

CANARY WHARF FINANCE PLC
Registered Number: 3416151

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR FROM 1 JANUARY 2005 TO 31 DECEMBER 2005



CANARY WHARF FINANCE PLC

FINANCIAL STATEMENTS

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CANARY WHARF FINANCE PLC

THE DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2005

The directors present their report with the audited financial statements for the year ended 31 December 2005.

ULTIMATE PARENT UNDERTAKING

The company's immediate parent undertaking is Canary Wharf Estate 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 is to act as a finance company.

On 23 May 2005, the loan to the company's subsidiary undertaking was repaid and all outstanding debenture notes were redeemed.

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 31 December 2005 is set out on page 6. Dividends of £2,300,000 (2004: £Nil) have been paid during the year and the retained profit of £81,401 (2004: profit of £710,596) has been transferred to reserves.

DIRECTORS

The directors of the company throughout the year ended 31 December 2005 were:

A P Anderson II
G Iacobescu

The group has in place liability insurance covering the directors and other officers of group companies.

DIRECTORS' INTERESTS

The directors have been granted options to subscribe for ordinary class B shares in Songbird. Details of interests and options to subscribe for shares in Songbird are disclosed in the financial statements of Canary Wharf Group plc.

Other than the above, no director had any beneficial interest in the shares of the company, its parent undertakings or other group undertakings at 31 December 2005 or at any time throughout the year then ended.

CANARY WHARF FINANCE PLC

THE DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2005

FINANCIAL INSTRUMENTS

The company is exposed to financial risk through its financial assets and liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due. The most important components of financial risk are interest rate risk, currency risk, credit risk, liquidity risk, cash flow risk and price risk. Due to the nature of the company's business and the assets and liabilities contained within the company's balance sheet the only financial risks the directors consider relevant are credit risk and liquidity risk. These risks are mitigated by the nature of the debtor balances owed, with these due from other group companies who are able to repay the balances owed if required.

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



.....Company Secretary 24 July 2006
J R Garwood

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

CANARY WHARF FINANCE PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

- select suitable accounting policies, as described on page 8, 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 FINANCE PLC

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 31 December 2005 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 14. 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

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

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

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant financial reporting framework 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 other transactions is not disclosed.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

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

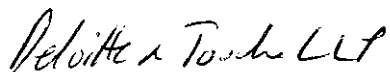
CANARY WHARF FINANCE PLC

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CANARY WHARF FINANCE PLC

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

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the company's affairs as at 31 December 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

24 July 2006

CANARY WHARF FINANCE PLC

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005

		Year ended 31 December 2005 £	Six months ended 31 December 2004 £
	Note		
Turnover - Interest receivable	3	166,515,023	23,909,091
Cost of sales - Interest payable and similar charges	4	(165,910,724)	(23,171,882)
GROSS PROFIT		604,299	737,209
Administrative expenses		(22,898)	(26,613)
OPERATING PROFIT	2	581,401	710,596
Income from shares in group undertakings	7	1,800,000	—
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,381,401	710,596
Tax on profit on ordinary activities	5	—	—
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		2,381,401	710,596
Dividends	6	(2,300,000)	—
RETAINED PROFIT FOR THE FINANCIAL YEAR TRANSFERRED TO RESERVES	12	81,401	710,596

Movements in reserves are shown in Note 12 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 2005 or the period ended 31 December 2004 other than those included in the profit and loss account.

The notes on pages 8 to 13 form an integral part of these financial statements.

CANARY WHARF FINANCE PLC

BALANCE SHEET AS AT 31 DECEMBER 2005

	Note	31 December 2005 £	31 December 2004 £
FIXED ASSETS			
Investments	7	2	2
CURRENT ASSETS			
Debtors	8		
Amounts falling due after one year		–	532,455,221
Amounts falling due within one year		6,847,437	135,847,244
Cash at bank		–	29,360,676
		6,847,437	697,663,141
CREDITORS: Amounts falling due within one year	9	(4,414,602)	(151,047,211)
NET CURRENT ASSETS		2,432,835	546,615,930
TOTAL ASSETS LESS CURRENT LIABILITIES		2,432,837	546,615,932
CREDITORS: Amounts falling due after more than one year	10	–	(544,264,496)
NET ASSETS		2,432,837	2,351,436
CAPITAL AND RESERVES			
Called-up equity share capital	11	50,000	50,000
Profit and loss account	12	2,382,837	2,301,436
SHAREHOLDERS' FUNDS - EQUITY	13	2,432,837	2,351,436

The notes on pages 8 to 13 form an integral part of these financial statements.

APPROVED BY THE BOARD ON 24 JULY 2006 AND SIGNED ON ITS BEHALF BY:



A P ANDERSON II
DIRECTOR

CANARY WHARF FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

1. PRINCIPAL ACCOUNTING POLICIES

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

Accounting convention

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

The company 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) 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.

Interest receivable and interest payable

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

Income from investments

Investment income comprises dividends receivable during the accounting period.

Debt

Debt instruments are stated 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.

Investments in subsidiary undertakings

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

2. OPERATING PROFIT

Operating profit is stated after charging:

	Year ended 31 December 2005 £	Six months ended 31 December 2004 £
Remuneration of the auditors:		
Audit fees	5,500	5,500

None of the directors received any emoluments in respect of their services to the company during the year or the prior period.

No staff were employed by the company during the year or the prior period.

CANARY WHARF FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

3. FINANCE REVENUE

	Year ended 31 December 2005 £	Six months ended 31 December 2004 £
Bank interest receivable	556,744	704,880
Premium on repayment	148,098,648	—
Interest receivable from group undertakings	17,859,631	23,204,211
	<u>166,515,023</u>	<u>23,909,091</u>

4. FINANCE COSTS

	Year ended 31 December 2005 £	Six months ended 31 December 2004 £
Bank loans and overdrafts	2,284,430	2,967,702
Interest payable on securitised debt	15,527,646	20,204,180
Premium on repayment	148,098,648	—
	<u>165,910,724</u>	<u>23,171,882</u>

5. TAXATION

	Year ended 31 December 2005 £	Six months ended 31 December 2004 £
Current tax:		
UK Corporation tax (see below)	—	—
Tax reconciliation:		
Profit on ordinary activities before tax	<u>2,381,401</u>	<u>710,596</u>
Tax on profit on ordinary activities at UK corporation tax rate of 30%	714,420	213,179
Effects of:		
Items not chargeable to tax	(540,000)	—
Tax losses and other timing differences	<u>(174,420)</u>	<u>(213,179)</u>
Current tax charge for the year	<u>—</u>	<u>—</u>

CANARY WHARF FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

5. TAXATION

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

6. DIVIDENDS

	Year ended 31 December 2005 £	Six months ended 31 December 2004 £
Dividends paid during the year (£46 per share)	<u>2,300,000</u>	<u>—</u>

7. INVESTMENTS

	Shares in Group Undertakings
	£
COST	
At 1 January 2005 and 31 December 2005	<u>2</u>
NET BOOK VALUE	
At 31 December 2005	<u>2</u>
At 31 December 2004	<u>2</u>

At 31 December 2005 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.

Dividends totalling £1,800,000 were paid by the company's subsidiary during the year (2004: £nil).

CANARY WHARF FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

7. INVESTMENTS

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 14).

The directors are of the opinion that the value of the company's investments at 31 December 2005 was not less than the amount shown in the company's balance sheet.

8. DEBTORS

	31 December 2005 £	31 December 2004 £
Due within one year:		
Amount owed by subsidiary undertaking	386,310	26,540
Loans to subsidiary undertaking	–	135,537,050
Amount owed by fellow subsidiary undertaking	6,461,127	–
Prepayments and accrued income	–	283,654
	<u>6,847,437</u>	<u>135,847,244</u>
Due in more than one year:		
Loans to subsidiary undertaking	–	532,455,221

At 31 December 2004, the company had lent £638.4 million, including premiums on issue, to its subsidiary undertaking. The loan, excluding premiums on issue, was made in tranches, the principal terms of which were:

Tranche	Amount	Interest	Repayment
	£m		
A	341.6	7.240%	Repaid May 2005
B	91.8	7.435%	Repaid May 2005
C	120.0	5.010%	Repaid May 2005
D	85.0	Floating	Repaid May 2005
	<u>638.4</u>		

On 23 May 2005, the the balance of the loan was repaid at a premium of £148,098,648.

CANARY WHARF FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

9. CREDITORS: Amounts falling due within one year

	31 December 2005 £	31 December 2004 £
Securitised debt	—	32,149,420
Secured loan	—	85,000,000
Amount owed to parent undertaking	4,408,139	4,408,139
Amount owed to fellow subsidiary undertaking	—	10,722,300
Accruals	6,463	18,767,352
	<u>4,414,602</u>	<u>151,047,211</u>

The £85 million loan carried interest of LIBOR plus 2.1% subject to an interest rate collar arrangement which served to cap the portion linked to LIBOR to 5.5%. On 23 May 2005 the loan was repaid in full.

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

	31 December 2005 £	31 December 2004 £
Loan from subsidiary undertaking	—	11,809,195
Securitised debt	—	532,455,301
	<u>—</u>	<u>544,264,496</u>

The loan from the company's subsidiary undertaking was interest free and was repaid on 23 May 2005.

At 31 December 2004, the following notes were outstanding:

Tranche	Amount	Interest	Repayment
	£m		
A	341.7	7.230%	Repaid May 2005
B	91.8	7.425%	Repaid May 2005
C	120.0	Stepped fixed	Repaid May 2005
	<u>553.5</u>		

On 23 May 2005, the company repaid all of the outstanding notes at a premium of £148,098,648.

CANARY WHARF FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

11. CALLED-UP SHARE CAPITAL

Authorised share capital:

	31 December 2005	31 December 2004
	£	£
50,000 Ordinary shares of £1 each	50,000	50,000

Allotted, called up and fully paid:

	31 December 2005	31 December 2004
	£	£
50,000 Ordinary shares of £1 each	50,000	50,000

12. RESERVES

	Profit and loss account
	£
At 1 January 2005	2,301,436
Profit for the year	2,381,401
Dividends	(2,300,000)
At 31 December 2005	2,382,837

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 December 2005	31 December 2004
	£	£
Opening shareholders' funds - equity	2,351,436	1,640,840
Profit for the year	2,381,401	710,596
Dividends	(2,300,000)	—
Closing shareholders' funds - equity	2,432,837	2,351,436

14. RELATED PARTIES

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

As at 31 December 2005, 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 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.