AIRE VALLEY WAREHOUSING 2 LIMITED

Directors' Report and Financial Statements

Registered number: 5321857

31 December 2005

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COMPANIES HOUSE 04/08/2006

Company Information

Directors
SFM Directors Limited
SFM Directors (No.2) Limited
Christopher Donald Gillespie

Company Secretary
SFM Corporate Services Limited

Registered Office
35 Great St. Helen's
London
EC3A 6AP

Auditor
KPMG Audit Plc
1 The Embankment
Neville Street
Leeds
LS1 4DW

Directors' Report and Financial Statements

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Directors' Report for the year ended 31 December 2005

The Directors present their Report and Financial Statements for the year ended 31 December 2005.

Principal activity

The Company was incorporated on 29 December 2004.

Aire Valley Warehousing 2 Limited ("the Company") is a limited company incorporated in the United Kingdom under the Companies Act 1985 and registered in England and Wales. The company is part of the Aire Valley Holdings Limited Group ("the Group").

The Company's principal activity is to issue floating and/or fixed rate debt securities and to enter into financial arrangements to fund the activities of certain subsidiaries of the Group by means of intercompany loans. The debt securities are issued in Sterling.

The Company issued £0.5bn floating rate debt securities on 23 February 2005.

Aire Valley Holdings Limited holds both the £1 ordinary fully paid shares in the Company.

Business review

The results for the year are shown in the Income Statement on page 8. The profit after taxation was £1,456 (2004: £nil).

Risk management and control

In the ordinary course of business the Company is exposed to, and manages, a variety of risks, with credit risk, liquidity risk and interest rate risk being of particular significance. The Directors have responsibility for the overall system of internal control and for reviewing its effectiveness. The effectiveness of the risk management is then monitored on an ongoing basis. Further details of the Company's risks and their management and control are provided in note 11.

Dividend

The Directors do not recommend the payment of a final dividend for the year (2004: £nil).

Payment policy

Standard terms provide for payment of all invoices within 30 days of invoice date, except where different arrangements have been agreed with suppliers. It is the policy of the Company to abide by the agreed payment terms.

Directors

The Directors who served during the year were as follows:

SFM Directors Limited	
SFM Directors (No.2) Limited	
Rosemary Prudence Thorne	(Resigned 29 November 2005)
Christopher Donald Gillespie	(Appointed 29 November 2005)

Rosemary Thorne, Christopher Gillespie, SFM Directors Limited and SFM Directors (No. 2) Limited are or have been Directors of Aire Valley Holdings Limited during the year. No Director had any interest in the share capital of the Company at any time during the year.

Directors' Report for the year ended 31 December 2005 (continued)

International Financial Reporting Standards

The Company has adopted International Financial Reporting Standards (IFRS) with effect from 1 January 2005 and the 2004 comparative financial information has been restated from that presented in the Company's 2004 Financial Statements in accordance with IFRS. Adoption of IFRS had no impact on the Company's reported income, expenses, assets, liabilities or cash flows.

Political and charitable contributions

During the year no political or charitable contributions were made (2004: £nil).

Auditor

KPMG Audit plc was appointed auditor on 6 January 2005. In accordance with Section 384 of the Companies Act 1985 a resolution for the re-appointment of KPMG Audit Plc as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

SFM Corporate Services Limited
Company Secretary

31 July 2006

Statement of Directors' Responsibilities in respect of the Directors' Report and Financial Statements

The Directors are responsible for preparing the Directors' Report and 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 they are required to prepare the Financial Statements in accordance with IFRS as adopted by the EU.

The Financial Statements are required by law and IFRS as adopted by the EU to present fairly the financial position of the Company and the performance of the Company for that period; the Companies Act 1985 provides in relation to such Financial Statements that references in the relevant part of that Act to Financial Statements giving a true and fair view are references to their achieving a fair presentation.

In preparing the Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the Financial Statements have been prepared in accordance with IFRS 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.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the Financial Statements comply with the Companies Act 1985. 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.

Independent Auditor's Report to the members of Aire Valley Warehousing 2 Limited

We have audited the Financial Statements of Aire Valley Warehousing 2 Limited for the year ended 31 December 2005 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes. These Financial Statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 described in the Statement of Directors' Responsibilities set out on page 6 the Company's Directors are responsible for the preparation of the Financial Statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU.

Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Financial Statements give a true and fair view and whether

the Financial Statements have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the Financial Statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

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

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

Opinion

In our opinion the Financial Statements:

- give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
31 July 2006

1 The Embankment
Neville Street
Leeds
LS1 4DW

Income Statement for the period ended 31 December

	Note	Year ended 2005 £000	Period ended 2004 £000
Interest receivable and similar income	2	20,832	-
Interest expense and similar charges	3	(20,801)	-
Net interest income		31	-
Operating expenses	4	(29)	-
Profit before taxation		2	-
Taxation	5	(1)	-
Profit for the financial period		1	-

The results above arise from continuing activities and are attributable to the equity shareholders.

The notes on pages 12 to 22 form part of these Financial Statements.

Balance Sheet as at 31 December 2005

	Note	2005 £000	2004 £000
Assets			
Loan to Group undertaking	8	500,648	-
Total current assets		500,648	-
Total assets		500,648	-
Equity			
Capital and reserves attributable to equity holders:			
Share capital	12	-	-
Retained earnings		1	-
Total attributable equity		1	-
Liabilities			
Interest bearing loans and borrowings	7	499,923	-
Accruals and deferred income		723	-
Current tax liabilities		1	-
Total current liabilities		500,647	-
Total liabilities		500,647	-
Total equity and liabilities		500,648	-

The notes on pages 12 to 22 form part of these Financial Statements.

The Financial Statements were approved by the Board of Directors and authorised for issue on 31 July 2006 and signed on its behalf by:

per pro SFM Directors Limited
as Director

Director

Statement of Changes in Equity

	Share Capital £000	Retained Earnings £000	Total Equity £000
As at 1 January 2005	-	-	-
Issue of share capital	-	-	-
Profit for the year	-	1	1
As at 31 December 2005	-	1	1
On incorporation at 29 December 2004	-	-	-
Issue of share capital	-	-	-
Changes upon transition to IFRS (see note 1)	-	-	-
As at 29 December 2004 as restated under IFRS	-	-	-
Profit for the period	-	-	-
As at 31 December 2004	-	-	-

The notes on pages 12 to 22 form part of these Financial Statements.

Cash Flow Statement for the period ended 31 December

	2005	2004
	£000	£000
Cash flows from operating activities		
Profit for the financial period	1	-
Adjustments for:		
Income tax expense	1	-
Cash flows from operating activities before changes in operating assets and liabilities	2	-
Net (increase) in operating assets:		
Amounts due from Group undertaking	(500,648)	-
Net increase in operating liabilities:		
Accruals and deferred income	723	-
Cash generated from operations	(499,923)	-
Taxation paid	-	-
Net cash absorbed by operating activities	(499,923)	-
Cash flows from financing activities:		
Issue of floating rate notes	499,923	-
Net cash from financing activities	-	-
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of period	-	-
Cash and cash equivalents at end of period	-	-

The notes on pages 12 to 22 form part of these Financial Statements.

Notes to the Financial Statements for the year ended 31 December 2005

1. Significant accounting policies

Aire Valley Warehousing 2 Limited (the "Company") is a company incorporated in the United Kingdom under the Companies Act 1985 and registered in England and Wales.

(a) Statement of compliance

The Company Financial Statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRS").
The Company is preparing its Financial Statements in accordance with Adopted IFRS for the first time and consequently has applied IFRS 1 "First-time Adoption of International Financial Reporting Standards". The transition to Adopted IFRS had no impact on the Company's reported income, expenses, assets, liabilities or cash flows.

(b) Basis of preparation

The Financial Statements are prepared on the historical cost basis.

The Financial Statements are presented in pounds sterling, which is the currency of the Company's primary operating environment.

The Directors consider that the accounting policies set out below are the most appropriate to the Company's circumstances. These accounting policies have been applied consistently to all periods presented in these Financial Statements and in preparing an opening balance sheet as at 29 December 2004 for the purpose of the transition to adopted IFRS. The Company is required to establish its accounting policies as at 31 December 2005 and to apply them retrospectively to the whole of 2004 and 2005, and in determining the opening Balance Sheet as at 29 December 2004. The principal exception is that, as more fully explained in paragraph 1(c) below, financial instruments accounting is determined on different bases in 2004 and 2005 due to the transitional provisions of IAS32 "Financial Instruments: Disclosure and Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement".

(c) 2004 comparative information

The 2004 comparative information contained in these Financial Statements has been restated from that presented in the Company's 2004 Financial Statements in accordance with IFRS. There was no impact at 1 January 2005 of adopting the new financial instruments accounting policies.

(d) Interest income and expense

In 2005, for all financial instruments measured at amortised cost (including loan to Group undertakings and floating rate notes) interest income and expense are recognised in the Income Statement on an Effective Interest Rate ("EIR") basis.
The EIR basis spreads the interest income or interest expense over the expected life of the instrument. The EIR is the rate that at the inception of the instrument exactly discounts expected future cash payments and receipts through the expected life of the instrument back to the initial carrying amount. When calculating the EIR future cash flows are estimated considering all contractual terms of the instrument (for example prepayment options) but potential future credit losses are not considered. The calculation includes all directly attributable incremental fees and costs and all other premia and discounts as well as interest.

Notes to the Financial Statements for the year ended 31 December 2005 (continued)

1. Significant accounting policies (continued)

(e) Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred or accelerated arising from temporary differences between the carrying amounts of certain items for taxation and for accounting purposes. Deferred taxation is provided for in full at the tax rate at the Balance Sheet date in accordance with IAS 12 "Income Taxes", including on tax losses carried forward, and is not discounted to take account of the expected timing of realisation. Deferred taxation assets are recognised only to the extent that it is probable that future taxable profits will be available against which the taxable differences can be utilised.

(f) Cash and cash equivalents

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise balances which had an original maturity of three months or less.

(g) Floating rate notes and subordinated liabilities

In 2005, on initial recognition, debt issued is measured at its fair value net of directly attributable transaction costs and discounts, in accordance with IAS 39. Subsequent measurement is at amortised cost using the EIR method to amortise incremental attributable issue and transaction costs, premia and discounts over the life of the instrument; these costs are charged along with interest on the debt to "interest expense and similar charges". Unamortised amounts are added to or deducted from the carrying value of the instrument. The carrying value of floating rate notes which are effectively hedged is adjusted by the change in fair value of the hedged risk.

(h) Profit retention

Under the terms of the securitisation the Company retains the right to the maximum of 0.01% of interest received on loans to Aire Valley Funding 2 Limited.

(i) Classification of financial instruments

In 2005, in accordance with IAS 39 each financial asset is classified at initial recognition into one of four categories:

(i) Financial assets at fair value through profit or loss;
(ii) Held to maturity investments;
(iii) Loans and receivables; or
(iv) Available for sale;

and each financial liability into one of two categories:
(v) At amortised cost; or
(vi) At fair value through profit or loss.

Measurement of financial instruments is either amortised cost (categories (ii), (iii) and (v) above) or at fair value (categories (i), (iv) and (vi) above), depending on the category of financial instrument.

Notes to the Financial Statements for the year ended 31 December 2005 (continued)

1. Significant accounting policies (continued)

(i) Classification of financial instruments (continued)

The Company does not carry any financial instruments at "fair value".

Amortised cost is the amount measured at initial recognition, adjusted for subsequent principal and other payments, less cumulative amortisation calculated using the EIR method; the amortisation is taken to interest income or expense depending on whether the instrument is an asset or liability. The amortised cost balance is reduced where appropriate by an allowance for amounts which are considered to be impaired or uncollectable.

Any profit or loss on sale of an instrument carried at amortised cost is recognised immediately in the Income Statement in interest income or expense depending on whether the instrument is an asset or a liability.

Notes to the Financial Statements for the year ended 31 December 2005 (continued)

2 Interest receivable and similar income

	2005	2004
	£000	£000
Interest on loan to Group undertaking	**20,832**	-
	20,832	-

The interest received on impaired assets is £nil (2004: £nil).

3 Interest expense and similar charges

	2005	2004
	£000	£000
Interest on floating rate notes	**20,801**	-
	20,801	-

4 Operating expenses

	2005	2004
	£000	£000
Legal & professional fees	**29**	-

Auditors' remuneration for 2004 and 2005 was borne by Aire Valley Funding 2 Limited.

5 Taxation

	2005	2004
	£000	£000
Current tax expense:		
UK Corporation tax on profits for the period	**1**	-
Adjustments in respect of previous periods	**-**	-
	1	-
Foreign taxation	**-**	-
Total current taxation	**1**	-
Deferred taxation expense		
Origination and reversal of temporary differences	**-**	-
Total taxation expense per the Income Statement	**1**	-

	2005	2004
	£	£
Profit before taxation	**2**	-
UK Corporation tax at 30%	**1**	-

There was no deferred tax or unprovided deferred tax during the year (2004: £nil).

6 Employees and directors emoluments

There were no employees during the period and none of the Directors received emoluments in respect of their services to the Company. A corporate service fee is paid to Structured Finance Management Limited for the provision of Directors (see Note 9).

Notes to the Financial Statements for the year ended 31 December 2005 (continued)

7 Interest bearing loans and borrowings

	2005	2004
Current liabilities		
Floating rate notes	**499,923**	-

The floating rate notes (the "notes") were issued on 23 February 2005.

Under the terms of the notes any shortfalls arising on the redemption or repossession of the mortgage assets held in Aire Valley Funding 2 Limited (a fellow subsidiary of Aire Valley Holdings Limited), over which the note holders have a floating charge, may result in a reduction in the liability under the notes. Shortfalls are allocated against the notes in reverse order to the seniority of the class of the note, resulting in any such reductions being first allocated against Class C notes.

Class	Maturity	2005 £'000
Series 1 A	Aug 2006	424,000
Series 1 B	Aug 2006	38,000
Series 1 M	Aug 2006	19,000
Series 1 C	Aug 2006	19,000
		500,000
Less issue costs		(77)
		499,923

The floating rate notes are denominated in sterling.

Subject to their scheduled redemption dates, the Class A notes rank, irrespective of series, without preference or priority amongst themselves. Subject to the relevant scheduled and/or, as applicable, permitted redemption dates or other payment conditions of the notes, payments of principal and interest due and payable on the Class A notes will rank ahead of payments of principal and interest due and payable on the Class B notes, the Class M notes and the Class C notes, subject to the terms and conditions of the notes, the cash management agreement, the deed of charge and the other issuer transaction documents to which the Company is a party Similarly, payments of principal and interest due and payable on the Class M notes will rank ahead of payments of principal and interest due and payable on the Class C notes.

Interest is payable on the Class A, B, M and C notes at variable rates based upon one month sterling LIBOR.

The Company's obligations to noteholders and to other secured creditors are secured under a deed of charge which grants security over all its assets in favour of the security trustee. The principal asset of the Company is the loan made by it to Aire Valley Funding 2 Limited, a fellow subsidiary of Aire Valley Holdings Limited, whose obligations in respect of this loan are secured pursuant to a deed of charge which grants security over all its assets, primarily consisting of its beneficial interest in a portfolio of residential mortgage loans, in favour of the security trustee. The security trustee holds this security for the benefit of all secured creditors of Aire Valley Funding 2 Limited, including the Company.

Notes to the Financial Statements for the year ended 31 December 2005 (continued)

7 Interest bearing loans and borrowings (continued)

The estimated market values of the floating rate notes, based on the mid-market price on 31 December 2005, are as follows:

Class	Maturity	2005
		£
Series 1 A	Aug 2006	**424,613**
Series 1 B	Aug 2006	**38,055**
Series 1 M	Aug 2006	**19,028**
Series 1 C	Aug 2006	**19,027**
		500,723

8 Loan to Group undertaking

The intercompany loan to Aire Valley Funding 2 Limited is denominated in sterling and is at a variable rate of interest. The loan has ultimately been secured against a beneficial interest in a mortgage loan portfolio held in trust on behalf of the Aire Valley Holdings Limited Group.

Aire Valley Funding 2 Limited's ability to pay amounts due on the intercompany loans will depend mainly upon it receiving sufficient revenue receipts and principal on the trust property from the Mortgage Trustee; receiving the required funds from the swap provider (Bradford & Bingley plc) and amounts available in the reserve funds.

The repayment of the intercompany loans will coincide with the repayment of the floating rate notes as they become due for payment.

9 Related parties

The Company is a special purpose vehicle controlled by its Board of Directors, which comprise three directors. Two of the Company's three directors are provided by Structured Finance Management Limited and the third director is an employee of Bradford & Bingley plc (the cash manager and parent undertaking of Mortgage Express, the mortgage loan administrator). The Company pays a corporate service fee to Structured Finance Management Limited in connection with its provision of corporate management services. The fees payable to Structured Finance Management Limited for providing such services amounted to £7,415 in the year (2004: £nil).

During the period the Company undertook the following transactions within companies with the Aire Valley Holdings Limited Group and the Bradford & Bingley plc Group.

	Bradford & Bingley plc & subsidiaries 2005 £000	**Aire Valley Holdings Ltd & subsidiaries 2005 £000**	Bradford & Bingley plc & subsidiaries 2004 £000	Aire Valley Holdings Ltd & subsidiaries 2004 £000
Interest and similar income				
Income from loan to Group undertaking	-	**20,832**	-	-
Current assets				
Loan to Group undertaking	-	**20,801**	-	-

Notes to the Financial Statements for the year ended 31 December 2005 (continued)

10 Key sources of estimation uncertainty and judgements in application of accounting policies

In preparation of the Company's accounts estimates and assumptions are made which affect the reported amounts of assets and liabilities; estimates and assumptions are kept under continuous evaluation. Estimates and judgements are based on historical experience, expectations of future events and other factors.

Effective interest rate

Certain financial instruments are accounted for on an effective interest rate basis, under which the incorr or expense associated with the instrument is spread over the instrument's expected life. On a quarterly basis, models are reviewed to re-assess expected life.

11 Financial instruments

a Fair values of financial assets and financial liabilities

2005	Carrying value £000	Fair value £000
Financial assets		
Loan to Group undertaking	500,648	500,648
Total financial assets	500,648	500,648

	Carrying value £000	Fair value £000
Financial liabilities		
Accruals and deferred income	723	723
Floating rate notes	499,923	500,723
Total financial liabilities	500,646	501,446

No financial assets were reclassified during the year between amortised cost and fair value categories.

b Interest income and expense on financial instruments that are not at fair value through profit or loss

None of the Company's assets or liabilities are categorised as "at fair value through profit or loss" and hence all of the Company's interest income and expense arises on other categories of financial instruments.

c Nature and extent of risks arising from financial instruments

The main financial risks arising from the Company's activities are credit risk, liquidity risk and interest rate risk.

Notes to the Financial Statements for the year ended 31 December 2005 (continued)

11 Financial instruments (continued)

c Nature and extent of risks arising from financial instruments (continued)

Credit risk

Credit risk is the risk that a counterparty of the Company will be unable or unwilling to meet a commitment that it has entered into with the Company. The Company is exposed to credit risk via amounts due from the loan to Group undertaking.
The maximum exposure to credit risk is represented by the carrying amount of each financial asset, as set out in the table below.

Liquidity risk

The Company's policy is to maintain sufficient funds in a liquid form at all times to ensure that the Company can meet its liabilities as they fall due, by smoothing mismatches between maturing assets and liabilities. The table in note 11c(ii) summarises the contractual maturities of the Company's assets and liabilities as at 31 December 2005.

Interest rate risk

The Company is exposed to movements in interest rates due to mismatches between the dates on which interest receivable on assets and interest payable on liabilities are next reset, or maturity if earlier.
The table in note 11c(iii) summarises interest repricing mismatches as at 31 December 2005.

Other market risks

At the Balance Sheet date the Company had no other material exposure to market risks.

(i) Credit risk
Before taking account of any collateral, the maximum exposure to credit risk as at 31 December 2005 was:

	£000
Loan to Group undertaking	500,648
Total on Balance Sheet, and maximum exposure to credit risk	500,648

There was no material exposure to credit risk at 31 December 2004.

Notes to the Financial Statements for the year ended 31 December 2005 (continued)

11 Financial instruments (continued)

c Nature and extent of risks arising from financial instruments (continued)

(ii) Liquidity risk

It should be noted that some of the financial instruments are settled earlier than their contractual maturity dates; in particular, some of the loan to Group undertakings may mature early, as the debt that the loan supports may be repaid early.

The contractual maturities of the Company's assets and liabilities were as follows:

	On demand £000	In not more than three months £000	In more than three months but not more than one year £000	In more than one year but not more than five years £000	In more than five years £000	Total £000
Assets						
Loan to Group undertaking	-	-	500,648	-	-	500,648
Total assets	-	-	500,648	-	-	500,648
Liabilities						
Floating rate notes	-	-	499,923	-	-	499,923
Current tax liabilities	1	-	-	-	-	1
Accruals and deferred income	723	-	-	-	-	723
Total liabilities	724	-	499,923	-	-	500,647
Net liquidity gap	(724)	-	725	-	-	1

There was no material exposure to liquidity risk at 31 December 2004.

Notes to the Financial Statements for the year ended 31 December 2005 (continued)

11 Financial instruments (continued)

c Nature and extent of risks arising from financial instruments (continued)

(iii) Interest rate risk

As at 31 December 2005 effective interest rates on financial instruments fell into the following ranges:

Financial assets	%
Loans to Group undertaking	4.74 - 5.02
Financial liabilities	
Floating rate notes	4.74 - 5.02

A positive interest rate sensitivity gap exists when more assets than liabilities re-price during a given period. Although net interest income tends to benefit from a positive gap when interest rates are rising (and suffer a negative gap when rates are falling), the actual effect will depend upon a number of factors, including the extent to which repayments are made earlier or later than the next reset or maturity date. The following tables analyse the re-pricing periods of the Company's assets and liabilities at 31 December 2005.

	Within 3 months £000	After 3 months but within 6 months £000	After 6 months but within 1 year £000	After 1 year but within 5 years £000	After 5 years £000	Non-interest bearing £000	Total £000
Assets							
Loan to Group undertaking	500,648	-	-	-	-	-	500,648
Total assets	500,648	-	-	-	-	-	500,648
Liabilities							
Current tax liabilities	-	-	-	-	-	1	1
Accruals and deferred income	-	-	-	-	-	723	723
Floating rate notes	499,923	-	-	-	-	-	499,923
Total liabilities	499,923	-	-	-	-	724	500,647
Interest rate sensitivity gap	**725**	**-**	**-**	**-**	**-**	**(724)**	**1**
Cumulative Gap	725	725	725	725	725	1	1

d Concentrations of risk

The Company operates primarily in the UK and adverse changes to the UK economy could impact on all areas of the Company's business. The loan to Group undertaking is due from one entity, Aire Valley Funding 2 Limited, and is ultimately secured on a beneficial interest in a portfolio of mortgage loans secured on residential properties in England, Scotland and Wales.

Notes to the Financial Statements for the year ended 31 December 2005 (continued)

12 Called up share capital

Ordinary shares of £1 each	**2005 Shares**	2004 Shares	**2005 £**	2004 £
Authorised				
As at start of period	**100**	-	**100**	-
Authorised during the period	**-**	100	**-**	100
As at end of period	**100**	100	**100**	100
Allotted, issued and fully paid				
As at start of period	**1**	-	**1**	-
Issued during the period	**1**	1	**1**	1
As at end of period	**2**	1	**2**	1

The ordinary shares rank equally in respect of rights attached to voting, dividends and in the event of a winding up.

13 Ultimate parent undertaking

The immediate parent undertaking of Aire Valley Warehousing 2 Limited is Aire Valley Holdings Limited a Company incorporated and registered in England and Wales.

The ultimate parent undertaking of Aire Valley Warehousing 2 Limited is SFM Corporate Services Limited, a Company incorporated and registered in England and Wales, which holds the shares of Aire Valley Holdings Limited on a discretionary trust basis for charitable purposes.

Copies of the consolidated accounts of Aire Valley Holdings Limited and SFM Corporate Services Limited may be obtained from the Company Secretary at 35 Great St. Helen's, London EC3A 6AP.