089,875)	(111,976,985)
Other material non-cash items		
Unrealised foreign exchange gain/(loss) on cash and cash equivalents	469	(858)
Unrealised (loss)/gain on fair value of the Portfolio	33,328,179	1,031,811
Unrealised gain on fair value of derivatives	12,236,270	19,426,936
Unrealised gain/(loss) on fair value of Notes	(47,024,990)	(21,252,923)
Other material cash items		
Administration expenses	(4,726,091)	(5,391,129)
Corporation tax charge	(500)	(500)

There are no inter-segment revenues. The interest income disclosed above has been earned exclusively from external customers. The accounting policies used for operating segments are in-line with the accounting policies for the Company and there are no reconciling items arising due to a difference in measurement basis or accounting treatment. The segment information presented above matches the information present in the Statement of Comprehensive Income and the Statement of Financial Position.

(i) Revenue from major products, services and customers

The Company's revenue is generated from the portfolio of Loans held during the year. The Company has no other products or revenue generating source. The share of revenue by customer in the total revenue can be estimated using the percentage of the individual investments disclosed in Note 16 (c).

(ii) Geographical information

The Company's revenue from continuing operations by geographical location are detailed below.

	Year ended 31 December 2010 DKK	Year ended 31 December 2009 DKK
Denmark	71,278,038	118,165,148

18 Contingent liabilities and commitments

There were no contingent liabilities or commitments as of the year end or date of signing of these financial statements (2009: Nil). Contingent liabilities are assessed continually to determine whether transfers of economic benefits have become probable. Where future transfers of economic benefits change from previously disclosed contingent liabilities, provisions are recognised in the year in which the changes in probability occur.

SCANDINOTES FIVE PUBLIC LIMITED COMPANY
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NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

19 Charges

The Law Debenture Trust Corporation Plc have rights over all the assets of the Company on behalf of the Noteholders. The charges are as follows:

- A charge for the purpose of securing any Issue of Debentures.
- A charge on Book Debts of the Company.
- A floating charge on the undertakings or property of the Company.

20 Related party transactions

There were no significant related party transactions during the year (2009: Nil).

21 Significant subsequent events

There were no significant subsequent events other than those disclosed in notes 10 and 12 of the financial statements and the Directors' Report.

22 Approval of financial statements

The financial statements were approved by the Board and authorised for issue on 28 April 2011.