SONGBIRD FINANCE LIMITED
Registered Number: 06208721

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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SONGBIRD FINANCE LIMITED

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SONGBIRD FINANCE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

The directors present their report with the audited financial statements for the year ended 31 December 2011

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

During the year the company acquired 741,387 extra shares in CWG for a total consideration of £2,235,286, including fees of £11,125

At 31 December 2011 the company held 69 4% (2010 69 3%) of the shares in CWG

On 23 March 2012, subsequent to the year end, the company paid a dividend of £8,500,000

As shown in the company's profit and loss account, the company's loss after tax for the year was £50,630,336 (2010 profit of £93,142,477) The loss after tax for the year includes an increase in the impairment provision of £81,875,730 (2010 release of £53,943,121) 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 £1,813,875,570 (2010 £1,887,505,906)

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

DIVIDENDS AND RESERVES

The profit and loss account for the year ended 31 December 2011 is set out on page 8 Dividends of £23,000,000 (2010 £40,000,000) have been paid during the year and the retained loss of £73,630,336 (2010 profit of £53,142,477) has been transferred from reserves

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 The finances of the company and its liquidity position and borrowings are, where appropriate, also described in this report

The company is in a net asset position at the year end

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 2011 were

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

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 2011 and at the time of the approval of this Directors' Report Neither the indemnity nor the insurance provide cover in the event that the director is proven to have acted dishonestly or fraudulently

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 since 2008 has been 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 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 may finance its operations through a mixture of surplus cash and secured borrowings but currently has no secured borrowings

The company may in future borrow in sterling at fixed or floating rates and use interest rate swaps and collars to modify exposure to interest rate fluctuations, as appropriate The company may enter 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 Songbird 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

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 either 31 December 2011 or 31 December 2010

SONGBIRD FINANCE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

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 auditor is aware of that information As far as the directors are aware, there is no relevant audit information of which the company's auditor is 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



Company Secretary 25 June 2012

J R Garwood

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

Registered Number 06208721

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 accounting 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 AUDITOR'S REPORT TO THE MEMBERS OF SONGBIRD FINANCE LIMITED

We have audited the financial statements of Songbird Finance Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, Balance Sheet and the related Notes 1 to 12 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 auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

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 2011 and of its loss 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 AUDITOR'S 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

Mark Beddy (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountant and Statutory Auditor
London, UK

25 June 2012

SONGBIRD FINANCE LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	Year Ended 31 December 2011 £	Year Ended 31 December 2010 £
Administrative expenses		–	(34)
OPERATING LOSS	**2**	–	(34)
Income from shares in group undertakings	**7**	31,217,576	51,939,329
Exceptional item			
Provision against investment	**7**	(81,875,730)	53,943,121
Interest receivable and similar income	**3**	27,988	28,865
Interest payable and similar charges before exceptional item	**4**	(170)	(9,696,566)
Exceptional item			
Write off capitalised fees	**4**	–	(3,072,238)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(50,630,336)	93,142,477
Tax on (loss)/profit on ordinary activities	**5**	–	–
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE YEAR	**10**	(50,630,336)	93,142,477

Movements in reserves are shown in Note 10 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 2011 or the year ended 31 December 2010 other than those included in the profit and loss account

The Notes on pages 10 to 15 form an integral part of these financial statements

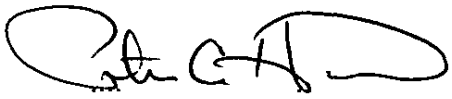
SONGBIRD FINANCE LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2011

	Note	31 December 2011 £	31 December 2010 £
FIXED ASSETS			
Investments	**7**	1,813,465,573	1,893,106,017
CURRENT ASSETS			
Cash at bank		8,648,447	15,138,339
CREDITORS. Amounts falling due within one year	**8**	(8,238,450)	(20,738,450)
NET CURRENT ASSETS/(LIABILITIES)		409,997	(5,600,111)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,813,875,570	1,887,505,906
NET ASSETS		1,813,875,570	1,887,505,906
CAPITAL AND RESERVES			
Called-up share capital	**9**	977,756,332	977,756,332
Share premium account	**10**	41,097,530	41,097,530
Profit and loss account	**10**	795,021,708	868,652,044
SHAREHOLDERS' FUNDS	**11**	1,813,875,570	1,887,505,906

The Notes on pages 10 to 15 form an integral part of these financial statements.

APPROVED BY THE BOARD ON 25 JUNE 2012 AND SIGNED ON ITS BEHALF BY



DIRECTOR

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

Dividends

Dividend distributions to the company's shareholders are recognised in the financial statements in the period in which the dividends are paid or approved by the company's shareholders

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

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 LOSS

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 (2010 £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 2011 £	Year Ended 31 December 2010 £
Bank interest receivable	27,988	28,865

4. INTEREST PAYABLE AND SIMILAR CHARGES

	Year Ended 31 December 2011 £	Year Ended 31 December 2010 £
Before exceptional item		
Shareholder loan	–	6,726,526
Interest payable to group undertakings	–	540,000
Financing costs	–	2,374,220
Provision for uneconomic hedge	–	55,464
Bank charges	170	356
	170	9,696,566
Exceptional item		
Write off capitalised fees	–	3,072,238

During the prior year, the company issued 137,012,055 ordinary £1 shares to its parent undertaking in consideration for the cancellation of its loan, which with accrued interest totalled £137,012,055 On the same date the unamortised, capitalised issue fees of £3,072,238 were taken to the profit and loss account and treated as an exceptional item

5. TAXATION

	Year Ended 31 December 2011 £	Year Ended 31 December 2010 £
Tax reconciliation		
(Loss)/profit on ordinary activities before tax	(50,630,336)	93,142,477
Tax on (loss)/profit on ordinary activities at UK corporation tax rate of 26 5% (2010 28 0%)	(13,417,038)	26,079,894
Effects of		
Provision against investments	21,697,068	(14,543,012)
UK dividend income	(8,272,658)	(15,104,074)
Unprovided deferred tax movements	11,209,774	(8,863,167)
Group relief	(11,217,146)	12,430,359
Current tax charge for the year	–	–

The tax rate of 26 5% has been calculated by reference to the current corporation tax rate of 26% which was in effect for the final three quarters of the year and the previous rate of 28% 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 2011 there was an unrecognised deferred tax asset of £47,533,521 (2010 £41,393,263) in respect of losses carried forward, calculated using the forecast tax rate of 25% (2010 28%)

6. DIVIDENDS

	Year Ended 31 December 2011 £	Year Ended 31 December 2010 £
Dividends paid during the year (2 35p per share) (2010 4 09p per share)	23,000,000	40,000,000

On 23 March 2012, subsequent to the year end, the company paid a dividend of £8,500,000

7. INVESTMENTS

Shares in group undertakings

	£
COST	
At 1 January 2011	1,893,106,017
Additions	2,235,286
At 31 December 2011	1,895,341,303
PROVISION FOR IMPAIRMENT	
At 1 January 2011	–
Provided during the year	81,875,730
At 31 December 2011	81,875,730
NET BOOK VALUE	
At 31 December 2011	1,813,465,573
At 1 January 2011	1,893,106,017

At 31 December 2011 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 year the company acquired 741,387 extra shares in CWG for a total consideration of £2,235,286, including fees of £11,125

At 31 December 2011 the company held 69 4% (2010 69 3%) of the shares in CWG

The directors have considered the net realisable value of the company's investment by reference to the company's share of CWG's adjusted triple net asset value at 31 December 2011 At that date CWG's adjusted triple net asset value was lower than at the previous year end primarily because of a significantly larger fair value adjustment in respect of the group's financial liabilities. This resulted in the recognition of a provision against impairment of £81,875,730 The directors are of the opinion that the value of the company's investment was not less than the amount shown in the company's balance sheet

The company received dividends totalling £31,217,576 (2010 £51,939,329) from CWG during the year ended 31 December 2011

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 12)

8. CREDITORS: Amounts falling due within one year

	31 December 2011 £	31 December 2010 £
Amount owed to parent undertaking	8,238,450	20,738,450

9. CALLED-UP SHARE CAPITAL

Allotted, called up and fully paid:

	31 December 2011 £	31 December 2010 £
977,756,332 Ordinary shares of £1 each	977,756,332	977,756,332

10. RESERVES

	Share premium £	Profit and loss account £	Total £
At 1 January 2011	41,097,530	868,652,044	909,749,574
Loss for the year	–	(50,630,336)	(50,630,336)
Dividends paid	–	(23,000,000)	(23,000,000)
At 31 December 2011	41,097,530	795,021,708	836,119,238

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 December 2011 £	31 December 2010 £
Opening shareholders' funds	1,887,505,906	1,697,351,374
Issue of ordinary share capital	–	137,012,055
(Loss)/profit for the year	(50,630,336)	93,142,477
Dividends paid	(23,000,000)	(40,000,000)
Closing shareholders' funds	1,813,875,570	1,887,505,906

During the prior year, the Board approved a Special Resolution to reduce the company's share capital by 986,831,887 shares to 840,744,277 ordinary shares of £1 each The reduction of capital has been registered with Companies House and the company's profit and loss reserve was increased accordingly

The company then issued 137,012,055 ordinary £1 shares to its parent undertaking in consideration for the cancellation of a loan, which with accrued interest totalled £137,012,055 at that date

12. ULTIMATE PARENT UNDERTAKING AND RELATED PARTY TRANSACTIONS

As at 31 December 2011, 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