

Company Registration Number: 05456356

**KARTA LNI 1 LIMITED**  
**ANNUAL REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

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# **KARTA LNI 1 LIMITED**

## **ANNUAL REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2007**

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# **KARTA LNI 1 LIMITED**

## **OFFICERS AND PROFESSIONAL ADVISERS**

### **Directors**

Mr M H Filer  
Mrs R L Samson  
Mr S Masson  
Wilmington Trust SP Services (London) Limited

### **Company secretary**

Wilmington Trust SP Services (London) Limited

### **Company number**

05456356

### **Registered office**

c/o Wilmington Trust SP Services (London) Limited  
Fifth Floor  
6 Broad Street Place  
London  
EC2M 7JH

### **Auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Hay's Galleria  
1 Hay's Lane  
London  
SE1 2RD

# **KARTA LNI 1 LIMITED**

## **THE DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2007**

The directors present their report and the audited financial statements of Karta LNI 1 Limited (the "Company") for the year ended 31 December 2007

#### **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

The principal activity of the Company is that of a securitisation vehicle facilitating the securitisation of a portfolio of credit card receivables (the "Receivables") originated by EFG Eurobank Ergasias S A ("the Originator", a bank incorporated in Greece) through, amongst other things, acquiring Global Loan Notes (the "GLNs" or "Intra-group loan") from Karta APC Limited ("APC"), a fellow group company, and issuing the Limited Recourse Loan Notes (the "LRNs") to Karta 2005-1 Plc ("PLC") a fellow group company. On 29 July 2005, Karta 2005-1 Plc issued Asset-Backed Floating Rate Loan Notes (the "Notes") amounting to €750,000,000.

PLC used the entire proceeds to purchase the LRNs from the Company. The Company used the proceeds to purchase the GLNs from APC and APC to purchase an interest in the Receivables originated by EFG Eurobank Ergasias S A. The Notes start to mature in July 2010 and are listed on the London Stock Exchange.

The Company's results for the year and financial position at the end of the year are shown in the attached financial statements. The profit for the year after taxation was €10,500 (2006: €10,500). The directors have not recommended payment of a dividend (2006: €nil).

#### **STRATEGY AND FUTURE DEVELOPMENTS**

The directors are confident, subject to unforeseen circumstances, that the current level of performance of the Company will continue and be maintained up to the beginning of the scheduled maturity date of the LRNs in July 2010. Thereafter, due to repayments decreasing the principal value of the LRNs, interest income and interest expense are expected to decrease. The rate of decrease will depend on the Notes' future redemptions. The Company's responsibility to make cash payments under the terms of the Offering Circular is limited to the funds available from the Receivables and accordingly, the Company is insulated from liquidity risk as experienced in the financial markets during the year.

#### **SUBSEQUENT EVENTS**

The directors have reviewed information relating to the credit quality of the Receivables underlying the deemed loan up to the date of approval of the financial statements and are satisfied that the level of impairment does not exceed the amount of credit enhancement supplied by the Originator to APC. As a result, the Directors confirm that the approximate fair values of the Notes in issue by PLC as at 30 September 2008 (calculated as set out in Note 2 to the financial statements) is within +/-5% of the year end fair values.

#### **KEY PERFORMANCE INDICATORS**

The key performance indicator of the business is considered by the directors to be the operating profit margin. During 2007, the Company achieved an operating profit margin of 0.002% (2006: 0.002%). At the year end, the Company had net assets of €21,215 (2006: €10,715). The details of other key performance indicators are included in the Monthly Investors Reports which are publicly available from the Originator's website [www.eurobank.gr](http://www.eurobank.gr).

#### **THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY**

The directors who served the Company during the year together with their beneficial interests in the shares of the parent company are as follows:

Mr M H Filer

Mrs R L Samson

Mr S Masson (appointed as an alternate director to Mrs R L Samson on 26 October 2007)

Wilmington Trust SP Services (London) Limited

# KARTA LNI 1 LIMITED

## THE DIRECTORS' REPORT (continued)

### FOR THE YEAR ENDED 31 DECEMBER 2007

#### THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY (continued)

Ordinary shares of £1 in the Company	No. of shares 31 December 2007	No. of shares 31 December 2006
Mr M H Filer	-	-
Mrs R L Samson	-	-
Mr S Masson	-	-
Wilmington Trust SP Services (London) Limited	<u>100</u>	<u>100</u>
The shares held by Wilmington Trust SP Services (London) Limited in the Company are held under a Declaration of Trust for charitable purposes		

None of the directors held any shares in the parent company, Wilmington Trust SP Services (London) Limited, during the year

#### CREDITOR PAYMENT POLICY

The Company's policy concerning the payment of its trade creditors is to pay in accordance with its contractual and other legal obligations. All creditors are paid in accordance with the payment waterfalls set out in the securitisation transaction on the respective quarterly interest payment dates.

#### PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risks affecting the Company and its management are set out in Note 14 to the financial statements. Further, the directors acknowledge that the global macro-economic indicators and general business environment have deteriorated during 2007, and have worsened during 2008. Market liquidity constraints, limited availability of credit and difficult trading conditions continue to pose significant challenges to all underlying businesses and borrowers with whom the Company has exposure through the intra-group loan. Conditions may deteriorate further due to the continued global financial and economic uncertainty.

#### STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under the law the directors have elected to prepare financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

The financial statements are required by law and IFRSs as adopted by the European Union ("EU") to give a true and fair view of the state of affairs of the Company and the profit or loss for that period. In preparing the financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are prudent and reasonable,
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

Each of the directors confirms that

- so far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and
- they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**KARTA LNI 1 LIMITED**

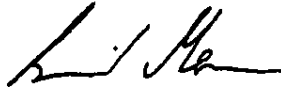
**THE DIRECTORS' REPORT (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2007**

**AUDITORS**

A resolution to re-appoint PricewaterhouseCoopers LLP as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985

By order of the Board



**On behalf of Wilmington Trust SP Services (London) Limited**

**Director**

Date 31 October 2008

## **KARTA LNI 1 LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KARTA LNI 1 LIMITED**

We have audited the financial statements of Karta LNI 1 Limited (the "Company") for the year ended 31 December 2007 which comprise the Income Statement, the Statement of Changes in Equity, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

#### **Respective responsibilities of directors and auditors**

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**

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

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

#### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Company's affairs as at 31 December 2007 and of its profit and cash flows for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
London  
Date 31 October 2008

# KARTA LNI 1 LIMITED

## INCOME STATEMENT

	Note	2007 €	2006 €
Interest income	3	34,485,398	24,603,599
Interest expense	4	<u>(34,452,738)</u>	<u>(24,567,647)</u>
Net interest income		32,660	35,952
Administrative expenses	5	<u>(17,660)</u>	<u>(20,952)</u>
Profit before tax for the year		15,000	15,000
Income tax expense	6	<u>(4,500)</u>	<u>(4,500)</u>
Profit for the year	10	<u><u>10,500</u></u>	<u><u>10,500</u></u>

## STATEMENT OF CHANGES IN EQUITY

	Share Capital €	Retained Earnings €	Total €
At 1 January 2006	146	69	215
Profit for the year	<u>-</u>	<u>10,500</u>	<u>10,500</u>
At 1 January 2007	146	10,569	10,715
Profit for the year	<u>-</u>	<u>10,500</u>	<u>10,500</u>
At 31 December 2007	<u><u>146</u></u>	<u><u>21,069</u></u>	<u><u>21,215</u></u>

The notes on pages 9 to 20 form part of these financial statements



# KARTA LNI 1 LIMITED

## BALANCE SHEET

	Note	31/12/2007 €	31/12/2006 €
<b>Non-current Assets</b>			
Intra-group loan	7	<u>750,000,000</u>	<u>750,000,000</u>
<b>Total non-current assets</b>		<u>750,000,000</u>	<u>750,000,000</u>
<b>Current Assets</b>			
Other assets	8	8,110,012	5,831,049
Cash and cash equivalents	9	<u>145</u>	<u>154</u>
<b>Total current assets</b>		<u>8,110,157</u>	<u>5,831,203</u>
<b>Total assets</b>		<u>758,110,157</u>	<u>755,831,203</u>
<b>Equity</b>			
Issued capital	10	146	146
Retained earnings	10	<u>21,069</u>	<u>10,569</u>
<b>Total equity</b>	10	<u>21,215</u>	<u>10,715</u>
<b>Non-current Liabilities</b>			
Liabilities evidenced by paper	11	<u>750,000,000</u>	<u>750,000,000</u>
<b>Total non-current liabilities</b>		<u>750,000,000</u>	<u>750,000,000</u>
<b>Current Liabilities</b>			
Other liabilities	12	8,084,442	5,815,958
Tax payable		<u>4,500</u>	<u>4,530</u>
<b>Total current liabilities</b>		<u>8,088,942</u>	<u>5,820,488</u>
<b>Total liabilities</b>		<u>758,088,942</u>	<u>755,820,488</u>
<b>Total equity and liabilities</b>		<u>758,110,157</u>	<u>755,831,203</u>

These financial statements were approved by the board of directors on 31 October 2008 and are signed on their behalf by



On behalf of Wilmington Trust SP Services (London) Limited  
Director

The notes on pages 9 to 20 form part of these financial statements

# KARTA LNI 1 LIMITED

## CASH FLOW STATEMENT

	2007 €	2006 €
<b>Cash flows from operating activities</b>		
Profit before tax for the year*	<u>15,000</u>	<u>15,000</u>
<b>Operating profit before changes in operating assets and liabilities</b>	<u>15,000</u>	<u>15,000</u>
Increase in other receivables	(2,278,963)	(1,035,129)
Increase in other payables	<u>2,268,484</u>	<u>1,020,133</u>
<b>Net cash from operating activities before tax</b>	<u>4,521</u>	<u>4</u>
<b>Tax paid in year</b>	<u>(4,530)</u>	<u>-</u>
<b>Net cash (used in)/from operating activities after tax</b>	<u>(9)</u>	<u>4</u>
<b>Net(decrease)/increase in cash and cash equivalents</b>	<u>(9)</u>	<u>4</u>
Cash and cash equivalents at start of year	<u>154</u>	<u>150</u>
Cash and cash equivalents at end of year	<u><u>145</u></u>	<u><u>154</u></u>

\*The Company has prepared cash flow under the indirect method. The interest received and paid during the year amounted to €31,256,586 and €31,223,926 respectively (2006 €24,541,099 and €24,505,147 respectively) are included in arriving at the profit before tax for the years ended 31 December 2007 and 2006

The notes on pages 9 to 20 form part of these financial statements

# **KARTA LNI 1 LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2007**

#### **1. PRINCIPAL ACCOUNTING POLICIES**

Karta LNI 1 Limited (the 'Company') is a limited liability company incorporated and domiciled in the United Kingdom with registered number 05456356.

The principal activity of the Company is that of a securitisation vehicle facilitating the securitisation of a portfolio of credit card receivables (the 'Receivables') originated by EFG Eurobank Ergasias S A ('the Originator'), a bank incorporated in Greece) through, amongst other things, acquiring Global Loan Notes (the 'GLNs' or the 'Intra-group loan) from Karta APC Limited ('APC'), a fellow group company, and issuing the Limited Recourse Loan Notes (the 'LRNs') to Karta 2005-1 Plc ('PLC') a fellow group company. On 29 July 2005, Karta 2005-1 Plc issued Asset-Backed Floating Rate Loan Notes (the 'Notes') amounting to €750,000,000.

PLC used the entire proceeds to purchase the LRNs from the Company. The Company used the proceeds to purchase the GLNs from APC and APC to purchase an interest in the Receivables originated by EFG Eurobank Ergasias S A. The Notes start to mature in July 2010 and are listed on the London Stock Exchange.

#### **Basis of preparation**

These financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs') and IFRIC interpretations as adopted by the European Union (EU) and with those parts of the Companies Act, 1985 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

The Company mainly transacts in euros ('€'), therefore, the euro is its functional and presentational currency.

#### **Standards, amendment and interpretations effective in 2007 and relevant to the Company's operations**

IFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements – Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Company's financial instruments, or the disclosures relating to taxation and trade and other payables.

IFRIC 9, 'Re-assessment of embedded derivatives'. There was no significant impact on the Company due to IFRIC 9.

#### **Standards, amendments and interpretations effective in 2007 but not relevant to the Company's operations**

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the Company's operations:

IFRS 4, 'Insurance contracts',

IFRIC 7, 'Applying the restatement approach under IAS 29, Financial reporting in hyper-inflationary economies',

IFRIC 8, 'Scope of IFRS 2', requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2, and

IFRIC 10, 'Interim financial reporting and impairment', prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date.

# **KARTA LNI 1 LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2007**

#### **1 PRINCIPAL ACCOUNTING POLICIES (continued)**

##### **Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company**

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2008 or later periods, but the Company has not early adopted them

IFRS 8, 'Operating segments' is effective from 1 January 2009. The standard is still subject to endorsement by the European Union. IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The new standard is not expected to have a significant impact on the Company's financial statements.

##### **Standards, amendments and interpretations to existing standards that are not yet effective and not relevant for the Company's operations**

The following interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2008 or later periods but are not relevant for the Company's operations.

IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment to the standard is still subject to endorsement by the European Union. It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The new standard is not expected to have any impact on the Company's financial statements.

IAS 27 (revised), 'Consolidated and separate financial statements' (effective from 1 July 2009). IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. They will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. IAS 27 revised is not relevant to the Company's operations because the Company does not have controlling or non-controlling interests.

IAS 32 (amended) 'Financial Instruments- Presentation' (effective from 1 January 2009). In February 2008, the IASB amended IAS 32 by requiring some puttable financial instruments and some financial instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity. This revision is not relevant to the Company as it does not have any such instruments.

IFRS 3 (amended), 'Business combinations' (effective from 1 July 2009). The IASB published a revised IFRS 3, 'Business combinations'. The standard continues to apply the acquisition method to business combinations, with some significant changes. Goodwill may be calculated based on the parent's share of net assets or it may include goodwill related to the minority interest. All transaction costs will be expensed. IFRS 3 is not relevant to the Company's operations because the Company does not have any business combinations.

IFRIC 12, 'Service concession arrangements' (effective from 1 January 2008). IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. IFRIC 12 is not relevant to the Company's operations because the Company does not provide for public sector services.

IFRIC 13, 'Customer loyalty programmes' (effective from 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. IFRIC 13 is not relevant to the Company's operations because the Company does not operate any loyalty programmes.

# **KARTA LNI 1 LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2007**

#### **1. PRINCIPAL ACCOUNTING POLICIES (continued)**

IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008) IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. IFRIC 14 is not relevant to the Company's operations because the Company has no employees and also does not provide pension.

Amendment to IFRS 2, 'Share based payments' (effective from 1 January 2009) The IASB has published an amendment to IFRS 2, 'Share-based payment' dealing with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The new standard is not expected to have any impact on the Company's financial statements.

IFRIC 11, 'IFRS 2 – Group and treasury share transactions', (effective from 1 periods beginning 1 March 2007) IFRIC 11 provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the Company's financial statements.

A summary of the more important accounting policies which have been used for the preparation of these financial statements is set out below.

#### **Financial assets**

The Company's financial assets are comprised of an Intra-group loan, and cash and cash equivalents. The acquisition of the GLNs from APC is classified as "Intra-group loan" and is carried at amortised cost using the effective interest method.

#### **Intra-group loan**

The intra-group loan initially represents the consideration paid by the Company in respect of the acquisition of the GLNs from PLC and is subsequently adjusted due to repayments made by PLC to the Company. The loan is carried at amortised cost using the effective interest method.

The Directors do not expect the amount of incurred credit losses on the Originator's securitised loans and advances to customers underlying the intra-group loan to exceed the amount of credit enhancement supplied by the Originator to APC and accordingly conclude that there is no objective evidence of impairment of the intra-group loan. Therefore, in accordance with IAS 39, there is no requirement to recognise any impairment loss against the intra-group loan.

#### **Liabilities evidenced by paper**

Liabilities evidenced by paper are comprised of the GLNs issued by the Company through its offering circular dated 22 July 2005. The GLNs were initially recognised at fair value, net of transaction costs incurred, and are subsequently stated at amortised cost using the effective interest method.

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

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise balances with less than 3 months maturity from the date of acquisition. All withdrawals from the Company's bank accounts are restricted by the detailed priority of payments set out in the offering circular and as such the cash and cash equivalents are not freely available to be used for any other purposes.

# **KARTA LNI 1 LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2007**

#### **1. PRINCIPAL ACCOUNTING POLICIES (continued)**

##### **Interest income and interest expense**

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' in the income statement using the effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and commissions paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

##### **Foreign currencies**

Assets and liabilities in foreign currencies are translated into Euros at the rates of exchange ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income statement.

##### **Taxation**

Up to the year ended 31 December 2006, the Company elected to be taxed under the Finance Act 2005 temporary tax regime for securitisation companies, wherein the Company's tax charge for the year was based on the taxable profits calculated in accordance with the Generally Accepted Accounting Principles in the United Kingdom ('UK GAAP') as applicable as of 31 December 2004. During this year, the Company has elected to be taxed under the permanent tax regime under which the Company is taxed by reference to its net cash flows during the year.

#### **2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Certain estimates in the financial statements are based wholly or in part on estimates or assumptions made by the directors. There is, therefore, a potential risk that they may be subject to change in future periods. The most significant of these are as follows:

##### **Impairment losses on intra group loan to APC**

The recoverability of the intra group loan to APC is dependant on the collections from underlying Receivables. Receivables are considered impaired when it is probable that the Originator will be unable to collect all amounts due according to the contractual terms of the agreement. The key assumptions for recoverability relate to estimates of the probability of any account going into default, cash flows from borrowers' accounts and their timing. These key assumptions are based on observed data from historical patterns and are updated regularly as new data becomes available.

In addition, the directors consider how appropriate past trends and patterns could impact the current economic climate and may make any adjustments they believe are necessary to reflect the current conditions.

The accuracy of impairment calculations would therefore be affected by unexpected changes to the economic situation, variances between the models used and the actual results, or assumptions which differ from the actual outcomes.

# KARTA LNI 1 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2007

#### 2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

##### Effective interest rates

The effective interest rate method calculates the amortised cost of a financial asset or financial liability (or a group of financial assets or liabilities) and allocates the interest income or interest expense over the expected life of the asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash flows to the relevant instrument's initial carrying amount. Calculation of the effective interest rate takes into account early redemption fees and transaction costs. All contractual terms of a financial instrument are considered when estimating future cash flows.

In order to determine the effective interest rate applicable to loans an estimate must be made of the expected life of the loans and hence the cash flows relating to them. These estimates are based on historical data from historical patterns and are updated regularly. The accuracy of the effective interest rate would therefore be affected by any differences between the actual borrower behaviour and that predicted.

##### Fair values

A majority of the fair values of Company's financial instruments for disclosure in Note 14 are not quoted in active markets and are arrived at using valuation techniques. These valuation techniques (for example models) are validated and periodically reviewed by qualified personnel independent of the personnel that created them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data.

#### 3. INTEREST INCOME

Interest income represents the interest income on the Intra-group loan together with interest on bank deposits, as analysed below

	2007 €	2006 €
Interest income on intra group loan (note 13)	34,485,394	24,603,596
Bank interest receivable	4	3
	<u>34,485,398</u>	<u>24,603,599</u>

The analysis of interest income by geographic location is set out below

##### Geographic

United Kingdom	<u>34,485,398</u>	<u>24,603,599</u>
	<u>34,485,398</u>	<u>24,603,599</u>

#### 4. INTEREST EXPENSE

	2007 €	2006 €
Interest on liabilities evidenced by paper	<u>34,452,738</u>	<u>24,567,647</u>
	<u>34,452,738</u>	<u>24,567,647</u>

# KARTA LNI 1 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2007

#### 5. ADMINISTRATIVE EXPENSES

	2007 €	2006 €
Auditors' remuneration – audit of the statutory financial statements of the Company	12,600	12,000
Auditors' remuneration - tax services	2,500	2,500
Auditors' remuneration - other services	-	3,333
Unrecoverable VAT on fees payable to the auditors	2,642	3,121
Exchange gains recognised	(82)	(2)
	<u>17,660</u>	<u>20,952</u>

Apart from the directors, the Company has no employees and, other than the fees paid to Wilmington Trust SP Services (London) Limited as set out in note 13, the directors received no remuneration during the year (2006 £nil)

#### 6. INCOME TAX

##### (a) Analysis of charge in the year:

	2007 €	2006 €
<b>Current tax:</b>		
Corporation tax charge for the year	<u>4,500</u>	<u>4,500</u>
Total taxation in income statement	<u>4,500</u>	<u>4,500</u>

##### (b) Reconciliation of effective tax rate

The tax assessed on the profit on ordinary activities for the year is equal to (2006 equal to) the standard rate of corporation tax in the UK of 30% (2006 30%)

	2007 €	2006 €
Profit before tax	<u>15,000</u>	<u>15,000</u>
Profit before tax multiplied by the standard rate of corporation tax in the UK of 30% (2006 30%)	<u>4,500</u>	<u>4,500</u>
Total taxation	<u>4,500</u>	<u>4,500</u>

The Finance Act 2005 provided that corporation tax for a 'securitisation company' within the meaning of the Act, would be calculated with reference to UK GAAP as applicable up to 31 December 2004, for accounting periods ending by 1 January 2008

Under the powers conferred by the Finance Act 2005, secondary legislation was enacted in November 2006 which ensures that, for periods commencing on or after 1 January 2007, corporation tax for a 'securitisation company' will be calculated by reference to the retained profit of the securitisation company required. As a consequence, the taxation treatment of securitisation companies will remain largely unchanged as a result of the introduction of IFRS.

The directors are satisfied that this Company meets the definition of a 'securitisation company' as defined by both The Finance Act 2005 and the subsequent secondary legislation and that no incremental unfunded tax liabilities will arise.



# KARTA LNI 1 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2007

#### 6. INCOME TAX (continued)

The directors will elect that the Company be taxed by reference to the profit required to be retained in accordance with the applicable capital market arrangement

As at 31 December 2007, there are no tax-related contingent assets or contingent liabilities in accordance with International Accounting Standard No 37 'Provisions, Contingent Liabilities and Contingent Assets' (IAS37)

#### 7. INTRA-GROUP LOAN

	2007	2006
	€	€
At 31 December	<u>750,000,000</u>	<u>750,000,000</u>

The intra-group loan consists of the GLNs acquired from APC to fund the acquisition from the Originator of legal ownership of its credit cards portfolio. Credit card receivables are due to be repaid at various times before July 2010. Credit Card receivables may be redeemed at any time at the option of the borrower.

Interest on the GLNs is payable on a quarterly basis at three month EURIBOR, plus agreed margins.

The GLNs were purchased on 29 July 2005. During the period to 15 July 2010 (the scheduled redemption date), except in situations where certain triggering events occur, there will be no repayments by APC to the Company. In July 2010, the proceeds collected by APC from the Receivables will be applied in a defined priority to repay the GLNs. Thereafter, the GLNs will be repaid on monthly basis as and when cash is collected by PLC from the Receivables. If not already repaid, the final maturity date of GLNs will be 15 July 2012.

Please refer to note 14 for disclosures relating to credit quality of the Receivables.

Intra-group loan is repaid as and when cash is received from APC.

	2007	2006
	€	€
In less than one month	-	-
In more than one month but not more than three months	-	-
In more than three months but not more than one year	-	-
In more than one year but not more than five years	750,000,000	-
In more than five years	-	750,000,000
	<u>750,000,000</u>	<u>750,000,000</u>

#### 8. OTHER ASSETS

	2007	2006
	€	€
Prepayments and accrued income	<u>8,110,012</u>	<u>5,831,049</u>

# KARTA LNI 1 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2007

#### 9. CASH AND CASH EQUIVALENTS

	2007	2006
	€	€
Cash and bank current accounts	<u>145</u>	<u>154</u>

#### 10. TOTAL EQUITY

Reconciliation of movement in capital and reserves

	Share capital	Retained earnings	Total
	€	€	€
Balance at 1 January 2006	146	69	215
Profit for the year	-	<u>10,500</u>	<u>10,500</u>
Balance at 1 January 2007	146	10,569	10,715
Profit for the year	-	<u>10,500</u>	<u>10,500</u>
Balance at 31 December 2007	<u>146</u>	<u>21,069</u>	<u>21,215</u>

There are 12,700 authorised ordinary shares of £1 each (2006 12,700). The issued share capital consists of 100 (2006 100) fully paid ordinary shares. The issued share capital is reflected in the financial statements as €146 based on the prevailing exchange rate at 15 July 2005 (£/€ 0.687) on the date the Company changed its functional and presentational currency from sterling to Euros. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

#### 11. LIABILITIES EVIDENCED BY PAPER

	2007	2006
	€	€
Non-current liabilities		
Limited Recourse Loan Notes	<u>750,000,000</u>	<u>750,000,000</u>
Total	<u>750,000,000</u>	<u>750,000,000</u>

The LRNs were issued on 29 July 2005 and are scheduled to mature between 15 July 2010 and 15 July 2012, unless certain triggering events occur which will require early repayment. In July 2010, in a defined priority, cash collected by the Company from the GLNs will be used to repay the LRNs. Thereafter, repayment of the LRNs will be on a monthly basis subject to collection by the Company from PLC against the GLNs. If not repaid earlier, the final maturity date of the LRNs will be 15 July 2012. The LRNs are secured against GLNs issued by PLC.

Interest on the LRNs is payable on a quarterly basis at three month EURIBOR, plus agreed margins.

The Company has not had any defaults on principal, interest or any other breaches with respect to their liabilities during the year.

#### 12. OTHER LIABILITIES

	2007	2006
	€	€
Interest payable	8,041,312	5,795,004
Amounts owed to connected company	32,790	-
Accruals and deferred income	<u>10,340</u>	<u>20,954</u>
	<u>8,084,442</u>	<u>5,815,958</u>

# **KARTA LNI 1 LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2007**

#### **13. RELATED PARTY TRANSACTIONS**

The Company has identified the following transactions which are required to be disclosed under the terms of IAS 24 Related Party Disclosures

During the year administration and accounting services were provided to Karta APC Limited, Karta 2005-1 Plc, Karta Holdings Limited, Karta Options Limited and Karta LNI 1 Limited by Wilmington Trust SP Services (London) Limited for which Wilmington Trust SP Services (London) Limited earned €31,500 (2006 €31,500). These fees were borne by Karta 2005-1 Plc. Mr M H Filer, who is a director of the Company is also a director of Wilmington Trust SP Services (London) Limited. Mrs R L Samson and Mr S Masson, who are directors of the Company, are employees of Wilmington Trust SP Services (London) Limited.

During 2005, the Company issued €750,000,000 LRNs to PLC and used the proceeds to acquire €750,000,000 GLNs from APC. At 31 December 2007, €750,000,000 (2006 €750,000,000) of the GLNs were still outstanding and disclosed as 'Intra-group loan'. At 31 December 2007, €750,000,000 (2006 €750,000,000) of the LRNs were still outstanding and disclosed within 'Liabilities evidenced by paper'.

The interest income on the GLNs for the year was €34,485,394 (2006 €24,603,596) and the interest expense on the LRNs for the year was €34,452,738 (2006 €24,567,647). At 31 December 2007, €8,041,312 (2006 €5,831,049) in respect of interest receivable on the GLNs was still outstanding and disclosed within 'Other assets: Prepayments and accrued income'. At 31 December 2007, €8,041,312 (2006 €5,795,004) in respect of interest payable on the LRNs was still outstanding and disclosed within 'Other liabilities: Interest payable'.

#### **14 FINANCIAL RISK MANAGEMENT**

The Originator considers the Company to be its subsidiary. The Originator manages the Receivables portfolio under the servicer agreement with the Company. In managing the Receivables portfolio, the Originator applies its own formal structure for managing risk, including established risk limits, reporting lines, mandates and other control procedures. This structure is reviewed regularly by the Originator's Assets and Liabilities Committee (ALCO), which is charged with the responsibility for managing and controlling the balance sheet exposures of the Originator. The minutes of ALCO relating to the operations of the Company are presented to the Board of the Company on a regular basis.

##### **Interest rate risk**

The Company is exposed to basis risk due to the timing difference in interest payment dates on the Notes and the intra group loan.

The administered interest rate nature of the Company's intra group loan, the regular re-pricing of the Company's floating rate notes, together with the nature of the Company's other assets and liabilities, the directors do not believe that the Company has any significant interest rate re-pricing exposure.

##### **Interest rate sensitivity**

The sensitivity analysis below has been determined based on the Company's exposure to interest rates for interest bearing assets and liabilities at the balance sheet date and has been based on management's assessment of the possible changes in interest rates.

The sensitivity of the Company to interest rate changes, and the resulting changes in net assets attributable to equity shareholders, is limited as the Company only retains 0.002% of available liabilities evidenced by paper. If interest rates had been 25 basis points higher and all other variables held constant, net assets attributable to equity shareholders for the year ended 31 December 2007 would have been €38 higher (2006 €38 higher). If interest rates had been 25 basis points lower and all other variables held constant, net assets attributable to equity shareholders for the year ended 31 December 2007 would have been lower by €38 (2006 €38 lower).

# KARTA LNI 1 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2007

#### 14. FINANCIAL RISK MANAGEMENT (continued)

##### Credit risk

The maximum exposure to Credit risk is considered by the directors to be the carrying value of the intra group loan and bank deposits

The credit quality of the underlying Receivables is summarised as follows

	31 December 2007	31 December 2006
	€	€
Neither past due nor impaired	750,936,750	781,852,458
Past due but not impaired	188,622,607	175,220,530
Impaired	36,230,650	40,306,246
	975,790,007	997,379,234
Less allowance for impairment	(29,807,917)	(32,917,388)
	945,982,090	964,461,846

The fair value of collateral at 31 December 2007 amounted to €nil (31 December 2006 €nil)

The directors monitor the credit rating of the banks with which deposits are placed on a regular basis. The credit rating of banking counterparties is at least investment grade or better.

##### Currency risk

All of the Company's assets and liabilities are denominated in euros ("€"), and therefore there is no foreign currency risk.

##### Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for the shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company is not subject to any external capital requirements except for the minimum requirement under the Companies Act 1985. The Company has not breached the minimum requirement. The gearing ratios at 31 December 2007 and 31 December 2006 were 99.99% and 99.99% respectively.

##### Financial instruments

The Company's financial instruments comprise an intra-group loan, cash and liquid resources, interest-bearing borrowings and various receivables and payables that arise directly from its operations.

It is, and has been throughout the period under review, the Company's policy that no trading in financial instruments is undertaken.

# KARTA LNI 1 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2007

#### 14. FINANCIAL RISK MANAGEMENT (continued)

##### Fair values

The fair values together with the carrying amounts shown in the balance sheet are as follows

	Note	Carrying amount 2007 €	Approximate Fair value 2007 €	Carrying amount 2006 €	Approximate Fair value 2006 €
<b>Financial assets at fair value through profit or loss:</b>					
Intra-group loan	7	750,000,000	750,000,000	750,000,000	750,000,000
Other assets	8	8,110,012	8,110,012	5,831,049	5,831,049
Cash and cash equivalents	9	145	145	154	154
		<u>758,110,157</u>	<u>758,110,157</u>	<u>755,831,203</u>	<u>755,831,203</u>
<b>Financial liabilities at fair value through profit or loss:</b>					
Liabilities evidenced by paper	11	(750,000,000)	(722,869,843)	(750,000,000)	(750,000,000)
Interest payable	12	(8,041,312)	(8,041,312)	(5,795,004)	(5,795,004)
Other payables	12	(43,130)	(43,130)	(20,954)	(20,954)
Tax payable		(4,500)	(4,500)	(4,530)	(4,530)
		<u>(758,088,942)</u>	<u>(730,958,785)</u>	<u>(755,820,488)</u>	<u>(755,820,488)</u>

Please see Note 2 for information on calculation of fair values

##### Interest rate risk profile of financial liabilities

All of the company's financial liabilities are floating rate and carry interest rates based on the relevant three-month EURIBOR rate

##### Effective interest rates and re-pricing analysis

The following table details the Company's exposure to interest rate risk by the earlier of contractual maturities or re-pricing

At 31 December 2007	Weighted average effective interest rate %	1 to 3 months €	Non interest bearing €	Total €
<b>Assets</b>				
Non-interest bearing	-	-	8,110,012	8,110,012
Intra-group loan	3.132%	750,000,000	-	750,000,000
Cash and cash equivalents	-	145	-	145
Total assets		<u>750,000,145</u>	<u>8,110,012</u>	<u>758,110,157</u>
<b>Liabilities</b>				
Non-interest bearing	-	-	8,088,942	8,088,942
Liabilities evidenced by paper	3.13%	750,000,000	-	750,000,000
Total liabilities		<u>750,000,000</u>	<u>8,088,942</u>	<u>758,088,942</u>

# KARTA LNI 1 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2007

#### 14. FINANCIAL RISK MANAGEMENT (continued)

At 31 December 2006	Weighted average effective interest rate %	1 to 3 months €	Non interest bearing €	Total €
<b>Assets</b>				
Non-interest bearing	-	-	5,831,049	5,831,049
Intra-group loan	3.280%	750,000,000	-	750,000,000
Cash and cash equivalents	-	154	-	154
Total assets		<u>750,000,154</u>	<u>5,831,049</u>	<u>755,831,203</u>
<b>Liabilities</b>				
Non-interest bearing	-	-	5,820,488	5,820,488
Liabilities evidenced by paper	3.27%	<u>750,000,000</u>	-	<u>750,000,000</u>
Total liabilities		<u>750,000,000</u>	<u>5,820,488</u>	<u>755,820,488</u>

#### 15. SEGMENTAL REPORTING

The principal asset of the Company is the deemed loan to the Originator which is originated in Greece, funded by the Notes issued and listed on the London Stock Exchange. Cash is held mainly in the UK. The directors do not use any other segments for the purpose of managing the Company.

#### 16. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The shares in the Company are held by Wilmington Trust SP Services (London) Limited and Mrs R. L. Samson under Declarations of Trust for charitable purposes. EFG Eurobank Ergasias S.A. has no direct ownership interest in the Company. However, in accordance with IFRS, and particularly SIC 12, the Originator considers the Company to be its subsidiary and results of the Company are included in the consolidated financial statements of the EFG Eurobank Ergasias S.A., which are available online at [www.eurobank.gr](http://www.eurobank.gr).