

CANARY WHARF FUNDING (ONE) LIMITED
Registered Number: 3806493

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

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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 2008

The directors present their report with the audited financial statements for the year ended 31 December 2008.

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.

During the year the company increased its loan facility by £50,000,000, which was drawn in full and on lent to a fellow subsidiary undertaking.

As shown in the company's profit and loss account, the company's profit after tax for the year was £33,954 (2007: £39,727).

The balance sheet shows the company's financial position at the year end and indicates that net assets were £257,678 (2007: £223,724).

There have been no significant events since the balance sheet date.

KEY PERFORMANCE INDICATORS

	31 December 2008 £	31 December 2007 £
Bank loans	350,000,000	300,000,000
Financing cost	18,340,893	17,339,044
Profit before tax	33,954	39,727
Weighted average maturity of debt	2.2 years	3.2 years
Weighted average interest rate	5.8%	5.8%

DIVIDENDS AND RESERVES

The profit and loss account for the year ended 31 December 2008 is set out on page 9. No dividends have been paid or proposed (2007: £Nil) and the retained profit of £33,954 (2007: profit of £39,727) has been transferred to reserves.

CANARY WHARF FUNDING (ONE) LIMITED

THE DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008

GOING CONCERN

The company's business activities, together with the factors likely to affect its future development, performance and position (including the principal risks and uncertainties), are set out in this Directors' Report. The finances of the company and its liquidity position and borrowings are also described in this report.

The company receives interest income on its loans to other Canary Wharf Group companies. This interest income is funded by leases on charged property. The directors forecast this interest income will enable it to meet its obligations as they fall due for a period of not less than 12 months from the signing date of the financial statements. If a covenant breach were to arise, as a member of Canary Wharf Group, the company has access to considerable resources.

Having made the requisite enquiries, the directors have a reasonable expectation that the company will have adequate resources to continue its operations for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

DIRECTORS

The directors of the company throughout the year ended 31 December 2008 were:

A P Anderson II

G Iacobescu

R J J Lyons

The company provides an indemnity to all directors (to the extent permitted by law) in respect of liabilities incurred as a result of their office. The company also has in place liability insurance covering the directors and officers of the company. Neither the indemnity or the insurance provide cover in the event that the director is proven to have acted dishonestly or fraudulently.

CANARY WHARF FUNDING (ONE) LIMITED

THE DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008

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 property market upheaval, concentration risk and financing risk.

The property market upheaval

The valuation of Canary Wharf Group's assets is subject to many external economic and market factors which are cyclical in nature. The unprecedented turmoil in the financial markets has been reflected in the property market by such factors as the oversupply of available space in the office market, a recent significant decline in tenant demand for space in London and a change in the market perception of property as an investment resulting in a negative impact on property valuations in general. The ongoing upheaval in the financial markets continues to be closely monitored.

Concentration risk

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 from this concentration.

Financing risk

The broader economic cycle inevitably leads to movements in inflation, interest rates and bond yields.

The company holds loan finance at floating rates and uses interest rate swaps to modify exposure to interest rate fluctuations. The company's borrowings are fixed after taking account of interest rate hedges.

The company enters into derivative financial instruments solely for the purposes of hedging its financial liabilities. No derivatives are entered into for speculative purposes.

The company's loan is secured against the principal retail properties of the group and is subject to maximum loan to value ('LTV') ratio and interest cover ratio ('ICR') covenants.

The maximum LTV ratio is 75.0%, reducing to 70.0% from March 2010. Based on the valuations at 31 December 2008 the LTV ratio was 87.0% but in order to avoid a breach at the covenant test date in April 2009 the lender agreed that additional uncharged properties be added to the facility. The LTV after adding such properties was 71.7% not including the increase in value of the retail development properties at completion.

The maximum ICR covenant was 110%, rising to 120% in March 2009, which was satisfied throughout the year. The company has the ability to remedy a breach of covenant by depositing cash.

CANARY WHARF FUNDING (ONE) LIMITED

THE DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008

Exposure Management

The mark to market position of the company's derivatives are 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.

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

No hedging activity is undertaken without explicit authority of the board.

Transaction Accounting

The company does not apply FRS 26. 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 2008 or 31 December 2007.

CANARY WHARF FUNDING (ONE) LIMITED


THE DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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

This confirmation is given and should be interpreted in accordance with the provisions of Section 234ZA of the Companies Act 1985.

BY ORDER OF THE BOARD



..... Joint Secretary
A M Holland

26 June 2009

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

CANARY WHARF FUNDING (ONE) LIMITED

STATEMENT OF THE 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 results of the company for the year then ended. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 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 2008 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 also 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 state of the company's affairs as at 31 December 2008 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 LLP
Chartered Accountants and Registered Auditors
London, UK

26 June 2009

CANARY WHARF FUNDING (ONE) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	Year Ended 31 December 2008 £	Year Ended 31 December 2007 £
Administrative expenses		(6,900)	(7,050)
OPERATING LOSS	2	(6,900)	(7,050)
Interest receivable and similar income	3	18,384,630	17,389,493
Interest payable and similar charges	4	(18,343,776)	(17,342,716)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		33,954	39,727
Tax on profit on ordinary activities	5	—	—
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE YEAR	10	33,954	39,727

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 2008 or the period ended 31 December 2007 other than those included in the profit and loss account.

The Notes on pages 11 to 17 form an integral part of these financial statements.

CANARY WHARF FUNDING (ONE) LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2008

	Note	31 December 2008 £	31 December 2007 £
CURRENT ASSETS			
Debtors	6		
Amounts falling due after one year		350,000,000	300,000,000
Amounts falling due within one year		4,369,079	3,361,953
Cash at bank		2,667	363,868
		<u>354,371,746</u>	<u>303,725,821</u>
CREDITORS: Amounts falling due within one year	7	(4,114,068)	(3,502,097)
NET CURRENT ASSETS		<u>350,257,678</u>	<u>300,223,724</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		350,257,678	300,223,724
CREDITORS: Amounts falling due after more than one year	8	(350,000,000)	(300,000,000)
NET ASSETS		<u>257,678</u>	<u>223,724</u>
CAPITAL AND RESERVES			
Called-up share capital	9	2	2
Profit and loss account	10	257,676	223,722
SHAREHOLDERS' FUNDS	11	<u>257,678</u>	<u>223,724</u>

The Notes on pages 11 to 17 form an integral part of these financial statements.

APPROVED BY THE BOARD ON 26 JUNE 2009 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 2008

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 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 on an accruals basis 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.

The company uses derivative financial instruments to manage exposure to interest rate movements. The company does not hold or issue derivative financial instruments for speculative purposes.

For an interest rate swap to be treated as a hedge the instrument has to be related to a liability and must change the nature of the interest rate by converting a variable rate to a fixed rate. Interest differentials under these swaps are recognised by adjusting interest payable over the period of the liability.

Taxation

Current tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantially enacted at the balance sheet date. The company is part of a UK group for group relief purposes and accordingly may take advantage of the group relief provisions whereby current taxable profits can be offset by current tax losses arising in other companies in that group. The group's policy is that no payment will be made for tax losses surrendered under the group relief provisions.

CANARY WHARF FUNDING (ONE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

2. OPERATING LOSS

Operating loss is stated after charging:

	Year Ended 31 December 2008 £	Year Ended 31 December 2007 £
Remuneration of the auditors:		
Audit fees for the audit of the company	6,000	6,000

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 2008 £	Year Ended 31 December 2007 £
Bank interest receivable	12,339	20,531
Interest receivable from group undertakings	18,372,291	17,368,962
	<u>18,384,630</u>	<u>17,389,493</u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	Year Ended 31 December 2008 £	Year Ended 31 December 2007 £
Bank charges	2,883	3,672
Bank loans	18,340,893	17,339,044
	<u>18,343,776</u>	<u>17,342,716</u>

5. TAXATION

	Year Ended 31 December 2008 £	Year Ended 31 December 2007 £
Current tax:		
UK Corporation tax (see below)	—	—

CANARY WHARF FUNDING (ONE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

Tax reconciliation:		
Profit on ordinary activities before tax	33,954	39,727
Tax on profit on ordinary activities at UK corporation tax rate of 28.5% (2007: 30%)	9,677	11,918
Effects of:		
Tax losses and other timing differences	(9,677)	(11,918)
Current tax charge for the year	–	–

The tax rate of 28.5% is calculated by reference to the current corporation tax rate of 28% which was in effect for the final three quarters of the year and the previous rate of 30% which was in effect for the first quarter of the year.

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. DEBTORS

	31 December 2008 £	31 December 2007 £
Due within one year:		
Amount owed by parent undertaking	2	2
Accrued interest on loans to fellow subsidiary undertakings	4,113,881	3,292,166
Amount owed by fellow subsidiary undertaking	255,196	69,600
Prepayments and accrued income	–	185
	<u>4,369,079</u>	<u>3,361,953</u>
Due in more than one year:		
Loans to fellow subsidiary undertakings	<u>350,000,000</u>	<u>300,000,000</u>

Loans to fellow subsidiary undertakings carry interest at a rate linked to the company's bank loan (Note 8) and are repayable on 12 March 2011.

7. CREDITORS: Amounts falling due within one year

	31 December 2008 £	31 December 2007 £
Amounts owed to fellow subsidiary undertakings	–	208,633
Accruals	4,114,068	3,293,464
	<u>4,114,068</u>	<u>3,502,097</u>

CANARY WHARF FUNDING (ONE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

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

	31 December 2008	31 December 2007
	£	£
Bank loans	<u>350,000,000</u>	<u>300,000,000</u>

During the year the company increased its loan facility by £50,000,000, which was drawn in full and on-lent to a fellow subsidiary undertaking.

The loan is secured on the property interests of certain fellow subsidiary undertakings and the rental income stream therefrom. In April 2009 additional uncharged properties were added to the facility.

£300,000,000 of the loan carries interest at a hedged rate of 5.8%. £50,000,000 of the loan carries interest at a hedged rate of 8.3%. The loan is repayable on 12 March 2011.

CANARY WHARF FUNDING (ONE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

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

	31 December 2008		31 December 2007	
	Book value	Fair value	Book value	Fair value
	£	£	£	£
Bank loan	(350,000,000)	(350,000,000)	(300,000,000)	(300,000,000)
Fixed rate hedge	–	(20,054,453)	–	(134,856)
	<u>(350,000,000)</u>	<u>(370,054,453)</u>	<u>(300,000,000)</u>	<u>(300,134,856)</u>

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

	31 December 2008			31 December 2007		
	Gains (£m)	(Losses) (£m)	Total net gains/ (losses) (£m)	Gains (£m)	(Losses) (£m)	Total net gains/ (losses) (£m)
Unrecognised gains and losses on hedges at 1 January	–	(0.1)	(0.1)	2.7	–	2.7
Gains and losses arising in previous years that were recognised in the year	–	–	–	–	–	–
Gains and losses arising before 1 January that were not recognised in the year	–	(0.1)	(0.1)	2.7	–	2.7
Gains and losses arising in the year that were not recognised in the year	–	(20.0)	(20.0)	(2.7)	(0.1)	(2.8)
Unrecognised gains and losses on hedges at 31 December	–	(20.1)	(20.1)	–	(0.1)	(0.1)
Gains and losses expected to be recognised in the following year	–	–	–	–	–	–
Gains and losses expected to be recognised after the following year	–	(20.1)	(20.1)	–	(0.1)	(0.1)

CANARY WHARF FUNDING (ONE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

9. CALLED-UP SHARE CAPITAL

Authorised share capital:

	31 December 2008	31 December 2007
	£	£
2,000 Ordinary shares of £1 each	2,000	2,000

Allotted, called up and fully paid:

	31 December 2008	31 December 2007
	£	£
2 Ordinary shares of £1 each	2	2

10. RESERVES

	Profit and loss account
	£
At 1 January 2008	223,722
Profit for the year	33,954
At 31 December 2008	257,676

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 December 2008	31 December 2007
	£	£
Opening shareholders' funds	223,724	183,997
Profit for the year	33,954	39,727
Closing shareholders' funds	257,678	223,724

12. CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS

As at 31 December 2008 the company had given a fixed charge over substantially all its assets to secure its bank borrowings (Note 8).

CANARY WHARF FUNDING (ONE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

13. ULTIMATE PARENT UNDERTAKING AND RELATED PARTY TRANSACTIONS

The company's immediate parent undertaking is Canary Wharf Investments Limited.

As at 31 December 2008, the smallest group of which the company is a member and for which group financial statements are drawn up is the consolidated financial statements of Canary Wharf Group plc. The largest group of which the company is a member for which group financial statements are drawn up is the consolidated financial statements of Songbird Estates plc, the ultimate parent undertaking and controlling party. Copies of the financial statements of both companies may be obtained from the Company Secretary, One Canada Square, Canary Wharf, London E14 5AB.

The directors have taken advantage of the exemption in paragraph 3(c) of FRS 8 allowing the company not to disclose related party transactions with respect to other group companies.