CANARY WHARF LIMITED
Registered Number: 1971312

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

CANARY WHARF LIMITED

FINANCIAL STATEMENTS

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CANARY WHARF LIMITED

THE DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008

The directors present their report with the audited financial statements for the year ended 31 December 2008.

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The company is a wholly owned subsidiary of Canary Wharf Group plc and its ultimate parent undertaking is Songbird Estates plc.

The principal activity of the company continues to be property development for the purposes of sale either to fellow subsidiary undertakings or external to the group. All activities take place within the United Kingdom. The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year.

In March 2008 the company sold its interest in Riverside South to a fellow subsidiary undertaking for a consideration of £110.9 million and in October 2008 the company sold its interest in the Canada Square Retail Pavilion for a consideration of £1.8 million.

During the year construction continued on 1.3 million sq ft of development on the Canary Wharf Estate in four separate buildings, of which practical completion was reached at 20 Churchill Place in December 2008. Subsequent to the year end practical completion was reached at 15 Canada Square.

As shown in the company's profit and loss account, the company's loss after tax for the year was £247,658,204 (2007: profit of £71,036,512). The loss for the year included provisions of £357,972,172 against certain loans to other group undertakings which were in a net liability position at 31 December 2008, primarily as a result of falls in property valuations during the year.

The balance sheet shows the company's financial position at the year end and indicates that net assets were £92,114,150 (2007: £339,718,075). Details of amounts owed to group companies are shown in Notes 14 and 15.

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

There have been no significant events since the balance sheet date.

DIVIDENDS AND RESERVES

The profit and loss account for the year ended 31 December 2008 is set out on page 9. No dividends have been paid or proposed (2007: £Nil) and the retained loss of £247,658,204 (2007: profit of £71,036,512) has been transferred from reserves.

GOING CONCERN

The company's business activities, together with the factors likely to affect its future development, performance and position (including the principal risks and uncertainties), are set out in this Directors' Report. The finances of the company and its liquidity position and borrowings are, where appropriate, also described in this report.

The company is in a net asset position at the year end. In addition, as a member of the Canary Wharf Group, the company has access to considerable resources.

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

DIRECTORS

The directors of the company throughout the year ended 31 December 2008 were:

A P Anderson II
G Iacobescu
R J J Lyons

The company provides an indemnity to all directors (to the extent permitted by law) in respect of liabilities incurred as a result of their office. The company also has in place liability insurance covering the directors and officers of the company. Neither the indemnity or the insurance provide cover in the event that the director is proven to have acted dishonestly or fraudulently.

PRINCIPAL RISKS AND UNCERTAINTIES

As a member of the Canary Wharf Group the key risks facing the company include the property market upheaval, financing risk and concentration risk.

Property Market Upheaval

The valuation of Canary Wharf Group's assets is subject to many external economic and market factors which are cyclical in nature. The unprecedented turmoil in the financial markets has been reflected in the property market by such factors as the oversupply of available space in the office market, a recent significant decline in tenant demand for space in London and a change in the market perception of property as an investment resulting in a negative impact on property valuations in general. Such issues are kept under constant review so that the company as part of the Canary Wharf Group can react appropriately. The impact of the ongoing upheaval in the property and financial markets continues to be closely monitored.

Financing Risk

The broader economic cycle inevitably leads to movements in inflation, interest rates and bond yields. The company finances its operations largely through surplus cash and intercompany finance. The terms of the company's borrowings are summarised in Notes 14 and 15.

The unprecedented turmoil in the financial markets has resulted in an unusually pronounced negative impact on the real estate market. In the current difficult economic environment there is an increased risk that further softening of yields could put pressure on the loan to value covenants in the facilities of Canary Wharf Group.

Concentration Risk

The majority of Canary Wharf Group's real estate assets, including the assets of the company, are currently located on or adjacent to the Canary Wharf Estate, with tenants that are mainly linked to the financial services industry. Wherever possible steps are taken to mitigate or avoid material consequences arising from this concentration.

The principal risks facing the Canary Wharf Group are discussed in the Annual Report of Canary Wharf Group plc, which does not form part of this report.

POLICIES

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 31 December 2008 was 4 (2007: 1).

Employment

The company has adopted the terms of the Code of Practice for the elimination of discrimination, on all grounds, including disability discrimination. To effect this policy the company has implemented a continuing programme of action with the aim of providing an equal working environment where all employees are treated with respect and dignity. The company continues to keep employees informed of events relevant to their employment via 'all staff' communications and an intranet. Staff consultative committees, at which matters raised by employees are considered by management and staff representatives, have been established and meet every two months. The company's employment policy is regularly reviewed to incorporate changes to legislation and ensure best practice is maintained.

Equal opportunities

The company is committed to equality of opportunity and it is the policy of the company to make all employment decisions based on the applicant's ability, experience and qualification without regard to age, sex, race, colour, sexual orientation, ethnic origin, disability or marital status. The company values the benefits a diverse workforce can bring. The company embraces diversity as a practical contribution to its business success.

Due consideration is given to the recruitment, promotion, training and working conditions of all employees including those with disabilities. In the event of an employee becoming disabled the company uses its best endeavours to ensure continuity of employment.

Training and development

The policy of the company is to continuously develop its workforce with the aim of maximising its success in the marketplace. The training and development of staff is, therefore, integral to the business process. An annual appraisal programme enables the assessment of individual performance, progress and career prospects within the company.

Health and Safety

It is the Canary Wharf Group's policy, within which the company operates, that the working conditions of its employees incorporate the best standards of health, safety and welfare that can reasonably be achieved and that all group premises are maintained as safe environments. Accordingly, adequate resources are made available for these purposes and procedures exist to enable all staff to be informed and consulted on health and safety matters and to make known their views.

When striving to create the best standards of the built environment the Canary Wharf Group seeks to promote a safe and healthy environment for its employees, tenants and visitors. The Canary Wharf Group's continuing commitment to ensuring such a safe and healthy environment is embodied into the formally adopted group health, safety and welfare policy. All legislation relating to health and safety is observed both in letter and in spirit.

Environmental

The company is committed to fully understanding the environmental and social impact of development on the Estate and, of outside projects, as appropriate. As a result, it is also committed to applying environmental best practice wherever practical in the design, construction and management of buildings and their surroundings for the benefit of tenants, employees, the local community, shareholders and the environment. As a member of the Canary Wharf Group, the company has maintained ISO 14001 accreditation since early 2005 with environmental management being an inherent part of construction since 2002.

Environmental responsibility

The Canary Wharf Group board retains overall responsibility for the monitoring and implementation of the group's environmental policy and is assisted by the group's Environmental Management Review Group which comprises senior executives of the group. A clear governance process has been developed and implemented to enable the Environmental Management Review Group, and ultimately the board, to identify, manage and respond to the environmental and social risks and opportunities that may affect the group's operations.

The Environmental Management Review Group is responsible for the development and establishment of the Environmental Management System throughout the group which has been developed to focus attention on those objectives and targets where improvements and actions are necessary to meet the monitoring and reporting process formally adopted by the group. Identified Environmental System Managers have responsibility for the implementation of the Environmental Management System throughout their respective business areas. Employee environmental awareness is key to the success of the Environmental Management System and as a result is incorporated into the staff induction programme with regular updates via in-house newsletters and presentations.

The group publishes annually a separate Corporate Social Responsibility Report which provides details of performance against specified targets and objectives. This report together with additional supporting information and group publications, can be downloaded from the group's environmental website, www.greencanarywharf.com. The group's environmental policies are also set out in full on this website.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

Each director holding office at the date of this report has taken all the steps that he ought to have taken as a director in order to make himself aware of relevant audit information and to establish that the company's auditors are aware of that information. As far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware.

This confirmation is given and should be interpreted in accordance with the provisions of Section 234ZA of the Companies Act 1985.

BY ORDER OF THE BOARD

....Joint Secretary   26 June 2009

A M Holland

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

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

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the results of the company for the year then ended. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

CANARY WHARF LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CANARY WHARF LIMITED

We have audited the financial statements of Canary Wharf Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related Notes 1 to 22. 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 company's circumstances, consistently applied and adequately disclosed.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CANARY WHARF LIMITED

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.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Deloitte LLP

Deloitte LLP
Chartered Accountants and Registered Auditors
London, UK

26 June 2009

CANARY WHARF LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	Year Ended 31 December 2008 £	Year Ended 31 December 2007 As restated £
TURNOVER	3	386,631,271	215,156,723
Cost of sales		(305,079,866)	(152,819,868)
GROSS PROFIT		81,551,405	62,336,855
Administrative expenses before exceptional items		(22,277,938)	(26,051,058)
Exceptional items:			
Provision against work in progress	12	18,408,673	(8,923,557)
Provision against intercompany debtors	13	(357,972,172)	–
Other operating income		3,095,459	3,722,441
OPERATING (LOSS)/PROFIT	4	(277,194,573)	31,084,681
Income from shares in group undertakings	11	1,100,000	22,000,000
Income from partnership	11	167,976	187,018
Interest receivable and similar income	7	178,277,175	174,661,428
Interest payable and similar charges before exceptional item	8	(149,746,460)	(147,987,716)
Exceptional item:			
Financing costs - debentures	8	–	(8,715,383)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(247,395,882)	71,230,028
Tax on (loss)/profit on ordinary activities	9	(262,322)	(193,516)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE YEAR	18	(247,658,204)	71,036,512

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 31 December 2008 or the year ended 31 December 2007 other than those included in the profit and loss account.

The Notes on pages 12 to 28 form an integral part of these financial statements.

CANARY WHARF LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2008

	Year Ended 31 December 2008 £	Year Ended 31 December 2007 As restated £
(Loss)/profit for the financial year	(247,658,204)	71,036,512
Total recognised gains and losses relating to the year	(247,658,204)	71,036,512
Prior year adjustment (see note 2)	2,812,412	
Total gains and losses recognised since the last financial statements	(244,845,792)	

The Notes on pages 12 to 28 form an integral part of these financial statements.

CANARY WHARF LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2008

	Note	31 December 2008 £	31 December 2007 As restated £
FIXED ASSETS			
Tangible assets	10	1,352,565	294,848
Investments	11	7,271,384	7,103,408
		8,623,949	7,398,256
CURRENT ASSETS			
Work in progress	12	181,128,480	182,816,833
Debtors	13		
Amounts falling due after one year		1,014,118,671	1,506,085,723
Amounts falling due within one year		1,618,307,070	2,294,754,387
Cash at bank		983,194,749	814,248,795
		3,796,748,970	4,797,905,738
CREDITORS: Amounts falling due within one year	14	(2,828,162,085)	(3,502,696,343)
NET CURRENT ASSETS		968,586,885	1,295,209,395
TOTAL ASSETS LESS CURRENT LIABILITIES		977,210,834	1,302,607,651
CREDITORS: Amounts falling due after more than one year	15	(879,500,658)	(954,380,002)
Provisions for liabilities	16	(5,596,026)	(8,509,574)
NET ASSETS		92,114,150	339,718,075
CAPITAL AND RESERVES			
Called-up share capital	17	257,516,350	257,516,350
Profit and loss account	18	(165,402,200)	82,201,725
SHAREHOLDERS' FUNDS	19	92,114,150	339,718,075

The Notes on pages 12 to 28 form an integral part of these financial statements.

APPROVED BY THE BOARD ON 26 JUNE 2009 AND SIGNED ON ITS BEHALF BY:

R J J LYONS
DIRECTOR

1. PRINCIPAL ACCOUNTING POLICIES

A summary of the principal accounting policies of the company is set out below. With the exception of the accounting policy for investments in partnerships (Note 2), all policies have been applied consistently throughout the year and the preceding year.

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) the company is exempt from the requirements to prepare a cash flow statement, as it is a wholly-owned subsidiary of Canary Wharf Group plc, which has prepared a consolidated cash flow statement.

Profit and loss account

Turnover, which includes property sales and rental income is recognised, net of VAT, in the period in which it falls due.

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 payment 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 13) and transfers (including interest) are made to development work in progress when construction work is undertaken by the fellow subsidiary.

Investment income comprises dividends paid 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:

Leasehold improvements	25%
Fixture and fittings	25%
Computer equipment	33%

Investments

The company's investments in subsidiaries are stated at cost less any provision for impairment.

The investment in the Partnership is revalued annually to reflect the share of the company's net assets in the Partnership. The company's share of the Partnership's profits and losses is included in the profit and loss account and the company's share of unrealised gains and losses is taken to the revaluation reserve.

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 12).

Properties under construction, where the company has entered into an agreement for sale are treated as long term contracts. Turnover on such contracts is calculated by reference to the cost of work performed to date as a proportion of the total anticipated cost of the project. Profit is recognised when the final outcome of the project can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses.

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.

Vacant leasehold properties

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.

Taxation

Current tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantially enacted at the balance sheet date. The company is part of a UK group for group relief purposes and accordingly may take advantage of the group relief provisions whereby current taxable profits can be offset by current tax losses arising in other companies in that group. The group's policy is that no payment will be made for tax losses surrendered under the group relief provisions.

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.

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 2.1% to 2.2% 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 contributions in respect of this scheme are accrued as they fall due.

Accounting for share options

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.

Accounting for share capital classified as non-equity

In accordance with FRS 25, the company has classified its preferred redeemable ordinary shares as liabilities payable in more than one year.

Under FRS 25, any amount payable to the holder of the preferred redeemable ordinary shares is included in interest payable as it falls due. Prior to the adoption of FRS 25, amounts payable would have been included in dividends.

2. RESTATEMENT

The company has changed its accounting policy for investments in partnerships to be consistent with the policies of other group companies. The new policy is to carry investments in partnerships at the company's share of the Partnership's net assets. Previously the company held its investments in partnerships at historical cost.

The impact of the change in accounting policy is as follows:

	Income from Partnership	Profit after taxation	Shareholders' funds
	£	£	£
Year ended 31 December 2007			
As previously reported	–	70,849,494	336,905,663
Effect of change in policy	187,018	187,018	2,812,412
As restated	187,018	71,036,512	339,718,075
Year ended 31 December 2008			
Results per previous policy	–	(247,826,180)	89,133,762
Effect of change in policy	167,976	167,976	2,980,388
As reported	167,976	(247,658,204)	92,114,150

3. TURNOVER

An analysis of turnover is given below:

	Year Ended 31 December 2008	Year Ended 31 December 2007 As restated
	£	£
Property sales	–	10,849,706
Property sales to fellow subsidiary undertakings	112,700,000	–
Rental income	2,215,719	4,758,617
Revenue recognised on long term contracts	271,715,552	199,548,400
	386,631,271	215,156,723

In March 2008 the company sold its interest in Riverside South to a fellow subsidiary undertaking for a consideration of £110,900,000 and in October 2008 the company sold its interest in the Canada Square Retail Pavilion for a consideration of £1,800,000.

During 2007 the company received £8,324,819 of deferred proceeds and released surplus accruals and deferred income of £2,524,887 relating to the sale of certain properties in 2003.

4. OPERATING (LOSS)/PROFIT

Operating profit is stated after charging:

	Year Ended 31 December 2008 £	Year Ended 31 December 2007 As restated £
Directors' emoluments, including bonuses (Note 5)	879,808	1,320,595
Depreciation (Note 10)	494,010	184,195
Remuneration of the auditors:		
Audit fees for the audit of the company	22,600	22,000
Fees for other services	294,200	36,507
Audit fees for the audit of fellow subsidiary undertakings	95,400	72,500
Operating lease rentals	13,885,258	13,871,835

The operating lease rentals are in respect of rents paid for 1 Churchill Place and car parking at 20 Canada Square. The company has made a provision in respect of all of these leases (Note 16).

5. DIRECTORS REMUNERATION

During the year ended 31 December 2008, R J J Lyons was paid a salary of £879,808 (2007: £795,595), which included a bonus of £638,629 (2007: £563,137), plus benefits in kind equal to £4,940 (2007: £4,758). During the year ended 31 December 2008 there were no payments (2007: £525,000) to R J J Lyons under long-term incentive plans during the year.

Benefits are accruing under the company's money purchase pension scheme on behalf of R J J Lyons. During the year a contribution of £30,097 (2007: £28,463) was made to the company's money purchase pension plan and £8,859 of the above-mentioned salary amount was paid to the pension scheme on behalf of R J J Lyons.

The remuneration of the other directors is disclosed in the financial statements of Canary Wharf Group plc.

6. EMPLOYEE INFORMATION

	Year Ended 31 December 2008 £	Year Ended 31 December 2007 As restated £
Wages and salaries (including directors)	12,398,088	12,595,506
Social Security costs	1,443,828	1,469,404
Other pension costs (Note 20)	1,201,006	625,287
	15,042,922	14,690,197

The average number of persons employed (including directors) by the company during the year was 146 (2007: 134), all of which were administrative employees.

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year Ended 31 December 2008 £	Year Ended 31 December 2007 As restated £
Bank interest receivable	38,693,658	42,980,745
Interest receivable from group undertakings	139,583,517	131,680,683
	178,277,175	174,661,428

8. INTEREST PAYABLE AND SIMILAR CHARGES

	Year Ended 31 December 2008 £	Year Ended 31 December 2007 As restated £
Before exceptional item:		
Bank loans and overdrafts	6,970	2,213
Interest payable to group undertakings	197,443,216	207,414,373
Unwind of discount of provisions (Note 16)	361,354	487,838
	197,811,540	207,904,424
Less: Increase in contract prepayment	(48,065,080)	(59,916,708)
	149,746,460	147,987,716
Exceptional item:		
Financing costs - debentures	–	8,715,383

During the previous year a fellow subsidiary undertaking completed a restructuring of its debt involving the redemption of certain first mortgage debenture notes at a total cost of £573,169,823 and the issue of new notes for proceeds totalling £726,000,000. The net proceeds were loaned to the company by a fellow subsidiary undertaking. In connection with this transaction the company incurred financing costs of £8,715,383, which have been taken to the profit and loss account and treated as an exceptional item. This did not give rise to deferred tax.

9. TAXATION

	Year Ended 31 December 2008 £	Year Ended 31 December 2007 As restated £
Current tax:		
UK Corporation tax (see below)	–	–
Deferred tax:		
Origination and reversal of timing differences	270,576	91,887
Net effect of discount	(8,254)	77,307
Effect of change in future tax rates	–	24,322
Total deferred tax	262,322	193,516
Tax reconciliation:		
(Loss)/profit on ordinary activities before tax	(247,395,882)	71,230,028
Tax on (loss)/profit on ordinary activities at UK corporation tax rate of 28.5% (2007: 30%)	(70,507,826)	21,369,008
Effects of:		
Items not chargeable to tax	(313,500)	(6,600,000)
Expenses not deductible for tax purposes	100,016,127	202,819
Tax losses and other timing differences	(29,194,801)	(14,971,827)
Current tax charge for the year	–	–

The tax rate of 28.5% is calculated by reference to the current corporation tax rate of 28% which was in effect for the final three quarters of the year and the previous rate of 30% which was in effect for the first quarter of the year.

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. There is no unprovided deferred taxation.

10. TANGIBLE FIXED ASSETS

	Fixtures & Fittings	Leasehold Improvements	Equipment	Total
	£	£	£	£
COST				
At 1 January 2008	5,784,480	2,768,783	4,104,532	12,657,795
Additions	1,551,727	–	–	1,551,727
At 31 December 2008	7,336,207	2,768,783	4,104,532	14,209,522
DEPRECIATION				
At 1 January 2008	5,740,205	2,518,210	4,104,532	12,362,947
Movement for the year	406,685	87,325	–	494,010
At 31 December 2008	6,146,890	2,605,535	4,104,532	12,856,957
NET BOOK VALUE				
At 31 December 2008	1,189,317	163,248	–	1,352,565
At 31 December 2007	44,275	250,573	–	294,848

11. INVESTMENTS

	31 December 2008 £	31 December 2007 As restated £
Investment in partnerships	3,120,388	2,952,412
Shares in group undertakings	4,150,996	4,150,996
	7,271,384	7,103,408

Investment in partnerships

	£
CAPITAL ACCOUNT	
At 1 January 2008	140,000
At 31 December 2008	140,000
CURRENT ACCOUNT	
At 1 January 2008	2,812,412
Income for the year	167,976
At 31 December 2008	2,980,388
NET BOOK VALUE	
At 31 December 2008	3,120,388
At 1 January 2008	2,952,412

The company is the beneficial owner of 1% of a partnership which has undertaken the design and construction of a development in phase I of that part of the Canary Wharf project known as Heron Quays. Heron Quays Properties Limited, another member of the Canary Wharf Group, is the beneficial owner of the other 99%.

Shares in group undertakings

	£
COST	
At 1 January 2008	11,627,895
At 31 December 2008	11,627,895
PROVISION FOR IMPAIRMENT	
At 1 January 2008	7,476,899
At 31 December 2008	7,476,899
NET BOOK VALUE	
At 31 December 2008	4,150,996
At 1 January 2008	4,150,996

At 31 December 2008 the company's 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 Developments Limited	Ordinary £1 shares	Dormant

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

Dividends totalling £1,100,000 (2007: £22,000,000) were paid by the company's subsidiaries during the year ended 31 December 2008.

In accordance with Section 228 of Companies Act 1985, 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 22).

The directors are of the opinion that the value of the company's investments at 31 December 2008 was not less than the amount shown in the company's balance sheet.

12. WORK IN PROGRESS AT COST

	31 December 2008	31 December 2007 As restated
	£	£
Work in progress at cost	188,372,067	208,469,093
Provision	(7,243,587)	(25,652,260)
	181,128,480	182,816,833

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

	£	£
At 1 January	182,816,833	194,732,523
Additions	281,302,978	146,112,539
Transfer to cost of sales	(101,411,571)	–
Transfer to cost of sales on long term contracts	(199,988,433)	(149,104,672)
	162,719,807	191,740,390
Decrease in provision	18,408,673	(8,923,557)
At 31 December	181,128,480	182,816,833

The transfer to cost of sales of £101,411,571 relates to the property sales referred to in Note 3. The transfer to cost of sales on long term contracts relates to the contracts referred to in Note 14.

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 31 December 2008 the directors consulted with the company's external property advisors, Savills Commercial Limited, Chartered Surveyors, CB Richard Ellis, Surveyors and Valuers and Cushman & Wakefield, Real Estate Consultants. As a result of this assessment the provision against work in progress was reduced to £7,243,587. This item does not give rise to deferred tax.

13. DEBTORS

	31 December 2008 £	31 December 2007 As restated £
Due within one year:		
Trade debtors	364,807	5,951,866
Loan to parent undertaking	520,088,978	75,805,471
Amount owed by parent undertaking	21,949,522	–
Amount owed by subsidiary undertaking	5,614,622	7,724,644
Loan to subsidiary undertaking	–	1,702,247
Loans to fellow subsidiary undertakings	786,198,049	1,246,050,370
Amounts owed by fellow subsidiary undertakings	139,601,146	679,171,395
Other debtors	64,790	14,333
Deferred tax	78,180	340,502
Prepayments and accrued income	144,346,976	277,993,559
	1,618,307,070	2,294,754,387
Due in more than one year:		
Prepayments and accrued income	586,404,186	616,000,145
Loans to fellow subsidiary undertakings	427,714,485	890,085,578
	1,014,118,671	1,506,085,723

Deferred taxation:	31 December 2008 £	31 December 2007 As restated £
Accelerated capital allowances	101,475	494,131
Undiscounted deferred tax asset	101,475	494,131
Discount	(23,295)	(153,629)
Discounted deferred tax asset	78,180	340,502

Loans to group undertakings due within one year carry interest at rates linked to LIBOR or 10%, subject to certain caps 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.

During the year the company made provisions against amounts owed by fellow subsidiary undertakings totalling £357,972,172. These amounts relate to fellow subsidiary undertakings which were in a net liability position at 31 December 2008, primarily as a result of falls in the carrying value of the investment properties held by those companies during the year. Of this amount £300.1 million relates to loans to a fellow subsidiary which owns 25-30 Bank Street, a building occupied by Lehman Brothers Limited.

On 15 September 2008 Lehman was placed into administration in the UK and its ultimate parent, Lehman Brothers Holdings Inc., applied for Chapter 11 insolvency protection in the USA.

If the property interests held by fellow subsidiary undertakings were to be sold at their December 2008 valuations, the company's loans would not be recoverable in full. Accordingly the company has made provisions against such loans totalling £357,972,172.

14. CREDITORS: Amounts falling due within one year

	31 December 2008 £	31 December 2007 As restated £
Payments received on account	20,581,858	207,106,254
Trade creditors	5,447,174	394,750
Loan from parent undertaking	790,013,601	889,093,320
Loan from subsidiary undertaking	323,762,100	–
Loans from fellow subsidiary undertakings	1,161,947,736	1,774,770,399
Amounts owed to parent undertakings	207,122,724	303,909,946
Amounts owed to subsidiary undertakings	4,420,849	6,123,096
Amounts owed to fellow subsidiary undertakings	228,835,225	269,786,142
Other taxes and social security	2,388,572	2,101,041
Other creditors	1,953,001	1,159,673
Accruals	65,970,596	45,287,096
Deferred income	15,718,649	2,964,626
	2,828,162,085	3,502,696,343

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.

In June 2007 the company entered into an agreement for the sale of 30 North Colonnade. In February 2006, the company entered into an agreement for the sale of 20 Churchill Place, which was completed in December 2008, and in November 2006, the company entered into an agreement for the sale of 15 Canada Square, which was completed subsequent to the year end. The company has received payments on account in respect of these transactions, which comprise:

	20 Churchill Place £	15 Canada Square £	30 North Colonnade £	Total
At 1 January 2008	60,083,010	88,859,039	58,164,205	207,106,254
Applied as an offset against long term contract balances in prior year	–	8,256,524	10,012,475	18,268,999
Amounts received	19,876,971	–	37,724,220	57,601,191
Recorded as turnover	(81,367,265)	(105,029,245)	(85,319,042)	(271,715,552)
Interest	1,407,284	2,358,405	–	3,765,689
Transferred to prepayments	–	5,555,277	–	5,555,277
At 31 December 2008	–	–	20,581,858	20,581,858

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

	31 December 2008	31 December 2007 As restated
	£	£
Loan from fellow subsidiary undertaking	474,500,658	549,380,002
Preferred redeemable ordinary shares (Note 17)	405,000,000	405,000,000
	879,500,658	954,380,002

The loan owed to a fellow subsidiary undertaking carries interest at 9% and is repayable in 2017.

16. PROVISIONS FOR LIABILITIES

	Leaseback provisions		
	Canada Square	Churchill Place	Total
	£	£	£
At 1 January 2008	2,390,801	6,118,773	8,509,574
Utilisation of provision	(202,500)	(3,904,147)	(4,106,647)
Unwind of discount	118,707	242,647	361,354
Increase in provision	-	831,745	831,745
At 31 December 2008	2,307,008	3,289,018	5,596,026

The company has recognised provisions in respect of leases totalling 329,112 sq ft in 1 Churchill Place: 66,036 sq ft is for a term of 5 years at a rent of £2.8 million per annum, 129,450 sq ft is for a term of 10 years at a rent of £5.5 million per annum and 133,626 sq ft is for a term of 15 years at a rent of £5.6 million per annum.

At 31 December 2008, the provision for these leases (net of sub-letting income) totalled £3,060,916 (2007: £6,133,318), net of a discount of (£228,102) (2007: £14,546) calculated on the basis of a discount rate of 6.2% (2007: 6.1%).

The company has recognised a provision in respect of a lease over 81 car parking spaces at 20 Canada Square at an annual rent of £202,500 until 5 January 2028. At 31 December 2008, the provision for this lease totalled £3,849,678 (2007: £4,052,177), net of a discount of £1,542,670 (2007: £1,661,376) calculated on the basis of a discount rate of 6.2% (2007: 6.1%).

17. CALLED-UP SHARE CAPITAL

	31 December 2008 £	31 December 2007 As restated £
Equity shares: ordinary shares of £1 each		
747,516,350 authorised	747,516,350	747,516,350
257,516,350 allotted, called-up and fully paid	257,516,350	257,516,350
Non-equity shares: preferred redeemable ordinary shares of £1 each		
500,000,000 authorised:	500,000,000	500,000,000
405,000,000 allotted, called-up and fully paid	405,000,000	405,000,000

The preferred redeemable 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 preferred redeemable 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 preferred redeemable ordinary shares rank pari passu with the ordinary shares. In accordance with FRS25 the non-equity shares have been included in creditors due after more than one year.

18. RESERVES

	Profit and loss account £
At 1 January 2008 - as restated	82,201,725
Loss for the year	(247,658,204)
Reserve movement in respect of share option schemes	54,279
At 31 December 2008	(165,402,200)

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 December 2008	31 December 2007 As restated
	£	£
Opening shareholders' funds		
As previously stated	336,905,663	
Prior year adjustment	2,812,412	
As restated	339,718,075	268,672,403
(Loss)/profit for the year	(247,658,204)	71,036,512
Reserve movement in respect of share option schemes	54,279	9,160
Closing shareholders' funds	92,114,150	339,718,075

20. 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 £1,201,006 for the year (2007: £625,287), represents contributions payable by the company to the scheme.

21. CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS

As of 31 December 2008 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:

	31 December 2008	31 December 2007 As restated
	£	£
Contracted for but not provided in the financial statements	135,697,000	324,852,000

The commitments for future expenditure relate to the completion of development properties where construction was committed at year end. Any costs accrued or provided for in the balance sheet at 31 December 2008 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.

22. ULTIMATE PARENT UNDERTAKING AND RELATED PARTY TRANSACTIONS

The company's immediate parent undertaking is Canary Wharf Holdings Limited.

As at 31 December 2008, the smallest group of which the company is a member and for which group financial statements are drawn up is the consolidated financial statements of Canary Wharf Group plc. The largest group of which the company is a member for which group financial statements are drawn up is the consolidated financial statements of Songbird Estates plc, the ultimate parent undertaking and controlling party. Copies of the financial statements of both companies may be obtained from the Company Secretary, One Canada Square, Canary Wharf, London E14 5AB.

The directors have taken advantage of the exemption in paragraph 3(c) of FRS 8 allowing the company not to disclose related party transactions with respect to other group companies.