

Illustrative Example of Financial Statements of Securitisation Vehicles*

1.1 Preface

As the quality of the financial information disclosed to third parties has become crucial, this illustrative example of annual accounts is intended to improve the quality and transparency of financial data provided by securitisation vehicles in Luxembourg. For the example below, we have chosen a securitisation company as for the time being nearly all Luxembourg securitisation vehicles are set up in the form of corporate entities. Nevertheless, the model could be also applied for the annual accounts of a Luxembourg securitisation fund managed by a management company (see also sections 2.4.1 of the brochure “Securitisation in Luxembourg”).

The financial statements presented below refer to the regulations of the Law of December 19, 2002 on the trade and companies register and the accounting and the annual accounts of companies replacing section XIII of the Law of August 10, 1915 on commercial companies. The Law of December 19, 2002 limited the options relating to the layout of the balance sheet and the profit and loss account. It also reduced the filing deadline for the annual accounts to one month after their approval and to seven months, at the latest, after the financial

year end. The purpose of the illustrative example is to enable the persons in charge of preparing the financial statements to understand the legal obligations they have to meet with regard to the layout and the contents of the annual accounts for securitisation vehicles.

This appendix should be used together with the general brochure issued by our firm: “Illustrative annual accounts for commercial companies in Luxembourg”, which is available in English, French and German on www.pwc.com/lu. This brochure also provides general information on the presentation of the annual accounts and general accounting principles while taking a brief look at consolidated accounts and reviewing the auditing and publishing of annual accounts.

It is probable that the Luxembourg commercial law will be changed in the near future to allow the preparing and filing of annual accounts in accordance with International Financial Reporting Standards (IFRS). Alternatively, it should also become possible to account for part of the assets and liabilities according to the fair value. Although expected, we cannot give an opinion as to when this possibility will be put into the law. Hence, for the time being, the annual accounts of Luxembourg securitisation companies need to

be prepared in accordance with Lux-GAAP.

The illustrative example shows a typical structure of annual accounts of a Luxembourg securitisation vehicle investing in financial assets such as long-term receivables or securities and issuing bonds. As a result, the profit and loss account is mainly represented by “Interest receivable and payable” and “Other operating charges” such as fees payable to the several parties involved. Thus, the example is limited to the balance sheet and profit and loss account positions mostly used in Luxembourg and does not provide a complete template for the annual accounts of a securitisation company.

If other assets like intangible or tangible assets are securitised, or if the securitisation vehicle is refinanced by equity, the balance sheet and profit and loss account components need to be adjusted or amended accordingly.

Furthermore, the model assumes that the company is an “orphan” company and, by this, that there is no need to disclose operations with related entities. Regarding a management report, please refer to the above-mentioned brochure for more information.

1.2 Securitisation company consisting of only one compartment

Annual accounts as at ... (balance sheet date)/ for the period from ... to ... (balance sheet date)

Name of the Company

Société Anonyme/Société à Responsabilité Limitée/Société en Commandite par Actions/
Société Coopérative organisée comme une S.A.

Address of the registered office
R.C.S. Luxembourg: trade register number
(amount of the share capital for limited liability companies)

Name of the Company Balance sheet as at ... (balance sheet date)

Denominated in (currency in which the capital is denominated – or other selected currency)

| 34 | ASSETS | Note(s) | N (currency) | N-1 (currency) |
|----|---|------------|-----------------|-------------------|
| | A. Formation expenses | 2.2.1, 3 | | |
| | B. Fixed assets | | | |
| | I. Financial assets | 2.2.2, 4 | | |
| | 1. Securities held as fixed assets | | | |
| | 2. Other loans | | | |
| | C. Current assets | | | |
| | I. Debtors | 5.1 | | |
| | 1. Other debtors | 2.2.3, 5.2 | | |
| | a) becoming due and payable within one year | | | |
| | b) becoming due and payable after more than one year | | | |
| | II. Transferable securities | | | |
| | 1. Other transferable securities | | | |
| | III. Cash at bank | | | |
| | D. Prepaid expenses | 2.2.5 | | |
| | Total assets |  | ..... | ..... |

The accompanying notes form an integral part of these annual accounts

Name of the Company Balance sheet as at ... (balance sheet date)

Denominated in (currency in which the capital is denominated – or other selected currency)

| 34 | LIABILITIES | Note(s) | N (currency) | N-1 (currency) |
|----|--|-----------------|-----------------|-------------------|
| | A. Capital and reserves | | | |
| | I. Subscribed capital | 6 | | |
| | II. Share premium account | | | |
| | III. Reserves | 7 | | |
| | IV. Profit or loss brought forward | | | |
| | V. Profit or loss for the financial year | | | |
| | B. Provisions for risks and charges | 2.2.4, 8 | | |
| | 1. Provisions for taxation | | | |
| | 2. Other provisions | | | |
| | C. Creditors | 2.2.8, 2.2.9, 9 | | |
| | 1. Bonds | | | |
| | a) Convertible bonds | | | |
| | a) becoming due and payable within one year | | | |
| | b) becoming due and payable after more than one year | | | |
| | b) Non-convertible bonds | | | |
| | a) becoming due and payable within one year | | | |
| | b) becoming due and payable after more than one year | | | |
| | 2. Amounts owed to credit institutions | | | |
| | a) becoming due and payable within one year | | | |
| | b) becoming due and payable after more than one year | | | |
| | 3. Other creditors | | | |
| | a) becoming due and payable within one year | | | |
| | b) becoming due and payable after more than one year | | | |
| | D. Deferred income | 2.2.6 | | |
| | Total liabilities |  | ..... | ..... |

The accompanying notes form an integral part of these annual accounts

Name of the Company
Profit and loss account for the year ended ...
(balance sheet date)/the period from ... to ...
(balance sheet date)

Denominated in (currency in which the capital is denominated – or other selected currency)

| | | | | |
|----|--|----------|-----------------|-------------------|
| 46 | A. CHARGES | Note(s) | N (currency) | N-1 (currency) |
| | 1. Value adjustments in respect of formation expenses | 2.2.7, 3 | | |
| | 2. Other operating charges | 10 | | |
| | 3. Value adjustments in respect of financial assets and of transferable securities held as current assets | 2.2.7, 4 | | |
| | 4. Interest payable and similar charges | 10 | | |
| | 5. Profit for the financial year/period |  | ..... | ..... |
| | Total charges |  | ..... | ..... |

| | | | | |
|----|---|---------|-----------------|-------------------|
| 46 | B. INCOME | Note(s) | N (currency) | N-1 (currency) |
| | 1. Other operating income | 10 | | |
| | 2. Income from other transferable securities and from loans forming part of the fixed assets | 10 | | |
| | 3. Other interest receivable and similar income | 10 | | |
| | 4. Equalisation provision | 2.2.9 | | |
| | 5. Loss for the financial year/period |  | ..... | ..... |
| | Total income |  | ..... | ..... |

The accompanying notes form an integral part of these annual accounts

Notes to the accounts

Note 1 – General information

Name of the Company (hereafter “the Company”) was incorporated on (date of incorporation) and organised under the Laws of Luxembourg as a (legal form) for an unlimited period/for a period of ... years and is subject to the Law of March 22, 2004 on securitisation (“The Securitisation Law”).

The registered office of the Company is established in (town, country).

The Company’s financial year starts on ... and ends on ... of each year.

The Company’s corporate objects are
(Description of corporate objects of Securitisation Vehicle)

In general, the Company may take any controlling and supervisory measures and carry out any operation or transaction which it considers necessary or useful in the accomplishment and development of its corporate objects, to the largest extent permitted under the Securitisation Law.

In accordance with the Securitisation Law, the Board is entitled to create one or more compartments, each corresponding to a separate part of the Company’s estate. [if applicable]

Note 2 – Summary of significant accounting policies

26 **2.1 Basis of preparation**

51 The annual accounts have been prepared in accordance with Luxembourg legal and regulatory requirements. Accounting policies and valuation rules are, besides the ones laid down by the law, determined and applied by the Board of Directors, the Managers or the Management.

2.2 Significant accounting policies

The main valuation rules applied by the Company are the following:

2.2.1 Formation expenses

The formation expenses of the Company are directly charged to the profit and loss account of the financial year/period.

Or

53 (1) Formation expenses are written off (method of amortisation should be specified: straight line method, on diminishing values...) over a period of (XX years, YY months).

41 **2.2.2 Financial assets**

55 (1) (2) Valuation at acquisition cost

58 Securities held as fixed assets/Other loans are valued at acquisition cost/nominal value (loans and claims) including the expenses incidental thereto.

Notes to the accounts (cont.)

In case of a durable depreciation in value according to the opinion of the Board of Directors/ the Managers/the Management, value adjustments are made in respect of fixed assets, so that they are valued at the lower figure to be attributed to them at the balance sheet date. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

Valuation at the “lower of cost or market value”

Securities held as fixed assets are valued at the lower of acquisition cost including the expenses incidental thereto or the market value. Loans shown under “Financial Assets” are recorded at their nominal value. A value adjustment shall be made where the market value (securities)/recovery value (loans) is lower than the acquisition cost/nominal value.

Market value/recovery value corresponds to:

- The last available quote on the valuation day for securities listed on a stock exchange or dealt in on another regulated market;
- The recovery value estimated with care and in good faith by the Board of Directors/the Managers/the Management, without clearing between individual gains and losses in value, for unlisted securities or securities that are not dealt in on another regulated market, for securities listed on a stock exchange or dealt in on another regulated market where the latest quotation is not representative as well as for the loans shown under “Assets”.

2.2.3 Other debtors

Other debtors are recorded at their nominal value. They are subject to value adjustments where their recoverability is either uncertain or compromised at the closing date.

44 2.2.4 Provisions for risks and charges

Provisions for risks and charges are intended to cover losses or debts the nature of which is clearly defined and which, at the date of the balance sheet are either likely to be incurred or certain to be incurred but uncertain as to their amount or as to the date on which they will arise.

42 2.2.5 Prepaid expenses

This asset item includes expenditure incurred during the financial year but relating to a subsequent financial year.

45 2.2.6 Deferred income

The income received before the balance sheet date, but relating to a subsequent financial year, is shown under this caption.

2.2.7 Value adjustments

Value adjustments are deducted directly from the related asset, i.e. using the net book value disclosure.

Notes to the accounts (cont.)

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2.2.8 Creditors

Debts are recorded at their amount repayable. The amount repayable is reduced if it is probable that cash flows resulting out of the assets will not be sufficient to repay the complete debt. In such a case the Company has decreased the amount payable and recognised a gain in the position "Equalisation provision" in the profit and loss account.

Where the amount repayable on account of any debts is greater than the amount received, the difference may be shown as an deferred expense and is written off in yearly amounts based on .../based on the lifetime of the debts in the profit and loss account at the date of the reimbursement of the debts.

Or

Where the amount repayable on account is greater than the amount received, the difference may be accounted for in the profit and loss account when the debt is issued.

2.2.9 Equalisation provision

Losses during the year as a result from sales, default, lower market values or cost may cause a partial reduction on the notes issued. Such short falls will be born by the note holders in inverse order of the priority of payments. Consequently, a provision for value diminution will be made and deducted from the amount repayable of the notes issued and booked in the profit and loss account as "Equalisation provision".

2.2.10 Foreign currency translation

Transactions expressed in currencies other than (currency of the annual accounts) are translated into (currency of the annual accounts) at the exchange rate effective at the time of the transaction/(other rules to be specified).

Formation expenses expressed in currencies other than (currency of the annual accounts) are translated into (currency of the annual accounts) at the exchange rate effective at the time of the transaction. At the balance sheet date, these assets remain translated at historic exchange rates.

Cash at bank is translated at the exchange rate effective at the balance sheet date. Exchange losses and gains are recorded in the profit and loss account of the financial year/period.

Other assets and liabilities are translated separately at the lower or at the higher of the value converted at the historical exchange rate or the value determined on the basis of the exchange rates effective at the balance sheet date. The unrealised exchange losses are recorded in the profit and loss account. The realised exchange gains are recorded in the profit and loss account at the moment of their realisation.

Or

Short-term debtors and creditors are, according to their liquid criteria, translated on the basis of the exchange rates effective at the balance sheet date. The unrealised exchange gains and losses are thus recorded in the profit and loss account.

Other assets and liabilities are translated separately at the lower or at the higher of the value converted at the historic exchange rate or the value determined on the basis of the exchange rates effective at the balance sheet date. The unrealised exchange losses are recorded in the profit and loss account. The realised exchange gains are recorded in the profit and loss account at the moment of their realisation.

Notes to the accounts (cont.)

Where there is an economic link between an asset and a debt, these are valued in total according to the method described above and the net unrealised loss is recorded in the profit and loss account.

Note 3 – Formation expenses

53 (2) (3) Formation expenses comprise incorporation expenses/expenses incurred for the capital increase/(other to be specified)

39 (4) The movements of the financial year/period are as follows:

| | N (currency) |
|---|-----------------|
| Gross book value – opening balance | |
| Additions for the year/period | |
| Disposals for the year/period | |
| Gross book value – closing balance | |
| Amortisation – opening balance | (.....) |
| Amortisation for the year/period | |
| Withdrawals for the year/period | |
| Amortisation – closing balance | (.....) |
| Net book value – closing balance | |
| Net book value – opening balance | |

Note 4 – Financial assets

4.1 Description

Detailed description of the financial assets of the Securitisation Vehicle.

4.2 Assets

List of the financial assets of the Securitisation Vehicle grouped by classification, like investment type, maturity, risk profile. Description of impairments.

Note 5 – Current assets

5.1 Other debtors

The position of (currency) ... consists of

5.2 Cash at bank

The amount of (currency) ... is held with XXX Bank S.A., Luxembourg.

Notes to the accounts (cont.)

Note 6 – Subscribed capital

48, 183 The subscribed capital amounts to (currency) (amount) and is divided into x shares/corporate units fully paid-up/paid-up up to (currency) (amount) with a nominal value per unit of (currency) (amount)/without par value.

Note 7 – Legal reserve

72 Luxembourg companies are required to allocate to a legal reserve a minimum of 5% of the annual net income, until this reserve equals 10% of the subscribed share capital. This reserve may not be distributed.

Note 8 – Provisions for risks and charges

Detailed description of the composition of the provisions, if material.

Note 9 – Long term debts

The notes payable are compromised as follows:

| | N (currency) | N-1 (currency) |
|--|-----------------|-------------------|
| Class A | | |
| Class B | | |
| Class C | | |
| Subordinated notes | | |
| Total Issued | | |
| Provision for value diminution at the closing date | | |
| TOTAL | | |

(General description of the notes and the waterfall structure)

Note 10 – Income and charges

General description of the components of the income and charges of the securitisation transaction.

Note 11 – Off-balance sheet commitments

Description of the derivatives and other off-balance sheet commitments, like:

In order to manage interest rate risk, the Company has entered into a interest rate swap agreement with a nominal amount of EUR The Company will swap a fixed interest rate of x% with a variable interest rate, 3-month-EURIBOR. The maturity date is December 29, N+12.

Note 12 – Subsequent events

Description of subsequent events.

1.3 Securitisation vehicles with multiple-compartment structures

1.3.1 General remarks regarding multiple-compartment vehicles

One of Luxembourg's specialties is that securitisation vehicles may be split into one or more separate compartments, each corresponding to a distinct part of its assets financed by distinct securities. This compartment segregation – a technique often applied to investment funds in Luxembourg – also typifies the great flexibility securitisation transactions provide in Luxembourg. Such segregation however, if used, has to be mentioned in the articles of incorporation of the securitisation company or in the management regulations of the securitisation fund.

Compartment segregation means that the assets and liabilities of the vehicle can be split into different compartments, each treated as a separate entity making distinct transactions. The rights of investors and creditors are therefore limited to the risks on the assets of the respective compartments. Each of the compartments can be liquidated separately without negatively impacting the vehicle's remaining compartments, i.e. without triggering the liquidation of the other compartments. If the securitisation vehicle is a corporate entity, all compartments can be liquidated without necessarily liquidating the whole vehicle.

As a result, a securitisation vehicle with several compartments can be seen as a combination of several companies under one legal entity. Regarding the disclosure of financial information of a multiple-compartment structure, it should be noted that the disclosure of a combined balance sheet and a combined profit and loss account alone will not provide a true and fair view of the securitisation vehicles' activities and of its financial situation. Therefore, either separate balance sheets and profit and loss accounts for each compartment should be disclosed, in addition to the combined ones, or a special note should be added in the notes to the financial statements describing the compartment structure including the assets and liabilities and the income and charges of each compartment. An illustrative example is provided in the next paragraph.

1.3.2 Additional content in the notes to accounts

Note 4 – Assets purchased and held by the Company as underlying to securities issued

Each compartment corresponds to a distinct and segregated part of the Company's assets and liabilities, and (i) the rights of note holders of a compartment are limited to the assets of such a compartment and (ii) the assets of a compartment are exclusively available to satisfy the rights of the note holders of such a compartment. In the relationship between the note holders, each compartment is deemed to be a separate entity.

For the time being, the particular rights or limitations attached to notes, as may be specified in the articles are the following: if a compartment is liquidated, its assets shall be applied (a) first, in payment or satisfaction of all fees, costs, charges, expenses, liabilities, and other amounts including any taxes required to be paid (other than amounts referred to in paragraph (b) below) attributable or allocated to such compartments; and (b) secondly, *pro rata* in payment of any amounts owing, directly or indirectly, to note holders. In the case of issuance of more than one class or type of notes per compartment, assets will be subject to compliance with any priority of payment arrangements as determined by the relevant appendix, applicable to such notes.

If the realised net assets of any compartment are insufficient to pay amounts otherwise payable on the relevant class in full, in accordance with the articles, the relevant note holders shall have no claim against the Company for, or in respect of, any shortfall and shall have no claim against any other compartment or any other assets of the Company.

The balance sheet of the Company can be split into the following compartments as at (balance sheet date):

| | Combined balance | N+1 | N+2 | N+... | N+n |
|--|------------------|-------|-------|-------|-------|
| ASSETS | | | | | |
| A. Formation expenses | x | y | y | y | y |
| B. Fixed assets | | | | | |
| I. Financial assets | x | y | y | y | y |
| 1. Securities held as fixed assets | x | y | y | y | y |
| 2. Other loans | x | y | y | y | y |
| C. Current assets | x | y | y | y | y |
| I. Debtors | x | y | y | y | y |
| 1. Other debtors | x | y | y | y | y |
| II. Transferable securities | x | y | y | y | y |
| 1. Other transferable securities | x | y | y | y | y |
| III. Cash at bank | x | y | y | y | y |
| D. Prepaid expenses | x | y | y | y | y |
| Total assets | (sum) | (sum) | (sum) | (sum) | (sum) |
| LIABILITIES | | | | | |
| A. Capital and reserves | x | y | y | y | y |
| I. Subscribed capital | x | y | y | y | y |
| II. Share premium account | x | y | y | y | y |
| III. Reserves | x | y | y | y | y |
| IV. Profit or loss brought forward | x | y | y | y | y |
| V. Profit or loss for the financial year | x | y | y | y | y |
| B. Provisions for risks and charges | x | y | y | y | y |
| 1. Provisions for taxation | x | y | y | y | y |
| 2. Other provisions | x | y | y | y | y |
| C. Creditors | x | y | y | y | y |
| 1. Bonds | | | | | |
| 2. Amounts owed to credit institutions | x | y | y | y | y |
| 3. Other creditors | x | y | y | y | y |
| D. Deferred income | x | y | y | y | y |
| Total liabilities | (sum) | (sum) | (sum) | (sum) | (sum) |

The profit and loss accounts of the Company can be split into the following compartments:

| | Combined P&L | N+1 | N+2 | N+... | N+n |
|---|--------------|-------|-------|-------|-------|
| CHARGES | | | | | |
| 1. Value adjustments in respect of formation expenses | x | y | y | y | y |
| 2. Other operating charges | x | y | y | y | y |
| 3. Value adjustments in respect of financial assets and of transferable securities held as current assets | x | y | y | y | y |
| 4. Interest payable and similar charges | x | y | y | y | y |
| 5. Profit for the financial year/period | x | y | y | y | y |
| Total charges | (sum) | (sum) | (sum) | (sum) | (sum) |
| INCOME | | | | | |
| 1. Other operating income | x | y | y | y | y |
| 2. Income from other transferable securities and from loans forming part of the fixed assets | x | y | y | y | y |
| 3. Other interest receivable and similar income | x | y | y | y | y |
| 4. Equalisation provision | x | y | y | y | y |
| 5. Loss for the financial year/period | x | y | y | y | y |
| Total income | (sum) | (sum) | (sum) | (sum) | (sum) |

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