CANARY WHARF LIMITED
Registered Number: 1971312

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

CANARY WHARF LIMITED

FINANCIAL STATEMENTS

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CANARY WHARF LIMITED

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 Holdings Limited and its ultimate parent undertaking is Songbird Estates plc ('Songbird'), both companies are registered in England and Wales.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

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

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

During the year, the company participated in a re-organisation of the Canary Wharf Group's debt. In connection with the re-organisation the company received new loans from other group undertakings totalling approximately £1,202 million and received repayment of existing loans from group undertakings totalling approximately £171 million. The company also granted new loans totalling approximately £591 million and repaid loans from group undertakings of £592 million, including a repayment premium of £137 million.

On 15 April 2005, the company acquired a group of companies holding the head leasehold interests in 200/202 Aldersgate Street and 20 Little Britain, for consideration of £12.7 million and repaid certain intercompany debts of the acquired companies totalling £39.9 million. On acquisition the acquired companies had a bank loan in place of £154.0 million. During the year, the bank loan was repaid and replaced with intercompany debt. On 2 December 2005 the company sold its investment in the group of companies for a consideration £10.0 million and received £201.1 million related to the settlement of intercompany loans. The company subsequently paid a reverse premium of £102.5 million in order to surrender its occupational lease obligations in the building. At 31 December 2004, the company had made a provision of £126.0 million in relation to its obligations under the occupational lease. As a result of these transactions the company recorded a net profit on disposal of its interests in 200/202 Aldersgate Street of £6,702,977.

The company recorded a gross profit for the year to 31 December 2005 of £90,242,289 (31 December 2004: £197,927,009). After allowing for administrative expenses, other operating income and exceptional operating items, the operating profit for the year was £70,007,546 (31 December 2004: £184,222,819). The loss on ordinary activities before tax was £82,359,790 (31 December 2004 as restated: profit of £110,372,822).

The basis of the valuation of the company's development work in progress is set out in Note 13 to the accounts.

FUTURE DEVELOPMENTS

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

On 27 February 2006 the company entered into an agreement to sell its interest in 20 Churchill Place to Prudential Retirement Income Limited for a consideration of £164.5 million, subject to an occupational lease to State Street.

In March 2006 the company was appointed asset manager to nine offshore unit trusts holding various property interests, which had previously been transferred to them by fellow subsidiary companies in consideration for units in the trusts.

DIVIDENDS AND RESERVES

The profit and loss account for the year ended 31 December 2005 is set out on page 7. No dividends have been paid or proposed (2004: £39,880,038) and the retained loss of £83,558,243 (2004: profit of £71,289,187) 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
R Lyons

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 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 2005 or at any time throughout the year then ended.

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 these if required.

EMPLOYMENT POLICIES

The company is committed to providing a working environment where all employees are treated with respect and dignity. One of the company's key aims is to help and encourage employees to develop their work skills and abilities. The company keeps employees informed of events relevant to their employment. The company's employment policy is constantly reviewed to incorporate changes to legislation and ensure best practice is maintained.

EQUAL OPPORTUNITIES

The company is committed to equality and it is the policy of the company to make all employment decisions based on an applicant's ability, experience and qualification without regard to age, sex, race, colour, sexual orientation, ethnic origin, disability or marital status. Due consideration is given to the recruitment, promotion, training and working conditions of all employees including those with disabilities. In the event of an employee becoming disabled the company uses its best endeavours to ensure the continuity of employment.

The company confirms its commitment to the terms of the Equal Opportunities Commission Code of Practice for the elimination of racial discrimination, the promotion of equality of opportunity in employment, the elimination of disability discrimination and a continuing programme of action to make the company's policy fully effective.

POLICY ON THE PAYMENT OF CREDITORS

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

The number of days of purchases outstanding at 31 December 2005 was 4 (2004: 2).

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 Garwood

....Company Secretary 28 June 2006

J Garwood

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CANARY WHARF LIMITED

We have audited the financial statements of Canary Wharf Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 25. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CANARY WHARF 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 2005 and of its loss 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

28 June 2006

CANARY WHARF LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	Year ended 31 December 2005 £	Six months ended 31 December 2004 As restated £
TURNOVER	**3**	293,194,136	760,673,626
Cost of sales		(202,951,847)	(562,746,617)
GROSS PROFIT		90,242,289	197,927,009
Administrative expenses before exceptional items		(20,962,356)	(11,622,987)
Exceptional item:			
Increase in provision against work in progress	**13**	(1,306,370)	(3,000,000)
Other operating income		2,033,983	918,797
OPERATING PROFIT	**4**	70,007,546	184,222,819
Exceptional item:			
Profit on sale of investment in subsidiaries	**12**	6,702,977	–
Interest receivable before exceptional item	**7**	176,788,262	65,652,741
Exceptional item:			
Premium on redemption of debentures	**7**	10,293,956	–
Interest payable and similar charges before exceptional items	**8**	(186,048,193)	(76,782,776)
Exceptional items:			
Financing costs - debentures	**8**	(16,255,962)	–
Financing costs - loan facility	**8**	(6,714,639)	–
Financing costs - premium on repayment	**8**	(137,133,737)	–
Dividends paid on preference shares	**8**	–	(62,719,962)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(82,359,790)	110,372,822
Tax on (loss)/profit on ordinary activities	**9**	(1,198,453)	796,403
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(83,558,243)	111,169,225
Dividends	**10**	–	(39,880,038)
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR TRANSFERRED TO RESERVES	**20**	(83,558,243)	71,289,187

Movements in reserves are shown in Note 20 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 9 to 25 form an integral part of these financial statements.

CANARY WHARF LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2005

	Note	31 December 2005 £	31 December 2004 As restated £
FIXED ASSETS			
Tangible assets	**11**	206,533	206,869
Investments	**12**	4,290,996	4,290,996
		4,497,529	4,497,865
CURRENT ASSETS			
Work in progress	**13**	207,776,327	364,145,818
Debtors	**14**		
Amounts falling due after one year		2,130,123,726	2,167,751,730
Amounts falling due within one year		2,727,928,565	1,696,697,617
Investments	**15**	–	64,995,000
Cash at bank and in hand	**15**	591,164,301	655,676,184
		5,656,992,919	4,949,266,349
CREDITORS: Amounts falling due within one year	**16**	(4,224,102,665)	(3,325,105,270)
NET CURRENT ASSETS		1,432,890,254	1,624,161,079
TOTAL ASSETS LESS CURRENT LIABILITIES		1,437,387,783	1,628,658,944
CREDITORS: Amounts falling due after more than one year	**17**	(1,151,337,423)	(1,109,642,908)
Provisions for liabilities and charges	**18**	(58,967,567)	(208,375,000)
NET ASSETS		227,082,793	310,641,036
CAPITAL AND RESERVES			
Called-up equity share capital	**19**	257,516,350	257,516,350
Profit and loss account	**20**	(30,433,557)	53,124,686
SHAREHOLDERS' FUNDS - EQUITY	**21**	227,082,793	310,641,036

The notes on pages 9 to 25 form an integral part of these financial statements.

APPROVED BY THE BOARD ON 28 JUNE 2006 AND SIGNED ON ITS BEHALF BY:

A P ANDERSON II
DIRECTOR

1. PRINCIPAL ACCOUNTING POLICIES

A summary of the principal accounting policies of the company is set out below. With the exception of Financial Reporting Standard 25 (Financial Instruments: Disclosure and Presentation), all accounting policies have been applied consistently throughout the year and the preceding period. The comparatives for the period ended 31 December 2004 have been restated to comply with FRS25 (note 2).

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.

Profit and loss account

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

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

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

Interest on the advance payment made to a fellow subsidiary for the design and construction of the phases subsequent to Phase 1 of Canary Wharf is added to the amount of the advance until construction work is undertaken. The advance is included within prepayments (see Note 14) and transfers (including interest) are made to development work in progress when construction work is undertaken by the fellow subsidiary.

Income from investments

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

Tangible fixed assets

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

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

Investments in subsidiary undertakings

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

1. PRINCIPAL ACCOUNTING POLICIES

Work in progress

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

Net realisable value is calculated as the amount estimated to be recovered from the development once development work has been completed and the development leased, less costs to complete (Note 13).

Debt

Debt instruments are stated initially at the amount of the net proceeds. The finance costs of such debt instruments are allocated to periods over the term of the debt at a constant rate on the carrying amount. The carrying amount is increased by the finance cost in respect of the reporting period and reduced by payments made in respect of the debt of that period. Finance costs are charged to the profit and loss account.

Lease incentives

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

Accounting for share capital classified as non-equity

In accordance with FRS25, the company has changed the classification of its preferred redeemable ordinary shares from equity shares to liabilities payable in more than one year.

Under FRS25, any amount payable to the holder of the preferred redeemable ordinary shares is included in interest payable as it falls due. Prior to the adoption of FRS25, amounts payable would have been included in dividends.

The effects of the adoption of FRS25 are shown in note 2.

1. PRINCIPAL ACCOUNTING POLICIES

Deferred taxation

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

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

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

Deferred tax is measured on a discounted basis to reflect the time value of money over the period between the balance sheet date and the dates on which it is estimated that the timing differences will reverse, or where the timing differences are not expected to reverse, a period not exceeding 50 years. Discount rates of 2.8% to 3.0% have been adopted reflecting the post-tax yield to maturity that can be obtained on government bonds with similar maturity dates and currencies to those of the deferred tax assets or liabilities.

Pensions

The company operates a defined contribution pension scheme. Pension contributions in respect of this scheme are accrued as they fall due.

Share option schemes

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

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

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

Vacant leasehold property

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

2. RESTATEMENT

The effects of adopting FRS25 for the current and prior years are as follows:

	Interest payable	Dividends payable	Shareholders' funds
	£	£	£
Year ended 31 December 2004			
As previously reported	76,782,776	102,600,000	715,641,036
Effect of adopting FRS25	62,719,962	(62,719,962)	(405,000,000)
As restated	139,502,738	39,880,038	310,641,036
Year ended 31 December 2005			
Without adopting FRS25	186,048,193	–	632,082,793
Effect of adopting FRS25	–	–	(405,000,000)
As reported	186,048,193	–	227,082,793

3. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company.
An analysis of turnover is given below:

	Year ended 31 December 2005	Six months ended 31 December 2004 As restated
	£	£
Property sales	287,500,000	753,500,000
Rental income	5,694,136	7,173,626
	293,194,136	760,673,626

4. OPERATING PROFIT

Operating profit is stated after charging:

	Year ended 31 December 2005	Six months ended 31 December 2004 As restated
	£	£
Directors' emoluments (Note 5)	665,518	594,742
Depreciation (Note 11)	212,801	100,904
Remuneration of the auditors:		
Audit fees	64,850	79,786
Fees for other services	93,105	152,295
Operating lease rentals	31,005,770	16,700,000

The operating lease rentals are in respect of 200/2 Aldersgate Street, rents paid for 1 Churchill Place and rents paid on the 6th floor of 20 Canada Square. The company had made a provision in respect of all of these leases (Note 18).

5. DIRECTORS

Remuneration

During the year ended 31 December 2005, R Lyons was paid a salary of £665,518 (2004: £594,742), which included a bonus of £469,203 (2004: £500,000), plus benefits in kind equal to £4,054 (2004: £1,914).

Benefits are accruing under the company's money purchase pension scheme on behalf of R Lyons. During the year a contribution of £23,927 (2004: £11,603) was made to the company's money purchase pension plan.

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

Share options

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

6. EMPLOYEE INFORMATION

	Year ended 31 December 2005 £	Six months ended 31 December 2004 As restated £
Wages and salaries (including directors)	9,091,350	5,455,444
Social Security costs	1,106,146	602,825
Other pension costs (Note 22)	681,104	288,472
	10,878,600	6,346,741

The average number of persons employed (including directors) by the company during the year was 132 (2004: 140), all of which were administrative employees.

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 December 2005 £	Six months ended 31 December 2004 As restated £
Before exceptional item:		
Bank interest receivable	45,553,046	16,126,348
Debenture interest	1,782,297	2,198,536
Interest receivable from group undertakings	129,452,919	47,327,857
	176,788,262	65,652,741
Exceptional item:		
Premium on redemption of debentures	10,293,956	–

On 25 May 2005, the company's investment in debenture notes (note 15) was redeemed at a premium of £10,293,956.

8. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 December 2005 £	Six months ended 31 December 2004 As restated £
Before exceptional items:		
Bank loans and overdrafts	6,614	230,790
Interest payable to group undertakings	250,623,088	106,601,924
	250,629,702	106,832,714
Less: Increase in contract prepayment	(64,581,509)	(30,049,938)
	186,048,193	76,782,776
Exceptional items:		
Financing costs - debentures	16,255,962	–
Financing costs - loan facility	6,714,639	–
Financing costs - premium on repayment	137,133,737	–
Dividends paid on preference shares	–	62,719,962

In October 2002, another group company issued £510 million of first mortgage debentures, part of the proceeds of which were lent to the company to satisfy its funding requirements and to refinance inter-company indebtedness. On 23 May 2005, the first mortgage debentures were repaid and in connection with this the company repaid £427,316,556 of intercompany loans at a premium of £137,133,737, which was taken to the profit and loss account and treated as an exceptional item.

Financing costs included £16,255,962 of fees incurred in connection with the repayment of the debentures and a subsequent issue of further debenture notes. The cost has been taken to the profit and loss account and treated as an exceptional item.

In January 2005 a fellow subsidiary undertaking entered into a loan arrangement for £608.8 million secured on 1 Churchill Place. The proceeds of this loan were on-lent to the company. The company incurred fees of £6,714,639 in connection with this transaction, which have been taken to the profit and loss account and treated as an exceptional item.

In the period ended 31 December 2004, the company paid dividends of £62,719,962 (15 pence per share) on its preferred redeemable ordinary shares. Under FRS25 these dividends have been reclassified as financing costs and included in interest payable.

There was no deferred tax as a result of these transactions.

9. TAXATION

	Year ended 31 December 2005 £	Six months ended 31 December 2004 As restated £
Current tax:		
UK Corporation tax (see below)	–	–
Deferred tax:		
Origination and reversal of timing differences	1,184,026	(812,255)
Net effect of discount	14,427	15,852
Total deferred tax	1,198,453	(796,403)
Total tax on profit on ordinary activities	1,198,453	(796,403)
Tax reconciliation:		
(Loss)/profit on ordinary activities before tax	(82,359,790)	110,372,822
Tax on (loss)/profit on ordinary activities at UK corporation tax rate of 30%	(24,707,937)	33,111,847
Effects of:		
Items not chargeable to tax	(5,400)	–
Expenses not deductible for tax purposes	6,848,710	44,335,502
Tax losses and other timing differences	17,864,627	(77,447,349)
Current tax charge for the year	–	–

No provision for taxation has been made in view of the tax loss for the year. It is anticipated that tax losses will impact on future tax charges. There is no unprovided deferred taxation.

10. DIVIDENDS

	Year ended 31 December 2005 £	Six months ended 31 December 2004 As restated £
Dividends paid during the prior period (15 pence per share)	–	39,880,038

11. TANGIBLE FIXED ASSETS

	Leasehold Property	Fixtures & Fittings	Equipment	Total
	£	£	£	£
COST				
At 1 January 2005	2,419,484	5,727,889	3,892,067	12,039,440
Additions	–	–	212,465	212,465
At 31 December 2005	2,419,484	5,727,889	4,104,532	12,251,905
DEPRECIATION				
At 1 January 2005	2,386,415	5,622,178	3,823,978	11,832,571
Movement for the year	33,069	62,937	116,795	212,801
At 31 December 2005	2,419,484	5,685,115	3,940,773	12,045,372
NET BOOK VALUE				
At 31 December 2005	–	42,774	163,759	206,533
At 31 December 2004	33,069	105,711	68,089	206,869

12. INVESTMENTS

	Shares in Group Undertakings
	£
COST	
At 1 January 2005	11,767,895
Additions	12,943,023
Disposals	(12,943,023)
At 31 December 2005	11,767,895
PROVISION FOR IMPAIRMENT	
At 1 January 2005 and 31 December 2005	7,476,899
NET BOOK VALUE	
At 31 December 2005	4,290,996
At 31 December 2004	4,290,996

12. INVESTMENTS

On 15 April 2005, the company acquired a group of companies holding the head leasehold interests in 200/202 Aldersgate Street and 20 Little Britain, for consideration of £12.7 million and repaid certain intercompany debts of the acquired companies totalling £39.9 million. On acquisition the acquired companies had a bank loan in place of £154.0 million. During the year, the bank loan was repaid and replaced with intercompany debt. On 2 December 2005 the company sold its investment in the group of companies for a consideration £10.0 million and received £201.1 million related to the settlement of intercompany loans. The company subsequently paid a reverse premium of £102.5 million in order to surrender its occupational lease obligations in the building. At 31 December 2004, the company had made a provision of £126.0 million in relation to its obligations under the occupational lease (note 18). As a result of these transactions the company recorded a net profit on disposal of its interests in 200/202 Aldersgate Street of £6,702,977, which has been taken to the profit and loss account and treated as an exceptional item. This transaction did not give rise to deferred tax.

At 31 December 2005 the company's subsidiary undertakings were as follows:

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

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

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

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

13. WORK IN PROGRESS AT COST

	31 December 2005	31 December 2004 As restated
	£	£
Work in progress at cost	212,082,697	367,145,818
Provision	(4,306,370)	(3,000,000)
	207,776,327	364,145,818

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

	£
At 1 January 2005	364,145,818
Additions	37,829,671
Property sales	(192,894,392)
	209,081,097
Increase in provision	(1,306,370)
At 31 December 2005	207,774,727

On 11 March 2005, the company sold its interest in 20 Canada Square for a consideration of £287,500,000.

Work in progress is stated at cost less a provision to reduce the carrying value to net realisable value. In assessing the estimated net realisable value of development properties as at 31 December 2005 the directors consulted with the company's external property advisors, Savills Commercial Limited, Chartered Surveyors, and CB Richard Ellis, Surveyors and Valuers. As a result of this assessment the general provision against work in progress was increased to £4,306,370. This item does not give rise to deferred tax.

14. DEBTORS

	31 December 2005 £	31 December 2004 As restated £
Due within one year:		
Trade debtors	–	1,879,663
Loan to parent undertaking	109,661,573	104,791,908
Amount owed by parent undertaking	12,271,643	63,784,133
Loan to subsidiary undertaking	1,702,247	1,702,247
Loans to fellow subsidiary undertakings	1,926,670,217	876,639,097
Amounts owed by fellow subsidiary undertakings	624,514,477	602,965,993
Other debtors	27,078,314	2,790,811
Deferred tax	585,720	1,784,173
Prepayments and accrued income	25,444,374	40,359,592
	2,727,928,565	1,696,697,617
Due in more than one year:		
Lease incentives	–	17,294,964
Prepayments and accrued income	919,526,610	860,053,815
Loans to fellow subsidiary undertakings	1,210,597,116	1,290,402,951
	2,130,123,726	2,167,751,730

Deferred taxation:	31 December 2005 £	31 December 2004 As restated £
Accelerated capital allowances	630,774	798,856
Other	83,611	1,162,313
Undiscounted deferred tax asset	714,385	1,961,169
Discount	(128,665)	(176,996)
Discounted deferred tax asset	585,720	1,784,173

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

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

15. FINANCIAL ASSETS

At 31 December 2005, the company's financial assets comprised short term debtors (Note 14) and sterling cash deposits. Such deposits totalled £591,164,301 at 31 December 2005 (2004: £655,676,184), comprising deposits placed on money market at call and term rates.

At 31 December 2004, total cash deposits included £33,350,803 held by third parties as cash collateral for the company's obligations. During the year the charges over these deposits were released.

In June 2000, the Canary Wharf group arranged a £975 million securitisation which was listed on the London Stock Exchange. The securitisation provided for £475 million of long term funding with a final maturity of up to 30 years at favourable rates. It also provided the ability to make further drawings, in any convertible currency and at the prevailing market rate of interest, upon the construction and lease of new buildings. £89,995,000 of the term notes were purchased by the company upon issue, of which £25,000,000 were redeemed during the year ended 30 June 2004. The remainder of the notes were redeemed on 23 May 2005.

The terms of the notes were:

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

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

16. CREDITORS: Amounts falling due within one year

	31 December 2005 £	31 December 2004 As restated £
Trade creditors	1,483,170	3,093,881
Loan from parent undertaking	656,243,799	119,009,810
Loans from fellow subsidiary undertakings	2,715,353,686	2,682,447,147
Amounts owed to parent undertakings	379,248,060	163,374,581
Amounts owed to subsidiary undertakings	37,237,682	15,507,952
Amounts owed to fellow subsidiary undertakings	396,139,334	288,157,014
Other taxes and social security	1,511,035	1,243,816
Other creditors	595,826	230,517
Accruals	31,433,606	30,631,780
Deferred income	4,856,467	21,408,772
	4,224,102,665	3,325,105,270

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

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

	31 December 2005	31 December 2004 As restated
	£	£
Loan from fellow subsidiary undertaking	746,337,423	704,642,908
Preferred redeemable ordinary shares	405,000,000	405,000,000
	1,151,337,423	1,109,642,908

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

18. PROVISIONS FOR LIABILITIES AND CHARGES

	Rent Subsidy	Vacant leasehold property	Leaseback provisions	Total
	£	£	£	£
At 1 January 2005	-	126,000,000	82,375,000	208,375,000
Utilisation of provision	-	(21,143,713)	(31,332,933)	(52,476,646)
Unwind of discount	-	8,255,746	4,942,500	13,198,246
Increase/(decrease) in provision	2,983,000	(113,112,033)	-	(110,129,033)
At 31 December 2005	2,983,000	-	55,984,567	58,967,567

On 6 November 2000, the company acquired the sub-leasehold interest expiring in 2017 in 200/202 Aldersgate Street, a 440,000 sq ft office building in the City of London. In accordance with UK GAAP, the company recognised a provision for the estimated net liability under the lease of 200/202 Aldersgate Street which at 31 December 2004 stood at £126.0 million representing the net present value calculated at a discount rate of 6.0%, being the company's weighted average cost of debt. On 15 April 2005, the company acquired a group of companies holding the head leasehold interests in 200/202 Aldersgate Street and the adjoining 20 Little Britain. In December 2005 the company sold its investment in the group of companies and subsequently surrendered its leasehold property interest in consideration for a premium of £102.5 million. As a result the remaining provision was released to the profit and loss account and included in calculating the net profit on disposal.

The company has recognised provisions in respect of leases totalling 329,112 sq ft in 1 Churchill Place: 66,036 sq ft is for a term of 5 years at a rent of £2.8 million per annum, 129,450 sq ft is for a term of 10 years at a rent of £5.5 million per annum and 133,626 sq ft is for a term of 15 years at a rent of £5.6 million per annum. The provision for these leases totals £59.0 million (2004: £82.4 million), net of a discount of £11.7 million (2004: £15.7 million) calculated on the basis of a discount rate of 5.5% (2004: 6.0%).

On 11 March 2005, in connection with the sale of 20 Canada Square, the company agreed to provide rental support until 31 March 2008. The company has provided for this obligation in full, and included the cost in cost of sales. The balance of the provision outstanding at 31 December 2005 represents future payments of £3.1 million discounted at 5.5% to the balance sheet date.

19. CALLED-UP SHARE CAPITAL

	Year ended 31 December 2005 £	Six months ended 31 December 2004 As restated £
Equity shares: ordinary shares of £1 each		
747,516,350 authorised	747,516,350	747,516,350
257,516,350 allotted, called-up and fully paid	257,516,350	257,516,350
Non-equity shares: preferred redeemable ordinary shares of £1 each		
500,000,000 authorised:	500,000,000	500,000,000
405,000,000 allotted, called-up and fully paid	405,000,000	405,000,000

The preferred redeemable ordinary shares are redeemable at par on 21 December 2010 but the company may, at any time before that date, redeem all or 100,000 multiples of the shares by serving notice to the holders. On a return of capital, the assets of the company available for distribution to the shareholders are applied in paying to the holders of the preferred redeemable ordinary shares in priority to any payment to the holders of any other class of shares the nominal amount paid up. Subject to the above, the preferred redeemable ordinary shares rank pari passu with the ordinary shares. In accordance with FRS25 the non-equity shares have been included in creditors due after more than one year.

20. RESERVES

	Profit and loss account £
At 1 January 2005	53,124,686
Loss for the year	(83,558,243)
At 31 December 2005	(30,433,557)

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 December 2005	31 December 2004 As restated
	£	£
Opening shareholders' funds - equity		
As previously stated	715,641,036	
Prior year adjustment	(405,000,000)	
As restated	310,641,036	239,351,849
(Loss)/profit for the year	(83,558,243)	111,169,225
Dividends	–	(39,880,038)
Closing shareholders' funds - equity	227,082,793	310,641,036

22. PENSION SCHEME

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge, which amounted to £681,104 for the year (2004: £288,472), represents contributions payable by the company to the scheme.

23. POST BALANCE SHEET EVENTS

On 27 February 2006 the company entered into an agreement to sell its interest in 20 Churchill Place to Prudential Retirement Income Limited for a consideration of £164.5 million, subject to an occupational lease to State Street.

24. CAPITAL COMMITMENTS

As of 31 December 2005 the company had given fixed and floating charges over substantially all its assets to secure the commitments of certain other group undertakings.

The company had the following commitments for future expenditure:

	31 December 2005	31 December 2004 As restated
	£	£
Contracted for but not provided in the financial statements	10,456,000	16,697,000

The commitments for future expenditure related to the completion of development properties where construction was in progress at the prior period end. Any costs accrued or provided for in the balance sheet at 31 December 2005 have been excluded.

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

25. RELATED PARTIES

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

As at 31 December 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 Songbird Estates plc and Canary Wharf Group plc may be obtained from the Company Secretary, 30th Floor, One Canada Square, Canary Wharf, London E14 5AB.

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