

**Company Registration No. 3416151**

**Canary Wharf Finance plc**

**2004 Report and Financial Statements**



# **Canary Wharf Finance plc**

## **Report and financial statements 2004**

<b>Contents</b>	<b>Page</b>
Officers and professional advisers	1
Operating and financial review	2
Directors' report	4
Statement of directors' responsibilities	6
Independent auditors' report	7
Consolidated profit and loss account	8
Consolidated balance sheet	9
Company balance sheet	10
Notes to the accounts	11

# **Canary Wharf Finance plc**

## **Report and financial statements 2004**

### **Officers and professional advisers**

#### **Directors**

A P Anderson II  
G Iacobescu

#### **Secretary**

J R Garwood

#### **Registered Office**

One Canada Square  
Canary Wharf  
London  
E14 5AB

#### **Auditors**

Deloitte & Touche LLP  
Chartered Accountants & Registered Auditors  
London

# Canary Wharf Finance plc

## Operating and Financial Review

The company, together with its subsidiary CW Lending Limited ('the group') is engaged in the provision of finance to the Canary Wharf Holdings Limited group, comprising Canary Wharf Holdings Limited ('CWHL') and its subsidiaries (together, 'the CWHL group'). The ultimate parent undertaking of CWHL is Songbird Estates plc.

In December 1997 the company launched an issue of debentures comprising 4 tranches (see Note 13) quoted on the London Stock Exchange, secured on certain property interests of the CWHL Group and the future rental income stream therefrom. On the same date, the company entered into an inter-company loan agreement to lend to its subsidiary undertaking, CW Lending Limited, the proceeds of the issue of securitised debt.

In February 2001, the company issued an additional £120 million of first mortgage debentures at a premium of £14.7 million. The tap issue comprised a further issue of A and B notes which are subject to the same conditions as the original notes issued in December 1997.

In January 2003 the D notes, in a principal amount of £85.0 million, were redeemed. Redemption was funded by a bank loan of £85.0 million which carries an interest charge of LIBOR plus 2.1%. The company entered into a interest rate collar which serves to cap the portion linked to LIBOR to 5.5% and the floor is set at 3.39%. This loan falls due for repayment in January 2005.

### Operating results

During the year ended 30 June 2004 the group earned interest receivable of £48,864,972 (2003: £48,545,777). Interest payable totalled £47,143,430 (2003: £47,165,365) and after administrative expenses of £54,147 (2003: £55,252) the group recorded a profit on ordinary activities of £1,667,395 (2003: £1,325,160).

No provision for corporation tax was required in respect of the year ended 30 June 2004 as a result of the availability of group relief.

### Balance sheet

After retained profits, the group's net assets at 30 June 2004 totalled £3,304,644 (2003: £1,637,249). Borrowings at that date totalled £668,343,593 (2003: £687,582,546), of which £583,343,593 (2003: £602,582,546) was listed on the London Stock Exchange, £85,000,000 (2003: £85,000,000) was a secured loan. Debtors totalled £661,530,615 (2003: £674,180,886), comprising primarily loans (plus accrued interest) to a member of the CWHL group, CWC SPVc Limited. The group also had cash deposits of £41,682,275 (2003: £57,107,396) held as collateral for its borrowings.

### Treasury objectives

The group's financial instruments comprise borrowings, cash and liquid resources, and various items such as loans to or from members of the CWHL group that arise directly from its operations. The group does not engage in trading of financial instruments.

The group enters into derivative transactions in order to manage the interest rate risk arising from its operations and sources of finance.

Canary Wharf Group plc ('CWG'), an intermediate parent undertaking, reviews and agrees policies for managing the risks associated with the group's financial instruments and these policies are summarised below.

# **Canary Wharf Finance plc**

## **Operating and Financial Review**

### **Interest rate risk**

The group borrows principally in sterling both at fixed rates and floating rates of interest and then uses interest rate swaps, caps or collars to generate the desired interest profile and to manage the group's exposure to interest rate fluctuations. The group's policy is to keep the majority of its borrowings at fixed rates. The actual proportion of the group's borrowings at fixed rates at 30 June 2004 was 87.3% (2003: 87.6%).

### **Liquidity risk**

As regards liquidity risk, the group's policy is to ensure that the maturity of loans to members of the CWHL group match the maturity of its securitised debt. At the year end the weighted average maturity of the group's debt was 10.3 years (2003: 11.4 years).

### **Exchange rate risk**

Taking into account the effect of derivative instruments, the group did not have any material financial exposure to foreign exchange gains or losses on monetary assets and monetary liabilities denominated in foreign currencies at 30 June 2004 or 30 June 2003.

# **Canary Wharf Finance plc**

## **Directors' report**

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

### **Ultimate parent undertaking**

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

### **Principal activities and review of business**

The principal activity of the group is to provide finance to the CWHL Group. The Operating and Financial Review on pages 2 and 3 should be read in conjunction with this report.

### **Future developments**

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

### **Dividends and reserves**

The profit and loss account for the year ended 30 June 2004 is set out on page 8. The directors do not recommend the payment of a dividend (2003: £785,000) and the retained profit of £1,667,395 (2003: £540,160) is to be transferred to reserves.

### **Directors**

The directors of the company throughout the year ended 30 June 2004, except as noted, were:

A P Anderson II

G Iacobescu

G Rothman (resigned 2 June 2004)

S H Honeyman (resigned 8 September 2003)

Pursuant to the company's articles of association, G Iacobescu will retire by rotation at the forthcoming annual general meeting and being eligible will offer himself for re-election.

### **Directors' interests**

The directors have been granted options to subscribe for ordinary shares in CWG. Details of interests and options to subscribe for shares in CWG are disclosed as appropriate in the financial statements of that company.

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

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

# Canary Wharf Finance plc

## Directors' report

### Going concern

The directors are required to prepare the financial statements for each financial year on a going concern basis, unless to do so would not be appropriate. Having made requisite enquiries, the directors have a reasonable expectation that the company and group have adequate resources to continue its operations for the foreseeable future and hence the financial statements have been prepared on that basis.

### Auditors

A resolution to re-appoint Deloitte & Touche LLP as the company's auditors will be proposed at the forthcoming annual general meeting.

By order of the Board



J R Garwood  
Secretary

01 December 2004

## **Canary Wharf Finance plc**

### **Statement of directors' responsibilities**

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the group as at the end of the financial year and of the profit or loss of the group for the year then ended. In preparing those 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 ensuring each company in the group keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of each company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



## **Independent auditors' report to the members of Canary Wharf Finance plc**

We have audited the financial statements of Canary Wharf Finance plc for the year ended 30 June 2004 which comprise the consolidated profit and loss account, the balance sheets and the related notes 1 to 18. These financial statements have been prepared under the accounting policies set out therein.

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

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

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

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

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

### **Basis of 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 company's circumstances, 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.

### **Opinion**

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

*Deloitte & Touche LLP*

**Deloitte & Touche LLP**

Chartered Accountants and Registered Auditors

London

01 December 2004

# Canary Wharf Finance plc

## Consolidated profit and loss account Year ended 30 June 2004

	Note	Year ended 30 June 2004 £	Year ended 30 June 2003 £
Turnover – Interest receivable	3	48,864,972	48,545,777
Cost of sales – Interest payable and similar charges	4	(47,143,430)	(47,165,365)
<b>Gross profit</b>		<b>1,721,542</b>	<b>1,380,412</b>
Administrative expenses		(54,147)	(55,252)
<b>Operating profit and profit on ordinary activities before taxation</b>	2	<b>1,667,395</b>	<b>1,325,160</b>
Tax on profit on ordinary activities	5	-	-
<b>Profit on ordinary activities after taxation</b>		<b>1,667,395</b>	<b>1,325,160</b>
Dividends	6	-	(785,000)
<b>Retained profit for the financial year transferred to reserves</b>	15	<b>1,667,395</b>	<b>540,160</b>

Movements in reserves are shown in note 15 of these financial statements.

All amounts relate to continuing activities in the United Kingdom.

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

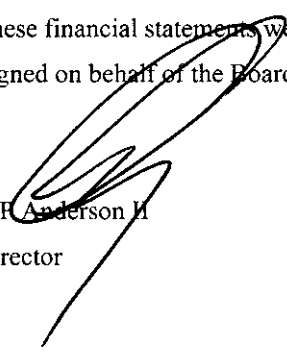
# Canary Wharf Finance plc

## Consolidated balance sheet 30 June 2004

	Note	2004 £	2003 £
<b>Current assets</b>			
Debtors	9		
- amounts falling due after one year		558,589,163	663,024,160
- amounts falling due within one year		102,941,452	11,156,726
Cash at bank	10	41,682,275	57,107,396
		<hr/>	<hr/>
<b>Creditors: amounts falling due within one year</b>	11	703,212,890 (153,140,573)	731,288,282 (60,356,447)
		<hr/>	<hr/>
<b>Net current assets</b>		550,072,317	670,931,835
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		550,072,317	670,931,835
<b>Creditors: amounts falling due after more than one year</b>	12	(546,767,673)	(669,294,586)
		<hr/>	<hr/>
<b>Net assets</b>		3,304,644	1,637,249
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called-up equity share capital	14	50,000	50,000
Profit and loss account	15	3,254,644	1,587,249
		<hr/>	<hr/>
<b>Shareholders' funds –equity</b>	16	3,304,644	1,637,249
		<hr/>	<hr/>

These financial statements were approved by the Board of Directors on 01 December 2004.

Signed on behalf of the Board of Directors

  
A R Anderson M  
Director

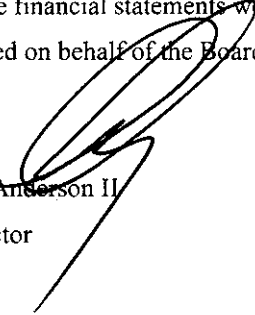
# Canary Wharf Finance plc

## Company balance sheet 30 June 2004

	Note	2004 £	2003 £
<b>Fixed assets</b>			
Investments	8	2	2
<b>Current assets</b>			
Debtors	9		
- amounts falling due after one year		546,767,673	689,701,650
- amounts falling due within one year		140,347,598	18,629,300
Cash at bank		28,222,918	14,854,669
<b>Creditors: amounts falling due within one year</b>	11	715,338,189 (155,120,483)	723,185,619 (41,397,670)
<b>Net current assets</b>		560,217,708	681,787,949
<b>Total assets less current liabilities</b>		560,217,708	681,787,949
<b>Creditors: amounts falling due after more than one year</b>	12	(558,576,868)	(681,103,781)
<b>Net assets</b>		1,640,840	684,170
<b>Capital and reserves</b>			
Called-up equity share capital	14	50,000	50,000
Profit and loss account	15	1,590,840	634,170
<b>Shareholders' funds – equity</b>	16	1,640,840	684,170

These financial statements were approved by the Board of Directors on 01 December 2004.

Signed on behalf of the Board of Directors

  
A P Anderson II  
Director

# Canary Wharf Finance plc

## Notes to the accounts Year ended 30 June 2004

### 1. Accounting policies

A summary of the principal accounting policies of the group, 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 group has adapted the standard profit and loss account format to reflect the nature of its business and in particular to show interest receivable and payable as components within gross profit.

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

#### Basis of consolidation

The group financial statements consolidate the assets and liabilities of the company and its subsidiary undertaking at 30 June 2004 and its results for the year then ended.

#### Interest receivable and interest payable

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

#### Debt

Debt is initially stated at the amount of the net proceeds after deduction of issue costs. 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. 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. Finance costs are charged to the profit and loss account.

#### Investments

Fixed assets investments are stated at cost less any provision for impairment.

### 2. Operating profit

Operating profit is stated after charging:

	Year ended 30 June 2004 £	Year ended 30 June 2003 £
Remuneration of the auditors:		
Audit fees	8,500	8,500

Audit fees of £5,500 (2003: £5,500) were incurred by the company.

The company incurred fees of £5,000 in respect of S H Honeyman's services as a director of the company for the year ended 30 June 2004 (30 June 2003: £5,000). Emoluments paid to the other directors in respect of their services to CWG and its subsidiaries, including the company, are paid by CWG and are disclosed in the financial statements of that company.

No staff were employed other than the directors.

# Canary Wharf Finance plc

## Notes to the accounts Year ended 30 June 2004

### 3. Interest receivable and similar income

	Year ended 30 June 2004 £	Year ended 30 June 2003 £
Bank interest receivable	1,593,397	1,251,235
Interest receivable from group undertakings	47,271,575	47,294,542
	<u>48,864,972</u>	<u>48,545,777</u>

### 4. Interest payable and similar charges

	Year ended 30 June 2004 £	Year ended 30 June 2003 £
Bank loans and overdrafts	5,095,510	926,534
Interest payable on securitised debt (note 13)	42,047,920	46,238,831
	<u>47,143,430</u>	<u>47,165,365</u>

### 5. Taxation

	Year ended 30 June 2004 £	Year ended 30 June 2003 £
Current tax:		
UK corporation tax (see below)	-	-
Tax reconciliation:		
Profit on ordinary activities before tax	1,667,395	1,325,160
Tax on profit on ordinary activities at UK corporation tax rate 30%	500,219	397,548
Effects of:		
Items not chargeable to tax	-	(235,500)
Tax losses and other timing differences	(500,219)	(162,048)
Current tax charge for the year	<u>-</u>	<u>-</u>

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 by other companies in the CWHL group. No charge will be made by other CWHL group companies for the surrender of group relief. It is anticipated that group relief and other tax reliefs will impact on future tax charges. There is no unprovided deferred taxation.

# Canary Wharf Finance plc

## Notes to the accounts Year ended 30 June 2004

### 6. Dividends

	Year ended 30 June 2004 £	Year ended 30 June 2003 £
Interim dividend paid (2003 - £15.70 per share)	-	785,000

### 7. Profit for the financial year

Of the consolidated profit of £1,667,395 for the year ended 30 June 2004 transferred to reserves (2003: £540,160), a profit of £956,670 (2003: £586,318) is dealt with in the company's financial statements. For the year ended 30 June 2004 the profit was after £nil (2003: £785,000) attributable to subsidiary dividends receivable.

As permitted by section 230 of the Companies Act 1985, no profit and loss account is presented for the company.

### 8. Fixed asset investments

	Shares in subsidiary undertakings £
<b>Cost</b>	
At 1 July 2003 and 30 June 2004	2
<b>Net book value</b>	
At 30 June 2004	2
At 30 June 2003	2

At 30 June 2004 the company's principal subsidiary undertaking was as follows:

Name	Description of shares held	Principal activities
CW Lending Limited	Ordinary £1 shares	Provision of finance to the CWHL group

The above is a wholly owned subsidiary registered in England and Wales.

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

# Canary Wharf Finance plc

## Notes to the accounts Year ended 30 June 2004

### 9. Debtors

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Amounts falling due within one year:				
Amount owed by subsidiary undertaking	-	-	26,540	26,540
Loans to subsidiary undertaking	-	-	140,091,935	16,592,955
Loans to fellow subsidiary undertaking	85,000,000	-	-	-
Amounts owed by fellow subsidiary undertakings	17,640,072	10,940,866	-	1,901,476
Prepayments and accrued income	301,380	215,860	229,123	108,329
	<u>102,941,452</u>	<u>11,156,726</u>	<u>140,347,598</u>	<u>18,629,300</u>
Amounts falling due in more than one year:				
Loans to subsidiary undertaking	-	-	546,767,673	689,701,650
Loans to fellow subsidiary undertaking	<u>558,589,163</u>	<u>663,024,160</u>	<u>-</u>	<u>-</u>

The company has lent £689.7 million, including premiums on issue, to its subsidiary undertaking of which £18.3 million was repaid during the year. The loan, excluding premiums on issue, is repayable in tranches, the principal terms of which are:

Tranche	Amount £m	Interest	Repayment
A	358.3	7.240%	By instalment 2004 – 2027
B	93.4	7.435%	By instalment 2004 – 2027
C	120.0	Stepped	By instalment 2006 – 2027
D	85.0	Floating	January 2005
	<u>656.7</u>		

Interest on the Tranche C loan increases in steps from 5.01%, payable until October 1999, to 9.54% payable from October 2006. Interest on the Tranche D loan was, until January 2003, linked to LIBOR, not to exceed 8.5%.

In January 2003 the terms of the loan agreement were varied so that interest on the Tranche D loan became LIBOR +2.11%, subject to an interest rate collar arrangement which serves to cap the portion linked to LIBOR to 5.5%. The Tranche D loan is now repayable in January 2005.

### 10. Financial assets

The group's financial assets comprise loans to fellow subsidiary undertakings and cash at bank. Cash at bank totalled £41,682,275 at 30 June 2004 (2003:£57,107,396), all of which was held as cash collateral for the group's borrowings.



# Canary Wharf Finance plc

## Notes to the accounts Year ended 30 June 2004

### 11. Creditors: amounts falling due within one year

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Securitised debt (note 13)	36,575,920	18,287,960	36,575,920	18,287,960
Secured loan (note 12)	85,000,000	-	85,000,000	-
Amount owed to parent undertaking	4,408,138	4,403,139	4,408,138	4,403,139
Amount owed to fellow subsidiary undertaking	8,642,917	18,955,252	10,626,352	-
Accruals	18,513,598	18,710,096	18,510,073	18,706,571
	<u>153,140,573</u>	<u>60,356,447</u>	<u>155,120,483</u>	<u>41,397,670</u>

### 12. Creditors: amounts falling due after more than one year

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Secured loan	-	85,000,000	-	85,000,000
Loan from subsidiary undertaking	-	-	11,809,195	11,809,195
Securitised debt (note 13)	546,767,673	584,294,586	546,767,673	584,294,586
	<u>546,767,673</u>	<u>669,294,586</u>	<u>558,576,868</u>	<u>681,103,781</u>

In January 2003 the company drew down £85 million on a bank facility to fund the redemption of the D notes. The term of the facility was originally eighteen months to July 2004, but the loan has been rolled over to January 2005. The loan carries interest of LIBOR plus 2.1% subject to an interest rate collar arrangement which serves to cap the portion linked to LIBOR to 5.5%. The loan is secured by way of a second charge over the property interests included in the securitisation and by an interest guarantee from Canary Wharf Limited.

The loan from the company's subsidiary undertaking is interest free and is repayable by instalment between 2024 and 2027.

# Canary Wharf Finance plc

## Notes to the accounts Year ended 30 June 2004

### 13. Securitised debt

The disclosure in this note should be read in conjunction with the Operating and Financial Review on pages 2 and 3.

On 4 December 1997 the company issued £555m of first mortgage debentures, the principal terms of which are:

Tranche	Amount £m	Interest	Repayment
A	270	7,230%	By instalment 2004-2027
B	80	7.425%	By instalment 2004-2027
C	120	Stepped fixed	By instalment 2006-2027
D	85	Floating	Redeemed January 2003
	<u>555</u>		

The D notes were redeemed in January 2003. During the year ended 30 June 2004, £16.1m of Tranche A and £1.6m of Tranche B were repaid. The remaining debentures are secured on certain property interests of the CWHL group and the rental income stream therefrom.

Interest on Tranche C increases in steps from 5% payable until October 1999 to 9.535% payable from October 2006. Interest on Tranche D was payable at LIBOR plus 1.1% until January 2003, when the notes were redeemed. The company entered into an interest rate cap arrangement so as to cap the portion of interest linked to LIBOR at 8.5%.

In February 2001, the company issued an additional £120 million of first mortgage debentures at a premium of £14.7 million. The tap issue comprised a further issue of Tranche A (£105 million) and Tranche B (£15 million) which are subject to the same conditions as the original notes issued in December 1997.

The weighted average maturity of the debentures at 30 June 2004 was 11.9 years (2003: 12.9 years). The debentures may be redeemed at the option of the issuer in an aggregate amount of not less than £1 million on any interest payment date, subject to the current ratings of the debentures not being adversely affected and certain other conditions affecting the amount to be redeemed.

Excluding borrowings from other group companies, borrowings are repayable as follows:

	2004 £	2003 £
In one year or less, or on demand	121,575,920	18,287,960
Between one and two years	23,296,420	121,575,920
Between two and five years	64,643,280	66,083,460
In five years or more	458,827,973	481,635,206
	<u>668,343,593</u>	<u>687,582,546</u>

# Canary Wharf Finance plc

## Notes to the accounts Year ended 30 June 2004

### 13. Securitised debt (continued)

The interest profile of the company's borrowings at 30 June 2004 was:

	2004 £	2003 £
Floating rate liabilities	85,000,000	85,000,000
Fixed rate liabilities	583,343,593	602,582,546
Financial liabilities on which no interest is paid	11,809,195	11,809,195
	<u>680,152,788</u>	<u>699,391,741</u>

In respect of the company's fixed rate financial liabilities:

	2004		2003	
	Weighted average interest rate	Weighted average period fixed	Weighted average interest rate	Weighted average period fixed
	%	Years	%	Years
Securitised debt	<u>7.3</u>	<u>11.87</u>	<u>7.3</u>	<u>12.87</u>

The fair value of the company's financial assets and liabilities as at 30 June 2004 (excluding debtors, accrued interest payable and balances with other undertakings of CWG) in comparison with their book values was:

	2004		2003	
	Book value £	Fair value £	Book value £	Fair value £
Primary financial instruments held to finance the company's operations:				
Cash on deposit	28,222,918	28,222,918	14,854,669	14,854,669
Short and long term borrowings	(668,343,593)	(778,068,593)	(687,582,546)	(797,183,000)
Derivative financial instruments held to manage the interest profile	-	-	-	124,000

The fair value of sterling denominated fixed rate debt and the associated interest cap have been determined by reference to prices available on the markets on which they are traded. All other fair values shown have been calculated by discounting cash flows at the relevant zero coupon LIBOR interest rates prevailing at the balance sheet date.

Financing expenses incurred on the issue of the first mortgage debentures have been borne by another CWG undertaking.

Other than the above no gains or losses on derivative financial instruments have been recognised in the year.

# Canary Wharf Finance plc

## Notes to the accounts Year ended 30 June 2004

### 13. Securitised debt (continued)

Unrecognised gains and losses on investments used for hedging, and the movement therein, are as follows:

	2004			2003		
	Gains £m	(Losses) £m	Total net gains/ (losses) £m	Gains £m	(Losses) £m	Total net gains/ (losses) £m
Unrecognised gains and losses on hedges brought forward	-	(0.1)	(0.1)	0.7	-	0.7
Gains and losses arising in previous years that were recognised in the year	-	0.1	0.1	(0.7)	-	(0.7)
Gains and losses arising in previous years that were not recognised in the year	-	-	-	-	-	-
Gains and losses arising in the year that were not recognised in the year	-	-	-	-	(0.1)	(0.1)
Unrecognised gains and losses on hedges carried forward	-	-	-	-	(0.1)	(0.1)
Of which:						
Gains and losses expected to be recognised after the following year	-	-	-	-	(0.1)	(0.1)

### 14. Called-up share capital

	2004 £	2003 £
<b>Authorised share capital:</b>		
50,000 Ordinary shares of £1 each	50,000	50,000
<b>Allotted, called up and fully paid:</b>		
50,000 Ordinary shares of £1 each	50,000	50,000

# Canary Wharf Finance plc

## Notes to the accounts Year ended 30 June 2004

### 15. Reserves

	<b>Group Profit and loss account £</b>	<b>Company Profit and loss account £</b>
At 1 July 2003	1,587,249	634,170
Retained profit for the year	1,667,395	956,670
At 30 June 2004	<u>3,254,644</u>	<u>1,590,840</u>

### 16. Reconciliation of movements in shareholders' funds

	<b>Group £</b>	<b>Company £</b>
Shareholders' funds as at 1 July 2003	1,637,249	684,170
Profit for the financial year	1,667,395	956,670
Shareholders' funds as at 30 June 2004	<u>3,304,644</u>	<u>1,640,840</u>

### 17. Capital commitments

As at 30 June 2004 the group has given fixed and floating charges over all its assets, including first fixed charges over its bank accounts, to secure the debentures and bank loan referred to in Note 12.

### 18. Related parties

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

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

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