Company Registration Number 5412608

THE MALL FUNDING PLC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

THE MALL FUNDING PLC
DIRECTORS' REPORT AND FINANCIAL STATEMENTS

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THE MALL FUNDING PLC
OFFICERS AND PROFESSIONAL ADVISORS

The board of directors	Wilmington Trust SP Services (London) Limited Mr R G Baker Mr M H Filer Mrs R L Samson
Company number	05412608
Company secretary	Wilmington Trust SP Services (London) Limited
Registered office	c/o Wilmington Trust SP Services (London) Limited Tower 42 (level 11) 25 Old Broad Street London EC2N 1HQ
Auditors	Ernst & Young LLP 1 More London Place London SE1 2AF

THE MALL FUNDING PLC
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2006

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 December 2006 The comparatives are for the period from incorporation on 4 April 2005 to 31 December 2005

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company's principal activity, which remained unchanged during the year, is that of a special purpose company established in order to issue the Notes, to lend money to The Mall Limited Partnership ("the loan"), to open accounts, to create security and receive interest in respect thereof, and to enter into certain related transactions as described in the offering circular dated 22 April 2005 The Notes are floating rate notes due in 2014 and listed on the Irish Stock Exchange The company was incorporated in the United Kingdom

On 27 September 2006, the Company issued a further £375,000,000 of floating rate notes and used the proceeds to make a further loan to The Mall Limited Partnership

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 of the company for the year based on these financial statements prepared using International Financial Reporting Standards ("IFRS") as adopted by the European Union, amounted to £51,853,313 (2005 loss of £19,991,570) The directors have not recommended a dividend (2005 £nil)

FINANCIAL INSTRUMENTS

The company's financial instruments, other than derivatives, comprise of floating rate note liabilities, a loan to The Mall Limited Partnership, cash and interest-bearing borrowings and various receivables and payables that arise directly from its operations The main purpose of these financial instruments is to raise finance for The Mall Limited Partnership

The company also enters into derivative transactions (principally interest rate swaps) The purpose of such transactions is to manage the interest rate risk arising from the company's operations and its sources of finance

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

The main risk arising from the company's financial instruments is interest rate risk The Board reviews and agrees policies for managing this and the other risks arising on the company's financial instruments and they are summarised below

Currency risk
All of the company's assets and liabilities are denominated in Sterling and therefore there is no 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 considers the use of derivative financial instruments to mitigate any residual interest rate risk

THE MALL FUNDING PLC
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2006

FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk
The principal credit risk to the company is that the borrower will not be able to meet their obligations as they fall due The maximum amount of Credit risk at the balance sheet date is equivalent to the value of the loan and other receivables The company undertakes regular credit reviews of companies to which it has an exposure

Liquidity risk
A facility provided by Barclays Bank Plc has been established which will be available, subject to certain criteria and circumstances, in the event of the company being unable, on a temporary basis, to meet its financial commitments

Further discussion of the company's approach to financial instruments is set out in note 1 (significant accounting policies) and in note 12

THE DIRECTORS AND THEIR INTERESTS

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows

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

	Ordinary shares of £1	
	At 31 December 2006	At 31 December 2005
Wilmington Trust SP Services (London) Limited	49,999	49,999

The shares in the company were held by Wilmington Trust SP Services (London) Limited under a declaration of trust for charitable purposes

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

The directors confirm that

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

AUDITORS

Ernst & Young LLP have expressed their willingness to continue in office and a resolution to re-appoint Ernst and Young LLP as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985

Signed by order of the directors

For and on behalf of
WILMINGTON TRUST SP SERVICES (LONDON) LIMITED
Company Secretary

Date 29 June 2007

THE MALL FUNDING PLC
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2006

DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial period which present fairly the financial statements of the company and of the financial performance and cash flows of the company for that period In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- present information, including accounting policies, in a manner that provides relevant reliable, comparable and understandable information, and
- provide additional disclosure when compliance with specific requirements in IFRSs is insufficient to enable the users to understand the impact of particular transactions, other events and conditions on the entity's financial position and performance, and
- state that the company has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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

THE MALL FUNDING PLC
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS
FOR THE YEAR ENDED 31 DECEMBER 2006

We have audited the financial statements of The Mall Funding Plc for the year ended 31 December 2006 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Shareholders' Equity, the Cash Flow Statement and the related notes 1 to 14 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 auditors' 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 AUDITORS

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

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

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

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

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

BASIS OF AUDIT OPINION

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

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

OPINION

In our opinion

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

Ernst & Young LLP

Ernst & Young LLP
Registered auditor
London

29 June 2007

THE MALL FUNDING PLC
INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	Year ended 31 December 2006 £	Period from 4 April 2005 to 31 December 2005 £
Fair value gain/(loss) on financial instruments	12	**51,827,799**	(20,055,319)
Operating expenses	4	**(27,679)**	(37,147)
		51,800,120	(20,092,466)
Finance income	2	**59,067,390**	35,390,372
Finance expenses	3	**(59,003,262)**	(35,262,155)
Net finance income		**64,128**	128,217
Profit/(loss) before tax for the period		**51,864,248**	(19,964,249)
Income tax expense	5	**(10,935)**	(27,321)
Profit/(loss) after tax for the period attributable to equity holders		**51,853,313**	(19,991,570)

The current year profit and prior period loss shown above are derived from continuing activities

No operations were acquired or discontinued in the current or prior period

The notes on pages 10 to 19 form an integral part of these financial statements

THE MALL FUNDING PLC
BALANCE SHEET
AS AT 31 DECEMBER 2006

	Note	2006 £	2005 £
Assets			
Loan to originator	6	1,434,727,977	1,060,000,000
Total non-current assets		1,434,727,977	1,060,000,000
Other receivables	7	26,148,562	19,070,372
Derivative asset	12	31,772,480	-
Cash	8	20,160	123,127
Total current assets		57,941,202	19,193,499
Total assets		1,492,669,179	1,079,193,499
Capital and Reserves			
Share capital	9	12,502	12,502
Retained profit/(loss)	9	31,861,743	(19,991,570)
Total equity		31,874,245	(19,979,068)
Liabilities			
Interest-bearing loans and borrowings	10	1,434,727,977	1,060,000,000
Total non-current liabilities		1,434,727,977	1,060,000,000
Interest payable	10	14,458,801	9,429,648
Other payables	11	11,569,900	9,660,279
Current tax liability		38,256	27,321
Derivative liability		-	20,055,319
Total current liabilities		26,066,957	39,172,567
Total liabilities		1,460,794,934	1,099,172,567
Total equity and liabilities		1,492,669,179	1,079,193,499

These financial statements on pages 7 to 19 were approved and authorised for issue by the directors on the 29 June 2007 and are signed on their behalf by

For and on behalf of
WILMINGTON TRUST SP SERVICES (LONDON) LIMITED
Director

The notes on pages 10 to 19 form an integral part of these financial statements

THE MALL FUNDING PLC
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2006

	Year ended 31 December 2006	Period from 4 April 2005 to 31 December 2005
	£	£
Shares issued	-	12,502
Total income and expense for the period	51,853,313	(19,991,570)
	51,853,313	(19,979,068)
Balance at start of period	(19,979,068)	-
Balance at end of period	31,874,245	(19,979,068)

The notes on pages 10 to 19 form an integral part of these financial statements

THE MALL FUNDING PLC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	Year ended 31 December 2006 £	Period from 4 April 2005 to 31 December 2005 £
Cash flows from operating activities			
Profit/(loss) before tax for the period		**51,864,248**	(19,964,249)
Adjustments for			
Amortisation of issue costs		**435,989**	-
Amortisation of issue costs reimbursed		**(435,989)**	-
Amortisation of discount on loan to originator		**(9,602)**	-
Amortisation of discount on notes issued		**9,602**	-
Bank interest receivable	2	**(11,280)**	(1,482)
Income from loan to originator	2	**(58,610,519)**	(35,388,890)
Interest payable on notes	3	**57,370,082**	34,128,072
Swap interest payable	3	**1,081,866**	1,068,987
Fair value movement on financial instruments		**(51,827,799)**	20,055,319
Operating loss before changes in working capital and provisions		**(133,402)**	(102,243)
(Increase) in other receivables	7	**(7,078,190)**	(19,070,372)
Increase in other payables	10,11	**6,938,774**	9,660,279
Net cash from operating activities		**(272,818)**	(9,512,336)
Cash flows from investing activities			
Funds loaned to originator		**(374,718,375)**	(1,060,000,000)
Interest from loan to originator		**58,610,519**	35,388,890
Bank interest received		**11,280**	1,482
Net cash from investing activities		**(316,096,576)**	(1,024,609,628)
Cash flows from financing activities			
Share capital issued		**-**	12,502
Cash received on notes issued		**374,718,375**	1,060,000,000
Issue costs paid		**(13,009,733)**	-
Reimbursement of issue costs		**13,009,733**	-
Interest paid on notes and swap		**(58,451,948)**	(25,767,411)
Net cash from financing activities		**316,266,427**	1,034,245,091
Net (decrease)/ increase in cash		**(102,967)**	123,127
Cash at start of year/period		**123,127**	-
Cash at end of year/period	8	**20,160**	123,127

As explained in the accounting policies on page 11, the cash is not freely available to be used

The notes on pages 10 to 19 form an integral part of these financial statements

THE MALL FUNDING PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

1. SIGNIFICANT ACCOUNTING POLICIES

The Mall Funding Plc is a company domiciled in England

The financial statements were authorised for issue by the directors on 29 June 2007

Statement of compliance
The financial statements for the year ended 31 December 2006 and the comparatives have been prepared in accordance with International Financial Reporting Standards (IFRSs) and its interpretations as endorsed by the European Union ("EU") and effective at 31 December 2006

Basis of preparation
The financial statements are presented in sterling

The financial statements have been prepared on the historical cost basis (except that derivative financial instruments are stated at their fair value), and on a going concern basis

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU as they apply to the financial statements of the company for the year ended 31 December 2006 applied in accordance with the Companies Act 1985

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

Financial instruments
The company's financial instruments comprise of a loan, cash, derivatives, interest-bearing borrowings and various receivables and payables that arise directly from its operations The main purpose of these financial instruments is to raise finance for The Mall Limited Partnership These financial instruments are classified in accordance with the principles of IAS 39 as described below

Revenue recognition
Finance revenue is recognised in the income statement using the effective interest method

Loan to originator
In relation to the Loan, derecognition is considered to be inappropriate for the originator's (The Mall Limited Partnership) own financial statements as the originator has retained significant risks and rewards of ownership of the Loan The company's financial statements are therefore prepared on the basis that it's acquisitions of beneficial interests in the Loan is recognised as a collateralised non-recourse loan to the originator
Under the terms of a Security Trust Deed, the company has granted fixed and floating charges over its assets and receivables as security for the floating rate loan notes
Under the terms of the Loan agreement, The Mall Limited Partnership is entitled to repay the Loan early providing certain conditions are met

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The loan to originator is classified as "loans and receivables" The initial measurement is at cost with subsequent measurement being at amortised cost using the effective interest method

The loan to originator is subject to impairment reviews in accordance with IAS 39 A charge for impairment would be recognised where there is a risk that the income on the loan to originator will be significantly reduced This could occur if the credit quality of the mortgage assets that are pledged as collateral for the loan deteriorated significantly Currently the directors consider that no impairment exists

No premium is recognised on acquisition of the collateralised non-recourse loan under IFRSs as the directors consider the loans to be at fair value

The loan to originator is secured by legal mortgages in respect of the assets deemed as being part of the securitised pool (inclusive of directly owned assets and the investment in The Main Square Camberley Unit Trust)

Cash

The company has deposits in bank accounts held in the company's name and which meet the definition of cash but their use is restricted by a detailed priority of payments set out in the securitisation transaction agreements As the cash can only be used to meet certain specific liabilities and is not available to be used with discretion, it is viewed as restricted cash

The statement of Cash Flows has been presented using the indirect method of preparation

Derivative financial instruments

The company uses derivative financial instruments to hedge its exposure to interest rate risk arising from operational, financing and investment activities In accordance with its treasury policy, the company does not hold or issue derivative financial instruments for trading purposes However, derivatives that do not qualify for hedge accounting are accounted for as held for trading

Interest rate risk associated with the loan to the originator is managed by means of interest rate swaps with Credit Suisse First Boston International and The Royal Bank of Scotland Plc, which requires the company to pay the effective yield on the Loan and receive payments based on a rate linked to the three-month sterling LIBOR

The derivative has been fair valued through the Income statement The fair value of interest rate swap contracts is determined by reference to market values for similar instruments

Interest receivable or payable on the interest rate swap is accounted for on an accruals basis within interest receivable or payable in the income statement

Interest-bearing borrowing

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

1. **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Income tax
Income tax on the profit and loss for the period comprises current and deferred tax Income tax is recognised in the income statement 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 losses can be utilised

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 balance sheet date

Under special rules issued by the Inland Revenue for securitisation companies, the company's charge for taxation is based on its taxable profits calculated on a UK GAAP basis but disclosed in accordance with IAS 12

Segmental reporting
All of the company's income and expenses, and assets and liabilities derive from its principal activity in the UK and Ireland

Standards issued but not adopted
The directors are considering the following standards which are currently in issue but are not mandatory and are not intended to be adopted in the current period financial statements

IFRS 1 Amendment relating to IFRS 6,
IFRS 6 Amendment relating to IFRS 6,
IFRS 7 Financial Instruments Disclosures,
IAS 1 Amendment – Presentation of Financial Statements Capital Disclosures,
IAS 39 Financial Instruments Recognition and Measurement – amendment to financial guarantee contracts, amendment to the fair value option and cash flow hedging,
IAS 21 Amendments to IAS 21- The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation

The directors do not consider the financial effect or disclosure of these standards to be material to the financial statements

THE MALL FUNDING PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

2. FINANCE INCOME

	Year ended 31 December 2006	Period from 4 April 2005 to 31 December 2005
	£	£
Income from loan to originator	58,610,519	35,388,890
Amortisation of issue costs reimbursed	435,989	-
Amortisation of discount on loan to originator	9,602	-
Bank interest	11,280	1,482
	59,067,390	35,390,372

3. FINANCE EXPENSES

	Year ended 31 December 2006	Period from 4 April 2005 to 31 December 2005
	£	£
Interest on loan notes	57,370,082	34,128,072
Net swap interest payable	1,081,866	1,068,987
Amortisation of issue costs	435,989	-
Amortisation of discount on loan notes	9,602	-
Facility fee	105,723	65,096
	59,003,262	35,262,155

4. OPERATING EXPENSES

	Year ended 31 December 2006	Period from 4 April 2005 to 31 December 2005
	£	£
Administration and cash management fees	6,463	11,838
Audit fees – audit services	7,050	11,750
Corporate services fees	14,166	13,559
	27,679	37,147

5. INCOME TAX EXPENSE

	Year ended 31 December 2006	Period from 4 April 2005 to 31 December 2005
	£	£
Current tax		
Profit/(loss) before tax	51,864,248	(19,964,249)
Corporation tax charge for the period at a rate of 30%	10,935	27,321
Total income tax expense reported in the Income statement	9,542,679	27,321

Reconciliation of the total tax charge	Year ended 31 December 2006 £	Period from 4 April 2005 to 31 December 2005 £
Tax charge/(credit) at the standard rate of corporation tax - 30%	15,559,274	(5,989,275)
Tax assessed on UK GAAP basis	(15,548,339)	6,016,596
Total tax expense reported in the Income statement	10,935	27,321

6. LOAN TO ORIGINATOR

	Loan to originator
	£
At 1 January 2006	1,060,000,000
Originations	375,000,000
	1,435,000,000
Discount	(281,625)
Amortisation of discount	9,602
At 31 December 2006	1,434,727,977
The balance can be analysed as follows	
Non-current assets	1,434,727,977
Current assets	-
	1,434,727,977

The loan to originator may be repaid early under certain circumstances as described in the Offering Circular The loan is due for repayment in 2014 On 27 September 2006, the Company increased the loan to originator by £375,000,000 following an additional tap issue Interest on the loan is at a rate of 3 month LIBOR plus 0 18% per annum on £1,235,000,000 of the loan and 4 81% on £200,000,000 of the loan

The loan to originator is secured by legal mortgages in respect of the assets deemed as being part of the securitised pool (inclusive of directly owned assets and the investment in The Main Square Camberley Unit Trust)

7. OTHER RECEIVABLES

	31 December 2006	31 December 2005
	£	£
Prepayments and accrued income	26,148,562	19,070,372
	26,148,562	19,070,372

8. CASH

Withdrawals from the company's bank account are restricted by the detailed priority of payments

	31 December 2006	31 December 2005
	£	£
Cash	20,160	123,127

9. TOTAL EQUITY

	Share capital	Retained Profit/(loss)	Total
2006	£	£	£
Total income and expense for the period	-	51,853,313	51,853,313
Balance at 1 January 2006	12,502	(19,991,570)	(19,979,068)
Balance at 31 December 2006	12,502	31,861,743	31,874,245
2005			
Shares issued	12,502	-	12,502
Total income and expense for the period	-	(19,991,570)	(19,991,570)
Balance at 4 April 2005	-	-	-
Balance at 31 December 2005	12,502	(19,991,570)	(19,979,068)

There are 50,000 authorised ordinary shares of £1 each The issued share capital comprises two fully paid £1 shares, and 49,998 ordinary shares quarter called up and paid Wilmington Trust SP Services (London) Limited holds 49,999 shares under a declaration of trust for charitable purposes

10. INTEREST-BEARING LOANS AND BORROWINGS

This note provides information about the contractual terms of the company's interest-bearing loans and borrowings For more information about the company's exposure to interest rate risk, see note 12

	31 December 2006	31 December 2005
Non-current liabilities	**£**	£
At start of year/period	**1,060,000,000**	-
Notes issued in year/period	**375,000,000**	1,060,000,000
	1,435,000,000	1,060,000,000
Discount	**(281,625)**	-
Amortisation of discount	**9,602**	-
Issue costs	**(13,009,733)**	-
Amortisation of issue costs	**435,989**	-
Issue costs reimbursed	**13,009,733**	-
Amortisation of issue costs reimbursed	**(435,989)**	-
	1,434,727,977	1,060,000,000
Current liabilities		
Interest payable on loan notes	**14,458,801**	9,429,648
	14,458,801	9,429,648

The loan notes bear interest at a rate of 3 month LIBOR plus a margin of 18 basis points and are due for repayment by 2014 but can be redeemed early under certain circumstances as detailed in the Offering Circular The notes are limited recourse and are secured by way of a fixed and floating charge over the assets of the Company The proceeds of the notes were used by the company to make the loan to The Mall Limited Partnership in accordance with the terms of the securitisation documents

On 27 September 2006, the Company issued a further £375,000,000 of loan notes by way of a tap issue

On 5 May 2005 an agreement was entered into with Barclays Bank plc 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 portfolio At the balance sheet date, the limit on this facility was £74,500,000 A fee is charged on the undrawn balance, currently set out at 0 18% per annum Interest is charged at LIBOR plus 0 40% per annum on any drawn balance No amounts have been drawn under the facility since inception

Interest-bearing loans and borrowings are repayable as follows

At 31 December 2006	**Total**	**6-12 months**	**1-2 years**	**2-5 years**	**More than 5 years**
	£	**£**	**£**	**£**	**£**
Liabilities					
Notes	**1,434,727,977**	**-**	**-**	**-**	**1,434,727,977**
Interest payable	**14,458,801**	**14,458,801**	**-**	**-**	**-**
	1,449,186,778	**14,458,801**	**-**	**-**	**1,434,727,977**

At 31 December 2005	Total	6-12 months	1-2 years	2-5 years	More than 5 years
	£	£	£	£	£
Liabilities					
Loans notes	1,060,000,000	-	-	-	1,060,000,000
Interest payable	9,429,648	9,429,648	-	-	-
	1,069,429,648	9,429,648	-	-	1,060,000,000

10. INTEREST-BEARING LOANS AND BORROWINGS (continued)

	31 December 2006	31 December 2005
Non-current liabilities	£	£
Floatıng Rate Notes due 2014	1,434,727,977	1,060,000,000

The notes are denomınated ın the followıng currencıes

	31 December 2006	31 December 2005
	£	£
Sterlıng	1,434,727,977	1,060,000,000

Interest ıs payable on the floatıng rate notes at 3 month LIBOR plus 0 18%

11. OTHER PAYABLES

	31 December 2006	31 December 2005
Current lıabilities	£	£
Amount owed to The Mall Lımıted Partnershıp	2,147	2,147
Accruals	11,567,753	9,658,132
	11,569,900	9,660,279

12. FINANCIAL INSTRUMENTS

The company's financıal ınstruments comprıse a loan to The Mall Lımıted Partnershıp, cash, derıvatıves, ınterest-bearıng borrowıngs and varıous receıvables and payables that arıse dırectly from ıts operatıons

Currency risk
All of the company's assets and lıabılıtıes are denomınated ın Sterlıng therefore there ıs no foreıgn currency rısk

Credit rısk
Credıt rısk on the Loan arıses where the ındıvıdual loans wıthın the mortgage portfolıo whıch are secured on the underlyıng commercıal propertıes Under IFRS the loan ıs classıfied as a "loan to orıgınator" The dırectors consıder that the company wıll be able to recover the full amount of thıs Loan

Interest rate risk
Interest rate rısk exısts where assets and lıabılıtıes have ınterest rates under a dıfferent basıs or whıch reset at a dıfferent tıme An ınterest rate swap has been entered ınto wıth Credıt Suısse Fırst Boston Internatıonal and another wıth The Royal Bank of Scotland Plc to manage the company's exposure to ınterest rate rısk assocıated wıth the loan orıgınator Thıs ıs to reduce ınterest rate rısk as a result of the possıble varıance between (a) the weıghted average, durıng an ınterest perıod, of (ı) the varıable rates of ınterest payable on varıable rate loans, (ıı) the rates of ınterest payable on the base rate loans, (ııı) the fixed rates of ınterest payable on the fixed rate loans, and (b) a LIBOR based rate for three-month sterlıng deposıts

The floatıng rate notes, the loan to orıgınator and cash are exposed to ınterest rate cash flow rısk caused by floatıng ınterest rates that are reset perıodıcally

Lıquidıty risk
A facılıty provıded by Barclays Bank Plc has been establıshed whıch wıll be avaılable, subject to certaın crıterıa and cırcumstances, ın the event of the company beıng unable, on a temporary basıs, to meet ıts financıal commıtments

At 31 December 2006 thıs facılıty was not requıred and has not been used durıng the perıod

12. FINANCIAL INSTRUMENTS (Continued)

Effective interest rates and repricing analysis

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at 31 December 2006 and the periods in which they reprice

At 31 December 2006	Effective interest rate (%)	Total £	6 months or less £	6-12 months £	1-2 years £	2-5 years £	More than 5 years £	Non interest bearing £
Assets								
Loan to originator		1,434,727,977	-	-	-	-	1,434,727,977	-
Other receivables		26,148,562	-	-	-	-	-	26,148,562
Cash		20,160	-	-	-	-	-	20,160
		1,460,896,699	-	-	-	-	1,434,727,977	26,168,722

At 31 December 2006	Effective interest rate	Total	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years	Non interest bearing
Liabilities								
Notes		1,434,727,977	-	-	-	-	1,434,727,977	-
Interest payable		14,458,801	-	-	-	-	-	14,458,801
Other payables		11,569,900	-	-	-	-	-	11,569,900
Current tax liability		38,256	-	-	-	-	-	38,256
		1,460,794,934	-	-	-	-	1,434,727,977	26,066,957

At 31 December 2005	Effective interest rate (%)	Total £	6 months or less £	6-12 months £	1-2 years £	2-5 years £	More than 5 years £	Non interest bearing £
Assets								
Loan to originator	5 0734	1,060,000,000	-	-	-	-	1,060,000,000	-
Other receivables		19,070,372	-	-	-	-	-	19,070,372
Cash		123,127	-	-	-	-	-	123,127
		1,079,193,499	-	-	-	-	1,060,000,000	19,193,499

At 31 December 2005	Effective interest rate	Total	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years	Non interest bearing
Liabilities								
Loan note	4 8965	1,060,000,000	-	-	-	-	1,060,000,000	-
Interest payable		9,429,648			-	-	-	9,429,648
Other payables		9,660,279	-	-	-	-	-	9,660,279
Current tax liability		27,321	-	-	-	-	-	27,321
Derivative liability		20,055,319	-	-	-	-	-	20,055,319
		1,099,172,567	-	-	-	-	1,060,000,000	39,172,567

12. FINANCIAL INSTRUMENTS (Continued)

Fair values

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

	Note	**Carrying value 31 December 2006 £**	**Fair value 31 December 2006 £**	Carrying amount 31 December 2005 £	Fair value 31 December 2005 £
Loan to originator	6	**1,434,727,977**	**1,463,947,459**	1,060,000,000	1,083,897,420
Other receivables	7	**26,148,562**	**26,148,562**	19,070,372	19,070,372
Derivative asset		**31,772,480**	**31,772,480**	-	-
Cash	8	**20,160**	**20,160**	123,127	123,127
Interest bearing loans and borrowings	10	**(1,434,727,977)**	**(1,434,727,977)**	(1,060,000,000)	(1,060,000,000)
Interest payable	10	**(14,458,801)**	**(14,458,801)**	(9,429,648)	(9,429,648)
Other payables	11	**(11,569,900)**	**(11,569,900)**	(9,660,279)	(9,660,279)
Current tax liability		**(38,256)**	**(38,256)**	(27,321)	(27,321)
Derivative liability		**-**	**-**	(20,055,319)	(20,055,319)
		31,874,245	**61,093,727**	(19,979,068)	3,918,352
Unrecognised gain			**29,219,482**		23,897,420

The interest rate swaps have a principal notional value of £1,260,000,000

Estimation of fair values
The company has two interest rate swaps with a total notional value of £1,260,000,000, hedging the income stream from the loan with the payment on the floating rate loan notes

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

For cash, 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

A valuation was carried out by Lehman Brothers as at 31 December 2006 to calculate the market value of the fixed rate debt on a replacement basis The difference between the market value of the fixed rate debt, based on the interest rate yield curve as at 31 December 2006, and the rate historically committed, namely the fair value adjustment, would increase the value of the fixed rate debt by £29,219,482 (2005 increase of £23,897,420)

The interest rate swaps between the company and Credit Suisse First Boston International and The Royal Bank of Scotland are reflected as a derivative asset in the balance sheet of the company as at 31 December 2006 All inputs into valuation models adopted by the entity, including the sterling zero coupon yield curve used as the discount rate on the swap, are obtained from observable market data The change in fair value that has been estimated using this valuation technique and has been recognised in the income statement for the year ended 31 December 2006 amounts to a gain of £51,827,799 (2005 loss of £20,055,319) valuing the derivative at £31,772,480

13. RELATED PARTY TRANSACTIONS

The company is a special purpose company controlled by its Board of Directors, which comprises four directors Mr M H Filer, a director of the company, is also a director of Wilmington Trust SP Services (London) Limited Mr R G Baker and Mrs R L Samson are both employees of Wilmington Trust SP Services (London) Limited Mrs R L Samson is an alternate director to Mr M H Filer Under the terms of a corporate services agreement dated 5 May 2005, the company pays corporate services fees of £12,000 per annum and accountancy fees of £5,500 per annum to Wilmington Trust SP Services (London) Limited plus an additional fee of £2,000 for the preparation of accounts to 30 June 2006

The fees payable for corporate services for the period amounted to £22,978 (2005 £20,022) At the end of the period, £10,027 (2005 £6,463) was still outstanding and included within Other payables Accruals, an amount of £4,349 (2005 £805) was included within Other receivables Prepayments and accrued income

During the year, the company made a loan to The Mall Limited Partnership of £375,000,000 (2005 £1,060,000,000) At 31 December 2006, £1,435,000,000 (2005 £1,060,000,000) was still outstanding and disclosed within Loan to originator

During the year, interest of £58,610,519 (2005 £35,388,890) was receivable on this loan and at 31 December 2006, £13,705,413 (2005 £9,429,648) was still outstanding and disclosed within Other receivables Prepayments and accrued income

During the prior period, the company paid £178,611 in respect of operating expenses incurred by The Mall Limited Partnership and received £180,758 for settlement of these expenses At 31 December 2006, £2,147 (2005 £2,147) was disclosed within Other payables Amount owed to The Mall Limited Partnership

14. ULTIMATE PARENT UNDERTAKING

The Mall Funding Plc is a company registered in England and Wales

The shares in the company are held by Wilmington Trust SP Services (London) Limited under a declaration of trust for charitable purposes The directors consider The Mall Funding Charitable Trust as the ultimate parent undertaking