

SONGBIRD FINANCE LIMITED
Registered Number: 6208721

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

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SONGBIRD FINANCE LIMITED

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SONGBIRD FINANCE LIMITED

THE DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009

The directors present their report with the audited financial statements for the year ended 31 December 2009

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 coming year.

As part of the Songbird Group's 2009 capital raising exercise, on 19 October 2009, Songbird Finance (Two) Limited, a wholly owned subsidiary of Songbird Estates plc, acquired the company's £880,000,000 senior loan facilities from Citigroup. Subsequently, Songbird Finance (Two) Limited sold the loans to Songbird Estates plc. On 2 November 2009, the company issued an additional 840,744,277 ordinary £1 shares to Songbird Estates plc, its sole shareholder, in consideration for the release of its obligations under the facilities, including all interest and fees accrued and unpaid at that time, with the exception of £1,000.

Also as an element of the capital raising exercise, the company entered into a £135,000,000 debt facility with certain shareholders of its parent company, of which £113,140,647 had been drawn down at the balance sheet date.

In addition, the company acquired a further 54,007,620 CWG ordinary shares for £112,500,000 plus fees, increasing its shareholding in CWG from 60.8% to 69.3%.

As shown in the company's profit and loss account, the company's profit after tax for the year was £136,617,696 (2008: loss of £270,532,770). The profit after tax for the year includes a partial release from an impairment provision of £217,456,879, made in the previous year 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 £1,697,351,374 (2008: £678,891,871).

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 2009 is set out on page 9. No dividends have been paid or proposed (2008: £Nil) and the retained profit of £136,617,696 (2008: loss of £270,532,770) has been transferred to reserves.

SONGBIRD FINANCE LIMITED

THE DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009

GOING CONCERN

The company's business activities, together with the factors likely to affect its future development, performance and position (including the principal risks and uncertainties), are set out in this Directors' Report

As at 31 December 2009, the company had drawn £113,140,647 under a loan facility provided by certain of the shareholders of its parent company. The loan is repayable in October 2010 but the company may at its option extend repayment of the loan by an additional 364 days subject to certain conditions as summarised in Note 9 to the financial statements

Having made the requisite enquiries, the directors have a reasonable expectation that the company will have adequate resources to continue its operations for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the financial statements

DIRECTORS

The directors of the company throughout the year ended 31 December 2009 were

P C Harned
S D Levinson
D P Pritchard
B P Niles

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. Both the indemnity and insurance were in force during the year ended 31 December 2009 and at the time of the approval of this Directors' Report. 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 2009

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 cyclical nature of the property market, financing risk and concentration risk.

The cyclical nature of the property market

The valuation of the Songbird Group's assets is subject to many external economic and market factors which are cyclical in nature. The turmoil in the financial markets during 2008 and 2009 was reflected in the property market by such factors as the oversupply of available space in the office market, a 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. In the latter half of 2009 and since the year end there have been signs of a tightening of supply which has resulted in an increase in valuation and a compression in yields. Changes in financial and property markets are kept under constant review so that the Songbird Group can react appropriately and tailor its business plans accordingly. The impact of the ongoing uncertainty in the financial and property markets continues to be closely monitored.

Concentration risk

The 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 fixed or floating rates and uses interest rate swaps and collars to modify exposure to interest rate fluctuations, as appropriate. 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 ongoing financial markets uncertainty continues to significantly limit 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.

The board continues to monitor the financial markets with a view to identifying appropriate financial arrangements for the company.

SONGBIRD FINANCE LIMITED

THE DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009

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. Where derivatives are classified as uneconomic hedges they are included at their out of the money fair value. 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 2009 or 31 December 2008.

SONGBIRD FINANCE LIMITED

THE DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009

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 418(2) of the Companies Act 2006.

BY ORDER OF THE BOARD



J R Garwood

Company Secretary

13 May 2010

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

Registered Number 6208721

SONGBIRD FINANCE LIMITED

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

The directors are responsible for preparing the 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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

select suitable accounting policies and then apply them consistently,

make judgements 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 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.

SONGBIRD FINANCE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SONGBIRD FINANCE LIMITED

We have audited the financial statements of Songbird Finance Limited for the year ended 31 December 2009 which comprise the Profit and Loss Account, Balance Sheet and the related Notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit for the year then ended,
have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters 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.

SONGBIRD FINANCE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SONGBIRD FINANCE LIMITED

Matters on which we are required to report by exception

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

adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
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, or
we have not received all the information and explanations we require for our audit



**Richard Muschamp (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, UK**

13 May 2010

SONGBIRD FINANCE LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	Year Ended 31 December 2009 £	Year Ended 31 December 2008 £
OPERATING PROFIT	2	–	–
Income from shares in group undertakings		–	62,167,018
Exceptional item			
Provision against investment	6	217,456,879	(271,400,000)
Interest receivable and similar income	3	14,832	400,414
Interest payable and similar charges	4	(80,854,015)	(61,700,202)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		136,617,696	(270,532,770)
Tax on profit/(loss) on ordinary activities	5	–	–
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE YEAR	12	<u>136,617,696</u>	<u>(270,532,770)</u>

Movements in reserves are shown in Note 12 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 2009 or the year ended 31 December 2008 other than those included in the profit and loss account

The Notes on pages 11 to 19 form an integral part of these financial statements


SONGBIRD FINANCE LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2009

	Note	31 December 2009 £	31 December 2008 £
FIXED ASSETS			
Investments	6	<u>1,839,128,621</u>	<u>1,508,313,242</u>
CURRENT ASSETS			
Debtors	7	–	2,099,999
Cash at bank		<u>8,264,164</u>	<u>1,744,506</u>
		8,264,164	3,844,505
CREDITORS: Amounts falling due within one year	8	<u>(20,731,682)</u>	<u>(6,651,658)</u>
NET CURRENT LIABILITIES		<u>(12,467,518)</u>	<u>(2,807,153)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,826,661,103</u>	<u>1,505,506,089</u>
CREDITORS: Amounts falling due after more than one year	9	(108,338,740)	(826,614,218)
Provisions for liabilities	10	<u>(20,970,989)</u>	–
NET ASSETS		<u>1,697,351,374</u>	<u>678,891,871</u>
CAPITAL AND RESERVES			
Called-up share capital	11	1,827,576,164	986,831,887
Share premium account	12	41,097,530	–
Profit and loss account	12	<u>(171,322,320)</u>	<u>(307,940,016)</u>
SHAREHOLDERS' FUNDS	13	<u>1,697,351,374</u>	<u>678,891,871</u>

The Notes on pages 11 to 19 form an integral part of these financial statements

APPROVED BY THE BOARD ON 13 MAY 2010 AND SIGNED ON ITS BEHALF BY


DIRECTOR

SONGBIRD FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

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 year, is set out below

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards. The financial statements have been prepared on the going concern basis as described in the Directors' Report.

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 on an accruals basis in the period in which they fall due.

Income from investments

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

Investments

Investments in subsidiaries are stated at cost less any provision for impairment.

Trade and other debtors

Debtors are recognised initially at fair value. A provision for impairment is established where there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the debtor concerned.

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.

The company uses derivative financial instruments to manage exposure to interest rate movements. For an interest rate swap to be treated as a hedge the instrument has to be related to a liability and must change the nature of the interest rate by converting a variable rate into a fixed rate. Interest differentials under these swaps are recognised by adjusting interest payable over the period of the liability. If a derivative ceases to act as an economic hedge, a provision is recognised for its out of the money fair value.

SONGBIRD FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

Provisions

A provision is recognised in the Balance Sheet when the company has a present obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Taxation

Current tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively 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 year.

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

Auditors' remuneration of £6,000 (2008: £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 2009 £	Year Ended 31 December 2008 £
Bank interest receivable	14,832	400,414

4. INTEREST PAYABLE AND SIMILAR CHARGES

	Year Ended 31 December 2009 £	Year Ended 31 December 2008 £
Bank loans	48,461,825	58,750,212
Shareholder loan	1,786,461	—
Interest payable to group undertakings	662,039	—
Financing costs	6,921,856	2,949,850
Provision for uneconomic hedge (Note 10)	23,021,707	—
Bank charges	127	140
	<u>80,854,015</u>	<u>61,700,202</u>

SONGBIRD FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

5. TAXATION

	Year Ended 31 December 2009 £	Year Ended 31 December 2008 £
Current tax		
UK Corporation tax (see below)	—	—
Tax reconciliation		
Profit/(loss) on ordinary activities before tax	136,617,696	(270,532,770)
Tax on profit/(loss) on ordinary activities at UK corporation tax rate of 28% (2008 28.5%)	38,252,955	(77,101,839)
Effects of		
Items not chargeable to tax	(60,887,926)	(17,717,600)
Expenses not deductible for tax purposes	—	77,349,000
Tax losses and other timing differences	22,634,971	17,470,439
Current tax charge for the year	—	—

The tax rate for the prior year of 28.5% was calculated by reference to the current corporation tax rate of 28% which was in effect for the final three quarters of that year and the previous rate of 30% which was in effect for the first quarter of that 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 2009 there was an unrecognised deferred tax asset of £49,498,264 (2008 £16,457,270) in respect of losses carried forward

SONGBIRD FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

6 INVESTMENTS

Shares in group undertakings

	£
COST	
At 1 January 2009	1,779,713,242
Additions	113,358,500
At 31 December 2009	<u>1,893,071,742</u>
PROVISION FOR IMPAIRMENT	
At 1 January 2009	271,400,000
Released during the year	<u>(217,456,879)</u>
At 31 December 2009	<u>53,943,121</u>
NET BOOK VALUE	
At 31 December 2009	<u>1,839,128,621</u>
At 1 January 2009	<u>1,508,313,242</u>

At 31 December 2009 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

In October 2009 the company acquired an additional 54,007,620 CWG ordinary shares for £112,500,000 plus fees. As a result its holding in CWG increased to 69.3%.

The directors have considered the net realisable value of the company's investment in CWG and accordingly £217,456,879 of the provision of £271,400,000 recognised in the previous year has been released.

In accordance with section 400 of the Companies Act 2006, 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 15).

SONGBIRD FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

7. DEBTORS

	31 December 2009 £	31 December 2008 £
Amount owed by parent undertaking	<u>—</u>	<u>2,099,999</u>

8. CREDITORS. Amounts falling due within one year

	31 December 2009 £	31 December 2008 £
Amount owed to parent undertaking	20,731,682	—
Accruals and deferred income	<u>—</u>	<u>6,651,658</u>
	<u>20,731,682</u>	<u>6,651,658</u>

SONGBIRD FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

9 CREDITORS Amounts falling due after more than one year

	31 December 2009	31 December 2008
	£	£
Shareholder loan	113,140,647	–
Bank loan	–	829,868,451
Capitalised financing costs	(4,801,907)	(3,254,233)
	<u>108,338,740</u>	<u>826,614,218</u>

In November 2009 the company was released from its obligations under its £880,000,000 loan facilities in consideration for an issue of shares (see note 11). The loan carried interest at LIBOR plus a margin of 1.2% to 1.7% dependent on the financial condition of CWG. The loan was hedged via an interest swap and cap which served to fix LIBOR for the amount drawn at 5.928%.

At the same time the company entered into a £135,000,000 debt facility with certain shareholders of its parent company, of which £113,140,647 had been drawn down at the balance sheet date. The loan is repayable in October 2010 and carries an interest rate fixed at 7.0%. The company has an option to extend repayment of the loan by an additional 364 days subject to certain conditions as summarised below. The loan is secured on the assets of the company, including its shares in CWG.

Any extension of the shareholder loan is conditional upon there being no Event of Default under the shareholder loan, including no dividends that are due up to 1 October 2010 on the preference shares issued by the company's parent undertaking being unpaid. In addition the loan to value ('LTV') ratio determined by reference to the parent company's financial statements must be less than 92.5% on the original repayment date. For this purpose the LTV test would be calculated by reference to property valuations as at 30 June 2010. The LTV ratio based on the valuations as at 31 December 2009 was 8.4%.

SONGBIRD FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

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

	31 December 2009		31 December 2008	
	Book value	Fair value	Book value	Fair value
	£	£	£	£
Bank loan	–	–	(829,868,451)	(829,868,451)
Shareholder loan	(113,140,647)	(113,140,647)	–	–
Capitalised financing costs	4,801,907	4,801,907	3,254,233	3,254,233
Fixed rate hedge and cap	(20,970,989)	(20,970,989)	–	(42,846,000)
	<u>(129,309,729)</u>	<u>(129,309,729)</u>	<u>(826,614,218)</u>	<u>(869,460,218)</u>

10. PROVISIONS FOR LIABILITIES

	31 December 2009	31 December 2008
	£	£
Provision for uneconomic hedges	23,021,707	–
Payment on uneconomic hedges	(2,050,718)	–
As at the year end	<u>20,970,989</u>	<u>–</u>

At 31 December 2008 the company's bank loan was hedged via an interest swap and cap. During the year the company was released from its obligations under the facility, with the exception of £1,000, but the hedging instruments were not cancelled and remain an obligation of the company until they mature in May 2010. Accordingly, the derivatives have been designated as uneconomic hedges and a provision for the out of the money fair value has been recognised.

SONGBIRD FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

11 CALLED-UP SHARE CAPITAL

Authorised share capital	31 December 2009 £	31 December 2008 £
2,000,000,000 (2008 1,000,000,000) ordinary shares of £1 each	<u>2,000,000,000</u>	<u>1,000,000,000</u>
Allotted, called-up and fully paid	31 December 2009 £	31 December 2008 £
1,827,576,164 (2008 986,831,887) ordinary shares of £1 each	<u>1,827,576,164</u>	<u>986,831,887</u>

On 23 September 2009, the authorised share capital of the company was increased to £2,000,000,000 by the creation of 1,000,000,000 additional ordinary shares of £1 each. On 2 November 2009, a further 840,744,277 ordinary £1 shares were issued to the sole shareholder, Songbird Estates plc, at a premium of £41,097,530.

12 RESERVES

	Share premium £	Profit and loss account £	Total £
At 1 January 2009	–	(307,940,016)	(307,940,016)
Profit for the year	–	136,617,696	136,617,696
Share premium on issue of ordinary share capital	41,097,530	–	41,097,530
At 31 December 2009	<u>41,097,530</u>	<u>(171,322,320)</u>	<u>(130,224,790)</u>

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 December 2009 £	31 December 2008 £
Opening shareholders' funds	678,891,871	949,424,641
Issue of ordinary share capital	840,744,277	–
Share premium on issue of ordinary share capital	41,097,530	–
Profit/(loss) for the year	136,617,696	(270,532,770)
Closing shareholders' funds	<u>1,697,351,374</u>	<u>678,891,871</u>

14 CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS

As at 31 December 2009 the company had given fixed and floating charges over substantially all its assets to secure the shareholder loan disclosed in note 9 and the hedges in note 10.

SONGBIRD FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

15 ULTIMATE PARENT UNDERTAKING AND RELATED PARTY TRANSACTIONS

As at 31 December 2009, 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 wholly owned group companies.