

THE MALL FUNDING PLC
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

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THE MALL FUNDING PLC

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THE MALL FUNDING PLC
OFFICERS AND PROFESSIONAL ADVISORS

Directors	Wilmington Trust SP Services (London) Limited Mr M H Filer Mrs R L Samson Mr J-C Schroeder
Company number	5412608
Company secretary	Wilmington Trust SP Services (London) Limited
Registered office	c/o Wilmington Trust SP Services (London) Limited Fifth Floor 6 Broad Street Place London EC2M 7JH
Auditors	Deloitte LLP Chartered Accountants and Registered Auditors London

THE MALL FUNDING PLC
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2008

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 December 2008. The comparatives are for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Mall Funding Plc is a company domiciled in England and Wales and is incorporated in Great Britain under the Companies Act 1985.

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.

On 7 April 2005 the Company issued £1,060,000,000 of floating rate notes due in 2014 and listed on the Irish Stock Exchange. 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.

On 22 October 2008 a partial prepayment of £188,818,058 was made from the sale proceeds of three Malls sold in July 2008.

As at 31 December 2008 the swap valuation was valued as a liability of £76,602,040, compared to being valued as an asset of £16,305,966 as at 31 December 2007, showing an overall decrease in valuation of (£92,908,006) in 2008.

The key performance indicator of the business is considered to be the net interest margin. In the year ended 31 December 2008, the Company achieved a net interest margin of 0.3%. In the year ended 31 December 2007, the Company achieved a net interest margin of 0.4%.

PRINCIPAL RISKS AND UNCERTAINTIES

The company exists to facilitate loans to The Mall Limited Partnership. The principal risk is therefore that amounts due to the company may not be recoverable. The directors monitor the credit risk associated with the amounts due from The Mall Limited Partnership having regard to its underlying performance.

The directors have considered the use of the going concern basis in the preparation of the financial statements in light of the net liability position on the balance sheet as at 31 December 2008 and concluded that it is appropriate. More information is provided in note 1 to the financial statements.

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 loss of the company for the year based on these financial statements prepared using International Financial Reporting Standards ("IFRSs") as adopted by the European Union, amounted to £66,858,595 (2007: loss £10,508,324). The loss arises due to recognition of the interest rate swap at fair value. The interest rate swap is an economic hedge against the loan to originator however the loan to originator is accounted for at cost and fair value movements which would compensate the gain or loss on swap are not recognised on the balance sheet. Details of fair values are set up in note 14.

As a consequence of the accounting treatment for the interest rate swap and Loan to Originator set out above, the company also reports net liabilities of £55.0 million at 31 December 2009. Again this arises because the fair value gain on the Loan to Originator is not recognised as described above. Under the terms of the loan agreement with Mall Limited Partnership, the company's cash outflows are matched by cash inflows from the partnership. The debt in the underlying partnership will ultimately be repaid through realisation of underlying property assets.

The directors have not recommended a dividend (2007: £nil).

THE MALL FUNDING PLC
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2008

FINANCIAL INSTRUMENTS

The company's financial instruments, other than derivatives, comprise 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.

Credit risk

The principal credit risk to the company is that the borrower will not be able to meet their obligations as the loan falls due. The maximum amount of credit risk at the balance sheet date is equivalent to the fair value of the loan and other receivables. As described in note 1(d), Financial instruments, the company's main purpose is to provide finance to the Mall Limited Partnership. The company undertakes regular credit reviews of the Mall Limited Partnership to which it has an exposure. The directors consider that the credit risk is well managed and the company will be able to recover the full amount of the loan.

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 14.

THE DIRECTORS

The directors, who served the company during the year, were as follows:

Wilmington Trust SP Services (London) Limited

Mr R G Baker (Resigned 28 February 2008)

Mr M H Filer

Mrs R L Samson

Mr J C Schroeder (Appointed 28 February 2008)

CREDITOR PAYMENT POLICY

It is the Company's policy to pay creditors when they fall due for payment. There are no trade creditors in either the current or prior year.

**THE MALL FUNDING PLC
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2008**

AUDITORS

Each of the persons who is a director at the date of approval of this report confirms that:

- (1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Deloitte LLP were appointed sole auditors and have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Signed by order of board of directors



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

Date: 6 July 2009

THE MALL FUNDING PLC
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2008

The directors are responsible for preparing the Annual 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 the directors are required to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to be properly prepared in accordance with IFRSs as adopted by the European Union and the Companies Act 1985.

International Accounting Standards require that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE MALL FUNDING PLC FOR THE YEAR ENDED 31 DECEMBER 2008

We have audited the financial statements of The Mall Funding Plc for the year ended 31 December 2008 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 17. 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 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 whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Directors' Report.

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 2008 and of its loss 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE MALL
FUNDING PLC FOR THE YEAR ENDED 31 DECEMBER 2008 (continued)**

SEPARATE OPINION IN RELATION TO IFRSs

As explained in Note 1 to the financial statements, the company in addition to complying with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board.

In our opinion the financial statements give a true and fair view, in accordance with IFRSs, of the state of the company's affairs as at 31 December 2008 and of its loss for the year then ended.



Deloitte LLP
Chartered Accountants and Registered Auditors
London, United Kingdom
Date: 6/7/2009

THE MALL FUNDING PLC
INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	2008 £	2007 £
Fair value loss on financial instruments	14	(92,908,006)	(15,466,514)
Operating expenses	5	<u>(186,244)</u>	<u>(333,058)</u>
Operating loss	2	(93,094,250)	(15,799,572)
Finance income	3	75,388,304	75,926,188
Finance costs	4	<u>(75,153,212)</u>	<u>(75,620,402)</u>
Net finance income		<u>235,092</u>	<u>305,786</u>
Loss before tax for the year		(92,859,158)	(15,493,786)
Income tax credit	6	<u>26,000,563</u>	<u>4,985,462</u>
Net loss attributable to equity holders	11	<u>(66,858,595)</u>	<u>(10,508,324)</u>

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

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

The notes on pages 12 to 22 form an integral part of these financial statements.

THE MALL FUNDING PLC
BALANCE SHEET
AS AT 31 DECEMBER 2008

	Notes	2008 £	2007 £
Non-current assets			
Loan to originator	8	1,238,613,516	1,423,941,861
Deferred tax asset	7	<u>21,448,571</u>	<u>-</u>
		1,260,062,087	1,423,941,861
Current assets			
Other receivables	9	15,032,792	29,609,017
Derivative asset	14	-	16,305,966
Cash and cash equivalents	10	<u>60,716</u>	<u>13,446</u>
		15,093,508	45,928,429
Total assets		1,275,155,595	1,469,870,290
Current liabilities			
Interest payable	12	14,831,006	17,755,083
Other payables	13	133,451	11,781,135
Derivative liability	14	<u>76,602,040</u>	<u>-</u>
		91,566,497	29,536,218
Non-current liabilities			
Interest-bearing loans and borrowings	12	1,238,613,516	1,423,941,861
Deferred tax liability	7	<u>-</u>	<u>4,558,034</u>
		1,238,613,516	1,428,499,895
Total liabilities		1,330,180,013	1,458,036,113
Net (liabilities)/assets		<u>(55,024,418)</u>	<u>11,834,177</u>
Equity			
Share capital	11	12,502	12,502
(Deficit)/Retained earnings	11	<u>(55,036,920)</u>	<u>11,821,675</u>
(Deficit)/equity attributable to equity holders	11	<u>(55,024,418)</u>	<u>11,834,177</u>

These financial statements were approved by the board of directors and authorised for issue on the 6 July 2009.
They were signed on its behalf by:



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

The notes on pages 12 to 22 form an integral part of these financial statements.

THE MALL FUNDING PLC
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2008

		2008	2007
	Notes	£	£
Balance at 1 January		11,834,177	22,342,501
Net loss for the financial year		<u>(66,858,595)</u>	<u>(10,508,324)</u>
Balance at 31 December	11	<u>(55,024,418)</u>	<u>11,834,177</u>

Equity comprises share capital and retained earnings.

The notes on pages 12 to 22 form an integral part of these financial statements.

THE MALL FUNDING PLC
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	2008 £	2007 £
Net cash from operating activities	15	<u>57,976</u>	<u>5,365</u>
Cash flows from investing activities			
Bank interest received		1,842	1,716
Loan notes repaid		<u>188,818,058</u>	<u>-</u>
Net cash from investing activities		<u>188,819,900</u>	<u>1,716</u>
Cash flows from financing activities			
Issue costs paid		(12,548)	(13,795)
Partial repayment on loan notes issued		<u>(188,818,058)</u>	<u>-</u>
Net cash used in financing activities		<u>(188,830,606)</u>	<u>(13,795)</u>
Net increase/(decrease) in cash		47,270	(6,714)
Cash at beginning of year		<u>13,446</u>	<u>20,160</u>
Cash at end of year	10	<u>60,716</u>	<u>13,446</u>

As explained in the accounting policies on page 13, the cash is not freely available to be used.

The notes on pages 12 to 22 form an integral part of these financial statements.

THE MALL FUNDING PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

1. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

The financial statements for the year ended 31 December 2008 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 2008.

b) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs'). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the financial statements comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis (except that derivative financial instruments are stated at their fair value).

(i) Standards, amendments and interpretations effective in 2008:

One interpretation issued by the International Financial Reporting Interpretations Committee was adopted by the company in the current period:

IFRIC 11/IFRS 2 Group and Treasury Share Transactions

In the directors opinion the adoption of this Interpretation does not have a material impact on the Company's financial statements.

(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early.

At the date of authorisation of these financial statements, the following Standards and Interpretations were issued but not yet effective:

IFRS 1/IAS 27 (Amended May 2008) 'Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate'
IFRS 2 (Amended 2008) Share-based Payment – Vesting Conditions and Cancellations
IFRS 3 (Revised 2008) Business Combinations
IFRS 8 'Operating Segments'
IAS 1 (Revised 2007) 'Presentation of Financial Statements'
IAS 23 (Revised 2007) 'Borrowing Costs'
IAS 27 (Revised 2008) 'Consolidated and Separate Financial Statements'
IFRIC 12 'Service Concession Agreements'
IFRIC 14 IAS 19 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'
IFRIC 15 'Agreements for the Construction of Real Estate'
IFRIC 16 'Hedges of a Net Investment in a Foreign Operation'
IFRIC 17 'Distributions of Non-cash Assets to owners'
IFRIC 18 'Transfers of Assets from Customers'
Amendments to IFRIC 9 and IAS 39 (March 2009) 'Embedded Derivatives'
Amendments to IFRS 7 (March 2009) 'Improving Disclosures about Financial Investments'
Amendments to IAS 32 and IAS 1 (February 2008) 'Puttable Financial Instruments and Obligations Arising on Liquidation'
Amendments to IAS 39 (July 2008) 'Eligible Hedged Items'
Amendments to IAS 39 and IFRS 7 (October 2008) 'Reclassification of Financial Assets'

The directors do not anticipate the adoption of these Standards and Interpretations will have a material impact on the Company's financial statements in the period of initial application.

THE MALL FUNDING PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Director's Report on pages 2 to 4 and in note 14 to the financial statements sets out the Company's financial risks strategy. As explained in the Directors' Report, the company has net liabilities as at 31 December 2008 as a consequence of recognition of the interest rate swap at fair value. The principal asset is the loan to originator at £1.23 billion which is recoverable from Mall Limited Partnership. The directors enquired and determined that Mall Limited Partnership is a going concern.

After making enquiries, the directors therefore have a reasonable expectation that the company will have access to 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.

d) Critical accounting judgements and key sources of estimation 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. In particular for the fair value of derivatives and the associated deferred tax, and the recoverability of assets. 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 and 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 year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both the current and future years.

e) Financial instruments

Financial assets and liabilities are recognised on the balance sheet when the company has become a party to the contractual provisions of the instrument. The company's financial instruments comprise 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.

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 its acquisition 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.

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 MALL FUNDING PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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).

Receivables

Receivables are measured at fair value.

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 external loan 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 accrual basis within interest receivable or payable in the Income Statement.

Cash and cash equivalents

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 Cash Flow Statement has been presented using the indirect method of preparation.

Payables

Payables are measured at fair value.

Interest-bearing borrowing

Interest-bearing borrowings are recognised initially at the proceeds received, net of direct issue 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.

f) Finance income

Finance income consists primarily of interest earned on loan to originator and is recognised in the income statement using the effective interest method.

g) Finance costs

Finance costs represent interest incurred on interest-bearing borrowing.

h) 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.

THE MALL FUNDING PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

1. SIGNIFICANT ACCOUNTING POLICIES (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 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.

i) Segmental reporting

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

2. OPERATING PROFIT/(LOSS)

	2008	2007
	£	£
This has been arrived at after charging:		
Fees payable to the company's auditors for the audit of the company's annual accounts	<u>28,200</u>	<u>27,519</u>

The directors received no emoluments (2007: £nil) for services to the Company for the financial year.

The Company had no employees (2007: none) during the financial year.

3. FINANCE INCOME

	2008	2007
	£	£
Income from loan to originator	71,896,749	74,136,844
Amortisation of issue costs reimbursed	3,416,137	1,749,217
Amortisation of discount on loan to originator	73,576	38,411
Bank interest	<u>1,842</u>	<u>1,716</u>
	<u>75,388,304</u>	<u>75,926,188</u>

Income from loan to originator includes other income received from The Mall Limited Partnership to cover the company's operating and administrative expenses.

4. FINANCE COSTS

	2008	2007
	£	£
Interest on loan notes	83,968,760	86,262,288
Net swap interest receivables	(12,512,039)	(12,579,725)
Amortisation of issue costs	3,416,137	1,749,217
Amortisation of discount on loan notes	73,576	38,411
Surplus to issuer	12,548	13,795
Facility fee	<u>194,230</u>	<u>136,416</u>
	<u>75,153,212</u>	<u>75,620,402</u>

5. OPERATING EXPENSES

	2008	2007
	£	£
Administration and cash management fees	15,185	24,196
Audit fees	28,200	27,519
Corporate services fees	24,677	14,172
Third parties expenses	81,291	236,997
Note trustee fees	4,058	5,923
Tax fees	8,108	7,168
Issue costs	-	15,281
Rating agency fees	24,725	-
Interest on overdue tax	<u>-</u>	<u>1,802</u>
	<u>186,244</u>	<u>333,058</u>

THE MALL FUNDING PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

6. INCOME TAX CREDIT/(EXPENSE)

	2008 £	2007 £
Current tax		
Current year	(6,042)	-
Prior year adjustment	-	11,752
Deferred tax:		
Current year	26,006,605	4,338,260
Reduction in tax rate	-	635,450
Total income tax credit reported in the Income Statement	<u>26,000,563</u>	<u>4,985,462</u>
	2008 £	2007 £
Reconciliation of the total tax charge		
Loss before tax	<u>(92,859,158)</u>	<u>(15,493,786)</u>
Tax credit at the standard rate of corporation tax - 28%	26,000,563	4,648,136
Prior year adjustment	-	11,752
Reduction in tax rate on timing differences	-	325,574
Total tax credit reported in the Income Statement	<u>26,000,563</u>	<u>4,985,462</u>

7. DEFERRED TAX

The IAS 12, 'Income Taxes', paragraph 20 requires a deferred tax liability or asset to be recognised where certain assets (such as interest rate swaps) are carried at fair value on the balance sheet and the fair value does not affect the taxable profit for the current period therefore a temporary difference arises.

	2008 £	2007 £
Deferred tax liability		
At 1 January	4,558,034	9,531,744
Movement in year	(26,006,605)	(4,338,260)
Reduction in tax rate	-	(635,450)
Balance carried forward	<u>(21,448,571)</u>	<u>4,558,034</u>

Deferred taxes are provided in full on temporary differences under the liability method using a principal rate of tax of 28% (2007: 28%)

The deferred tax liability is attributable to temporary differences arising in respect of the following items:

	2008 £	2007 £
Fair value movement of derivatives	(21,448,571)	4,565,670
Excess management expenses	-	(7,636)
Deferred tax (asset) / liability	<u>(21,448,571)</u>	<u>4,558,034</u>

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8. LOAN TO ORIGINATOR

	2008	2007
	£	£
At 1 January 2008	1,435,000,000	1,435,000,000
Redemptions	<u>(188,818,058)</u>	-
	1,246,181,942	1,435,000,000
Issue costs reimbursed	(13,009,733)	(13,009,733)
Amortisation of issue costs reimbursed	5,601,342	2,185,205
Discount	(281,625)	(281,625)
Amortisation of discount	<u>121,590</u>	<u>48,014</u>
At 31 December 2008	<u>1,238,613,516</u>	<u>1,423,941,861</u>
The balance can be analysed as follows:		
Non-current assets	1,238,613,516	1,423,941,861
Current assets	-	-
	<u>1,238,613,516</u>	<u>1,423,941,861</u>

The loan to originator was made to The Mall Limited Partnership and may be repaid early under certain circumstances as described in the Offering Circular. The loan is due for repayment on 22 April 2012. On 22 October 2008 a partial prepayment of £188,818,058 was made from the sale proceeds of three Malls sold in July 2008.

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 portfolio (inclusive of directly owned assets and the investment in The Main Square Camberley Unit Trust).

9. OTHER RECEIVABLES

	2008	2007
	£	£
Prepayments and accrued income	15,021,057	29,599,067
Corporation tax recoverable	<u>11,735</u>	<u>9,950</u>
	<u>15,032,792</u>	<u>29,609,017</u>

Included in prepayments and accrued income is accrued swap interest receivable of £2,879,983 (2007: £15,164,673) and also included is accrued interest receivable of £12,008,868 (2007: £14,334,951).

10. CASH AND CASH EQUIVALENTS

	2008	2007
	£	£
Cash	<u>60,716</u>	<u>13,446</u>

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

11. EQUITY

	Share capital	Retained earnings	Total
	£	£	£
Balance at 1 January 2008	12,502	11,821,675	11,834,177
Net loss attributable to equity holders	-	(66,858,595)	(66,858,595)
Balance at 31 December 2008	<u>12,502</u>	<u>(55,036,920)</u>	<u>(55,024,418)</u>

The Company has one class of ordinary shares which carry no right to fixed income.

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.

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12. 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 14.

	2008	2007
	£	£
Non-current liabilities		
At start of the year	1,435,000,000	1,435,000,000
Notes redeemed in the year	<u>(188,818,058)</u>	<u>-</u>
	1,246,181,942	1,435,000,000
Discount	(281,625)	(281,625)
Amortisation of discount	121,590	48,014
Issue costs	(13,009,733)	(13,009,733)
Amortisation of issue costs	<u>5,601,342</u>	<u>2,185,205</u>
	<u>1,238,613,516</u>	<u>1,423,941,861</u>
Current liabilities		
Interest payable on loan notes	<u>14,831,006</u>	<u>17,755,083</u>
	<u>14,831,006</u>	<u>17,755,083</u>

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 22 April 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 22 October 2008 a partial repayment of £188,818,058 of the loan notes was made.

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. The liquidity facility is renewed annually.

Interest-bearing loans and borrowings are repayable as follows:

At 31 December 2008	Total	6-12 months	1-2 years	2-5 years	More than 5 years
	£	£	£	£	£
Liabilities					
Loan notes	1,238,613,516	-	-	-	1,238,613,516
Interest payable	<u>14,831,006</u>	<u>14,831,006</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>1,253,444,522</u>	<u>14,831,006</u>	<u>-</u>	<u>-</u>	<u>1,238,613,516</u>

At 31 December 2007	Total	6-12 months	1-2 years	2-5 years	More than 5 years
	£	£	£	£	£
Liabilities					
Loan notes	1,423,941,861	-	-	-	1,423,941,861
Interest payable	<u>17,755,083</u>	<u>17,755,083</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>1,441,696,944</u>	<u>17,755,083</u>	<u>-</u>	<u>-</u>	<u>1,423,941,861</u>

	2008	2007
	£	£
Non-current liabilities		
Floating Rate Notes due 2014	<u>1,238,613,516</u>	<u>1,423,941,861</u>

Loan is held at amortised cost.

The notes are denominated in the following currencies:	2008	2007
	£	£
Sterling	<u>1,238,613,516</u>	<u>1,423,941,861</u>

Interest is payable on the floating rate notes at 3 month LIBOR plus 0.18%.

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13. OTHER PAYABLES

	2008	2007
	£	£
Current liabilities		
Amount owed to The Mall Limited Partnership	2,147	2,147
Accruals	<u>131,304</u>	<u>11,778,988</u>
	<u>133,451</u>	<u>11,781,135</u>

14. FINANCIAL INSTRUMENTS

The company's financial instruments comprise a loan to The Mall Limited Partnership, cash, derivatives, interest-bearing borrowings and various receivables and payables that arise directly from its operations.

Currency risk

All of the company's assets and liabilities are denominated in Sterling therefore there is no foreign currency risk.

Credit risk

Credit risk on the Loan arises where the individual loans within the mortgage portfolio are secured on the underlying commercial properties. Under IFRS the loan is classified as a "loan to originator". The directors consider that the company will be able to recover the full amount of this Loan.

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. An interest rate swap has been entered into with Credit Suisse First Boston International and another with The Royal Bank of Scotland Plc to manage the company's exposure to interest rate risk associated with the loan to originator.

The floating rate notes, the loan to originator and cash are exposed to interest rate cash flow risk caused by floating interest rates that are reset periodically.

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.

At 31 December 2008 this facility was not required and has not been used during the period.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined on the Company's exposure to interest rates for interest bearing assets and liabilities at the balance sheet date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates and has been based on management's assessment of the possible changes in interest rates.

Any increase/decrease in interest rate will have no effect on reported profit as all interest is fixed. Mall Funding Plc is entitled to recover all costs from The Mall LP. While all interest is fixed, any increase/decrease in interest rate will impact the fair valuation of derivatives.

Effective interest rates, repricing analysis and liquidity tables

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at 31 December 2008 and the periods in which they reprice. The following tables also detail the company's contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flow of financial liabilities based on earliest date on which the company can be required to pay. The table include both interest and principal cash flow.

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14. FINANCIAL INSTRUMENTS (continued)

At 31 December 2008	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	2.38	1,238,613,516	-	-	-	-	1,238,613,516	-
Derivative asset	-	-	-	-	-	-	-	-
Other receivables	-	15,032,792	-	-	-	-	-	15,032,792
Cash	-	60,716	-	-	-	-	-	60,716
		<u>1,253,707,024</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,238,613,516</u>	<u>15,093,508</u>

At 31 December 2008	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	2.77	1,238,613,516	-	-	-	-	1,238,613,516	-
Interest payable	-	14,831,006	-	-	-	-	-	14,831,006
Other payables	-	133,451	-	-	-	-	-	133,451
Derivative liability	-	76,602,040	-	-	-	-	-	76,602,040
		<u>1,330,180,013</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,238,613,516</u>	<u>91,566,497</u>

At 31 December 2007	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	5.85	1,423,941,861	-	-	-	-	1,423,941,861	-
Derivative asset	-	16,305,966	-	-	-	-	-	16,305,966
Other receivables	-	29,609,017	-	-	-	-	-	29,609,017
Cash	-	13,446	-	-	-	-	-	13,446
		<u>1,469,870,290</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,423,941,861</u>	<u>45,928,429</u>

At 31 December 2007	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	6.01	1,423,941,861	-	-	-	-	1,423,941,861	-
Interest payable	-	17,755,083	-	-	-	-	-	17,755,083
Other payables	-	11,781,135	-	-	-	-	-	11,781,135
		<u>1,453,478,079</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,423,941,861</u>	<u>29,536,218</u>

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14. FINANCIAL INSTRUMENTS (continued)

Fair values

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

	Notes	Carrying value 31 December 2008 £	Fair value 31 December 2008 £	Carrying value 31 December 2007 £	Fair value 31 December 2007 £
Loan to originator	8	1,238,152,519	1,314,754,559	1,423,941,861	1,439,333,624
Other receivables	9	15,032,792	15,032,792	29,609,017	29,609,017
Derivative asset		-	-	16,305,966	16,305,966
Cash	10	60,716	60,716	13,446	13,446
Interest bearing loans and borrowings	12	(1,238,152,519)	(1,238,152,519)	(1,423,941,861)	(1,423,941,861)
Interest payable	12	(14,831,006)	(14,831,006)	(17,755,083)	(17,755,083)
Other payables	13	(133,451)	(133,451)	(11,781,135)	(11,781,135)
Derivative liability		<u>(76,602,040)</u>	<u>(76,602,040)</u>	-	-
		<u>(76,472,989)</u>	<u>129,051</u>	<u>16,392,211</u>	<u>31,783,974</u>
Unrecognised (loss)/gain			<u>76,602,040</u>		<u>15,391,763</u>

The interest rate swaps have a principal notional value of £1,260,000,000. Interest rate swap is held at fair value through profit and loss account.

Estimation of fair values

The company has two interest rate swaps with a total notional value of £1,260,000,000 (2007: £1,260,000,000), hedging 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 JC Rathbone Associates as at 31 December 2008 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 2008, and the rate historically committed, namely the fair value adjustment, would increase the value of the fixed rate debt by £76,602,040 (2007: increase of £15,391,763).

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 2008. 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 2008 amounts to a loss of £92,908,006 (2007: loss of £15,466,514) valuing the derivative at £76,602,040 derivative liability (2007: £16,305,966 derivative asset).

THE MALL FUNDING PLC
NOTES TO THE FINANCIAL STATEMENTS
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15. NOTES TO THE CASH FLOW STATEMENT

Cash flows from operating activities	2008	2007
	£	£
Operating loss	(93,094,250)	(15,799,572)
<i>Adjustments for:</i>		
Fair value movement on financial instruments	92,908,006	15,466,514
Operating cash flow before movements in working capital	(186,244)	(333,058)
(Increase)/decrease in receivables	(32,763)	76,829
Increase in payables	32,666	44,373
Cash used in operations	(186,341)	(211,856)
Facility fee paid	(194,230)	(136,416)
Cash received for expenses	446,375	390,090
Interest received on loan to originator	73,776,458	73,117,217
Net swap interest received	13,116,379	9,848,791
Interest paid on notes	(86,892,837)	(82,966,006)
Income tax paid	(7,828)	(36,455)
Net cash from operating activities	57,976	5,365

16. 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 J C Schroeder 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 31 December 2008.

The fees payable for corporate services for the year amounted to £18,215 (2007: £14,173). At the end of the year, an amount of £901 (2007: £805) was included within other receivables: prepayments and accrued income.

At 31 December 2008, £1,246,181,942 (2007: £1,435,000,000) was still outstanding to The Mall Limited Partnership and disclosed within the Loan to originator.

During the year, interest of £71,450,375 (2007: £73,625,531) was receivable on this loan and at 31 December 2008, £12,008,868 (2007: £14,334,952) was still outstanding and disclosed within other receivables: prepayments and accrued income.

17. ULTIMATE PARENT UNDERTAKING

The Mall Funding Plc is a company incorporated in Great Britain and 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.