

Company Registration Number: 06582771

EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED
GROUP FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2011

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EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED

GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 NOVEMBER 2011

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EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

Directors	Mr M H Filer Mr M McDermott Wilmington Trust SP Services (London) Limited
Company Secretary	Wilmington Trust SP Services (London) Limited
Company Number	06582771
Registered Office	c/o Wilmington Trust SP Services (London) Limited Third Floor 1 King's Arms Yard London EC2R 7AF
Note Trustee	MHB-Bank AG Hamburger Allee 14 Germany
Principal Paying Agent/Custodian/ Account Bank/Calculation Agent/ Collateral Administrator	Elavon Financial Services Limited 5 Canada Square London E14 5AQ
Servicer & Special Servicer	Hudson Advisors UK Limited 1 Finsbury Market London EC2A 2BN
Auditors	Ernst & Young LLP 1 More London Place London SE1 2AF

EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED

THE DIRECTORS' REPORT

FOR THE YEAR ENDED 30 NOVEMBER 2011

The directors present their report and the audited financial statements of Excalibur Holdings Limited (the "Company") and its subsidiaries Excalibur Funding No 1 plc and Excalibur Funding No 1 Options Limited, collectively referred to as the "Group", for the year ended 30 November 2011

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company's principal activity is that of a special purpose company whose only activity is to hold an investment in Excalibur Funding No 1 plc and Excalibur Funding No 1 Options Limited

The principal activity of the Group during the year was to participate in a securitisation transaction

In accordance with the terms of a Prospectus dated 22 May 2008, Excalibur Funding No 1 plc issued €2,166,541,000 Class A Notes due April 2054 and €722,181,000 Class B Notes due April 2054, (together the "Notes")

On 26 April 2012 Excalibur Funding No 1 plc received a demand from the Note Trustee for the immediate repayment of the Notes issued by Excalibur Funding No 1 plc, as set out in the Principal Activities and Business Review below, at the request of the Note holders, in accordance with terms of the transaction documents. The Directors of Excalibur Funding No 1 plc considered the terms of the demand and after receiving advice, resolved to formally ask the Note Trustee to appoint one or more Administrative Receivers over all the undertakings and assets of Excalibur Funding No 1 plc as soon as possible. Following this, Michael Jervis and Mark Batten were appointed as joint administrative receivers of Excalibur Funding No 1 plc on 26 April 2012. The Administrative Receivers act as agents and contract without personal liability. The Administrative Receivers are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.

Having issued the Notes, Excalibur Funding No 1 plc applied the proceeds of the issuance primarily for the purposes of purchasing from Lehman Brothers Financing Ltd ("LBF"), Lehman Commercial Paper Inc, United Kingdom Branch ("LCPI"), Lehman Brothers Bankhaus AG, London Branch ("LBB"), Lehman Brothers International (Europe) ("LBIE"), LB RE Financing No 3 Ltd ("LBRE") and Storm Funding Limited ("SFL"), (together the "Sellers"), certain debt instruments, each of which, according to their terms, entitles the holders to payments of interest and repayments of principal (the "Initial Collateral Debt Obligations")

The Directors initially considered that the Sellers had retained substantially all the risks and rewards of ownership of the Collateral Debt Obligations and therefore their transfer to Excalibur Funding No 1 plc was accounted for as a financing transaction ("a deemed loan"), notwithstanding that it was a sale from a legal perspective. However the Directors have reassessed this during the current year and have reclassified them as Collateral Debt Obligations in the Statement of Financial Position at 30 November 2011.

The Collateral Debt Obligations are made up of Real Estate Senior Loans, Real Estate Mezzanine Loans, B Notes and CMBS Securities.

In addition to the Notes, up to the date of appointment of the Administrative Receiver, Excalibur Funding No 1 plc could at any time issue Additional Notes, provided that, among other things, the issuance of Additional Notes does not result in a downgrade of the then current rating ascribed to the Class A Notes then outstanding.

In the event that Excalibur Funding No 1 plc were to issue Additional Notes, the proceeds of such issuance would be used by it to purchase further debt instruments ("Additional Collateral Debt Obligations") similar to the Initial Collateral Debt Obligations from the Sellers or from other entities from time to time.

In addition to the purchase of Additional Collateral Debt Obligations, Excalibur Funding No 1 plc could, up to the date of appointment of the Administrative Receiver, from time to time and subject to certain conditions

- (a) sell Collateral Debt Obligations and apply the proceeds of sale to purchase similar assets, and
- (b) use principal proceeds to purchase similar asset

EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED

THE DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 30 NOVEMBER 2011

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW (continued)

Up to the date of appointment of the Administrative Receiver, any such action shall be taken by Excalibur Funding No 1 plc at the direction of the holders of the Class B Notes (the "Class B Noteholders") in accordance with certain conditions and shall only be taken if such action does not result in a downgrade or withdrawal of the then current rating ascribed to the Notes

The Collateral Debt Obligations were sold to Excalibur Funding No 1 plc pursuant to loan sale agreements under which the Sellers gave various representations and warranties about the Collateral Debt Obligations, breach of which may give Excalibur Funding No 1 plc the right to sell back the affected Collateral Debt Obligation to the Seller thereof for a price determined in accordance with the relevant Loan Sale Agreement

The payment of interest on and the repayment of principal of each of the Collateral Debt Obligations is funded, directly or indirectly, by income generated by certain specific commercial properties such as office properties, industrial properties, land development sites, data centres, multi-family properties and retail properties located in a variety of European countries. The income generated by these properties typically takes the form of rent paid by the tenants occupying those properties. However, income may also be generated by the sale or refinancing of those properties. All Collateral Debt Obligations are thus related, directly or indirectly, to commercial real estate

Any failure of a commercial property to generate the income expected from it, howsoever that failure arises, may result in a failure to pay interest on or repay the principal of the related Collateral Debt Obligation by its obligors. This, in turn, may result in a failure on the part of Excalibur Funding No 1 plc to pay interest on or repay the principal of the Notes. The ability of Excalibur Funding No 1 plc to pay interest on and repay the principal of the Notes is, therefore, substantially dependant on the performance of the commercial properties backing the Collateral Debt Obligations and any investor in the Notes may be impacted by variations in such performance

During the year the Noteholders directed Excalibur Funding No 1 plc to amend the priority of payments as set out in the transaction documents to enable certain third party expenses to be paid in priority to amounts due to be paid to the Noteholders due to insufficient funds being available

The exercise by Excalibur Funding No 1 plc of its rights in relation to certain of the Collateral Debt Obligations was undertaken by Hatfield Phillips International Limited (in its capacity as the "Hatfield Servicer") and the exercise by Excalibur Funding No 1 plc of its rights in relation to the remainder of the Collateral Debt Obligations was undertaken by LNR Asset Services Limited (the "LNR Servicer" and, together with the Hatfield Servicer, the "Servicers"). The Servicers' respective rights and obligations, which vary according to the nature of each Collateral Debt Obligation that it services, were regulated by a servicing agreement entered into between Excalibur Funding No 1 plc and the Servicers though certain actions were to be taken by the relevant Servicer only upon receipt of directions from the Class B Noteholders

In addition to the functions performed by the Servicers, certain administrative functions in respect of the Collateral Debt Obligations were or had been performed on behalf of Excalibur Funding No 1 plc by Bank of America National Association (London Branch) (the "Collateral Administrator") and by Lehman Brothers International (Europe) (the "Administrative Agent"). In September 2011 Excalibur Funding No 1 plc received a consent letter from the Note Trustee to execute a deed of accession to replace Bank of America National Association (London Branch) with Elavon Financial Services Limited

The Class B Noteholders have various discretions in relation to selling and purchasing Collateral Debt Obligations and various rights to direct the Servicers in connection with the performance of their duties relating to Collateral Debt Obligations. The way in which these discretions and direction rights are exercised may impact on Excalibur Funding No 1 plc's ability to pay interest on and repay the principal of the Notes

EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED

THE DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 30 NOVEMBER 2011

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW (continued)

Lehman Brothers and certain of its subsidiaries

Lehman Brothers International (Europe) was appointed as the Administrative Agent to act as the agent of Excalibur Funding No 1 plc in relation to the purchase and sales of Collateral Debt Obligations, which take place at the direction of the Class B Noteholders, and in relation to certain other matters. On 15 September 2008 Lehman Brothers International (Europe) went into Administration.

Lehman Brothers Special Financing Inc. was appointed as the Hedge Provider to enter into the Interest Rate Swap Transactions, the Basis Swap Transactions and the Currency Swap Transactions with Excalibur Funding No 1 plc. On 15 September 2008 Lehman Brothers Special Financing Inc. filed for bankruptcy under Chapter 11 of the United States Bankruptcy Code.

Lehman Brothers Holdings, Inc. was appointed as the Hedge Guarantor to act as the guarantor of the obligations of the Hedge Provider under the Interest Rate Swap Transactions, the Basis Swap Transactions and the Currency Swap Transactions. On 15 September 2008 Lehman Brothers Holdings Inc. filed for bankruptcy under Chapter 11 of the United States Bankruptcy Code. This constituted an event of default under the terms of the Hedging Arrangements as a consequence Excalibur Funding No 1 plc has made no further payments under the terms of the Hedging Arrangements. Lehman Brothers Holdings Inc. was also downgraded below the required minimum rating requirements required by the transaction documentation and was therefore asked to post collateral. No such funds collateral have been received by Excalibur Funding No 1 plc at the date of this report.

Lehman Commercial Paper Inc., United Kingdom Branch was appointed as the Advancing Agent to enter into the Advancing Agency Agreement with Excalibur Funding No 1 plc under which it, subject to certain conditions and limitations, will make payment to Excalibur Funding No 1 plc of amounts that Excalibur Funding No 1 plc is scheduled to receive but does not receive under the Collateral Debt Obligations. On 5 October 2008 Lehman Commercial Paper Inc., filed for bankruptcy under Chapter 11 of the United States Bankruptcy Code.

Excalibur Funding No 1 plc, the Note Trustee, and the Servicer where applicable, have sought to terminate and find replacements for the roles undertaken by the Lehman Brothers entities which are in Chapter 11 or Administration proceedings.

On 8 April 2011, the Class B Noteholder commenced legal proceedings in the High Court of England and Wales (court reference HC11C01164) against Excalibur Funding No 1 plc, the Note Trustee and the Class A Noteholders in relation to an event of default under the Notes. On 29 July 2011 the High Court of England and Wales found in favour of the Class B Noteholders. This judgement was subsequently appealed by the Class A Noteholders (Court of Appeal reference 2011/2234).

On 11 October 2011, in accordance with directions set out in an extraordinary resolution of the Class A Noteholders and the Class B Noteholders and a letter from the Note Trustee, and as notified under RNS Announcement 8831Q to the Irish Stock Exchange, Excalibur Funding No 1 plc entered into various agreements whereby, amongst other things, Excalibur Funding No 1 plc, the Note Trustee, the swap counterparty and the swap guarantor mutually released each other from all claims and obligations in relation to the swap agreements and the Note Trustee and Excalibur Funding No 1 plc agreed to release all Lehman Brothers US entities (on the date that a distribution plan becomes effective for the US Lehman Brothers estate in Chapter 11 Insolvency) from all obligations in relation to all claims except for those arising in relation to the acquisition of certain Collateral Debt Obligations. Each US Lehman Brothers entity agreed to release the Note Trustee and Excalibur Funding No 1 plc from all claims and obligations effective from the same date. Furthermore, it was agreed between the parties that no amounts shall be due or payable in connection with the swap agreement and swap guarantees, and the parties to the litigation proceedings agreed to apply to the High Court and to the Court of Appeal to dismiss the application made on 11 June 2010 and the appeal with Court of Appeal reference 2011/2234.

EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED

THE DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 30 NOVEMBER 2011

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW (continued)

Litigation proceedings

On 11 June 2010, Excalibur Funding No 1 plc made an application for permission to commence legal proceedings in the High Court of England and Wales (listing number GLC 253/10) against the joint administrators of the Class B Noteholders in respect of the transfer of the Class B Notes. As discussed above, Excalibur Funding No 1 plc was directed in October 2011 to apply to the High Court of England and Wales for an order to dismiss these proceedings.

Results

The results for the year and the Group's financial position at 30 November 2011 are shown in the attached financial statements. However, due to the appointment of the Administrative Receiver over Excalibur Funding No 1 plc after the year end, the financial statements for 30 November 2011 have been prepared on a break-up basis whilst the comparative figures for the year ended 30 November 2010 have been prepared on a going concern basis.

The loss on ordinary activities after taxation for the year was €498,798,369 (year ended 30 November 2010 €133,195,366 loss). The loss includes an impairment charge of €513,851,180 (2010 €126,685,723) against the underlying Collateral Debt Obligations.

The Class A notes within Excalibur Funding No 1 plc were downgraded by S&P during 2011 from B- to D.

Events of Default

Excalibur Funding No 1 plc was informed by the Collateral Administrator that an Event of Default in relation to the transaction had occurred on the measurement date immediately preceding 31 January 2011. Excalibur Funding No 1 plc notified the Note Trustee, the Servicer and the rating agency in accordance with the Trust Deed and also notified the Noteholders.

In September 2011 Excalibur Funding No 1 plc was informed by the Collateral Administrator that an Event of Default in relation to the transaction occurred on the Measurement Date immediately prior to 15 August 2011 but such Event of Default was not continuing on the corresponding Payment Date. Excalibur Funding No 1 plc notified the Note Trustee, the Servicer and the rating agency in accordance with the Trust Deed and also notified the Noteholders.

Since the year end, in January 2012, Excalibur Funding No 1 plc was informed by the Collateral Administrator that an Event of Default occurred on the Measurement Date immediately prior to 31 January 2012 and that such Event of Default was continuing on the corresponding Payment Date. Excalibur Funding No 1 plc notified the Note Trustee, the Servicer and the rating agency in accordance with the Trust Deed and also notified the Noteholders.

During the year Excalibur Funding No 1 plc continued to fail both the Class A Par Value Test and also the Class A Interest Coverage Test. At 30 November 2011 19 of the remaining 37 Collateral Debt Obligations underlying the transaction were classified as having defaulted.

Coverage tests

Under the terms of the Prospectus, certain coverage tests have to be carried out at each Note interest determination date. Should the coverage tests fail then interest on the Class B notes is not paid but rolled up and carried forward. The results for the coverage tests available to the date of this report are as follows:

EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED

THE DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 30 NOVEMBER 2011

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW (continued)

Class A par value (overcollateralisation) test date	Minimum	Actual	Spread	Result
23 January 2009	110%	126 52%	16 52%	Pass
23 April 2009	110%	124 17%	14 17%	Pass
23 July 2009	110%	118 44%	8 44%	Pass
22 October 2009	110%	114 68%	4 68%	Pass
25 January 2010	110%	108 52%	(1 48)%	Fail
23 April 2010	110%	110 91%	0 91%	Pass
23 July 2010	110%	105 57%	(4 43)%	Fail
22 October 2010	110%	106 66%	(3 34)%	Fail
25 January 2011	110%	107 84%	(2 16)%	Fail
21 April 2011	110%	107 17%	(2 83)%	Fail
25 July 2011	110%	103 28%	(6 72)%	Fail
22 October 2011	110%	103 68%	(6 32)%	Fail
25 January 2012	110%	90 43%	(19.57)%	Fail
24 April 2012	110%	58 84%	(51 16)%	Fail

Class A Interest coverage test date	Minimum	Actual	Spread	Result
23 January 2009	110%	70 71%	(39 29)%	Fail
23 April 2009	110%	104 62%	(5 38)%	Fail
23 July 2009	110%	136 84%	26 84%	Pass
22 October 2009	110%	84 52%	(25 48)%	Fail
25 January 2010	110%	252 32%	142 32%	Pass
23 April 2010	110%	69 82%	(40 18)%	Fail
23 July 2010	110%	104 89%	(5 11)%	Fail
22 October 2010	110%	95 71%	(14 29)%	Fail
25 January 2011	110%	72 95%	(37 05)%	Fail
21 April 2011	110%	71 72%	(38 28)%	Fail
25 July 2011	110%	60 97%	(49 03)%	Fail
22 October 2011	110%	58 65%	(51 35)%	Fail
25 January 2012	110%	68 92%	(41 08)%	Fail
24 April 2012	110%	55 23%	(54 77)%	Fail

GOING CONCERN

Following the receipt on 26 April 2012 of a Demand from the Note Trustee for the immediate repayment of the Notes within Excalibur Funding No 1 plc, at the request of the Note holders, and having received advice, the Directors of Excalibur Funding No 1 plc resolved to formerly ask the Note Trustee to appoint one or more Administrative Receivers. After making enquiries, the directors do not expect that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements have been prepared on a non-going concern basis, which includes, where appropriate, writing down the assets to their net realisable value and stating the liabilities at their contractual amounts or face value. The financial statements do not include any provision for the future costs of terminating the operations of the Group and Company covered by the post balance sheet income except to the extent that such costs were incurred at the balance sheet date.

MANAGEMENT OF THE BUSINESS AND FUTURE DEVELOPMENTS

Ordinarily, due to repayments decreasing the principal value of the loans each year, the deemed loan, loan notes, interest income and interest expense would have been expected to decrease in future years. The rate of decrease would have been dependent on future redemptions and further advances, if any. The Group's responsibility to make cash payments under the terms of the Prospectus is limited to the funds available to it. The Group has no recourse to any other assets.

At the year end the directors were in discussions regarding the potential future of the Group and Company. As discussed above, Administrative Receivers were appointed on 26 April 2012 for Excalibur Funding No 1 plc and it is expected that the Company and Group will be wound up in the near future.

EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED

THE DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 30 NOVEMBER 2011

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the Group's strategy are subject to a number of risks. The key financial risks affecting the Group and its management are set out in note 15 to the financial statements.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES

The Group's financial instruments comprise loans, cash and cash equivalents, interest-bearing loan notes and various receivables and payables that arise directly from its operations. The main purpose of the interest-bearing borrowings is to finance the acquired Collateral Debt Obligation portfolio. The Group has also entered into derivative transactions. The purpose of such transactions is to manage the interest rate and currency risk arising from the Group's operations and its sources of finance. As discussed, these were terminated during the year.

The Board reviews and agrees policies for managing risks arising on the Group's financial instruments and they are summarised below.

Liquidity risk

Liquidity risk arises where the funds received by the Group are insufficient to meet the debts of the Group as they fall due for payment on the relevant interest payment dates. The availability of funds is determined on set determination dates under the terms of the securitisation by the cash manager. All payments are made in accordance with a pre-defined priority of payments schedule and the Group is structured so that it is only liable to pay amounts falling due to the extent that it has received funds. The Group has also entered into certain Liquidity Arrangements.

The Liquidity Arrangements are comprised of a facility provided to Excalibur Funding No 1 plc under an agreement (the "Advancing Agency Agreement") pursuant to which Lehman Commercial Paper Inc, United Kingdom Branch (the "Advancing Agent") was obliged, subject to certain conditions and certain limitations, to make payments to Excalibur Funding No 1 plc in the event that Excalibur Funding No 1 plc does not receive scheduled payments of interest that it should have received under the terms of the Collateral Debt Obligations.

The Liquidity Arrangements are intended to enable Excalibur Funding No 1 plc to pay interest as required to the Class A Noteholders and to pay amounts to Excalibur Funding No 1 plc creditors which are payable in priority to the Class A Noteholders. The amount available to Excalibur Funding No 1 plc under the Advancing Agency Agreement may be increased, from time to time, to reflect the acquisition of Additional Collateral Debt Obligations and Substitute Collateral Debt Obligations, as well as the issuance of Additional Notes. The terms of the Recoverability Determination in the Liquidity Arrangements have meant that Excalibur Funding No 1 plc has not requested any payments from the Advancing Agent to date.

Credit risk

The principal credit risk to the Group is that the borrowers will not be able to meet their obligations as they fall due on the loans underlying Collateral Debt Obligations acquired by the Group. The amount and timing of receipt of the principal and interest in respect of the Collateral Debt Obligations will depend upon the detailed terms of the documentation relating to each of them, on whether or not any obligor thereunder defaults in its obligations and the proceeds realised through enforcing security granted by obligors under the Collateral Debt Obligations. Because all Collateral Debt Obligations are serviced out of cash-flow generated by commercial real estate assets, the performance of the Collateral Debt Obligations will depend on the cash-flow-generating ability of those assets.

As disclosed in the accounting policies in Note 1, the Collateral Debt Obligations were initially recognised as a deemed loan to the Originator in the financial statements but were renamed and disclosed as Collateral Debt Obligations in the current year.

At 30 November 2011 the Collateral Debt Obligation portfolio had an estimated carrying value of €921,037,069 (2010: €1,443,003,686) including a provision for impairment of €899,684,437 (2010: €506,801,166).

EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED

THE DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 30 NOVEMBER 2011

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES (continued)

Interest rate risk and currency risk

Interest rate risk exists where assets and liabilities have interest rates set under a different basis or which reset at different times. Currency risk exists where assets and liabilities are denominated in more than one currency. The Group used interest rate swaps and currency swaps to mitigate its exposure to interest rate risk until these were terminated in October 2011 at the direction of the Noteholders.

The Hedging Arrangements for currency and interest rate risk comprised of

- (a) transactions under which interest payments in respect of Collateral Debt Obligations which are paid by reference to a fixed rate of interest or a weighted average reference rate will be swapped to a floating rate of interest (the "Interest Rate Swap Transactions"),
- (b) transactions under which interest payments in respect of Collateral Debt Obligations which are paid by reference to a particular day-count fraction basis or which pay interest less frequently than quarterly will be swapped to a rate of interest calculated by reference to the day-count fraction basis applicable to the Notes or, as applicable, which is paid quarterly (the "Basis Swap Transactions), and
- (c) transactions under which payments in respect of Collateral Debt Obligations which are paid in a currency other than Euro will be swapped into Euro (the "Currency Swap Transactions")

The Hedging Arrangements were provided by Lehman Brothers Special Financing Inc (the "Hedge Provider"). The obligations of the Hedge Provider under the Hedge Arrangements were being guaranteed by Lehman Brothers Holdings Inc (the "Hedge Guarantor"). The Group entered into Hedging Arrangements on an "asset by asset" basis, so that Hedging Arrangements in respect of each Collateral Debt Obligation that required hedging were in place. The position of the Group with respect to such Hedging Arrangements has been set out more fully in the section entitled "Principal Activities and Business Review" above.

Counterparty Risk

The Hedging Arrangements involve Excalibur Funding No 1 plc entering into contracts with the Hedge Provider or, as the case may be, the Seller of a Collateral Debt Obligation novating in favour of Excalibur Funding No 1 plc its rights and obligations under a corresponding contract with the Hedge Provider. Pursuant to such contracts, the Hedge Provider will agree to make payments to Excalibur Funding No 1 plc under certain circumstances. Excalibur Funding No 1 plc was exposed to the credit risk of the Hedge Provider in respect of any such payments. The obligations of the Hedge Provider were guaranteed by the Hedge Guarantor. Accordingly, Excalibur Funding No 1 plc was also exposed to the credit risk of the Hedge Guarantor. Given that the Hedge Provider has defaulted and become unable to perform due to its insolvency, Excalibur Funding No 1 plc has not received payments it would otherwise have been entitled to from the Hedge Provider to cover its foreign exchange and interest rate exposure. The position of Excalibur Funding No 1 plc with respect to such Hedging Arrangements has been set out more fully in the section entitled "Principal Activities and Business Review" above.

The Liquidity Arrangements involved Excalibur Funding No 1 plc entering into contracts with the Advancing Agent. Due to insolvency proceedings of the Advancing Agent the Company has been exposed to the inability on the part of the Advancing Agent to make funds available under the Advancing Agency Agreement, which, in any event, was subject to the Advancing Agent undertaking a Recoverability Determination.

As discussed above, Lehman Brothers Special Financing Inc, Lehman Brothers Holdings Inc and Lehman Commercial Paper Inc, United Kingdom Branch all filed for bankruptcy under Chapter 11 of the United States Bankruptcy Code on 15 September 2008 and 5 October 2008 respectively. As discussed above, the hedging and liquidity arrangements with Lehman Brothers were terminated in October 2011.

EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED

THE DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 30 NOVEMBER 2011

DIRECTORS

The directors who served the Group and Company during the year were as follows

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

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 year. Under that law the directors have elected to prepare financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

In preparing the financial statements, the directors are required to

- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- Provide additional disclosures when compliance with specific requirements of IFRS is insufficient to enable users to understand the impact of particular transactions, other events, and conditions on the entity's financial position and financial performance,
- State the company has complied with IFRS, subject to any material departures discussed and explained in the financial statements,
- Prepare the financial statements on a going concern basis unless it is inappropriate to do so. As discussed in Note 1 to the financial statements the directors do not believe that the going concern basis is appropriate and have prepared the accounts on a basis other than going concern.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Whilst every effort has been made by the Directors to prepare financial statements that give a true and fair view following the collapse of Lehman Brothers there have been significant limitations in the Directors' ability to do this.

CREDITOR PAYMENT POLICY

The Group's policy concerning the payment of its trade creditors is to pay in accordance with its contractual and other legal obligations. Due to the nature of the business, the main creditors are the note holders. Principal and interest is repaid quarterly in accordance with the agreements in place.

POST BALANCE SHEET EVENTS

Since the year end there have been a number of significant events for the Group which are set out in note 18.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

Each of the directors confirms that

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

By order of the Board


Mark Filer
On behalf of Wilmington Trust SP Services (London) Limited
Director
12 July 2012

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED

We have audited the financial statements (the "financial statements") of Excalibur Funding No 1 Holdings Limited for the year ended 30 November 2011, which comprise the Group Statement of Comprehensive Income, the Group Statement of Changes in Equity, the Group and Company Statement of Financial Position, the Group Statement of Cashflows and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006. The financial statements have been prepared on a break-up basis as disclosed in note 1.

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Basis of qualified opinion on financial statements

With respect to the initial fair value of the deemed loan to originator the audit evidence available to us was limited. As described in Note 1, the directors faced difficulties in obtaining complete information about the debt instruments acquired by the company as at the date of their acquisition. Consequently, the directors had to make a number of assumptions when estimating the initial fair value of the deemed loan to originator. Any adjustment to the initial fair value of the deemed loan to originator would have a consequential effect on the initial fair value of the Class A and Class B floating rate loan notes, the effective interest rates applied and hence the amount of interest income and interest expense reported, the carrying amounts of those assets and liabilities as at 30 November 2010 and 2009, and the losses from writing down the assets to their net realisable value and liabilities up to their face value in the year ended 30 November 2011.

Qualified opinion on financial statements

In our opinion the financial statements give a true and fair view of the state of the Group's affairs as at 30 November 2011 and, except for the possible effects of the matters described in the Basis of Qualified Opinion paragraph, they

- give a true and fair view of the Group's loss for the year ended 30 November 2011,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED (Continued)

Opinion on parent company financial statements

In our opinion the parent company financial statements give a true and fair view of the state of the parent company's affairs as at 30 November 2011 and, they

- have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

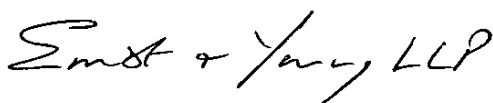
Matters on which we are required to report by exception

In respect solely of the limitation on our work relating to the initial fair value of the deemed loan to originator, described above

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit, and
- we were unable to determine whether adequate accounting records had been kept

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

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



Andrew Woosey (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

12 July 2012

EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 NOVEMBER 2011

	Note	1 Dec 2010 to 30 Nov 2011 €	1 Dec 2009 to 30 Nov 2010 €
Interest income	3	306,219,748	111,600,094
Interest expense	4	<u>(196,448,857)</u>	<u>(152,140,120)</u>
Net interest income/(expense)		109,770,891	(40,540,026)
Fair value movements in derivative financial instruments	11	(70,515,265)	18,945,792
Losses realised on collateral debt obligations/collateral underlying the loan to originator		(8,930,455)	(7,351,504)
Impairment of collateral debt obligations/loan to originator		(513,851,180)	(126,685,723)
Foreign exchange (losses)/gains		(6,381,219)	28,951,143
Administrative expenses	5	<u>(8,891,141)</u>	<u>(6,515,132)</u>
Loss before tax for the year		(498,798,369)	(133,195,450)
Taxation	6	—	84
Loss for the year	12	<u>(498,798,369)</u>	<u>(133,195,366)</u>

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 NOVEMBER 2011

	Share Capital €	Retained Earnings €	Total €
Balance at 30 November 2009	1	(482,741,286)	(482,741,285)
Loss for the year	—	<u>(133,195,366)</u>	<u>(133,195,366)</u>
Balance at 30 November 2010	1	(615,936,652)	(615,936,651)
Loss for the year	—	<u>(498,798,369)</u>	<u>(498,798,369)</u>
Balance at 30 November 2011	<u>1</u>	<u>(1,114,735,021)</u>	<u>(1,114,735,020)</u>

The notes on pages 16 to 36 form part of these financial statements

EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED

GROUP STATEMENT OF FINANCIAL POSITION

AS AT 30 NOVEMBER 2011

	Note	2011 €	2010 €
Assets			
Collateral debt obligations/deemed loan to the originator	8	921,037,069	1,443,003,686
Other assets	9	3,602,190	9,908,238
Cash and cash equivalents	10	34,651,698	90,161,100
Derivative financial instruments	11	-	70,515,265
Total assets		<u>959,290,957</u>	<u>1,613,588,289</u>
Equity			
Issued capital	12	1	1
Retained earnings	12	(1,114,735,021)	(615,936,652)
Total equity	12	<u>(1,114,735,020)</u>	<u>(615,936,651)</u>
Liabilities			
Floating rate loan notes	13	2,024,504,513	2,193,479,953
Other liabilities	14	49,521,464	36,044,987
Total liabilities		<u>2,074,025,977</u>	<u>2,229,524,940</u>
Total equity and liabilities		<u>959,290,957</u>	<u>1,613,588,289</u>

These financial statements of Excalibur Funding No 1 Holdings Limited, Company Registration 06582771 on pages 12 to 36 were approved and authorised for issue by the directors on 12 July 2012 and signed on their behalf by



Mark Filer
On behalf of Wilmington Trust SP Services (London) Limited
Director

The notes on pages 16 to 36 form part of these financial statements

EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 30 NOVEMBER 2011

	Note	2011 €	2010 €
Assets			
Investment in subsidiaries	7	1	1
Cash and cash equivalents	10	<u>1</u>	<u>1</u>
Total assets		<u>2</u>	<u>2</u>
Equity			
Issued capital	12	1	1
Retained earnings	12	<u>1</u>	<u>1</u>
Total equity	12	<u>2</u>	<u>2</u>
Liabilities			
Taxation	6	<u>-</u>	<u>-</u>
Total liabilities		<u>-</u>	<u>-</u>
Total equity and liabilities		<u>2</u>	<u>2</u>

These financial statements of Excalibur Holdings Limited, Company Registration 06582771 on pages 12 to 36 were approved and authorised for issue by the directors on 12 July 2012 and signed on their behalf by



Mark Filer
On behalf of Wilmington Trust SP Services (London) Limited
Director

The notes on pages 16 to 36 form part of these financial statements

EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED

GROUP STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 30 NOVEMBER 2011

	Note	1 Dec 2010 to 30 Nov 2011 €	1 Dec 2009 to 30 Nov 2010 €
Cash flows from operating activities			
Loss before tax for the year		<u>(498,798,369)</u>	<u>(133,195,450)</u>
<i>Adjustments for</i>			
Interest income		<u>(306,219,748)</u>	<u>(111,600,094)</u>
Interest expense		<u>196,448,857</u>	<u>152,140,120</u>
Fair value movement in derivatives		<u>70,515,265</u>	<u>(18,945,792)</u>
Losses realised on collateral debt obligations/collateral underlying the loan to Originator		<u>8,930,455</u>	<u>7,351,504</u>
Impairment of collateral debt obligations/loan to Originator		<u>513,851,180</u>	<u>126,685,723</u>
Foreign exchange losses/(gains)		<u>6,381,217</u>	<u>(26,515,813)</u>
Decrease in other payables		<u>(135,655)</u>	<u>(107,514)</u>
Net cash used by operating activities		<u>(9,026,798)</u>	<u>(4,187,316)</u>
Tax paid		-	(3,660)
Tax refunded		-	84
Net cash used by operating activities after tax		<u>(9,026,798)</u>	<u>(4,190,892)</u>
Cash flows generated by investing activities			
Repayment of collateral debt obligations / collateral underlying the loan to Originator		<u>212,220,037</u>	<u>391,010,853</u>
Proceeds received on disposal of collateral debt obligations / collateral underlying the loan to Originator		<u>31,821,681</u>	<u>15,449,624</u>
Interest received		<u>63,534,292</u>	<u>121,257,181</u>
Net cash generated by investing activities		<u>307,576,010</u>	<u>527,717,658</u>
Cash flows from financing activities			
Repayment of loan notes		<u>(303,247,174)</u>	<u>(415,819,832)</u>
Interest paid		<u>(48,564,991)</u>	<u>(53,177,078)</u>
Net cash used by financing activities		<u>(351,812,165)</u>	<u>(468,996,910)</u>
Net (decrease)/increase in cash and cash equivalents		<u>(53,262,953)</u>	<u>54,529,856</u>
Cash and cash equivalents at start of the year		<u>90,161,100</u>	<u>36,261,155</u>
Foreign exchange losses on cash and cash equivalents		<u>(2,246,449)</u>	<u>(629,911)</u>
Cash and cash equivalents at end of the year	10	<u>34,651,698</u>	<u>90,161,100</u>

All withdrawals from Excalibur Funding No 1 plc bank accounts are restricted by the detailed priority of payments set out in the securitisation agreements and as such the cash and cash equivalents are not freely available to be used for other purposes. At 30 November 2011 these amounted to €34,651,696 (2010 €90,161,098)

The notes on pages 16 to 36 form part of these financial statements

EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 NOVEMBER 2011

1. PRINCIPAL ACCOUNTING POLICIES

Excalibur Funding No 1 Holdings Limited is a limited company incorporated and domiciled in the United Kingdom with registered number 06582771

The Company's principal activity is that of a special purpose company whose only activity is to hold an investment in Excalibur Funding No 1 plc and Excalibur Funding No 1 Options Limited

The principal activity of the Group during the year was to participate in a securitisation transaction in accordance with the terms of a Prospectus dated 22 May 2008, Excalibur Funding No 1 plc issued €2,166,541,000 Class A Notes due April 2054 and €722,181,000 Class B Notes due April 2054

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and IFRIC interpretations as adopted by the European Union (EU) and with those parts of the Companies Act, 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention. The Group mainly transacts in euros ("€"), therefore, the euro is its functional and presentational currency.

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (the IFRIC) of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 December 2010. The adoption of these new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies. The accounting policies are consistent with those in the previous year.

The Directors faced severe difficulties in obtaining information in relation to the securitisation transaction following the collapse of Lehman Brothers. As a result these financial statements have taken a significant time to prepare and the Directors had to use best efforts to determine with sufficient reliability the following matters:

- During the prior year the Directors commissioned a third party professional valuation of the underlying Collateral Debt Obligations within Excalibur Funding No 1 plc. This had been used to determine the fair values of the deemed loan to originator and the Class A and Class B floating rate loan notes on the date they were issued. As a result the Directors had to make a number of assumptions when estimating the initial fair value of these assets and liabilities together with the appropriate effective interest rate to be applied in accounting for these instruments subsequently.
- The fair values of the deemed loan to the originator and the Class A and Class B floating rate loan notes at the end of the financial years have been estimated based on the third party professional valuation of the underlying Collateral Debt Obligations obtained by the Directors in the prior year. Due to the number of variables involved the fair values disclosed may be significantly different to actual fair value.

Basis of preparation – non-going concern

The Group's and Company's business activities, together with the factors likely to affect its future development, performance and position and its principal uncertainties are set out in the Directors' Report. In addition, note 15 to the financial statements includes the Group's and Company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments, and its exposures to credit risk and liquidity risk.

According to the terms of the loan notes issued by Excalibur Funding No 1 plc, where there are insufficient funds to repay the loan notes at maturity in April 2054, the priority of payment schedule detailed in the Prospectus dated 22 May 2008 is followed. Under the terms of this schedule each class of loan notes is subordinated to the class ranking immediately above it.

EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 NOVEMBER 2011

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Basis of preparation – non-going concern (continued)

Following the receipt on 26 April 2012 of a Demand from the Note Trustee by Excalibur Funding No 1 plc for the immediate repayment of the Notes, at the request of the Note holders, and having received advice, the Directors of Excalibur Funding No 1 plc resolved to formerly ask the Note Trustee to appoint one or more Administrative Receivers. After making enquiries, the directors do not expect that the Company or Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements have been prepared on a non-going concern basis, which includes, where appropriate, writing down the assets to their net realisable value and stating the liabilities at their contractual amounts or face value. The financial statements do not include any provision for the future costs of terminating the operations of the Group or Company covered by the post balance sheet income except to the extent that such costs were incurred at the balance sheet date.

Consolidation

Subsidiaries are all entities over which the Group, directly or indirectly, has power to exercise control over the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated, unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. A list of subsidiaries of the Group is set out in note 7.

International Accounting Standards and International Financial Reporting Standards (IAS/IFRS)

The following standards, amendments and interpretations are effective and have been adopted for the year ended 30 November 2011

		Effective for annual periods beginning on or after
IAS 1	Presentation of Financial Statements (amendments)	Various dates from 1 January 2010
IAS 7	Statement of Cash Flows (amendment)	1 January 2010
IAS 36	Impairment of Assets (amendment)	1 January 2010
IAS 39	Financial Instruments Recognition and Measurement (amendment)	1 January 2010
IAS 32	Financial Instruments Presentation (amendment)	Various dates from 1 February 2010
IFRS 7	Financial Instruments Disclosures (amendments)	Various dates from 1 January 2011
IAS 34	Interim Financial Reporting (amendments)	1 January 2011
IAS 24	Related Party Disclosures (amendment)	1 January 2011
	Improvements to IFRS's	1 May 2010

EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 NOVEMBER 2011

1. PRINCIPAL ACCOUNTING POLICIES (continued)

International Accounting Standards and International Financial Reporting Standards (IAS/IFRS) (continued)

The following standards, amendments and interpretations are effective but not relevant for the Group and Company for the year ended 30 November 2011

		Effective for annual periods beginning on or after
IFRS 1	First Time Adoption of IFRSs (amendments)	Various dates from 1 January 2010
IFRS 2	Group Cash Settled Share Based Payment Transactions	1 January 2010
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2010
IFRS 8	Operating Segments (amendment)	1 January 2010
IAS 17	Leases (amendments)	1 January 2010
IFRS 3	Business Combinations (revised)	1 July 2010
IFRIC 19	Extinguishing Financial Liabilities	1 July 2010
IAS 27	Consolidated and Separate Financial Statements (amendments)	Various dates from 1 July 2010
IFRIC 13	Customer Loyalty Programmes (amendment)	1 January 2011
IFRIC 14	Payments of a Minimum Funding Requirement (amendment)	1 January 2011

The following standards, amendments and interpretations were issued up to the date of the issuance of the Group's and the Company's financial statements but are not yet effective for the Group and the Company

		Effective for annual periods beginning on or after
IAS 12	Deferred tax Recovery of Underlying Assets (amendment)	1 January 2012
IFRS 9	Financial Instruments Part 1 Classification and Measurement	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013

The Group and Company will adopt these when they become effective

A summary of the more important accounting policies which have been used for the preparation of these financial statements is set out below

Interest income and interest expense

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' in the income statement using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes, all fees and commissions paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

In the current year interest is recognised on a cash receipts and accruals basis following the preparation of the accounts on a basis other than going concern.

EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 NOVEMBER 2011

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the financial reporting date.

Foreign currencies

Assets and liabilities in foreign currencies are translated into Euros at the rates of exchange ruling at the underlying swap rate or at the year end rate, where no swap is in place, at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income statement.

Value added tax

Value added tax is not recoverable by the Group and is included with its related cost.

Financial instruments

The Group's financial instruments comprise collateral loans, cash and liquid resources, interest-bearing loan notes and various receivables and payables that arise directly from its operations. The main purpose of these financial instruments is to finance the beneficial interest in a collateral portfolio. These financial instruments are classified in accordance with the principles of IAS 39 Financial Instruments Recognition and Measurement as described below.

Collateral Debt Obligations/ Deemed loan to the Originator

Under IAS 39 Financial Instruments Recognition and Measurement, if a transferor retains substantially all the risks and rewards associated with the transferred assets, the transaction is accounted for as a financing transaction, notwithstanding that it is a sale transaction from a legal perspective. The directors of the Group initially concluded that the Originator had retained substantially all the risks and rewards of the securitised Collateral Debt Obligations and as a consequence, the Group did not recognise the Collateral Debt Obligations on its balance sheet but rather a deemed loan to the Originator. However the Directors have reassessed this during the current year and have reclassified them as Collateral Debt Obligations in the Statement of Financial Position at 30 November 2011.

The deemed loan to the Originator initially represented the consideration paid by the Group in respect of the acquisition of an interest in the securitised Collateral Debt Obligations and was subsequently adjusted due to repayments made by the Originator to the Group. The deemed loan to the Originator was carried at amortised cost using the effective interest method, less provision for impairment. The Collateral Debt Obligations are now carried at their net realisable value, being cost less provision for impairment.

The Group regularly reviews the Collateral Debt Obligations / the collateral underlying the deemed loan to the Originator to assess for impairment. As described above, the Collateral Debt Obligations were written down to their net realisable value through impairments recognised in the Statement of Comprehensive Income.

Investments

The investments in subsidiaries are stated in the Statement of Financial Position at cost, less any provision for impairment.

EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 NOVEMBER 2011

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Cash and cash equivalents

For the purposes of the Statement of Cashflows, cash and cash equivalents comprise balances with less than 3 months maturity from the date of acquisition. All withdrawals from Excalibur Funding No 1 plc bank accounts are restricted by the detailed priority of payments set out in the offering circular and as such the cash and cash equivalents are not freely available to be used for any other purposes.

Floating rate loan notes

Floating rate loan notes comprised the Notes issued by the Group through the Prospectus dated 22 May 2008. The Notes were initially recognised at the fair value and are subsequently stated at amortised cost using the effective interest method. The Notes are now carried at their face value and do not take into account any potential write down that may be required should the assets of the Group be insufficient to repay the Notes in full. In the event that impairment losses exceed the credit enhancement provided by the Originator, it is possible that some loss may be borne by the Note holders.

Derivatives

The Group used derivative financial instruments to hedge its exposure to interest rate and currency risk arising from operational, financial and investment activities until these instruments were terminated in October 2011. The Group does not hold or issue derivative financial instruments for trading purposes.

International Accounting Standards require all derivative financial instruments to be recognised initially at fair value in the Statement of Financial Position. Subsequent to initial recognition, derivative financial instruments are remeasured to fair value. Where the value of the derivative is positive, it is carried as a derivative asset and where negative, as a derivative liability. The gain or loss on remeasurement to fair value is recognised immediately in the Statement of Comprehensive Income. The fair value of the interest rate swaps, caps and currency swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Certain estimates in the financial statements are based wholly or in part on estimates or assumptions made by the directors. There is, therefore, a potential risk that they may be subject to change in future periods. The most significant of these are as follows:

Impairment losses on loan to originator

The recoverability of the Collateral Debt Obligations / loan to Originator is dependent on the collections from the Collateral Debt Obligations. The Collateral Debt Obligations are considered impaired when it is probable that the Group will be unable to collect all amounts due according to the contractual terms of the agreements. The key assumptions for recoverability relate to estimates of the probability of any account going into default, cash flows from the Collateral Debt Obligations, their timing and expected proceeds from their sale. These key assumptions are based on observed data from historical patterns and are updated regularly as new data becomes available.

In addition, the directors consider how appropriate past trends and patterns could impact the current economic climate and may make any adjustments they believe are necessary to reflect the current economic and market conditions.

The accuracy of impairment calculations would therefore be affected by unexpected changes to the economic situation, variances between the models used and the actual results, or assumptions which differ from the actual outcomes.

EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 NOVEMBER 2011

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Effective interest rates

The effective interest rate method calculates the amortised cost of a financial asset or financial liability (or a group of financial assets or liabilities) and allocates the interest income or interest expense over the expected life of the asset or liability. The effective interest rate is the rate that exactly discounts estimated future cashflows to the relevant instrument's initial carrying amount. All contractual terms of a financial instrument are considered when estimating future cash flows.

In order to determine the effective interest rate applicable to loans an estimate must be made of the expected life of the Collateral Debt Obligations and hence the cash flows relating to them. These estimates are based on historical data from historical patterns and are updated regularly. The accuracy of the effective interest rate would therefore be affected by any differences between the actual borrower behaviour and that predicted.

In the current year interest is recognised on a cash receipts and accruals basis following the preparation of the accounts on a basis other than going concern.

Fair values

A majority of the fair values of the Group's financial instruments are not quoted in active markets and are arrived at using valuation techniques. During the prior year a third party was used to estimate the fair value of the underlying Collateral Debt Obligations at the date of acquisition and also at 30 November 2008. Estimated fair values have also been obtained for the derivatives at inception and also at each year end, including the current year end. These valuations have then been used to derive fair values at 30 November 2010. Fair values at 30 November 2011 for the Collateral Debt Obligations have been estimated based on the actual sales values achieved post year end. The fair values derived and disclosed in the financial statements may vary significantly from actual value due to the assumptions and estimates involved.

3 INTEREST INCOME

Interest income represents the interest income on the Collateral Debt Obligations / deemed loan to originator together with interest on bank deposits, as analysed below:

	Group 1 Dec 2010 to 30 Nov 2011	Group 1 Dec 2009 to 30 Nov 2010
Interest income on Collateral Debt Obligations / deemed loan to originator	€	€
Interest income on loans	305,720,889	111,418,269
Bank interest income	<u>498,859</u>	<u>181,825</u>
	<u>306,219,748</u>	<u>111,600,094</u>

The analysis of interest income by geographic location is set out below:

Geographic location

Europe	<u>306,219,748</u>	<u>111,600,094</u>
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EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 NOVEMBER 2011

4. INTEREST EXPENSE

	Group 1 Dec 2010 to 30 Nov 2011 €	Group 1 Dec 2009 to 30 Nov 2010 €
Interest payable on loan notes	<u>196,448,857</u>	<u>152,140,120</u>

Included within the current year balance is £134 million reflecting the write-up of the related liabilities to their face value

5. ADMINISTRATIVE EXPENSES

	Group 1 Dec 2010 to 30 Nov 2011 €	Group 1 Dec 2009 to 30 Nov 2010 €
Auditors' remuneration – audit of the statutory financial statements of the Group	180,009	246,478
Auditors' remuneration - tax services	21,880	17,190
Accountancy fees	118,324	120,906
Servicing fees	4,316,444	3,015,094
Servicer legal and professional fees	774,768	1,237,002
Trustee fees	263,689	432,860
Trustee legal and professional fees	835,337	276,351
Agent fees	379,575	107,787
Corporate service fees	24,002	13,271
Filing fees, statutory returns and couriers	29,429	12,002
Valuation fees	377,779	(86,716)
Issuer legal and other professional fees	<u>1,569,905</u>	<u>1,122,907</u>
	<u>8,891,141</u>	<u>6,515,132</u>

Apart from the directors, the Group has no employees and, other than the fees paid to Wilmington Trust SP Services (London) Limited as set out in note 17, the directors received no remuneration during the current or prior year

6. TAXATION

(a) Analysis of charge/(credit) in the year

	Group 1 Dec 2010 to 30 Nov 2011 €	Group 1 Dec 2009 to 30 Nov 2010 €
Current tax:		
Corporation tax charge/(credit) for the year	—	(84)
Total income tax charge/(credit) in the income statement	—	(84)

EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 NOVEMBER 2011

6. TAXATION

(b) Reconciliation of effective tax rate

The tax assessed on the loss on ordinary activities for the period is equal to the standard rate of corporation tax in the UK of 20% (2010 21%) for small companies.

	Group 1 Dec 2010 to 30 Nov 2011	Group 1 Dec 2009 to 30 Nov 2010 €
Loss before tax	<u>(498,798,369)</u>	<u>(133,195,450)</u>
Profit before tax multiplied by the standard rate of corporation tax in the UK of 20% (2010 21%)	(99,759,674)	(27,971,045)
Losses not recognised for tax purposes	99,759,674	27,971,045
Tax refunded	-	(84)
Total income tax charge/(refund)	<u>-</u>	<u>(84)</u>

As at 30 November 2011, there are no tax-related contingent assets or contingent liabilities in accordance with International Accounting Standard No 37 'Provisions, Contingent Liabilities and Contingent Assets' (IAS37)

There is a deferred tax asset arising on losses in the year and brought forward of €222,950,205 (2010 €129,346,012) This has not been recognised due to uncertainty around the future profitability of the entity against which to utilise the losses

(c) Taxation payable

	Group 1 Dec 2010 to 30 Nov 2011 €	Group 1 Dec 2009 to 30 Nov 2010 €
At start of the year	-	3,344
FX movements	-	316
Tax paid	-	(3,660)
At 30 November	<u>-</u>	<u>-</u>

	Company 1 Dec 2010 to 30 Nov 2011 €	Company 1 Dec 2009 to 30 Nov 2010 €
At start of the year	-	3,344
FX movements	-	316
Tax paid	-	(3,660)
At 30 November	<u>-</u>	<u>-</u>

EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 NOVEMBER 2011

7. INVESTMENT IN SUBSIDIARIES

	Company 2011	Company 2010
Non-current assets	€	€
Investments in subsidiaries at cost		
At start of the year	14,957	15,161
FX movement	(351)	(204)
At 30 November	<u>14,606</u>	<u>14,957</u>
Provision for impairment at start of year	(14,956)	(15,160)
FX movement	351	204
At 30 November	<u>(14,605)</u>	<u>(14,956)</u>
Net book value	<u>1</u>	<u>1</u>

Subsidiaries of the Company as at 30 November 2011 and 2010

Name of company	Country of registration	Details of investments & proportion held by company	Nature of business
Excalibur Funding No 1 Plc	England and Wales	100% of ordinary shares	Securitisation of Collateral Debt Obligations
Excalibur Funding No 1 Options Limited	England and Wales	100% of ordinary shares	Securitisation Option Company

On 26 April 2012 Administrative Receivers were appointed over the assets of Excalibur Funding No 1 plc

EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 NOVEMBER 2011

8. COLLATERAL DEBT OBLIGATIONS / DEEMED LOAN TO THE ORIGINATOR

	Group 2011 €	Group 2010 €
At start of the year	1,949,804,852	2,399,982,717
Additions	18,718,043	4,378,600
Repayments	(212,220,037)	(391,010,853)
Disposals	(166,055,675)	(74,482,701)
FX movements	200,861	49,357,706
Amortised cost adjustment	230,273,462	(38,420,617)
At 30 November	<u>1,820,721,506</u>	<u>1,949,804,852</u>
Provision for impairment at start of the year	(506,801,166)	(497,127,164)
Impairment charge for the year	(513,851,180)	(126,685,723)
Provisions utilised	125,303,539	47,302,974
Recoveries	-	84,954,318
FX movements	(4,335,630)	(15,245,571)
Provision for impairment at end of the year	<u>(899,684,437)</u>	<u>(506,801,166)</u>
Net book value	<u>921,037,069</u>	<u>1,443,003,686</u>

Deemed loan to the Originator refers to the beneficial interest in the Collateral Debt Obligations portfolio initially acquired from Lehman Brothers Financing Ltd, Lehman Commercial Paper Inc, United Kingdom Branch, Lehman Brothers Bankhaus AG, London Branch, Lehman Brothers International (Europe), LB RE Financing No 3 Ltd and Storm Funding Limited, each of which, according to their terms, entitles the holders to payments of interest and repayments of principal

The credit quality of the Collateral Debt Obligations underlying the deemed loan to the Originator is summarised as follows

	Group 2011 €	Group 2010 €
In special servicing	705,716,681	318,211,183
On servicer watchlist	350,834,306	586,411,975
Performing	<u>764,170,519</u>	<u>1,275,455,156</u>
	<u>1,820,721,506</u>	<u>2,180,078,314</u>
Adjustment to the expected cash flows arising from the impairment and fair value amortisation of the underlying collateral debt obligations	<u>(899,684,437)</u>	<u>(737,074,628)</u>
	<u>921,037,069</u>	<u>1,443,003,686</u>

9. OTHER ASSETS

	Group 2011 €	Group 2010 €
Accrued interest receivable	<u>3,602,190</u>	<u>9,908,238</u>

EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 NOVEMBER 2011

10. CASH AND CASH EQUIVALENTS

All withdrawals from Excalibur Funding No 1 plc bank accounts are restricted by the detailed priority of payments set out in the securitisation agreements. At 30 November 2011 these amounted to €34,651,696 (2010 €90,161,098)

	Group 2011	Group 2010	Company 2011	Company 2010
	€	€	€	€
Bank deposit accounts	34,619,938	89,884,287	-	-
Cash and bank current accounts	31,760	276,813	1	1
	<u>34,651,698</u>	<u>90,161,100</u>	<u>1</u>	<u>1</u>

11. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments were initially accounted and measured at fair value on the date they are entered into and subsequently measured at fair value. The gain or loss on re-measurement is taken to the income statement. Such fair values are subject to a number of variables and the actual value may vary significantly as market conditions fluctuate. No derivatives were outstanding at 30 November 2011 following the settlement agreement entered into by the Excalibur Funding No 1 plc at the request of the Noteholders.

12. TOTAL EQUITY

Reconciliation of movement in capital and reserves

	Share capital	Retained earnings	Total
	€	€	€
Group:			
Balance at 30 November 2009	1	(482,741,286)	(482,741,285)
Loss for the year	-	(133,195,366)	(133,195,366)
Balance at 30 November 2010	1	(615,936,652)	(615,936,651)
Loss for the year	-	(498,798,369)	(498,798,369)
Balance at 30 November 2011	<u>1</u>	<u>(1,114,735,021)</u>	<u>(1,114,735,020)</u>
	Share capital	Retained earnings	Total
	€	€	€
Company:			
Balance at 30 November 2009	1	(3,343)	(3,342)
Profit for the year	-	3,344	3,344
Balance at 30 November 2010	1	1	2
Profit for the year	-	-	-
Balance at 30 November 2011	<u>1</u>	<u>1</u>	<u>2</u>

There are 1,000 authorised ordinary shares of £1 each. The issued share capital consists of 1 fully paid ordinary share. The issued share capital is reflected in the financial statements as €1 (£1) at the historic rate of £1 €1 2737.

EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 NOVEMBER 2011

13. FLOATING RATE LOAN NOTES

	Group 2011 €	Group 2010 €
Class A floating rate loan notes	1,382,611,984	1,685,859,158
Class B floating rate loan notes	<u>641,892,529</u>	<u>507,620,795</u>
	<u>2,024,504,513</u>	<u>2,193,479,953</u>

Interest on the Notes is payable quarterly in arrears on 28 January, 28 April, 28 July and 28 October in each year, adjusted for non-Business Days, commencing on 28 July 2008. Interest on the Notes is calculated based on three month EURIBOR plus a margin of 2% per annum for the Class A Notes and 0.40% per annum for the Class B Notes.

A failure by Excalibur Funding No 1 plc to pay interest due on the Class A Notes on any payment date will result in the occurrence of an event of default of the Notes. This will result in the Notes becoming enforceable, in accordance with the conditions attached to the issue of the Notes as set out in the Prospectus. However, a failure by Excalibur Funding No 1 plc to pay interest on the Class B Notes will not result in the occurrence of an event of default of the Notes. Interest on the Class B Notes is not paid under certain conditions.

As explained on page 5, since the year end a continuing event of default of the Notes has occurred and on 26 April 2012 Excalibur Funding No 1 plc received a demand from the Note Trustee for the immediate repayment of the Notes at the request of the Note holders.

The Floating Rate Notes were originally due to be repaid by April 2054 and are secured over a portfolio of collateral secured by first charges over commercial real estate. The repayment of the loan notes are dependent on the receipt in full of the payments from the collateral real estate loans purchased.

Subject to certain conditions, the Floating Rate Notes are subject to early redemption only at the option of the Class B Noteholders. Under the terms of this option, the Notes shall be redeemed by Excalibur Funding No 1 plc, in whole but not in part, from the proceeds of liquidation or realisation of the underlying Collateral Debt Obligations on any payment date at the request in writing of the holders representing at least 66 2/3 per cent of the principal amount outstanding of the Class B Notes. The Class B Notes cannot be optionally redeemed unless, not less than seven and not more than fifteen business days before the scheduled redemption date, Excalibur Funding No 1 plc, based on the certification of the Administrative Agent, has certified to the Note Trustee that the expected net proceeds from either

- i) The entry into a binding agreement with a financial institution, or
- ii) The liquidation of the collateral to be received in before the redemption date

will equal or exceed the applicable redemption threshold test as defined in the underlying securitisation transaction documentation.

The Note Trustee (as agent for the noteholders) and Excalibur Funding No 1 Options Limited, a sister company of Excalibur Funding No 1 plc, have entered into a post-enforcement call option agreement which will require, upon exercise of the option granted to Excalibur Funding No 1 Options Limited by the Note Trustee, the transfer to Excalibur Funding No 1 Options Limited of all (but not part) of the Notes. The Post-Enforcement Call Option may be exercised by the Excalibur Funding No 1 Options Limited on the date following the enforcement by the Trustee of the Issuer Security on which the Note Trustee determines that there are no further assets available to pay amounts due and owing to the Noteholders. Noteholders will be bound by the terms of the Post-Enforcement Call Option granted to Excalibur Funding No 1 Options Limited and the Noteholders will not be paid more than a nominal amount for that transfer. This Option has not been exercised.

EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 NOVEMBER 2011

14. OTHER LIABILITIES

	Group 2011 €	Group 2010 €
Interest payable	46,912,654	33,300,522
Other creditors	847,891	847,891
Accruals and deferred income	<u>1,760,919</u>	<u>1,896,574</u>
	<u>49,521,464</u>	<u>36,044,987</u>

15. PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial instruments comprise of Collateral Debt Obligations/ deemed loan to the originator, cash and liquid resources, derivatives, interest-bearing borrowings and various receivables and payables that arise directly from its operations. The main risk arising from the Group's financial instruments are interest rate risk, liquidity risk, credit risk and currency risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below

Interest rate risk and currency risk

Interest rate risk exists where assets and liabilities have interest rates set under a different basis or which reset at different times. Currency risk exists where assets and liabilities are denominated in more than one currency. The Group used interest rate swaps and currency swaps to mitigate its exposure to interest rate risk until these were terminated in October 2011 at the direction of the Noteholders.

The Hedging Arrangements for currency and interest rate risk comprised

- (a) transactions under which interest payments in respect of Collateral Debt Obligations which are paid by reference to a fixed rate of interest or a weighted average reference rate will be swapped to a floating rate of interest (the "Interest Rate Swap Transactions"),
- (b) transactions under which interest payments in respect of Collateral Debt Obligations which are paid by reference to a particular day-count fraction basis or which pay interest less frequently than quarterly will be swapped to a rate of interest calculated by reference to the day-count fraction basis applicable to the Notes or, as applicable, which is paid quarterly (the "Basis Swap Transactions), and
- (c) transactions under which payments in respect of Collateral Debt Obligations which are paid in a currency other than Euro will be swapped into Euro (the "Currency Swap Transactions")

The Hedging Arrangements were provided by Lehman Brothers Special Financing Inc (the "Hedge Provider"). The obligations of the Hedge Provider under the Hedge Arrangements were guaranteed by Lehman Brothers Holdings Inc (the "Hedge Guarantor"). Excalibur Funding No 1 plc entered into Hedging Arrangements on an "asset by asset" basis, so that Hedging Arrangements in respect of each Collateral Debt Obligation that required hedging were in place.

Interest rate and foreign exchange sensitivity

The sensitivity of the Group to interest rate and foreign exchange rate fluctuations, and the resulting changes in net assets attributable to equity shareholders, is limited as Excalibur Funding No 1 plc only retains 0.01% of available revenue receipts from its interest in the loans portfolio with the resulting fluctuations being taken up by the deferred purchase consideration.

The following interest rate sensitivity analysis has been determined based on the Group's exposure to interest rates for interest bearing assets and liabilities at the balance sheet date and has been based on management's assessment of the possible changes in interest rates. If interest rates had been 25 basis points higher or lower, and all other variables held constant, the net loss and the net assets attributable to equity shareholders for the year ended 30 November 2011 would have been €3,111,067 (year ended 30 November 2010: €4,340,352) higher or lower respectively.

EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 NOVEMBER 2011

15. PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Interest rate and foreign exchange sensitivity (continued)

The following foreign exchange rate sensitivity analysis has been determined based on the Group's exposure to foreign exchange rates for assets and liabilities in currencies other than Euro at the balance sheet date and has been based on management's assessment of the possible changes in foreign exchange rates

If foreign exchange rates had varied been 5% higher or lower, and all other variables held constant, net assets attributable to equity shareholders for the year ended 30 November 2011 would have been €102,279 (year ended 30 November 2010 €2,209,836) higher or lower respectively

Interest rate risk

All of the Group's financial liabilities are floating rate and carry interest rates based on the relevant three-month EURIBOR rate

Interest rate re-pricing analysis

The following table details the Group's exposure to interest rate risk by the earlier of contractual maturities or re-pricing

	Total €	1 to 3 months €	Fixed rate €	Non interest bearing €
2011				
Assets				
Collateral Debt Obligations	921,037,069	686,232,947	234,804,122	-
Other assets	3,602,190	-	-	3,602,190
Cash and cash equivalents	34,651,698	34,651,698	-	-
Total assets	959,290,957	720,884,645	234,804,122	3,602,190
Liabilities				
Floating rate loan notes	2,024,504,513	2,024,504,513	-	-
Other liabilities	49,521,464	-	-	49,521,464
Total liabilities	2,074,025,977	2,024,504,513	-	49,521,464
	Total €	1 to 3 months €	Fixed rate €	Non interest bearing €
2010				
Assets				
Deemed loan to the originator	1,443,003,686	880,428,093	562,575,593	-
Other assets	9,908,238	-	-	9,908,238
Cash and cash equivalents	90,161,100	90,161,100	-	-
Derivative financial instruments	70,515,265	-	-	70,515,265
Total assets	1,613,588,289	970,589,193	562,575,593	80,423,503
Liabilities				
Floating rate loan notes	2,193,479,953	2,193,479,953	-	-
Other liabilities	36,044,987	-	-	36,044,987
Total liabilities	2,229,524,940	2,193,479,953	-	36,044,987

EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 NOVEMBER 2011

15. PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Foreign exchange exposure

The Group's total net exposure in foreign currency using exchange rates at 30 November was approximately

2011	Total	Euro	Sterling	SEK
Assets	€	€	€	€
Collateral Debt Obligations	921,037,069	875,758,818	45,278,251	-
Other assets	3,602,190	3,602,190	-	-
Cash and cash equivalents	34,651,698	33,512,403	1,139,294	1
Total assets	959,290,957	912,873,411	46,417,545	1
Liabilities				
Floating rate loan notes	2,024,504,513	2,024,504,513	-	-
Other liabilities	49,521,464	47,760,545	1,760,919	-
Total liabilities	2,074,025,977	2,072,265,058	1,760,919	-

2010	Total	Euro	Sterling	SEK
Assets	€	€	€	€
Deemed loan to the originator	1,443,003,686	1,300,365,797	128,569,409	14,068,480
Other assets	9,908,238	9,140,994	767,244	-
Cash and cash equivalents	90,161,100	44,113,354	46,047,746	-
Derivative financial instruments	70,515,265	(29,144,331)	80,477,738	19,181,858
Total assets	1,613,588,289	1,324,475,814	255,862,137	33,250,338
Liabilities				
Floating rate loan notes	2,193,479,953	2,193,479,953	-	-
Other liabilities	36,044,987	34,180,239	1,864,748	-
Total liabilities	2,229,524,940	2,227,660,192	1,864,748	-

Credit risk

The principal credit risk to the Group is that the borrowers will not be able to meet their obligations as they fall due on the loans underlying the Collateral Debt Obligations acquired by Excalibur Funding No 1 plc. The amount and timing of receipt of the principal and interest in respect of the Collateral Debt Obligations will depend upon the detailed terms of the documentation relating to each of them, on whether or not any obligor thereunder defaults in its obligations and the proceeds realised through enforcing security granted by obligors under the Collateral Debt Obligations. Because all Collateral Debt Obligations are serviced out of cash-flow generated by commercial real estate assets, the performance of the Collateral Debt Obligations will depend on the cash-flow-generating ability of those assets.

The maximum exposure to credit risk is considered to be the carrying amount of the relevant financial assets as detailed below

	2011	2010
	€	€
Collateral Debt Obligations / deemed loan to the originator	921,037,069	1,443,003,686
Other assets	3,602,190	9,908,238
Cash and cash equivalents	34,651,698	90,161,100
Derivative financial instruments	-	70,515,265
Maximum credit risk exposure	959,290,957	1,613,588,289

Refer also to note 8 for information on the credit quality of the Collateral Debt Obligations

EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED

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FOR THE YEAR ENDED 30 NOVEMBER 2011

15. PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Liquidity risk

Liquidity risk arises where the funds received by the Group are insufficient to meet the debts of the Group as they fall due for payment on the relevant interest payment dates. The availability of funds is determined on set determination dates under the terms of the securitisation by the cash manager. All payments are made in accordance with a pre-defined priority of payments schedule and Excalibur Funding No 1 plc is structured so that it is only liable to pay amounts falling due to the extent that it has received funds. Excalibur Funding No 1 plc has also entered into certain Liquidity Arrangements.

The Liquidity Arrangements are comprised of a facility provided to Excalibur Funding No 1 plc under an agreement (the "Advancing Agency Agreement") pursuant to which Lehman Commercial Paper Inc, United Kingdom Branch (the "Advancing Agent") will, subject to certain conditions and certain limitations, make payments to Excalibur Funding No 1 plc in the event that Excalibur Funding No 1 plc does not receive scheduled payments of interest that it should have received under the terms of the Collateral Debt Obligations. The Liquidity Arrangements are intended to enable Excalibur Funding No 1 plc to pay interest as required to the Class A Noteholders and to pay amounts to Excalibur Funding No 1 plc's creditors which are payable in priority to the Class A Noteholders. The amount available to Excalibur Funding No 1 plc under the Advancing Agency Agreement will be increased, from time to time, to reflect the acquisition of Additional Collateral Debt Obligations and Substitute Collateral Debt Obligations, as well as the issuance of Additional Notes.

The following table details the Group's liquidity analysis for its financial liabilities at 30 November

The actual cashflows will vary from the amounts disclosed due to the unpredictable nature of the principal collections which are used to repay the principal on the floating rate notes on a quarterly basis and changes in EURIBOR values. 3 month Euribor at 30 November 2011 was 1.473% (2010 1.028%).

The table has been drawn up based on the expected undiscounted gross cash flows on the cash flows that settle on a gross basis. The analysis for 2011 has taken into account the receipt of a demand for the immediate repayment of the Notes and the appointment of the Administrative Receiver in April 2012 over Excalibur Funding No 1 plc. Actual cashflows will vary.

		1 to 3	3 to 12	In more than 1 year but not more than 5 years	In more than 5 years
Group: 2011	Total	months	months		
Financial liabilities	€	€	€	€	€
Floating rate loan notes	2,024,504,513	-	2,024,504,513	-	-
Interest payable	<u>70,446,852</u>	<u>55,103,102</u>	<u>15,343,750</u>	-	-
Total	<u>2,094,951,365</u>	<u>55,103,102</u>	<u>2,039,848,263</u>	-	-

		1 to 3	3 to 12	In more than 1 year but not more than 5 years	In more than 5 years
Group: 2010	Total	months	months		
Financial liabilities	€	€	€	€	€
Floating rate loan notes	2,327,751,687	-	-	-	2,327,751,687
Interest payable	<u>2,657,121,239</u>	<u>14,561,163</u>	<u>45,829,575</u>	<u>244,535,909</u>	<u>2,352,194,592</u>
Total	<u>4,984,872,926</u>	<u>14,561,163</u>	<u>45,829,575</u>	<u>244,535,909</u>	<u>4,679,946,279</u>

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group is not subject to any external capital requirements except for the minimum requirement under the Companies Act 2006. The Group has not breached the minimum requirement.

EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 NOVEMBER 2011

15. PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Counterparty Risk

The Hedging Arrangements involve Excalibur Funding No 1 plc entering into contracts with the Hedge Provider or, as the case may be, the Seller of a Collateral Debt Obligation novating in favour of Excalibur Funding No 1 plc its rights and obligations under a corresponding contract with the Hedge Provider. Pursuant to such contracts, the Hedge Provider will agree to make payments to Excalibur Funding No 1 plc under certain circumstances as described therein. Excalibur Funding No 1 plc will be exposed to the credit risk of the Hedge Provider in respect of any such payments. The obligations of the Hedge Provider will be guaranteed by the Hedge Guarantor. Accordingly, the Group is also exposed to the credit risk of the Hedge Guarantor. If the Hedge Provider defaults or becomes unable to perform due to insolvency or otherwise, Excalibur Funding No 1 plc may not receive payments it would otherwise be entitled to from the Hedge Provider to cover its foreign exchange and interest rate exposure.

The Liquidity Arrangements involve Excalibur Funding No 1 plc entering into contracts with the Advancing Agent. Excalibur Funding No 1 plc will be exposed to the unwillingness or inability on the part of the Advancing Agent to make funds available under the Advancing Agency Agreement, which is, in any event, subject to the Advancing Agent undertaking a Recoverability Determination.

As discussed above, Lehman Brothers Special Financing Inc, Lehman Brothers Holdings Inc and Lehman Commercial Paper Inc, United Kingdom Branch all filed for bankruptcy under Chapter 11 of the United States Bankruptcy Code on 15 September 2008.

Prepayment risk

Prepayment risk on the Collateral Debt Obligations arises when these are voluntarily prepaid by the relevant borrower. This will be influenced by the prepayment provisions of the related Underlying Loans and also may be affected by a variety of economic, geographic and other factors, including the difference between the interest rates on the Collateral Debt Obligations (giving consideration to the cost of refinancing) and prevailing interest rates and the availability of refinancing. With respect to all of the loans, such prepayment is contingent upon the payment of a prepayment fee. Any prepayment fees required to be paid by a borrower will be paid to the Originator as part of the deferred consideration and will not form part of available funds. The directors do not believe that the Group has any significant prepayment risk.

The Underlying Loans may provide for balloon payments to be due at their respective stated maturity dates unless prepaid prior thereto. Underlying Loans with balloon payments involve a greater likelihood of default than self-amortising loans because the ability of an Underlying Obligor to make a balloon payment will typically depend upon its ability either to refinance such Underlying Loan or to sell the related Underlying Property. The ability of an Underlying Obligor to accomplish either of these goals will be affected by a number of factors, including the value of the related Underlying Property, the level of available mortgage rates at the time of sale or refinancing, the equity of the Underlying Obligor in the related Underlying Property, the financial condition and operating history of the Underlying Obligor and the related Underlying Property, tax laws, rent control laws (with respect to certain residential properties), prevailing general economic conditions and the availability of credit for Loans secured by commercial properties generally.

Financial instruments

The Group's financial instruments, comprise of a deemed loan to the Originator, cash and liquid resources, interest-bearing borrowings and various receivables and payables that arise directly from its operations. It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments is undertaken.

EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 NOVEMBER 2011

15. PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Fair values of financial assets and liabilities

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

	Note	Carrying amount 2010 €	Approximate fair value 2010 €	Carrying amount 2010 €	Approximate fair value 2010 €
Group:					
Collateral Debt Obligations /					
Deemed loan to the Originator	8	921,037,069	921,037,069	1,443,003,686	1,368,395,998
Other assets	9	3,602,190	3,602,190	9,908,238	9,908,238
Cash and cash equivalents	10	34,651,698	34,651,698	90,161,100	90,161,100
Derivative financial instruments	11	-	-	70,515,265	70,515,265
		<u>959,290,957</u>	<u>959,290,957</u>	<u>1,613,588,289</u>	<u>1,538,980,601</u>
 Floating rate loan notes	13	 2,024,504,513	 909,769,491	 2,193,479,953	 1,438,911,263
Other liabilities	14	49,521,464	49,521,464	36,044,987	36,044,987
		<u>2,074,025,977</u>	<u>959,290,955</u>	<u>2,229,524,940</u>	<u>1,474,956,250</u>
		Carrying amount 2011 €	Approximate fair value 2011 €	Carrying amount 2010 €	Approximate fair value 2010 €
Company:					
Cash and cash equivalents	10	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
		<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
 Taxation	6	 -	 -	 -	 -
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The fair value of the derivative financial instruments has been estimated by a third party based on an assessment of market value and the credit worthiness of the counterparty

The fair value of the Collateral Debt Obligations / deemed loan to the originator has been estimated by considering external valuations obtained for the underlying Collateral Debt Obligations as at November 2008. Due to the excessive cost in undertaking this external valuation, no external valuation was undertaken at 30 November 2011 or at 30 November 2010 and the approximate fair value at 30 November 2010 has been calculated based on a calculation using the 30 November 2008 valuations. The approximate fair value at 30 November 2011 has been derived from the expected values to be received from the realisation of the Collateral Debt Obligation portfolio following the appointment of the Administrative Receivers in April 2012 over Excalibur Funding No 1 plc.

The fair value of the floating rate notes, taking in to account the limited recourse nature of the securitisation, have been estimated based on the fair values of the derivative financial instruments and the Collateral Debt Obligations / deemed loan to the Originator as no market values are available.

Fair value hierarchy

The derivative financial instruments are measured at fair value through profit or loss. The fair value of the derivative financial instruments is partly based on unobservable inputs and is therefore classified as Level 3 in the fair value reliability hierarchy of IFRS 7 Financial Instruments Disclosure.

EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 NOVEMBER 2011

16. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

Wilmington Trust SP Services (London) Limited, a director of the Company, holds the shares in Excalibur Funding No 1 Holdings Limited under a Declaration of Trust for charitable purposes. Ultimate control of the Group rests with the directors and shareholders.

17. RELATED PARTY TRANSACTIONS

The Group has identified the following transactions which are required to be disclosed under the terms of IAS 24 "Related Party Disclosures"

During the year administration and accounting services were provided by Wilmington Trust SP Services (London) Limited for which Wilmington Trust SP Services (London) Limited earned €142,326 (2010 €134,177). Mr M H Filer and Mr M McDermott, directors of the Company are also directors of Wilmington Trust SP Services (London) Limited. At 30 November 2011 €169,346 (30 November 2010 €173,291) remained outstanding and included within accruals and deferred income.

During the period to 30 November 2008 Excalibur Funding No 1 plc acquired a beneficial interest in a Collateral Debt Obligations portfolio which had been acquired from Lehman Brothers Financing Ltd, Lehman Commercial Paper Inc, United Kingdom Branch, Lehman Brothers Bankhaus AG, London Branch, Lehman Brothers International (Europe), LB RE Financing No 3 Ltd and Storm Funding Limited. The value of Collateral Debt Obligations acquired, including substitutions and additional purchases, amounted to €3,423,923,943. Principal repayments received in the year amounted to €212,220,037 (2010 €391,010,853). The Collateral Debt Obligations portfolio has been treated as a deemed loan to the originator. No deferred consideration has been earned or paid to any of the sellers of the Collateral Debt Obligations during the current or prior year.

During the period to 30 November 2008, Lehman Brothers International (Europe) was appointed as the Administrative Agent to act as the agent of Excalibur Funding No 1 plc in relation to the purchase and sales of Collateral Debt Obligations, which take place at the direction of the Class B Noteholders, and in relation to certain other matters. On 15 September 2008 Lehman Brothers International (Europe) went into Administration. No fees were paid during the current or prior year and no amounts were owed at 30 November 2011 (30 November 2010 €nil). Lehman Brothers Special Financing Inc has ceased to act as the Administrative Agent.

During the period to 30 November 2008, Lehman Brothers Special Financing, Inc was appointed as the Hedge Provider to enter into the Interest Rate Swap Transactions, the Basis Swap Transactions and the Currency Swap Transactions with Excalibur Funding No 1 plc. On 15 September 2008 Lehman Brothers Special Financing Inc filed for bankruptcy under Chapter 11 of the United States Bankruptcy Code. The net amounts received under the swap transactions in the current year amounted to €nil (year ended 30 November 2010 €nil).

During the period to 30 November 2008, Lehman Brothers Holdings, Inc was appointed as the Hedge Guarantor to act as the guarantor of the obligations of the Hedge Provider under the Interest Rate Swap Transactions, the Basis Swap Transactions and the Currency Swap Transactions. On 15 September 2008 Lehman Brothers Holdings Inc filed for bankruptcy under Chapter 11 of the United States Bankruptcy Code. This constituted an event of default under the terms of the Hedging Arrangements and as such Excalibur Funding No 1 plc had no continuing obligation to make payment under the terms of the Hedging Arrangements. Lehman Brothers Holdings Inc was also downgraded below the required minimum rating requirements required by the transaction documentation and were therefore asked to post collateral. No such funds collateral have been received by Excalibur Funding No 1 plc in the current or prior year.

EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 NOVEMBER 2011

17. RELATED PARTY TRANSACTIONS (continued)

On 11 October 2011, in accordance with directions set out in an extraordinary resolution of the Class A Noteholders and the Class B Noteholders and a letter from the Note Trustee, and as notified under RNS Announcement 8831Q to the Irish Stock Exchange, Excalibur Funding No 1 plc entered into various agreements whereby, amongst other things, Excalibur Funding No 1 plc, the Note Trustee, the swap counterparty and the swap guarantor mutually released each other from all claims and obligations in relation to the swap agreements and the Note Trustee and Excalibur Funding No 1 plc agreed to release all Lehman Brothers US entities (on the date that a distribution plan becomes effective for the US Lehman Brothers estate in Chapter 11 Insolvency) from all obligations in relation to all claims except for those arising in relation to the acquisition of certain Collateral Debt Obligations. Each US Lehman Brothers entity agreed to release the Note Trustee and Excalibur Funding No 1 plc from all claims and obligations effective from the same date. Furthermore, it was agreed between the parties that no amounts shall be due or payable in connection with the swap agreement and swap guarantees.

During the period to 30 November 2008, Lehman Commercial Paper Inc, United Kingdom Branch was appointed as the Advancing Agent to enter into the Advancing Agency Agreement with Excalibur Funding No 1 plc under which it, subject to certain conditions and limitations, will make payment to Excalibur Funding No 1 plc of amounts that Excalibur Funding No 1 plc is scheduled to receive but does not receive under the Collateral Debt Obligations. On 15 September 2008 Lehman Commercial Paper Inc, filed for bankruptcy under Chapter 11 of the United States Bankruptcy Code. Lehman Commercial Paper Inc earned fees amounting to €nil during the current year (year ended 30 November 2009 €nil). No amounts were outstanding at 30 November 2011 or at 30 November 2010. Lehman Brothers Special Financing Inc has ceased to act as the Advancing Agent.

18. POST BALANCE SHEET EVENTS

Since the year end and up to 26 April 2012, Excalibur Funding No 1 plc has been directed to take actions over and also dispose of a number of Collateral Debt Obligations following receipt of written instructions from the Note Trustee acting on the direction of the Note holders. The sales value achieved on these disposals has been taken into account in determining the net realisable value of the Collateral Debt Obligations at the balance sheet date.

On 26 April 2012 Excalibur Funding No 1 plc received a Demand from the Note Trustee for the immediate repayment of the Notes, at the request of the Note holders, in accordance with terms of the transaction documents. The Directors considered the terms of the Demand and after receiving advice, resolved to formally ask the Note Trustee to appoint one or more Administrative Receivers over all the undertakings and assets of Excalibur Funding No 1 plc as soon as possible. Following this, Michael Jervis and Mark Batten were appointed as joint administrative receivers of Excalibur Funding No 1 plc on 26 April 2012. The Administrative Receivers act as agents and contract without personal liability. The Administrative Receivers are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.

Following their appointment, the Administrative Receivers executed a sale of Excalibur Funding No.1 plc portfolio of Collateral Debt Obligations and certain of Excalibur Funding No 1 plc's outstanding secured liabilities were settled as part of a wider transaction (the "Transaction") of which the following were the material elements as notified under RNS Announcement 4786D to the Irish Stock Exchange.

- Subsequent to the appointment of the Administrative Receivers, also on 26 April 2012, U S Bank Trustees Limited was replaced as the Trustee by MHB Bank AG.

EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 NOVEMBER 2011

18. POST BALANCE SHEET EVENTS (continued)

- Thereafter, on 26 and 27 April 2012, the majority of Collateral Debt Obligations owned by Excalibur Funding No 1 plc were sold to two entities which are direct or indirect subsidiaries of LSF Irish Holdings XXVII Limited (the "Purchasers"). The only Collateral Debt Obligations remaining in the ownership of Excalibur Funding No 1 plc as at the date these financial statements are signed are the four loans known as 'Reva' and 'Mitco', which are expected to be transferred to one of the Purchasers in due course. The security created pursuant to the Trust Deed was released in respect of the assets sold, but remains in effect in respect of Excalibur Funding No 1 plc's remaining assets.
- The Class A Notes, all of which were transferred from Deutsche Bundesbank ("DBB") to LSF Irish Holdings XXVII Limited, the parent of the Purchasers, on 26 April 2012 prior to the appointment of the Receivers, were redeemed by Excalibur Funding No 1 plc in an amount equal to the aggregate price payable to it by the Purchasers upon disposal of the portfolio as described above, after settlement by Excalibur Funding No 1 plc of all amounts owing to certain Secured Parties and certain other creditors as at 26 April 2012.
- As part of this Transaction, certain amendments were made to Excalibur Funding No 1 plc's existing contractual relationships. In particular the appointment of Hatfield Philips International Limited as the Servicer was terminated, and the role of the Servicer taken on by Hudson Advisors UK Limited ("Hudson"), while the roles previously performed by DBB as the Class B Noteholder Representative, the Commitment Registrar and the Administrative Agent were transferred to LSF Irish Holdings XXVII Limited (as the Class B Noteholder Representative) and Hudson (as the Commitment Registrar and the Administrative Agent).

Each of the foregoing and all other elements of the Transaction were approved by written resolutions of the Controlling Class of Noteholders at the relevant time.

The sales values achieved for the Collateral Debt Obligations since the year end have been taken into account in determining the net realisable value of the Collateral Debt Obligations at the balance sheet date.