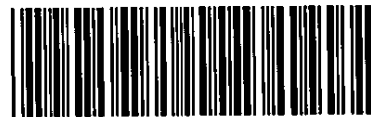


Company Registration Number 5819693

WINDERMERE VIII CMBS PLC
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2010

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WINDERMERE VIII CMBS PLC

FOR THE YEAR ENDED 31 MAY 2010

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WINDERMERE VIII CMBS PLC

COMPANY INFORMATION

The board of directors	Wilmington Trust SP Services (London) Limited Mr M H Filer Mrs R L Samson Mr J Traynor
Company secretary	Wilmington Trust SP Services (London) Limited
Registered office	c/o Wilmington Trust SP Services (London) Limited Fifth Floor 6 Broad Street Place London EC2M 7JH
Auditors	Deloitte LLP London
Servicer	Hatfield Philips International Limited 34 th Floor 25 Canada Square London E14 5LB
Trustee	LaSalle Global Trust Services Limited (formerly ABN Trustees Limited) 5 Canada Square London E14 5AQ

WINDERMERE VIII CMBS PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MAY 2010

The directors have pleasure in presenting their report and the financial statements of the Company for the year ended 31 May 2010 with comparatives for the year ended 31 May 2009

PRINCIPAL ACTIVITIES

The Company is a special purpose company established in order to issue commercial mortgage-backed loan notes due April 2015 ("the loan notes"), to acquire a mortgage portfolio from Lehman Brothers Bankhaus AG, London Branch and Lehman Commercial Paper Inc, United Kingdom Branch ("the Commercial mortgage loans"), to create security and receive interest in respect thereof, and to enter into certain related transactions as described in the Offering Circular dated 28 July 2006

RESULT AND DIVIDENDS

The trading results for the year and the Company's financial position at the end of the year are shown in the attached financial statements

The profit after tax of the Company for the year amounted to £9,103,221 (2009 loss of £83,763,505) as a result of a fair value gain of £8,593,775 (2009 loss of £50,901,478) on derivative financial instruments and an impairment reversal against the Commercial mortgage loans of £2,291,786 (2009 impairment charge of £43,398,712) The directors have not recommended a dividend (2009 £nil)

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

On 1 August 2006, the Company issued £1,037,598,000 commercial mortgage-backed loan notes and on the same date acquired a mortgage portfolio from Lehman Brothers Bankhaus AG, London Branch and Lehman Commercial Paper Inc, United Kingdom Branch The loan notes are listed on the Irish Stock Exchange

The key performance indicators of the business are considered to be the net interest income margin and impairments During the year, the Company achieved a net interest income margin (net interest income divided by interest income) of 13.4% (2009 11.5%) During the year, the Company recognised an impairment reversal against the Commercial mortgage loans of £2,291,786 (2009 impairment charge of £43,398,712) At the year end, the Company had net liabilities of £69,883,873 (2009 £78,987,094)

The Company will pay deferred consideration to the originator, Lehman Commercial Paper Inc (in administration), United Kingdom Branch, which is dependent on the extent to which surplus income is generated by the mortgage portfolio purchased by the Company

During the year the Company received £2,293,185 (2009 £2,187,468) from redemptions on the Commercial mortgage loans and redeemed £2,293,185 (2009 £2,187,468) of the loan notes

PRINCIPAL RISKS AND UNCERTAINTIES AND FINANCIAL INSTRUMENTS

Discussion of the Company's approach to financial instruments is set out in note 1 (significant accounting policies) and in note 14 The Board reviews and agrees policies for managing the main risks arising on the Company's financial instruments and they are summarised below

The directors acknowledge that the global macro-economic indicators and general business environment have improved in the period under review However, market liquidity constraints, limited availability of credit and difficult trading conditions continue to pose significant challenges to all underlying businesses and borrowers with whom the Company has exposure through the Commercial mortgage loans Conditions may deteriorate further due to the continued global financial and economic uncertainty

Going concern risk

The terms of the loan notes issued by the Company and associated arrangements are such that amounts due are only payable to the extent that there are sufficient receipts from the Company's assets (including derivatives) As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook

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, they continue to adopt the going concern basis in preparing the financial statements

WINDERMERE VIII CMBS PLC

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2010

Currency risk

All of the Company's assets and liabilities are denominated in Pounds Sterling therefore there is no foreign currency risk

Interest rate risk

Interest rate risk exists where assets and liabilities have interest rates under a different basis or which reset at a different time. The Company minimises its exposure to interest rate risk by ensuring that the interest rate characteristics of assets and liabilities are similar. The Company has entered into a number of interest rate swaps and interest rate caps with HSBC Bank plc to manage the Company's exposure to interest rate risk associated with the Commercial mortgage loans. This is to reduce interest rate risk as a result of the possible variance between the fixed rate of interest receivable on the Commercial mortgage loans and the variable rate of interest payable on the floating rate loan notes.

Credit risk

The principal credit risk to the Company is that the Commercial mortgage loan borrowers will not be able to meet their obligations as they fall due. The Commercial mortgage loans are secured on a number of UK commercial properties which are geographically diverse and include a diverse tenant portfolio. The maximum exposure to credit risk relates to the three main borrowers Mid City Limited, Wichford Gamma Limited and AM Holdings Limited totalling £215,000,000 (2009 £215,000,000), £199,678,050 (2009 £199,678,050) and £152,892,576 (2009 £154,523,045) respectively. At 31 May 2010, the total principal amount outstanding on all Commercial mortgage loans was £618,149,027 (2009 £620,442,212).

Refinancing risk

The ability of a borrower to make timely payment of principal due on any loan on the relevant loan maturity date may be dependent upon that borrower's ability to refinance the loan. In the event a borrower cannot refinance before or at the loan maturity date, repayment may be delayed and in some circumstances the collateral, which would be enforced and sold, may be sold at a value below the then outstanding principal of the loan. The repayment of the loan may be made at below carrying value and the Company would be unable to repay certain classes of loan notes in full.

If in the event of the loans not being able to be repaid, the loan notes would be written down starting from the lowest class of note, E, to the highest class of note outstanding, A2.

Impairment

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired. A financial asset or portfolio of financial assets is impaired and an impairment loss incurred if there is objective evidence that an event or events since initial recognition of the asset have adversely affected the amount or timing of future cash flows from the asset.

Amadeus

On 8 December 2008, the Amadeus Loan was transferred to Special Servicing and a Regulatory Information Service (RIS) Notice was issued to this effect, citing an Event of Default under the terms of the Loan Agreement.

A third-party independent surveyor was instructed to carry out a market valuation of the properties in the Amadeus Loan portfolio. The market value, stated as at 27 February 2009 was £15,250,000 as compared to £36,000,000 on purchase of the commercial mortgage loan.

The Amadeus Loan was due to mature on 15 April 2009 but this did not take place. At 31 May 2010, the loan was on the Servicer Watch-list due to late payment of rent and fluctuations in its vacancy rate from quarter to quarter.

Negotiations are ongoing between the Borrower and the Special Servicer in order to work out a strategy in recovering the amount outstanding on the commercial mortgage loan. Accordingly, an impairment provision is held against the Amadeus Loan totalling £14,757,007 (2009 £14,757,007) as in the directors' opinion it is not certain that the amount outstanding at the year end, £30,007,007 (2009 £30,007,007) will be fully recovered.

WINDERMERE VIII CMBS PLC

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2010

Impairment (continued)

Monument

On 6 February 2009, the Monument Loan was transferred to Special Servicing and a Regulatory Information Service (RIS) Notice was issued to this effect, citing an Event of Default under the terms of the loan agreement

A third-party independent surveyor was instructed to carry out a market valuation of the properties in the Monument Loan portfolio. The market value, stated as at 6 March 2009 was £3,000,000 as compared to £20,550,000 on purchase of the commercial mortgage loan

The Monument Loan was due to mature on 15 April 2009 but this did not take place. At year-end, the loan was on the Servicer Watch list due to a material default not likely to be cured within 60 days of occurrence

Negotiations are ongoing between the Borrower and the Special Servicer in order to work out a strategy in recovering the amount outstanding on the commercial mortgage loan. During the year, the Company received £661,317 in respect of the Monument Loan and accordingly, the impairment provision against the Monument Loan has been reduced to £12,557,343 (2009 £13,218,660) as in the Directors' opinion it is not certain that the amount outstanding at the year end, £15,557,343 (2009 £16,218,660) will be fully recovered

AMG

A third-party independent surveyor was instructed to carry out a market valuation of the properties in the AMG Portfolio loan. The market value, stated as at 14 December 2009 was £130,300,000 as compared to £390,400,000 on purchase of the commercial mortgage loan

The AMG Portfolio loan was due to mature on 15 April 2010 but this did not take place because the borrower exercised their option to extend. At year-end, the loan was on the Servicer Watch-list

Negotiations are ongoing between the Borrower and the Special Servicer in order to work out a strategy in recovering the amount outstanding on the commercial mortgage loan. During the year, the Company received £1,630,469 in respect of the AMG Loan and accordingly, the impairment provision has been reduced against the AMG Loan to £22,592,576 (2009 £24,223,045) as in the Directors' opinion it is not certain that the full amount outstanding at the year end, £152,892,576 (2009 £154,523,045), will be fully recovered

Government Income Portfolio

The Government Income Portfolio loan was due to mature on 15 October 2010 but this did not take place and as result, was placed on the Servicer Watch-list. The loan maturity has been extended by a further two years to 15 October 2012 and was removed from the Servicer Watch-list on 15 October 2010

Liquidity risk

A facility provided by Lloyds TSB Bank Plc has been established which will be available, subject to certain criteria and circumstances, in the event of the Company being unable, on a temporary basis, to meet its financial commitments

The liquidity facility was renewed on 28 July 2010 to expire on 27 July 2011. The directors intend to renew this facility annually

WINDERMERE VIII CMBS PLC

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2010

DIRECTORS

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

Wilmington Trust SP Services (London) Limited

Mr M H Filer

Mrs R L Samson

Mr J Traynor

AUDITORS

A resolution to re-appoint Deloitte LLP as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 2006

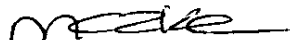
STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

The directors confirm that

- so far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and
- each of the directors have taken all steps that they ought to have as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Signed by order of the directors



Mignon Clarke for and on behalf of

WILMINGTON TRUST SP SERVICES (LONDON) LIMITED

Company Secretary

30 November 2010

WINDERMERE VIII CMBS PLC

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MAY 2010

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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, International Accounting Standard 1 requires that directors

- properly select and apply accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
- make an assessment of the Company's ability to continue as a going concern

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WINDERMERE VIII CMBS PLC

We have audited the financial statements of Windermere VIII CMBS Plc for the year ended 31 May 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 18. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 May 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

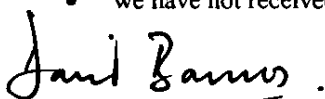
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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.



David Barnes (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
30 November 2010

WINDERMERE VIII CMBS PLC

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MAY 2010

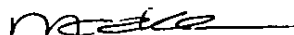
	Notes	2010 £	2009 £
Interest income	2	34,961,423	40,470,282
Interest expense	3	<u>(30,290,513)</u>	<u>(35,824,458)</u>
Net interest income		4,670,910	4,645,824
Impairment reversal/(charge) against Commercial mortgage loans	8	2,291,786	(43,398,712)
Fair value gain/(loss) on derivative financial instruments	4	8,593,775	(50,901,478)
Deferred consideration		<u>(3,429,783)</u>	<u>(3,498,913)</u>
Administrative expenses	5	<u>(1,212,458)</u>	<u>(1,125,069)</u>
Profit/(loss) before tax for the year		10,914,230	(94,278,348)
Income tax (charge)/credit	6	<u>(1,811,009)</u>	<u>10,514,843</u>
Profit/(loss) after tax for the year attributable to equity holders		9,103,221	(83,763,505)
Other comprehensive income		—	—
Total comprehensive income/(expense) for the year attributable to equity holders		<u>9,103,221</u>	<u>(83,763,505)</u>

The notes on pages 12 to 28 form part of these financial statements

WINDERMERE VIII CMBS PLC**STATEMENT OF FINANCIAL POSITION****AS AT 31 MAY 2010**

	Notes	2010 £	2009 £
Assets			
Non-current assets			
Commercial mortgage loans	8	204,690,700	419,692,100
Current assets			
Commercial mortgage loans	8	363,971,122	148,551,400
Trade and other receivables	9	2,995,710	4,050,412
Deferred tax asset	7	5,336,181	7,140,874
Cash and cash equivalents	10	<u>1,136,514</u>	<u>2,959,279</u>
		<u>373,439,527</u>	<u>162,701,965</u>
Total assets		<u>578,130,227</u>	<u>582,394,065</u>
Liabilities			
Non-current liabilities			
Debt securities in issue	12	204,690,700	419,692,100
Total non-current liabilities		204,690,700	419,692,100
Current liabilities			
Debt securities in issue	12	413,458,327	200,750,112
Derivative financial instruments	15	25,410,385	34,004,160
Trade and other payables	13	<u>4,454,688</u>	<u>6,934,787</u>
Total current liabilities		<u>443,323,420</u>	<u>241,689,059</u>
Total liabilities		648,014,100	661,381,159
Equity			
Share capital	11	12,502	12,502
Retained deficit		<u>(69,896,375)</u>	<u>(78,999,596)</u>
Total equity		<u>(69,883,873)</u>	<u>(78,987,094)</u>
Total equity and liabilities		<u>578,130,227</u>	<u>582,394,065</u>

These financial statements of Windermere VIII CMBS Plc, Company Registration 5819693 on pages 8 to 28 were approved and authorised for issue by the directors on 30 November 2010 and are signed on their behalf by:



Mignon Clarke for and on behalf of
WILMINGTON TRUST SP SERVICES (LONDON) LIMITED
 Director

The notes on pages 12 to 28 form part of these financial statements

WINDERMERE VIII CMBS PLC

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY 2010

	Share capital	Retained earnings/(loss)	Total equity
	£	£	£
Balance as at 1 June 2008	12,502	4,763,909	4,776,411
Loss for the year	-	(83,763,505)	(83,763,505)
Other comprehensive income	-	-	-
Total at 31 May 2009	<u>12,502</u>	<u>(78,999,596)</u>	<u>(78,987,094)</u>

	Share capital	Retained losses	Total
	£	£	£
Balance at 1 June 2009	12,502	(78,999,596)	(78,987,094)
Profit for the year	-	9,103,221	9,103,221
Other comprehensive income	-	-	-
Balance at 31 May 2010	<u>12,502</u>	<u>(69,896,375)</u>	<u>(69,883,873)</u>

The notes on pages 12 to 28 form part of these financial statements

WINDERMERE VIII CMBS PLC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MAY 2010

	Notes	2010 £	2009 £
Cash flows from operating activities			
Profit/(loss) before tax for the year		10,914,230	(94,278,348)
<i>Adjustments for</i>			
Fair value movement on derivative financial instruments		(8,593,775)	50,901,478
Movement in impairment against Commercial mortgage loans		(2,291,786)	43,398,712
Bank interest receivable	2	(102)	(21,494)
Decrease in trade and other receivables	9	634,981	619,039
(Decrease)/increase in other liabilities		<u>(2,480,978)</u>	<u>1,091,559</u>
Net cash (outflow)/inflow from operating activities		(1,817,430)	1,710,946
Taxation paid		(5,437)	(11,605)
Cash flows from investing activities			
Repayments during year		2,293,185	2,187,468
Bank interest received	2	102	21,494
Net cash inflow from investing activities		<u>2,293,287</u>	<u>2,208,962</u>
Cash flows from financing activities			
Redemption of loan notes during the year		<u>(2,293,185)</u>	<u>(2,187,468)</u>
Net cash outflow from financing activities		<u>(2,293,185)</u>	<u>(2,187,468)</u>
Net (decrease)/increase in cash and cash equivalents		(1,822,765)	1,720,835
Cash and cash equivalents at the beginning of the year		<u>2,959,279</u>	<u>1,238,444</u>
Cash and cash equivalents at 31 May	10	<u>1,136,514</u>	<u>2,959,279</u>

As explained in the accounting policies on page 13, the cash is not freely available to be used

The notes on pages 12 to 28 form part of these financial statements

WINDERMERE VIII CMBS PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2010

1. SIGNIFICANT ACCOUNTING POLICIES

Windermere VIII CMBS Plc is a company incorporated in the United Kingdom under the Companies Act 2006 and domiciled in England

Statement of compliance

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union as they apply to the financial statements of the Company for the year ending 31 May 2010

The accounting policies set out below have been applied consistently in respect of the financial year ended 31 May 2010, and for the previous financial year

Basis of preparation

The financial statements are presented in Pounds Sterling. The financial statements have been prepared on the historical cost basis as modified for the revaluation of certain financial instruments under IAS 39 Financial Instruments Recognition and Measurement

Basis of preparation - going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position and its principal uncertainties are set out in the Directors' Report on pages 2 to 5. In addition, note 14 to the financial statements includes the Company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments, and its exposures to credit risk and liquidity risk

The terms of the loan notes issued by the Company and the associated arrangements are such that amounts due are only payable to the extent that there are sufficient receipts from the Company's assets (including derivatives). As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook. It is the intention of the Directors of the Company to continue operations until such time as the amounts due from the Commercial mortgage loans have been fully realised.

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, they continue to adopt the going concern basis in preparing the financial statements.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. In particular for the fair value of derivatives, and the recoverability of assets. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements and carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates used in the financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both the current and future years. The key estimates and assumptions are discussed in the accounting policy notes.

WINDERMERE VIII CMBS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2010

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

The Company's financial instruments comprise Commercial mortgage loans, cash and liquid resources, derivatives, interest-bearing borrowings and various receivables and payables that arise directly from its operations. These financial instruments are classified in accordance with the principles of IAS 39 Financial Instruments Recognition and Measurement as described below.

Commercial mortgage loans

The Commercial mortgage loans are classified as loans and receivables and are initially measured at fair value with subsequent measurement being at amortised cost using the effective interest method.

Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Fees and commissions

Fees and commissions on the Commercial mortgage loans are considered by the directors to represent part of the effective interest on the Commercial mortgage loans and hence classified as part of interest income.

Deferred consideration

Deferred purchase consideration represents further amounts payable on the acquisition of the Commercial mortgage loans from Lehman Brothers Bankhaus AG, London Branch and Lehman Commercial Paper Inc, United Kingdom Branch. Provision is made for the deferred purchase consideration as amounts become payable as a result of the performance of the acquired Commercial mortgage loans and is included in the statement of comprehensive income as an expense.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and short-term deposits with an original maturity of three months or less.

The Company has deposits in bank accounts held in the Company's name which meet the definition of cash and cash equivalents but their use is restricted by a detailed priority of payments set out in the securitisation transaction agreements. As the cash can only be used to meet certain specific liabilities and is not available to be used with discretion, it is viewed as restricted cash. Cash and cash equivalents are classified as loans and receivables.

WINDERMERE VIII CMBS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2010

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments and hedging activities

The Company uses derivative financial instruments to hedge its exposure to interest rate risk arising from financing and investment activities. The Company does not hold or issue derivative financial instruments for trading purposes.

Derivatives are recognised initially at fair value on the date the derivative contract is entered into and are subsequently remeasured at fair value with any changes in fair value of the derivatives being recognised in the statement of comprehensive income.

Interest income receivable or interest expense on the interest rate swap is accounted for on an effective interest rate basis within interest income or interest expense in the statement of comprehensive income.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between amortised cost and redemption value being recognised in the statement of comprehensive income over the period of the borrowings on an effective interest basis.

Interest income and expense

Interest income and expense is accounted for on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability to that asset's or liability's net carrying amount.

Value added tax

Value added tax is not recoverable by the Company and is included with its related cost.

Taxation

Tax on the profit and loss for the period comprises current tax and deferred tax. Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Deferred tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither the accounting nor taxable profit or loss, and
- deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled based on tax rates and laws enacted or substantively enacted at the balance sheet date.

WINDERMERE VIII CMBS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2010

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standards issued but not adopted

During the year, the Company adopted the revised presentation requirements of IAS 1 Presentation of Financial Statements, amendments to IFRS 7 Financial Instruments Disclosures and IFRS 8 Operating Segments

The directors are considering the following standards which are currently in issue but are not yet effective and have not been adopted in the current financial year

Improvements to IFRSs 2009 (Apr 2009)

Improvements to IFRSs 2010 (May 2010)

Amendment to IFRS 1 (Jan 2010) Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters

IFRS 9 Financial Instruments

IAS 24 (revised Nov 2009) Related Party Disclosures

Amendment to IAS 32 (Oct 2009) Classification of Rights Issues

Amendments to IFRS 1 (Jul 2009) Additional Exemptions for First-time Adopters

Amendments to IFRS 2 (Jun 2009) Group Cash-settled Share-based Payment Transactions

IFRS 1 (revised Nov 2008) First-time Adoption of International Financial Reporting Standards

IFRS 3 (revised Jan 2008) Business Combinations

Amendments to IAS 27 (Jan 2008) Consolidated and Separate Financial Statements

Amendment to IAS 39 (Jul 2008) Eligible Hedged Items

Amendments to IFRIC 14 (Nov 2009) Prepayments of a Minimum Funding Requirement

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 18 Transfers of Assets from Customers

IFRIC 17 Distributions of Non-cash Assets to Owners

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Company

Segmental reporting

The principal assets of the Company are the Commercial mortgage loans originated in the United Kingdom which are funded by commercial mortgage-backed loan notes issued in the United Kingdom. The directors do not consider it necessary to provide a further analysis of the results of the Company from those already disclosed in these financial statements

2. INTEREST INCOME

	2010	2009
	£	£
Income from Commercial mortgage loans	34,919,964	36,512,313
Net swap termination payment	-	3,889,148
Other fees and commissions	41,357	47,327
Bank interest received	102	21,494
	<u>34,961,423</u>	<u>40,470,282</u>

WINDERMERE VIII CMBS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2010

3. INTEREST EXPENSE

	2010	2009
	£	£
Interest on Class A2 loan notes	4,020,805	19,442,487
Interest on Class A3 loan notes	470,424	2,209,829
Interest on Class B loan notes	542,948	2,403,365
Interest on Class C loan notes	642,652	2,518,219
Interest on Class D loan notes	751,926	2,385,535
Interest on Class E loan notes	799,965	1,534,907
Net payments on interest rate swap and basis rate swap transactions	23,061,793	5,308,797
Interest on liquidity facility drawn-downs	-	19,652
Bank interest paid	-	1,590
Interest on overdue tax	-	77
	<u>30,290,513</u>	<u>35,824,458</u>

4. MOVEMENT IN FAIR VALUE OF DERIVATIVES

	2010	2009
	£	£
Movement in fair value of derivatives at fair value through the statement of comprehensive income (see note 15)	<u>8,593,775</u>	<u>(50,901,478)</u>

5. ADMINISTRATIVE EXPENSES

	2010	2009
	£	£
Administration and cash management fees	1,172,618	1,090,823
Audit fee for the audit of the Company's statutory accounts	25,750	16,300
Audit fee paid on behalf of the parent company for the audit of the parent company's statutory accounts	2,350	2,300
Corporate services fees	11,740	15,646
	<u>1,212,458</u>	<u>1,125,069</u>

The directors received no emoluments for their services as directors to the Company during the year, except for those disclosed in note 16 (2009 none) The directors had no material interest in any contract of significance (2009 none)

The Company does not have any employees (2009 none)

WINDERMERE VIII CMBS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2010

6 TAXATION

	2010	2009
	£	£
Current tax:		
Corporation tax charge for the year at a rate of 21% (2009 21%)	6,335	5,437
Adjustment to prior year's charge	(19)	57
Deferred tax		
Deferred tax charge/(credit) for the year at a rate of 21% (2009 21%)	<u>1,804,693</u>	<u>(10,520,337)</u>
Total income tax charge/(credit) in the statement of comprehensive income	<u>1,811,009</u>	<u>(10,514,843)</u>
	2010	2009
	£	£
Reconciliation of total tax charge		
The tax assessed for the year is at the small companies' rate of corporation tax in the UK of 21% (2009 21%)		
Profit/(loss) before tax	<u>10,914,230</u>	<u>(94,278,348)</u>
Loss before tax multiplied by the standard rate of corporation tax in the UK of 21% (2009 21%)	2,291,988	(19,378,453)
Non-allowable items	(480,960)	8,694,579
Adjustment on deferred tax due to change in tax rate	-	168,974
Adjustment to prior year's tax credit	(19)	57
Total income tax charge/(credit) in the statement of comprehensive income	<u>1,811,009</u>	<u>(10,514,843)</u>

7. DEFERRED TAX

	2010
	£
Deferred tax asset	
At 1 June 2009	7,140,874
Charge to income for the year	<u>(1,804,693)</u>
Balance carried forward	<u>5,336,181</u>

Deferred taxes are provided in full on temporary differences under the liability method using a principal rate of tax of 21% (2009 21%)

The deferred tax asset is attributable to temporary differences arising in respect of the following items

	2010
	£
Deferred tax asset on derivatives at 1 June 2009	7,140,874
Fair value movement of derivatives	<u>(1,804,693)</u>
Deferred tax asset on derivatives at 31 May 2010	<u>5,336,181</u>

The deferred tax credit in the statement of comprehensive income comprises of the following temporary differences

	2010
	£
Fair value movement of derivatives	<u>5,336,181</u>
Deferred tax asset	<u>5,336,181</u>

The Company is taxable under the "interim regime" for securitisation companies in the United Kingdom

WINDERMERE VIII CMBS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2010

8. COMMERCIAL MORTGAGE LOANS

	2010	2009
	£	£
At 1 June 2009	568,243,500	613,829,680
Redemptions	(2,293,185)	(2,187,468)
Impairment release/(charge)	2,291,786	(43,398,712)
Increase in accrued interest	419,721	-
At 31 May 2010	<u>568,661,822</u>	<u>568,243,500</u>

The balance can be analysed as follows

Current assets	363,971,122	148,551,400
Non-current assets	<u>204,690,700</u>	<u>419,692,100</u>
	<u>568,661,822</u>	<u>568,243,500</u>

The mortgage loans were due for repayment between July 2010 and January 2013. At 31 May 2010, £618,149,027 (2009 £620,442,212) of principal was outstanding. At 31 May 2010, the rate of interest on the Commercial mortgage loans ranged from 5.46% to 6.60% (2009 3.24% and 6.47% respectively). The loans are secured over commercial properties. Lehman Brothers International (Europe) acts as Security Trustee to the Mid City Place Mortgage Loan, the AMG Portfolio Mortgage Loan, Mortgage Loan, the Wood Green Mortgage Loan, the Amadeus Portfolio Mortgage Loan, the Government Income Portfolio Mortgage Loan and the Monument Mortgage Loan. Goldman Sachs Credit Partners L.P. acts as Security Trustee in relation to the City Point Whole Mortgage Loan.

On 15 September 2008, Lehman Brothers International (Europe) was placed into Administration. The Company is co-operating with the Servicer, Hatfield Philips International Limited, with the intention to effect the removal or replacement of Lehman Brothers International (Europe) in their capacity as Security Trustee to the extent permitted under the relevant documentation or at law. Replacements are being sought on similar terms.

Amadeus

On 8 December 2008, the Amadeus Loan was transferred to Special Servicing and a Regulatory Information Service (RIS) Notice was issued to this effect, citing an Event of Default under the terms of the Loan Agreement.

A third-party independent surveyor was instructed to carry out a market valuation of the properties in the Amadeus Loan portfolio. The market value, stated as at 27 February 2009 was £15,250,000 as compared to £36,000,000 on purchase of the commercial mortgage loan.

The Amadeus Loan was due to mature on 15 April 2009 but this did not take place. At 31 May 2010, the loan was on the Servicer Watch-list due to late payment of rent and fluctuations in its vacancy rate from quarter to quarter.

Negotiations are ongoing between the Borrower and the Special Servicer in order to work out a strategy in recovering the amount outstanding on the commercial mortgage loan. Accordingly, an impairment provision is held against the Amadeus Loan totalling £14,757,007 (2009 £14,757,007) as in the directors' opinion it is not certain that the amount outstanding at the year end, £30,007,007 (2009 £30,007,007) will be fully recovered.

Monument

On 6 February 2009, the Monument Loan was transferred to Special Servicing and a Regulatory Information Service (RIS) Notice was issued to this effect, citing an Event of Default under the terms of the loan agreement.

A third-party independent surveyor was instructed to carry out a market valuation of the properties in the Monument Loan portfolio. The market value, stated as at 6 March 2009 was £3,000,000 as compared to £20,550,000 on purchase of the commercial mortgage loan.

WINDERMERE VIII CMBS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2010

8. COMMERCIAL MORTGAGE LOANS (CONTINUED)

The Monument Loan was due to mature on 15 April 2009 but this did not take place. At year-end, the loan was on the Servicer Watch list due to a material default not likely to be cured within 60 days of occurrence.

Negotiations are ongoing between the Borrower and the Special Servicer in order to work out a strategy in recovering the amount outstanding on the commercial mortgage loan. During the year, the Company received £661,317 in respect of the Monument Loan and accordingly, the impairment provision against the Monument Loan has been reduced to £12,557,343 (2009 £13,218,660) as in the Directors' opinion it is not certain that the amount outstanding at the year end, £15,557,343 (2009 £16,218,660) will be fully recovered.

AMG

A third-party independent surveyor was instructed to carry out a market valuation of the properties in the AMG Portfolio loan. The market value, stated as at 14 December 2009 was £130,300,000 as compared to £390,400,000 on purchase of the commercial mortgage loan.

The AMG Portfolio loan was due to mature on 15 April 2010 but this did not take place. At year-end, the loan was on the Servicer Watch-list due to the loan's maturity date of 15 April 2010.

Negotiations are ongoing between the Borrower and the Special Servicer in order to work out a strategy in recovering the amount outstanding on the commercial mortgage loan. During the year, the Company received £1,630,469 in respect of the AMG Loan and accordingly, the impairment provision has been reduced against the AMG Loan to £22,592,576 (2009 £24,223,045) as in the Directors' opinion it is not certain that the full amount outstanding at the year end, £152,892,576 (2009 £154,523,045), will be fully recovered.

Government Income Portfolio

The Government Income Portfolio loan was due to mature on 15 October 2010 but this did not take place and as result, was placed on the Servicer Watch-list. The loan maturity has been extended by a further two years to 15 October 2012 and was removed from the Servicer Watch-list on 15 October 2010.

9. TRADE AND OTHER RECEIVABLES

	2010	2009
	£	£
Amounts due from holding company	2,482	2,482
Prepayments and accrued income	<u>2,993,228</u>	<u>4,047,930</u>
	<u>2,995,710</u>	<u>4,050,412</u>

10. CASH AND CASH EQUIVALENTS

Withdrawals from the Company's bank account are restricted by the detailed priority of payments set out in the Offering Circular for the notes issued dated 28 July 2006.

	2010	2009
	£	£
Cash and cash equivalents	<u>1,136,514</u>	<u>2,959,279</u>

The Company has deposits in bank accounts held in the Company's name which meet the definition of cash and cash equivalents but their use is restricted by a detailed priority of payments set out in the securitisation transaction agreements. As the cash can only be used to meet certain specific liabilities and is not available to be used with discretion, it is viewed as restricted cash.

WINDERMERE VIII CMBS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2009

11. CALLED UP SHARE CAPITAL

	2010	2009
	£	£
Issued capital	<u>12,502</u>	<u>12,502</u>
	<u>12,502</u>	<u>12,502</u>

There are 50,000 authorised ordinary shares of £1 each. The issued share capital comprises two fully paid £1 shares allotted, called up and fully paid on incorporation, and 49,998 ordinary shares quarter called up and paid. Wilmington Trust SP Services (London) Limited holds one fully paid £1 share under a declaration of trust for charitable purposes.

12. DEBT SECURITIES IN ISSUE

	2010	2009
	£	£
Due within one year		
Commercial mortgage-backed loan notes	<u>413,458,327</u>	<u>200,750,112</u>
Due in more than one year		
Commercial mortgage-backed loan notes	<u>204,690,700</u>	<u>419,692,100</u>
Total debt securities in issue	<u>618,149,027</u>	<u>620,442,212</u>

On 28 July 2009 an agreement was entered into with Lloyds TSB Bank Plc for the provision of an amortising liquidity facility of up to £42,815,103 for the Company. The facility is in place to allow the Company to meet its obligations should there be a shortfall in the revenue or principal received from the Commercial mortgage loans. A fee is charged on the undrawn balance, currently set out at 0.23% per annum. This fee would increase on any drawn balance.

The liquidity facility was renewed on 28 July 2010 to expire on 27 July 2011. The directors intend to renew this facility annually.

WINDERMERE VIII CMBS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2010

12. DEBT SECURITIES IN ISSUE (CONTINUED)

Interest-bearing loans and borrowings are repayable as follows

Year ended 31 May 2010

	Total	Less than 1 year	1-2 years	2-5 years
Liabilities	£	£	£	£
Loan notes	<u>618,149,027</u>	<u>413,458,327</u>	<u>1,400</u>	<u>204,689,300</u>

Year ended 31 May 2009

	Total	Less than 1 year	1-2 years	2-5 years
Liabilities	£	£	£	£
Loan notes	<u>620,442,212</u>	<u>200,750,112</u>	<u>414,679,450</u>	<u>5,012,650</u>

On 1 August 2006, the Company issued £219,808,000 Class A1 notes due April 2015, £558,500,000 Class A2 notes due April 2015, £57,500,000 Class A3 notes due April 2015, £61,500,000 Class B notes due April 2015, £62,000,000 Class C notes due April 2015, £54,000,000 Class D notes due April 2015 and £24,290,000 Class E notes due April 2015. The loan notes are denominated in Pounds Sterling. Interest on the Class A1 notes is payable at a rate of 3-month LIBOR plus 0.13%. Interest on the Class A2 notes is payable at a rate of 3-month LIBOR plus 0.16%. Interest on the Class A3 notes is payable at a rate of 3 month LIBOR plus 0.19%. Interest on the Class B notes is payable at a rate of 3 month LIBOR plus 0.27%. Interest on the Class C notes is payable at a rate of 3-month LIBOR plus 0.46%. Interest on the Class D notes is payable at a rate of 3-month LIBOR plus 0.90%. Interest on the Class E notes is payable at a rate of 3 -month LIBOR plus 3.25%.

At the balance sheet date £408,441,673 (2009 £410,645,239) in relation to the Class A2 notes, £46,504,581 (2009 £46,524,455) in respect of the Class A3 notes, £49,739,683 (2009 £49,760,939) in respect of the Class B notes, £50,144,070 (2009 £50,165,499) in respect of the Class C notes, £43,673,868 (2009 £43,692,532) in respect of the Class D notes and £19,645,152 (2009 £19,653,548) in respect of the Class E notes were outstanding.

The loan notes are secured by way of a fixed and floating charge over all of the Company's assets, including the Commercial mortgage loans.

13. TRADE AND OTHER PAYABLES

	2010	2009
	£	£
Current liabilities		
Interest payable on loan notes	693,053	1,303,060
Other creditors	240,200	-
Accruals and deferred income	3,515,119	5,626,290
Corporation tax	6,316	5,437
	<u>4,454,688</u>	<u>6,934,787</u>

WINDERMERE VIII CMBS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2010

14. FINANCIAL INSTRUMENTS

The principal risks and uncertainties are set out in the Directors' Report on pages 2 to 5

Financial risk management

The Company's financial instruments, other than derivatives, comprise a portfolio of Commercial mortgage loans, cash and liquid resources, interest-bearing borrowings and various receivables and payables that arise directly from its operations. The Company also enters into derivative transactions (principally interest rate swaps). The purpose of such transactions is to manage the interest rate risks arising from the Company's operations and its sources of finance.

It is, and has been throughout the period under review, the Company's policy that no trading in financial instruments is undertaken.

Currency risk

All of the Company's assets and liabilities are denominated in Pounds Sterling therefore there is no foreign currency risk.

Credit risk

Credit risk on the mortgage loans arises where the mortgage loans are secured on underlying commercial properties. The maximum exposure to credit risk is the balance sheet amount. The maximum exposure to credit risk relates to the three main borrowers Mid City Limited, Wichford Gamma Limited and AM Holdings Limited totalling £215,000,000 (2009 £215,000,000), £199,678,050 (2009 £199,678,050) and £152,892,576 (2009 £154,525,045) respectively.

The credit quality of the underlying mortgage loans is summarised as follows:

	£	£
Neither past due nor impaired	420,111,822	419,693,500
Past due but not impaired	-	-
Impaired	<u>198,456,926</u>	<u>200,748,712</u>
	<u>618,568,748</u>	<u>620,442,212</u>
Less allowance for impairment	<u>(49,906,926)</u>	<u>(52,198,712)</u>
	<u>568,661,822</u>	<u>568,243,500</u>

With regard to credit risk on derivatives, the directors monitor the credit rating of the swap provider and in case of any downgrade may require the swap provider to provide sufficient collateral or transfer its obligations to another bank of higher credit rating.

WINDERMERE VIII CMBS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2010

14. FINANCIAL INSTRUMENTS (CONTINUED)

Fair values

The fair values together with the carrying amounts shown in the balance sheet are as follows

	Notes	Carrying amount 2010 £	Fair value 2010 £	Carrying amount 2009 £	Fair value 2009 £
Commercial mortgage loans	8	568,661,822	487,502,315	568,243,500	379,305,902
Other assets	9	2,995,729	2,995,729	4,050,412	4,050,412
Deferred tax asset	7	5,336,181	5,336,181	7,140,874	7,140,874
Cash and cash equivalents	10	1,136,514	1,136,514	2,959,279	2,959,279
Total assets		<u>578,130,246</u>	<u>496,970,739</u>	<u>582,394,065</u>	<u>393,456,467</u>
Debt securities in issue	12	(618,149,027)	(462,091,930)	(620,442,212)	(345,301,742)
Interest payable	13	(693,053)	(693,053)	(1,303,060)	(1,303,060)
Other payables	13	(3,755,319)	(3,755,319)	(5,626,290)	(5,626,290)
Current tax liability	13	(6,316)	(6,316)	(5,437)	(5,437)
Derivative financial instruments	15	(25,410,385)	(25,410,385)	(34,004,160)	(34,004,160)
Total liabilities		<u>(648,014,100)</u>	<u>(491,957,003)</u>	<u>(661,381,159)</u>	<u>(386,240,689)</u>
		<u>(69,883,854)</u>	<u>5,013,736</u>	<u>(78,987,094)</u>	<u>7,215,778</u>

Financial instruments include financial assets and financial liabilities. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Wherever possible, fair values have been estimated using quoted market prices for instruments held. Where market prices are not available, fair values have been estimated using quoted values for instruments with either identical or similar characteristics. In certain cases, where no ready markets currently exist, various techniques (such as discounted cash flows or observations of similar recent market transactions) have been used to estimate what the approximate fair value of such instruments might be. These estimation techniques are necessarily subjective in nature and involve several assumptions.

WINDERMERE VIII CMBS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2010

14. FINANCIAL INSTRUMENTS (CONTUNUED)

Fair value hierarchy

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset or liability as follows

Level 1 - valued using quoted prices in active markets for identical assets or liabilities

Level 2 - valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1

Level 3 - valued by reference to valuation techniques using inputs that are not based on observable market data The valuation techniques used by the company are explained in the accounting policies note

As at 31 May 2010

Financial liabilities at fair value through profit or loss	Total £	Level 1 £	Level 2 £	Level 3 £
Derivative financial instruments	<u>25,410,385</u>	<u>-</u>	<u>25,410,385</u>	<u>-</u>

As at 31 May 2009

Financial liabilities at fair value through profit or loss	Total £	Level 1 £	Level 2 £	Level 3 £
Derivative financial instruments	<u>34,004,160</u>	<u>-</u>	<u>34,004,160</u>	<u>-</u>

WINDERMERE VIII CMBS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2009

14. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk

A facility provided by Lloyds TSB Bank Plc has been established which will be available, subject to certain criteria and circumstances, in the event of the Company being unable, on a temporary basis, to meet its financial commitments. The purpose of the liquidity facility is to provide liquidity, not credit support, and the liquidity facility provider is entitled to receive interest on drawings made which may reduce the amount available for distribution to noteholders.

The liquidity facility was renewed on 28 July 2010 to expire on 27 July 2011. The directors intend to renew this facility annually.

The terms of the loan notes issued by the Company and associated arrangements are such that amounts due are only payable to the extent that there are sufficient receipts from the Company's assets.

The table below reflects the undiscounted contractual cash flows of financial liabilities at the balance sheet date.

As at 31 May 2010	Carrying value £	Gross cash flows £	After 1 month but within 3 months £	After 3 months but within one year £	After 1 year but within 5 years £
Notes	618,149,027	618,149,027	198,457,276	215,001,051	204,690,700
Interest payable on Notes	693,053	17,445,358	1,632,777	3,602,459	12,210,122
Derivative financial instruments	<u>25,410,385</u>	<u>17,277,938</u>	<u>2,323,208</u>	<u>10,596,619</u>	<u>4,358,111</u>
Total financial instruments	<u>644,252,465</u>	<u>652,872,323</u>	<u>202,413,261</u>	<u>229,200,129</u>	<u>221,258,933</u>

As at 31 May 2009	Carrying value £	Gross cash flows £	After 1 month but within 3 months £	After 3 months but within one year £	After 1 year but within 5 years £
Notes	620,442,212	620,442,212	18,688,188	154,086,257	447,667,767
Interest payable on Notes	1,303,060	28,559,146	4,040,166	11,773,444	12,745,536
Derivative financial instruments	<u>34,004,160</u>	<u>33,640,441</u>	<u>2,898,079</u>	<u>14,251,205</u>	<u>16,491,157</u>
Total financial instruments	<u>655,749,432</u>	<u>682,641,799</u>	<u>25,626,433</u>	<u>180,110,906</u>	<u>476,904,460</u>

The redemption of the notes is dependent on the receipt of payments on the Commercial mortgage loans. In accordance with the respective prospectus for each of the notes, the class A2 notes will be redeemed in priority to redemption of the remaining classes of notes followed by classes A3, B, C, D and E. Interest payable on floating rate notes was estimated based on the floating rate amounts as at 31 May 2010.

WINDERMERE VIII CMBS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2010

14. FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate risk

The Company is exposed to movements in interest rates and manages this exposure using interest rate swaps. This has been hedged by the Company by entering into a number of interest rate swaps and interest rate caps with HSBC Bank Plc.

The interest rate swaps in respect of the Amadeus, AMG Portfolio and Monument Loans, where the maturity of the loans has expired, have lapsed and the loans are in effect unhedged. The Borrowers of these loans are now paying a lower rate of interest due to the reduction in the LIBOR rates than would be the case if these loans were hedged.

As mentioned in the accounting policies' note above, the terms of the loan notes issued by the Company and the associated arrangements are such that amounts due are only payable to the extent that there are sufficient receipts from the Company's assets, which include the derivatives.

In addition, the Company has an amortising liquidity facility which allows it to utilise in the event there is a shortfall of interest and principal received from the Commercial mortgage loans.

This was not utilised during the year.

Interest rate sensitivity

The sensitivity of the Company to interest rate changes, and the resulting changes in net assets attributable to equity shareholders at year-end, is limited as the Company uses interest rate swaps to mitigate the risk. As such, no sensitivity analysis has been presented.

Interest rate risk profile of financial liabilities

All of the Company's financial liabilities are floating rate and carry interest rates based on the relevant three-month LIBOR rate.

Effective interest rates and repricing analysis

The following table details the Company's exposure to interest rate risk by the earlier of contractual maturities or re-pricing.

	Weighted average effective interest rate %	1 to 3 months £	Non-interest bearing £	Fixed rate £	Total £
At 31 May 2010					
Assets					
Trade and other receivables	-	-	2,995,729	-	2,995,729
Commercial mortgage loans	5.6362%	363,969,722	-	204,692,100	568,661,822
Deferred tax asset	-	-	5,336,181	-	5,336,181
Cash and cash equivalents	-	<u>1,136,514</u>	-	-	<u>1,136,514</u>
Total assets		<u>365,106,236</u>	<u>8,331,910</u>	<u>204,692,100</u>	<u>578,130,246</u>
Liabilities					
Trade and other payables	-	-	4,454,707	-	4,454,707
Derivative financial instruments	-	25,410,385	-	-	25,410,385
Debt securities in issue	1.1670%	<u>618,149,027</u>	-	-	<u>618,149,027</u>
Total liabilities		<u>643,559,412</u>	<u>4,454,707</u>	-	<u>648,014,119</u>

WINDERMERE VIII CMBS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2010

14. FINANCIAL INSTRUMENTS (CONTINUED)

Effective interest rates and repricing analysis (continued)

At 31 May 2009	Weighted average effective interest rate %	1 to 3 months £	Non-interest bearing £	Fixed rate £	Total £
Assets					
Trade and other receivables	-	-	4,050,412	-	4,050,412
Commercial mortgage loans	5.8748%	363,550,000	-	204,693,500	568,243,500
Deferred tax asset	-	-	7,140,874	-	7,140,874
Cash and cash equivalents	-	<u>2,959,279</u>	-	-	<u>2,959,279</u>
Total assets		<u>366,509,279</u>	<u>11,191,286</u>	<u>204,693,500</u>	<u>582,394,065</u>
Liabilities					
Trade and other payables	-	-	6,934,787	-	6,934,787
Derivative financial instruments	-	34,004,160	-	-	34,004,160
Debt securities in issue	4.9183%	<u>620,442,212</u>	-	-	<u>620,442,212</u>
Total liabilities		<u>654,446,372</u>	<u>6,934,787</u>	-	<u>661,381,159</u>

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for the shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The capital structure of the Company consists of debt, which includes the borrowings disclosed in note 12 and equity attributable to equity holders of the parent, comprising issued capital less the retained loss.

15. DERIVATIVE FINANCIAL INSTRUMENTS

The net fair values of derivative financial instruments at the balance sheet date were

	2010 £	2009 £
Interest rate swaps and caps	<u>(25,410,385)</u>	<u>(34,004,160)</u>

The notional principal amount of the outstanding interest rate swaps and interest rate caps at 31 May 2010 was £419,692,100 (2009 £604,507,298). At 31 May 2010 the fixed rate payable by the company on the interest rate swaps ranged from 4.6% to 5.102% (2009 4.6% to 5.102%) and the Company was entitled to receive floating rate equal to 3 month LIBOR plus various margins.

In accordance with IAS 39 'Financial instruments: Recognition and measurement', the Company has reviewed all contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain requirements set out in the standard. In relation to the floating rate notes the Company has the ability to redeem the floating rate notes in full or part at their then principal amount outstanding, together with interest accrued to the date of redemption, on any interest payment date. The Company effectively has a call option on the floating rate notes exercisable on certain dates. The option constitutes an embedded derivative, however, as this is closely related to the underlying host contract (the floating rate notes) as set out in IAS 39, the option does not require separation. A similar hybrid instrument arises on the mortgage loan whereby the Company has effectively sold a put option on the mortgage loans exercisable on certain dates. As this option is considered to be closely related to the underlying host contract, it does not require separation.

WINDERMERE VIII CMBS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2009

16. RELATED PARTY TRANSACTIONS

The Company is a special-purpose company controlled by its Board of directors, which comprises four directors, Wilmington Trust SP Services (London) Limited, Mr M H Filer, Mrs R L Samson and Mr J Traynor Mrs R L Samson is an alternate director to Mr M H Filer Mr M H Filer, a director of the Company, is also a director of Wilmington Trust SP Services (London) Limited The Company pays a corporate service fee to Wilmington Trust SP Services (London) Limited in connection with corporate services received The fees payable to these directors for their services in the year ended 31 May 2010 amounted to £11,740 (2009 £15,646) At the end of the year, £1,323 (2009 £1,295) had been accrued and included within trade and other payables

During the year, accounting services amounting to £6,000 (2009 £5,625) were charged by Wilmington Trust SP Services (London) Limited At 31 May 2010, an amount of £5,875 (2009 £5,750) was outstanding and disclosed within current liabilities trade and other payables.

17. ULTIMATE PARENT UNDERTAKING

The Company is incorporated in Great Britain and registered in England and Wales

Windermere VIII CMBS Holdings Limited, a company incorporated in Great Britain and registered in England and Wales, holds 49,999 shares in the Company and is the smallest and largest group into which the results of the Company are consolidated Wilmington Trust SP Services (London) Limited holds one share in the Company and the entire share capital in Windermere VIII CMBS Holdings Limited under a declaration of trust for charitable purposes

18. POST BALANCE SHEET EVENTS

There were no significant post balance sheet events to report