

Company Registration Number: 06582771

EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED
GROUP FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2009

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EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED

GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 NOVEMBER 2009

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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 Fifth Floor 6 Broad Street Place London EC2M 7JH
Note Trustee	Bank of America Trustees Limited (formerly LaSalle Global Trust Services Limited) 5 Canada Square London E14 5AQ
Principal Paying Agent/Custodian/ Account Bank/Calculation Agent/ Collateral Administrator	Bank of America National Association (London Branch) 5 Canada Square London E14 5AQ
Servicer & Special Servicer	Hatfield Philips International Limited 34 th Floor 25 Canada Square London E14 5LB
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 2009

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 for the year ended 30 November 2009. The comparatives are for the period from incorporation on 2 May 2008 to 30 November 2008.

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 period 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").

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 consider that the Sellers have retained substantially all the risks and rewards of ownership of the Collateral Debt Obligations and therefore their transfer to Excalibur Funding No 1 plc has been accounted for as a financing transaction ("a deemed loan"), notwithstanding that it was a sale from a legal perspective.

The Initial 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, Excalibur Funding No 1 plc may 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 issues Additional Notes, the proceeds of such issuance will 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 may, 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 assets,

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.

EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED

THE DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 30 NOVEMBER 2009

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW (continued)

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.

The exercise by Excalibur Funding No 1 plc of its rights in relation to certain of the Collateral Debt Obligations is 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 is 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, are regulated by a servicing agreement entered into between Excalibur Funding No 1 plc and the Servicers though certain actions are 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 are or have 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").

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.

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.

EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED

THE DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 30 NOVEMBER 2009

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW (continued)

Lehman Brothers and certain of its subsidiaries (continued)

Excalibur Funding No 1 plc has engaged J C Rathbone Associates Limited ("JCRA") to advise it as to its approach in relation to the defaulted Hedging Transactions. JCRA has produced a report which sets out its advice to the Excalibur Funding No 1 plc and Excalibur Funding No 1 plc has delivered a copy of this advice to Noteholders in order to obtain directions from them. In its report JCRA has advised that Excalibur Funding No 1 plc terminates the Hedging Transactions, makes a liquidated claim against the Hedge Provider and Hedge Guarantor in respect of such terminated Hedging Transactions, does not replace any of the Hedging Transactions at present, approaches the Hedge Provider and Hedge Guarantor with a view to negotiating an agreed settlement of the liquidated claim and considers some risk mitigation against rising interest rates and further adverse currency movements.

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 has made all relevant claims against the US Lehman Brothers entities for which a deadline for filing claims was set by the US Bankruptcy Court and continues to monitor the insolvency proceedings of the Lehman Brothers entities in other jurisdictions.

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. This process is still continuing at the date of this report. On 1 June 2009 the Company has successfully terminated the role of Lehman Commercial Paper Inc, London Branch as Advancing Agent but to date has been unable to obtain a replacement. In addition, Excalibur Funding No 1 plc has made all relevant claims against the US Lehman Brothers entities for which a deadline for filing claims was set by the US Bankruptcy Court and continues to monitor the insolvency proceedings of the Lehman Brothers entities in other jurisdictions.

Results

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

- During the year the Directors commissioned a third party professional valuation of the underlying Collateral Debt Obligations within Excalibur Funding No 1 plc. This has 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 have 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 periods have been estimated based on the third party professional valuation of the underlying Collateral Debt Obligations obtained by the Directors in the year. Due to the number of variables involved the fair values disclosed may be significantly different to actual fair value.

The results for the year and the Group's financial position at 30 November are shown in the attached financial statements. The loss on ordinary activities after taxation for the year was €335,793,791 (Period ended 30 November 2008: €146,947,495 loss). The loss includes an impairment charge of €361,660,491 (2008: €135,466,673) against the underlying Collateral Debt Obligations.

EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED

THE DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 30 NOVEMBER 2009

Prior Period Adjustment

The comparative figures for the Group have been restated and reclassified as detailed in note 19 to the financial statements. These amendments have resulted in a €107,207,781 increase in the loss before tax for the period before and after taxation resulting in a total increased equity deficit of €146,947,494. Total equity and liabilities have decreased by €399,378,374 to €2,388,625,560. The cash position of the Group has remained the same as a result of these reclassifications.

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:

Class A par value

(overcollateralisation) test date	Minimum	Actual	Spread	Result
23 July 2008	110%	131.66%	21.66%	Pass
22 October 2008	110%	131.69%	21.69%	Pass
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

Class A Interest coverage test date

test date	Minimum	Actual	Spread	Result
23 July 2008	110%	233.88%	123.88%	Pass
22 October 2008	110%	45.22%	(64.78)%	Fail
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

STRATEGY AND FUTURE DEVELOPMENTS

Due to repayments decreasing the principal value of the loans each year, the deemed loan, loan notes, interest income and interest expense are expected to decrease in future years. The rate of decrease is dependent on future redemptions and further advances, if any. Excalibur Funding No 1 plc'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.

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.

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

EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED

THE DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 30 NOVEMBER 2009

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 uses interest rate swaps and currency swaps to mitigate its exposure to interest rate risk.

The Hedging Arrangements for currency and interest rate risk are 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 Company 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 Company with respect to such Hedging Arrangements has been set out more fully in the section entitled "Principal Activities and Business Review" above.

Liquidity risk

Liquidity risk arises where the funds received by the Group are insufficient to meet the debts of the Company 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 the Company has not requested any payments from the Advancing Agent to date.

Due to insolvency proceedings of Lehman Commercial Paper Inc, Excalibur Funding No 1 plc has been exposed to the inability of Lehman Commercial Paper Inc to make funds available under the Advancing Agency Agreement.

EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED

THE DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 30 NOVEMBER 2009

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES (continued)

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.

At 30 November 2009 the Collateral Debt Obligation portfolio had an estimated carrying value of €1,902,855,553 (2008 €2,299,387,000) including a provision for impairment of €497,127,164 (2008 €135,466,673).

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, the Company 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 the Company 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. The efforts which are continuing at the date of this report to find replacements for the roles these entities undertook are more fully set out in the section entitled "Principal Activities and Business Review" above.

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 16 to the financial statements.

DIRECTORS

The directors who served the Company during the year were as follows:

Mr M H Filer

Mr M McDermott

Wilmington Trust SP Services (London) Limited

EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED

THE DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 30 NOVEMBER 2009

GOING CONCERN

The Group's principal activities, together with the factors likely to affect its future development, performance and position and its principal risks and uncertainties are set out above

The financial statements have been prepared on a going concern basis as, in the opinion of the directors, the Group will be able to meet its obligations as they fall due for payment in accordance with the terms of the securitisation documentation. According to the terms of the loan notes, 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.

The loan notes issued by Excalibur Funding No 1 plc are full recourse obligations of Excalibur Funding No 1 plc and are issued subject to an option of Excalibur Funding No 1 Options Limited, a related party, to acquire the notes for nominal consideration, the post enforcement call option, should any of the notes remain outstanding following enforcement of their rights and realisation of the assets of Excalibur Funding No 1 plc. Following the purchase of such remaining note obligations by Excalibur Funding No 1 Options Limited, the directors of Excalibur Funding No 1 plc would rely on Excalibur Funding No 1 Options Limited to support the continued operations of Excalibur Funding No 1 plc through the cancellation of the loan notes. The notes are therefore viewed as being "without recourse" and the Company will only be liable to make any payments to the extent that it has received sufficient funds to enable it so to do.

While the Class B noteholder has been granted an option which would require Excalibur Funding No 1 plc to redeem all of the loan notes in issue at any payment date after issue under certain conditions (see note 14) this cannot occur without the disposal or realisation of the underlying Collateral Debt Obligations.

As a consequence, the directors believe that the Group is in a position to manage its business risks despite the current uncertain economic outlook. It is the intention of the Directors of the Company to continue operations until such time as the amounts due from the underlying Collateral Debt Obligation portfolio have been fully realised. Since the year end, as described below, the Class A noteholder has sought to enforce the security following an event of default but has not sought to appoint a receiver.

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

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.

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

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.

EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED

THE DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 30 NOVEMBER 2009

POST BALANCE SHEET EVENTS

Excalibur Funding No 1 plc has acted upon a direction from the Note Trustee on 15 December 2009, following an instruction from the Class A noteholder, to take action to enforce the Company's rights against the Class B noteholder for its breach of its obligations to fund unfunded amounts, to sustain the required ratings and for the failure to transfer the Class B note

The Class A notes were downgraded by S&P on 4 November 2010 from BB+ to B-

On the 23 January 2011 the par coverage numerator fell below 100 per cent of the principal amount outstanding of the Class A Notes issued by Excalibur Funding No 1 plc. This constituted an Event of Default under the terms of the Note issuance by Excalibur Funding No 1 plc. Excalibur Funding No 1 plc informed noteholders of the occurrence of this Event of Default on 31 January 2011.

On 4 February 2011 the Class A noteholder, the controlling class of noteholders, by way of written resolution, issued an Acceleration Resolution and instructed the Trustee in accordance with Condition 10(c)(i) of the Notes to give notice to Excalibur Funding No 1 plc that all of the Notes are immediately due and payable following the Event of Default but that the Trustee should not appoint a receiver or take any other enforcement action under the Trust Deed or any additional security agreement without the instructions of the controlling class of noteholders.

On 7 February 2011, the Trustee, as directed by an Extraordinary Resolution of the Class A noteholders, gave notice to Excalibur Funding No 1 plc that both classes of the Notes are immediately due and payable at their respective redemption prices.

On 8 February 2011 the Class A noteholder, the controlling class of noteholders, by way of written resolution, issued an Enforcement Resolution and instructed the Trustee in accordance with Condition 10(c)(iii) of the Notes to enforce the security in accordance with the terms of Condition 11 of the Notes, the Trust Deed and any additional security agreement.

On 8 February 2011 the Class A noteholder, the controlling class of noteholders, by way of written resolution, observed that

- (i) Pursuant to Condition 14 (d) of the notes, where there is a conflict between the interests of the different classes of noteholders, the Trustee must give priority to the interests of the controlling class and shall act in accordance with the directions of such noteholders,
- (ii) It is not in the interest of the Class A noteholders that a receiver is appointed at this time,
- (iii) The Class A noteholder is prepared to discuss any specific enforcement actions with the Trustee and in each individual case give instructions as to how the security is to be enforced.

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 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 Company's auditors are aware of that information.

AUDITORS

A resolution to re-appoint Ernst & Young LLP as auditors will be proposed at the Annual General Meeting in accordance with the Companies Act 2006.

By order of the Board



Mark Filer

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

18 February 2011

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

We have audited the Group and parent company financial statements (the "financial statements") of Excalibur Funding No 1 Holdings Limited (the "Company") for the year ended 30 November 2009, which comprise the Group Statement of Comprehensive Income, the Group and Parent Company Statement of Changes in Equity, the Group and Parent Company Statement of Financial Position, the Group and Parent Company Statement of Cashflows and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 2006. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

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

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board, except that the scope of our work was limited as explained below.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Qualified opinion on the group financial statements arising from limitation in audit scope

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 have faced difficulties in obtaining complete information about the debt instruments acquired by the company's subsidiaries as at the date of their acquisition. Consequently, the directors have 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 and the carrying amounts of those assets and liabilities at subsequent reporting dates.

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

Qualified opinion on the group financial statements arising from limitation in audit scope (continued)

Except for the financial effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the initial fair value of the deemed loan to originator, in our opinion the group financial statements

- give a true and fair view of the state of the Group's affairs as at 30 November 2009 and of its loss for the year then ended,
- 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

Opinion on parent company financial statements

In our opinion the parent company financial statements

- give a true and fair view, in accordance with IFRS's as adopted by the European Union, of the state of the parent company's affairs as at 30 November 2009, and
- have been prepared in accordance with 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

Dated 18 Feb 2011

EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 NOVEMBER 2009

	Note	1 Dec 2008 to 30 Nov 2009 €	2 May 2008 to 30 Nov 2008 (restated) €
Interest income	3	219,796,782	177,707,485
Interest expense	4	<u>(168,538,105)</u>	<u>(156,386,744)</u>
Net interest income		51,258,677	21,320,741
Other income	5	-	15,925
Fair value movements in derivative financial instruments	12	19,591,865	31,977,608
Losses realised on underlying collateral to loan to originator		(1,974,436)	(5,807,868)
Impairment of loan to originator		(361,660,491)	(135,466,673)
Foreign exchange losses		(36,847,782)	(57,629,167)
Administrative expenses	6	<u>(6,161,624)</u>	<u>(1,354,717)</u>
Loss before tax for the period		(335,793,791)	(146,944,151)
Taxation	7	-	(3,344)
Loss for the period	13	<u>(335,793,791)</u>	<u>(146,947,495)</u>

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 NOVEMBER 2009

	Share Capital €	Retained Earnings (restated) €	Total (restated) €
Shares issued	1	-	1
Loss for the period as originally stated	-	(39,739,714)	(39,739,714)
Balance at 30 November 2008 as originally stated	1	(39,739,714)	(39,739,713)
Restatement to loss for the period	-	<u>(107,207,781)</u>	<u>(107,207,781)</u>
Balance at 30 November 2008 restated	1	(146,947,495)	(146,947,494)
Loss for the year	-	<u>(335,793,791)</u>	<u>(335,793,791)</u>
Balance at 30 November 2009	<u>1</u>	<u>(482,741,286)</u>	<u>(482,741,285)</u>

The notes on pages 18 to 37 form part of these financial statements

EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED

COMPANY STATEMENT OF COMPREHENSIVE INCOME

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 NOVEMBER 2009

	Share Capital	Retained Earnings (restated)	Total (restated)
	€	€	€
Shares issued	1	-	1
Loss for the period	-	(3,343)	(3,343)
Balance at 30 November 2008 restated	1	(3,343)	(3,342)
Loss for the year	-	-	-
Balance at 30 November 2009	<u>1</u>	<u>(3,343)</u>	<u>(3,342)</u>

The notes on pages 18 to 37 form part of these financial statements

EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED

GROUP STATEMENT OF FINANCIAL POSITION

AS AT 30 NOVEMBER 2009

	Note	2009 €	2008 (restated) €
Assets			
Deemed loan to the originator	9	1,902,855,553	2,299,387,000
Other assets	10	73,065,123	45,781,850
Cash and cash equivalents	11	36,261,155	11,479,102
Derivative financial instruments	12	51,569,473	31,977,608
Total assets		<u>2,063,751,304</u>	<u>2,388,625,560</u>
Equity			
Issued capital	13	1	1
Retained earnings	13	(482,741,286)	(146,947,495)
Total equity	13	<u>(482,741,285)</u>	<u>(146,947,494)</u>
Liabilities			
Floating rate loan notes	14	2,517,606,425	2,509,525,509
Taxation	7	3,344	3,344
Other liabilities	15	28,882,820	26,044,201
Total liabilities		<u>2,546,492,589</u>	<u>2,535,573,054</u>
Total equity and liabilities		<u>2,063,751,304</u>	<u>2,388,625,560</u>

These financial statements of Excalibur Funding No 1 Holdings Limited, Company Registration 06582771 on pages 12 to 37 were approved and authorised for issue by the directors on 18 February 2011 and signed on their behalf by



Mark Filer

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

The notes on pages 18 to 37 form part of these financial statements

EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 30 NOVEMBER 2009

	Note	2009 €	2008 €
Non-current Assets			
Investment in subsidiaries	8	<u>1</u>	<u>1</u>
Total non-current assets		<u>1</u>	<u>1</u>
Current Assets			
Cash and cash equivalents	11	<u>1</u>	<u>1</u>
Total current assets		<u>1</u>	<u>1</u>
Total assets		<u><u>2</u></u>	<u><u>2</u></u>
Equity			
Issued capital	13	1	1
Retained earnings	13	<u>(3,343)</u>	<u>(3,343)</u>
Total equity	13	<u>(3,342)</u>	<u>(3,342)</u>
Current Liabilities			
Taxation	7	<u>3,344</u>	<u>3,344</u>
Total current liabilities		<u>3,344</u>	<u>3,344</u>
Total liabilities		<u>3,344</u>	<u>3,344</u>
Total equity and liabilities		<u><u>2</u></u>	<u><u>2</u></u>

These financial statements of Excalibur Holdings Limited, Company Registration 06582771 on pages 12 to 37 were approved and authorised for issue by the directors on 18 February 2011 and signed on their behalf by



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

The notes on pages 18 to 37 form part of these financial statements

EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED

GROUP STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 30 NOVEMBER 2009

	Note	1 Dec 2008 to 30 Nov 2009 €	2 May 2008 to 30 Nov 2008 (restated) €
Cash flows from operating activities			
Loss before tax for the period		<u>(335,793,791)</u>	<u>(146,944,151)</u>
<i>Adjustments for</i>			
Interest income		(219,796,782)	(177,707,485)
Interest expense		168,538,105	156,386,744
Fair value movement in derivatives		(19,591,865)	(31,977,608)
Losses realised on underlying collateral relating to the loan to Originator		1,974,436	5,807,868
Impairment of loan to originator		361,660,491	135,466,673
Foreign exchange losses		34,098,404	58,767,428
Increase in other payables		<u>1,536,311</u>	<u>467,777</u>
Net cash (used in)/generated by operating activities		<u>(7,374,691)</u>	<u>267,246</u>
Cash flows used in investing activities			
Deemed loan to the Originator acquired		(9,824,083)	(3,423,923,943)
Repayment of deemed loan to the Originator		99,937,831	91,699,261
Proceeds received on disposal of underlying collateral relating to the deemed loan to the Originator		-	539,873,510
Interest received		<u>102,706,240</u>	<u>65,238,619</u>
Net cash generated by/(used in) investing activities		<u>192,819,988</u>	<u>(2,727,112,553)</u>
Cash flows from financing activities			
Issue of loan notes		-	2,801,696,102
Repayment of loan notes		(58,124,582)	-
Interest paid		(101,878,188)	(63,371,694)
Share capital issued		-	1
Net cash (used in)/generated by financing activities		<u>(160,002,770)</u>	<u>2,738,324,409</u>
Net increase in cash and cash equivalents		25,442,527	11,479,102
Cash and cash equivalents at start of the period		11,479,102	-
Foreign exchange losses on cash and cash equivalents		<u>(660,474)</u>	<u>-</u>
Cash and cash equivalents at end of the period	11	<u><u>36,261,155</u></u>	<u><u>11,479,102</u></u>

All withdrawals from the Company's 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

The notes on pages 18 to 37 form part of these financial statements

EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED

COMPANY STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 30 NOVEMBER 2009

	Note	1 Dec 2008 to 30 Nov 2009 €	1 May 2008 to 30 November 2008 €
Cash flows from operating activities			
Profit before tax for the period		<u>-</u>	<u>1</u>
<i>Adjustments for</i>			
Provision for impairment of investments		<u>-</u>	<u>15,160</u>
Net cash from operating activities		<u>-</u>	<u>15,161</u>
Cash flows used in investing activities			
Investment in subsidiaries		<u>-</u>	<u>(15,161)</u>
Net cash used in investing activities		<u>-</u>	<u>(15,161)</u>
Cash flows from financing activities			
Share capital issued		<u>-</u>	<u>1</u>
Net cash from financing activities		<u>-</u>	<u>1</u>
Net increase in cash and cash equivalents		<u>-</u>	<u>1</u>
Cash and cash equivalents at start of period		<u>1</u>	<u>-</u>
Cash and cash equivalents at end of period	11	<u><u>1</u></u>	<u><u>1</u></u>

The notes on pages 18 to 37 form part of these financial statements

EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 NOVEMBER 2009

1 PRINCIPAL ACCOUNTING POLICIES

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

In accordance with the terms of the Prospectus dated 22 May 2008, the Group was allowed to issue up to €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 as modified by the revaluation of all derivative contracts

The Group mainly transacts in euros ("€"), therefore, the euro is its functional and presentational currency

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

- During the year the Directors commissioned a third party professional valuation of the underlying Collateral Debt Obligations. This has 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 have 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 periods have been estimated based on the third party professional valuation of the underlying Collateral Debt Obligations obtained by the Directors in the year. Due to the number of variables involved the fair values disclosed may be significantly different to actual fair value

The comparative figures have been restated and reclassified as detailed in note 19 to the financial statements

Basis of preparation - going concern

The Group'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 16 to the financial statements includes the Group'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, 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 2009

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Basis of preparation - going concern (continued)

The loan notes issued by Excalibur Funding No 1 plc are full recourse obligations of Excalibur Funding No 1 plc and are issued subject to an option of Excalibur Funding No 1 Options Limited, a related party, to acquire the notes for nominal consideration, the post enforcement call option, should any of the notes remain outstanding following enforcement of their rights and realisation of the assets of Excalibur Funding No 1 plc. Following the purchase of such remaining note obligations by Excalibur Funding No 1 Options Limited, the directors of Excalibur Funding No 1 plc would rely on Excalibur Funding No 1 Options Limited to support the continued operations of Excalibur Funding No 1 plc through the cancellation of the loan notes. The notes are therefore viewed as being "without recourse" and the Company will only be liable to make any payments to the extent that it has received sufficient funds to enable it so to do.

While the Class B noteholder has been granted an option which would require Excalibur Funding No 1 plc to redeem all of the loan notes in issue at any payment date after issue under certain conditions (see note 14) this cannot occur without the disposal or realisation of the underlying Collateral Debt Obligations.

As a consequence, the directors believe that the Group is in a position to manage its business risks despite the current uncertain economic outlook. It is the intention of the Directors of the Company to continue operations until such time as the amounts due from the underlying Collateral Debt Obligation portfolio have been fully realised. Since the year end, as described in the Directors Report, the Class A noteholder has sought to enforce the security following an event of default but has not sought to appoint a receiver.

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

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 8.

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 2009.

		Effective for annual periods beginning on or after
IAS 1	Presentation of financial Statements (revised)	1 January 2009
IFRS 7	Improving Disclosure about Financial Instruments (amendment)	1 January 2009
IAS 23	Borrowing Costs (revised)	1 January 2009

EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 NOVEMBER 2009

2. 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 for the year ended 30 November 2009

		Effective for annual periods beginning on or after
IFRS 8	Operating Segments	1 January 2009
IAS 32	Financial Instruments Presentation (amendment)	1 January 2009
IAS 1	Presentation of Financial Statements Puttable Financial Instruments and Obligations Arising on Liquidation (amendment)	1 January 2009
IFRS 2	Share-based Payments (amendment)	1 January 2009
IFRIC 13	Customer Loyalty Programmes	1 July 2008
IFRIC 14	IAS 19 – Limit on defined benefit asset, minimum funding requirements and their interaction	1 January 2009
IFRIC 16	Hedge of a Net Investment in Foreign Operation	1 October 2008

The following standards, amendments and interpretations are not effective and have not been adopted by the Group for the year ended 30 November 2009

		Effective for annual periods beginning on or after
IAS 27	Consolidated and Separate Financial Statements (revised)	1 July 2009
IAS 39	Financial Instruments Recognition and Measurement Eligible Hedged Items (amendment)	1 July 2009
IFRS 1	First Time Adoption of IFRSs (amendment)	1 July 2009
IFRS 3	Business Combinations (revised)	1 July 2009
IFRIC 12	Service Concession Arrangements	30 March 2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	1 July 2009
IFRIC 17	Distribution of Non-Cash to Owners	1 July 2009
IFRIC 18	Transfer of Assets from Customers	1 July 2009
IFRS 2	Group Cash Settled Share Based Payment Transactions	1 January 2010
IFRS 9	Financial Instruments part 1 Classification and Measurement	1 January 2013

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

Other income

Other income is accounted for on an accruals basis

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.

EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 NOVEMBER 2009

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Deferred consideration

Deferred consideration is included within interest expense. Deferred consideration is payable to the Originator dependent on the extent to which the surplus income, in excess of the agreed margin, generated by the portfolio of loans in which the Group has purchased an interest, exceeds the administration costs of the portfolio of loans.

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.

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 Company and is included with its related cost.

Financial instruments

The Company'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.

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 Company have concluded that the Originator has retained substantially all the risks and rewards of the securitised Collateral Debt Obligations and as a consequence, the Group does not recognise the Collateral Debt Obligations on its balance sheet but rather a deemed loan to the Originator.

The deemed loan to the Originator initially represents the consideration paid by the Group in respect of the acquisition of an interest in the securitised Collateral Debt Obligations and is subsequently adjusted due to repayments made by the Originator to the Group. The deemed loan to the Originator is carried at amortised cost using the effective interest method, less provision for impairment.

Deferred consideration payable to the Originator, representing the excess of the Company's collections regarding the Collateral Debt Obligations above the Group's payments as determined by the Prospectus, is also netted off against the deemed loan since it is due to and from the same counterparty.

The Group regularly reviews the underlying collateral in relation to the deemed loan to the Originator to assess for impairment.

EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 NOVEMBER 2009

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Investments

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

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.

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 Noteholders.

Derivatives

The Group used derivative financial instruments to hedge its exposure to interest rate and currency risk arising from operational, financial and investment activities. 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 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 loan to originator is dependent on the collections from underlying 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 2009

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.

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 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 were also obtained for the derivatives at inception and also at each period end. These valuations have then been used to derive fair values at 30 November 2009. 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 deemed loan to the Originator together with interest on bank deposits, as analysed below.

	Group 1 Dec 2008 to 30 Nov 2009	Group 2 May 2008 to 30 Nov 2008 (Restated)
Interest income on deemed loan to the Originator	€	€
Interest income on loans	219,602,537	173,153,060
Net swap interest receivable	39,942	3,849,247
Bank interest income	154,303	705,178
	<u>219,796,782</u>	<u>177,707,485</u>

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

Geographic location		
Europe	<u>219,796,782</u>	<u>177,707,485</u>

4. INTEREST EXPENSE

	Group 1 Dec 2008 to 30 Nov 2009	Group 2 May 2008 to 30 Nov 2008
	€	€
Interest payable on loan notes	<u>168,538,105</u>	<u>156,386,744</u>

5. OTHER INCOME

	Group 1 Dec 2008 to 30 Nov 2009	Group 2 May 2008 to 30 Nov 2008
	€	€
Other income	<u>-</u>	<u>15,925</u>

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 NOVEMBER 2009

6. ADMINISTRATIVE EXPENSES

	Group 1 Dec 2008 to 30 Nov 2009 €	Group 2 May 2008 to 30 Nov 2008 (restated) €
Auditors' remuneration – audit of the statutory financial statements of the Company	174,720	142,492
Auditors' remuneration - tax services	11,399	11,399
Accountancy fees	36,397	21,374
Servicing fees	2,005,312	658,622
Servicer legal and professional fees	1,195,552	-
Trustee fees	458,803	208,393
Trustee legal and professional fees	375,753	-
Agent fees	219,281	102,782
Corporate service fees	22,672	12,835
Filing fees, statutory returns and couriers	243	813
Rating agency fees	-	8,133
Valuation fees	963,294	-
Issuer legal and other professional fees	<u>698,198</u>	<u>187,874</u>
	<u>6,161,624</u>	<u>1,354,717</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 18, the directors received no remuneration during the current year or the prior period

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7. TAXATION

(a) Analysis of charge in the year/period

	Group 1 Dec 2008 to 30 Nov 2009	Group 2 May 2008 to 30 Nov 2008
Current tax:	€	€
Corporation tax charge for the year/period	-	3,344
Total income tax charge in the income statement	-	3,344

(b) Reconciliation of effective tax rate

The tax assessed on the loss on ordinary activities for the year/period is equal to the small companies' rate of corporation tax in the UK of 21%

	Group 1 Dec 2008 to 30 Nov 2009	Group 2 May 2008 to 30 Nov 2008 (restated)
	€	€
Loss before tax	<u>(335,793,791)</u>	<u>(146,944,151)</u>
Profit before tax multiplied by the standard rate of corporation tax in the UK of 21%	(70,516,696)	(30,858,272)
Losses not recognised for tax purposes	70,516,696	30,858,272
Disallowable expenditure for tax purposes	-	3,344
Total income tax charge	<u>-</u>	<u>3,344</u>

As at 30 November 2009, 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 period of €101,374,968 (2008 restated €30,858,272) This has not been recognised due to uncertainty around the future profitability of the entity against which to utilise the losses

8. INVESTMENTS

	Company 2009	Company 2008
Non-current assets	£	£
Investments in subsidiaries at cost		
At start of the period	15,161	-
Additions in the period	-	15,161
At 30 November	<u>15,161</u>	<u>15,161</u>
Provision for impairment	<u>(15,160)</u>	<u>(15,160)</u>
At 30 November	<u>1</u>	<u>1</u>

Subsidiaries of the Company as at 30 November 2009 and 2008

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

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9. DEEMED LOAN TO THE ORIGINATOR

	Group 2009 €	Group 2008 (restated) €
At start of the period	2,434,853,673	-
Additions	10,671,974	3,064,314,724
Repayments	(99,937,831)	(91,699,261)
Disposals	(1,974,436)	(545,681,378)
FX movements	(48,003,737)	(55,463,711)
Amortised cost adjustment	104,373,074	63,383,299
At 30 November	<u>2,399,982,717</u>	<u>2,434,853,673</u>
Provision for impairment at start of period	(135,466,673)	-
Impairment charge for the period	<u>(361,660,491)</u>	<u>(135,466,673)</u>
Provision for impairment at end of period	<u>(497,127,164)</u>	<u>(135,466,673)</u>
Net book value	<u>1,902,855,553</u>	<u>2,299,387,000</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 2009 €	Group 2008 (restated) €
In special servicing	379,100,652	-
On servicer watchlist	550,477,962	413,295,439
Performing	<u>1,577,302,632</u>	<u>2,317,784,154</u>
	2,506,881,246	2,731,079,593
Adjustment to the expected cash flows arising from the impairment of the underlying collateral debt obligations	<u>(604,025,693)</u>	<u>(431,692,593)</u>
	<u>1,902,855,553</u>	<u>2,299,387,000</u>

10. OTHER ASSETS

	Group 2009 €	Group 2008 (restated) €
Accrued interest receivable	<u>73,065,123</u>	<u>45,781,850</u>

EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED

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FOR THE YEAR ENDED 30 NOVEMBER 2009

11. 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 2009 these amounted to €36,261,152 (2008 €11,479,099)

	Group 2009	Group 2008	Company 2009	Company 2008
	€	€	€	€
Bank deposit accounts	36,145,365	-	-	-
Cash and bank current accounts	<u>115,790</u>	<u>11,479,102</u>	<u>1</u>	<u>1</u>
	<u>36,261,155</u>	<u>11,479,102</u>	<u>1</u>	<u>1</u>

12. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are 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.

13. TOTAL EQUITY

Reconciliation of movement in capital and reserves

	Share capital	Retained earnings (restated)	Total (restated)
	€	€	€
Group:			
Issued capital	1	-	1
Loss for the period as originally stated	-	(39,739,714)	(39,739,714)
Balance at 30 November 2008 as originally stated	1	(39,739,714)	(39,739,713)
Restatement to loss for the period	-	(107,207,781)	(107,207,781)
Balance at 30 November 2008 restated	1	(146,947,495)	(146,947,494)
Loss for the year	-	(335,793,791)	(335,793,791)
Balance at 30 November 2009	<u>1</u>	<u>(482,741,286)</u>	<u>(482,741,285)</u>
Company:			
Issued capital	1	-	1
Loss for the period as originally stated	-	(3,343)	(3,343)
Balance at 30 November 2008 as originally stated	1	(3,343)	(3,342)
Loss for the year	-	-	-
Balance at 30 November 2009	<u>1</u>	<u>(3,343)</u>	<u>(3,342)</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).

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 NOVEMBER 2009

14. LIABILITIES

	Group 2009 €	Group 2008 (restated) €
Class A floating rate loan notes	2,101,678,990	2,166,541,000
Class B floating rate loan notes	<u>415,927,435</u>	<u>342,984,509</u>
	<u>2,517,606,425</u>	<u>2,509,525,509</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.

The Floating Rate Notes are 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 by Lehman Brothers International (Europe) as Administrative Agent, has certified to the 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 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 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 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.

EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 NOVEMBER 2009

15. OTHER LIABILITIES

	Group 2009 €	Group 2008 €
Interest payable	26,030,841	25,576,424
Other creditors	847,891	-
Accruals and deferred income	<u>2,004,088</u>	<u>467,777</u>
	<u>28,882,820</u>	<u>26,044,201</u>

16. PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial instruments comprise a 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 uses interest rate swaps and currency swaps to mitigate its exposure to interest rate risk.

The Hedging Arrangements for currency and interest rate risk are 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 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 2009 would have been €5,312,479 (period ended 30 November 2008: €6,400,294) higher or lower respectively.

EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 NOVEMBER 2009

16. 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 Company'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 2009 would have been €1,842,389 (period ended 30 November 2008 €2,854,101) 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 €
2009				
Assets				
Deemed loan to the originator	1,902,855,553	1,142,040,031	760,815,522	-
Other assets	73,065,123	-	-	73,065,123
Cash and cash equivalents	36,261,155	36,261,155	-	-
Derivative financial instruments	51,569,473	-	-	51,569,473
Total assets	2,063,751,304	1,178,301,186	760,815,522	124,634,596
Liabilities				
Floating rate loan notes	2,517,606,425	2,517,606,425	-	-
Taxation	3,344	-	-	3,344
Other liabilities	28,882,820	-	-	28,882,820
Total liabilities	2,546,492,589	2,517,606,425	-	28,886,164
	Total €	1 to 3 months €	Fixed rate €	Non interest bearing €
2008 (restated)				
Assets				
Deemed loan to the originator	2,299,387,000	1,212,182,434	1,087,204,566	-
Other assets	45,781,850	-	-	45,781,850
Cash and cash equivalents	11,479,102	11,479,102	-	-
Derivative financial instruments	31,977,608	-	-	31,977,608
Total assets	2,388,625,560	1,223,661,536	1,087,204,566	77,759,458
Liabilities				
Floating rate loan notes	2,509,525,509	2,509,525,509	-	-
Taxation	3,344	-	-	3,344
Other liabilities	26,044,201	-	-	26,044,201
Total liabilities	2,535,573,054	2,509,525,509	-	26,047,545

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16. 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

2009	Total	Euro	Sterling	SEK
Assets	€	€	€	€
Deemed loan to the originator	1,902,855,553	1,599,842,882	157,905,515	145,107,156
Other assets	73,065,123	68,602,157	2,886,982	1,575,984
Cash and cash equivalents	36,261,155	27,339,554	8,921,601	-
Derivative financial instruments	51,569,473	3,889,901	25,193,780	22,485,792
Total assets	2,063,751,304	1,699,674,494	194,907,878	169,168,932
Liabilities				
Floating rate loan notes	2,517,606,425	2,517,606,425	-	-
Taxation	3,344	-	3,344	-
Other liabilities	28,882,820	27,598,036	1,284,784	-
Total liabilities	2,546,492,589	2,545,204,461	1,288,128	-
2008 (restated)	Total	Euro	Sterling	SEK
Assets	€	€	€	€
Deemed loan to the originator	2,299,387,000	1,859,742,889	185,264,364	254,379,747
Other assets	45,781,850	33,845,888	3,874,040	8,061,922
Cash and cash equivalents	11,479,102	2,459,113	9,019,840	149
Derivative financial instruments	31,977,608	7,314,609	11,971,428	12,691,571
Total assets	2,388,625,560	1,903,362,499	210,129,672	275,133,389
Liabilities				
Floating rate loan notes	2,509,525,509	2,509,525,509	-	-
Taxation	3,344	-	3,344	-
Other liabilities	26,044,201	25,868,935	175,266	-
Total liabilities	2,535,573,054	2,535,394,444	178,610	-

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 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

	2009	2008
	€	€
Deemed loan to the originator	1,902,855,553	2,299,387,000
Other assets	73,065,123	45,781,850
Cash and cash equivalents	36,261,155	11,479,102
Derivative financial instruments	51,569,473	31,977,608
Maximum credit risk exposure	2,063,751,304	2,388,625,560

Refer also to note 9 for information on the credit quality of the Collateral Debt Obligations

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 NOVEMBER 2009

16. 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 2009 was 0.791% (2008: 3.853%).

The table has been drawn up based on the expected undiscounted gross cash flows on the cash flows that settle on a gross basis.

		1 to 3	3 to 12	In more than 1 year but not more than 5 years	In more than 5 years
Group: 2009	Total	months	months		
Financial liabilities	€	€	€	€	€
Floating rate loan notes	2,743,571,519	-	-	-	2,743,571,519
Interest payable	<u>2,904,817,925</u>	<u>16,516,357</u>	<u>48,960,321</u>	<u>261,240,837</u>	<u>2,578,100,410</u>
Total	<u>5,648,389,444</u>	<u>16,516,357</u>	<u>48,960,321</u>	<u>261,240,837</u>	<u>5,321,671,929</u>
				In more than 1 year but not more than 5 years	In more than 5 years
Group: 2008	Total	months	months		
Financial liabilities	€	€	€	€	€
Floating rate loan notes	2,801,696,102	-	-	-	2,801,696,102
Interest payable	<u>7,109,445,756</u>	<u>46,935,041</u>	<u>117,074,713</u>	<u>780,640,515</u>	<u>6,164,795,487</u>
Total	<u>9,911,141,858</u>	<u>46,935,041</u>	<u>117,074,713</u>	<u>780,640,515</u>	<u>8,966,491,589</u>

Capital risk management

The Company's objectives when managing capital are to safeguard the Company'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 Company is not subject to any external capital requirements except for the minimum requirement under the Companies Act 2006. The Company has not breached the minimum requirement.

EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 NOVEMBER 2009

16. 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 Company 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 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 period 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 2009

16. 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 2009 €	Approximate fair value 2009 €	Carrying amount (restated) 2008 €	Approximate fair value 2008 €
Group:					
Deemed loan to the Originator	9	1,902,855,553	1,713,039,944	2,299,387,000	2,122,676,652
Other assets	10	73,065,123	73,065,123	45,781,850	45,781,850
Cash and cash equivalents	11	36,261,155	36,261,155	11,479,102	11,479,102
Derivative financial instruments	12	51,569,473	51,569,473	31,977,608	31,977,608
		<u>2,063,751,304</u>	<u>1,873,935,695</u>	<u>2,388,625,560</u>	<u>2,211,915,212</u>
 Floating rate notes	14	 2,517,606,425	 1,764,609,417	 2,509,525,509	 2,154,654,260
Taxation	7	3,344	3,344	3,344	3,344
Other liabilities	15	28,882,820	28,882,820	26,044,201	26,044,201
		<u>2,546,492,589</u>	<u>1,793,495,581</u>	<u>2,535,573,054</u>	<u>2,180,701,805</u>
	Note	Carrying amount 2009 €	Approximate fair value 2009 €	Carrying amount 2008 €	Approximate fair value 2008 €
Company:					
Investment in subsidiaries	8	1	1	1	1
Cash and cash equivalents	11	1	1	1	1
		<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
 Taxation	7	 3,344	 3,344	 3,344	 3,344
		<u>3,344</u>	<u>3,344</u>	<u>3,344</u>	<u>3,344</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 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 2009 and the approximate fair value has been calculated based on a calculation using the 30 November 2008 valuations

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 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

17. 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

EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 NOVEMBER 2009

18. RELATED PARTY TRANSACTIONS

The Company 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 €41,452 (2008 €34,209) 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 2009 €53,408(30 November 2008 €34,209) remained outstanding and included within accruals and deferred income

During the period to 30 November 2008 the Company 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 period amounted to €184,892,149 (2008 €91,699,261) 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 period

During the period to 30 November 2008, Lehman Brothers International (Europe) was appointed as the Administrative Agent to act as the agent of the Company 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 year or prior period and no amounts were owed at 30 November 2009 (30 November 2008 €nil)

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 the Company 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 amounted to €39,942 in the current year (€3,849,247 in the prior period)

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 the Company 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 the Company in the current year or prior period

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 the Company under which it, subject to certain conditions and limitations, will make payment to the Company of amounts that the Company 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 (prior period €102,782), of which €nil remained outstanding at 30 November 2009 (€67,792 at 30 November 2008) and is included within accruals and deferred income

EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 NOVEMBER 2009

19. PRIOR YEAR ADJUSTMENT

As a consequence of those matters described in Note 1, the comparative figures of the Group have been restated and reclassified as set out in the table below. This has resulted in a €107,207,781 increase in the loss before tax for the period before and after taxation. Total equity has decreased by €107,207,781 to an equity deficit of €146,947,494. The cash position of the Group has remained the same as a result of these adjustments. No adjustments have been made to the Company.

GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 NOVEMBER 2008

		2 May 2008 to 30 Nov2008	Adjustments	2 May 2008 to 30 Nov2008 (restated)
	Note	€	€	€
Interest income	1	76,817,048	100,890,437	177,707,485
Interest expense	1	<u>(88,948,118)</u>	<u>(67,438,626)</u>	<u>(156,386,744)</u>
Net interest (expense)/income		(12,131,070)	33,451,811	21,320,741
Other income		15,925	-	15,925
Fair value movements in derivative financial instruments	2	-	31,977,608	31,977,608
Loss on disposal of underlying collateral to loan to originator		(5,807,868)	-	(5,807,868)
Impairment of loan to originator	3	(20,457,857)	(115,008,816)	(135,466,673)
Foreign exchange losses	4	-	(57,629,167)	(57,629,167)
Administrative expenses	4	<u>(1,355,500)</u>	<u>783</u>	<u>(1,354,717)</u>
Loss before tax for the period		(39,736,370)	(107,207,781)	(146,944,151)
Taxation		<u>(3,344)</u>	-	<u>(3,344)</u>
Loss for the period		<u>(39,739,714)</u>	<u>(107,207,781)</u>	<u>(146,947,495)</u>

Notes:

- Following the establishment of estimated fair values of the underlying Collateral Debt Obligations at the date of acquisition, interest receivable and interest payable has been calculated based on effective interest rates. This has resulted in a credit in the income statement for interest income of €100,890,437 and an additional €67,438,626 increase in interest payable on the Class B floating rate notes. As a result of these fair value and interest adjustments, accrued interest receivable within other assets has increased by €35,342,465, the deemed loan to the originator has decreased by €351,689,631 and the floating rate notes have decreased by €292,170,593 after the impact of foreign exchange movements.
- A fair value was attributed to the derivative financial instruments amounting to €31,977,608 following significant additional work using external parties. This increased the value of derivative financial instruments within current assets by €31,977,608 and decreased the accumulated losses in retained earnings.
- A €115,008,816 additional impairment charge on the loan to the originator resulted in an increase in the income statement charge and a reduction in the carrying value of the deemed loan to the originator in the balance sheet.
- The adjustment of foreign exchange translations using year end spot exchange rates and the foreign exchange impacts of the other prior year adjustments has resulted in an total increase in the foreign exchange losses of €57,629,167, including the reclassification of €783 from administration expenses. This amount includes €54,916,560 which has resulted in a reduction in the deemed loan to the originator in the balance sheet.
- The Class A floating rate notes, amounting to €2,166,541,000, have been reclassified on the face of the new Statement of Financial Position to be shown with the Class B floating rate notes.

EXCALIBUR FUNDING NO.1 HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 NOVEMBER 2009

19 PRIOR YEAR ADJUSTMENT (continued)

GROUP STATEMENT OF FINANCIAL POSITION

AS AT 30 NOVEMBER 2008

	Note	2008 €	Adjustments €	2008 (restated) €
Non-current Assets				
Deemed loan to the originator	1, 3	<u>2,766,085,447</u>	<u>(466,698,447)</u>	<u>2,299,387,000</u>
Total non-current assets		<u>2,766,085,447</u>	<u>(466,698,447)</u>	<u>2,299,387,000</u>
Current Assets				
Other assets	1	10,439,385	35,342,465	45,781,850
Cash and cash equivalents		11,479,102	-	11,479,102
Derivative financial instruments	2	<u>-</u>	<u>31,977,608</u>	<u>31,977,608</u>
Total current assets		<u>21,918,487</u>	<u>67,320,073</u>	<u>89,238,560</u>
Total assets		<u>2,788,003,934</u>	<u>(399,378,374)</u>	<u>2,388,625,560</u>
Equity				
Issued capital		1	-	1
Retained earnings	1, 2, 3, 4	<u>(39,739,714)</u>	<u>(107,207,781)</u>	<u>(146,947,495)</u>
Total equity		<u>(39,739,713)</u>	<u>(107,207,781)</u>	<u>(146,947,494)</u>
Non-current Liabilities				
Floating rate loan notes	5	<u>2,166,541,000</u>	<u>(2,166,541,000)</u>	<u>-</u>
Total non-current liabilities		<u>2,166,541,000</u>	<u>(2,166,541,000)</u>	<u>-</u>
Current Liabilities				
Floating rate loan notes	1, 5	635,155,102	1,874,370,407	2,509,525,509
Taxation		3,344	-	3,344
Other liabilities		<u>26,044,201</u>	<u>-</u>	<u>26,044,201</u>
Total current liabilities		<u>661,202,647</u>	<u>1,874,370,407</u>	<u>2,535,573,054</u>
Total liabilities		<u>2,827,743,647</u>	<u>(292,170,593)</u>	<u>2,535,573,054</u>
Total equity and liabilities		<u>2,788,003,934</u>	<u>(399,378,374)</u>	<u>2,388,625,560</u>