

**CANARY WHARF LIMITED**  
**Registered Number: 1971312**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD TO 31 DECEMBER 2004**



# **CANARY WHARF LIMITED**

## **FINANCIAL STATEMENTS**

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# **CANARY WHARF LIMITED**

## **THE DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2004**

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The directors present their report with the audited financial statements for the period ended 31 December 2004.

### **ULTIMATE PARENT UNDERTAKING**

The company's immediate parent undertaking is Canary Wharf Holdings Limited and its ultimate parent undertaking is Songbird Estates plc ('Songbird'), both companies are registered in England and Wales.

### **PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS**

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

The company has changed its accounting reference date from 30 June to 31 December to be consistent with its ultimate parent undertaking.

In July 2004, the company completed construction of 1 Churchill Place, a 1.0 million sq ft building let to a subsidiary of Barclays plc, and in August 2004 sold its interest in the property, under a sale and leaseback arrangement, for a consideration of £753.5 million.

The company recorded a gross profit for the period to 31 December 2004 of £197,927,009 (30 June 2004: £311,954,366). After allowing for administrative expenses, other operating income and exceptional operating items, the operating profit for the period was £184,222,819 (30 June 2004: £362,359,771). The profit on ordinary activities before tax was £173,092,784 (30 June 2004: £259,647,359).

The basis of the valuation of the company's development work in progress is set out in Note 12 to the accounts.

### **FUTURE DEVELOPMENTS**

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

Subsequent to the period end, on 11 March 2005, the company sold its interest in 20 Canada Square, a 555,300 sq. ft. building let to The McGraw Hill Companies and BP-IST, for a consideration of £287.5 million.

The company participated in a re-organisation of the Canary Wharf Group's debt between 16 March 2005 and 25 May 2005. In connection with the re-organisation the company received new loans from other group undertakings totalling approximately £1,202 million and received repayment of existing loans from group undertakings totalling approximately £171 million. The company also granted new loans totalling approximately £591 million and repaid loans from group undertakings for £592 million, including a repayment premium of £134 million.

On 15 April 2005, the company acquired a group of companies holding the head leasehold interests in 200-202 Aldersgate Street and 20 Little Britain, for a consideration of £53 million.

# **CANARY WHARF LIMITED**

## **THE DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2004**

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### **DIVIDENDS AND RESERVES**

The profit and loss account for the period ended 31 December 2004 is set out on page 7. The directors recommend the payment of an interim dividend of £102,600,000 (2004: £Nil) and the retained profit of £71,289,187 (2004: £43,631,734) is to be transferred to reserves.

### **DIRECTORS**

The directors of the company throughout the period ended 31 December 2004 were:

A P Anderson II  
G Iacobescu  
R Lyons

### **DIRECTORS' INTERESTS**

The directors have been granted options to subscribe for ordinary class B shares in Songbird. All outstanding options to subscribe for ordinary shares in Canary Wharf Group plc as at 30 June 2004 were waived during the period in consideration for the granting of an award under The Canary Wharf 2004 Deferred Share Plan. Details of interests and options to subscribe for shares in Songbird are disclosed as appropriate in the financial statements of either of the intermediate parent companies, Canary Wharf Estate Limited or Canary Wharf Group plc.

Other than the above, no director had any beneficial interest in the shares of the company, its parent undertakings or any of its subsidiaries at 31 December 2004 or at any time throughout the period then ended.

### **EMPLOYMENT POLICIES**

The company is committed to providing a working environment where all employees are treated with respect and dignity. One of the company's key aims is to help and encourage employees to develop their work skills and abilities. The company keeps employees informed of events relevant to their employment.

### **EQUAL OPPORTUNITIES**

The company is committed to equality and it is the policy of the company to make all employment decisions based on an applicant's ability, experience and qualification without regard to age, sex, race, colour, sexual orientation, ethnic origin, disability or marital status. 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 the continuity of employment.

### **POLICY ON THE PAYMENT OF CREDITORS**

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

The number of days of purchases outstanding at 31 December 2004 was 2 (2004: 8).

# CANARY WHARF LIMITED

## THE DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2004

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### DONATIONS

During the period the company made charitable donations of £96,783 (2004: £362,342).

No political donations (as defined by the Political Parties Referendums Act 2000) were made during the period (2004: £75,970).

### AUDITORS

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

BY ORDER OF THE BOARD



.....Company Secretary 27 June 2005  
John Garwood

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

# **CANARY WHARF LIMITED**

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

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The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the period and of the results for the period then ended. In preparing these financial statements, the directors are required to:

- select suitable accounting policies, as described on pages 9 to 11, and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

# **CANARY WHARF LIMITED**

## **INDEPENDENT AUDITORS' REPORT**

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We have audited the financial statements of Canary Wharf Limited for the period ended 31 December 2004 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 25. 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 may state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

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

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

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

### **Basis of audit opinion**

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

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

# **CANARY WHARF LIMITED**

## **INDEPENDENT AUDITORS' REPORT**

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### **Opinion**

In our opinion the financial statements give a true and fair view of the company's affairs as at 31 December 2004 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



**Deloitte & Touche LLP**  
**Chartered Accountants and Registered Auditors**  
London

27 June 2005



# CANARY WHARF LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31 DECEMBER 2004

	Note	Period ended 31 December 2004 £	Year ended 30 June 2004 £
<b>TURNOVER</b>	<b>2</b>	760,673,626	1,287,381,061
Cost of sales		(562,746,617)	(975,426,695)
<b>GROSS PROFIT</b>		197,927,009	311,954,366
Administrative expenses before exceptional items		(11,622,987)	(20,802,958)
Exceptional item:			
Movement in provision against work in progress	<b>12</b>	(3,000,000)	69,453,279
Other operating income		918,797	1,755,084
<b>OPERATING PROFIT</b>	<b>3</b>	184,222,819	362,359,771
Interest receivable and similar income	<b>6</b>	65,652,741	91,856,623
Interest payable and similar charges before exceptional items	<b>7</b>	(76,782,776)	(140,759,642)
Exceptional items:			
Financing costs - debentures	<b>7</b>	—	(4,685,734)
Financing costs - loan facility	<b>7</b>	—	(2,483,502)
Financing costs - finance lease	<b>7</b>	—	(1,038,260)
Financing costs - premium on repayment	<b>7</b>	—	(45,601,897)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		173,092,784	259,647,359
Tax on profit on ordinary activities	<b>8</b>	796,403	(216,015,625)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		173,889,187	43,631,734
Dividends	<b>9</b>	(102,600,000)	—
<b>RETAINED PROFIT FOR THE FINANCIAL PERIOD TRANSFERRED TO RESERVES</b>	<b>19</b>	71,289,187	43,631,734

Movements in reserves are shown in Note 19 of these financial statements.

All amounts relate to continuing activities in the United Kingdom.

There were no recognised gains and losses for the period ended 31 December 2004 or the year ended 30 June 2004 other than those included in the profit and loss account.

The notes on pages 9 to 24 form an integral part of these financial statements.


# CANARY WHARF LIMITED

## BALANCE SHEET AS AT 31 DECEMBER 2004

	Note	31 December 2004 £	30 June 2004 £
<b>FIXED ASSETS</b>			
Tangible assets	10	206,869	270,940
Investments	11	4,290,996	4,290,996
		<u>4,497,865</u>	<u>4,561,936</u>
<b>CURRENT ASSETS</b>			
Work in progress	12	364,145,818	709,724,239
Debtors	13		
Amounts falling due after one year		2,167,751,730	1,544,756,926
Amounts falling due within one year		1,696,697,617	1,842,441,851
Investments	14	64,995,000	64,995,000
Cash at bank and in hand		655,676,184	683,011,639
		<u>4,949,266,349</u>	<u>4,844,929,655</u>
<b>CREDITORS: Amounts falling due within one year</b>	15	<u>(3,325,105,270)</u>	<u>(3,431,179,514)</u>
<b>NET CURRENT ASSETS</b>		<u>1,624,161,079</u>	<u>1,413,750,141</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1,628,658,944</u>	<u>1,418,312,077</u>
<b>CREDITORS: Amounts falling due after more than one year</b>			
	16	(704,642,908)	(663,678,228)
Provisions for liabilities and charges	17	(208,375,000)	(110,282,000)
<b>NET ASSETS</b>		<u>715,641,036</u>	<u>644,351,849</u>
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	18	662,516,350	662,516,350
Profit and loss account	19	53,124,686	(18,164,501)
<b>SHAREHOLDERS' FUNDS:</b>			
Equity	20	310,641,036	239,351,849
Non-equity	20	405,000,000	405,000,000
		<u>715,641,036</u>	<u>644,351,849</u>

The notes on pages 9 to 24 form an integral part of these financial statements.

APPROVED BY THE BOARD ON 27 JUNE 2005 AND SIGNED ON ITS BEHALF BY:



A P ANDERSON II  
DIRECTOR

# CANARY WHARF LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2004

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### 1. PRINCIPAL ACCOUNTING POLICIES

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

#### Accounting convention

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

In accordance with the provisions of FRS 1 (Revised) 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, a body incorporated in the European Union which has prepared a consolidated cash flow statement.

#### Profit and loss account

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

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

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

Interest on the advance 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.

#### Income from investments

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

#### Tangible fixed assets

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

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

#### Investments in subsidiary undertakings

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

# **CANARY WHARF LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2004**

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### **1. PRINCIPAL ACCOUNTING POLICIES**

#### **Work in progress**

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

Net realisable value is calculated as the amount estimated to be recovered from the development once development work has been completed and the development leased, less costs to complete (Note 12).

#### **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.

#### **Lease incentives**

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

# **CANARY WHARF LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2004**

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### **1. PRINCIPAL ACCOUNTING POLICIES**

#### **Deferred taxation**

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

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

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

Deferred tax is measured on a discounted basis to reflect the time value of money over the period between the balance sheet date and the dates on which it is estimated that the timing differences will reverse, or where the timing differences are not expected to reverse, a period not exceeding 50 years. Discount rates of 3.1% to 3.2% 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 contribution in respect of this scheme are accrued as they fall due.

#### **Share option schemes**

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

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

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

#### **Vacant leasehold property**

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

# CANARY WHARF LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2004

### 2. TURNOVER

An analysis of turnover is given below:

	Period ended 31 December 2004 £	Year ended 30 June 2004 £
Property sales	753,500,000	1,242,376,500
Rental income	7,173,626	45,004,561
	<u>760,673,626</u>	<u>1,287,381,061</u>

### 3. OPERATING PROFIT

Operating profit is stated after charging:

	31 December 2004 £	30 June 2004 £
Directors' emoluments (Note 4)	594,742	536,696
Depreciation (Note 10)	100,904	314,249
Remuneration of the auditors:		
Audit fees	79,786	82,700
Fees for other services	152,295	179,050
Operating lease rentals	16,700,000	16,700,000

The operating lease rentals are in respect of the sub-letting of 200/2 Aldersgate Street, for which the company has made a provision (Note 17).

### 4. DIRECTORS

#### Remuneration

During the period ended 31 December 2004, R Lyons was paid a salary of £594,742 (2004: £536,696), which included a bonus of £500,000 (2004: £350,000), plus benefits in kind equal to £1,914 (2004: £3,742).

Benefits are accruing under the company's money purchase pension scheme on behalf of R Lyons. During the period a contribution of £11,603 (2004: £22,869) was made to the company's money purchase pension plan.

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

#### Share options

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

# CANARY WHARF LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2004

### 5. EMPLOYEE INFORMATION

	31 December 2004 £	30 June 2004 £
Wages and salaries (including directors)	5,455,444	9,385,497
Social Security costs	602,825	1,173,556
Other pension costs (Note 22)	288,472	568,482
	<u>6,346,741</u>	<u>11,127,535</u>

The average number of persons employed (including directors) by the company during the period was 140 (2004: 154), all of which were administrative employees.

### 6. INTEREST RECEIVABLE AND SIMILAR INCOME

	Period ended 31 December 2004 £	Year ended 30 June 2004 £
Bank interest receivable	16,126,348	20,860,132
Debenture interest	2,198,536	4,938,688
Interest receivable from group undertakings	47,327,857	66,057,803
	<u>65,652,741</u>	<u>91,856,623</u>

# CANARY WHARF LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2004

### 7. INTEREST PAYABLE AND SIMILAR CHARGES

	Period ended 31 December 2004 £	Year ended 30 June 2004 £
Before exceptional items:		
Bank loans and overdrafts	230,790	3,724
Interest payable to group undertakings	106,601,924	203,170,417
	<u>106,832,714</u>	<u>203,174,141</u>
Less: Increase in contract prepayment	(30,049,938)	(62,414,499)
	<u>76,782,776</u>	<u>140,759,642</u>
Exceptional items:		
Financing costs - debentures	—	4,685,734
Financing costs - loan facility	—	2,483,502
Financing costs - finance lease	—	1,038,260
Financing costs - premium on repayment	—	45,601,897

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

In the year ended 30 June 2004, financing costs included £2,483,502 of fees incurred by certain other group companies in relation to amounts drawn down (and on-loaned to the company) under construction loan facilities for the purpose of financing the company's construction of certain buildings on Canary Wharf. These costs were treated as an exceptional item. There was no deferred tax as a result of this transaction.

In September 2003, the company entered into an agreement to sell and a fellow subsidiary undertaking agreed to leaseback, 1 Churchill Place effective upon completion of the building in July 2004. The company incurred fees of £1,038,260 in relation to this transaction in the year ended 30 June 2004, which were treated as an exceptional item. There was no deferred tax as a result of this transaction.

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



# CANARY WHARF LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2004

### 8. TAXATION

	Period ended 31 December 2004 £	Year ended 30 June 2004 £
Current tax:		
UK Corporation tax (see below)	—	—
Deferred tax:		
Origination and reversal of timing differences	(812,255)	215,975,764
Net effect of discount	15,852	39,861
Total deferred tax (Note 13)	(796,403)	216,015,625
Total tax on profit on ordinary activities	(796,403)	216,015,625
Tax reconciliation:		
Profit on ordinary activities before tax	173,092,784	259,647,359
Tax on profit on ordinary activities at UK corporation tax rate of 30%	51,927,835	77,894,207
Effects of:		
Prior year adjustment	—	93,892,447
Expenses not deductible for tax purposes	25,519,514	59,679,807
Deferred tax	796,403	(216,015,625)
Tax losses and other timing differences	(78,243,752)	(15,450,836)
Current tax charge for the period	—	—

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

### 9. DIVIDENDS

	31 December 2004 £	30 June 2004 £
Interim dividend (15.5 pence per share)	102,600,000	—

# CANARY WHARF LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2004

### 10. TANGIBLE FIXED ASSETS

	Leasehold Property £	Fixtures & Fittings £	Equipment £	Total £
<b>COST OR VALUATION</b>				
At 1 July 2004	2,419,484	5,691,056	3,892,067	12,002,607
Additions	—	36,833	—	36,833
<b>At 31 December 2004</b>	<b>2,419,484</b>	<b>5,727,889</b>	<b>3,892,067</b>	<b>12,039,440</b>
<b>DEPRECIATION</b>				
At 1 July 2004	2,353,345	5,583,598	3,794,724	11,731,667
Movement for the period	33,070	38,580	29,254	100,904
<b>At 31 December 2004</b>	<b>2,386,415</b>	<b>5,622,178</b>	<b>3,823,978</b>	<b>11,832,571</b>
<b>NET BOOK VALUE</b>				
At 31 December 2004	33,069	105,711	68,089	206,869
At 30 June 2004	66,139	107,458	97,343	270,940

### 11. INVESTMENTS

	Shares in Group Undertakings £
<b>COST</b>	
At 1 July 2004 and 31 December 2004	11,767,895
<b>PROVISION FOR IMPAIRMENT</b>	
At 1 July 2004 and 31 December 2004	7,476,899
<b>NET BOOK VALUE</b>	
At 31 December 2004	4,290,996
At 30 June 2004	4,290,996

# CANARY WHARF LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2004

### 11. INVESTMENTS

At 31 December 2004 the company's principal subsidiary undertakings were as follows

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

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

Financial information is only presented in these financial statements about the company as an individual undertaking and not about its group because the company and its subsidiary undertakings are included in the consolidated financial statements of a larger group (Note 25).

The directors are of the opinion that the value of the company's investments at 31 December 2004 was not less than the amount shown in the company's balance sheet.

### 12. WORK IN PROGRESS AT COST

	31 December 2004 £	30 June 2004 £
Work in progress at cost	367,145,818	709,724,239
Provision	(3,000,000)	—
	<u>364,145,818</u>	<u>709,724,239</u>

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

	£
At 1 July 2004	709,724,239
Additions	102,939,923
Property sales	(445,518,344)
	<u>367,145,818</u>
Increase in provision	(3,000,000)
At 31 December 2004	<u>364,145,818</u>

In July 2004, the company completed construction of 1 Churchill Place, a 1.0 million sq ft building let to a subsidiary of Barclays plc and in August 2004, sold its interest in the property, under a sale and leaseback arrangement, for a consideration of £753.5 million.

# CANARY WHARF LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2004

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 2004 the directors consulted with the company's external property advisors, Savills Commercial Limited, Chartered Surveyors, and CB Richard Ellis, Surveyors and Valuers. As a result of this assessment a general provision against work in progress of £3,000,000 was made. This item does not give rise to deferred tax.

### 13. DEBTORS

	31 December 2004 £	30 June 2004 £
Due within one year:		
Trade debtors	1,879,663	172,900
Loan to parent undertaking	104,791,908	102,178,233
Amount owed by parent undertaking	63,784,133	70,682,813
Loan to subsidiary undertaking	1,702,247	1,702,247
Loans to fellow subsidiary undertakings	876,639,097	856,743,344
Amounts owed by fellow subsidiary undertakings	602,965,993	672,562,316
Other debtors	2,790,811	574,974
Deferred tax	1,784,173	987,770
Prepayments and accrued income	40,359,592	136,837,254
	<u>1,696,697,617</u>	<u>1,842,441,851</u>
Due in more than one year:		
Lease incentives	17,294,964	17,046,187
Prepayments and accrued income	860,053,815	783,420,368
Loans to fellow subsidiary undertakings	1,290,402,951	744,290,371
	<u>2,167,751,730</u>	<u>1,544,756,926</u>
Deferred taxation:	31 December 2004 £	30 June 2004 £
Accelerated capital allowances	798,856	891,574
Other	1,162,313	241,674
Undiscounted deferred tax asset	1,961,169	1,133,248
Discount	(176,996)	(145,478)
Discounted deferred tax asset	<u>1,784,173</u>	<u>987,770</u>

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

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

# CANARY WHARF LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2004

### 14. FINANCIAL ASSETS

At 31 December 2004, the company's financial assets comprised short term debtors (Note 13), notes issued by a fellow subsidiary undertaking and sterling cash deposits. Such deposits totalled £655,676,184 at 31 December 2004 (2004: £683,011,639), comprising deposits placed on money market at a call and term rates. Total cash deposits include £33,350,803 (2004: £31,455,525) held by third parties as cash collateral for the company's obligations.

In June 2000, the Canary Wharf group arranged a £975 million securitisation which is listed on the London Stock Exchange. The securitisation provides for £475 million of long term funding with a final maturity of up to 30 years at favourable rates. It also provides the ability to make further drawings, in any convertible currency and at the prevailing market rate of interest, upon the construction and lease of new buildings. £89,995,000 of the term notes were purchased by the company upon issue, of which £25,000,000 were redeemed during the year ended 30 June 2004, with the remainder being held by the company throughout the period ended 31 December 2004. These remaining notes were redeemed subsequent to the period end.

The terms of the notes were:

Rating	£m	Interest	Repayment
A	45	6.966%	Redeemed 23 May 2005
BBB	20	Floating	Redeemed 23 May 2005

Interest on the BBB notes was payable at a rate of three month LIBOR plus a margin of 1.75%.

### 15. CREDITORS: Amounts falling due within one year

	31 December 2004 £	30 June 2004 £
Trade creditors	3,093,881	2,957,783
Loans from parent undertakings	119,009,810	116,883,907
Loans from fellow subsidiary undertakings	2,682,447,147	2,170,318,702
Amount owed to parent undertaking	163,374,581	60,818,116
Amounts owed to subsidiary undertakings	15,507,952	8,284,761
Amounts owed to fellow subsidiary undertakings	288,157,014	271,784,252
Other taxes and social security	1,243,816	1,397,651
Other creditors	230,517	370,180
Accruals	30,631,780	27,775,765
Deferred income	21,408,772	770,588,397
	<u>3,325,105,270</u>	<u>3,431,179,514</u>

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

# CANARY WHARF LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2004

### 16. CREDITORS: Amounts falling due after more than one year

	31 December 2004 £	30 June 2004 £
Loan from fellow subsidiary undertaking	<u>704,642,908</u>	<u>663,678,228</u>

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

### 17. PROVISIONS FOR LIABILITIES AND CHARGES

	Vacant leasehold property £	Leaseback provisions £	Total £
At 1 July 2004	110,282,000	-	110,282,000
Utilisation of provision	(10,236,172)	-	(10,236,172)
Unwind of discount	3,309,000	-	3,309,000
Increase in provision	<u>22,645,172</u>	<u>82,375,000</u>	<u>105,020,172</u>
At 31 December 2004	<u>126,000,000</u>	<u>82,375,000</u>	<u>208,375,000</u>

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

In accordance with UK GAAP, the company has recognised a provision for the estimated net liability under the lease of 200/202 Aldersgate Street. In arriving at the quantum of the provision the directors have consulted with Savills Commercial Limited, the company's valuers to determine the assumptions on which the provision should be computed, including such matters as the void period, the rent achievable on re-letting and the incentive package payable. Based on the valuers' assessment of the market, the provision has been increased to £126.0 million at 31 December 2004, which includes an allowance for the refurbishment of the building prior to re-letting.

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

Passing rent	-	£16.7 million (£38 per sq ft)
Average void period	-	2.5 years
Rent free period	-	2 years
Headline rent on re-letting	-	£35 per sq ft
Refurbishment cost	-	£55 per sq ft

# CANARY WHARF LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2004

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

During the period, the company 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. The provision for these leases totals £82.4 million, net of a discount of £15.7 million calculated on the basis of a discount rate of 6.0%.

### 18. CALLED-UP SHARE CAPITAL

	Period ended 31 December 2004 £	Year ended 30 June 2004 £
Authorised:		
500,000,000 preferred redeemable ordinary shares of £1 each	500,000,000	500,000,000
747,516,350 ordinary shares of £1 each	747,516,350	747,516,350
Allotted, called-up and fully paid:		
405,000,000 preferred redeemable ordinary shares of £1 each	405,000,000	405,000,000
257,516,350 ordinary shares of £1 each	257,516,350	257,516,350
	662,516,350	662,516,350

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

# CANARY WHARF LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2004

### 19. RESERVES

	Profit and loss account £
At 1 July 2004	(18,164,501)
Profit for the period	173,889,187
Dividends	(102,600,000)
At 31 December 2004	<u>53,124,686</u>

### 20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	£
Shareholders' funds as at 1 July 2004	644,351,849
Retained profit for the period	<u>71,289,187</u>
Shareholders' funds as at 31 December 2004	<u>715,641,036</u>

### 21. OPERATING LEASE COMMITMENTS

At 31 December 2004 the company had annual commitments under non cancellable operating leases as set out below:

Land and buildings:

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

At 31 December 2004 the company held a provision in respect of these lease commitments (Note: 17).

### 22. 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 £288,472 for the period (2004: £568,482), represents contributions payable by the company to the scheme.



# CANARY WHARF LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2004

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### 23. POST BALANCE SHEET EVENTS

Subsequent to the period end, on 11 March 2005, the company sold its interest in 20 Canada Square, a 555,300 sq. ft. building let to The McGraw Hill Companies and BP-IST, for a consideration of £287.5 million.

The company participated in a re-organisation of the Canary Wharf Group's debt between 16 March 2005 and 25 May 2005. In connection with the re-organisation the company received new loans from other group undertakings totalling approximately £1,202 million and received repayment of existing loans from group undertakings totalling approximately £171 million. The company also granted new loans totalling approximately £591 million and repaid loans from group undertakings for £592 million, including a repayment premium of £134 million.

On 15 April 2005, the company acquired a group of companies holding the head leasehold interests in 200-202 Aldersgate Street and 20 Little Britain, for a consideration of £53 million.

### 24. CAPITAL COMMITMENTS

As of 31 December 2004 the company had given fixed and floating charges over substantially all its assets to secure the commitments of certain other group undertakings.

The company had the following commitments for future expenditure:

	31 December 2004 £	30 June 2004 £
Contracted for but not provided in the financial statements	16,697,000	94,501,000

The commitments for future expenditure relate to the completion of development properties where construction was in progress at the period end. Any costs accrued or provided for in the balance sheet at 31 December 2004 have been excluded.

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

# **CANARY WHARF LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2004**

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### **25. RELATED PARTIES**

The company's immediate parent undertaking is Canary Wharf Holdings Limited and its ultimate parent undertaking is Songbird Estates plc, both companies are registered in England and Wales.

As at 31 December 2004, Songbird Estates plc was the parent company of the largest group of which the company is a member and Canary Wharf Group plc was the parent undertaking of the smallest group of which the company is a member. Copies of the financial statements of Songbird Estates plc and Canary Wharf Group plc may be obtained from the Company Secretary, 30th Floor, One Canada Square, Canary Wharf, London E14 5AB.

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