

Company Registration Number: 05655257

GRIFONAS FINANCE NO.1 PLC
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

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GRIFONAS FINANCE NO.1 PLC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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GRIFONAS FINANCE NO.1 PLC

OFFICERS AND PROFESSIONAL ADVISERS

Directors	Mr M H Filer Wilmington Trust SP Services (London) Limited
Company secretary	Wilmington Trust SP Services (London) Limited
Company number	05655257
Registered office	c/o Wilmington Trust SP Services (London) Limited Third Floor 1 King's Arms Yard London EC2R 7AF
Auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 30 Finsbury Square London EC2P 2YU

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2015. The Company is incorporated as a public limited company and domiciled in the United Kingdom.

The Company is a special purpose company established solely for the purpose of issuing loan notes and other loans in order to acquire a residential mortgage portfolio from the Consignment Deposits and Loan Fund ("CDLF") and it does not have the ability to carry out any other business. Under the Mortgage-Sale Agreement dated 29 August 2006, the company acquired the legal ownership the mortgage portfolio, however CDLF retained the associated substantial risks and rewards of this portfolio by way of supporting the Company with subordinated loans and being entitled to a deferred consideration due from the Company at the end of each interest payment date. CDLF is incorporated under Greek law and it operates under the supervision of the Greek Ministry of Economy and Finance. The board of directors of CDLF is determined by the Greek Minister of Economy and Finance.

As per FRS 102 the Company is taking advantage of the exemption to show a cash flow statement as this is shown in the consolidated financial statements of the Parent Company, Grifonas Holdings Limited. These financial statements can be obtained from the registered address c/o Wilmington Trust, Third Floor, 1 King's Arms Yard, London, EC2R 7AF.

THE DIRECTORS

The directors who served the Company throughout the year and to the date of this report were as follows:

Wilmington Trust SP Services (London) Limited
Mr M H Filer

DIVIDENDS

The Directors have not recommended a dividend for 2015 (2014: €nil).

FINANCIAL RISK MANAGEMENT

Company's objectives and policies on financial risk management and exposure to risks from financial instruments are discussed in the strategic report.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"); and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions, disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

GRIFONAS FINANCE NO.1 PLC

DIRECTORS' REPORT (continued)

STATEMENT OF DISCLOSURE OF INFORMATION TO THE AUDITOR

The directors confirm that:

- so far as the directors are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each of the directors has taken all steps that he ought to have as director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act of 2006.

APPOINTMENT OF AUDITORS

Grant Thornton UK LLP were appointed as auditors for the current year. A resolution to appoint Grant Thornton UK LLP as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 489 of the Companies Act 2006.

Approved by the Board of Directors and signed on behalf of the Board



Andreas Demosthenous for and on behalf of
Wilmington Trust SP Services (London) Limited
Director
Date: 31 August 2016

GRIFONAS FINANCE NO.1 PLC

STRATEGIC REPORT

The directors present their strategic report of Grifonas Finance No.1 Plc for the year ended 31 December 2015.

GENERAL

PRINCIPAL ACTIVITIES

On 30 August 2006, the Company issued €950,000,000 of floating rate notes ("Loan notes") due for repayment in August 2039 in accordance with an Offering Circular (the "Offering Circular") dated 24 August 2006. The issue of the Loan notes was split into three classes, being €897,700,000 of Class A Notes, €23,800,000 of Class B Notes and €28,500,000 of Class C Notes. On the same date the Company used the proceeds of the Loan note issue to acquire legal ownership of a portfolio of residential mortgage loans ("the Mortgages") from CDLF, the ultimate controlling party who originated the Mortgages.

CDLF continues to administer the Mortgages on behalf of the Company under a servicing agreement and deemed to have retained substantial risks and rewards of the mortgage portfolio by way of supporting the Company with subordinated loans and being entitled to a deferred consideration due from the Company at the end of each interest payment date. Therefore, a deemed loan has been recognised in the Company financial statements which is due from CDLF. No significant change in the Company's principal business activity is expected.

REVIEW OF THE BUSINESS

RESULTS

The results for the year and the Company's financial position at the year-end are shown in the attached financial statements. The key performance indicators of the business are considered to be the net interest margin, which is used to cover the operating expenses of the Company, and the impairment of the mortgage loans. During the year, the Company achieved a net interest income margin (turnover plus interest receivable and similar income less interest payable and other expenses) of €870,821 (2014: €779,067).

The Company had net assets of €34,496,381 at the year-end (2014: €33,952,390), this includes the fair value of the interest rate swap of €13,005,538 (2014: €13,545,770) with JP Morgan which is included in creditors and is expected to reverse over the period to maturity. The Company pays a fixed rate and receives a floating rate in return.

The Company continues to meet all of its cash flow obligations under the terms of cash waterfall set out in the Offering Circular. The profit on ordinary activities after taxation for the year was €543,991 (2014: €787,389) after taking into account the gain on the fair value movement of the swap of €540,232 (2014: €783,527).

The Directors have assessed the deemed loan advanced to CDLF for impairment and have concluded that no overall impairment loss has been incurred. Impairment of the underlying mortgage loans is recognised as incurred. The conclusion is based on the fact that the loan is performing, with CDLF being able to provide the required funding. The structure remains over-collateralised with the Calculated Balance of the mortgage loans being €541,372,325 as at the August 2015 interest payment date (August 2014 €592,981,183).

RESTATEMENT OF 2014 FIGURES

During the year the Directors identified that the amortised cost model under Effective Interest Rate (EIR) method was incorrectly applied to the valuation of the Deemed Loan and recognition of income. The Directors have considered this to be a material error and thus consider appropriate to adjust the prior year financial statement line items as detailed in note 1 to reflect the correct value of the deemed loan receivable from CDLF under amortised cost model.

MANAGEMENT OF THE BUSINESS AND FUTURE DEVELOPMENTS

The directors expect that the present level of activity will be sustained in the near future and the activities of the Company are limited to those of the holding the portfolio of residential mortgages acquired from CDLF. Due to repayments of the outstanding principal of mortgage loans and the floating rate notes, interest income and interest expense are expected to decrease in future years. The rate of decrease is dependent on future mortgage redemptions.

However, the directors acknowledge that the macro-economic indicators and general business environment in Greece have deteriorated significantly in recent years with increasing levels of unemployment and falling levels of personal income. These factors will continue to pose significant challenges to the underlying borrowers to whom

STRATEGIC REPORT (continued)

MANAGEMENT OF THE BUSINESS AND FUTURE DEVELOPMENTS (continued)

the Company has exposure through the residential mortgage loans, all of whom are either, or were before leaving or retiring, permanent public servants or employees in specifically designated government organisations in Greece. The Greek Government has implemented fiscal consolidation and structural changes as agreed with the European Union and International Monetary Fund which contained austere but necessary measures in order to secure a sovereign debt rescue plan. The implementation of the Government programmes to revive economic growth are critical for the rationalisation of the country's public finances, the de-escalation of its cost of borrowing, the restoration of the country's international credibility and to provide better prospects for the future.

Management will continue to monitor the impact of the Greek economy on the portfolio going forward, and continue to consider whether further impairment is necessary.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES

The Company's financial instruments comprise the deemed loan advanced to CDLF, cash and cash equivalents, interest-bearing borrowings, interest rate swap and various receivables and payables that arise directly from its operations. It is, and has been throughout the year under review, the Company's policy that no trading in financial instruments is undertaken.

The main risks arising from the Company's financial instruments are credit risk, liquidity risk and interest rate risk. The Board reviews and agrees policies for managing these and the other risks arising on the Company's financial instruments and they are disclosed in note 10.

LIQUIDITY FACILITY

In April 2012, J P Morgan Chase Bank N.A., the liquidity facility provider, notified the Company that it would be making a claim for increased costs as allowed under the terms of the Liquidity Facility Agreement following increased regulatory charges imposed on the liquidity facility provider to provide the liquidity facility. The claim was for 10% per annum of the Liquidity Facility Commitment ("LFC") and would be payable from 23 July 2012 until the cancellation of the LFC. In January 2013, the liquidity facility provider notified the Company that the implementation of certain provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act would reduce the capital charge from 10% per annum down to 0.66% per annum from 1 January 2013. The imposed charge of 0.66% per annum due to the implementation of certain provisions of Dodd-Frank Wall Street reform and Consumer Protection Act has not changed since in January 2013.

PRINCIPAL RISKS, UNCERTAINTIES and GOING CONCERN

The Company's ongoing ability to make cash payments under the terms of the Offering Circular is limited solely to the funds available from its interest in the mortgage portfolio, and the funds received are applied to make payments in accordance with the payment waterfall set out in the Offering Circular. Prior to enforcement of the underlying security, the Company will not have any other significant funds available to meet its obligations under the Loan notes or in respect of any payment ranking in priority to, or pari passu with, the loan notes and there is no recourse to any other funds. As such, the Loan note holders will ultimately bear any losses from the mortgage loan portfolio and the Company will have no further recourse to those note holders should the proceeds from the mortgage loan portfolio be insufficient to repay those notes in full.

Since the interest rate step-up date in August 2012, the Company has the option, subject to providing at least 30 days' notice, to repurchase the Loan Notes at par. Should the option be exercised the company will cease to be a going concern.

The ability to exercise this option will be dependent on the intentions of CDLF, as the ultimate controlling party, which are based on decisions that will be made near to each future interest payment date. The directors have communicated with CDLF to confirm that they have no current intention to provide the required funding which would enable the Company to exercise their option. Should the option be exercised, and therefore the Loan notes be repaid in full, the Company would cease to trade as it was established solely for the securitisation transaction. This ability together with the macro-economic uncertainties described above, represent a material uncertainty over the Company's ability to continue as a going concern.

The Company's most significant asset is the deemed loan advanced to CDLF which is secured by the underlying portfolio of residential mortgage loans in Greece which are denominated in Euros. As discussed further in note 1, the current social and economic conditions in Greece and the wider Eurozone could result in further disruption in the

STRATEGIC REPORT (continued)

GOING CONCERN (continued)

Greek economy which may impact on the recoverability of the residential mortgage loan portfolio (see note 7). If the economic disruption were significant, this could materially impact the amount that may eventually be collected on the underlying residential mortgage portfolio and trigger a resulting action that the Note Trustee may decide upon should it be necessary for it to act to protect the rights of the noteholders under the terms of the securitisation transaction, which may include enforcing security under the Loan notes leading to their immediate repayment. This would result in the Company ceasing to trade.

As discussed further in note 1, the conditions above indicate the existence of material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. However, having considered the limited recourse terms of the Loan notes and the mitigating factors discussed in the strategic report, such as the uncertainty in the Greek economy, and the terms of the liquidity facility available, the directors believe that it is appropriate to continue to prepare the financial statements of the Company on a going concern basis. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Approved by the Board of Directors and signed on behalf of the Board



Andreas Demosthenous for and on behalf of
Wilmington Trust SP Services (London) Limited
Director
Date: 31 August 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRIFONAS FINANCE NO.1 PLC

Independent auditor's report to the members of Grifonas Finance No.1 Plc

We have audited the financial statements of Grifonas Finance No.1 Plc for the year ended 31 December 2015 which comprise statement of comprehensive income, statement of changes in equity, statement of financial position and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – Going Concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Company's ability to continue as a going concern. The Company is exposed to economic uncertainties in Greece which may materially impact the amount that may eventually be collected on the underlying residential mortgage portfolio or trigger action by the Note Trustee to protect the rights of the note holders.

These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRIFONAS
FINANCE NO.1 PLC (continued)**

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Marcus Swales

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

London

Date: 31 August 2016

GRIFONAS FINANCE NO.1 PLC

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	Year ended 31 Dec 2015 €	Restated Year ended 31 Dec 2014 €
Continuing operations			
Revenue	1	19,326,275	19,735,244
Administrative expenses		(866,122)	(773,784)
Net gain arising from fair value adjustments of the Swap		540,232	783,527
Interest receivable and similar income	2	64	10,495
Swap interest payable, interest payable on loan notes and other expenses	2	(18,455,518)	(18,966,672)
Operating profit on ordinary activities before taxation	4	544,931	788,810
Tax on profit on ordinary activities	5	(940)	(1,421)
Total comprehensive income and profit for the year		<u>543,991</u>	<u>787,389</u>
Total comprehensive income for the year attributable to:			
Owner of the Company		<u>543,991</u>	<u>787,389</u>

All operations were continuing in the current and prior year.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Share capital €	Accumulated (losses)/profits €	Total €
Balance as at 1 January 2014	18,425	(14,303,795)	(14,285,370)
Prior year adjustment 2014	-	47,450,371	47,450,371
Balance as at 1 January 2014	18,425	33,146,576	33,165,001
Profit and total comprehensive income for the year	-	787,389	787,389
Balance as at 31 December 2014	18,425	(33,933,965)	(33,952,390)
Profit and total comprehensive income for the year	-	543,991	543,991
Balance as at 31 December 2015	<u>18,425</u>	<u>34,477,956</u>	<u>34,496,381</u>

The notes on pages 11 to 25 form an integral part of these financial statements.

GRIFONAS FINANCE NO.1 PLC

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

	Notes	2015 €	Restated 2014 €
Fixed assets			
Deemed loan to CDLF	6	469,041,644	516,953,191
Current assets			
Deemed loan to CDLF	6	60,039,187	60,025,363
Debtors	7	9,392	9,392
Cash at bank and in hand		<u>60,896,919</u>	<u>65,026,920</u>
Total current assets		120,945,498	125,061,675
Creditors: amounts falling due within one year	8	<u>(49,406,736)</u>	<u>(50,355,769)</u>
Net current assets		<u>71,538,762</u>	<u>74,705,906</u>
Total assets less current liabilities		<u>540,580,406</u>	<u>591,659,097</u>
Creditors: amounts falling due after more than one year	9	<u>(506,084,025)</u>	<u>(557,706,707)</u>
Net assets		<u>34,496,381</u>	<u>33,952,390</u>
Capital and reserves			
Called up share capital	11	18,425	18,425
Accumulated profits	12	<u>34,477,956</u>	<u>33,933,965</u>
Equity shareholders' surplus	13	<u>34,496,381</u>	<u>33,952,390</u>

These financial statements of Grifonas Finance No.1 Plc, Company Registration 05655257, on pages 9 to 25 were approved and authorised for issue by the directors on 31 August 2016 and signed on its behalf by:



Andreas Demosthenous for and on behalf of
Wilmington Trust SP Services (London) Limited
Director

The notes on pages 11 to 25 form an integral part of these financial statements.

GRIFONAS FINANCE NO.1 PLC

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Grifonas Finance No.1 Plc is a company incorporated in the United Kingdom under the Companies Act 2006 and domiciled in England. Its registered office is c/o Wilmington Trust SP Services (London) Limited, Third Floor, 1 King's Arms Yard, London, EC2R 7AF.

The Company is a special purpose company established solely for the purpose of issuing loan notes and other loans in order to acquire a residential mortgage portfolio from the Consignment Deposits and Loan Fund ("CDLF") and it does not have the ability to carry out any other business. CDLF is incorporated under Greek law and it operates under the supervision of the Greek Ministry of Economy and Finance. The board of directors of CDLF is determined by the Greek Minister of Economy and Finance.

Statement of Compliance

The Company's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the Company for the year ended 31 December 2015. The transition date is 1 January 2014 and this is the first set of financial statements prepared under FRS102. The management has made the assessment of the transition and found no material changes that could affect the Company's financial statements.

Basis of preparation

The financial statements are prepared under the historical cost convention except for certain financial instruments held at fair value, and in accordance with applicable accounting standards including FRS 102 and IAS 39. The FRS 102 exemption for qualifying entities to not disclose a statement of cash-flows has been applied to the financial statements on the grounds that the Company is a wholly owned subsidiary and a statement of cash-flows is included in the published Group Financial Statements.

Basis of preparation - going concern

The Company is a special purpose company established solely for the purpose of issuing loan notes and other loans in order to acquire a residential mortgage portfolio from CDLF and it does not have the ability to carry out any other business.

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The financial position of the Company, its liquidity position and borrowing facilities are described in the Strategic Report on pages 4 to 6. In addition, note 11 to the financial statements includes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk. The Company has neither the intention nor the need to liquidate or materially curtail the scale of its operations.

A liquidity facility provided by J P Morgan Chase Bank N.A. has been established which will be available, subject to certain criteria and circumstances, in the event of the Company being unable, on a temporary basis, to meet its financial commitments. This facility is renewable on an annual basis and was last renewed in August 2016 with a facility commitment of €30.8m. The facility is next due for renewal in August 2017.

The directors have identified the following circumstances which they consider could have a material impact on the Company's ability to continue as a going concern:

Call option held by the Company

Since the interest rate step-up date in August 2012, the Company has the option to repurchase the loan notes at par on any interest payment date, subject to providing at least 30 days' notice.

The ability to exercise this option will be dependent on the intentions of CDLF, as the ultimate controlling party, which are based on decisions that will be made near to each future interest payment date. The directors maintain regular contact with CDLF in order to assess their current intentions and, as at the date of signing the accounts, no notice has been given to the note holders to exercise this option and CDLF have indicated that they do not have any current plans to provide the required funding which would enable the Company to exercise their option. Should CDLF provide the required funding; the Directors of the Company intend to exercise the option and repay the Loan notes in full. As a result the Company would cease to trade as it was established solely for the securitisation transaction.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Uncertainty in the Greek economy

The Company's most significant asset is the deemed loan advanced to CDLF which is secured by the underlying portfolio of residential mortgage loans in Greece which are denominated in Euros. The current uncertain social and economic conditions in Greece and the wider Eurozone could result in further disruption in the Greek economy which may impact on the recoverability of the residential mortgage portfolio raising material uncertainties as to the future timing and levels of collections (see note 7 for details of the mortgage loans). If the economic disruption was significant, this could materially impact the amount that may eventually be collected on the underlying residential mortgage portfolio and trigger a resulting action that the Note Trustee may decide upon should it be necessary for it to act to protect the rights of the noteholders under the terms of the securitisation transaction, which may include enforcing security under the Loan notes leading to their immediate repayment. This would result in the Company ceasing to trade.

The conditions above indicate the existence of material uncertainty that may cast significant doubt about the Company's ability to fully repay the Notes and continue as a going concern, such that it may be unable to realise its assets and discharge its liabilities in the normal course of business. However, having considered the limited recourse terms of the Loan Notes and the mitigating factors discussed in the strategic report, such as the uncertainty in the Greek economy and the availability of the liquidity facility, the directors believe that it is appropriate to continue to prepare the financial statements of the Company on a going concern basis. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Restatement of 2014 figures

During the year the Directors identified that the amortised cost model under Effective Interest Rate (EIR) method was incorrectly applied to the valuation of the Deemed Loan and recognition of income. The Directors have considered this to be a material error and thus consider appropriate to adjust the prior year financial statement line items as detailed below to reflect the correct value of the deemed loan receivable from CDLF under amortised cost model.

	December 2014 as previously reported	Restatement	December 2014 as restated
Deemed loan to CDLF	529,528,183	47,450,371	576,978,554
Revenue	12,205,733	7,529,511	19,735,244
Interest payable and other expenses	(11,437,161)	(7,529,511)	(18,966,672)
Accumulated profits	(13,516,406)	47,450,371*	33,933,965

*€47,450,371 adjustment to profit and loss account relates to turnover in relation to prior periods

Revenue

Revenue represents interest income on the deemed loan advanced to CDLF and is accounted for under the effective interest method. The Company operates in only this one business segment.

Interest receivable and payable

Interest income and expense are accounted for on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability to that asset's or liability's carrying amount.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Taxation (continued)

right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

For UK corporation tax purposes, the Company has been considered as a securitisation company under the 'Taxation of Securitisation Companies Regulations 2006' (SI 2006/3296). Therefore, the Company is not required to pay corporation tax on its accounting profit or loss. Instead, the Company is required to pay tax on its retained profits as specified in the documentation governing the securitisation transaction into which the Company has entered. As at 31 December 2015, there are no tax-related contingent assets or contingent liabilities in accordance with FRS 102 Section 21.

Deemed loan advanced to CDLF

The deemed loan initially represents the consideration paid by the Company in respect of the acquisition of the legal ownership of the mortgage loans and is subsequently adjusted due to repayments made by CDLF to the Company.

The legal ownership of the mortgage loans has been transferred to the Company under a Mortgage-Sale Agreement however, management assessed and concluded that CDLF retained the residual risks in the mortgage loans due to its entitlement to a deferred consideration and providing finance to the company in form of subordinated loans. Therefore CDLF did not transfer substantially all risks and rewards to the company, failing the derecognition criteria under IAS 39. This resulted in a "deemed loan" being recognised in the Company financial statements due from CDLF.

The deemed loan is carried at amortised cost using the effective interest rate (EIR), less any provision where the loan is considered to be impaired.

The effective interest method is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period. The effective interest rate (EIR) is the rate that exactly discounts estimated future cash flows through the expected life, or contractual term if shorter, of the financial asset to the net carrying amount of the financial asset. When calculating the EIR, the company estimates cash flows considering all contractual terms of the financial instruments, such as early settlement options, but does not include an expectation for future credit losses.

This deemed loan is assessed for indicators of impairment at the end of each reporting period. Impairment is recognised where there is objective evidence that, as a result of events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the underlying mortgages have been impacted. Future credit losses which are not yet incurred are not included in this assessment.

Objective evidence of impairment could include:

- Significant financial difficulty of the borrower; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly. Changes in the carrying amount of the asset are recognised in the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS (continued)**1. ACCOUNTING POLICIES (continued)****Financial instruments**

The Company's financial instruments comprise deemed loan, borrowings, cash balances and debtors and creditors that arise directly from its operations. The Company uses derivative financial instruments (interest rate swaps) to reduce exposure to interest rate movements. The Company does not hold or issue derivative financial instruments for speculative purposes. Derivative instruments are recorded at fair value, with any gain or loss on measurement being recognised in the statement of comprehensive income. The fair value of the instruments is the estimated amount that the Company would receive or pay to terminate the instruments at the balance sheet date, and is based upon the market price of comparable instruments at that date.

Derecognition policy

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred all of the risks and rewards of ownership.

Financial liabilities are derecognised when, and only when, the Company's obligations are discharged, cancelled or they should expire. The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, are recognised in profit or loss.

Loan notes

Loan notes are measured at initial recognition at fair value being the principal issued less issue costs, and are subsequently measured at amortised cost using the effective interest rate method.

Functional currency

The Company's functional currency is the Euro, since this is the primary economic environment in which the Company operates. The financial statements have been presented in Euros. Transactions in foreign currencies are translated to Euro at exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the period end date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated. Foreign currency differences arising on retranslation are recognised in the Statement of Comprehensive Income in the period in which they arise.

Accounting judgments and estimates

In preparing its financial statements the Company applied critical judgement to establish that CDLF did not transfer substantially all risks and rewards to the Company, failing the derecognition criteria under IAS 39. Therefore the Company concluded that a deemed loan, net of subordinated loans provided by CDLF and deferred consideration due to CDLF should be recognised instead. The company also applied judgement in determining whether the deemed loan should be classified as a "loan and receivable at amortised cost" and concluded that an interest acquired in a pool of loan and receivables is considered to meet the definition of a loan and receivable under IAS 39. In addition, at the time of the transfer, the Company applied judgement in assessing whether the early prepayment options attached to the underlying mortgages are deemed closely related under IAS 39 and after carrying out relevant tests, concluded that these should not be separately valued. Similarly, the Company assessed and concluded that the call option held by the Company to repurchase the loan notes at par on any interest payment date is also a closely related option under IAS 39 and should not be separately valued.

In preparing its financial statements in conformity with FRS 102, the Company makes estimates concerning a variety of matters. Key estimates include the assessment of future cash-flows required in assessing the deemed loan on initial recognition and on re-measurement over the loan's life. Estimates principally derive from future assessment of the underlying mortgage portfolio performance. The estimates and associated assumptions such as the expected level of deferred consideration and expected level of early payments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis.

GRIFONAS FINANCE NO.1 PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. NET INTEREST PAYABLE

	Year ended 31 Dec 2015	Year ended 31 Dec 2014
	€	€
Bank interest received	64	10,495
Interest on loan notes	(2,537,756)	(4,133,197)
Swap interest received	1,154,861	-
Swap interest paid	(27,853,137)	(27,803,964)
Swap unwinding fee received	18,875,000	20,500,000
Credit losses incurred	<u>(8,094,486)</u>	<u>(7,529,511)</u>
	<u>(18,455,454)</u>	<u>(18,956,177)</u>

3. DIRECTORS AND EMPLOYEES

The Company does not have any employees.

None of the directors received any emoluments for their services to the Company during the current year or prior year apart from Wilmington Trust SP Services (London) Limited, which is remunerated for its services to the Company as a whole. Mark Filer is a director of Wilmington Trust SP Services (London) Limited. During the year Wilmington Trust SP Services (London) Limited earned €36,732 (2014: €37,832).

None of the directors had any interests in the Company as at the current or prior year end, nor have they any material interest in any contract of significance in relation to the business of the Company.

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	Year ended 31 Dec 2015	Year ended 31 Dec 2014
	€	€
Profit on ordinary activities before taxation is stated after (crediting)/charging:		
Net profit arising from fair value adjustments of the swap	(540,232)	(783,527)
Auditor's fees for audit of the Company's annual accounts	100,834	42,420
Auditor's fees for audit of the Company's parent's annual accounts	11,385	5,200
Auditor's fees for tax compliance services – non audit*	<u>16,294</u>	<u>13,891</u>

* Non-audit fees in relation to provision of tax compliance services were paid to predecessor auditors.

GRIFONAS FINANCE NO.1 PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. TAXATION

(a) Analysis of charge for the year

	Year ended 31 Dec 2015	Year ended 31 Dec 2014
Current tax:	€	€
United Kingdom corporation tax on profit for the year	940	1,057
Under provision in prior years	-	364
Tax on profit on ordinary activities	<u>940</u>	<u>1,421</u>

(b) Factors affecting tax charge

	Year ended 31 Dec 2015	Year ended 31 Dec 2014
	€	€
Profit on ordinary activities before taxation	<u>544,931</u>	<u>787,389</u>
Profit before tax multiplied by the small companies' standard rate of corporation tax in the UK of 20% (2014: standard rate 20%)	108,986	157,478
Application of Statutory Instrument No. 3296 The Taxation of Securitisation Companies Regulations 2006	(108,046)	(156,421)
Under provision in prior years	-	364
Total tax on ordinary activities	<u>940</u>	<u>1,421</u>

The Company is taxed in accordance with Statutory Instrument No. 3296 The Taxation of Securitisation Companies Regulations 2006 which requires that tax is charged on the profits "retained" by the Company. As such, the Company is taxed on its retained cash receipts as per the priority of payments in the terms of the loan notes as opposed to accounting profits or losses.

The Finance Act (No.2) 2015, substantively enacted on 26 October 2015 and enacted on 18 November 2015, included a decrease in corporation tax rates to 19% from 1 April 2017 and 18% from 1 April 2020. On 16 March 2016, the Chancellor of the Exchequer announced a further reduction to the corporation tax rate to 17% effective from 1 April 2020; this change has not yet been substantively enacted.

GRIFONAS FINANCE NO.1 PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. DEEMED LOAN ADVANCED TO CDLF

	2015	Restated 2014
	€	€
Deemed loan at start of the year	576,978,554	575,087,987
Prior year adjustment	-	47,450,371
	<u>576,978,554</u>	<u>622,538,358</u>
Repayments	(47,897,723)	(45,559,804)
Deemed loan at end of the year	<u>529,080,831</u>	<u>576,978,554</u>

	2015	2014
	€	€
Amounts falling due within one year	60,039,187	60,025,363
Amounts falling due after more than one year	<u>469,041,644</u>	<u>516,953,191</u>
	<u>529,080,831</u>	<u>576,978,554</u>

The deemed loan advanced to CDLF is classified as “loans and receivables” and is comprised of mortgage loans net of deferred consideration and subordinated loans, namely commingling reserve account, credit reserve account and subordinated reserve account. The Company assesses at each reporting period whether there is objective evidence that a financial asset is impaired. A financial asset or portfolio of financial assets is impaired and impairment loss is incurred if there is objective evidence that an event or events since initial recognition of the asset have adversely affected the amount or timing of future cash flows from the asset.

If there is objective evidence that an impairment loss on a financial asset classified as loans and receivable has been incurred, the Company measures the amount of the loss as the difference between the carrying amount of the asset and the present value of the estimated future cash flows from the asset discounted at the effective interest rate of the instrument at initial recognition.

The deemed loan advanced to CDLF is secured on the Mortgage Loans purchased from CDLF. The mortgage loans are secured by way of an assignment of the residential mortgage loan borrower’s salary or pension and by way of a first, second or third ranking mortgage over residential properties spread geographically throughout Greece. All of the mortgage loans are fixed rate and are due to be repaid at various times before August 2039 and may be redeemed at any time at the option of the borrower.

7. DEBTORS

	2015	2014
	€	€
Amounts owed by group undertaking	5,494	5,494
Prepayments	<u>3,898</u>	<u>3,898</u>
	<u>9,392</u>	<u>9,392</u>

8. CREDITORS: Amounts falling due within one year

	2015	2014
	€	€
Loan notes issued	35,288,300	35,274,476
Corporation tax	1,996	1,057
Interest payable on loan notes	692,708	1,227,551
Fair value of interest rate swap	13,005,538	13,545,770
Accruals	<u>418,194</u>	<u>306,915</u>
	<u>49,406,736</u>	<u>50,355,769</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. CREDITORS: Amounts falling due after more than one year

	2015	2014
	€	€
Loan notes issued	<u>506,084,025</u>	<u>557,706,707</u>
(a) Analysis of loan notes issued		
	2015	2014
	€	€
Loan notes issued due within one year	35,288,300	35,274,476
1-2 years	70,576,600	70,548,952
2-5 years	105,864,900	105,823,428
More than 5 years	<u>329,942,525</u>	<u>381,334,327</u>
	<u>541,372,325</u>	<u>592,981,183</u>

The loan notes and loans are secured against the assets of the Company by way of a fixed and floating charge. The repayment of the loan notes is dependent on the receipt in full of the payments from the underlying mortgage portfolio.

Interest on the loan notes is payable by reference to successive interest periods and is payable semi-annually in arrears in February and August each year. Interest accrues on the notes at an annual rate equivalent equal to the sum of six month EURIBOR from time to time plus a margin; in the case of the Class A Notes, of 0.14 per cent

per annum; in the case of the Class B Notes, of 0.26 per cent per annum; and, in the case of the Class C Notes, of 0.51 per cent per annum until August 2012. In August 2012, the margin on the notes increased to 0.28 per cent per annum in the case of the Class A Notes; to 0.52 per cent per annum in the case of the Class B Notes; and to 1.02 per cent per annum in the case of the Class C Notes. The loan notes will mature in August 2039 but will be subject to earlier mandatory or optional redemption under certain specified circumstances.

The loan notes will be subject to redemption in full (but not in part), at the option of the Company on giving not more than 60 and not less than 30 days' notice to the noteholders, in an amount equal to their principal amount outstanding plus accrued but unpaid interest in each of the following circumstances, on any interest payment date:

- falling on or after the interest step-up date on 28 August 2012; or
- following the date on which the aggregate principal amount outstanding of the notes (after taking account of any payment of principal on the notes which, but for this paragraph, would fall to have been made on such interest payment date) would be 10 per cent or less of the original aggregate principal amount outstanding as at the date of issue of the notes; or
- following certain tax events as set out in the offering circular dated 24 August 2006; or
- on or after the date on which it becomes unlawful for the Company to perform its obligations under the notes or the transaction documents,

provided that the Company has satisfied the trustee that it will have funds to fulfil its obligations in respect of all the notes and further provided that an enforcement notice regarding the security has not been served on the Company.

All of the loan notes are denominated in Euros and are due for repayment in full by August 2039.

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. FINANCIAL INSTRUMENTS

The Company's financial instruments comprise deemed loan, borrowings, cash balances, swaps, debtors and creditors, which arise directly from its operations. The risks arising from the Company's activities are capital risk, currency risk, prepayment risk, credit risk, interest rate risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks which are noted below.

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 shareholders 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 2006. The Company has not breached the minimum requirement. The capital held is shown in note 11 on the statement of financial position under equity.

Currency risk

All of the Company's principal income, expenditure, assets and liabilities are denominated in Euros and therefore there is limited foreign currency risk. As such no sensitivity analysis has been provided.

Prepayment risk

Principal prepayments in full may occur as a result of, or in connection with, the voluntary refinancing or the sale of the relevant property by a borrower in the underlying mortgage loan pool or as a result of enforcement proceedings under the relevant mortgage loan, as well as the receipt of proceeds from insurance policies. In addition, repurchases of mortgage loans by the originator will have the same effect as a prepayment in full of such loans. The rate of prepayment of the mortgage loans cannot be predicted and is influenced by a wide variety of economic, social and other factors, including prevailing mortgage market interest rates, the availability of alternative financing, local and regional economic conditions and the conditions prevailing in the residential property market.

Credit risk

The Directors have assessed and agree that the principal credit risk to the Company is that the residential mortgage loan borrowers will not be able to meet their obligations as they fall due. The Directors agree that there have been no risk changes since last year. Credit risk arises from the fact that the mortgage loans are secured by way of an assignment of the residential mortgage loan borrower's salary or pension and by way of a first, second or third ranking mortgage, with the first being the most secure, over residential properties spread geographically throughout Greece. At the date the residential mortgages were acquired by the Company, where a prior ranking mortgage existed over the residential property, CDLF either assigned these to the Company where it held these itself, or where they were with third parties, CDLF either determined that either there were no claims capable of being made, or that the aggregate amounts secured by all mortgages did not exceed the value of the relevant residential property at that date. At origination of the mortgage loan, the borrowers themselves were employed by a broad range of Greek Governmental bodies. If a borrower leaves government employment the mortgage continues although the repayments are made directly by the borrower rather than via government payroll deduction. Where the directors consider that the Company's beneficial interest in the residential property granted as security will be insufficient to recover the full amount of the mortgage loans, a provision is made for the expected shortfall. This could have a negative impact on the repayments on the deemed loan to CDLF. The maximum credit exposure at 31 December 2015 is represented by the gross value of the outstanding deemed loan advanced to CDLF of €576,978,554 (2014: €529,080,831).

The swap provider is J P Morgan Chase Bank N.A. Under the terms of the swap agreement, the swap provider should have a long-term, unsecured and unsubordinated debt obligation rating of at least A1 and a short-term, unsecured and unsubordinated debt obligation rating of Prime 1 by Moody's, and a long-term, unsecured and unsubordinated debt obligation rating of at least A and a short-term, unsecured and unsubordinated debt obligation rating of F1 by Fitch. There is no obligation upon the Company or the swap provider to maintain the credit ratings of the swap provider. In the event of a downgrade of the swap provider which would adversely affect the ratings of the loan notes, the swap provider is required to take certain steps designed to maintain the rating of the loan notes which may include providing collateral support for its obligations, arranging for its obligations to be transferred to an entity with the required credit ratings, obtaining a guarantor, or such other action as the swap provider may agree with the relevant rating agency. Except where the swap transaction has

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

terminated as a result of the swap provider being in default or the swap provider has failed to comply with the requirements following a swap provider ratings downgrade, any termination payment due from the Company following the termination of the swap transaction will rank in priority to payments in respect of the loan notes.

Interest rate risk

Interest rate risk exists where assets and liabilities have different interest rates or which reset at different times. In order to manage this risk, the Company has entered into a fixed for floating swap agreement to minimise its exposure to interest rate risk. However a change in EURIBOR could have a negative effect on the likely repayment of the underlying mortgages which could impact the repayments of the deemed loan to CDLF. A positive change in EURIBOR could also lead to the early repayment of the underlying mortgage portfolio, this is judged by the Directors to be relatively insensitive given the EURIBOR is already at a relatively low rate.

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 six month EURIBOR rate.

Interest rate sensitivity

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 uses interest rate swaps to manage interest rate risk and only retains 0.01% of available revenue receipts from the beneficial interest in the mortgage portfolio with the resulting fluctuations being taken up by the deferred purchase consideration due to CDLF which forms part of the deemed loan. As such, no sensitivity analysis is provided.

Interest rate re-pricing analysis

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates at 31 December the periods in which they re-price:

At 31 December 2015				In less than 3 months	In more than 3 months but less than 6 months	Non interest - bearing
	Total	Fixed				
	€	€		€	€	€
Assets						
Deemed loan advanced to CDLF	529,080,831	529,080,831		-	-	-
Debtors	9,392	-		-	-	9,392
Cash and cash equivalents	<u>60,896,919</u>	-		<u>60,896,919</u>	-	-
	<u>589,987,142</u>	<u>529,080,831</u>		<u>60,896,919</u>	-	<u>9,392</u>
	Total	Fixed		In less than 3 months	In more than 3 months but less than 6 months	Non interest - bearing
	€	€		€	€	€
Liabilities						
Loan notes issued	541,372,325	-		541,372,325	-	-
Interest rate swap	13,005,538	-		13,005,538	-	-
Other creditors	<u>1,112,897</u>	-		<u>692,707</u>	-	<u>420,190</u>
	<u>555,490,760</u>	-		<u>555,070,570</u>	-	<u>420,190</u>
Restated						
At 31 December 2014						
	Total	Fixed		In less than 3 months	In more than 3 months but less than 6 months	Non interest - bearing
	€	€		€	€	€
Assets						
Deemed loan advanced to CDLF	576,978,554	576,978,554		-	-	-
Debtors	9,392	-		-	-	9,392
Cash and cash equivalents	<u>65,026,920</u>	-		<u>65,026,920</u>	-	-
	<u>642,014,866</u>	<u>576,978,554</u>		<u>65,026,920</u>	-	<u>9,392</u>

GRIFONAS FINANCE NO.1 PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. FINANCIAL INSTRUMENTS (continued)

Interest rate re-pricing analysis (continued)

At 31 December 2014	Total	Fixed	In less than 3 months	In more than 3 months but less than 6 months	Non interest-bearing
	€	€	€	€	€
Liabilities					
Loan notes issued	592,981,183	-	592,981,183	-	-
Interest rate swap	13,545,770	-	13,545,770	-	-
Other creditors	<u>1,535,523</u>	<u>-</u>	<u>1,227,551</u>	<u>-</u>	<u>307,972</u>
	<u>608,062,476</u>	<u>-</u>	<u>607,754,504</u>	<u>-</u>	<u>307,972</u>

Liquidity risk

The Company's policy is to maintain a strong liquidity position and to manage the liquidity profile of its assets, liabilities and commitments so that cash flows are appropriately balanced and all funding obligations are met when due.

The following table has been drawn up based on the expected undiscounted contractual cash flows on financial liabilities held at the balance sheet date. Actual cash flows will vary from these estimates due to the inherent uncertainties in predicting future cash flows and interest rates. The interest cash flows are based on 6 month EURIBOR as at the balance sheet date.

2015	Total	1 to 3 months	3 to 12 months	In more than 1 year but not more than 5 years	In more than 5 years
	€	€	€	€	€
Financial liabilities					
Loan notes issued	541,372,325	23,124,426	12,163,874	141,153,200	364,930,825
Interest rate swap cash outflows	13,005,538	13,005,538	-	-	-
Interest payable on Loan Notes	692,707	692,707	-	-	-
Other creditors	<u>420,190</u>	<u>420,190</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>555,490,760</u>	<u>37,242,861</u>	<u>12,163,874</u>	<u>141,153,200</u>	<u>364,930,825</u>

2014	Total	1 to 3 months	3 to 12 months	In more than 1 year but not more than 5 years	In more than 5 years
	€	€	€	€	€
Financial liabilities					
Loan notes issued	592,981,183	26,429,206	8,845,270	142,398,665	415,308,041
Interest rate swap	13,545,770	13,545,770	-	-	-
Interest payable on Loan Notes	1,227,551	1,227,551	-	-	-
Other creditors	<u>307,792</u>	<u>307,792</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>608,062,296</u>	<u>41,510,499</u>	<u>8,845,270</u>	<u>142,398,665</u>	<u>415,308,041</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. FINANCIAL INSTRUMENTS (continued)

Fair value of financial assets and liabilities

Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than a forced or liquidation sale and excludes accrued interest. Where available, market values have been used to determine the fair values. Where market values are not available, fair values have been calculated using discounted cash flow techniques based on estimated cash flows and market inputs. Fair value of the mortgage loans has been estimated using discounted cash flow techniques based on inputs derived from the loan notes and subordinated loans.

The fair values together with the carrying amounts shown in the balance sheet of the other amounts are below. Except as detailed in the following table, the carrying amount of financial assets and liabilities recorded at amortised cost in the financial statements is approximately equal to their fair values.

	Carrying value 2015	Fair value 2015	Restated Carrying value 2014	Restated Fair value 2014
Financial assets at amortised cost	€	€	€	€
Deemed loan advanced to CDLF	<u>529,080,831</u>	<u>461,999,380</u>	<u>576,978,554</u>	<u>506,569,164</u>
Financial liabilities at amortised cost				
Loan notes issued	<u>541,372,325</u>	<u>422,840,651</u>	<u>592,981,183</u>	<u>500,339,356</u>

At each six month interest payment date the swap documentation allows the Company to downsize and reset the notional value of the swap without penalty. It is therefore considered that the swap is effectively cancellable at the next interest payment date should the Company wish to do so without penalty.

At each interest payment date the Company will consider how much the notional should be written down and whether the notional should be completely written down to zero, effectively cancelling the swap. Due to the length of the remaining transaction and the economic uncertainty as to future interest rate movements over that period, no decision has so far been made to write down the notional value of the swap below the outstanding value of the loan portfolio even though the swap is currently deeply out of the money for the Company. Should the Company write down the value of the swap there is no right to write the notional back up and so any write down would be permanent and potentially expose the Company to interest rate exposure in future years.

The Company has fair valued the swap based on the basis of it being cancellable at the next interest payment date.

As the Company has historically chosen to reset the notional on the swap for the next six month interest period to the book value of the loans outstanding at the start of that period, the Company has been making swap payments to the swap provider as the swap is currently "out of the money". The Company has been receiving a partial unwinding fee payment from the swap provider to take into account the value associated with not previously writing down the value of the swap in the prior interest payment dates.

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. FINANCIAL INSTRUMENTS (continued)

Categories of financial assets and liabilities

The accounting policies in note 1 describe how different classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following tables analyses the carrying amounts of the financial assets and liabilities by category and by balance sheet heading:

As at 31 December 2015	Derivatives held at fair value through profit or loss €	Loans and receivables €	Other financial liabilities €
Financial assets			
Deemed loan	-	529,080,831	-
Debtors	-	9,392	-
Cash and cash equivalents	-	60,896,919	-
Total financial assets	<u>-</u>	<u>589,987,142</u>	<u>-</u>
Financial liabilities			
Loan notes issued	-	-	541,372,325
Interest rate swap	13,005,538	-	-
Other creditors	-	-	1,112,897
Total financial liabilities	<u>13,005,538</u>	<u>-</u>	<u>542,485,222</u>
Restated As at 31 December 2014	Derivatives held at fair value through profit or loss €	Loans and receivables €	Other financial liabilities €
Financial assets			
Deemed loan	-	576,978,554	-
Debtors	-	9,392	-
Cash and cash equivalents	-	65,026,920	-
Total financial assets	<u>-</u>	<u>642,014,866</u>	<u>-</u>
Financial liabilities			
Loan notes issued	-	-	592,981,183
Interest rate swap	13,545,770	-	-
Other creditors	-	-	1,535,523
Total financial liabilities	<u>13,545,770</u>	<u>-</u>	<u>594,516,706</u>

Fair value hierarchy

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset or liability as follows:

Level 1 - valued using quoted prices in active markets for identical assets or liabilities

Level 2 - valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1

Level 3 - valued by reference to valuation techniques using inputs that are not based on observable market data. The valuation techniques used by the Company are explained in the accounting policies note.

The only financial instruments held at fair value on the balance sheet are derivatives. The derivatives all fall within level 2 of the fair value hierarchy. Under FRS 102, currently fair value hierarchy is categorised as "a,b,c", rather than "1,2,3". However FRC published amendment on 8 March 2016 has been adopted and early application has been permitted to align disclosures with IFRS 13.

GRIFONAS FINANCE NO.1 PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. CALLED UP SHARE CAPITAL

Allotted, called up:	2015	2014
	€	€
2 £1 Ordinary shares, £1 called up and paid	3	3
49,998 £1 Ordinary shares 25p called up and partly paid	<u>18,422</u>	<u>18,422</u>
	<u>18,425</u>	<u>18,425</u>

12. RECONCILIATION OF MOVEMENTS ON PROFIT AND LOSS ACCOUNT

	2015	Restated 2014
	€	€
At the start of the year	33,933,965	(14,303,795)
Retained profit for the financial year	543,991	787,389
Prior year adjustment	-	47,450,371
At the end of the year	<u>34,477,956</u>	<u>33,933,965</u>

13. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' DEFICIT

	2015	Restated 2014
	€	€
Retained profit for the financial year	<u>543,991</u>	<u>787,389</u>
Net increase in equity shareholders' fund	543,991	787,389
Opening equity shareholders' fund	33,952,390	(14,285,370)
Prior year adjustment	-	47,450,371
Closing equity shareholders' fund	<u>34,496,381</u>	<u>33,952,390</u>

14. RESERVES

Called-up share capital: This reserve represents the nominal value of shares that have been issued
Accumulated profits: This includes all current and prior period retained profits and losses.

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. RELATED PARTY TRANSACTIONS

During the year, Wilmington Trust SP Services (London) Limited, a director of the Company, received €36,732 (2014: €37,832) for corporate and accounting services provided to the Company under the terms of a Corporate Services Agreement. No other director received any remuneration for their services to the Company. At 31 December 2015, €3,898 (31 December 2014: €3,898) of these fees were prepaid and disclosed under Debtors. At 31 December 2015, Wilmington Trust SP Services (London) Limited was owed €11,340 (31 December 2014: €13,740), which is disclosed under Creditors: amounts falling due within one year. Wilmington Trust SP Services (London) Limited provide corporate trust services and also accounting services including producing the annual financial statements of the Company.

On 30 August 2006, the Company acquired a portfolio of Mortgages from CDLF who are considered to have control over the Company by virtue of their continuing involvement in the Company. Under a servicing agreement, CDLF continues to administer the Mortgages on behalf of the Company and earned servicing fees of €227,570 (2014: €248,761) during the year, of which €74,786 was outstanding at 31 December 2015 (31 December 2014: €82,359), which is disclosed under Creditors: amounts falling due within one year.

The Company's most significant asset is the deemed loan advanced to CDLF which is secured by the underlying portfolio of residential mortgage loans in Greece, the balance as at 31 December 2015 is €529,080,831 (2014: €576,978,554).

As at 31 December 2015, there is an intercompany debtor balance in relation to Grifonas Holdings Limited previous audit fees of €5,494 (2014: €5,494) invoiced to and paid by the Company.

16. ULTIMATE PARENT COMPANY

The immediate parent undertaking is Grifonas Holdings Limited, a company which is incorporated in the United Kingdom and operates in Great Britain. The smallest group into which the Company is consolidated is that of Grifonas Holdings Limited.

The shares in Grifonas Holdings Limited are held by Wilmington Trust SP Services (London) Limited under a Declaration of Trust for charitable purposes.

Although CDLF has no direct ownership interest in the Company, it is considered to exert control over its activities and the results of the Company are therefore included into its consolidated financial statements. The financial statements of CDLF can be obtained from CDLF, 40 Akadimias Street, 101 74 Athens, Greece.

The directors regard CDLF as the ultimate controlling parent undertaking and this is the largest group into which the Company is consolidated.