Company Registration Number 6407403

Kion Mortgage Finance No 2 Plc

Directors' report and financial statements

For the year ended 31 December 2010

Kion Mortgage Finance No2 Plc

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For the year ended 31 December 2010

Kion Mortgage Finance No2 Plc

Company information

The Board of Directors
Roy Neil Arthur (appointed 4 April 2011)
Tariq Husain (resigned 4 April 2011)
Joint Corporate Services Limited
Praxis MGT Limited

Company secretary
Joint Secretarial Services Limited
Pellipar House
1st Floor
9 Cloak Lane
London EC4R 2RU

Registered office
Pellipar House
1st Floor
9 Cloak Lane
London EC4R 2RU

Independent auditors
KPMG
1-2 Harbourmaster Place
IFSC
Dublin 1 Ireland

Bank
Deutsche Bank AG
Winchester House
1 Great Winchester Street
London EC2N 2DB

Corporate service provider
TMF Management (UK) Ltd
Pellipar House
1st Floor
9 Cloak Lane
London EC4R 2RU

Trustee
Deutsche Trustee Company Limited
Winchester House
1 Great Winchester Street
London EC2N 2DB

Directors' report

The directors have pleasure in presenting the financial statements of Kion Mortgage Finance No 2 Plc, ("the Company") for the year ended 31 December 2010

Principal activities and business review

The Company is a special purpose company established in order to issue floating rate loan notes due July 2053, the proceeds from which are used to acquire interests in the portfolio of Greek property mortgages from Millennium Bank S A ("the Bank") as described in the offering circular dated 18 July 2008 On 27 June 2008, the Company was issued with a certificate entitling it to do business and on 18 July 2008 the Company issued €585,000,000 floating rate loan notes ("the notes") The notes are jointly managed by UBS Limited London and Banco Millennium bcp Investimento S A The notes are listed on the Irish Stock Exchange On 18 July 2008, the Company acquired from the Bank mortgage receivables at a cost of €585,000,000

Business review

The key performance indicator of the business is considered to be the net interest margin During the year to 31 December 2010, the Company achieved a net interest margin of 44 09% (2009 38 79%) At the year end, the Company had net assets of €121,570 (2009 €120,730)

Results and dividends

The trading results for the year and the Company's financial position at the end of the year are shown in the attached financial statements

The profit for the year was €840 (2009 €20,604) Dividends of €nil (2009 €nil) were made to equity holders during the year

Share capital

The authorised share capital of the Company is Stg £50,000 comprised of 50,000 ordinary shares of Stg £1 each The Company has allotted all its 50,000 ordinary shares of which 50,000 ordinary shares are fully paid shares of Stg £1 each The issued, subscribed and paid-up share capital of the Company (in Euro) is € 63,147 as at 31 December 2010

Directors and their interests

The directors who served the Company during the year have no beneficial interests in the shares of the Company The directors are as follows

Tariq Husain (resigned 4 April 2011)
Roy Neil Arthur (appointment 4 April 2011)
Joint Corporate Services Limited
Praxis MGT Limited

The directors had no material interest in any contract of significance in relation to the business of the Company other than disclosed in note 19

Company secretary

Joint Secretarial Services Limited

Directors' report (continued)

Financial instruments

The Company's financial instruments, other than derivatives, comprise of mortgage receivables, cash and cash equivalents, interest-bearing borrowings and various receivables and payables that arise directly from its operations The main purpose of these financial instruments is to acquire mortgage receivables from Millennium Bank S A ("the Bank")

The main risk arising from the Company's financial instruments is interest rate risk, liquidity risk and credit risk The Board reviews and agrees policies for managing these and the other risks arising on the Company's financial instruments and these are summarised below Further discussion of the Company's approach to financial instruments is set out in note 3 (significant accounting policies) and in note 18 (Financial risk management)

Currency risk

The majority of the Company's assets and liabilities are denominated in Euro, however the entire set off portfolio is in Swiss Francs The assets and liabilties in the set off portfolio match therefore the Company is not exposed to foreign currency risk

Interest rate risk

Interest rate risk exists where assets and liabilities have interest rates set under a different basis or which reset at different times The Company minimises its exposure to interest rate risk by ensuring that the interest rate characteristics of its assets and liabilities are similar, where this is not possible the Company uses an interest rate swap to mitigate any residual rate risk

Credit risk

The Company will be subject to the risk of delays in receipt, or risk of defaults of payments due from borrowers in respect of the mortgage receivables There can be no assurance that the levels or timeliness of payments of collections and recoveries received from the mortgage receivables will be adequate to ensure timely fulfilment of the Company's obligations in respect of the notes on each interest payment date or on the final legal maturity date

Under the mortgage sale agreement, the Bank warrants that, as at the cut-off date, each borrower in relation to a mortgage asset agreement included in the receivables portfolio met the Bank's lending criteria for new business in force at the time such borrower entered into the relevant mortgage asset agreement The lending criteria considers, among other things, a borrower's credit history, employment history and status, repayment ability, debt-to-income ratio and the need for guarantees or other collateral

The most significant concentration of credit risk is considered to be the mortgage receivables and set-off receivables As at 31 December 2010 €427,720,142 (2009 €498,764,191) and €95,574,988 (2009 €95,599,995) before impairment charges was outstanding respectively

Liquidity risk

In the event of the liquidation of the Company, the assets of the Company, including the mortgage receivables, may be realised by the Company at a value agreed between the Company and the relevant purchaser of such assets The amount realised by the Company in respect of the transfer of its assets to a purchaser in such circumstances may not be sufficient to redeem all of the notes in full at their then principal amount outstanding In addition, the Company may not be able to sell its assets to a third party as there is not, at present, an active and liquid secondary market for residential mortgage loans of this type in Greece

Millenium Bank provides the Company with a loan facility, which is available in the event that the Company is unable on a temporary basis to meets its financial commitments The balance of the subordinated reserve loan as at 31 December 2010 is €5,303,317 (2009 €10,124,509)

Kion Mortgage Finance No2 Plc

Directors' report (continued)

Creditor payment policy

The Company's policy concerning payment of its trade creditors is to pay in accordance with its contractual and other legal obligations Due to the nature of the business, the main creditors are the note holders The first principal and interest was repaid on 22 December 2008, thereafter quarterly in arrears on the 20th day of March, June, September and December in each year in accordance with the agreements in place The Company does not follow any other code or standard on payment practice

Political and charitable donations

The Company made no political or charitable donations or incurred any political expenditure during the year

Statement as to disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that,

- so far as each of the directors is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Independent auditors

In accordance with the section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting

By order of the Board

Joint Corporate Services Limited
Director

Date 29/06/2011

Praxis MGT Limited
Director

Date 29/06/2011

Statement of directors' responsibilities
For the year ended 31 December 2010

The directors are responsible for preparing the directors' 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 elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU

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 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 estimates that are reasonable and prudent,
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements as adopted by the EU, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

Under applicable law and the requirements of the listing rules issued by the Irish Stock Exchange, the directors are also responsible for preparing a directors' report and reports relating to directors' remuneration and corporate governance that comply with that law and those rules In particular, in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007 (the Transparency Regulations), the directors are required to include in their report a fair review of the business and a description of the principal risks and uncertainties facing the Company and a responsibility statement relating to these and other matters, included below

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website Legislation in the UK governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions

Under applicable law the directors are also responsible for preparing a directors' report that complies with that law

Responsibility Statement, in accordance with the Transparency Regulations
Each of the directors, whose names and functions are listed in the directors' report confirm that, to the best of each person's knowledge and belief
- the financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities and financial position of the Company at 31 December 2010 and its profit for the year then ended,
- the directors' report contained in the financial statements includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that its faces

For and on behalf of

Joint Corporate Services Limited
Director

Date 29|06|2011

Praxis MGT Limited
Director

Date 29|06|2011

KPMG
Chartered Accountants
1 Harbourmaster Place
IFSC
Dublin 1
Ireland

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KION MORTGAGE FINANCE PLC NO.2.

We have audited the financial statements of Kion Mortgage Finance No 2 Plc for the year ended 31 December 2010 set out on pages 9 to 27 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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 6, 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 (APB'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 APB's website at [www.frc.org.uk/apb/scope/private cfm].

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 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

KPMG

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.

John Poole: **(Senior Statutory Auditor)** 29 June 2010
for and on behalf of KPMG, Statutory Auditor
Chartered Accountants
1 Harbourmaster Place

IFSC

Dublin 1

Ireland

Statement of comprehensive income

For the year ended 31 December 2010

	Note	Year ended 31-Dec-10 €	Year ended 31-Dec-09 €
Continuing operations			
Interest income	4	17,601,247	24,548,211
Interest expense	5	(9,029,548)	(15,025,036)
Net loss on derivative financial instruments		(280,607)	(885,754)
Impairment of loan portfolio		(531,249)	-
Other operating income	6	-	25,374
Operating income		7,759,843	8,662,795
Other operating expenses	7	(1,351,428)	(1,572,852)
Deferred consideration	8	(6,938,497)	(7,061,327)
Provision for diminution in value of liabilities		531,249	-
Profit before income tax for the year		1,167	28,616
Income tax expense	9	(327)	(8,012)
Profit after income tax for the year attributable to equity holders	13	840	20,604

The accompanying notes are an integral part of these financial statements

The financial statements are approved and authorised for issue by the Board of Directors on 29 June 2011 and signed on its behalf by

Joint Corporate Services Limited
Director
Date 29/06/2011

Praxis MGT Limited
Director
Date 29/06/2011

Kion Mortgage Finance No 2 Plc

Statement of financial position

As at 31 December 2010

Assets	Note	31-Dec-10 €	31-Dec-09 €
Non-current assets			
Mortgage receivables	10	426,961,674	498,464,236
Set-off receivables	10	95,471,613	95,569,356
		522,433,287	594,033,592
Current assets			
Trade and other receivables	11	1,637,046	1,477,953
Fair value of swap	18	19,623,587	19,904,194
Cash and cash equivalents	12	20,237,741	19,752,312
		41,498,374	41,134,459
Total assets		**563,931,661**	**635,168,051**
Equity			
Retained earnings	13	(58,423)	(57,583)
Share capital	13	(63,147)	(63,147)
Total equity		(121,570)	(120,730)
Non-current liabilities			
Interest-bearing notes	14	(426,092,445)	(499,109,625)
Set-off portfolio liability	15	(95,471,613)	(95,534,520)
Total non-current liabilities		(521,564,058)	(594,644,145)
Current liabilities			
Trade and other payables	16	(36,942,716)	(30,102,311)
Loans	17	(5,303,317)	(10,300,865)
Total current liabilities		(42,246,033)	(40,403,176)
Total liabilities		(563,810,091)	(635,047,321)
Total equity and liabilities		**(563,931,661)**	**(635,168,051)**

The accompanying notes are an integral part of these financial statements
The financial statements are approved and authorised for issue by the Board of Directors on 29 June 2011 and signed on its behalf by

Joint Corporate Services Limited
Director
Date 29|06|2011
Company Registration Number 6407403

Praxis MGT Limited
Director
Date 29|06|2011

Kion Mortgage Finance No 2 Plc

Statement of changes in equity

For the year ended 31 December 2010

	Note	Issued capital 31-Dec-10 €	Retained profit 31-Dec-10 €	Total 31-Dec-10 €
Balance as at 1 January 2010	13	(63,147)	(57,583)	(120,730)
Retained profit for the year	13	-	(840)	(840)
Balance at 31 December 2010		(63,147)	(58,423)	(121,570)

For the year ended 31 December 2009

	Note	Issued capital 31-Dec-09 €	Retained profit 31-Dec-09 €	Total 31-Dec-09 €
Balance as at 1 January 2009	13	(63,147)	(36,979)	(100,126)
Retained profit for the year	13	-	(20,604)	(20,604)
Balance at 31 December 2009		(63,147)	(57,583)	(120,730)

The accompanying notes are an integral part of these financial statements
The financial statements are approved and authorised for issue by the Board of Directors on 29 June 2011 and signed on its behalf by

Statement of cash flows

For the year ended 31 December 2010

	Note	Year ended 31-Dec-10 €	Year ended 31-Dec-09 €
Cash flows from operating activities			
Profit before income tax for the period		1,167	28,616
Adjustments for			
Net gain on derivative financial instruments		280,607	885,755
Mortgage interest receivable	4	(14,752,560)	(21,717,141)
Set-off interest receivable	4	(2,683,850)	(2,553,414)
Amortisation of transaction costs	7	139,680	165,055
Interest expense	5	9,029,548	15,025,036
Decrease in trade and other receivables	11	1	201,941
(Increase)/Decrease in trade and other payables		28,159	(254,792)
Interest received		15,253,777	21,185,697
Interest paid		(6,471,420)	(12,194,725)
Deferred consideration	8	6,938,497	7,061,327
Corporation tax paid		(8,661)	(12,717)
Net cash from operating activities		7,754,944	7,820,638
Investing activities:			
Mortgage receivables capital received	10	71,044,050	61,229,752
Net Set-off capital received		(617,670)	252,114
Net cash used in investing activities		70,426,380	61,481,866
Financing activities			
(Repayments)/Proceeds on facility loan	17	(4,997,548)	(5,324,136)
Loan notes principal repayments	14	(72,672,973)	(63,609,573)
Capitalised transaction costs	14	(25,375)	-
Net cash from in financing activities		(77,695,896)	(68,933,709)
Net increase in cash and cash equivalent		**485,429**	**368,795**
Cash and cash equivalents at beginning of period		19,752,312	19,383,517
Cash and cash equivalents at end of period	12	20,237,741	19,752,312
Movement in cash in the period		485,429	368,795

The accompanying notes are an integral part of these financial statements
The financial statements are approved and authorised for issue by the Board of Directors on 29 June 2011 and signed on its behalf by

Notes to the financial statements
For the year ended 31 December 2010

1 GENERAL INFORMATION
The Company is a company incorporated in the United Kingdom under the Companies Act 2006 and domiciled in England The address of the registered office is given on page 2

2 ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS
At the date of authorisation of these financial statements, the following standards and interpretations were issued which have not been applied in these financial statements and were not yet effective (as at 1 January 2010)

- Revised IAS 24 (revised)	Related party disclosures
- IFRS 9	Financial instruments
- Amendments to IFRIC 14	Prepayments of a minimum funding requirement
- IFRIC 19	Extinguishing financial liabilities
- Amendments to IAS 32	Financial instruments Presentation

The directors consider that adoption of the above amendments would not have a material impact on the Company's reported result

3 SIGNIFICANT ACCOUNTING POLICIES
Statement of compliance
The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by EU and apply to the financial statements of the Company for the year ended 31 December 2010

The accounting policies set out below have been applied in respect of the financial year ended 31 December 2010

Basis of preparation
The financial statements have been prepared under the historical cost convention As explained in the directors' report, the directors consider it appropriate for the financial statements to be prepared on a going concern basis

Certain prior year comparative figures have been reclassified to conform to current year presentation

As set out in note 18, the Greek economy is facing huge challenges where the impact on the Company will not be known for a period of time

Impairment is calculated using the Millennium Bank impairment model which is certified by Bank of Greece The calculations depend on probability of default (PD) and loss given default (LGD) for collective and parametric assessment The portfolio of the Company as at 31 December 2010 has not been impacted significantly by the economic downturn, as the debt crisis mainly reflects the challenges in the state department, rather than the private sector The impact of the stability program to be implemented during 2011 on the portfolio of the Company is currently uncertain

Functional and presentation currency
The financial statements are presented in Euro, which is functional currency of the Company

Notes to the financial statements
For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Critical accounting judgements and key sources of estimation and uncertainty
The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses The estimates and associated assumptions 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 of making judgements on carrying values of assets and liabilities that are not readily apparent from other sources Actual results may differ from these estimates used in the financial statements

The estimates and underlying assumptions are reviewed on an ongoing basis Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both the current and future periods

Information about significant areas, estimation uncertainty and critical judgement in applying account policies that have the most significant effect on the financial statements as described in note 10 and 18

Financial instruments
The Company's financial instruments comprise of mortgage receivables, set-off receivables, cash and cash equivalents, derivatives, interest-bearing borrowings and various receivables and payables that arise directly from its operations These financial instruments are classified in accordance with the principles of IAS 39 Financial Instruments Recognition and Measurement

Mortgage receivables and set-off receivables
Receivables are initially measured at fair value on transaction date and then accounted for on an amortised cost basis

Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of comprehensive income when there is objective evidence that the asset is impaired The allowance is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition

Mortgage receivables comprise of the current value of mortgages held within the Company Under the terms of the mortgage sale agreement, the Bank has agreed to bear the loss arising as a result of any mortgagee failing to meet their obligations under the mortgages To support this obligation, under the terms of the agreement Millennium Bank S A ("the Bank") transferred to the Company mortgages with a value of €95,599,995 which are included (net of subsequent repayments) in these financial statements under mortgage loans as set off receivables and as liabilities due to the Bank To the extent that they are not required to meet any obligations under the agreement, repayments of set off receivables by the mortgages are repaid to the Bank

Impairment
Financial assets that are stated at amortised cost are reviewed at each statement of financial position date to determine whether there is objective evidence of impairment If any such indication exists, an impairment loss is recognised in the statement of comprehensive income as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate
If in a subsequent period the amount of impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write down, the provision is reversed through the statement of comprehensive income

Deferred consideration
Under the terms of the mortgage sales agreement, deferred consideration is payable to the extent of any excess revenue retained by the Company following repayment of all outstanding liabilities The payments of deferred consideration are strictly governed by the priority of payments which set out how cash can be utilised Deferred consideration is charged to the statement of comprehensive income as incurred

Notes to the financial statements
For the year ended 31 December 2010

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and cash equivalents
Cash and cash equivalents in the statement of financial position comprise cash at bank

Derivative financial instruments and hedging activities
The Company uses derivative financial instruments to hedge its exposure to interest rate risk arising from operational, financing and investment activities The Company does not hold or issue derivative financial instruments for trading purposes

The Company has recognised all derivative financial instruments at fair value upon initial recognition Subsequent to initial recognition, any changes in fair value of the derivatives held are recognised in the statement of comprehensive income However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the statement of comprehensive income as they arise

The fair value of an interest rate swap is the estimated amount that the Company would receive or pay to terminate the swap at the year end date, taking into account current interest rates and the current creditworthiness of the swap counterparties The determination of fair value of financial assets and financial liabilities is determined by using prices obtained from counterparties

Interest-bearing notes
Interest-bearing notes are recognised initially at fair value less attributable transaction costs Subsequent to initial recognition, interest-bearing notes are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of comprehensive income over the period of the borrowings on an effective interest rate basis

Transaction costs
Transaction costs directly attributable to issue of the notes are capitalised Such borrowing costs are amortised over the expected useful economic life using the effective interest rate method and charged to the statement of comprehensive income

Interest income and expense
Interest income and expense are recognised in the statement of comprehensive income using the effective interest method The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability When calculating the effective interest rate, the Company estimate future cash flows considering all contractual terms of the financial instrument but not future credit losses

The calculation of the effective interest rate includes all fees and points paid or received that are an integral part of the effective interest rate Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability

Income tax expense
Income tax in the statement of comprehensive income for the period comprises current tax Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions
- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither the accounting nor taxable profit or loss, and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losers can be utilised

Notes to the financial statements

For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax expense *(continued)*

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled based on tax rates and laws enacted or substantively enacted at the year end date

The Company is taxed under a special tax regime for securitisation companies Subject to certain qualifying conditions being met the Company is taxed on its retained profits under the terms of its securitisation documentation

Foreign currency

The transactions in foreign currency are recorded at the rate of exchange at the date of the transactions Non-monetary assets and liabilities denominated in foreign currencies at the year end date are reported at historical rates These translation differences are dealt with in the statement of comprehensive income

Going concern basis

The Company's business activities, together with the factors likely to affect its future development, performance and position and its principal uncertainties are set out in the directors report on page 3 In addition, note 18 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 loans issued by the Company are non-recourse and their terms are such that amounts due are only payable to the extent that there are sufficient receipts from the Company's assets As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the financial statements

Segmental reporting

The principal asset of the Company is the interest in the mortgage receivables originated in Greece which is funded by loan notes issued on the Irish Stock Exchange The directors do not consider it necessary to provide a further analysis of the results of the Company from those already disclosed in these financial statements

Service level agreements

The Company has outsourced certain services by entering into service level agreements Major outsourced services include corporate services, trustee, paying agency and transaction management The costs associated with outsourcing of activities are recorded per the terms agreed in individual agreements

4. INTEREST INCOME ON ASSETS HELD AT AMORTISED COST

	Year ended 31-Dec-10 €	Year ended 31-Dec-09 €
Interest from mortgage receivables	14,752,560	21,717,141
Interest from set-off receivables	2,683,850	2,553,414
Bank interest received	57,339	135,370
Interest penalty received	107,498	142,286
	17,601,247	24,548,211

Notes to the financial statements
For the year ended 31 December 2010

5 INTEREST EXPENSE ON LIABILITIES HELD AT AMORTISED COST

	Year ended 31-Dec-10 €	Year ended 31-Dec-09 €
Interest on notes	(5,645,129)	(11,356,271)
Interest on loan	(197,068)	(427,372)
Interest expense on set-off receivables	(2,520,597)	(2,481,959)
Levy* fees	(666,754)	(753,761)
Other interest payable	-	(5,673)
	(9,029,548)	(15,025,036)

* "Levy" means the levy payable under Law 128/75 of the Hellenic Republic

6. OTHER OPERATING INCOME

	Year ended 31-Dec-10 €	Year ended 31-Dec-09 €
Other operating income	-	25,374

7. OTHER OPERATING EXPENSES

	Year ended 31-Dec-10 €	Year ended 31-Dec-09 €
Legal and professional fees	(132,990)	(131,039)
Amortisation of transaction costs	(139,680)	(165,055)
Audit fees	(14,600)	(34,073)
Foreign Exchange	12,733	2,432
Cadastre Programme	(20,366)	(1,762)
Insurance	(1,056,525)	(1,243,355)
	(1,351,428)	(1,572,852)

		Year ended 31-Dec-10 €	Year ended 31-Dec-09 €
Agreed fees with the auditors	- for the audit of the accounts	14,600	20,000
	- for tax services	15,275	11,044
	- for assurance services	1,704	-

The directors received no emoluments for their services as directors to the Company during the current period The Company did not have any employees in the current period

8 DEFERRED CONSIDERATION

	Year ended 31-Dec-10 €	Year ended 31-Dec-09 €
Deferred consideration	(6,938,497)	(7,061,327)

This liability is payable to the Millennium Bank S A

Notes to the financial statements
For the year ended 31 December 2010

9. INCOME TAX EXPENSE

A recognition of the current tax charge for the year that would result in applying the standard rate of UK corporation tax on ordinary activities is set out below

	Year ended 31-Dec-10 €	Year ended 31-Dec-09 €
Current tax:		
Current tax charge for the period at a rate of 28%	(327)	(8,012)
Total tax expense in the statement of comprehensive income	(327)	(8,012)

Reconciliation of total tax charge

	Year ended 31-Dec-10 €	Year ended 31-Dec-09 €
Operating profit before taxation	1,167	28,616
Operating profit before taxation for the year, multiplied by the standard rate of UK corporation tax @ 28%	(327)	(8,012)
Current tax charge for the year	(327)	(8,012)

The Company has no deferred tax assets or liability for the current tax year

The directors are not aware of any factors, other than those described above, that will have a significant effect on the future tax charge in the Company

10. MORTGAGE RECEIVABLES

	Year ended 31-Dec-10 €	Year ended 31-Dec-09 €
Mortgage receivables	426,961,674	498,464,236
At the beginning of the year	498,764,191	559,993,942
Purchases	-	-
Repayments	(71,044,049)	(61,229,751)
At year end	427,720,142	498,764,191
At beginning of the year	(299,955)	-
Impairment change	(458,513)	(299,955)
At year end	(758,468)	(299,955)
Mortgage receivables at 31 December	426,961,674	498,464,236
Set-off receivable	95,471,613	95,569,356
At the beginning of the year	95,599,995	102,036,843
Purchases	-	-
Repayments	(16,499,767)	(6,422,149)
Retranslation gain/loss	16,474,760	(14,699)
At year end	95,574,988	95,599,995
At beginning of the year	(30,639)	-
Impairment change	(72,736)	(30,639)
At year end	(103,375)	(30,639)
Set-off receivables at 31 December	95,471,613	95,569,356

Notes to the financial statements

For the year ended 31 December 2010

10. MORTGAGE RECEIVABLES (continued)

The receivables are secured on residential properties in Greece

Interest is accrued on the actual balance on each calendar day on a 360 days basis The maturity date is not included in the calculation The interest rate and commission fees chargeable are set by the Bank's Credit Committee at Millennium Bank's head office and is dependent on the credit risk, the security provided, the cost of Millennium Bank's funding, the demand, other offers existing in the credit market and the term of the loan

Maturity analysis	Mortgage receivables 31-Dec-10 €	Set-off receivables 31-Dec-10 €	Mortgage receivables 31-Dec-09 €	Set-off receivables 31-Dec-09 €
<1 year	319,253	-	97,239	3,917
1-5 years	9,652,133	409,789	10,311,930	459,116
> 5 years	417,748,754	95,165,199	488,355,022	95,136,962
Impairment	(758,466)	(103,375)	(299,955)	(30,639)
	426,961,674	95,471,613	498,764,191	95,569,356

11. TRADE AND OTHER RECEIVABLES

	31-Dec-10 €	31-Dec-09 €
Interest receivable - Set-off portfolio	483,684	259,305
Interest receivable - Securitised portfolio	1,148,549	1,213,834
Other receivables	4,813	4,814
	1,637,046	1,477,953

There is no material difference between the above amounts and their fair values, due to their short term duration

12 CASH AND CASH EQUIVALENTS

	31-Dec-10 €	31-Dec-09 €
Cash and cash equivalents	20,237,741	19,752,312

The cash is held with the Deutsche Bank AG, London Included as part of cash and cash equivalents is a reserve account that is used to cover any revenue shortfalls in respect of an interest payment The directors consider that the carrying value of cash and cash equivalents approximate their fair value

13. TOTAL EQUITY

	Share capital €	Retained capital €	Total €
Balance as at 1 January 2010	(63,147)	(57,583)	(120,730)
Retained profit for the year	-	(840)	(840)
Balance at 31 December 2010	(63,147)	(58,423)	(121,570)

	Share capital €	Retained capital €	Total €
Balance as at 1 January 2009	(63,147)	(36,979)	(100,126)
Retained profit for the year	-	(20,604)	(20,604)
Balance at 31 December 2009	(63,147)	(57,583)	(120,730)

Notes to the financial statements

For the year ended 31 December 2010

13. TOTAL EQUITY *(continued)*

The authorised share capital of the Company is Stg £50,000 comprised of 50,000 ordinary shares of Stg £1 each The Company has allotted all its 50,000 ordinary shares of which 50,000 ordinary shares are fully paid shares of Stg £1 each The issued, subscribed and paid-up share capital of the Company (in Euro) is € 63,147 as at 31 December 2010

14. INTEREST-BEARING NOTES HELD AT AMORTISED COST

This note provides information about the contractual terms of the Company's interest-bearing notes For more information about the Company's exposure to interest rate risk please see note 18

			31-Dec-10
Non current liabilities	**Nominal**	**Redemption**	**Total**
	€	**€**	**€**
Notes			
Note Class A	(437,569,060)	72,672,973	(364,896,087)
Note Class B	(62,595,000)	-	(62,595,000)
	(500,164,060)	72,672,973	(427,491,087)
Unamortised transaction cost			754,479
Provision for diminution in value of liabilities			758,466
Amortisation of transaction cost			(114,305)
			(426,092,445)

			31-Dec-09
Non current liabilities	**Nominal**	**Redemption**	**Total**
	€	**€**	**€**
Notes			
Note Class A	(501,178,633)	63,609,573	(437,569,060)
Note Class B	(62,595,000)	-	(62,595,000)
	(563,773,633)	63,609,573	(500,164,060)
Unamortised transaction cost			919,535
Provision for diminution in value of liabilities			299,955
Amortisation of transaction cost			(165,055)
			(499,109,625)

All Notes are repayable after more than 5 years

Payments of interest on the Class A notes will at all times rank in priority to payments of interest on Class B notes Similarly with payments of principal Class A notes will at all times rank in priority to payments of principal on the Class B notes

On 18 July 2008 the Company issued €522,405,000 Class A notes due July 2053 and €62,595,000 Class B notes due July 2053 For each interest period ending prior to the step-up date 18 September 2015, the notes will bear interest at euribor plus a margin of 0 35 per cent, per annum in relation to the Class A notes and 1 0 per cent, per annum in relation to the Class B notes On and after the step-up date, the notes will bear interest at euribor plus a margin of 0 52 per cent, per annum in relation to the Class A notes and 1 20 per cent per annum in relation to the Class B notes

The notes are secured by way of a floating charge over the assets of the Company including the mortgage receivables The proceeds of the notes were used by the Company to acquire the loan receivables from the Bank with the terms of the securitisation documents

Losses arising from the mortgage receivables set out in note 10 above may in the future be offset in certain circumstances by a reduction in the set-off portfolio liability in note 15 and/or the deferred consideration set out in note 16 below, however until the mortgage receivables mature, dimunition in value is reflected by a reduction in interest bearing notes until a claim for offset against other liabilities is made

Notes to the financial statements
For the year ended 31 December 2010

15 SET-OFF PORTFOLIO LIABILITY HELD AT AMORTISED COST

	31-Dec-10	31-Dec-09
	€	€
Set-off portfolio liability	(95,471,613)	(95,534,520)

16 TRADE AND OTHER PAYABLES

		31-Dec-10	31-Dec-09
		€	€
Trade payables		(2,784)	-
Accrued expenses		(111,463)	(86,088)
Set-off portfolio liability		1,871	(650,636)
Accrued interest payable	- Notes	(191,907)	(158,850)
	- Set-off	(699,824)	(202,630)
	- Levy	(104,666)	(119,542)
	- Millennium Bank	-	19,351
Current tax liability		(1,342)	(9,676)
Deferred Consideration		(35,832,601)	(28,894,239)
		(36,942,716)	(30,102,311)

Current liabilities due within one year are paid when cash is available after other commitments have been fulfilled, in order of priority in accordance with the offering circular

The Directors consider that the carrying amount of trade and other payables approximate their fair value

17. LOANS

	31-Dec-10	31-Dec-09
	€	€
Subordinated expenses loan	-	(176,356)
Subordinated reserve loan	(5,303,317)	(10,124,509)
	(5,303,317)	(10,300,865)

Subordinated expenses loan
In July 2008 an agreement was entered into with Millennium Bank to make funds available to the Company by way of loans for the payment of expenses and funding of certain reserves The subordinated expenses loan facility is intended for paying the Initial Issuer Expenses At the statement of financial position date the facility was €nil (2009 €176,356) The maximum aggregated principal amount available for draw down is €1,000,000

Subordinated reserve loan
In July 2008 an agreement was entered into with Millennium Bank, for the provision of a liquidity facility for the Company The facility is in place to allow the Company to meet its obligations should there be a shortfall in the revenue or principal received from the mortgage receivables At the balance sheet date the facility was €5,303,317 (2009 €10,124,509) The maximum aggregated principal amount available for draw down is €14,625,000

18 FINANCIAL RISK MANAGEMENT
The Company's financial instruments comprise mortgage receivables, cash and liquid resources, derivatives, interest-bearing borrowings and various receivables and payables that arise directly from its operations

Credit risk
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the companies mortgage assets and derivative receivables
The maximum the company was exposed to credit risk at 31 December 2010 was €563,931,661 (2009 €635,168,051)

Notes to the financial statements

For the year ended 31 December 2010

18 FINANCIAL RISK MANAGEMENT *(continued)*

	31-Dec-10	31-Dec-09
	€	€
Mortgage receivables	426,961,674	498,464,236
Set-off receivables	95,471,613	95,569,356
Trade and other receivables	1,637,046	1,477,953
Cash and cash equivalents	20,237,741	19,752,312
Fair value of swap	19,623,587	19,904,194
	563,931,661	635,168,051

The Company's cash and cash equivalents are held mainly with Deutsche Bank AG which is rated Aa3 (2009 Aa1) based on rating agency Moody's Investors Service's ratings

Derivative financial instruments

The Company's credit risk represents the potential cost to replace the swap contracts if counterparties fail to fulfil their obligation The risk is monitored regularly with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market

The Company enters into one type of derivative transaction, interest rate derivatives - over the counter (OTC) derivatives

The Company's exposure arises from default of the counterparty and is limited to the carrying value The counterparty for derivatives is UBS which mitigates this risk UBS is rated Aa3 (2009 Aa3) based on rating agency Moody's and rated A+ (2009 A+) based of Standard & Poor's rating

Mortgage receivables

Credit risk on the mortgage receivables arises where the individual loans granted under the mortgage receivables are secured on underlying Greek residential properties Under IAS 39 the mortgage receivables are classified as receivables The most significant concentration of credit risk is considered to be the mortgage receivables and set-off receivables As at 31 December 2010 €427,720,142 (2009 €498,764,191) and €95,574,988 (2009 €95,599,995) before impairment charges was outstanding respectively The Directors consider that the Company's interest in the Greek residential property granted as security will be sufficient to cover the full amount of these receivables

The Bank, from whom the mortgage receivables have been purchased, undertakes extensive investigations before issuing mortgage loans, including contacting the employers of the borrowers of the loans The Bank also gives warranties in the sale agreements The sole remedy of the Company, shall be the requirement that the Bank repurchase, or substitute a similar loan in replacement for, any loans which is the subject of any breach, provided that this shall not limit any other remedies available to the Company if the Bank repurchase a loan when obliged to do so

Other receivables

Other receivables are mainly interest receivables from mortgage and set-off receivables The credit quality of these mortgage and set-off receivables are discussed below

The following table indicates the credit quality of the financial assets

	31-Dec-10 Principal	31-Dec-10 Impairment	31-Dec-09 Principal	31-Dec-09 Impairment
Mortgage receivable	€	€	€	€
Current	368,723,175	138,689	445,637,926	60,147
1-30 days past due	37,055,293	125,733	37,181,645	30,049
31-90 days past due	12,932,321	92,441	10,800,150	24,219
More than 90 days past due	9,009,353	401,604	5,144,470	59,682
	427,720,142	758,468	498,764,191	174,097

	31-Dec-10 Balance	31-Dec-10 Amount	31-Dec-09 Balance	31-Dec-09 Amount
Set-off receivable	€	€	€	€
Current	65,851,367	37,132	77,168,140	9,507
1-30 days past due	19,065,715	7,544	13,440,317	3,013
31-90 days past due	5,679,372	4,407	2,728,862	2,322
More than 90 days past due	4,978,534	54,291	2,262,678	8,011
	95,574,988	103,374	95,599,995	22,853

Notes to the financial statements

For the year ended 31 December 2010

18. FINANCIAL RISK MANAGEMENT *(continued)*

Credit risk *(continued)*

The following table indicates the analysis of assets that are determined to be impaired

	31-Dec-10 Securitised	31-Dec-10 Set-off	31-Dec-09 Securitised	31-Dec-09 Set-off
	€	€	€	€
Collective	112,901	22,467	53,208	9,611
Individual	406,450	64,237	46,762	1,865
Parametric	239,117	16,671	74,127	11,377
	758,468	103,375	174,097	22,853

All past due loans are impaired, therefore there are no "past due but not impaired" financial assets

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due

In the event of the liquidation of the Company, the assets of the Company, including the mortgage receivables, may be realised by the Company at a value agreed between the Company and the relevant purchaser of such assets The amount realised by the Company in respect of the transfer of its assets to a purchaser in such circumstances may not be sufficient to redeem all of the notes in full at their then principal amount outstanding In addition, the Company may not be able to sell its assets to a third party as there is not, at present, an active and liquid secondary market for residential mortgage loans of this type in Greece

Millenium Bank provides the Company with a loan facility, which is available in the event that the Company is unable on a temporary basis to meets its financial commitments The balance of the aubordinated reserve loan as at 31 December 2010 is €5,303,317 (2009 €10,124,509)

In respect of income-earning financial assets and interest-bearing financial liabilities following table indicates the period in which they mature

31-Dec-10	Carrying amount	Gross Contractual Cash Flow	3 months or less	3 months to 5 years	More than 5 years
	€	€	€	€	€
Interest-bearing notes	426,092,445	517,930,809	15,569,697	342,634,969	159,726,143
Set-off liability	95,471,613	95,471,613	-	-	95,471,613
Loan	5,303,317	5,303,317	-	-	5,303,317
Trade and other payables	36,942,716	36,942,716	1,110,115	35,832,601	
	563,810,091	655,648,455	16,679,812	378,467,570	260,501,073

31-Dec-09	Carrying amount	Gross Contractual Cash Flow	3 months or less	3 months to 5 years	More than 5 years
	€	€	€	€	€
Interest-bearing notes	499,109,625	596,248,911	21,412,372	337,692,791	237,143,748
Set-off liability	95,534,520	95,534,520	-	-	95,534,520
Loan	10,300,865	10,300,865	-	-	10,300,865
Trade and other payables	30,102,311	30,102,311	30,102,311	28,894,239	
	635,047,320	732,186,607	51,514,683	366,587,030	342,979,133

The maturity analysis in the table above assumes no event of default during the life of the notes If an event of default is triggered then the notes, under the term of the Offering Circular, may become due and payable The key event of default triggers are if the payment of principal or interest is delayed for more than three or five days respectively

The contractual principal repayments above have been adjusted to reflect expected note refinancing

Notes to the financial statements

For the year ended 31 December 2010

18 FINANCIAL RISK MANAGEMENT *(continued)*

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments

Market risk embodies the potential for both losses and gains and includes currency risk, interest risk and price risk (See also to the relevant sections of this note dealing with currency risk and interest rate risk) Price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market The assets of the Company are not publicly traded and it is the intention to hold the assets until their maturity Therefore the Company does not consider price risk to be a significant risk No sensitivity analysis has therefore been presented

Currency risk

The majority of the Company's assets and liabilities are denominated in Euro, however the entire set off portfolio is in Swiss Francs The assets and Liabilities in the set off portfolio match therefore the Company is not exposed to foreign currency risk No sensitivity analysis has therefore been presented

Interest rate risk

Interest rate risk exists where assets and liabilities have interest rates under a different basis or which reset at a different time The Company minimises its exposure to interest rate risk by ensuring that the interest rate characteristics of assets and liabilities are similar Interest rate swaps have been entered into with UBS AG, London branch, to manage the Company's exposure to interest rate risk associated with the mortgage receivables This is to reduce interest rate risk as a result of the possible variance between the fixed rate of interest receivable on the mortgage receivables and the variable rate of interest payable on the floating rate loan notes

The Company has entered into interest rate swaps to hedge the Company's exposure to interest rate risk Additionally as stated in note 3, under the terms of the mortgage sales agreement, deferred consideration is payable to the extent of any excess revenue retained by the Company following repayment of all outstanding liabilities As a result, the net impact on the Company's profit and loss equity arising from interest rate risk is not considered to be material No sensitivity analysis has therefore been presented

The Company has an interest rate swap, hedging the income stream from the mortgage receivables with the payment on the floating rate loan notes

The net fair value of the derivative financial instrument at the balance sheet date was

	31-Dec-10	31-Dec-09
	€	€
Fair value of swap	19,623,587	19,904,194

IFRS 7 requires that the Company provide an analysis of the basis of measurement used by the Company to fair value its financial instruments The following are the categories

- Level 1 quoted prices (unadjusted in an active market for identical assets or liabilities
- Level 2 Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly (i e prices) or indirectly (i e derived from prices)
- Level 3 inputs for the asset or liabilities that are not based on observable market data (unobservable inputs)

The above swaps are considered to be Level 2 by the Directors

The notional principal amount of the outstanding interest rate swap contract as at 31 December 2010 was €982,607,300 (2009 €850,029,302) and (€41,277,050) (2009 (€201,893,771)) on the interest rate collar The Company entered into an interest rate swap and interest rate collar agreement on 16 July 2008 with a start date of 18 July 2008 The counterparty to the above swaps is UBS AG, London who has a long-term debt credit rating of "Aa3" (2009 Aa3) from Moody's, A+ (2009 A+) from S&P and "A+" (2009 A+) from Fitch as at 31 December 2010

Notes to the financial statements

For the year ended 31 December 2010

18. FINANCIAL RISK MANAGEMENT *(continued)*

Market risk *(continued)*

The Company's interest rate exposure is hedged using interest rate swaps Any additional assets and liabilities arising from movements in interest rates will be offset by decreases or increases on interest rate swap receivables and therefore will have no impact on the profit or loss or the equity

Following table sets out the carrying amount of the Company's financial instruments that are exposed to interest rate risk

	Total 2010 €	Fixed rate 2010 €	Floating rate 2010 €	Non interest bearing 2010 €
Mortgage receivables	426,961,674	45,090,079	376,922,120	4,949,475
Set-off receivables	95,471,613	35,126,006	57,799,128	2,546,479
Fair value of swap	19,623,587	-	-	19,623,587
Cash and liquid resources	20,237,741	20,237,741	-	-
Trade and other receivables	1,637,046	-	-	1,637,046
Interest bearing notes	(426,092,445)	-	(426,092,445)	-
Set-off portfolio liability	(95,471,613)			(95,471,613)
Trade and other payables	(36,942,716)	-	-	(36,942,716)
Loans	(5,303,317)	-	(5,303,317)	-
	121,570	100,453,825	3,325,486	(103,657,742)

	Total 2009 €	Fixed rate 2009 €	Floating rate 2009 €	Non interest bearing 2009 €
Mortgage receivables	498,464,236	211,760,242	284,226,380	2,477,614
Set-off receivables	95,569,356	37,314,904	58,002,540	251,912
Fair value of swap	19,904,194			
Cash and liquid resources	19,752,312	19,752,312	-	-
Trade and other receivables	1,477,953	-	-	1,477,953
Interest bearing notes	(499,109,625)	-	(499,109,625)	-
Set-off portfolio liability	(95,534,520)	-	-	(95,534,520)
Trade and other payables	(30,102,311)	-	-	(30,102,311)
Loans	(10,300,865)	-	(10,300,865)	-
	120,730	268,827,458	(167,181,570)	(121,429,352)

Fair values

The fair values together with the carrying amounts shown in the statement of financial position are as follows

	Carrying amount 2010 €	Fair value 2010 €	Carrying amount 2009 €	Fair value 2009 €
Mortgage receivables	426,961,674	426,204,671	498,464,236	451,991,319
Set-off receivables	95,471,613	95,368,313	95,569,356	95,569,356
Trade and other receivables	1,637,046	1,637,046	1,477,953	1,477,953
Cash and cash equivalents	20,237,741	20,237,741	19,752,312	19,752,312
Interest-bearing notes	(426,092,445)	(425,336,984)	(499,109,626)	(452,506,196)
Set-off portfolio liability	(95,471,613)	(95,471,613)	(95,534,520)	(95,534,519)
Loans	(5,303,317)	(5,303,317)	(10,300,864)	(10,300,864)
Trade and other payables	(36,942,716)	(36,942,716)	(30,102,311)	(30,102,311)
	(19,502,017)	(19,606,859)	(19,132,828)	(19,002,315)

The following comments summarise the main methods and assumptions used in estimating the fair value of financial instruments that are reflected in the table above

Notes to the financial statements
For the year ended 31 December 2010

18. FINANCIAL RISK MANAGEMENT *(continued)*
Market risk *(continued)*

The fair value of the mortgage loan receivables have been calculated using a discounted cash flow analysis The fair value of the notes have been valued at the market prices which the notes were traded at Cash and cash equivalents, interest bearing loans and borrowings have been calculated using a discounted cash flow analysis For other receivables and other payables, no calculation of fair value is prepared as their carrying amount is viewed as a reasonable approximation of fair value

The fair value of the interest rate swaps between the Company and UBS AG is reflected as a derivative asset and liability in the statement of financial position of the Company as at 31 December 2010 The fair value of the interest rate swap is determined by the swap counterpart who uses a discounted cash flow analysis model The net change in fair value that has been recognised in the Income Statement for the year ended 31 December 2010 amounts to a loss of €280,607 (2009 gain of €885,754) The underlying cash flows are the relevant interest payments of the maturity of the floating rate notes up to 2014

The Greek economy is currently facing huge challenges in an unprecedented economic environment of macroeconomic difficulties The implementation of the revised stability program is considered necessary for the country to be able to reduce the deficit and return to growth, so that the public debt to be manageable and serviceable From the first year of the program implementation, the imposition of measures with quick results such as tax increases, the significant cut in public sector salaries e t c has resulted in a reduction of the available family income, resulting in the disruption of spending, investor's confidence and the significant decline in economic activity in key productive sectors of the economy

Impairment is calculated using the Millennium Bank impairment model which is certified by Bank of Greece The calculations depend on probability of default (PD) and loss given default (LGD) for collective and parametric assessment The portfolio of the Company as at 31 December 2010 has not been impacted significantly by the economic downturn, as the debt crisis mainly reflects the challenges in the state department, rather than the private sector The impact of the stability program to be implemented during 2011 on the portfolio of the Company is currently uncertain

19 RELATED PARTY TRANSACTIONS
The Company is a special-purpose company controlled by its Board of Directors, which comprises of three directors Praxis Mgt Limited, Joint Corporate Services Limited and Roy Neil Arthur The fees payable to these directors for their services for the year ended on 31 December 2010 was nil, however both directors and TMF Trustee Limited (trustee of Kion Holdings Trust) are subsidiaries of TMF Management (UK) Limited to which the Company pays fees in connection with corporate services received Total fees charged by TMF Management (UK) Limited during the year was €66,079 (2009 €73,951) for directorship and accounting services fees As at 31 December 2010 €nil (2009 €nil) is outstanding in respect of this amount

20. ULTIMATE CONTROLLING PARTY
The Company is incorporated in Great Britain and registered in England and Wales

49,999 shares in the Company are held by Kion Holdings No 2 Limited TMF Trustee Limited, in its capacity as Trustee for the Kion Holdings No 2 Limited Trust (a charitable trust established under the laws of England and Wales) holds the remaining one share in the Company

TMF Trustee Limited, in its capacity of Trustee for the Kion Holdings Trust, also holds the entire share capital of Kion Holdings No 2 Limited

By virtue of its direct and indirect ownership of the entire issued share capital of Kion Mortgage Finance Plc, the Directors consider that TMF Trustee Limited as Trustee for the Kion Holdings No 2 Limited Trust as the ultimate controlling entity of the Company

Notes to the financial statements

For the year ended 31 December 2010

21. COMMITMENTS AND CONTINGENCIES

There are no commitments and contingencies as at 31 December 2010

22. SUBSEQUENT EVENTS

In consideration of the current financial markets the directors have revisited the value of the Company's assets as at the statement of financial position date and consider that there is no impairment of assets The judgement is based on favourable loan to value ratios in the portfolio and that the total number of loans in arrears remains constant since the statement of financial position date Given the adverse economic environment, the Bank has adjusted on time its strategic planning, aiming to strengthen its position in the Greek banking market

Post year end the Moody's ratings of the Class A notes were downgraded from Ba2 to Ba1

24. ACCOUNTS AND FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 29 June 2011