

Financial Statements of

**EDAM FUNDING ONE LIMITED**

December 31, 2011 and 2010



## **EDAM FUNDING ONE LIMITED**

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## **Independent Auditors' Report to the Shareholder**

We have audited the accompanying financial statements of Edam Funding One Limited (the "Company"), which comprise the statements of financial position as at December 31, 2011 and 2010, the statements of comprehensive income, changes in shareholder's equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory notes.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines as necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audits to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(continued)



## **Independent Auditors' Report to the Shareholder (continued)**

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2011 and 2010, its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

### *Emphasis of Matter*

Without qualifying our opinion, we draw attention to Notes 4(d) and Note 5 to the financial statements. The financial statements include limited recourse notes valued at €2,613,158 (2010: €195,499,662) and derivative financial instruments valued at €760,113 net asset (2010: €19,631,946 net liability) whose values are estimated using the valuation method discussed in Notes 2(d)(iv) and Note 11 in the absence of readily ascertainable market values. However, because of the inherent uncertainty of valuation, those estimated values may differ significantly from the values that would have been used had a ready market for these financial instruments existed or another valuation method been adopted, and the differences could be material.

KPMG

April 24, 2012

## EDAM FUNDING ONE LIMITED

### Statements of Financial Position

December 31, 2011 and 2010  
(stated in Euro)

	Note	2011	2010
<b>Assets</b>			
<i>Loans and receivables</i>			
Cash and cash equivalents	3	16,630	16,098
Investments	4(d),9	50,000,000	215,000,000
Interest receivable	4(d),9	886,518	1,765,172
<i>Fair value through profit or loss</i>			
Derivative financial instruments	4(d),9	1,827,604	4,232,633
Investments	4(d),9	1,853,045	254,723
<b>Total assets</b>		€ 54,583,797	221,268,626
<b>Liabilities and shareholder's equity</b>			
<b>Liabilities</b>			
<i>Fair value through profit or loss</i>			
Limited recourse notes	4(d),5,11	52,613,158	195,499,662
Derivative financial instruments	4(d),9	1,067,491	23,864,579
<i>Financial liabilities measured at amortised cost</i>			
Interest payable	5	886,518	1,888,287
		54,567,167	221,252,528
<b>Shareholder's equity</b>			
Share capital	10	962	962
Retained earnings		15,668	15,136
		16,630	16,098
<b>Total liabilities and shareholder's equity</b>		€ 54,583,797	221,268,626

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors on April 24, 2012

AILEEN SARGENT

Director

## EDAM FUNDING ONE LIMITED

### Statements of Comprehensive Income

Years ended December 31, 2011 and 2010  
(stated in Euro)

	Note	2011	2010
<b>Income</b>			
Interest income	4(d),7,9	6,494,394	7,306,658
Foreign exchange		532	1,050
		6,494,926	7,307,708
<b>Expenses</b>			
Interest expense	5,7	7,385,923	8,481,381
		7,385,923	8,481,381
<b>Net gain/(loss) on financial instruments</b>			
Net gain on derivative financial instruments	8,9	26,945,183	21,291,224
Net loss on limited recourse notes	8	(27,651,976)	(20,371,223)
Net gain on investments	8	1,598,322	254,723
		891,529	1,174,724
<b>Comprehensive income for year</b>			
		€ 532	1,051

See accompanying notes to financial statements.

## EDAM FUNDING ONE LIMITED

### Statements of Changes in Shareholder's Equity

Years ended December 31, 2011 and 2010  
(stated in Euro)

	Share capital	Retained earnings	Total
Balance at December 31, 2009	962	14,085	15,047
Comprehensive income for year	-	1,051	1,051
<b>Balance at December 31, 2010</b>	962	15,136	16,098
Comprehensive income for year	-	532	532
<b>Balance at December 31, 2011</b>	€ -	15,668	16,630

*See accompanying notes to financial statements.*

## EDAM FUNDING ONE LIMITED

### Statements of Cash Flows

Years ended December 31, 2011 and 2010  
(stated in Euro)

	Note	2011	2010
<b>Cash provided by/ (applied in):</b>			
<b>Operating activities</b>			
Comprehensive income for year		532	1,051
Add/ (deduct) items not involving cash:			
Net movement on unrealised gain on derivative financial instruments	8	(20,392,059)	(11,130,983)
Net loss on limited recourse notes		27,651,976	20,371,223
Net gain on investments		(1,598,322)	(254,723)
Net changes in non-cash operating balances:			
Repayment of investments on maturity		165,000,000	-
Interest receivable		878,654	(7,759)
Interest payable		(1,001,769)	60,628
		170,539,012	9,039,437
<b>Financing activities</b>			
Principal repaid on limited recourse notes	5	(170,538,480)	(9,038,387)
		(170,538,480)	(9,038,387)
<b>Increase in cash and cash equivalents during year</b>		532	1,050
Cash and cash equivalents at beginning of year		16,098	15,048
<b>Cash and cash equivalents at end of year</b>	€	16,630	16,098
<b>Supplementary information on cash flows from operating activities:</b>			
Interest received		7,373,048	7,298,899
Interest paid	€	8,387,692	8,420,753

#### Supplementary information on cash flows from financing activities:

Note Series 05-02 was terminated on January 18, 2011 and Note Series 06-09 was terminated on June 25, 2010. Due to Rabobank holding 100% of all terminated Note series no physical cash flows took place.

See accompanying notes to financial statements.



# EDAM FUNDING ONE LIMITED

Notes to Financial Statements

December 31, 2011 and 2010  
*(stated in Euro)*

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## 1. Incorporation and background information

Edam Funding One Limited (“the Company”) was incorporated on April 30, 1999 as an exempted company with limited liability under the laws of the Cayman Islands. The Ordinary Shares were issued to MaplesFS Limited (formerly Maples Finance Limited) under the terms of a Declaration of Trust on June 3, 1999.

The objectives for which the Company has been established are unlimited as set out in its Memorandum of Association. At December 31, 2011 and 2010 the principal activity of the Company is limited to the issuance of limited recourse instruments and the investment of the proceeds thereof as described below.

The Company issues various types of limited recourse notes (the “Notes”) in accordance with the terms of a US\$10,000,000,000 Limited Recourse Secured Note Programme (the “Programme”). The Programme involves substantial risks and is suitable only for sophisticated investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and the merits of an investment in the Notes. The Programme permits the Company and any other company which accedes to the Programme as an “Additional Issuer” to issue Notes denominated in any currency subject to a maximum aggregate principal amount of all Notes outstanding to the value of US\$10,000,000,000 (or its equivalent in other currencies at the time of agreement to issue).

Whilst the Programme is not rated, the Notes may or may not be rated, with respect to principal and coupon by rating agencies such as Standard & Poors Rating Services (“S&P”).

The performance of each series of Notes outstanding at December 31, 2011 and 2010 is linked to a reference portfolio by way of the Company entering into credit derivative transactions (usually credit default swaps). The reference portfolio usually comprises a basket of reference corporate names, asset backed securities or collateralised debt obligations, synthetically created collateralised debt obligations or a combination of such instruments.

The amount of principal and coupon that holders of any Notes outstanding at December 31, 2011 and 2010 shall receive on the maturity date (throughout the term of the Note) depends in part on whether credit events occur in relation to a reference portfolio. The Notes are not principal protected. Noteholders may lose, in part or in whole, amounts invested in the Notes as the result of a credit event occurring with respect to one or more reference entities/obligations within the reference portfolio.

## EDAM FUNDING ONE LIMITED

Notes to Financial Statements (continued)

December 31, 2011 and 2010  
(stated in Euro)

### 1. Incorporation and background information (continued)

During the year ended December 31, 2011 the following notes were outstanding or terminated/matured:

Notes	ISIN	Issued	Listed	S&P Rating	
				S&P Rating*	December 31, 2011
EUR 70,000,000 Limited Recourse Variable Coupon Credit-Linked and Inflation-Linked Notes 2004 due 2011 (the "Series 04-02 Notes")	XS0198580812	September 16, 2004	Matured 16/9/2011	-	-
EUR 18,554,000 Limited Recourse Secured Instalment Notes due 2017 <sup>1)</sup> (the "Series 05-01 Notes")	XS0216053875	March 31, 2005	Euronext	AAA	AA Negative Watch
USD 15,960,000 Limited Recourse Secured Instalment Notes due 2017 <sup>1)</sup> (the "Series 05-02 Notes")**	XS0216922475	April 11, 2005 May 11, 2005	Terminated 18/01/2011	-	-
EUR 30,000,000 Limited Recourse Floating Rate Credit-Linked Notes due 2012*** (the "Series 05-03 Notes")	XS0224223593	July 22, 2005 January 30, 2007	Not listed	AAA	B-
EUR 50,000,000 Limited Recourse Credit-Linked Notes 2006 due 2011 (the "Series 06-01 Notes")****	XS0262721656	July 28, 2006 October 13, 2006 January 30, 2007	Matured 9/9/2011	-	-
EUR 25,000,000 Limited Recourse Credit-Linked Notes 2006 due 2011 (the "Series 06-02 Notes")	XS0271319724	October 13, 2006	Matured 9/9/2011	-	-
EUR 20,000,000 Limited Recourse Credit-Linked Notes 2006 due 2011 (the "Series 06-03 Notes"):	XS0269145404	September 26, 2006	Matured 9/9/2011	-	-
EUR 5,938,000 Limited Recourse Secured Instalment Notes due 2022 <sup>2)</sup> (the "Series 06-07 Notes")	XS0272209163	October 27, 2006	Euronext	AAA	AA Negative Watch
GBP 5,000,000 Limited Recourse Secured Instalment Notes due 2022 <sup>2)</sup> (the "Series 2006-08 Notes")	XS0272208785	October 27, 2006	Euronext	AAA	AA Negative Watch
EUR 20,000,000 Limited Recourse Floating Rate Credit-Linked Notes due 2012 (the "Series 07-01 Notes")	XS0287825789	February 23, 2007	Not listed	AAA	B-

## EDAM FUNDING ONE LIMITED

Notes to Financial Statements (continued)

December 31, 2011 and 2010  
(stated in Euro)

### 1. Incorporation and background information (continued)

During the year ended December 31, 2010 the following notes were outstanding or terminated/matured:

Notes	ISIN	Issued	Listed	S&P Rating	
				S&P Rating*	December 31, 2010
EUR 70,000,000 Limited Recourse Variable Coupon Credit-Linked and Inflation-Linked Notes 2004 due 2011 (the "Series 04-02 Notes")	XS0198580812	September 16, 2004	Euronext	AAA	B
EUR 18,554,000 Limited Recourse Secured Instalment Notes due 2017 <sup>1)</sup> (the "Series 05-01 Notes")	XS0216053875	March 31, 2005	Euronext	AAA	AAA
USD 15,960,000 Limited Recourse Secured Instalment Notes due 2017 <sup>1)</sup> (the "Series 05-02 Notes")**	XS0216922475	April 11, 2005 May 11, 2005	Not listed	AAA	AAA
EUR 30,000,000 Limited Recourse Floating Rate Credit-Linked Notes due 2012*** (the "Series 05-03 Notes")	XS0224223593	July 22, 2005 January 30, 2007	Not listed	AAA	CCC-
EUR 50,000,000 Limited Recourse Credit-Linked Notes 2006 due 2011 (the "Series 2006-01 Notes")****	XS0262721656	July 28, 2006 October 13, 2006 January 30, 2007	Not listed	AAA	B+
EUR 25,000,000 Limited Recourse Credit-Linked Notes 2006 due 2011 (the "Series 06-02 Notes")	XS0271319724	October 13, 2006	Not listed	AAA	B+
EUR 20,000,000 Limited Recourse Credit-Linked Notes 2006 due 2011 (the "Series 06-03 Notes"):	XS0269145404	September 26, 2006	Not listed	AAA	B+
EUR 5,938,000 Limited Recourse Secured Instalment Notes due 2022 <sup>2)</sup> (the "Series 06-07 Notes")	XS0272209163	October 27, 2006	Euronext	AAA	AAA
GBP 5,000,000 Limited Recourse Secured Instalment Notes due 2022 <sup>2)</sup> (the "Series 2006-08 Notes")	XS0272208785	October 27, 2006	Euronext	AAA	AAA
USD 17,750,000 Limited Recourse Secured Instalment Notes due 2022 <sup>2)</sup> (the "Series 2006-09 Notes")	XS0272211656	October 27, 2006	Terminated 25/06/2010	-	-

## EDAM FUNDING ONE LIMITED

Notes to Financial Statements (continued)

December 31, 2011 and 2010  
(stated in Euro)

### 1. Incorporation and background information (continued)

Notes	ISIN	Issued	Listed	S&P Rating* S&P Rating*	S&P Rating December 31, 2010
EUR 20,000,000 Limited Recourse Floating Rate Credit-Linked Notes due 2012 (the "Series 07-01 Notes")	XS0287825789	February 23, 2007	Not listed	AAA	CCC-

<sup>1)</sup> Linked to subordinated notes issued by Prospero CLO I B.V.

<sup>2)</sup> Linked to subordinated notes issued by Prospero CLO II B.V.

\* This rating reflects that assigned on the issuance date based among other factors on the credit quality of the reference portfolio at the time of issue.

\*\* USD 11,400,000 original series 05-02 Notes issued April 11, 2005 with additional notes of USD 4,560,000 fungible with the original series issued on May 11, 2005.

\*\*\*EUR 15,000,000 Original Series 05-03 Notes issued July 22, 2005 with additional notes of EUR 15,000,000 fungible with the original series issued on January 30, 2007.

\*\*\*\*EUR 20,000,000 Original Series 06-01 Notes issued July 28, 2006 with additional notes of EUR 15,000,000 issued on October 13, 2006 and EUR 15,000,000 on January 30, 2007, both issues fungible with the original series.

The proceeds from the Note issues outstanding at December 31, 2011 and 2010 are placed into a deposit pursuant to the terms of a Guaranteed Investment Contract ("the GIC") for Series 04-02 Notes, Credit-Linked Deposit (the "CLD") for Series 05-03, 06-01, 06-02, 06-03 and 07-01 Notes or equivalent instruments, entered into between the Company and Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A. (the "GIC Counterparty", the "Deposit Bank", the "Bank").

The GIC Counterparty pays the Company interest calculated at a predetermined rate of interest on the notional amount of funds standing to the credit of the GIC Account or an equivalent instrument. The amounts deposited pursuant to the GIC or equivalent instrument may be depleted by amounts withdrawn to meet Cash Settlements Amounts determined in accordance with the terms of the credit derivative transactions.

The proceeds from the issuance of Series 05-01 and 05-02 Notes were utilised by the Company to acquire Subordinated Notes of Prospero CLO I B.V. as a charged asset.

The proceeds from the issuance of Series 06-07, 06-08 and 06-09 Notes were utilised by the Company to acquire Subordinated Notes of Prospero CLO II B.V. as a charged asset.

# EDAM FUNDING ONE LIMITED

Notes to Financial Statements (continued)

December 31, 2011 and 2010  
(stated in Euro)

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## 1. Incorporation and background information (continued)

The Company has the capacity to issue new series of Notes for which the Charged Asset may be a financial instrument other than a GIC or a CLD and the Charged Agreements may be agreements other than Credit Default Swaps. As referred to above, in order to gain exposure to a reference portfolio, the Company enters into portfolio credit default swaps (the “CDSs”) with Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A. (the “Swap Counterparty”) in an amount equal to the notional amount of the Notes for Series 04-02 Notes. Pursuant to the CDSs, the Company effectively sells to the Swap Counterparty protection on a reference portfolio. The ultimate repayment of principal of the Notes and returns on investment in the form of interest payments to the Noteholders are linked to the credit worthiness of the reference entities/obligations within the reference portfolio specified in the Swap Agreements. The occurrence of credit events in the reference portfolio may ultimately lead to a reduction in both the principal amount of the Notes and scheduled interest payments on the Notes. See note 4(a) for additional information regarding credit risk.

Although the secured creditors of each series of Notes are in general secured pursuant to a Supplemental Trust Deed to certain assets and rights of the Company including Charged Assets and Swap Agreements, the secured creditors of all series of Notes issued by the Company are also secured pursuant to the Master Trust Deed by a floating charge over the assets of the Company not otherwise charged by any other Charging Document.

As at December 31, 2011 and 2010, the Company has no employees. The administration of the Company is delegated to MaplesFS Limited (Formerly Maples Finance Limited). The Company’s registered office is located at Queensgate House, P.O. Box 1093, South Church Street, Grand Cayman KY1-1102, Cayman Islands. The operations of the Company are conducted primarily in Euro. Consequently the functional and presentation currency of the financial statements is Euro and not the local currency of the Cayman Islands.

The financial statements are presented in Euro.

## 2. Significant accounting policies

These financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”). The accounting policies have been consistently applied by the Company and are consistent with those used in the previous years, except for changes resulting from amendments to IFRSs.

Significant accounting policies and their effect on the financial statements are as follows:

### (a) Basis of preparation

These financial statements are prepared on a fair value basis for financial assets and liabilities at fair value through profit or loss. Other financial assets and liabilities are stated at amortised cost.

## EDAM FUNDING ONE LIMITED

Notes to Financial Statements (continued)

December 31, 2011 and 2010  
(stated in Euro)

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### 2. Significant accounting policies (continued)

#### (b) Use of estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the application of accounting policies, the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of income and expenses during the years. Actual results could differ from those estimates. Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 11.

#### (c) Foreign exchange

Assets and liabilities denominated in foreign currencies are translated to Euro at rates of exchange prevailing at the reporting dates. Issued share capital is translated to Euro using historical exchange rates. Income and expense items are translated at exchange rates prevailing on the transaction date. Exchange differences arising from such transactions are included in the statements of comprehensive income.

#### (d) Financial instruments

##### (i) Classification

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset, or to exchange financial instruments with another enterprise under conditions that are potentially favourable or an equity instrument of another enterprise. Financial assets comprise cash and cash equivalents, investments, derivative financial instruments and interest receivable.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable. Financial liabilities comprise limited recourse notes, derivative financial instruments and interest payable.

The Company classifies all derivative financial instruments, investments in the Subordinated Notes of Prospero CLO I B.V. and Prospero CLO II B.V., ("Prospero Notes") and limited recourse notes as financial assets and financial liabilities at fair value through profit or loss.

The Company classifies its investments in GICs, the host component of the CLDs, cash and cash equivalents and interest receivable (see below) as loans and receivables.

## EDAM FUNDING ONE LIMITED

Notes to Financial Statements (continued)

December 31, 2011 and 2010  
(stated in Euro)

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### 2. Significant accounting policies (continued)

#### (d) Financial instruments (continued)

##### (i) Classification (continued)

The Company's investments include a deposit of proceeds from the issuance of the Series 05-03, 06-01, 06-02, 06-03 and 07-01 Notes into a credit-linked deposit (the "CLD"). The CLD comprises a host contract financial instrument and an embedded credit derivative. In accordance with relevant accounting standards the host financial instrument and embedded derivative component of the CLD are separated and valued independently. The host instrument being the deposit ("investment") is classified as loans and receivables and the embedded credit derivative in the form of a CDS is classified as a derivative financial instrument ("CDS") at fair value through profit or loss.

Investments for Series 05-01, 05-02, 06-07, 06-08 and 06-09 include investments in Prospero Notes (note 4(d)(iii)). Prospero Notes comprise a host debt instrument and an embedded credit derivative in the form of a CDS. The combined instrument is valued at fair value through profit or loss.

##### (ii) Recognition

The Company recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

##### (iii) Measurement

Financial instruments are measured initially at cost, being the fair value of the consideration given for assets and consideration received for liabilities.

Subsequent to initial recognition all financial assets classified as loans and receivables are measured at their amortised cost less impairment losses, if any.

Subsequent to initial recognition, all financial instruments at fair value through profit or loss are measured at fair value. Realised and unrealised gains and losses arising from a change in the fair value of the financial instruments at fair value through profit or loss are recognised in the statements of comprehensive income.

Financial liabilities, other than those at fair value through profit or loss, are subsequently measured at amortised cost.

##### (iv) Fair value measurement principles

As at December 31, 2010 the fair value of the Prospero Notes was estimated using the present value of realised subsequent cash flows from distributions. As at December 31, 2011, the fair value of the Prospero Notes is estimated using quotes obtained from the Bank, which in turn models the pricing taking into account market credit and revaluation spreads, a review of instruments with similar characteristics and consideration of the credit quality of the reference portfolios.

## EDAM FUNDING ONE LIMITED

Notes to Financial Statements (continued)

December 31, 2011 and 2010  
(stated in Euro)

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### 2. Significant accounting policies (continued)

#### (d) Financial instruments (continued)

##### (iv) Fair value measurement principles (continued)

The change in the basis of the estimation is considered appropriate given the significant changes in the market and performance pattern of the Prospero Notes. The financial impact of the change in the basis of the estimation is an increase in the fair value of the Prospero Notes by €1,853,404, a decrease in the fair value of the associated respective Swap Agreements by €1,853,404 and a resulting Nil impact on the fair value of the Series 05-01, 06-07 and 06-08 Notes.

The fair value of derivatives that are not traded on an exchange are available from the Swap Counterparty and are estimated as the amount that the Company would have to receive or pay to terminate the contract at the reporting dates taking into account current market conditions and the current credit worthiness of the counterparties.

The fair value of stand-alone CDSs is estimated as a value implied from the fair value of the Notes. The Notes are limited recourse hybrid instruments comprising a host debt instrument and embedded derivatives, whereby the cash flows on the Notes are replicated by the cash flows on the stand-alone CDSs and the investments.

Standard pricing models are not available for such CDSs, a component of the CDO squared market; in addition an active secondary market does not exist for these CDSs. As such, the fair value of the stand-alone CDSs was estimated as the difference between the fair values of the Notes and the investments.

The fair value of the Notes is estimated using quotes obtained from the Swap Counterparty. The quotes are based on reference to over-the-counter transaction prices, market credit and revaluation spreads, a review of instruments with similar characteristics and a review and consideration of the credit quality of the relevant reference portfolios.

##### (v) Specific instruments

###### *Cash and cash equivalents*

Cash and cash equivalents include balances held on a current account which is considered to be highly liquid with maturities of three months or less.

###### *Investments*

Investments comprise deposits in the form of GICs and other deposits, the host contracts of CLDs and investments in Prospero Notes.

The GICs are subsequently recognised and measured at amortized cost, being the value at initial measurement of the contract less any principal repayments less any write-downs for impairment, being the Cash Settlement Amounts on the CDSs (see note 4).



## EDAM FUNDING ONE LIMITED

Notes to Financial Statements (continued)

December 31, 2011 and 2010  
(stated in Euro)

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### 2. Significant accounting policies (continued)

#### (d) Financial instruments (continued)

##### (v) Specific instruments (continued)

###### *Investments (continued)*

Investments in CLDs are required to be separated into two components:

- A host contract; and
- An embedded CDS that affects the cash flows from the CLDs, as a result of credit events in the underlying reference portfolio.

The host contract is classified as loans and receivables and is measured at amortised cost being the value at initial measurement of the contract less any principal repayments less any write-downs for impairment, if any.

The embedded CDSs are separated and accounted for as derivative financial instruments measured at fair value through profit or loss.

Prospero Notes comprise a host debt instrument and an embedded credit derivative in the form of a CDS. The combined instrument is valued at fair value through profit or loss.

###### *Derivative financial instruments*

As part of the Company's investment objective which includes gaining an exposure to credit risks on reference portfolios (see note 4), the Company enters into CDSs, which are recognised on the statements of financial position at fair value. At December 31, 2011 and 2010, there were no derivatives that qualified for hedge accounting.

For each of the Series 05-01, 05-02, 06-07, 06-08 and 06-09 Notes, the Company entered into a Swap agreement with the Swap Counterparty.

The Swap Agreements comprise of two components:

- (1) Swap of initial exchange amount provided by the Company on the effective date for a final exchange amount provided by the Swap Counterparty on the maturity/termination date;
- (2) If applicable, the swap of distributions received from the Prospero Notes and installment amounts calculated in the currency of the investment into the Prospero Notes for the equivalent amounts in the currency denomination of the relevant Notes issued by the Company.

The first component of the Swap Agreements relating to exchange amounts is designed to provide an element of principal protection to the Company's Noteholders on the basis that the Notes and Prospero Notes are held to maturity.

The Swap Agreements are recorded at fair value through profit or loss.

## EDAM FUNDING ONE LIMITED

Notes to Financial Statements (continued)

December 31, 2011 and 2010  
(stated in Euro)

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### 2. Significant accounting policies (continued)

#### (d) Financial instruments (continued)

##### (v) Specific instruments (continued)

###### *Limited recourse notes*

The Notes are recorded at fair value through profit or loss in the statements of financial position. Interest on the Notes is recognised as interest expense in the statements of comprehensive income.

#### (e) Derecognition

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire, are transferred or are surrendered.

A financial liability, including derivatives, is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

#### (f) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statements of financial position when the Company has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis.

#### (g) Impairment

Financial assets are reviewed at each reporting date to determine whether there is objective evidence of impairment. Given the specific nature of the Company's principal activities, objective evidence of impairment would typically comprise the occurrence of one or more credit events which would lead to a reduction in the carrying value of the investment. Such credit events are recognised in the financial statements as the Cash Settlement Amounts or the Deposit Amount Reductions if (i) a credit event notice is delivered to the Company by the Determination Agent, and (ii) an estimated loss arising from a credit event is higher than various threshold amounts.

#### (h) Interest income and expense

Interest income and expense is recognised in the statements of comprehensive income as it accrues.

#### (i) New accounting pronouncements

Relevant standards and amendments issued prior to December 31, 2011 but not effective until future periods:

IFRS 9, "*Financial Instruments*", effective for annual periods beginning on or after 1 January 2015, specifies how an entity should classify and measure financial assets and liabilities, including some hybrid contracts. The standard improves and simplifies the approach for classification and measurement of financial assets compared with the requirements of IAS 39.

## EDAM FUNDING ONE LIMITED

Notes to Financial Statements (continued)

December 31, 2011 and 2010  
(stated in Euro)

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### 2. Significant accounting policies (continued)

#### (i) New accounting pronouncements (continued)

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged. The standard applies a consistent approach to classifying financial assets and replaces the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. The standard is not expected to have a significant impact on the company's financial position or performance, as it is expected that the Company will continue to classify its financial assets and financial liabilities (both long and short) as being at fair value through profit or loss.

IFRS 13, "Fair value measurement", effective for annual periods beginning on or after 1 January 2013, improves consistency and reduces complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. If an asset or a liability measured at fair value has a bid price and an ask price, the standard requires valuation to be based on a price within the bid-ask spread that is most representative of fair value and allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurement within a bid-ask spread. The standard is not expected to have any impact on the Company's financial position or performance.

### 3. Cash and cash equivalents

Current account balances amounting to €16,630 (2010: €16,098) are held at Queensgate Bank & Trust Co Ltd. (Cayman Islands).

### 4. Financial instruments and associated risks

The Company's investment activities expose the Noteholders to various types of risk that are associated with the financial instruments and markets in which it invests. The most significant types of financial risk to which the Noteholders are typically exposed include credit risk, liquidity risk and market risk. Market risk includes interest rate risk and foreign exchange risk. The nature and extent of the financial instruments outstanding at the reporting dates and the risk management policies employed by the Company are discussed below:

#### (a) Credit risk

The most significant risk to the Company and Noteholders is credit risk. The Noteholders are exposed to the credit risk of the reference portfolios specified in each stand-alone or embedded CDS.

As at December 31, 2011 and 2010, the principal amounts outstanding and scheduled interest payments for the Company's Notes are exposed to the credit risk associated with the asset classes within the reference portfolios referenced to in the underlying CDS contracts.

## EDAM FUNDING ONE LIMITED

Notes to Financial Statements (continued)

December 31, 2011 and 2010  
(stated in Euro)

### 4. Financial instruments and associated risks (continued)

#### (a) Credit risk (continued)

To appreciate the level of credit risk associated with the relevant CDS contracts, it is necessary to consider various factors including the notional amounts, reference portfolio sizes, potential for correlated credit events within reference portfolios, actual degrees of overlap and threshold amounts (subordination) of the synthetic CDOs, one of the protection asset classes within the CDSs, as well as the notional amount reference portfolio size and threshold amount of the CDS contract as a whole entered into between the Company and the Swap Counterparty.

The CDSs entered into between the Company and the Swap Counterparty and that remain in effect as at December 31, 2011 and/or 2010, expose the principal repayment on the Company's Notes to the following credit risk limits:

Notes	Protection Asset Class	Rating of Asset Class	EUR Loss Amount per Reference Obligation	EUR Initial Tranche Notional Amount	EUR CDS Notional Amount	EUR CDS Threshold Amount	EUR CDS Reference Portfolio Size
Series 04-02	80% ABSs 20% CDOs	AAA AA	11,200,000 2)	112,000,000 116,550,000	70,000,000	210,000,000	3,500,000,000
Series 05-01	Investment of US\$8,185,000 into Prospero CLO I B.V. Subordinated Notes.						
Series 05-02	Investment of US\$7,000,000 into Prospero CLO I B.V. Subordinated Notes.						
Series 05-03	Selling of protection for €30,000,000 of the €70,000,000 Class A Limited Resource Credit-Linked and 7 year Euro Swap Rate Linked Notes due 2012 issued by Asset Backed Obligatgies Limited on March 4, 2005 (ISIN: XS0208884741)						
Series 06-01	Selling of protection for €50,000,000 of the €85,000,000 Limited Recourse Variable Coupon Credit-Linked and Inflation-Linked Notes 2004 due 2011 (Series 04-03) issued by Asset Backed Obligatgies Limited on September 6, 2004 (ISIN:XS0195331409). As at December 31, 2006 protection amounted to €35,000,000.						
Series 06-02	Selling of protection for €25,000,000 of the €85,000,000 Limited Recourse Variable Coupon Credit-Linked and Inflation-Linked Notes 2004 due 2011 (Series 04-03) issued by Asset Backed Obligatgies Limited on September 6, 2004 (ISIN:XS0195331409)						
Series 06-03	Selling of protection for €20,000,000 of the €85,000,000 Limited Recourse Variable Coupon Credit-Linked and Inflation-Linked Notes 2004 due 2011 (Series 04-03) issued by Asset Backed Obligatgies Limited on September 6, 2004 (ISIN:XS0195331409)						
Series 06-07	Investment of US\$3,500,000 into Prospero CLO II B.V. Class E-1 Subordinated Notes.						
Series 06-08	Investment of US\$4,700,000 into Prospero CLO II B.V. Class E-1 Subordinated Notes.						
Series 06-09	Investment of US\$7,000,000 into Prospero CLO II B.V. Class E-1 Subordinated Notes.						
Series 07-01	Selling of protection for €20,000,000 of the €70,000,000 Class A Limited Resource Credit-Linked and 7 year Euro Swap Rate Linked Notes due 2012 (Series 05-01) issued by Asset Backed Obligatgies Limited on March 4, 2005 (ISIN: XS0208884741)						

## EDAM FUNDING ONE LIMITED

Notes to Financial Statements (continued)

December 31, 2011 and 2010  
(stated in Euro)

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### 4. Financial instruments and associated risks (continued)

#### (a) Credit risk (continued)

<sup>1)</sup>  $(1 - \text{Actual Recovery Rate}) * \text{“Reference Obligation Notional Amount”}$

<sup>2)</sup>  $(1 - \text{Actual Recovery Rate}) * \text{“Reference Entity Notional Amount”} * \text{“Actual Degree of Overlap”}$

Note: “Reference Obligation Notional Amount” refers to the notional amount of the relevant reference obligation subject to a credit event.

Note: “Reference Entity Notional Amount” refers to the notional amount of the reference entity in the synthetic CDO subject to a credit event.

Note: “Actual Degree of Overlap” refers to, on average the amount of times a reference entity may appear within each of the synthetic CDOs within the reference portfolio.

Note: “Rating of Asset Class” applies to investment grade of securities within the reference portfolios at the purchase date of the CDS which coincides with the issue date of the relevant Notes. This investment grade may not be retained for the duration of the CDS contract.

During the year ended December 31, 2011 Series 04-02, 06-01, 06-02 and 06-03 Limited Recourse Notes matured and therefore the corresponding Investment and Derivative Financial Instruments expired and settled.

During the year ended December 31, 2011 Series 05-02 Limited Recourse Notes were terminated and therefore the corresponding Investment and Derivative Financial Instruments terminated and settled.

During the year ended December 31, 2010 Series 06-09, Limited Recourse Notes were terminated and therefore the corresponding Investment and Derivative Financial Instruments terminated and settled.

The synthetic CDOs contained within each of the reference portfolios referred to above present the following credit risk limits which impact upon the principal repayment of the Company’s Notes at December 31, 2010:

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Notes	Protection Asset Class	EUR Initial Tranche Notional Amount*	EUR Reference Portfolio Size*	EUR Notional Amount of each Reference Entity in each Synthetic CDO	EUR Threshold Amount*
Series 04-02	6 Synthetic CDOs	116,550,000	11,655,000,000	145,687,500	Various

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\* Amount per synthetic CDO

Note: The loss amount per reference entity is determined by applying the following formula:  $(1 - \text{Actual Recovery Rate}) * \text{“Reference Entity Notional Amount”} * \text{“Actual Degree of Overlap”}$ .

## EDAM FUNDING ONE LIMITED

Notes to Financial Statements (continued)

December 31, 2011 and 2010  
*(stated in Euro)*

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### 4. Financial instruments and associated risks (continued)

#### *(a) Credit risk (continued)*

The principal will be repaid in full as long as the aggregate losses as a result of credit events in the reference portfolio remain below the pre-determined threshold limits. Unlike other reference obligations/protection asset classes, losses arising as a result of credit events impacting reference entities within the synthetic CDOs, will not impact upon the threshold capacity of the CDS as a whole unless such losses breach the threshold limits specific to the relevant CDOs.

Taking into account historical data, average recovery rates, threshold limits set and an estimated degree of overlap (number of times on average a reference entity is included in more than one synthetic CDO), at the time of issue, S&P provide a rating for the Notes. The rating is based ultimately on the estimated number of credit events that the reference portfolio can absorb prior to a principal reduction for the Notes, a measure of credit risk associated with each series of Notes.

#### *Credit Events and Concentration risk*

The Noteholders are at risk that payments on the Notes could be adversely affected by credit events in the reference portfolios. This probability is likely to be increased to the extent that the reference entities are concentrated in any one industry, region or country which provides an increased potential for correlated credit events in respect of a single entity, industry, region or country as a result of an economic downturn.

As referred to in detail in the respective Information Memorandums, a credit event applicable to one reference entity may impact more than one synthetic CDO given a degree of overlap i.e. reference entities may be included in more than one of the synthetic CDO portfolios. The Information Memorandums for each Note series contain estimates of the number of credit events the synthetic CDO portfolio could withstand and the reference portfolios in their entirety before principal repayments are reduced to zero. Such estimates are based on the "Actual Degree of Overlap", investment grade of reference entities at the date of Note issuance, average recovery rates and historical data all of which are referred to in additional detail in the Information Memorandums.

The Company is required, subject to a specific threshold amount specified in the CDS contracts to compensate the Swap Counterparty for certain credit events occurring in the reference portfolios. These events usually include a failure to pay principal, a failure to pay interest, restructuring of the reference obligation issuer, bankruptcy of the reference obligation issuer, principal write down and in the case of reference obligations comprising CDSs, a notional write down. Credit events will create a loss that will be determined in each case by the Determination Agent (also the Swap Counterparty). The loss will be the difference by which the par value of the reference entity or obligation exceeds its recoverable value or a contractually agreed loss amount.

During the year ending December 31, 2011 and 2010, no credit events impacting principal of the Notes occurred in the reference portfolios. As a result, 100% of the principal value of the Notes and investments remained outstanding at December 31, 2011 and 2010 (see note 5).

## EDAM FUNDING ONE LIMITED

Notes to Financial Statements (continued)

December 31, 2011 and 2010  
(stated in Euro)

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### 4. Financial instruments and associated risks (continued)

#### (a) Credit risk (continued)

##### *Credit Events and Concentration risk (continued)*

Effecting Note series 05-03, 06-01, 06-02, 06-03 and 07-01 are a number of credit events in the principal CDS reference portfolios of the Asset-Backed Obligations Notes to which each of the Company's Note Series are linked. The credit events took place throughout years ended December 31, 2011 and 2010. Although the threshold amount specified in the principal CDS contracts for each series was not reached and the full notional value of the Notes and CLDs remained outstanding at December 31, 2011, it is possible that further credit events in the principal CDS reference portfolios, if any, could result in the threshold being reached resulting in a Cash Settlement Amount being paid to the Swap Counterparty, and ultimately a reduction the notional of the Notes and CLDs.

##### *Counterparty risk*

The Company enters into substantially all of its GIC, CLD and CDS contracts with the Bank, the primary counterparty to the Company's transactions. The Company is subject to counterparty credit risk to the extent that this institution may be unable to fulfil its obligations either to return the Company's securities or repay amounts owed. The Company does not anticipate any material losses as a result of this concentration. CDS, GIC and CLD contracts contain provisions providing for, amongst other remedies, the replacement of the Bank as the Swap Counterparty if, its short-term issuer credit rating by S&P falls below A-1+.

#### (b) Market risk

Market risk is the risk that changes in interest rates, foreign exchange rates or commodity prices will make an instrument less valuable or more onerous.

Although the majority of the Company's financial assets and liabilities are interest bearing, this risk is minimised by the nearly perfect match (in terms of nominal/notional value, interest amounts and maturity) between the interest bearing assets and liabilities.

At December 31, 2011 and 2010, the Company is not exposed to any significant interest rate risk arising from an exposure to an open interest rate gap position and mismatch of fixed and floating interest rate bearing assets and liabilities.

At December 31, 2011 and 2010, the Company is not exposed to any significant foreign currency risk arising from exposure to fluctuations in foreign exchange rates. As at December 31, 2010 the Company has issued Notes outstanding denominated in EUR, USD, GBP and invested the proceeds in EUR and USD denominated financial instruments. Realised and unrealised foreign currency gains and losses arise on translation of associated transactions to the reporting currency and are recorded in the statements of comprehensive income.

## EDAM FUNDING ONE LIMITED

Notes to Financial Statements (continued)

December 31, 2011 and 2010  
(stated in Euro)

### 4. Financial instruments and associated risks (continued)

#### (c) Liquidity risk

There is not, at present, an active and liquid secondary market for the Notes. There can be no assurance that a secondary market for any of the Notes will develop, or, if a secondary market does develop, that it will provide the holders of the Notes with liquidity or that it will continue for the entire life of the Notes. This may leave Noteholders with an illiquid investment. The Noteholder may not be able to realise its anticipated yield. Illiquidity can have an adverse effect on the market value of the Notes. Consequently, any purchaser of Notes must be prepared to hold such Notes until final redemption or maturity of the Notes.

#### (d) Specific instruments

	Note	2011	2010
<b>Financial assets:</b>			
<i>Loans and receivables:</i>			
Guaranteed investment contracts	4(d)(i)	-	70,000,000
Credit linked deposit (host instrument)	4(d)(ii)	50,000,000	145,000,000
<i>At fair value through profit or loss:</i>			
Prospero Notes	4(d)(iii)	1,853,045	254,723
		€ 51,853,045	215,254,723
Derivative financial instruments at fair value through profit or loss:			
Swap agreements	4(d)(iv)	1,737,764	4,232,633
Embedded credit derivatives		89,840	-
		1,827,604	4,232,633
<b>Financial liabilities at fair value through profit or loss:</b>			
Limited recourse notes	5	(52,613,158)	(195,499,662)
Derivative financial instruments:			
Credit default swaps	4(d)(iv)	-	(3,310,908)
Embedded credit derivatives	4(d)(iv)	(1,067,491)	(20,553,671)
		€ (1,067,491)	(23,864,579)

#### (i) Guaranteed investment contracts

Pursuant to the terms of the GICs between the Company and the GIC Counterparty, the Company deposits the proceeds received from the issue of the Notes with the GIC Counterparty. The amount deposited is held in a segregated account (“the GIC Account”) with the GIC Counterparty.



## EDAM FUNDING ONE LIMITED

Notes to Financial Statements (continued)

December 31, 2011 and 2010  
(stated in Euro)

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### 4. Financial instruments and associated risks (continued)

#### (d) Specific instruments (continued)

##### (i) Guaranteed investment contracts (continued)

The GIC Counterparty is obliged to pay the Company interest calculated at a predetermined rate of interest on the nominal amount of funds standing to the credit of the GIC Account, such interest to be paid on each interest payment date to and including the scheduled maturity date. If the scheduled maturity date is extended, the interest will be paid in accordance with certain provisions contained in the GIC contract. On the maturity date, the GIC Counterparty is obliged to repay any deposited funds standing to the credit of the GIC Account back to the Company.

During the year ended December 31, 2011, the Company recorded interest income on GIC contracts of €94,119 (2010: €78,821), of which €Nil (2010: €25,107) is accrued at year end.

The GICs contain provisions whereby, in the event that there is a credit event under the CDSs, amounts standing to the credit of the GIC Account may be withdrawn to pay any Cash Settlement Amounts payable to the Swap Counterparty in accordance with the terms of the CDSs. The principal amount repaid at maturity of the GICs depends on the extent the GIC Account may have been depleted by the value of Cash Settlement Amounts due on the CDSs.

The following is a summary of the GIC investments at December 31, 2011 and 2010:

Associated Note Series	Maturity	Interest Rate	Principal Value at Inception	Cash Settlement Amounts	Principal Value at Dec 31, 2011	Principal Value at Dec 31, 2010
04-02	16/09/2011	3M Euribor-7bsp	70,000,000	(0)	0	70,000,000
		€	70,000,000	(0)	0	70,000,000

Series 04-02 matured during the year ended December 31, 2011 and the associated GIC investment repaid to the Noteholders in full.

## EDAM FUNDING ONE LIMITED

Notes to Financial Statements (continued)

December 31, 2011 and 2010  
(stated in Euro)

### 4. Financial instruments and associated risks (continued)

#### (d) Specific instruments (continued)

##### (ii) Credit-linked deposits ("CLDs")

Pursuant to the terms of the CLD for the Series 05-03, 06-01, 06-02, 06-03 and 07-01 Notes made between the Company and the Deposit Bank, (being the same entity as GIC Counterparty) the Company deposited the proceeds received from the issue of the Notes with the Deposit Bank in a segregated account ("the Deposit Account"). The Deposit Bank is obliged to pay the Company interest calculated at a pre-determined rate on the notional amount of funds standing to the credit of the Deposit Account, such interest to be paid on each interest payment date to and including the scheduled maturity date. If the scheduled maturity date is extended, the interest will be paid in accordance with certain provisions contained in the agreement. On the maturity date, the Deposit Bank is obliged to repay any deposited funds standing to the credit of the Deposit Account back to the Company.

During the year ended December 31, 2011, the Company recorded interest income on CLD's of € 4,513,421 (2010: € 3,306,950), of which € 886,518 (2010: € 1,740,065) is payable at year end.

The CLD agreements contain provisions whereby, in the event that there is a credit event in the specified reference asset, amounts standing to the credit of the Deposit Account will be withdrawn to pay any Deposit Amount Reductions payable to the Deposit Bank under this agreement. As referred to in note 2(d)(v) the CLD contains an embedded credit derivative and the credit risk of the CLD is linked to the credit risk of a reference asset. As such the embedded derivative is separated from its host contract and presented separately on the statements of financial position under derivative financial instruments. See note 4(d)(iv) for details pertaining to the embedded credit derivatives.

The following is a summary of the CLD host contract at December 31, 2011:

CLD	Maturity	Rate	Opening Deposit Amount	Deposit Amount Reductions	Deposit Amount at year end
Series 05-03 Notes	27/3/2012	Euribor + 1.4%	30,000,000	0	30,000,000
Series 06-01 Notes*	9/9/2011	Euribor + 1.6%	50,000,000	(50,000,000)	0
Series 06-02 Notes*	9/9/2011	5.3%	25,000,000	(25,000,000)	0
Series 06-03 Notes*	9/9/2011	5.7%	20,000,000	(20,000,000)	0
Series 07-01 Notes	5/3/2012	5.0%	20,000,000	0	20,000,000
		€	145,000,000	(95,000,000)	50,000,000

\*Matured and repaid during the year 2011.

## EDAM FUNDING ONE LIMITED

Notes to Financial Statements (continued)

December 31, 2011 and 2010

(stated in Euro)

### 4. Financial instruments and associated risks (continued)

(d) Specific instruments (continued)

(iii) Prospero Notes

Part of the proceeds received from the issuance of the Series 05-01 and 05-02 Notes were used to purchase the Subordinated Notes issued by Prospero CLO I B.V. and part of the proceeds received from the issuance of the Series 06-07, 06-08, 06-09 Notes were used to purchase the Subordinated Notes issued by Prospero CLO II B.V. The Company receives distributions and installments from Prospero Notes as determined by the Calculation Agent. During the year ended December 31, 2011, the Company recorded income from Prospero Notes of €1,386,853 (2010: €1,520,887), of which €Nil is payable at year end.

The following is a summary of the Company's investment in Prospero Notes at December 31, 2011:

Associated Note Series	Maturity	Rate	Principal Value at Inception	Cash Settlement Amounts	Principal Value at Dec 31, 2011	Fair value at Dec 31, 2011
05-01	31/3/2017	Distribution	8,185,000	(0)	8,185,000	250,225
06-07	20/10/2022	Distribution	3,500,000	(0)	3,500,000	435,205
06-08	20/10/2022	Distribution	4,700,000	(0)	4,700,000	1,167,615
			US\$16,385,000	(0)	US\$16,385,000	€1,853,045

The following is a summary of the Company's investment in Prospero Notes at December 31, 2010:

Associated Note Series	Maturity	Rate	Principal Value at Inception	Cash Settlement Amounts	Principal Value at Dec 31, 2010	Fair value at Dec 31, 2010
05-01	31/3/2017	Distribution	8,185,000	(0)	8,185,000	0
05-02	20/3/2017	Distribution	7,000,000	(0)	7,000,000	0
06-07	20/10/2022	Distribution	3,500,000	(0)	3,500,000	108,381
06-08	20/10/2022	Distribution	4,700,000	(0)	4,700,000	146,342
			US\$23,385,000	(0)	US\$ 23,385,000	€254,723

The Prospero Notes 05-02 was terminated during the year ended December 31, 2011 and Prospero Notes 06-09 was terminated during the year ended December 31, 2010. Due to Rabobank holding 100% of all terminated Note series no physical cash flows took place.

## EDAM FUNDING ONE LIMITED

Notes to Financial Statements (continued)

December 31, 2011 and 2010  
(stated in Euro)

### 4. Financial instruments and associated risks (continued)

(d) Specific instruments (continued)

(iv) Derivative financial instruments

The following is a summary of the stand-alone derivative financial instruments at December 31, 2011:

Associated Note/ Derivative Type	Maturity	Initial CDS Notional	Cash Settlement Amounts	Fair value
05-01 Swap agreement	5 to 10 years – asset	n/a	(0)	2,329
06-07 Swap agreement	10 to 15 years – asset	n/a	(0)	857,377
06-08 Swap agreement	10 to 15 years – asset	n/a	(0)	878,058
		€		1,737,764

The following is a summary of the stand-alone derivative financial instruments at December 31, 2010:

Associated Note/ Derivative Type	Maturity	Initial CDS Notional	Cash Settlement Amounts	Fair value
04-02 CDS	1 to 5 years – liability	70,000,000	(0)	(3,310,908)
05-01 Swap agreement	5 to 10 years – asset	n/a	(0)	250,295
05-02 Swap agreement	5 to 10 years – asset	n/a	(0)	29,135
06-07 Swap agreement	10 to 15 years – asset	n/a	(0)	2,254,121
06-08 Swap agreement	10 to 15 years – asset	n/a	(0)	1,699,082
		€ 70,000,000	(0)	921,725

The following is a summary of the embedded credit derivatives separated from the host at December 31, 2011:

CDS	Maturity	Initial CDS Notional	Cash Settlement Amounts	Fair value
05-03 Notes	1 to 5 years – liability	30,000,000	(0)	(1,067,491)
07-01 Notes	1 to 5 years – asset	20,000,000	(0)	89,840
		€ 50,000,000	(0)	(977,651)

## EDAM FUNDING ONE LIMITED

Notes to Financial Statements (continued)

December 31, 2011 and 2010

(stated in Euro)

### 4. Financial instruments and associated risks (continued)

(d) Specific instruments (continued)

(iv) Derivative financial instruments (continued)

The following is a summary of the embedded credit derivatives separated from the host at December 31, 2010:

CDS	Maturity	Initial CDS Notional	Cash Settlement Amounts	Fair value
05-03 Notes	1 to 5 years – liability	30,000,000	(0)	(7,099,489)
06-01 Notes	1 to 5 years – liability	50,000,000	(0)	(5,307,269)
06-02 Notes	1 to 5 years – liability	25,000,000	(0)	(2,225,030)
06-03 Notes	1 to 5 years – liability	20,000,000	(0)	(1,725,949)
07-01 Notes	1 to 5 years – liability	20,000,000	(0)	(4,195,934)
		€ 145,000,000	(0)	(20,553,671)

The income streams in the form of interest earned on the CDS premiums received from the Swap Counterparty have been structured in such a way to ensure that such interests cover/compensate for the scheduled interest payments on the Notes and CDS expense payments due to the Swap Counterparty.

The following is a summary of the stand-alone CDSs as at December 31, 2010 for which the Company acts as a credit protection seller: There were no stand-alone CDSs outstanding as at December 31, 2011.

Associated Note Series	EUR CDS Initial Payment	EUR CDS Initial Notional	EUR CDS Threshold Amount	EUR Maximum Loss Amount	EUR CDS Reference Portfolio Size	Net CDS Coupon Rate
04-02	0	70,000,000	210,000,000	280,000,000	3,500,000,000	1)

<sup>1)</sup> Net of outflow of 3 months Euribor plus 0.07% p.a. and inflow of 3% p.a. plus an inflation margin based on the performance of the Harmonised Index of Consumer Prices (HICP) excluding Tobacco.

In addition to the scheduled quarterly payments, the Company is obliged to pay the Swap Counterparty, subject to the relevant threshold limits, a Cash Settlement Amount upon the occurrence of a credit event provided that the conditions of settlement have been satisfied under the terms of each respective CDS contract.

As described in note 2(d)(v), Swap agreements related to the Series 05-01, 05-02, 06-07, 06-08 and 06-09 Notes are used to facilitate a principal protection for the respective Series Notes in case Prospero Notes are impaired.

## EDAM FUNDING ONE LIMITED

Notes to Financial Statements (continued)

December 31, 2011 and 2010  
(stated in Euro)

### 4. Financial instruments and associated risks (continued)

(d) Specific instruments (continued)

(iv) Derivative financial instruments (continued)

Even though Series 05-01, 05-02, 06-07, 06-08 and 06-09 Notes have a principal protection feature in the note structure, the principal protection is not guaranteed to investors under certain scenarios, for example, in case the Notes are redeemed prior to maturity.

The Company receives distributions and instalments from the Swap counterparty as determined by the Calculation Agent.

### 5. Limited recourse notes

At December 31, 2011 the carrying value of the Notes comprised:

Notes	Maturity	Principal	Cash Settlement Amounts	Premium	Fair Value of the Notes "clean"
Series 05-01	31/3/2017	2,669	(0)	0	252,554
Series 05-03	7/3/2012	30,000,000	(0)	0	28,932,509
Series 06-07	20/10/2022	1,237,094	(0)	0	1,292,582
Series 06-08	20/10/2022	1,245,475	(0)	0	2,045,673
Series 07-01	05/03/2012	20,000,000	(0)	0	20,089,840
		€ 52,485,238	(0)	0	52,613,158

During the year ended December 31, 2011 US\$5,538,480 of principal for Series 05-01, 05-02, 06-07 and 06-08 was repaid via installments.

At December 31, 2010 the carrying value of the Notes comprised:

Notes	Maturity	Principal	Cash Settlement Amounts	Premium	Fair Value of the Notes "clean"
Series 04-02	16/09/2011	70,000,000	(0)	0	66,565,976
Series 05-01	31/3/2017	291,499	(0)	0	250,295
Series 05-02	20/3/2017	37,350	(0)	0	29,135
Series 05-03	7/3/2012	30,000,000	(0)	0	22,900,511
Series 06-01	9/9/2011	50,000,000	(0)	0	44,692,731
Series 06-02	9/9/2011	25,000,000	(0)	0	22,774,970
Series 06-03	9/9/2011	20,000,000	(0)	200,000	18,274,051
Series 06-07	20/10/2022	4,121,632	(0)	0	2,362,503
Series 06-08	20/10/2022	3,573,237	(0)	0	1,845,424
Series 07-01	05/03/2012	20,000,000	(0)	0	15,804,066
		€ 223,023,718	(0)	200,000	195,499,662

During the year ended December 31, 2010 US\$9,038,387 of principal for Series 05-01, 05-02, 06-07, 06-08 and 06-09 was repaid via installments.

**5. Limited recourse notes (continued)**

*(a) Principal of the Notes*

The amount of principal that Noteholders shall receive on the maturity date depends in part on whether credit events have occurred in relation to the reference portfolios (note 4(a)) that the Notes are credit linked to. The Notes are not principal protected and investors in the Notes may lose, in part or in whole, amounts invested in the Notes as the result of a credit event occurring with respect to one or more reference entities or obligations within a specified reference portfolio. The principal will be repaid in full as long as the aggregate losses as a result of credit events in the reference portfolio remain below the pre-determined threshold. If cumulative losses in the reference portfolio exceed the threshold of the Notes, repayment will be partial or even zero.

See note 4(a) for further detail regarding the credit risk impacting each series of Notes via the relevant CDS contracts.

During the year ended December 31, 2011 and 2010, no credit events occurred in the reference portfolios relevant to the principal CDSs that impacted the notional of the Notes. As a result 100% of the principal value of the Notes remained outstanding at December 31, 2011 and 2010.

The Company invested the principal proceeds from the Notes into the investments as discussed in Note 2(d)(v). Any premium over par received on the issue of specific Note series was paid to the Swap Counterparty as premium for entrance into specific CDSs.

The net loss on revaluation of the Notes of €7,651,976 (2010: €20,371,223) and the fair value of the Notes of €2,613,158 (2010: €195,499,662) were estimated using the valuation technique discussed in note 11.

Unless previously redeemed or purchased and cancelled earlier, the Company is obliged to redeem the Notes on the scheduled maturity date.

*(b) Limited recourse*

All payments to be made by the Company in respect of the Notes and the Swap Agreement will be made only from and to the extent of the sums received or recovered from time to time by or on behalf of the Company in respect of the Charged Assets.

To the extent that such sums are less than the amount which the holders of the Notes and the Swap Counterparty may have expected to receive if paragraph (a) above did not apply (the difference being referred to as a shortfall), such shortfall will be borne by the Note holders and by the Swap Counterparty in accordance with the conditions of the Notes.

Each holder of the Notes, by subscribing for or purchasing such Notes, is deemed to accept and acknowledge that it is fully aware that:

## EDAM FUNDING ONE LIMITED

Notes to Financial Statements (continued)

December 31, 2011 and 2010  
(stated in Euro)

### 5. Limited recourse notes (continued)

#### (b) Limited recourse (continued)

- (i) the holders of the Notes can look solely to the sums referred to in paragraph (a), as applied in accordance with paragraph (b) above, (the “relevant sums”) for payments to be made by the Company in respect of the Notes and the other assets (if any) of the Company will not be available after payments of the relevant sums;
- (ii) the obligations of the Company to make payments in respect of the Notes will be limited to the relevant sums and the holders of the Notes and coupons and the Swap Counterparty shall have no further recourse to the Company in respect of the Notes;
- (iii) any right of the holders of the Notes to claim payment of any amount exceeding the relevant sums shall be automatically extinguished; and
- (iv) the holders of the Notes shall not be able to petition for the winding up of the Company as a consequence of any such shortfall.

#### (c) Interest on the Notes

The interest terms for the Notes comprise:

Notes	Fixed Interest or Margin rate	Frequency of Interest Payments	Base Rate	Inflation Rate
Series 04-02 <sup>(1)</sup>	3%	Quarterly	n/a	HICP ex Tobacco
Series 05-01	n/a	Instalments <sup>(2)</sup>	n/a	n/a
Series 05-02	n/a	Instalments <sup>(2)</sup>	n/a	n/a
Series 05-03	1.4%	Quarterly	3M Euribor	n/a
Series 06-01	1.6%	Quarterly	3M Euribor	n/a
Series 06-02	5.3%	Annually	n/a	n/a
Series 06-03	5.7%	Annually	n/a	n/a
Series 06-07	n/a	Instalments <sup>(2)</sup>	n/a	n/a
Series 06-08	n/a	Instalments <sup>(2)</sup>	n/a	n/a
Series 06-09	n/a	Instalments <sup>(3)</sup>	n/a	n/a
Series 07-01	5%	Annually	n/a	n/a

<sup>(1)</sup> Interest payments are based on a fixed annualised rate of 3% subject to an inflation margin based on the performance of the Harmonised Index of Consumer Prices (HICP) excluding Tobacco.

<sup>(2)</sup> The notional of the notes is reduced during the life of the note by instalment amounts, as determined by the Calculation Agent in its sole and absolute discretion equal to the lesser of (i) the principle amount outstanding less EUR 10,000; and (ii) (Distribution Calculation amounts as defined per Swap Agreement)/(1-Notional Zero Coupon Deposit Price) less related Hedge Unwind Costs, provided that in no event shall the instalment amount be less than zero.



## EDAM FUNDING ONE LIMITED

Notes to Financial Statements (continued)

December 31, 2011 and 2010  
(stated in Euro)

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### 5. Limited recourse notes (continued)

#### (c) Interest on the Notes (continued)

The final redemption amount shall be the current nominal amount of the note at maturity date, and will be equal to the sum of all the final exchange amounts paid by the Swap counterparty to the Issuer. The final proceeds from Prospero Notes will be passed to the note holders after conversion into EUR and deduction of all costs, expenses and taxes as determined by the redemption agent.

Interest expense on the Notes for the year ended December 31, 2011 amounted to €7,385,923 (2010: €8,481,381), of which €86,518 is payable at December 31, 2011 (2010: €1,888,287).

#### (d) Security

Pursuant to a Master Trust Deed Dated December 18, 1998, as amended from time to time, between the Company and Deutsche Trustee Company Limited (the "Trustee"), and the relevant Supplemental Trust Deeds specific to each series of Notes, the Company has created security interests in favor of the Trustee for its secured creditors. In addition to security in the form of assignment of all of the Company's rights, title and interest to specific Charged Assets and Swap Agreements, the secured creditors are secured pursuant to a floating charge over the assets of the Company not otherwise charged.

### 6. Operating expenses

The Company entered into an Expenses Agreement dated April 30, 1999 with Rabobank International, London branch, whereby any and all operating expenses incurred by the Company are assumed by Rabobank International, London branch.

### 7. Interest income and expense

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	2011	2010
Interest income		
Interest income on investments	€ 6,494,394	7,306,658
Interest expense		
Limited recourse notes	€ 7,385,923	8,481,381

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## EDAM FUNDING ONE LIMITED

Notes to Financial Statements (continued)

December 31, 2011 and 2010

(stated in Euro)

### 8. Net gain on financial instruments

	2011	2010
<b>Net gain on derivative financial instruments:</b>		
Net movement in unrealised gain	20,392,059	11,130,983
CDS income received	8,559,203	12,156,651
CDS expense paid	(2,006,079)	(1,996,410)
	26,945,183	21,291,224
<b>Net loss on limited recourse notes:</b>		
Net realised and movement in unrealised loss limited recourse notes	(27,651,976)	(20,371,223)
<b>Net gain on investments:</b>		
Net movement in unrealised gain on investments	1,598,322	254,723
	€ 891,529	1,174,724

### 9. Related party balances and transactions

The following transactions and balances with related parties are disclosed below:

	2011	2010
<b>Statements of financial position:</b>		
Investments	50,000,000	215,000,000
Derivative financial instruments – assets	1,827,604	4,232,633
Interest receivable	886,518	1,765,172
Derivative financial instruments – liabilities	(1,067,491)	(23,864,579)
<b>Statements of comprehensive income:</b>		
Interest income	5,107,540	5,785,771
Net gain on derivative financial instruments	€ 26,945,183	21,291,224

All related party transactions are with the affiliates of Rabobank International, London branch acting as the Programme sponsor, Swap Counterparty and GIC/CLD Counterparty.

Operating expenses, including management fees paid to Directors are paid by Rabobank International, London branch, on behalf of the Company.

## EDAM FUNDING ONE LIMITED

Notes to Financial Statements (continued)

December 31, 2011 and 2010  
(stated in Euro)

### 9. Related party balances and transactions (continued)

The following is a summary of Rabobanks principal holding in each note series at December 31, 2011:

Notes	Principal	Principal by Rabobank	Percentage holding
Series 05-01	2,669	-	-
Series 05-03	30,000,000	25,000,000	83.33%
Series 06-07	1,237,094	-	-
Series 06-08	1,245,475	-	-
Series 07-01	20,000,000	16,500,000	82.50%
	52,485,238	41,500,000	79.07%

The following is a summary of Rabobanks principal holding in each note series at December 31, 2010:

Notes	Principal	Principal by Rabobank	Percentage holding
Series 04-02	70,000,000	30,988,000	44.27%
Series 05-01	291,499	786	0.27%
Series 05-02	37,350	-	-
Series 05-03	30,000,000	25,000,000	83.33%
Series 06-01	50,000,000	28,500,000	57.00%
Series 06-02	25,000,000	20,000,000	80.00%
Series 06-03	20,000,000	12,480,000	62.40%
Series 06-07	4,121,632	1,764,218	42.80%
Series 06-08	3,573,237	-	-
Series 07-01	20,000,000	16,500,000	82.50%
	223,023,718	135,233,004	60.64%

### 10. Share capital

	2011	2010
Authorised		
50,000 shares of US\$1 each	US\$ 50,000	50,000
Allotted, called up and fully paid:		
1,000 shares	€ 962	962

## EDAM FUNDING ONE LIMITED

Notes to Financial Statements (continued)

December 31, 2011 and 2010

(stated in Euro)

### 11. Fair value information

For certain of the Company's financial instruments not carried at fair value including cash and cash equivalents, investments, interest receivable and interest payable, the carrying amount approximates fair value due to the immediate or short term nature of these financial instruments. The carrying amounts of all the Company's financial assets and financial liabilities at the reporting dates approximated their fair values.

#### *Estimation of fair values*

The major methods and assumptions used in estimating the fair values of financial instruments are disclosed in note 2(d)(v).

At December 31, 2011, the carrying amounts of limited recourse notes for which fair values were determined directly, in full or in part, by reference to published price quotations amounted to €Nil (2010: €Nil). The carrying amounts of limited recourse notes for which fair values were determined using valuation techniques or were determined by reference to published price quotations with a limited liquidity amounted to €2,613,158 (2010: €195,499,662).

At December 31, 2011, the carrying amounts of derivative financial instruments for which fair values were determined directly, in full or in part, by reference to published price quotations amounted to €Nil (2010: €Nil). The carrying amounts of derivative financial instruments for which fair values were determined using valuation techniques or were determined indirectly by reference to published price quotations amounted to €1,827,604 (2010: €4,232,633) for assets and €1,067,491 (2010: €23,864,579) for liabilities.

The Notes and the CDSs, Swap Agreements and investment in Prospero Notes are fair valued using valuation techniques discussed in note 2(d)(iv) including reference to the current fair values of other comparable instruments (subject to appropriate adjustments). Management deems that this valuation method is more appropriate for the Company than estimating a range of fair values using a proprietary model of Rabobank International, London Branch, the Swap Counterparty. Should such an alternative valuation method be used, the fair value estimates of the CDSs, Swap Agreements, investment in Prospero Notes and the Notes could be significantly different to those presented in the financial statements.

At December 31, 2011, the following year end price quote estimates (quoted "clean") for the Notes were used in determining fair values for the Notes and consequently the CDSs.

Notes	Maturity	Principal	Issue Price	Year End Revaluation Price ("clean" price)	Fair Value of the Notes ("clean" price)
Series 05-01	31/3/2017	2,669	100.00%	9,462.50%	252,554
Series 05-03	7/3/2012	30,000,000	100.00%	96.44%	28,932,509
Series 06-07	25/10/2022	1,237,094	100.00%	104.49%	1,292,582
Series 06-08	25/10/2022	1,245,475	100.00%	164.25%	2,045,673
Series 07-01	5/3/2012	20,000,000	100.00%	100.45%	20,089,840
		€			
		52,485,238			52,613,158

## EDAM FUNDING ONE LIMITED

Notes to Financial Statements (continued)

December 31, 2011 and 2010

(stated in Euro)

### 11. Fair value information (continued)

At December 31, 2010, the following year end price quote estimates (quoted “clean”) for the Notes were used in determining fair values for the Notes and consequently the CDSs.

Notes	Maturity	Principal	Issue Price	Year End Revaluation Price (“clean” price)	Fair Value of the Notes (“clean” price)
Series 04-02	16/09/2011	70,000,000	100.00%	95.09%	66,565,976
Series 05-01	31/3/2017	291,499	100.00%	85.86%	250,295
Series 05-02	20/3/2017	37,350	100.00%	78.00%	29,135
Series 05-03	7/3/2012	30,000,000	100.00%	76.33%	22,900,511
Series 06-01	9/9/2011	50,000,000	100.00%	89.38%	44,692,731
Series 06-02	9/9/2011	25,000,000	100.00%	91.09%	22,774,970
Series 06-03	9/9/2011	20,000,000	101.00%	91.37%	18,274,051
Series 06-07	25/10/2022	4,121,632	100.00%	57.31%	2,362,503
Series 06-08	25/10/2022	3,573,237	100.00%	51.64%	1,845,424
Series 07-01	5/3/2012	20,000,000	100.00%	79.02%	15,804,066
	€	223,023,718			195,499,662

Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes “observable” requires significant judgment by the Company. The Company considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

## EDAM FUNDING ONE LIMITED

Notes to Financial Statements (continued)

December 31, 2011 and 2010  
(stated in Euro)

### 11. Fair value information (continued)

The following table analyses within the fair value hierarchy the Company's financial instruments (by class) measured at fair value at 31 December 2011 and 31 December 2010:

<i>(stated in millions of Euro)</i>	Level 1	Level 2	Level 3	Total
	€	€	€	€
<b>December 31, 2011</b>				
Investments			1.85	1.85
Derivative financial instruments - assets			1.83	1.83
Derivative financial instruments - liability			(1.07)	(1.07)
Limited recourse notes			(52.61)	(52.61)
<b>December 31, 2010</b>				
Investments			0.25	0.25
Derivative financial instruments - assets	-	-	4.23	4.23
Derivative financial instruments - liability	-	-	(23.86)	(23.86)
Limited recourse notes	-	-	(195.49)	(195.49)

There were no transfers during the year ended 31 December 2011, between Levels 1, 2 and 3 for the financial instruments at fair value through profit or loss.

The movements in the Company's financial instruments are as follows:

<b>Derivative financial instruments:</b>	Level 3
<i>(stated in millions of Euro)</i>	
Balance at January 1, 2010	(30.76)
Change in unrealised gain	11.13
Balance at December 31, 2010	(19.63)
Change in unrealised gain	20.39
<b>Balance at December 31, 2011</b>	<b>0.76</b>

## EDAM FUNDING ONE LIMITED

Notes to Financial Statements (continued)

December 31, 2011 and 2010  
(stated in Euro)

### 11. Fair value information (continued)

<b>Limited recourse notes:</b>	Level 3
<i>(stated in millions of Euro)</i>	
Balance at January 1, 2010	(184.17)
Matured/terminated	9.04
Change in unrealised loss	(20.37)
Balance at December 31, 2010	(195.50)
Matured/terminated	170.54
Change in unrealised loss	(27.65)
<b>Balance at December 31, 2011</b>	<b>(52.61)</b>
<b>Investments</b>	Level 3
<i>(stated in millions of Euro)</i>	
Balance at January 1, 2010	0
Change in unrealised gain	0.254
Balance at December 31, 2010	0.25
Change in unrealised gain	1.60
<b>Balance at December 31, 2011</b>	<b>1.85</b>

### 12. Taxation

There are no taxes on income or gains in the Cayman Islands and the Company has received an undertaking from the Governor in Cabinet of the Cayman Islands exempting it from all local income, profits and capital taxes until 2024 should such taxes be enacted. Accordingly, no provision for income taxes is included in these financial statements.

### 13. Commitments and contingencies

Under the terms of an Amended and Restated Put Option Agreement dated February 28, 2003 entered into between, inter alios, the Company and the Dealers, each Dealer has an option at any time to require the Company by notice to the Company to redeem Notes held by such Dealer. Upon receipt of any notice pursuant to the Put Option Agreement, the Company shall promptly, and in any event within three Business Days, give notice of such optional redemption to the Trustee, the Redemption Agent (if applicable), the Swap Counterparty (if any) and the Credit Support Provider (if any). The Redemption Agent shall, if applicable, as soon as reasonably practicable arrange for and administer the sale and/or, as the case may be, delivery of the Charged Assets. Upon any redemption pursuant to the Put Option Agreement, the Charged Agreements will be terminated and the security constituted by the Trust Deed and/or any Charging Document will be released against receipt by or to the order of the Trustee of such Charged Assets and/or the net proceeds of realization of any of such Charged Assets for application by or to the order of the Trustee.

## EDAM FUNDING ONE LIMITED

Notes to Financial Statements (continued)

December 31, 2011 and 2010  
(stated in Euro)

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### 14. Subsequent events

As described in Note 2(d)(iv) and Note 11, the Company uses various methods to estimate fair value of its instruments. Current market conditions have introduced uncertainty into debt security markets with restricted trading and greater price volatility giving rise to difficulties in determining the fair value of the debt instruments held or issued by the Company.

As a consequence of these conditions, the markets in 2008 and subsequently were less active than historic trends for the type of debt instruments held or issued by the Company. Reduced availability of market data raise significant uncertainties over the counterparty quotes used as fair value estimates for such positions. In such circumstances, IFRS can require appropriate valuation models to be used in order to estimate fair values.

In these circumstances, the Company, upon due advice from the Calculation & Determination Agent, is of the view that the most appropriate estimate of the fair value of these debt instruments remains the independent counterparty quotes sourced for these positions. Consequently the Company has opted to use the counterparty quotes provided. Due to the inherent uncertainty of valuation and a low level of trading activity in such debt instruments, if any, these counterparty values may differ from the values that would have been used had a more active market for these instruments existed and the differences could be material.

As described in Note 11, the clean fair value prices of Series 05-01, 06-07 and 06-08 Notes were 9,462.50%, 104.49% and 164.25% respectively at year end. Such fair value estimates were derived from their reference asset components. One of such reference asset components being the Company's investments in Prospero Notes (note 4(d)(iii)), essentially equity-linked instruments issued by Prospero CLO I B.V. and Prospero CLO II B.V.

Subsequent to the year end, the credit rating reflects a different assessment to that assigned on issuance of each of the notes when initial due diligence was performed. The following is a summary of the S&P rating at issuance date and at March 30, 2011 for each Note Series:

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Notes	S&P rating at issuance date	S&P rating at April 24, 2012
Series 05-01	AAA	AA
Series 05-03	AAA	NA
Series 06-07	AAA	AA
Series 06-08	AAA	AA
Series 07-01	AAA	NA

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Series 05-31 and 07-01 matured on March 5, 2012 and March 7, 2012, respectively. The associated derivatives have been terminated and the associated investments have been redeemed and repaid to the noteholders in full.