

CANARY WHARF FUNDING (ONE) LIMITED
Registered Number: 3806493

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006



CANARY WHARF FUNDING (ONE) LIMITED

FINANCIAL STATEMENTS

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CANARY WHARF FUNDING (ONE) LIMITED

THE DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2006

The directors present their report with the audited financial statements for the year ended 31 December 2006

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

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

The principal activity of the company is to act as a finance company. All activities take place within the United Kingdom. The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year.

As shown in the company's profit and loss account, the company's profit after tax for the year was £88,529 (2005 £95,466)

The balance sheet shows the company's financial position at the year end and indicates that net assets were £183,997 (2005 £95,468)

There have been no significant events since the balance sheet date

KEY PERFORMANCE INDICATORS

	31 December 2006 £	31 December 2005 £
Bank loans	300,000,000	203,602,471
Financing cost	15,270,964	22,410,966
Profit before tax	88,529	95,466
Weighted average maturity of debt	4.2 years	2.4 years
Weighted average interest rate	5.86%	5.44%

DIVIDENDS AND RESERVES

The profit and loss account for the year ended 31 December 2006 is set out on page 8. No dividends have been paid or proposed (2005 £Nil) and the retained profit of £88,529 (2005 profit of £95,466) has been transferred to reserves.

DIRECTORS

The directors of the company throughout the year ended 31 December 2006 were

A P Anderson II
G Iacobescu
R J J Lyons

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

CANARY WHARF FUNDING (ONE) LIMITED

THE DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2006

DIRECTORS' INTERESTS

Details of directors' interests in and options to subscribe for ordinary class B shares in Songbird Estates plc are disclosed in the financial statements of either of the intermediate parent companies, Canary Wharf Estate Limited or Canary Wharf Group plc, as appropriate

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 2006 or at any time throughout the year then ended

PRINCIPAL RISKS AND UNCERTAINTIES

The risks and uncertainties facing the business are monitored through continuing assessment by management and more regular and formal quarterly review and discussion at audit committee and board level for the group. Board and audit committee discussion focuses on the risks identified as part of the system of internal control which highlights key risks faced by the company and allocates specific day to day monitoring and control responsibilities to management. As a member of Canary Wharf Group, these key risks include the cyclical nature of the property market, concentration risk and financing risk

The cyclical nature of the property market and concentration risk

The valuation of Canary Wharf Group's assets is subject to many external economic and market factors which are cyclical in nature. These cycles manifest themselves in the property market by such factors as the oversupply of available space in the office market, a decline in tenant demand for space in London or a change in the market perception of property as an investment. Such potential factors are monitored in order to ensure that the company can react swiftly and flexibly should the need arise

Canary Wharf Group's real estate assets are currently located on or adjacent to the Canary Wharf Estate. Wherever possible steps are taken to mitigate or avoid material consequence arising

Financing risk

The broader economic cycle inevitably leads to movement in inflation, interest rates and bond yields. The group finances its operations through a mixture of surplus cash, secured borrowings and debentures

The company holds loan finance, in sterling at floating rates and uses interest rate swaps to modify exposure to interest rate fluctuations. The company enters into derivative financial instruments solely for the purposes of hedging its financial liabilities. No derivatives are entered into for speculative purposes

Exposure Management

The mark-to-market position of the company's derivative is reported to the Group Treasurer on a monthly basis and to the Group Operating Committee on a quarterly basis. The Group Treasurer monitors hedging activity on an ongoing basis, in order to notify the Operating Committee of any overhedging that may potentially occur and proposals to deal with such events

CANARY WHARF FUNDING (ONE) LIMITED

THE DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2006

Hedging Instruments and Transaction Authorisation

Instruments that may be used for hedging interest rate exposure include

- Interest rate swaps
- Interest rate caps, collars and floors
- Gilt locks

Instruments that may be used for managing foreign exchange exposure include

- Cross currency swaps
- Spot and forward foreign exchange contracts

No hedging activity is undertaken without explicit authority of the board

Transaction Accounting

The company does not apply FRS26. Derivatives are therefore required to be carried on the balance sheet at historic cost. The fair value (mark to market) is disclosed in note 8.

Credit Risk

The group's policies restrict the counterparties with which derivative transactions can be contracted. This ensures that exposure is spread across a number of approved financial institutions with high credit ratings.

All debtors are receivable from other group undertakings.

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 company had no trade creditors at 31 December 2006 or 31 December 2005.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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


CANARY WHARF FUNDING (ONE) LIMITED

THE DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2006

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



J R Garwood

Joint Secretary

28 June 2007

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

CANARY WHARF FUNDING (ONE) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

CANARY WHARF FUNDING (ONE) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CANARY WHARF FUNDING (ONE) LIMITED

We have audited the financial statements of Canary Wharf Funding (One) Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 13. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

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

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

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

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

Basis of audit opinion

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

CANARY WHARF FUNDING (ONE) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CANARY WHARF FUNDING (ONE) LIMITED

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

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

28 June 2007

CANARY WHARF FUNDING (ONE) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2006

		Year Ended 31 December 2006 £	Year Ended 31 December 2005 £
	Note		
Administrative expenses		(6,463)	(6,463)
OPERATING LOSS	2	(6,463)	(6,463)
Interest receivable and similar income	3	15,430,415	23,498,906
Interest payable and similar charges	4	(15,335,423)	(23,396,977)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		88,529	95,466
Tax on profit on ordinary activities	5	—	—
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE YEAR	10	88,529	95,466

Movements in reserves are shown in Note 10 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 2006 or the period ended 31 December 2005 other than those included in the profit and loss account

The notes on pages 10 to 15 form an integral part of these financial statements

CANARY WHARF FUNDING (ONE) LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2006

	Note	31 December 2006 £	31 December 2005 £
CURRENT ASSETS			
Debtors	6		
Amounts falling due after one year		300,000,000	203,602,471
Amounts falling due within one year		2,391,465	243,554
Cash at bank		1,171,019	32,183,762
		<u>303,562,484</u>	<u>236,029,787</u>
CREDITORS: Amounts falling due within one year	7	<u>(3,378,487)</u>	<u>(32,331,848)</u>
NET CURRENT ASSETS		<u>300,183,997</u>	<u>203,697,939</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>300,183,997</u>	<u>203,697,939</u>
CREDITORS: Amounts falling due after more than one year	8	<u>(300,000,000)</u>	<u>(203,602,471)</u>
NET ASSETS		<u>183,997</u>	<u>95,468</u>
CAPITAL AND RESERVES			
Called-up share capital	9	2	2
Profit and loss account	10	183,995	95,466
SHAREHOLDERS' FUNDS	11	<u>183,997</u>	<u>95,468</u>

The notes on pages 10 to 15 form an integral part of these financial statements

APPROVED BY THE BOARD ON 28 JUNE 2007 AND SIGNED ON ITS BEHALF BY



R J J LYONS
DIRECTOR

CANARY WHARF FUNDING (ONE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

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 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 law and accounting standards

In accordance with the provisions of FRS 1 (Revised) the company is exempt from the requirements to prepare a cash flow statement, as it is a wholly-owned subsidiary of Canary Wharf Group plc, which has prepared a consolidated cash flow statement

Interest receivable and interest payable

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

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.

2. OPERATING LOSS

Operating loss is stated after charging

	Year Ended 31 December 2006 £	Year Ended 31 December 2005 £
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 year

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

3. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year Ended 31 December 2006 £	Year Ended 31 December 2005 £
Bank interest receivable	131,631	1,048,550
Interest receivable from group undertakings	15,298,784	22,450,356
	<u>15,430,415</u>	<u>23,498,906</u>

CANARY WHARF FUNDING (ONE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

4. INTEREST PAYABLE AND SIMILAR CHARGES

	Year Ended 31 December 2006 £	Year Ended 31 December 2005 £
Bank charges	3,425	463
Bank loans	15,270,964	22,410,966
Interest payable to group undertakings	61,034	985,548
	<u>15,335,423</u>	<u>23,396,977</u>

5. TAXATION

	Year Ended 31 December 2006 £	Year Ended 31 December 2005 £
Current tax		
UK Corporation tax (see below)	<u>—</u>	<u>—</u>
Tax reconciliation		
Profit on ordinary activities before tax	<u>88,529</u>	<u>95,466</u>
Tax on profit on ordinary activities at UK corporation tax rate of 30%	26,559	28,640
Effects of		
Tax losses and other timing differences	<u>(26,559)</u>	<u>(28,640)</u>
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 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.

CANARY WHARF FUNDING (ONE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

6. DEBTORS

	31 December 2006 £	31 December 2005 £
Due within one year		
Amount owed by parent undertaking	2	2
Amount owed by fellow subsidiary undertaking	2,390,991	—
Prepayments and accrued income	472	243,552
	<u>2,391,465</u>	<u>243,554</u>
Due in more than one year		
Loans to fellow subsidiary undertakings	<u>300,000,000</u>	<u>203,602,471</u>

Loans to fellow subsidiary undertakings carry interest at a rate linked to the company's bank loan (note 8) and are repayable on 23 May 2008

7. CREDITORS: Amounts falling due within one year

	31 December 2006 £	31 December 2005 £
Loan from fellow subsidiary undertaking	—	26,775,508
Amount owed to fellow subsidiary undertaking	—	3,284,256
Accruals	3,378,487	2,272,084
	<u>3,378,487</u>	<u>32,331,848</u>

The loan from a fellow subsidiary undertaking carried interest at a rate linked to the company's bank deposit and was repaid on 21 January 2006

CANARY WHARF FUNDING (ONE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

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

	31 December 2006 £	31 December 2005 £
Bank loans and overdrafts	<u>300,000,000</u>	<u>203,602,471</u>

The amounts at which financial liabilities are stated comprise

	Bank loans £
At 1 January 2006	203,602,471
Repaid in the year	(203,602,471)
Drawdown in the year	<u>300,000,000</u>
At 31 December 2006	<u>300,000,000</u>
In one year or less, or on demand	—
Between one and two years	—
Between two and five years	300,000,000
In five years or more	—
	<u>300,000,000</u>

On 8 March 2006, the company repaid the balance of its loan and on 14 March 2006 drew down a new £300,000,000 bank facility

The new loan is secured on the property interests of certain fellow subsidiary undertakings and the rental income stream therefrom

The loan carries a hedged interest at a rate of 5.86% and it is repayable on 12 March 2011

The fair value of the company's financial liabilities is as follows

	31 December 2006		31 December 2005	
	Book value	Fair value	Book value	Fair value
	£	£	£	£
Bank loan	(300,000,000)	(300,000,000)	(203,602,471)	(203,602,471)
Fixed rate hedge	—	2,656,403	—	—
	<u>(300,000,000)</u>	<u>(297,343,597)</u>	<u>(203,602,471)</u>	<u>(203,602,471)</u>

CANARY WHARF FUNDING (ONE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

The unrecognised gains and losses on hedging instruments and the movements therein, are as follows

	31 December 2006			31 December 2005		
	Gains	(Losses)	Total net gains/ (losses)	Gains	(Losses)	Total net gains/ (losses)
	£m	£m	£m	£m	£m	£m
Gains and losses arising in the year that were not recognised in the year	-	27	27	-	-	-
Unrecognised gains and losses on hedges at 31 December	-	27	27	-	-	-
Gains and losses expected to be recognised in the following year	-	-	-	-	-	-
Gains and losses expected to be recognised after the following year	-	27	27	-	-	-

9. CALLED-UP SHARE CAPITAL

Authorised share capital:

	31 December 2006	31 December 2005
	£	£
2,000 Ordinary shares of £1 each	2,000	2,000

Allotted, called up and fully paid:

	31 December 2006	31 December 2005
	£	£
2 Ordinary shares of £1 each	2	2

CANARY WHARF FUNDING (ONE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

10. RESERVES

	Profit and loss account
	£
At 1 January 2006	95,466
Profit for the year	88,529
At 31 December 2006	<u>183,995</u>

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 December 2006	31 December 2005
	£	£
Opening shareholders' funds - equity	95,468	2
Profit for the year	88,529	95,466
Closing shareholders' funds - equity	<u>183,997</u>	<u>95,468</u>

12. CAPITAL COMMITMENTS

As at 31 December 2006 the company had given a fixed charge over substantially all its assets to secure the commitments of certain other group undertakings

13. RELATED PARTIES

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

As at 31 December 2006, 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, 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