CANARY WHARF LIMITED
Registered Number: 1971312

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

CANARY WHARF LIMITED

CONTENTS

CANARY WHARF LIMITED

THE DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009

The directors present their report with the audited financial statements for the year ended 31 December 2009

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 coming year

On 4 December 2009, the company sold its interests in 5 Churchill Place to a fellow subsidiary undertaking for a total consideration of £152,934,475 and in May 2009 the company sold its interest in the Churchill Place Car Park to a fellow subsidiary undertaking for a consideration of £2,750,000

In April 2009 practical completion was achieved on the company's construction contract on 15 Canada Square and in September 2009, practical completion was achieved on the construction contract on 30 North Colonnade

As shown in the company's profit and loss account, the company's profit after tax for the year was £76,070,610 (2008 loss of £247,658,204)

The balance sheet shows the company's financial position at the year end and indicates that net assets were £168,184,760 (2008 £92,114,150) Details of amounts owed to group companies are shown in Notes 13 and 14

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 2009 is set out on page 9 No dividends have been paid or proposed (2008 £Nil) and the retained profit of £76,070,610 (2008 loss of £247,658,204) has been transferred to 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 2009 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 Both the indemnity and insurance were in force during the year ended 31 December 2009 and at the time of the approval of this Directors' Report 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 cyclical nature of the property market, financing risk and concentration risk

Cyclical Nature of the Property Market

The valuation of Canary Wharf Group's assets is subject to many external economic and market factors The turmoil in the financial markets during 2008 and 2009 was reflected in the property market by such factors as the oversupply of available space in the office market, a significant decline in tenant demand for space in London and a change in the market perception of property as an investment resulting in a negative impact on property valuations in general In the latter half of 2009 and since the year end there have been signs of a tightening of supply which has resulted in an increase in valuations and a compression of yields Changes in financial and property markets are kept under constant review so that the company can react appropriately The impact of the ongoing uncertainty in the financial and property 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 13 and 14

The ongoing financial markets' uncertainty continues to significantly limit the availability of funding In common with other UK property companies, such lack of financing facilities may have an impact on the business of Canary Wharf Group if the lending markets remain limited for the forseeable future

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 2009 was 5 (2008. 4)

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 website, www canarywharf com The group's environmental policies are also set out in full on this website

CANARY WHARF LIMITED

THE DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009

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 418(2) of the Companies Act 2006

BY ORDER OF THE BOARD

A M Holland — Joint Secretary — 25 June 2010

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

Registered Number 1971312

CANARY WHARF LIMITED

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

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

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

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 2009 which comprise the Profit and Loss Account, Balance Sheet and the related Notes 1 to 21 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 December 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

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

CANARY WHARF LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CANARY WHARF LIMITED

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
  the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Richard Muschamp (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, UK

25 June 2010

CANARY WHARF LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	Year Ended 31 December 2009 £	Year Ended 31 December 2008 £
TURNOVER	2	239,294,767	386,631,271
Cost of sales		(240,737,918)	(305,079,866)
GROSS (LOSS)/PROFIT		(1,443,151)	81,551,405
Administrative expenses before exceptional items		(20,304,203)	(22,277,938)
Exceptional items			
Provision against work in progress	11	7,243,587	18,408,673
Provision against intercompany debtors	12	34,614,492	(357,972,172)
Other operating income		9,506,571	3,095,459
OPERATING PROFIT/(LOSS)	3	29,617,296	(277,194,573)
Income from shares in group undertakings	10	4,300,000	1,100,000
Income from partnership	10	48,760	167,976
Interest receivable and similar income	6	136,713,810	178,277,175
Interest payable and similar charges	7	(55,999,548)	(149,746,460)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		114,680,318	(247,395,882)
Tax on profit/(loss) on ordinary activities	8	(38,609,708)	(262,322)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE YEAR	17	76,070,610	(247,658,204)

Movements in reserves are shown in Note 17 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 2009 or the year ended 31 December 2008 other than those included in the profit and loss account

The Notes on pages 11 to 25 form an integral part of these financial statements

CANARY WHARF LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2009

	Note	31 December 2009 £	31 December 2008 £
FIXED ASSETS			
Tangible assets	**9**	1,044,413	1,352,565
Investments	**10**	7,320,144	7,271,384
		8,364,557	8,623,949
CURRENT ASSETS			
Work in progress	**11**	56,132,826	181,128,480
Debtors	**12**		
Amounts falling due after one year		1,131,060,480	1,014,118,671
Amounts falling due within one year		1,867,750,035	1,618,307,070
Cash at bank and in hand		863,485,483	983,194,749
		3,918,428,824	3,796,748,970
CREDITORS: Amounts falling due within one year	**13**	(2,866,349,553)	(2,828,162,085)
NET CURRENT ASSETS		1,052,079,271	968,586,885
TOTAL ASSETS LESS CURRENT LIABILITIES		1,060,443,828	977,210,834
CREDITORS: Amounts falling due after more than one year	**14**	(873,500,262)	(879,500,658)
Provisions for liabilities	**15**	(18,758,806)	(5,596,026)
NET ASSETS		168,184,760	92,114,150
CAPITAL AND RESERVES			
Called-up share capital	**16**	257,516,350	257,516,350
Profit and loss account	**17**	(89,331,590)	(165,402,200)
SHAREHOLDERS' FUNDS	**18**	168,184,760	92,114,150

The Notes on pages 11 to 25 form an integral part of these financial statements

APPROVED BY THE BOARD ON 25 JUNE 2010 AND SIGNED ON ITS BEHALF BY

R J J LYONS
DIRECTOR

1. PRINCIPAL ACCOUNTING POLICIES

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

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards The financial statements have been prepared on the going concern basis as described in the Directors' Report

In accordance with the provisions of FRS 1 (Revised) the company is exempt from the requirements to prepare a cash flow statement, as it is a wholly-owned subsidiary of 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 12) 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

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 11)

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

Trade and other debtors

Debtors are recognised initially at fair value A provision for impairment is established where there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the debtor concerned

Trade and other creditors

Trade and other creditors are stated at cost

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 substantively enacted at the balance sheet date The company is part of a UK group for group relief purposes and accordingly may take advantage of the group relief provisions whereby current taxable profits can be offset by current tax losses arising in other companies in that group The group's policy is that no payment will be made for tax losses surrendered under the group relief provisions

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. TURNOVER

An analysis of turnover is given below

	Year Ended 31 December 2009 £	Year Ended 31 December 2008 £
Property sales to fellow subsidiary undertakings	155,684,475	112,700,000
Rental income	3,540,773	2,215,719
Revenue recognised on long term contracts	79,298,552	271,715,552
Other	770,967	–
	239,294,767	386,631,271

On 4 December 2009, the company sold its interest in 5 Churchill Place to a fellow subsidiary undertaking for a total consideration of £152,934,475 and in May 2009 the company sold its interest in the Churchill Place Car Park to a fellow subsidiary undertaking for a consideration of £2,750,000

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

3. OPERATING PROFIT/(LOSS)

Operating profit is stated after charging

	Year Ended 31 December 2009 £	Year Ended 31 December 2008 £
Directors' emoluments, including bonuses (Note 4)	1,305,317	879,808
Depreciation (Note 9)	549,820	494,010
Remuneration of the auditors		
Audit fees for the audit of the company	23,600	22,600
Fees for other services	34,783	294,200
Audit fees for the audit of fellow subsidiary undertakings	131,400	95,400
Operating lease rentals	13,554,120	13,885,258

The operating lease rentals are in respect of the leaseback properties referred to in Note 15

4. DIRECTORS REMUNERATION

Durıng the year ended 31 December 2009, the remuneratıon of R J J Lyons was £1,305,317 (2008 £879,808), whıch ıncluded bonuses of £634,268 (2008 £638,629), plus benefits ın kınd equal to £5,085 (2008 £4,940)

A deferred cash ıncentıve plan was establıshed by Canary Wharf Group plc to retaın and ıncentıvıse senıor members of the Canary Wharf Group management team, whıch ıncludes the dırectors of the company Payments of £425,000 (2008 £nıl) were made to R J J Lyons under thıs plan durıng the year ended 31 December 2009 and are ıncluded ın the remuneratıon amount above

Benefits are accruıng under the company's money purchase pensıon scheme on behalf of R J J Lyons Durıng the year a contrıbutıon of £30,892 (2008 £30,097) was made to the company's money purchase pensıon plan and £12,048 (2008 £8,859) of the above-mentıoned salary amount was paıd to the pensıon scheme on behalf of R J J Lyons

The remuneratıon of the other dırectors ıs dısclosed ın the financıal statements of Canary Wharf Group plc

5. EMPLOYEE INFORMATION

	Year Ended 31 December 2009 £	Year Ended 31 December 2008 £
Wages and salarıes (ıncludıng dırectors)	11,556,499	12,398,088
Socıal Securıty costs	1,259,410	1,443,828
Other pensıon costs (Note 19)	828,991	1,201,006
	13,644,900	15,042,922

The average number of persons employed (ıncludıng dırectors) by the company durıng the year was 147 (2008 146), all of whıch were admınıstratıve employees

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year Ended 31 December 2009 £	Year Ended 31 December 2008 £
Bank ınterest receıvable	12,319,900	38,693,658
Interest receıvable from group undertakıngs	124,393,910	139,583,517
	136,713,810	178,277,175

7. INTEREST PAYABLE AND SIMILAR CHARGES

	Year Ended 31 December 2009 £	Year Ended 31 December 2008 £
Bank loans and overdrafts	86,412	6,970
Interest payable to group undertakings	96,504,790	197,443,216
Unwind of discount of provisions (Note 15)	251,819	361,354
	96,843,021	197,811,540
Less Increase in contract prepayment	(40,843,473)	(48,065,080)
	55,999,548	149,746,460

8. TAXATION

	Year Ended 31 December 2009 £	Year Ended 31 December 2008 £
Current tax		
UK corporation tax	32,024,400	–
Over/under provision in prior year	6,629,973	–
Total current tax	38,654,373	–
Deferred tax		
Origination and reversal of timing differences	(56,795)	270,576
Net effect of discount	12,130	(8,254)
Total deferred tax	(44,665)	262,322
Total tax on profit/(loss) on ordinary activities	38,609,708	262,322
Tax reconciliation		
Profit/(loss) on ordinary activities before tax	114,680,318	(247,395,882)
Tax on profit/(loss) on ordinary activities at UK corporation tax rate of 28% (2008 28 5%)	32,110,488	(70,507,826)
Effects of		
Over/under provision in prior year	6,629,973	–
Items not chargeable to tax	(12,924,262)	(313,500)
Expenses not deductible for tax purposes	292,153	100,016,127
Tax losses and other timing differences	12,546,021	(29,194,801)
Current tax charge for the year	38,654,373	–

The tax rate for the prior year of 28 5% was calculated by reference to the current corporation tax rate of 28% which was in effect for the final three quarters of that year and the previous rate of 30% which was in effect for the first quarter of that year

9. TANGIBLE FIXED ASSETS

	Fixtures & Fittings £	Leasehold Improvements £	Equipment £	Total £
COST				
At 1 January 2009	7,336,207	2,768,783	4,104,532	14,209,522
Additions	127,864	113,804	–	241,668
At 31 December 2009	7,464,071	2,882,587	4,104,532	14,451,190
DEPRECIATION				
At 1 January 2009	6,146,890	2,605,535	4,104,532	12,856,957
Movement for the year	434,044	115,776	–	549,820
At 31 December 2009	6,580,934	2,721,311	4,104,532	13,406,777
NET BOOK VALUE				
At 31 December 2009	883,137	161,276	–	1,044,413
At 31 December 2008	1,189,317	163,248	–	1,352,565

10. INVESTMENTS

	31 December 2009 £	31 December 2008 £
Investment in partnerships	3,169,148	3,120,388
Shares in group undertakings	4,150,996	4,150,996
	7,320,144	7,271,384

Investment in partnerships

	£
CAPITAL ACCOUNT	
At 1 January 2009	140,000
At 31 December 2009	140,000
CURRENT ACCOUNT	
At 1 January 2009	2,980,388
Income for the year	48,760
At 31 December 2009	3,029,148
NET BOOK VALUE	
At 31 December 2009	3,169,148
At 1 January 2009	3,120,388

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 2009	11,627,895
At 31 December 2009	11,627,895
PROVISION FOR IMPAIRMENT	
At 1 January 2009	7,476,899
At 31 December 2009	7,476,899
NET BOOK VALUE	
At 31 December 2009	4,150,996
At 1 January 2009	4,150,996

At 31 December 2009 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 £4,300,000 (2008 £1,100,000) were paid by the company's subsidiaries during the year ended 31 December 2009

In accordance with Section 400 of the Companies Act 2006, financial information is only presented in these financial statements about the company as an individual undertaking and not about its group because the company and its subsidiary undertakings are included in the consolidated financial statements of a larger group (Note 21)

The directors are of the opinion that the value of the company's investments at 31 December 2009 was not less than the amount shown in the company's balance sheet

11. WORK IN PROGRESS AT COST

	31 December 2009	31 December 2008
	£	£
Work in progress at cost	56,132,826	188,372,067
Provision	–	(7,243,587)
	56,132,826	181,128,480

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

	£	£
At 1 January	181,128,480	182,816,833
Additions	77,312,035	281,302,978
Transfer to cost of sales	(148,480,583)	(101,411,571)
Transfer to cost of sales on long term contracts	(61,070,693)	(199,988,433)
	48,889,239	162,719,807
Decrease in provision	7,243,587	18,408,673
At 31 December	56,132,826	181,128,480

The transfer to cost of sales of £159,317,595 (2008 £101,411,571) relates to the property sales referred to in Note 2 The transfer to cost of sales on long term contracts relates to the contracts on 15 Canada Square and 30 North Colonnade referred to in Note 13, together with £10,837,012 relating to the construction of the Canada Park Pavilion for a fellow subsidiary undertaking

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 2009 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 of £7,243,587 was released This item does not give rise to deferred tax

12. DEBTORS

	31 December 2009 £	31 December 2008 £
Due within one year		
Trade debtors	1,249,428	364,807
Loan to parent undertaking	541,526,216	520,088,978
Amounts owed by parent undertakings	21,952,972	21,949,522
Amounts owed by subsidiary undertakings	6,477,869	5,614,622
Loans to fellow subsidiary undertakings	1,070,363,326	786,198,049
Amounts owed by fellow subsidiary undertakings	192,694,153	139,601,146
Other debtors	6,680,836	64,790
Deferred tax	122,845	78,180
Prepayments and accrued income	21,973,151	138,791,699
Amounts recoverable on contracts	4,709,239	5,555,277
	1,867,750,035	1,618,307,070
Due in more than one year		
Prepayments and accrued income	658,522,502	586,404,186
Loans to fellow subsidiary undertakings	472,537,978	427,714,485
	1,131,060,480	1,014,118,671

Deferred taxation	31 December 2009 £	31 December 2008 £
Accelerated capital allowances	175,169	101,475
Undiscounted deferred tax asset	175,169	101,475
Discount	(52,324)	(23,295)
Discounted deferred tax asset	122,845	78,180

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

The loan to a fellow subsidiary undertaking shown as due in more than one year carries interest at 10%, subject to certain caps, and is repayable by 1 December 2034

At 31 December 2009, the company carried provisions against amounts owed by fellow subsidiary undertakings totalling £323,357,679 (2008 £357,972,172) These amounts relate to fellow subsidiary undertakings which were in a net liability position at the year end, primarily as a result of falls in the carrying value of the investment properties held by those companies The movement of £34,614,492 has been taken to the profit and loss account and treated as an exceptional item

Of this amount £239,138,176 (2008 £300,111,667) relates to loans to a fellow subsidiary which owns 25-30 Bank Street, a building occupied by Lehman Brothers Limited, which was placed into administration on 15 September 2008.

13. CREDITORS: Amounts falling due within one year

	31 December 2009 £	31 December 2008 £
Payments received on account	–	20,581,858
Trade creditors	3,522,512	5,447,174
Loan from parent undertaking	1,018,533,289	790,013,601
Loans from subsidiary undertakings	328,331,262	323,762,100
Loans from fellow subsidiary undertakings	1,018,592,226	1,161,947,736
Amounts owed to parent undertakings	167,383,745	207,122,724
Amounts owed to subsidiary undertakings	4,150,993	4,420,849
Amounts owed to fellow subsidiary undertakings	263,481,051	228,835,225
Corporation tax	26,069,400	–
Other taxes and social security	1,507,724	2,388,572
Other creditors	534,020	1,953,001
Accruals	29,384,772	65,970,596
Deferred income	4,858,559	15,718,649
	2,866,349,553	2,828,162,085

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 November 2006, the company entered into an agreement for the sale of 15 Canada Square, which achieved practical completion in April 2009 In June 2007, the company entered into an agreement for sale of 30 North Colonnade, which achieved practical completion in September 2009 The company received payments on account in respect of these transactions, which comprised

	15 Canada Square £	30 North Colonnade £
At 1 January 2009	–	20,581,858
Transferred from prepayments	(5,555,277)	–
Amounts received	18,560,476	29,971,067
Recorded as turnover	(15,352,604)	(52,946,380)
Interest	31,611	–
Transferred to prepayments	2,315,794	2,393,455
At 31 December 2009	–	–

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

	31 December 2009 £	31 December 2008 £
Loan from fellow subsidiary undertaking	468,500,262	474,500,658
Preferred redeemable ordinary shares (Note 16)	405,000,000	405,000,000
	873,500,262	879,500,658

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

15. PROVISIONS FOR LIABILITIES

	Leaseback provisions			Rent subsidies	
	Canada Square £	Churchill Place £	Canada Square £	Churchill Place £	Total £
At 1 January 2009	2,307,008	3,289,018	-	-	5,596,026
Inception of provision	-	-	4,134,298	10,327,082	14,461,380
Utilisation of provision	(192,723)	(1,514,704)	(1,218,722)	-	(2,926,149)
Unwind of discount	125,250	(377,069)	-	-	(251,819)
Increase/(decrease) in provision	(26,590)	1,905,958	-	-	1,879,368
At 31 December 2009	2,212,945	3,303,203	2,915,576	10,327,082	18,758,806
Total net rents due	3,619,676	3,773,914	3,000,123	11,961,882	22,355,595
Discount at 6 2%	(1,406,731)	(470,711)	(84,547)	(1,634,800)	(3,596,789)
	2,212,945	3,303,203	2,915,576	10,327,082	18,758,806

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

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

During the year the company entered into a new leaseback agreement in respect of floor 24 at One Canada Square at a rent of £1 0 million per annum until June 2018

The company also entered into a rent subsidy agreement in respect of 5 Churchill Place at an annual rent of £2 2 million until January 2015

16. CALLED-UP SHARE CAPITAL

	31 December 2009 £	31 December 2008 £
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

17. RESERVES

	Profit and loss account £
At 1 January 2009	(165,402,200)
Profit for the year	76,070,610
At 31 December 2009	(89,331,590)

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 December 2009 £	31 December 2008 £
Opening shareholders' funds	92,114,150	339,718,075
Profit/(loss) for the year	76,070,610	(247,658,204)
Reserve movement in respect of share option schemes	–	54,279
Closing shareholders' funds	168,184,760	92,114,150

19. PENSION SCHEME

Canary Wharf Group plc operates a defined contribution pension scheme, within which the company participates 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 £828,991 for the company for the year (2008 £1,201,006), represents contributions payable by the company to the scheme

20. CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS

As of 31 December 2009 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 2009 £	31 December 2008 £
Contracted for but not provided in the financial statements	11,795,000	135,697,000

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 2009 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

21. ULTIMATE PARENT UNDERTAKING AND RELATED PARTY TRANSACTIONS

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

As at 31 December 2009, 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