

**SONGBIRD FINANCE LIMITED**  
Registered Number: 6208721

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2008**



# **SONGBIRD FINANCE LIMITED**

## **FINANCIAL STATEMENTS**

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# **SONGBIRD FINANCE LIMITED**

## **THE DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008**

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The directors present their report with the audited financial statements for the year ended 31 December 2008.

### **BUSINESS REVIEW AND PRINCIPAL ACTIVITIES**

The company's immediate and ultimate parent undertaking is Songbird Estates plc.

The principal activity of the company, is to act as a holding company for the Songbird Group's investment in Canary Wharf Group plc ('CWG') which, through its subsidiaries, is involved in integrated property development, investment and management. All activities take place within the United Kingdom. The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year.

On 9 April 2008, the company received a dividend of £62,167,018 from CWG. On 20 May 2008, the company repaid £45,793,067 of its borrowings (see Note 9) and £14,970,479 of accrued interest. At 31 December 2008, the company had drawn down an additional £29,868,451 under the loan facility to fund interest payable and the working capital requirements of the company and Songbird Estates plc.

As shown in the company's profit and loss account, the company's loss after tax for the year was £270,532,770 (2007: loss £37,407,246). The loss after tax for the year includes the recognition of an impairment provision of £271,400,000 (2007: £nil) against the company's investment in CWG.

The balance sheet shows the company's financial position at the year end and indicates that net assets were £678,891,871 (2007: £949,424,641).

The Songbird Group (comprising Songbird Estates plc and its subsidiaries) manages its operations on a unified basis. For this reason, the company's directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of its business. The performance of the Songbird Group, which includes the company, is discussed in the Songbird Group's Annual Report which does not form part of this report.

There have been no significant events since the balance sheet date.

### **DIVIDENDS AND RESERVES**

The profit and loss account for the year ended 31 December 2008 is set out on page 9. No dividends have been paid or proposed (2007: £Nil) and the retained loss of £270,532,770 (2007: loss of £37,407,246) has been transferred from reserves.

# **SONGBIRD FINANCE LIMITED**

## **THE DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008**

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### **GOING CONCERN**

The principal risks and uncertainties of the company, in particular the financial covenant risks, are set out below.

The company is in discussions with the provider of its £880.0 million loan facility, which matures in May 2010, about the refinancing of this facility and engaged in exploratory conversations with major shareholders of Songbird Estates plc on the longer term capital structure of the Songbird Group. The directors have specifically considered the material risk of a breach of its loan covenants within the next 12 months on the £880.0 million loan facility should a refinancing not occur. If a covenant breach were to occur then the lender would have the right, if it chose, to request early repayment of outstanding borrowings. This represents a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. The discussions with the loan provider and exploratory conversations with major shareholders are ongoing but there remains, therefore, an uncertainty as to the nature of the outcome. The directors, however, believe the discussions are continuing satisfactorily.

Accordingly, having made the requisite enquiries, the directors have a reasonable expectation that the company and the group will have adequate resources to continue their operations for the foreseeable future and, therefore, continue to adopt the going concern basis in preparing the annual report and accounts.

### **DIRECTORS**

The directors of the company throughout the year ended 31 December 2008, except as noted, were:

P C Harned

S D Levinson

D P Pritchard

B P Niles

(Appointed 13 August 2008)

G Gryger

(Resigned 13 August 2008)

The company provides an indemnity to all directors (to the extent permitted by law) in respect of liabilities incurred as a result of their office. The company also has in place liability insurance covering the directors and officers of the company. Neither the indemnity or the insurance provide cover in the event that the director is proven to have acted dishonestly or fraudulently.

# **SONGBIRD FINANCE LIMITED**

## **THE DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008**

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### **PRINCIPAL RISKS AND UNCERTAINTIES**

The risks and uncertainties facing the business are monitored through continuing assessment by management and more regular and formal quarterly review and discussion at audit committee and board level for the Songbird Group. Board and audit committee discussion focuses on the risks identified as part of the system of internal control which highlights key risks faced by the company and allocates specific day to day monitoring and control responsibilities to management. As a member of the Songbird Group, these key risks include the property market upheaval, financing risk and concentration risk.

#### **The property market upheaval**

The valuation of the Songbird Group's assets is subject to many external economic and market factors which are cyclical in nature. The unprecedented turmoil in the financial markets has been reflected in the property market by such factors as the oversupply of available space in the office market, a recent significant decline in tenant demand for space in London and a change in the market perception of property as an investment resulting in a negative impact on property valuations in general. The financing position of the group, as set out below, indicates there is a material risk there may be a breach by the company of its loan covenants which are based on loan to value ratios. Such issues are kept under constant review so that the Songbird Group can react appropriately and tailor the business plans accordingly. The ongoing upheaval in the financial markets continues to be closely monitored.

#### **Concentration risk**

Songbird Group's real estate assets are currently located on or adjacent to the Canary Wharf Estate with tenants mainly linked to the financial services industry. Wherever possible steps are taken to mitigate or avoid material consequences arising from this concentration.

#### **Financing risk**

The broader economic cycle inevitably leads to movements in inflation, interest rates and bond yields. The company finances its operations through a mixture of surplus cash and secured borrowings.

The company borrows in sterling at floating rates and uses interest rate swaps and collars to modify exposure to interest rate fluctuations. The company enters into derivative financial instruments solely for the purposes of hedging its financial liabilities. No derivatives are entered into for speculative purposes.

The current financial markets turmoil has significantly limited the availability of funding. In common with other UK property companies, such lack of financing facilities may have an impact on the business of the group if the lending markets remain limited for the foreseeable future.

In light of the current financing facility falling due in May 2010, on-going discussions are taking place with the lender on the future financing requirements of the company. However, due to the current conditions in the financial markets as a whole, there is a risk that future facilities may be more limited, take longer to negotiate and prove more costly than on previous occasions, or agreement with the lender may not be reached. If an appropriate refinancing arrangement is not reached with a lender, the company is likely to be unable to repay the facility.

# **SONGBIRD FINANCE LIMITED**

## **THE DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008**

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There is a material risk the company may breach its financial covenant tests within the next 12 months. The loan covenants include maximum loan to value ('LTV') ratios calculated on two bases as follows:

- (i) the combined LTV is calculated by reference to the group's consolidated net debt as a proportion of the value of the property portfolio; and
- (ii) the Songbird LTV is calculated by reference to the balance of the Songbird loan as a proportion of Songbird's share of the net asset value of CWG.

The maximum LTV in (i) is 87.5% and based on the property valuations at 31 December 2008 the ratio was 86.1%. The maximum LTV in (ii) is 70.0% and based on the 31 December 2008 valuations the ratio was 66.6%. The next covenant test, backed by the valuations at 31 December 2008, is required by 15 May 2009. In the event that the tests give rise to an LTV breach, there is a 60 day grace period within which it is possible to prepay an amount of the loan to remedy the LTV breach or to arrange for a revised valuation. The board of Songbird Estates plc has set up a Refinancing Committee and appointed Rothschild with a goal of putting in place a more appropriate long term financial framework for the group.

### **Exposure management**

CWG's Treasurer monitors hedging activity on an ongoing basis, on behalf of the company under the terms of a provision of services agreement. The mark to market positions of the company's derivative financial instruments are reported to the Treasurer on a regular basis.

### **Hedging Instruments and Transaction Authorisation**

Instruments that may be used for hedging interest rate exposure include:

- Interest rate swaps
- Interest rate caps, collars and floors
- Gilt locks

No hedging activity is undertaken without explicit authority of the board. All of the company's borrowings are fixed after taking account of interest rate hedges.

### **Transaction accounting**

The company does not apply FRS 26. Derivatives are therefore required to be carried on the balance sheet at historic cost. The fair value (mark to market) of derivatives is disclosed in Note 9.

### **Credit risk**

The Songbird Group's policies restrict the counterparties with which derivative transactions can be contracted. This ensures that exposure is spread across a number of approved financial institutions with high credit ratings.

All other debtors are receivable from other group undertakings.

### **POLICY ON THE PAYMENT OF CREDITORS**

In respect of the company's suppliers it is the company's policy to settle the terms of payment with those suppliers when agreeing the terms of each transaction, ensure that those suppliers are made aware of the terms of payment and abide by the terms of payment.

The company had no trade creditors at 31 December 2008 or 31 December 2007.

# SONGBIRD FINANCE LIMITED

## THE DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008


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### STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

Each director holding office at the date of this report has taken all the steps that he ought to have taken as a director in order to make himself aware of relevant audit information and to establish that the company's auditors are aware of that information. As far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware.

This confirmation is given and should be interpreted in accordance with the provisions of Section 234 ZA of the Companies Act 1985.

BY ORDER OF THE BOARD

  
.....Company Secretary  
J R Garwood

3 April 2009

Registered office:  
30th Floor  
One Canada Square  
Canary Wharf  
London  
E14 5AB

## **SONGBIRD FINANCE LIMITED**

### **STATEMENT OF THE DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

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The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the results of the company for the year then ended. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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



# **SONGBIRD FINANCE LIMITED**

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SONGBIRD FINANCE LIMITED**

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We have audited the financial statements of Songbird Finance Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, Balance Sheet and the related Notes 1 to 14. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether 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 the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

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

# SONGBIRD FINANCE LIMITED

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SONGBIRD FINANCE LIMITED

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

### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

### Emphasis of matter - going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made by the directors in Note 1 of the Notes to the financial statements concerning the company's ability to continue as a going concern. There is a material risk of a breach of the loan covenants within the next 12 months on the company's loan facility should a refinancing not occur. If a covenant breach were to occur then the lender would have the right, if it chose, to request early repayment of outstanding borrowings. These conditions, along with other matters explained in Note 1 of the Notes to the financial statements indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.



**Deloitte LLP**  
**Chartered Accountants and Registered Auditors**  
London, UK

6 April 2009

# SONGBIRD FINANCE LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2008

		Year ended 31 December 2008 £	Period from 11 April 2007 to 31 December 2007 £
	Note		
<b>OPERATING PROFIT</b>	<b>2</b>	—	—
Income from shares in group undertakings	6	62,167,018	—
Exceptional item:			
Provision against investment	6	(271,400,000)	—
Interest receivable and similar income	3	400,414	28,106
Interest payable and similar charges	4	(61,700,202)	(37,435,352)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>(270,532,770)</b>	<b>(37,407,246)</b>
Tax on loss on ordinary activities	5	—	—
<b>LOSS ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE YEAR/PERIOD</b>	<b>11</b>	<b>(270,532,770)</b>	<b>(37,407,246)</b>

Movements in reserves are shown in Note 11 of these financial statements.

All amounts relate to continuing activities in the United Kingdom.

There were no recognised gains and losses for the year ended 31 December 2008 or the period ended 31 December 2007 other than those included in the profit and loss account.

The Notes on pages 11 to 17 form an integral part of these financial statements.

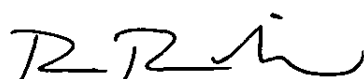
# SONGBIRD FINANCE LIMITED

## BALANCE SHEET AS AT 31 DECEMBER 2008

	Note	31 December 2008 £	31 December 2007 £
<b>FIXED ASSETS</b>			
Investments	6	1,508,313,242	1,779,713,242
<b>CURRENT ASSETS</b>			
Debtors	7	2,099,999	1,000,000
Cash at bank		1,744,506	22,448
		3,844,505	1,022,448
<b>CREDITORS: Amounts falling due within one year</b>	8	(6,651,658)	(6,656,309)
<b>NET CURRENT LIABILITIES</b>		(2,807,153)	(5,633,861)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,505,506,089	1,774,079,381
<b>CREDITORS: Amounts falling due after more than one year</b>	9	(826,614,218)	(824,654,740)
<b>NET ASSETS</b>		678,891,871	949,424,641
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	10	986,831,887	986,831,887
Profit and loss account	11	(307,940,016)	(37,407,246)
<b>SHAREHOLDERS' FUNDS</b>	12	678,891,871	949,424,641

The Notes on pages 11 to 17 form an integral part of these financial statements.

APPROVED BY THE BOARD ON 3 APRIL 2009 AND SIGNED ON ITS BEHALF BY:

  
.....  
DIRECTOR

# **SONGBIRD FINANCE LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008**

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### **1. PRINCIPAL ACCOUNTING POLICIES**

A summary of the principal accounting policies of the company, all of which have been applied consistently throughout the year and the preceding period, is set out below.

#### **Basis of preparation - going concern**

The financial statements have been prepared on a going concern basis, which assumes the company will be able to meet its liabilities as they fall due, for the foreseeable future. In preparing the financial statements the directors have taken into account the risks and uncertainties set out in the Directors Report, and specifically the material risk of a breach of its loan covenants within the next 12 months on the £880.0 million loan facility should a refinancing not occur. If a covenant breach were to occur then the lender would have the right, if it chose, to request early repayment of outstanding borrowings. This represents a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

As set out in the Directors' Report, the directors believe their discussions with the loan provider and the exploratory conversations with the major shareholders of Songbird Estates plc are continuing satisfactorily and have, therefore, concluded that it is appropriate to prepare the financial statements on a going concern basis. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

#### **Accounting convention**

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

In accordance with the provisions of FRS 1 (Revised) the company is exempt from the requirements to prepare a cash flow statement, as it is a wholly-owned subsidiary of Songbird Estates plc, which has prepared a consolidated cash flow statement.

#### **Interest receivable and interest payable**

Interest receivable and payable are recognised in the period in which they fall due.

#### **Income from investments**

Investment income comprises dividends paid by the company's subsidiary undertakings during the accounting period.

#### **Investments**

The company's investments in subsidiaries are stated at cost less any provision for impairment.

# SONGBIRD FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

### Debt

Debt instruments are stated initially at the amount of the net proceeds. The finance costs of such debt instruments are allocated to periods over the term of the debt at a constant rate on the carrying amount. The carrying amount is increased by the finance cost in respect of the reporting period and reduced by payments made in respect of the debt of that period. Finance costs are charged to the profit and loss account.

### Taxation

Current tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantially enacted at the balance sheet date. The company is part of a UK group for group relief purposes and accordingly may take advantage of the group relief provisions whereby current taxable profits can be offset by current tax losses arising in other companies in that group. The group's policy is that no payment will be made for tax losses surrendered under the group relief provisions.

## 2. OPERATING PROFIT

None of the directors received any emoluments in respect of their services to the company during the year or the prior period.

No staff were employed by the company during the year or the prior period.

Auditors' remuneration of £6,000 (2007: £6,000) for the audit of the company has been borne by another group undertaking.

## 3. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 December 2008 £	Period from 11 April 2007 to 31 December 2007 £
Bank interest receivable	400,414	28,106

## 4. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 December 2008 £	Period from 11 April 2007 to 31 December 2007 £
Bank loans	58,750,212	35,573,207
Financing costs	2,949,850	1,862,077
Bank charges	140	68
	<u>61,700,202</u>	<u>37,435,352</u>

# SONGBIRD FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

### 5. TAXATION

	Year ended 31 December 2008 £	Period from 11 April 2007 to 31 December 2007 £
Current tax:		
UK Corporation tax (see below)	<u>—</u>	<u>—</u>
Tax reconciliation:		
Loss on ordinary activities before tax	<u>(270,532,770)</u>	<u>(37,407,246)</u>
Tax on loss on ordinary activities at UK corporation tax rate of 28.5% (2007: 30%)	(77,101,839)	(11,222,174)
Effects of:		
Items not chargeable to tax	(17,717,600)	—
Expenses not deductible for tax purposes	77,349,000	—
Tax losses and other timing differences	<u>17,470,439</u>	<u>11,222,174</u>
Current tax charge for the year	<u>—</u>	<u>—</u>

The tax rate of 28.5% is calculated by reference to the current corporation tax rate of 28% which was in effect for the final three quarters of the year and the previous rate of 30% which was in effect for the first quarter of the year.

No provision for taxation has been made in view of the tax loss for the year. It is anticipated that tax losses will impact on future tax charges. At 31 December 2008 there was an unrecognised deferred tax asset of £16,457,270 (2007: £11,222,174) in respect of losses carried forward.

# SONGBIRD FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

### 6. INVESTMENTS

#### Shares in group undertakings

	£
<b>COST</b>	
At 1 January 2008	1,779,713,242
At 31 December 2008	<u>1,779,713,242</u>
<b>PROVISION FOR IMPAIRMENT</b>	
At 1 January 2008	—
Provided during the year	271,400,000
At 31 December 2008	<u>271,400,000</u>
<b>NET BOOK VALUE</b>	
At 31 December 2008	<u>1,508,313,242</u>
At 1 January 2008	<u>1,779,713,242</u>

At 31 December 2008 the company's subsidiary undertaking was as follows:

Name	Description of shares held	Principal activities
Canary Wharf Group plc	Ordinary 1p shares	Property development, investment and management

During the previous year, the company acquired 388,543,862 shares in CWG from fellow group companies, for a total consideration of £1,779.7m, including fees. CWG is a company registered in England & Wales. The shares acquired equate to 60.8% of the total issued share capital of CWG.

The directors have considered the value of the company's investment in CWG in the light of the fall in the value of CWG's property portfolio and accordingly the investment has been written down by £269.6 million to £1,510.1 million.

The company received dividends totalling £62,167,018 (2007: £nil) from CWG during the year ended 31 December 2008.

In accordance with section 228 of the Companies Act 1985, financial information is only presented in these financial statements about the company as an individual undertaking and not about its group because the company and its subsidiary undertaking are included in the consolidated financial statements of a larger group (Note 14).



# SONGBIRD FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

### 7. DEBTORS

	31 December 2008 £	31 December 2007 £
Amount owed by parent undertaking	<u>2,099,999</u>	<u>1,000,000</u>

### 8. CREDITORS: Amounts falling due within one year

	31 December 2008 £	31 December 2007 £
Accruals and deferred income	<u>6,651,658</u>	<u>6,656,309</u>

### 9. CREDITORS: Amounts falling due after more than one year

	31 December 2008 £	31 December 2007 £
Bank loan	829,868,451	830,220,983
Capitalised financing costs	(3,254,233)	(5,566,243)
	<u>826,614,218</u>	<u>824,654,740</u>

During the previous year £800.0m was drawn down under a new £880.0m loan facility to fund the acquisition of shares in CWG. The loan is repayable in May 2010 and carries an interest rate of LIBOR plus a margin of 1.2% to 1.7% dependent on the financial condition of CWG. This loan is hedged via an interest swap and cap which serves to fix LIBOR for the amount drawn at 5.928%. At 31 December 2008, an additional £29.9m (2007: £30.2m) had been drawn down.

# SONGBIRD FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

The fair value of the company's financial liabilities is as follows:

	31 December 2008		31 December 2007	
	Book value	Fair value	Book value	Fair value
	£	£	£	£
Bank loan	(829,868,451)	(829,868,451)	(830,220,983)	(830,220,983)
Capitalised financing costs	3,254,233	3,254,233	5,566,243	5,566,243
Fixed rate hedge and cap	–	(42,846,000)	–	(11,916,000)
	<u>(826,614,218)</u>	<u>(869,460,218)</u>	<u>(824,654,740)</u>	<u>(836,570,740)</u>

The unrecognised losses on the company's derivative financial instruments are not expected to be recognised within the next year.

The loan is secured against the assets of the company and the shares in CWG and is subject to certain lending covenants, which are described in the Directors Report. As explained in the Directors' Report, there is a material risk that the company may break its financial covenant tests within the next twelve months.

### 10. CALLED-UP SHARE CAPITAL

Authorised share capital:

	31 December 2008	31 December 2007
	£	£
1,000,000,000 ordinary shares of £1 each	<u>1,000,000,000</u>	<u>1,000,000,000</u>

Allotted, called-up and fully paid:

	31 December 2008	31 December 2007
	£	£
986,831,887 ordinary shares of £1 each	<u>986,831,887</u>	<u>986,831,887</u>

### 11. RESERVES

	Profit and loss account
	£
At 1 January 2008	(37,407,246)
Loss for the year	(270,532,770)
At 31 December 2008	<u>(307,940,016)</u>

# SONGBIRD FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

### 12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 December 2008 £	31 December 2007 £
Opening shareholders' funds	949,424,641	—
Issue of ordinary share capital	—	986,831,887
Loss for the year	(270,532,770)	(37,407,246)
Closing shareholders' funds	<u>678,891,871</u>	<u>949,424,641</u>

### 13. CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS

As at 31 December 2008 the company had given fixed and floating charges over substantially all its assets to secure the loans disclosed in note 9.

### 14. ULTIMATE PARENT UNDERTAKING AND RELATED PARTY TRANSACTIONS

As at 31 December 2008, the largest and smallest group of which the company is a member and for which consolidated accounts are drawn up are the consolidated financial statements of Songbird Estates plc, the immediate and ultimate parent undertaking and controlling party. Copies of the financial statements of Songbird Estates plc may be obtained from the Company Secretary, One Canada Square, Canary Wharf, London E14 5AB.

The directors have taken advantage of the exemption in paragraph 3(c) of FRS8 allowing the company not to disclose related party transactions with respect to other group companies.