

CANARY WHARF LIMITED
Registered Number: 1971312

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR FROM 1 JULY 2003 TO 30 JUNE 2004



CANARY WHARF LIMITED

FINANCIAL STATEMENTS

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CANARY WHARF LIMITED

THE DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2004

The directors present their report with the audited financial statements for the year ended 30 June 2004.

ULTIMATE PARENT UNDERTAKING

The company's immediate parent undertaking is Canary Wharf Holdings Limited, a company registered in England and Wales. On 21 May 2004, Songbird Acquisition Limited declared its offer for Canary Wharf Group plc ('CWG'), the company's previous ultimate parent undertaking, wholly unconditional. As a result of this announcement, Songbird Estates plc is now the ultimate parent company.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The principal activity of the company continues to be property development for the purposes of sale. These activities are concentrated on the Canary Wharf development in London's Docklands.

In December 2003 the company disposed of 5 Canada Square and 25 Canada Square for a consideration of £1,111.9 million. In September 2003, the company sold its interest in 15 Westferry Circus to a fellow subsidiary undertaking for a consideration of £102.5 million. In June 2004 the company sold its interest in 16-19 Canada Square for a consideration of £28.0 million.

The company recorded a gross profit for the year to 30 June 2004 of £311,954,366 (year ended 30 June 2003 - £50,161,326). After allowing for administrative expenses, other operating income and exceptional operating items, the operating profit for the year was £362,359,771 (year ended 30 June 2003 - loss of £136,159,560). After interest and finance charges, the profit on ordinary activities before tax was £259,647,359 (year ended 30 June 2003 - loss of £211,970,643).

The basis of the valuation of the company's development work in progress is set out in Note 11 to the accounts.

FUTURE DEVELOPMENTS

The company is expected to continue with its principal activity for the foreseeable future.

DIVIDENDS AND RESERVES

The profit and loss account for the year ended 30 June 2004 is set out on page 7. The directors do not recommend the payment of a dividend (2003 :£Nil) and the retained profit of £43,631,734 is to be transferred to reserves.

DIRECTORS

The directors of the company throughout the year ended 30 June 2004 were:

A P Anderson II
G Iacobescu
R Lyons

CANARY WHARF LIMITED

THE DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2004

DIRECTORS' INTERESTS

The directors have been granted options to subscribe for ordinary shares in CWG. Details of interests and options to subscribe for shares in CWG are disclosed as appropriate in the financial statements of either of the intermediate parent companies, Canary Wharf Estate Limited ('CWEL') or CWG.

Subsequent to the year end, options have also been granted to subscribe for ordinary shares in Songbird Estates plc, the ultimate parent company and such details are disclosed in the financial statements of CWEL, an intermediate parent undertaking.

Other than the above, no director had any beneficial interest in the shares of the company, its parent undertakings or any of its subsidiaries at 30 June 2004 or at any time throughout the year then ended.

POLICY ON THE PAYMENT OF CREDITORS

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

The number of days of purchases outstanding at 30 June 2004 was 8 (2003 - 6).

DONATIONS

During the year the company made charitable donations of £362,342 (year ended 2003: £423,637).

In addition, indirect political donations (as defined by the Political Parties Referendums Act 2000) of £75,970 (2003: £7,500) were made on behalf of CWG, full disclosure of which has been made in the financial statements of CWG.

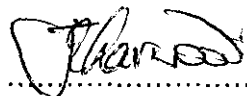
AUDITORS

Elective resolutions to dispense with holding annual general meetings, the laying of financial statements before the company in general meeting and the appointment of auditors annually are currently in force. The auditors, Deloitte & Touche LLP, will therefore be deemed to have been reappointed at the end of the period of 28 days, beginning the day on which copies of this report and financial statements are sent to members unless a resolution is passed under section 393 of the Companies Act 1985 to the effect that their appointment be brought to an end.

CANARY WHARF LIMITED

THE DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2004

BY ORDER OF THE BOARD



.....Company Secretary 22 December 2004
John Garwood

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

CANARY WHARF LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are required by the Companies Act 1985 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 year and of the results for the year then ended. In preparing these financial statements, the directors are required to:

- select suitable accounting policies, as described on pages 9 to 11, and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

CANARY WHARF LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the financial statements of Canary Wharf Limited for the year ended 30 June 2004 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 24. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

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


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

CANARY WHARF LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

Opinion

In our opinion the financial statements give a true and fair view of the company's affairs as at 30 June 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in cursive script that reads "Deloitte & Touche LLP".

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

22 December 2004

CANARY WHARF LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2004

	Note	Year Ended 30 June 2004 £	Year Ended 30 June 2003 £
TURNOVER	2	1,287,381,061	63,217,400
Cost of sales		(975,426,695)	(13,056,074)
GROSS PROFIT		311,954,366	50,161,326
Administrative expenses before exceptional items		(20,802,958)	(19,745,802)
Exceptional items:			
Movement in provision against work in progress	11	69,453,279	(44,882,228)
Provision for vacant leasehold property	16	–	(123,484,000)
Other operating income		1,755,084	1,791,144
OPERATING PROFIT/(LOSS)	3	362,359,771	(136,159,560)
Interest receivable and similar income	6	91,856,623	84,736,284
Interest payable and similar charges before exceptional items	7	(140,759,642)	(146,186,308)
Exceptional items:			
Financing costs - debentures	7	(4,685,734)	(5,339,400)
Financing costs - loan facility	7	(2,483,502)	(9,021,659)
Financing costs - finance lease	7	(1,038,260)	–
Financing costs - premium on repayment	7	(45,601,897)	–
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		259,647,359	(211,970,643)
Tax on profit/(loss) on ordinary activities	8	(216,015,625)	82,173,251
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		43,631,734	(129,797,392)
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR TRANSFERRED TO RESERVES	18	43,631,734	(129,797,392)

Movements in reserves are shown in Note 18 of these financial statements.

All amounts relate to continuing activities in the United Kingdom.

There were no recognised gains and losses for the year ended 30 June 2004 or the period ended 30 June 2003 other than those included in the profit and loss account.

The notes on pages 9 to 22 form an integral part of these financial statements.

CANARY WHARF LIMITED

BALANCE SHEET AS AT 30 JUNE 2004

	Note	30 June 2004 £	30 June 2003 £
FIXED ASSETS			
Tangible assets	9	270,940	479,464
Investments	10	4,290,996	4,290,996
		<u>4,561,936</u>	<u>4,770,460</u>
CURRENT ASSETS			
Work in progress	11	709,724,239	1,065,946,018
Debtors	12		
Amounts falling due after one year		1,544,756,926	1,714,653,507
Amounts falling due within one year		1,842,441,851	1,851,403,704
Investments	13	64,995,000	89,995,000
Cash at bank and in hand	13	683,011,639	285,498,763
		<u>4,844,929,655</u>	<u>5,007,496,992</u>
CREDITORS: Amounts falling due within one year	14	<u>(3,431,179,514)</u>	<u>(3,413,971,713)</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>1,413,750,141</u>	<u>1,593,525,279</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,418,312,077</u>	<u>1,598,295,739</u>
CREDITORS: Amounts falling due after more than one year	15	(663,678,228)	(874,091,624)
Provisions for liabilities and charges	16	(110,282,000)	(123,484,000)
NET ASSETS		<u>644,351,849</u>	<u>600,720,115</u>
CAPITAL AND RESERVES			
Called-up share capital	17	662,516,350	662,516,350
Profit and loss account	18	(18,164,501)	(61,796,235)
SHAREHOLDERS' FUNDS:			
Equity	19	239,351,849	195,720,115
Non-equity	19	405,000,000	405,000,000
		<u>644,351,849</u>	<u>600,720,115</u>

The notes on pages 9 to 22 form an integral part of these financial statements.

APPROVED BY THE BOARD ON 22 DECEMBER 2004 AND SIGNED ON ITS BEHALF BY:



R LYONS
DIRECTOR

CANARY WHARF LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

1. PRINCIPAL ACCOUNTING POLICIES

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

Accounting convention

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

In accordance with the provisions of FRS 1 (Revised), a cash flow statement has not been prepared as the company is a wholly-owned subsidiary of a body incorporated in the European Union. A consolidated cash flow statement is included in the financial statements of CWG.

Profit and loss account

Turnover, which is stated net of VAT, includes property sales and rental income.

Marketing and administration costs which are not development expenses are charged to the profit and loss account when incurred.

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

Interest on the advance payments made to a fellow subsidiary for the design and construction of the phases subsequent to Phase 1 of Canary Wharf is added to the amount of the advance until construction work is undertaken. The advance is included within prepayments (see Note 12) and transfers (including interest) are made to development work in progress when construction work is undertaken by the fellow subsidiary.

Income from investments

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

Tangible fixed assets

Tangible fixed assets are depreciated so as to write off the cost in equal annual instalments over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	%
Short leasehold properties	25
Fixture and fittings	25
Computer equipment	33 1/3

Investments in subsidiary undertakings

The company's investment in subsidiary undertakings is stated at cost less any provision for impairment.

CANARY WHARF LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

1. PRINCIPAL ACCOUNTING POLICIES

Work in progress

Work in progress is stated at the lower of cost and net realisable value. Cost includes construction costs and development expenditure directly related to the development, including attributable interest. Such interest is calculated by reference to the rate of interest payable on the borrowings drawn down to finance the development.

Net realisable value is calculated as the amount estimated to be recovered from the development once development work has been completed and the development leased, less costs to complete (Note 11).

Debt

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

Leases

Operating lease rentals are charged to the profit and loss account over the period of the lease.

Lease incentives

Lease incentives include rent-free periods and other incentives given to lessees on entering into lease agreements. Under UTIF 28 the aggregate cost of lease incentives is recognised as an adjustment to rental income, allocated evenly over the lease term or the term to the first open market rent review if earlier. The cost of other leases incentives is included within prepayments and spread on a straight line basis over a similar period.

Deferred taxation

Deferred tax assets and liabilities arise from timing differences between the recognition of gains and losses in the financial statements and their recognition in the corporation tax return.

Under FRS 19 deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements.

CANARY WHARF LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

1. PRINCIPAL ACCOUNTING POLICIES

Deferred tax is measured on a discounted basis to reflect the time value of money over the period between the balance sheet date and the dates on which it is estimated that the timing differences will reverse, or where the timing differences are not expected to reverse, a period not exceeding 50 years. Discount rates of 3.3% to 3.5% have been adopted reflecting the post-tax yield to maturity that can be obtained on government bonds with similar maturity dates and currencies to those of the deferred tax assets or liabilities.

Pensions

The company operates a defined contribution pension scheme. Pension contribution in respect of this scheme are accrued as the fall due.

Share option schemes

The economic cost to the company of share option schemes is charged to the same expense category as the employment cost of the relevant employee, spread on a straight line basis over the relevant performance criteria period.

The economic cost represents either the acquisition cost of the shares or the market value of the shares at the date the options are granted, less any amount recoverable from the employee.

Where relevant, provision is made for employers' National Insurance contributions based on the market value of the share options at the balance sheet date and spread on a straight line basis over the period of the relevant performance criteria.

Vacant leasehold property

Provision is made for the present value of the net commitments in relation to leasehold properties where there is a shortfall in the rental income receivable over the rent and other costs payable.

2. TURNOVER

An analysis of turnover is given below:

	Year Ended 30 June 2004 £	Year Ended 30 June 2003 £
Property Sales	1,242,376,500	—
Rental Income	45,004,561	63,217,400
	<u>1,287,381,061</u>	<u>63,217,400</u>

CANARY WHARF LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

3. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging/(crediting):

	Year Ended 30 June 2004 £	Year Ended 30 June 2003 £
Directors' emoluments (Note 4)	536,696	327,625
Depreciation (Note 9)	314,249	344,375
Remuneration of the auditors:		
Audit fees	82,700	101,820
Fees for other services	191,550	196,468
Operating lease rentals	16,700,000	16,700,000

The operating lease rentals are in respect of the sub-letting of 200/2 Aldersgate Street, for which the company has made a provision (Note 16).

4. DIRECTORS

Remuneration

During the year ended 30 June 2004, R Lyons was paid a salary of £536,696, which included bonuses (annual and deferred) of £350,000 (30 June 2003: £150,000), plus benefits in kind equal to £3,742 (2003: £4,133).

The remuneration of the other directors is disclosed in the financial statements of CWG and borne by another group undertaking.

Share options

The aggregate emoluments disclosed in the accounts of CWG do not include any amount for the value of options to subscribe for ordinary shares in CWG granted to certain of the directors. Details of options to subscribe for ordinary shares are given in the financial statements of CWG or CWEL as appropriate for the directors in common.

5. EMPLOYEE INFORMATION (INCLUDING DIRECTORS)

	30 June 2004 £	30 June 2003 £
Wages and salaries	9,385,497	7,773,656
Social Security costs	1,173,556	772,272
Other pension costs (Note 22)	568,482	526,207
	<u>11,127,535</u>	<u>9,072,135</u>

The average number of persons employed (including directors) by the company during the year was 154 (2003 - 162), all of which were administrative employees.

CANARY WHARF LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year Ended 30 June 2004 £	Year Ended 30 June 2003 £
Bank interest receivable	20,860,132	12,580,502
Debenture interest	4,938,688	5,811,281
Interest receivable from group undertakings	66,057,803	66,344,501
	<u>91,856,623</u>	<u>84,736,284</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	Year Ended 30 June 2004 £	Year Ended 30 June 2003 £
Before exceptional items:		
Bank loans and overdrafts	3,724	5,640
Interest payable to group undertakings	203,170,417	222,819,280
Financing costs	—	13,220
	<u>203,174,141</u>	<u>222,838,140</u>
Less: Increase in contract prepayment	(62,414,499)	(76,651,832)
	<u>140,759,642</u>	<u>146,186,308</u>
Exceptional items:		
Financing costs - debentures	4,685,734	5,339,400
Financing costs - loan facility	2,483,502	9,021,659
Financing costs - finance lease	1,038,260	—
Financing costs - premium on repayment	45,601,897	—

In October 2002, another group company issued £510 million of first mortgage debentures, part of the proceeds of which were lent to the company to satisfy its funding requirements and to refinance inter-company indebtedness. The cost of the issue attributable to the company and charged to the profit and loss account in the year ended 30 June 2004 was £4,685,734 (2003: £5,339,400) which has been treated as an exceptional item. There was no deferred tax as a result of this transaction.

Financing costs include £2,483,502 (2003: £9,021,659) of fees incurred by certain other group companies in relation to amounts drawn down (and on-loaned to the company) under construction loan facilities for the purpose of financing the company's construction of certain buildings on Canary Wharf. These costs have been treated as an exceptional item. There was no deferred tax as a result of this transaction.

CANARY WHARF LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

In September 2003, the company entered into an agreement to sell and a fellow subsidiary undertaking agreed to leaseback, 1 Churchill Place effective upon completion of the building in July 2004. The company incurred fees of £1.0 million in relation to this transaction, which has been treated as an exceptional item. There was no deferred tax as a result of this transaction.

In January 2004 £876 million of secured debt was repaid following the sale of 5 Canada Square and 25 Canada Square in December 2003. Crystallised costs arising from the repayment of debt have been charged to the profit and loss account as an exceptional item. The exceptional charge comprised breakage costs relating to hedging instruments of £44.1 million and the write off of deferred financing costs of £1.5 million. The breakage costs included a 3% premium payable on redemption of the B1 notes. There was no deferred tax as a result of this transaction.

8. TAXATION

	Year Ended 30 June 2004 £	Year Ended 30 June 2003 £
Current tax:		
UK Corporation tax (see below)	—	—
Deferred tax:		
Origination and reversal of timing differences	215,975,764	(76,603,627)
Net effect of discount	39,861	(5,569,624)
Total deferred tax	216,015,625	(82,173,251)
Total tax on profit on ordinary activities	216,015,625	(82,173,251)
Tax reconciliation:		
Profit/(loss) on ordinary activities before tax	259,647,359	(211,970,643)
Tax on profit on ordinary activities at UK corporation tax rate of 30%	77,894,207	(63,591,193)
Effects of:		
Prior year adjustment	93,892,447	—
Expenses not deductible for tax purposes	59,679,807	—
Deferred tax	(216,015,625)	82,173,231
Tax losses and other timing differences	(15,450,836)	(18,582,038)
Current tax charge for the year	—	—

CANARY WHARF LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

8. TAXATION

No provision for corporation tax has been made since the profit for the year will be covered by the group relief expected to be made available to the company by other companies in the group. No charge will be made by other group companies for the surrender of group relief. It is anticipated that group relief and other tax reliefs will impact on future tax charges.

9. TANGIBLE FIXED ASSETS

	Leasehold Property £	Fixtures & Fittings £	Equipment £	Total £
COST OR VALUATION				
At 1 July 2003	2,419,484	5,691,056	3,786,342	11,896,882
Additions	—	—	105,725	105,725
At 30 June 2004	2,419,484	5,691,056	3,892,067	12,002,607
DEPRECIATION				
At 1 July 2003	2,284,784	5,447,000	3,685,634	11,417,418
Charge for the year	68,561	136,598	109,090	314,249
At 30 June 2004	2,353,345	5,583,598	3,794,724	11,731,667
NET BOOK VALUE				
At 30 June 2004	66,139	107,458	97,343	270,940
At 30 June 2003	134,700	244,056	100,708	479,464

10. INVESTMENTS

	Shares in Group Undertakings £
COST	
At 1 July 2003 and 30 June 2004	11,767,895
PROVISION FOR IMPAIRMENT	
At 1 July 2003 and 30 June 2004	7,476,899
NET BOOK VALUE	
At 30 June 2004	4,290,996
At 30 June 2003	4,290,996

CANARY WHARF LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

10. INVESTMENTS

At 30 June 2004 the company's principal subsidiary undertakings were as follows

Name	Description of shares held	Principal activities
Canary Cannon Limited	Ordinary £1 shares	Property trading
Canary Wharf Management Limited	Ordinary £1 shares	Property management
Hazelway Limited	Ordinary £1 shares	Property investment
Seven Westferry Circus (No 2) Limited	Ordinary £1 shares	Property trading
Heron Quays Development Limited	Ordinary £1 shares	Dormant

With the exception of Heron Quays Development Limited, which is jointly owned with a fellow subsidiary undertaking, the above are wholly owned subsidiaries registered in England and Wales.

Financial information is only presented in these financial statements about the company as an individual undertaking and not about its group because the company and its subsidiary undertakings are included in the consolidated financial statements of a larger group (Note 24).

The directors are of the opinion that the value of the company's investments at 30 June 2004 was not less than the amount shown in the company's balance sheet.

11. WORK IN PROGRESS AT COST

	30 June 2004	30 June 2003
	£	£
Work in progress at cost	709,724,239	1,135,399,297
Provision	—	(69,453,279)
	<u>709,724,239</u>	<u>1,065,946,018</u>

Movement in the carrying value of work in progress during the year:

	£
At 1 July 2003	1,065,946,018
Additions	463,826,262
Property sales	(889,501,320)
	<u>640,270,960</u>
Decrease in provision	69,453,279
At 30 June 2004	<u>709,724,239</u>

Work in progress is stated at cost less a provision to reduce the carrying value to net realisable value. In assessing the estimated net realisable value of development properties as at 30 June 2004 the directors consulted with the company's external property advisors, FPD Savills, Chartered Surveyors, and CB Richard Ellis, Surveyors and Valuers. As a result of this assessment, the general provision against work in progress was released.

CANARY WHARF LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

12. DEBTORS

	30 June 2004 £	30 June 2003 £
Due within one year:		
Trade debtors	172,900	1,288,014
Loan to parent undertaking	102,178,233	98,480,755
Amount owed by parent undertaking	70,682,813	36,600,890
Loan to subsidiary undertaking	1,702,247	18,937,469
Loans to fellow subsidiary undertakings	856,743,344	608,473,531
Amounts owed by fellow subsidiary undertakings	672,562,316	614,543,903
Other debtors	574,974	102,551
Deferred tax	987,770	217,003,395
Prepayments and accrued income	136,837,254	255,973,196
	<u>1,842,441,851</u>	<u>1,851,403,704</u>
Due in more than one year:		
Lease incentives	17,046,187	66,522,048
Prepayments and accrued income	783,420,368	756,569,139
Loans to fellow subsidiary undertakings	744,290,371	891,562,320
	<u>1,544,756,926</u>	<u>1,714,653,507</u>
Deferred taxation:		
	30 June 2004 £	30 June 2003 £
Accelerated capital allowances	891,574	2,085,909
Tax losses	—	199,981,899
Other	241,674	20,390,894
Undiscounted deferred tax asset	1,133,248	222,458,702
Discount	(145,478)	(5,455,307)
Discounted deferred tax asset	<u>987,770</u>	<u>217,003,395</u>

Loans to group undertakings due within one year carry interest at rates linked to LIBOR and are repayable on demand.

Loans to fellow subsidiary undertakings shown as due in more than one year carry interest at rates linked to LIBOR or 10%. All loans are repayable by 1 December 2034.

CANARY WHARF LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

13. FINANCIAL ASSETS

At 30 June 2004, the company's financial assets comprised short term debtors (Note 12), notes issued by a fellow subsidiary undertaking and sterling cash deposits. Such deposits totalled £683,011,639 at 30 June 2004 (30 June 2003 - £285,498,763), comprising deposits placed on money market at a call and term rates. Total cash deposits include £31,455,524 (30 June 2003 - £28,027,074) held by third parties as cash collateral for the company's obligations.

In June 2000, the group arranged a £975 million securitisation which is listed on the London Stock Exchange. The securitisation provides for £475 million of long term funding with a final maturity of up to 30 years at favourable rates. It also provides the ability to make further drawings, in any convertible currency and at the prevailing market rate of interest, upon the construction and lease of new buildings. £89,995,000 (2003: £89,995,000) of the term notes were purchased by the company upon issue, of which £25,000,000 were redeemed during the year, with the remainder being retained by the company.

The terms of the notes are:

Rating	£m	Interest	Repayment
A	45	6.966%	By Instalment 2011 to 2033
BBB	20	Floating	By instalment 2011 to 2033

Interest on the BBB notes is payable at a rate of three month LIBOR plus a margin of 1.75% until July 2005, and thereafter 4.375%.

14. CREDITORS: Amounts falling due within one year

	30 June 2004 £	30 June 2003 £
Trade creditors	2,957,783	3,783,825
Loan from parent undertaking	116,883,907	113,916,433
Loans from fellow subsidiary undertakings	2,170,318,702	2,992,523,754
Amount owed to parent undertaking	60,818,116	19,390,487
Amounts owed to subsidiary undertakings	8,284,761	23,050,759
Amounts owed to fellow subsidiary undertakings	271,784,252	168,655,439
Other taxes and social security	1,397,651	242,651
Other creditors	370,180	3,168,414
Accruals	27,775,765	49,688,862
Deferred income	770,588,397	39,551,089
	<u>3,431,179,514</u>	<u>3,413,971,713</u>

Loans due to parent and fellow subsidiary undertakings are repayable either on demand or at set dates within one year and carry interest at market rates which are linked either to LIBOR or to the rates payable on an issue of publicly quoted debentures by a fellow subsidiary undertaking.

CANARY WHARF LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

15. CREDITORS: Amounts falling due after more than one year

	30 June 2004	30 June 2003
	£	£
Loan from fellow subsidiary undertaking	<u>663,678,228</u>	<u>874,091,624</u>

The loan owed to a fellow subsidiary undertaking carries interest at 9% and is repayable in 2007.

16. PROVISIONS FOR LIABILITIES AND CHARGES

	£
Provision for amounts payable in relation to partially vacant leasehold properties:	
At 1 July 2003	123,484,000
Utilisation of provision	(17,217,912)
Unwind of discount	4,015,912
At 30 June 2004	<u>110,282,000</u>

On 6 November 2000, the company acquired the sub-leasehold interest (with approximately 13 years now unexpired) in 200/202 Aldersgate Street, a 440,000 sq ft office building in the City of London, and let the premises to Clifford Chance for a term of approximately 5 years at the same rent as that under sub-lease. Clifford Chance gave notice to terminate the lease on 29 September 2003. The company will now seek to sublet the premises or dispose of its interest on the open market.

In accordance with UK GAAP, the company has recognised a provision for the estimated net liability under the lease of 200/202 Aldersgate Street. In arriving at the quantum of the provision the directors have consulted with FPD Savills, the company's valuers to determine the assumptions on which the provision should be computed, including such matters as the void period, the rent achievable on re-letting and the incentive package payable.

The provision is based on the following key assumptions which will be reviewed at each subsequent balance sheet date:

Passing rent	-	£16.7 million (£38 per sq ft)
Average void period	-	2 years
Rent free period	-	2 years
Headline rent on re-letting	-	£35 per sq ft
Refurbishment cost	-	£50 per sq ft

This provision is stated at present value calculated on the basis of a discount rate of 6.0% being the group's weighted average cost of debt, and will be amortised to the profit and loss account, after allowing for the unwind of the discount, on a straight line basis over the period to 2013.

CANARY WHARF LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

17. CALLED-UP SHARE CAPITAL

	Year Ended 30 June 2004 £	Year Ended 30 June 2003 £
Authorised:		
500,000,000 preferred redeemable ordinary shares of £1 each	500,000,000	500,000,000
747,516,350 ordinary shares of £1 each	<u>747,516,350</u>	<u>747,516,350</u>
Allotted, called-up and fully paid:		
405,000,000 preferred redeemable ordinary shares of £1 each	405,000,000	405,000,000
257,516,350 ordinary shares of £1 each	<u>257,516,350</u>	<u>257,516,350</u>
	<u>662,516,350</u>	<u>662,516,350</u>

The redeemable preferred ordinary shares are redeemable at par on 21 December 2010 but the company may, at any time before that date, redeem all or 100,000 multiples of the shares by serving notice to the holders. On a return of capital, the assets of the company available for distribution to the shareholders are applied in paying to the holders of the redeemable preferred ordinary shares in priority to any payment to the holders of any other class of shares the nominal amount paid up. Subject to the above, the redeemable preferred ordinary shares rank pari passu with the ordinary shares.

18. RESERVES

	Profit and loss account £
At 1 July 2003	(61,796,235)
Profit for the financial year	<u>43,631,734</u>
At 30 June 2004	<u>(18,164,501)</u>

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	£
Shareholders funds as at 1 July 2003	600,720,115
Profit for the financial year	<u>43,631,734</u>
Shareholders' funds as at 30 June 2004	<u>644,351,849</u>

CANARY WHARF LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

20. OPERATING LEASE COMMITMENTS

At 30 June 2004 the company had annual commitments under non cancellable operating leases as set out below

Land and buildings:

	30 June 2004 £	30 June 2003 £
Operating lease which expire: After five years	<u>16,700,000</u>	<u>16,700,000</u>

At 30 June 2004 the company held a provision in respect of these lease commitments (Note: 16).

21. PENSION SCHEME

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge, which amounted to £568,482 for the year (2003: £526,207), represents contributions payable by the company to the scheme.

22. POST BALANCE SHEET EVENTS

In July 2004, the company completed construction of 1 Churchill Place and then sold its interest in the property, under a sale and leaseback arrangement, to a fellow subsidiary undertaking for a consideration of £753.5 million.

23. CAPITAL COMMITMENTS

As of 30 June 2004 the company had given fixed and floating charges over substantially all its assets to secure the commitments of certain other group undertakings.

The company had the following commitments for future expenditure:

	30 June 2004 £	30 June 2003 £
Contracted for but not provided in the financial statements	94,501,000	262,562,000

The commitments for future expenditure relate to the completion of development properties where construction was in progress at the year end. Any costs accrued or provided for in the balance sheet at 30 June 2004 have been excluded.

The company has, in the course of its business, granted limited warranties or indemnities to its tenants in respect of building defects (and defects on the estate or in the car parks) caused through breach of its obligations as developer contained in any pre-let or other agreement. Offsetting this potential liability the company has received the benefit of warranties from the trade contractors and suppliers who work on such buildings.

CANARY WHARF LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

24. RELATED PARTIES

The company's immediate parent undertaking is Canary Wharf Holdings Limited, a company registered in England and Wales. On 21 May 2004, Songbird Acquisition Limited declared its offer for Canary Wharf Group plc, the company's previous ultimate parent undertaking, wholly unconditional. As a result of this announcement, Songbird Estates plc is now the ultimate parent company and will have its first financial statements drawn up to the period ending 31 December 2004.

As at 30 June 2004, Canary Wharf Group plc was the parent undertaking of the largest and smallest group of which the company is a member and for which group financial statements are drawn up. Copies of the financial statements of Canary Wharf Group plc may be obtained from the Company Secretary, 30th Floor, One Canada Square, Canary Wharf, London E14 5AB.

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