

# **STADE FINANCE A.R.L.**

**Directors' report and audited financial statements  
for the year ended 31 December 2010**

**Bedell Trust Company Limited**  
PO Box 75, 26 New Street  
St. Helier, Jersey  
Channel Islands, JE4 8PP

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The directors present their report together with the audited financial statements of Stade Finance A.R.L. (the 'Company') for the year ended 31 December 2010.

### **Incorporation**

The Company was incorporated as a public company in Jersey, Channel Islands on 8 April 1998.

### **Principal activities**

The Company was formed for the purpose of raising finance to facilitate the construction in Paris of the Stade de France by Consortium Stade de France S.A. (the 'Consortium'). The Company achieved this through the issue of guaranteed notes (the 'Guaranteed Notes') in the sum of €121,852,499.

The proceeds raised from the issuance of the Guaranteed Notes, due 2013, have been lent on a limited recourse basis (the 'Loan') to Credit Suisse First Boston, Paris ('CSFB').

The Company has entered into a swap agreement (the 'Swap') with Credit Suisse International ('CSI') (formerly Credit Suisse First Boston International) in order to match the pattern of the Company's anticipated receipts under the Loan to the profile of the Company's payment obligations under the Guaranteed Notes. The obligations of the Company under the Swap are limited in recourse, as are the Company's obligations under the Guaranteed Notes.

Additionally, the Company has entered into a guaranteed revolving liquidity facility agreement with Credit Suisse First Boston, London also on limited recourse terms, enabling the Company to draw annually up to €11,963,437 (the 'Guaranteed Liquidity Facility').

Payment of principal and interest on the Guaranteed Notes is guaranteed by Financial Guaranty Insurance Company ('FGIC'). The up front premium payable to FGIC for the issuance of this guarantee was paid on behalf of the Company by the Consortium, in accordance with a payment agreement dated 29 July 1998.

The Guaranteed Notes are listed on the Luxembourg Stock Exchange and Euronext Paris.

In 2009, Standard & Poor's Rating Services and Moody's Investor Services lowered their ratings of FGIC to CC and Caa3 respectively and subsequently withdrew their ratings.

### **Directors**

The directors of the Company, who served during the year and subsequently, are:

Richard Charles Gerwat  
Shane Michael Hollywood

### **Secretary**

The secretary of the Company during the year and subsequently is:

Bedell Secretaries Limited

### **Results and dividends**

The results for the year are shown in the statement of comprehensive income.

The directors have not paid interim dividends in respect of the year ended 31 December 2010 (2009: €nil).

The directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2010 (2009: €nil).

#### **Independent auditor**

Deloitte LLP has previously been appointed as auditor and has expressed willingness to continue in office. The directors propose that Deloitte LLP be reappointed as auditor.

#### **Going concern**

As highlighted in note 12 to the financial statements, the Company is a special purpose bankruptcy remote financial vehicle therefore exposure to capital risk is not considered significant. The financial risk management objectives and exposures of the Company to market risk, credit risk and liquidity risk are also disclosed in note 12.

The transaction documents are structured such that the obligations of the Company are limited in recourse and the Company has the benefit of bankruptcy remoteness (non-petition) provisions pursuant to which each transaction party recognises the intended bankruptcy remoteness of the Company and that the obligations of the Company are limited to its financial resources. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Company continues to adopt the going concern basis in preparing the financial statements.

#### **Post statement of financial position events**

The directors acknowledge that the global macro-economic indicators and general business environment continue to be challenging as at the date of signing these financial statements. Market liquidity constraints, limited availability of credit and difficult trading conditions continue to pose significant challenges to all underlying businesses and borrowers to whom the Company has exposure. Conditions may deteriorate further due to the continued global financial and economic uncertainty.

Despite this difficult environment and further to making enquiries regarding the quality of assets, the liquidity facilities in place and the limited recourse nature of the Company's obligations under the transaction, at the time of approving these financial statements it is the opinion of the directors that there is a reasonable expectation the Company has adequate resources to continue in operational existence for the foreseeable future. It is anticipated therefore that the Company will continue to participate as a special purpose vehicle in the transaction.

**Statement of directors' responsibilities with regard to the financial statements**

The directors are required by the Companies (Jersey) Law 1991, as amended, to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss 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 appropriate;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 accounting records that are sufficient to show and explain the Company's transactions. These records must disclose with reasonable accuracy at any time the financial position of the Company and to enable the directors to ensure that the financial statements prepared comply with the Companies (Jersey) Law 1991, as amended. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud, error and non-compliance with law and regulations.

By order of the board

  
.....  
Secretary - Bedell Secretaries Limited

...16-JUNE-2011  
Date

**Registered office**

26 New Street  
St Helier  
Jersey  
JE2 3RA

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STADE FINANCE A.R.L

We have audited the financial statements of Stade Finance A.R.L for the year ended 31 December 2010, which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board.

This report is made solely to the company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. 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.

### 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 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as issued by the International Accounting Standards Board; and
- have been properly prepared in accordance with the Companies (Jersey) Law 1991.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

  
**Andrew Isham BA, FCA**  
for and on behalf of Deloitte LLP  
Chartered Accountants and Recognized Auditors  
Jersey

16 June 2011

**Stade Finance A.R.L.**  
**Audited statement of comprehensive income**  
**31 December 2010**

	Notes	€	2010	€	€	2009	€
<b>Income</b>							
Movement in fair value of financial assets through profit or loss	6		<b>12,724,289</b>			25,348,615	
Swap income			<b>6,397,256</b>			6,397,256	
Loan interest	4		<b>2,011,418</b>			2,510,603	
Income received from the Consortium			<b>30,712</b>			58,289	
Deposit interest			<b>896</b>			1,004	
Foreign exchange gain			<b>-</b>			23	
			<b>21,164,571</b>			<b>34,315,790</b>	
<b>Expenses</b>							
Movement in fair value of financial liability through profit or loss	9	<b>12,590,076</b>			25,389,186		
Interest payable on the Guaranteed Notes			<b>6,397,256</b>			6,397,256	
Swap expense			<b>2,011,418</b>			2,510,603	
Administration fees			<b>40,597</b>			27,650	
Legal fees			<b>28,913</b>			-	
Commitment fees	5		<b>24,192</b>			26,453	
Audit fees			<b>13,122</b>			13,199	
Professional indemnity insurance			<b>10,322</b>			10,385	
Valuation fees			<b>5,240</b>			-	
Bank charges			<b>1,131</b>			845	
Cash management fees			<b>1,007</b>			2,491	
Foreign exchange loss			<b>143</b>			-	
			<b>(21,123,417)</b>			<b>(34,378,068)</b>	
<b>Profit/(loss) and total comprehensive income/(expense) for the year</b>			<b>41,154</b>			<b>(62,278)</b>	

The notes on pages 10 to 20 are an integral part of these financial statements.

**Stade Finance A.R.L.**  
**Audited statement of financial position**  
**31 December 2010**

	Notes	2010 €	2009 €
<b>Assets</b>			
<b>Non-current assets</b>			
Financial assets at FVTPL	6	<u>130,200,321</u>	<u>117,476,032</u>
<b>Current assets</b>			
Trade and other receivables	7	3,400,691	3,614,864
Cash and cash equivalents		<u>235,569</u>	<u>298,808</u>
		<u>3,636,260</u>	<u>3,913,672</u>
<b>Total assets</b>		<u><b>133,836,581</b></u>	<u><b>121,389,704</b></u>
 <b>Equity and liabilities</b>			
<b>Equity</b>			
Called up share capital	8	3	3
Retained earnings		<u>391,922</u>	<u>350,768</u>
<b>Total equity</b>		<u><b>391,925</b></u>	<u><b>350,771</b></u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Guaranteed Notes at FVTPL	9	<u>130,200,321</u>	<u>117,610,245</u>
<b>Current liabilities</b>			
Trade and other payables	10	<u>3,244,335</u>	<u>3,428,688</u>
<b>Total liabilities</b>		<u><b>133,444,656</b></u>	<u><b>121,038,933</b></u>
<b>Total equity and liabilities</b>		<u><b>133,836,581</b></u>	<u><b>121,389,704</b></u>

The financial statements on pages 6 to 20 were approved by the board of directors and authorised for issue on 16 June 2011, and signed on its behalf by:

  
 .....  
 Director - Richard Charles Gerwat

  
 .....  
 Director - Shane Michael Hollywood



**Stade Finance A.R.L.**  
**Audited statement of changes in equity**  
**31 December 2010**

	<b>Called up share capital</b>	<b>Retained earnings</b>	<b>Total</b>
<b>Balance at 1 January 2009</b>	3	413,046	413,049
Loss for the year	<u>-</u>	<u>(62,278)</u>	<u>(62,278)</u>
<b>Total comprehensive expense for the year ended 31 December 2009</b>	<u>-</u>	<u>(62,278)</u>	<u>(62,278)</u>
<b>Balance at 31 December 2009</b>	<u>3</u>	<u>350,768</u>	<u>350,771</u>
	<b>Called up share capital</b>	<b>Retained earnings</b>	<b>Total</b>
<b>Balance at 1 January 2010</b>	3	350,768	350,771
Profit for the year	<u>-</u>	<u>41,154</u>	<u>41,154</u>
<b>Total comprehensive income for the year ended 31 December 2010</b>	<u>-</u>	<u>41,154</u>	<u>41,154</u>
<b>Balance at 31 December 2010</b>	<u>3</u>	<u>391,922</u>	<u>391,925</u>

The notes on pages 10 to 20 are an integral part of these financial statements.

**Stade Finance A.R.L.**  
**Audited statement of cash flows**  
**31 December 2010**

	Notes	2010 €	2009 €
<b>Cash flows from operating activities</b>			
Net cash flow used in operations	11	<u>(63,239)</u>	<u>(11,827)</u>
<b>Cash flows from investing activities</b>			
Net payments made on the Swap		(5,566,180)	(5,608,731)
Loan repayments received	6	9,737,755	9,249,316
Loan interest		<u>2,225,681</u>	<u>2,756,671</u>
<b>Net cash inflows from investing activities</b>		<u>6,397,256</u>	<u>6,397,256</u>
<b>Cash flows from financing activities</b>			
Interest paid on the Guaranteed Notes		<u>(6,397,256)</u>	<u>(6,397,256)</u>
<b>Net cash outflow used in financing activities</b>		<u>(6,397,256)</u>	<u>(6,397,256)</u>
<b>Net decrease in cash and cash equivalents</b>		(63,239)	(11,827)
Cash and cash equivalents at start of the year		<u>298,808</u>	<u>310,635</u>
<b>Cash and cash equivalents at end of the year</b>		<u>235,569</u>	<u>298,808</u>

The notes on pages 10 to 20 are an integral part of these financial statements.

## **1 General information**

The Company is a public limited company incorporated in Jersey, Channel Islands. The principal activities of the Company are described in the directors' report.

## **2 Accounting policies**

### **Statement of compliance**

The financial statements for the year ended 31 December 2010 on pages 6 to 20 have been prepared in accordance with International Financial Reporting Standards ('IFRS').

### **Basis of measurement**

The financial statements have been prepared in accordance with accounting principles generally accepted in the island of Jersey, incorporating IFRS and have been prepared on the historical cost basis, except for the revaluation of certain financial instruments.

These financial statements are presented in Euros ('€'), which is the Company's functional and reporting currency.

A summary of the more important policies in dealing with items that are considered material to the Company are shown below:

### **Adoption of a new and revised standard**

At the date of authorisation of these financial statements, the following standard which has been applied in these financial statements, is in issue and effective:

- 2009 Improvements to IFRS (effective from 1 January 2010) (the '2009 Improvements').

The directors consider that the adoption of the 2009 Improvements has not had a significant impact upon the Company.

### **Standards and interpretations in issue not yet adopted**

At the date of authorisation of these financial statements, the following standards and interpretations which have not been applied in these financial statements, were in issue but not yet effective:

- IFRS 7 Financial Instruments: Disclosures (amended) (effective 1 July 2011) ('IFRS 7 (amended) 1 July 2011');
- IFRS 9 Financial Instruments (effective 1 January 2013) ('IFRS 9');
- International Accounting Standard 24 Related Party Disclosures (effective 1 January 2011) ('IAS 24'); and
- 2010 Improvements to IFRS (majority effective from 1 January 2011) (the '2010 Improvements').

The directors anticipate that the adoption of IFRS 7 (amended) 1 July 2011, IFRS 9, IAS 24 and the 2010 Improvements will not have a significant impact upon the results of the Company, but will impact on the disclosures of the Company.

The directors have reviewed and considered all other standards, amendments and interpretations issued but not yet effective as at the date the financial statements are authorised for issue. In the opinion of the directors the other standards, amendments and interpretations issued but not yet effective are either not relevant to the activities of the Company or will have no impact on the financial statements of the Company.

## **2 Accounting policies (continued)**

### **Critical accounting judgements and key sources of estimation uncertainty**

The preparation of these financial statements requires the directors to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and the disclosure of contingent liabilities as at the statement of financial position date. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

In the event such estimates and assumptions which are based on the best judgement of the directors as at the statement of financial position date deviate from the actual circumstances in the future, the original estimates and assumptions will be modified as appropriate in the year or period in which the circumstances change.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The directors believe that the key source of estimation uncertainty is related to the estimation of the fair values of financial instruments. Please refer to the fair value measurement accounting policy.

### **Financial instruments**

In pursuing its objectives as a special purpose bankruptcy remote financing vehicle, the Company holds or has issued a number of financial instruments. These comprise:

- Loan;
- Swap;
- trade and other receivables;
- cash and cash equivalents;
- Guaranteed Notes; and
- trade and other payables.

In accordance with the provisions set out in IAS 39, the Loan and the Swap are recognised as financial assets at fair value through profit or loss ('FVTPL') and the Guaranteed Notes are recognised as financial liabilities at FVTPL.

These financial instruments are initially recorded at cost, which corresponds with the fair value of such instruments. Subsequently, the financial instruments are re-measured at fair value in accordance with the guidance provided in IAS 39, an established industry practices for determination of fair values. Any gain or loss resulting from changes in fair value is included in the statement of comprehensive income in the period in which they arise.

Trade and other receivables, cash and cash equivalents and trade and other payments are recorded at amortised cost.

### **Recognition and derecognition of financial assets and liabilities**

The Company initially recognises financial assets and liabilities on the date at which they originated. Purchases and sales of financial assets are recognised on the date on which the Company commits to purchase or sell the asset. All other financial assets and liabilities (including assets and liabilities designated at FVTPL) are initially recognised on the trade date on which the Company becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the right to receive cash flows from the assets expired or when the Company has transferred its contractual right to receive the cash flows of the financial assets and substantially all the risks and rewards of ownership have been transferred. Financial liabilities are derecognised when they are extinguished, that is when the obligation is discharged, cancelled or expires.

## **2 Accounting policies (continued)**

### **Fair value measurement**

Further to the issuance of amendments to IFRS 7 Financial Instruments: Disclosures (effective 1 January 2009) ('IFRS 7 (amended) 1 January 2009'), a hierarchal disclosure framework has been established which prioritises and ranks the level of market price observability used in measuring financial instruments at fair value.

Market price observability is impacted by a number of factors, including the type of financial instrument and the characteristics specific to that type of financial instrument. Financial instruments with readily available quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgement used in measuring fair value.

Financial instruments measured and reported at fair value are classified and disclosed in one of the following categories:

- level I - an adjusted quoted price in an active market provides the most reliable evidence of fair value and is used to measure fair value whenever available. As required by IFRS 7 Financial Instruments: Disclosures, the Company will not adjust the quoted price for these financial instruments, even in situations where it holds a large position and a sale could reasonably impact the quoted price;
- level II - inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date and fair value is determined through the use of models or other valuation methodologies; and
- level III - inputs are unobservable for the financial instrument and include situations where there is little, if any, market activity for the financial instrument. The inputs into the determination of fair value require significant management judgment or estimation.

The determination of fair values for financial assets and liabilities for which there is no observable market price requires the use of the valuation techniques as described below.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgment depending on liquidity, concentration, counterparty risk, uncertainty of market factors, pricing assumptions and other risk factors affecting the each financial instrument.

The fair values of the Loan, Swap and Guaranteed Notes have been determined by discounting cash flows. Credit risk has been taken into account for the calculation of the fair values based on market credit spreads as at 31 December 2010.

In the director's opinion these valuations represent the fair value of the Loan, the Swap and the Guaranteed Notes at the valuation date as all available information has been used in the valuation process. However due to the inherent uncertainty of valuation, the fair values of the Loan, the Swap and the Guaranteed Notes may differ from the fair values that would have been determined had a ready market for these financial instruments existed and the difference could be material. Due to the nature of these financial instruments, an active resale market is not readily available and prices obtained on the date of sale may be materially different than the value recorded by the Company. Different assumptions will impact measurement of these financial instruments which may have an effect on the valuation of these assets and liabilities in the financial statements. It is not possible to quantify the effects of the resolution of this uncertainty although due to the limited recourse nature of the Guaranteed Notes there would be no impact on the Company's net assets.

### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, demand deposits with banks and other financial institutions. Cash and cash equivalents are recorded at amortised cost.

## **2 Accounting policies (continued)**

### **Foreign exchange**

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of transaction.

Monetary assets and liabilities denominated in foreign currencies are revalued at the rate of exchange ruling at the statement of financial position date.

Foreign exchange gains and losses are included in the statement of comprehensive income in the period in which they arise.

### **Revenue recognition**

- swap income is accounted for using the accruals basis;
- loan interest is accounted for using the accruals basis in accordance with IAS 39;
- income received from the Consortium is recognised when the Company's right to receive payment of the income is established; and
- deposit interest is recognised on an accruals basis.

### **Expenditure**

All expenditure is accounted for on an accruals basis.

### **Going concern**

As highlighted in note 12 to the financial statements, the Company is a special purpose bankruptcy remote financial vehicle therefore exposure to capital risk is not considered significant. The financial risk management objectives and exposures of the Company to market risk, credit risk, liquidity risk and capital risk are also disclosed in note 12.

The transaction documents are structured such that the obligations of the Company are limited in recourse and the Company has the benefit of bankruptcy remoteness (non-petition) provisions pursuant to which each transaction party recognises the intended bankruptcy remoteness of the Company and that the obligations of the Company are limited to its financial resources.

After making enquires, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements continue to be prepared on the going concern basis.

## **3 Taxation**

The Company is registered in Jersey, Channel Islands as an income tax paying company. The general rate of corporation tax for companies resident in Jersey (such as the Company) is 0% for the current year of assessment (2009: 0%).

#### 4 Loan interest

	2010 €	2009 €
Loan interest	<u>2,011,418</u>	<u>2,510,603</u>

Interest is received on the Loan on each annual payment date calculated on the basis of 5.28% per annum. There is no premium or discount on the Loan therefore the rate of interest equals the effective interest rate.

#### 5 Commitment fees

	2010 €	2009 €
Commitment fees	<u>24,192</u>	<u>26,453</u>

CSFB acts as liquidity provider to the Company and for their services receives a commitment fee of 0.2% per annum on the liquidity facility of €11,963,437.

#### 6 Financial assets at FVTPL

	2010 €	2009 €
Loan at FVTPL	27,048,950	41,597,184
Swap at FVTPL	<u>103,151,371</u>	<u>75,878,848</u>
	<u>130,200,321</u>	<u>117,476,032</u>
Balance as at 1 January	117,476,032	92,127,417
Movement in FVTPL	<u>12,724,289</u>	<u>25,348,615</u>
<b>Balance as at 31 December</b>	<u>130,200,321</u>	<u>117,476,032</u>

	Cost as at 1 January 2010 €	Movement in the year €	Cost as at 31 December 2010 €
Loan	42,146,481	(9,737,755)	32,408,726
Swap	<u>79,706,018</u>	<u>9,737,755</u>	<u>89,443,773</u>
	<u>121,852,499</u>	<u>-</u>	<u>121,852,499</u>

The Loan is due from CSFB and was made to facilitate the construction of the Stade de France, Paris by the Consortium. On 1 August 2011 the loan will be partly repaid in the principle amount of €10,251,988.

## 6 Financial assets at FVTPL (continued)

The Company has entered into the Swap with CSI. CSI was required to make an initial payment of €6,610,498 to the Company on 30 July 1999 and thereafter to pay an annual amount of €6,397,256 to the Company, equivalent to the interest payable on the Guaranteed Notes. An additional payment of €658,003 was paid by CSI to the Company on 29 July 1998, equal to the discount on the Guaranteed Notes issued. A final additional payment of €121,852,499 is due to the Company on 11 August 2013 to meet the repayment of the Guaranteed Notes.

The Company in exchange pays €11,963,437 annually to CSI under the terms of the Swap, equivalent to the receipts under the loan agreement with CSFB. The payment is matched with the interest element of the cash receipts due under the Loan by assuming a capital and Swap expense element equal to the principal and interest payments under the Loan. In the year the capital element of the payment made to CSI was €9,737,755 (2009: €9,249,316) and the Swap expense element was €2,225,682 (2009: €2,714,121).

## 7 Trade and other receivables

	2010 €	2009 €
Swap income	2,665,523	2,665,523
Loan interest	713,103	927,367
Prepayments of expenses	<u>22,065</u>	<u>21,974</u>
	<u>3,400,691</u>	<u>3,614,864</u>

## 8 Called up share capital

	2010 €	2009 €
<b>Authorised:</b>		
2 ordinary shares of £1.00 each	<u>3</u>	<u>3</u>
<b>Issued and fully paid:</b>		
2 ordinary shares of £1.00 each	<u>3</u>	<u>3</u>

There are no other share classes which would dilute the rights of the ordinary members. Amongst other rights as prescribed in the articles of association of the Company, the rights of the ordinary members include:

- the right to attend meetings of members. On a show of hands every member present in person or by proxy shall have one vote and on a poll every member shall have one vote for each share of which the member is a shareholder; and
- the right to receive dividends recommended by the directors and declared in a general meeting.



## 9 Guaranteed Notes at FVTPL

	2010 €	2009 €
Guaranteed Notes at FVTPL	<u>130,200,321</u>	<u>117,610,245</u>
<b>Movement</b>		
Balance as at 1 January	117,610,245	92,221,059
Movement in FVTPL	<u>12,590,076</u>	<u>25,389,186</u>
<b>Balance as at 31 December</b>	<u>130,200,321</u>	<u>117,610,245</u>

The Guaranteed Notes were issued at 99.46% of the nominal value and entitle the holder to interest at the rate of 5.25% per annum on the nominal value of €121,852,499. The Guaranteed Notes are due for redemption on 12 August 2013 at par value. The proceeds from the issue together with the additional payment received under the Swap have been lent to CSFB.

The payment of principal and interest on the Guaranteed Notes by the Company is guaranteed by FGIC.

The Guaranteed Notes are listed on the Luxembourg Stock Exchange and Euronext Paris.

## 10 Trade and other payables

	2010 €	2009 €
Interest payable on the Guaranteed Notes	2,488,796	2,488,796
Swap expense	713,103	927,367
Audit fees	9,284	12,525
Legal fees	27,912	-
Valuation fees	<u>5,240</u>	<u>-</u>
	<u>3,244,335</u>	<u>3,428,688</u>

## 11 Cash generated from operating activities

Reconciliation of operating profit to net cash used in operating activities:

	2010 €	2009 €
Profit/(loss) for the year	41,154	(62,278)
Movement in fair value of financial liabilities through profit or loss	12,590,076	25,389,186
Movement in fair value of financial assets through profit or loss	(12,724,289)	(25,348,615)
(Increase)/decrease in trade and other receivables	(91)	3,760
Increase in trade and other payables	<u>29,911</u>	<u>6,120</u>
Net cash flow used in operating activities	<u>(63,239)</u>	<u>(11,827)</u>

## 12 Financial instruments

In pursuing its objectives as a special purpose bankruptcy remote financing vehicle, the Company holds or has issued a number of financial instruments. These comprise:

- Loan;
- Swap;
- trade and other receivables;
- cash and cash equivalents;
- Guaranteed Notes; and
- trade and other payables.

The main risks from holding or issuing the Company's financial instruments are detailed below together with the policies adopted by the board of directors to manage the risk.

### (a) Market risk

The Company's exposure to market risk is comprised of the following risks:

#### (i) Foreign exchange risk

The Guaranteed Notes issued by the Company are denominated in €. The Loan and the Swap are both denominated in €. Any credit or market risk, regardless of currency, which materialises is transferred to the holders of the Guaranteed Notes. Accordingly, in the opinion of the directors, there is no material currency risk exposure to the Company.

#### (ii) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market. The financial instruments of the Company are susceptible to price risk arising from uncertainties about their future values.

As the Loan, the Swap and the Guaranteed Notes are not actively traded, in the opinion of the directors, the Company is not subject to price risk.

#### (iii) Interest rate risk

The Company receives interest income at a rate of 5.28% per annum on the notional balance of the Loan.

The Company bears interest of 5.25% per annum on the notional balance of the Guaranteed Notes.

The Company receives funds under the Swap to meet the difference between the interest receivable on the Loan and the interest payable on the Guaranteed Notes. In the opinion of the directors the Company is not exposed to the risks of interest rate fluctuations therefore no interest rate sensitivity analysis has been produced.

### (b) Credit risk

The primary credit risk to the Company is that the Company will not receive sufficient principal and interest from CSFB under the Loan or swap payments from CSI under the Swap to enable it to meet its obligations in regards to the Guaranteed Notes.

The payments of principal and interest on the Guaranteed Notes are guaranteed by FGIC. In the event that FGIC are unable to meet this guarantee, the transaction documents are structured such that the obligations of the Company are limited in recourse and the Company is structured so as to be regarded as bankruptcy remote. Accordingly, in the opinion of the directors, there is no net credit risk to the Company. The credit risk is transferred to the holders of the Guaranteed Notes who would receive a reduced amount of capital and interest.

The maximum credit risk at the year end is €133,836,581 (2009: €121,389,704).

## 12 Financial instruments (continued)

### (c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations associated with its financial liabilities. The Company has entered into the Swap with CSI in order to match the pattern of its anticipated receipts under the Loan to the profile of its payment obligations under the Guaranteed Notes. The obligations of the Company under the Swap are limited in recourse, as are the Company's obligations under the Guaranteed Notes.

The Company also has access to the Guaranteed Liquidity Facility to enable it to continue to meet its obligations as they fall due. In the opinion of the directors there is no liquidity risk to the Company.

The undiscounted contractual cash flows maturity profile on the Company's financial liabilities is as follows:

	2010 €	2009 €
<b>Guaranteed Notes</b>		
Less than 1 year	6,397,256	6,397,256
Between 1 and 5 years	134,647,012	141,044,268
More than 5 years	-	-
	<u>141,044,268</u>	<u>147,441,524</u>
<b>Other liabilities</b>		
Trade and other payables - maturity within one year	<u>3,244,335</u>	<u>3,428,688</u>

### (d) Fair value estimation

All financial instruments except trade and other receivables, cash and cash equivalents and trade and other payables are classified as financial assets or financial liabilities at FVTPL in accordance with the provisions set out in IAS 39. Changes in fair value of the financial instruments are included in the statement of comprehensive income in the period in which they occur.

Whilst the Company's Guaranteed Notes are listed on the Luxembourg Stock Exchange and Euronext Paris, they are not priced, there being no liquid secondary market for this type of note. The purchase price of the Company's main financial assets, the financial assets at FVTPL, approximates the fair value of the assets.

The fair values of the Loan, the Swap and the Guaranteed Notes have been categorised by the IFRS 7 (amended) 1 January 2009 fair value hierarchy as level II as they have been determined by discounted cash flows. Credit risk has been taken into account for the calculation of the fair values based on market credit spreads as at 31 December 2010. Credit spreads used ranged from 38.68 basis points to 72.72 basis points.

Given the limited recourse nature of the transaction, any differences between fair value and book value of the financial instruments would have no net effect on the position of the Company. Furthermore, the holders of the Company's Guaranteed Notes, as sophisticated investors, are aware of the link between their investment and the underlying assets.

Fair value is not, therefore, the amount that the Company would receive or pay in a forced transaction, involuntary liquidation or distress sale. However, fair value reflects the credit quality of the financial assets and liabilities measured. The objective of using these valuation techniques is to establish what the transaction price would have been at the statement of financial position date in an arm's length exchange motivated by normal business considerations.

## 12 Financial instruments (continued)

	Cost 31 December 2010 €	Fair value 31 December 2010 €	Cost 31 December 2009 €	Fair value 31 December 2009 €
<b>Financial assets</b>				
Financial assets at FVTPL	121,852,499	130,200,321	121,852,499	117,476,032
Trade and other receivables	3,400,691	3,400,691	3,614,864	3,614,864
Cash and cash equivalents	235,505	235,569	298,808	298,808
<b>Financial liabilities</b>				
Financial liabilities at FVTPL	121,194,496	130,200,321	121,194,496	117,610,245
Trade and other payables	3,244,335	3,244,335	3,428,688	3,428,688

### (e) Capital risk management

The Company has no capital management requirements or any need for active capital management. Therefore in the opinion of the directors there is no need to actively monitor the capital of the Company.

## 13 Ultimate controlling party

In the opinion of the directors, the ultimate controlling party is Bedell Trustees Limited, in its capacity as trustee of the Stade Finance Charitable Trust.

## 14 Related party transactions

The directors of the Company are the Company's only key management personnel. Corporate administration services are provided to the Company by Bedell Trust Company Limited, including the provision of Company secretary, Bedell Secretaries Limited and the directors. Richard Charles Gerwat and Shane Michael Hollywood are directors of Bedell Trust Company Limited, Bedell Trustees Limited, Bedell Secretaries Limited and partners of Bedell Group. The directors' fees are included in the fee expense payable to Bedell Trust Company Limited.

Total administration fees paid to Bedell Trust Company Limited in the year amounted to £32,295 (€39,203) (2009: £22,368 (€26,559)). Fees had been paid in advance to Bedell Trust Company Limited in the sum of £18,492 (€22,448) as at the year end (2009: £10,905 (€14,037)) and are included as prepayments of expenses in note 7.

Cash management fees paid to Bedell Trust Company Limited in the year amounted to £2,000 (€2,428) (2009: £2,000 (€2,375)). Cash management fees had been paid in advance to Bedell Trust Company Limited in the sum of £1,145 (€1,390) as at the year end (2009: £1,145 (€1,360)) and are included as prepayments of expenses in note 7.

## 15 Swap collateral

On 26 November, 2002 Standard & Poor's Ratings Services lowered the long and short-term counterparty credit ratings on CSI, from 'AA-' to 'A+' and from 'A-1+' to 'A-1', respectively. Under the Swap with CSI this downgrade triggered the requirement for CSI to provide collateral, which is to be retained for the benefit of the Company against CSI's obligations there under.

On 14 June, 2006 Standard & Poor's Ratings Services raised the long and short-term counterparty credit ratings on CSI from 'A+' to 'AA-' and from 'A-1' to 'A-1+', respectively.

On 19 December 2008 Standard and Poor's Ratings Services lowered the long and short-term counterparty credit ratings on CSI from 'AA-' to 'A+' and from 'A-1+' to 'A-1' respectively. As at 31 December 2010 the calculated collateral amount capable of being called was €93,756,146, being the € equivalent of FRF 615,000,000 (2009: €83,846,959, being the € equivalent of FRF 550,000,000).

### **15 Swap collateral (continued)**

As at 31 December 2010 Citibank N.A. had been appointed as custodian and a custody account had been established, however no collateral had been transferred or posted. Based on the relevant documentation having been executed by the Company and discussions with the parties, the directors anticipate that collateral should be posted before 30 June 2011.

### **16 Post statement of financial position events**

The directors acknowledge that the global macro-economic indicators and general business environment continue to be challenging as at the date of signing these financial statements. Market liquidity constraints, limited availability of credit and difficult trading conditions continue to pose significant challenges to all underlying businesses and borrowers to whom the Company has exposure. Conditions may deteriorate further due to the continued global financial and economic uncertainty.

Despite this difficult environment and further to making enquiries regarding the quality of assets, the liquidity facilities in place and the limited recourse nature of the Company's obligations under the transaction, at the time of approving these financial statements it is the opinion of the directors that there is a reasonable expectation the Company has adequate resources to continue in operational existence for the foreseeable future. It is anticipated therefore that the Company will continue to participate as a special purpose vehicle in the transaction.