

Highlights

- Net assets increased from £2,905.3m at 31 December 2006 to £3,206.9m at 31 December 2007, an increase of £301.6m or 10.4% but fell from £3,349.7m at 30 June 2007, a reduction of £142.8m or 4.3% (Note (i)).
- Adjusted net asset value per share increased by £0.59 (11.3%) from £5.20 over the year but reduced by £0.46 (7.4%) from £6.25 at 30 June 2007 to £5.79 at 31 December 2007 (Note (i)).
- NNNAV per share increased from £4.58 at 31 December 2006 to £5.33 at 31 December 2007, an increase of £0.75 (16.4%) but reduced by £0.32 (5.7%) from £5.65 at 30 June 2007 (Note (i)).
- The market value of the property portfolio at 31 December 2007 increased to £7,274.3m, an increase of 4.8% over the year, but reduced from £7,465.0m at 30 June 2007, a reduction of 4.3% (disregarding additions) (Note (ii)).
- The profit after tax for the year was £122.5m (2006 – £43.8m).
- At 31 December 2007 the group had unsecured cash of £855.7m (Note (iii)).
- On 26 March 2008 the group declared a dividend of 16p per ordinary share to be paid to shareholders on 9 April 2008 (Note (iv)).
- In 2007 transactions over 755,000 sq ft were achieved, including an agreement for sale upon completion of a new 320,000 sq ft building to Fimalac/Fitch (Note (v)).
- At 31 December 2007 the group's investment portfolio totalling 7.9m sq ft was 99.6% let (31 December 2006 – 7.9m sq ft of which 95.6% was let) (Note (vi)).
- At 31 December 2007 the weighted average unexpired lease term for the investment portfolio was 18.7 years (or 15.8 years assuming exercise of break options) (Note (vi)).
- 1.3m sq ft is under construction of which 1.0m sq ft has been pre-sold and 259,000 sq ft of the remainder has been pre-let (Note (vii)).
- Heads of terms have been agreed for the design, build, financing and leasing of the Crossrail station at Canary Wharf (Note (vii)).
- Infrastructure work is underway at Riverside South (1.9m sq ft of potential development) and staged construction commenced at 25 Churchill Place (350,000 sq ft of potential development). Redevelopment of Cabot Place Retail Mall completed in March 2008 (Note (vii)).
- In June 2007 the group entered into a joint venture for the redevelopment of Drapers Gardens, London EC2 (Note (vii)).

Note:

- See 'Business Review – Balance sheet and key performance indicators' for further details.
- See 'Business Review – Valuations' for a comparison with the carrying value for accounts purposes.
- Refer to Note 14 of the Notes to these financial statements.
- Refer to Note 27 of the Notes to these financial statements.
- See 'Business Review – Leasing' for further details.
- See 'Business Review – Property portfolio' for further details.
- See 'Business Review – Construction' for further details.

Results in Brief

	2007	2006
	£m	£m
Rental income (Note (i))	275.3	255.7
Exceptional item: – deferred proceeds on sale of property	19.2	–
Operating profit	309.0	174.4
Operating profit excluding exceptional item (Note (i))	289.8	174.4
Exceptional item: – (charges)/gains relating to repayment of debt (Note (ii))	(16.9)	123.3
Profit on ordinary activities before taxation	104.3	104.1
Profit/(loss) before taxation excluding exceptional items (Note (i))	102.0	(19.2)
Taxation – deferred tax credit/(charge) (Note (iii))	18.2	(60.3)
Profit after tax	122.5	43.8
Basic and diluted earnings per share (Note (iv))	19.2p	6.9p

Note:

- (i) Refer to 'Business Review – Operating results'.
- (ii) Refer to Note 4 of the Notes to these financial statements for details of the charges and gains relating to repayment of debt.
- (iii) Refer to Note 5 of the Notes to these financial statements.
- (iv) Refer to Note 9 of the Notes to these financial statements.

Chairman's and Chief Executive's Statement

2007 was a successful year reflecting a solid performance across the full range of the company's activities with 1.3m sq ft of new space under construction, applications lodged for 1.3m sq ft of new space and 755,000 sq ft of transactions concluded during the year. These transactions, together with those concluded since the end of 2007, have established a range of rental pricing of £45.50 per sq ft to £49.00 per sq ft at Canary Wharf. These achievements were secured in a year where initially favourable conditions deteriorated and became increasingly challenging in the second half of the year.

The quality of our portfolio is reflected in year end valuations which have been impacted less than the general market during 2007. Although experiencing a fall in the latter part of 2007, year on year the market value of our Canary Wharf property portfolio was up 4.8% excluding additions and up 7.9% including capital expenditure. We believe that the resilience of the Canary Wharf Group portfolio is based on its high quality building specifications which are amongst the best in Europe, leases with an average unexpired term of 18.7 years and an extraordinarily high occupancy rate (99.6%). Moreover, 60.0% of the Canary Wharf portfolio has been completed since 2002.

Since the start of the year further lettings over 200,000 sq ft have been concluded including 170,000 sq ft to the rating agency, Moody's. This means that all three premier rating agencies are now at Canary Wharf, which is firmly established as one of the leading financial centres in Europe. We were pleased to see that in October 2007 agreement was reached on the Crossrail project which is essential to the future prosperity of London and to London's position as the financial capital of Europe.

Financial strength

At 31 December 2007, the group's free cash totalled £855.7m. The rental income on the company's investment properties is in excess of the service and amortisation of the company's debt. The undeveloped land and car parks are held debt free.

The restructuring of the group's securitisation and other bank loans during the year have resulted in an increase in the average maturity of the group's borrowings to 16.2 years, which is compared with an average unexpired lease term of 18.7 years.

Moreover, more than 80.0% of the group's bonds are AAA or AA rated and over 95.0% of the group's bonds are rated A or above.

Dividend

We believe that the company is well placed to deal with current market conditions and to support further development both on and off the Estate when conditions

allow. Given this positioning of the company and in particular the significant cash balances and the security of long term financing, the board declared a dividend of 16p per ordinary share to be paid to shareholders on 9 April 2008.

Property valuations

The market value of the property portfolio at 31 December 2007 was £7,274.3m against £6,737.4m at 31 December 2006 and £7,465.0m at 30 June 2007. This represents the 4.8% increase referred to above but a reduction of 4.3% since 30 June 2007, disregarding additions in the period. In comparison with 30 June 2007, yields have increased by approximately 50 bps. However, the softening of yields has been partially mitigated by new lettings, the burn off of rent free periods and the proximity of fixed rent increases, growth in rents and expansion of the retail assets. A breakdown of the valuations is set out in the 'Business Review'.

Financial review

Net assets increased from £2,905.3m at 31 December 2006 to £3,206.9m at 31 December 2007, an increase of 10.4%, but fell from £3,349.7m at 30 June 2007. The reduction in the second half of the year was attributable to the fall in the value of the group's investment properties over the period.

Adjusted net asset value per share was £5.79 at 31 December 2007, up 11.34% from £5.20 at 31 December 2006 (see 'Business Review – Balance sheet'). The adjusted NNNNAV per share increased by £0.75 from £4.58 to £5.33 (16.4%) over the year due to new lettings and increases in the value of the portfolio in 2007.

Rental income for the year increased from £255.7m for 2006 to £275.3m for 2007, reflecting increased occupancy on the Estate and uplifts in rent achieved on review.

Excluding exceptional items, the profit before tax for the year was £102.0m, in comparison with a loss of £19.2m for 2006. The increase in profit was primarily attributable to the recognition of £104.0m of profit on pre-sold properties. After tax, the profit for the year was £122.5m in comparison with £43.8m for 2006.

Pre-sales and lettings

The pre-sale of a new 320,000 sq ft London headquarters for Fimalac/Fitch at 30 North Colonnade was concluded in June 2007. During the year an additional 435,000 sq ft of lettings were also agreed at Canary Wharf, of which 301,575 sq ft were the lettings in 40 Bank Street to Barclays Capital (an existing tenant) on rents ranging from £44.00 per sq ft to £47.50. The rent agreed with Moody's on 170,000 sq ft in One Canada Square some 10 months later was £45.50 per sq ft, which illustrates that rents at

Canary Wharf are holding up in the face of more challenging letting conditions.

Following the latest lettings, the vacancy rate for the company's portfolio at Canary Wharf is 0.4%, with the overall vacancy rate at Canary Wharf down to around 2.5%.

Development – Canary Wharf

Construction is continuing on schedule and on budget on the State Street building, the KPMG building, the Fimalac/Fitch building and the building to be occupied by Bear Stearns, which is in the process of being acquired by JPMorgan Chase. These four buildings together totalling 1.3m sq ft are all due to complete between 2008 and 2010.

Infrastructure works have also commenced on the new buildings at 25 Churchill Place and on the Riverside development. On Riverside, the London Borough of Tower Hamlets approved our revised planning application, which is in line with the Mayor of London's sustainability requirements, meets future market demands and increases the size of potential development to 1.9m sq ft. We will not, however, pursue speculative development and will therefore, only build up to grade without a pre-sale or a pre-let. Consent has also been obtained to increase the permitted density on the North Quay site, which will be adjacent to the Canary Wharf Crossrail station, to 2.4m sq ft.

In all our new buildings we are increasingly looking at sustainability in both construction and occupancy. This is reflected in the Green Apple Award for the KPMG building. Amongst other features, the KPMG building will show a 50.0% reduction in CO₂ emissions against current requirements and 20.0% of materials used will be recycled. It will be one of the most environmentally friendly office buildings in the UK and we intend this to be the standard bearer for new Canary Wharf buildings which will reflect best environmental practice.

We have also joined the Green 500 and support the Mayor of London's Climate Change Action Plan and the Clinton Climate Initiative through which we will be looking at the feasibility of retro-fitting some of the buildings on the Estate which date back to the 1990s to enhance environmental performance.

Other developments

The Wood Wharf development project, where we are partners with BWB and Ballymore is the largest planned development in London and will meet new environmental and planning standards. It is a unique project on which Canary Wharf has assumed the role of development manager. Discussions with the planning authorities are continuing and a formal application will be lodged shortly. In addition we are development manager on the Ballymore projects at Crossharbour and Millharbour.

In June 2007 we announced the formation of a joint venture for the redevelopment of the Drapers Gardens scheme in the City of London which will be a 300,000 sq ft prime commercial office development. The company has acquired a 20.0% stake in the companies owning the property.

All these projects are a natural extension of the group's skill and expertise outside Canary Wharf and we will continue to look outside Canary Wharf at projects where we can add value.

Retail

Retail has performed strongly in recent years and during 2007 both footfall and turnover again increased despite increasingly difficult general market conditions. As illustrations of the success of retail at Canary Wharf, retail currently experiences a footfall of just over 800,000 per week and rents have risen significantly with prime rents showing increases of up to 100% on rent review over the last 12 months.

Projects such as the redevelopment of the Cabot Place Retail Mall, which was completed in March 2008, have increased the scale, quality and diversity of retail at Canary Wharf. New names associated with the West End have made their debut in this redevelopment; Kate Kuba, Dune, Myla, River Island, Hugo Boss, Massimo Dutti and an 18,000 sq ft Zara store. The Cabot Place extension increased Cabot Place Retail Mall by 38,500 sq ft (40.0%) and brought the total retail and leisure facilities on the Estate to approximately 740,000 sq ft.

Canary Wharf is currently the second largest shopping centre within the M25; future development of new and existing schemes will continue to improve the retail on the Estate. Approval for a combined total of approximately 37,450 sq ft of additional retail has already been obtained of which 35,353 sq ft has been pre-let with discussions taking place on the remaining unit.

Transport

There are numerous transport projects underway, all of which will expand and improve accessibility to Canary Wharf. In October 2007 the Government agreed to finance Crossrail and we reached an agreement to design, build, finance and contribute to the new Crossrail station at Canary Wharf – something we believe is essential for London.

There are welcome improvements on the Jubilee Line, DLR, Thameslink and East London Line. The Jubilee Line signal upgrade is 55.0% complete and full operation of the new signalling system is expected at the end of 2009. Phases 1 & 2 of improvements to the DLR are now 34.0% complete and are due to complete in 2010. The DLR will

also be extended beyond City Airport; work on this extension to Woolwich is 73.0% complete and due to be finished in 2009. The Jubilee Line and DLR improvements will together add respectively a further 45.0% and 50.0% capacity to the existing lines at Canary Wharf.

The East London Line is being extended north to Highbury & Islington and south to Croydon and capacity will be increased by approximately 60.0% when the line reopens in 2010. Improvements are also being made to the Thameslink service.

Finally, British Airways will be launching a business class only service between London and New York from London City Airport.

London office market overview

After a strong and robust first half of the year, the market slowed through the remainder of 2007 and this continued into the first quarter of 2008. The 679,000 sq ft monthly average of transactions in 2008 is significantly down on the monthly average of 1.2m sq ft for 2007. Development in Central London is due to peak this year, with 7.7m sq ft of prime office space scheduled for completion.

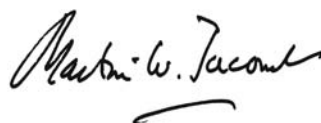
Where Canary Wharf has some differentiation from the overall dynamic of the Central London market is the ability to swiftly deliver bespoke buildings of very high quality which has led to the continued very high occupancy of the Estate. This is coupled with almost complete control of the supply and timing of future developments.

Conclusion

It is still too early to assess the ultimate impact of current financial market conditions, but we are sure that the high quality of our buildings, length of unexpired leases, high occupancy rate at Canary Wharf and the company's strong financial position mean that we are well placed to manage these challenging conditions.

Furthermore, we have an exceptionally strong management team with broad core competencies, which is equipped to take advantage of new opportunities whether at Canary Wharf or beyond in Central London – when we can add value and generate superior returns.

Finally, we would like to thank, on behalf of the board, staff at all levels without whose contribution the recent successes would not have been possible.



SIR MARTIN JACOMB
Chairman



GEORGE IACOBESCU CBE
Chief Executive

Business Review

A list of defined terms used throughout the report and financial statements is provided in 'Definitions'.

Central London office leasing market overview

The following commentary on the Central London market was provided by Knight Frank.

Supply and development

Supply rose across all markets in the final quarter of 2007. There is 13.7m sq ft currently available in Central London reflecting a vacancy rate of 6.2%, a 26.0% increase on the previous quarter's level although still 21.0% below the 10 year average of 17.3m sq ft. The supply of new and refurbished space showed the largest increase as a number of large speculative City schemes near completion. The volume of second hand grade 'A' space on the market rose to 5.8m sq ft in the final quarter of 2007, although this is still 11.0% below the average for the last 10 years.

Speculative development activity continued to rise with 9.6m sq ft under construction, 6.4m sq ft of which is in the City. Despite the historically high construction levels, the supply of new and refurbished units across Central London remains 36.0% below the long term average.

Demand and take up

As expected, take up in the fourth quarter across Central London fell from the levels seen throughout 2007 as occupiers considered the effects of the current turmoil in the debt markets on their businesses. Take up totalled 2.6m sq ft in the final quarter of 2007, 44.0% lower than the third quarter level and 21.0% below the long term average quarterly take up. The City witnessed the biggest fall with a reduction in take up for all grades of space.

The final quarter of 2007 saw a fall in levels of active demand at a Central London level, which now stands at 8.4m sq ft although in the West End demand is still rising. Active requirements from financial sector occupiers fell by 17.0% to 2.5m sq ft, while the media sector saw active requirements increase by 29.0% and now accounts for more than 20.0% of all active demand.

Rental profile

The West End market has witnessed annual growth in headline rental values from £90.00 per sq ft to stand at £110.00 per sq ft. This reflects a year on year increase of 22.0%. Rental levels have benefited from continued demand from financial sector occupiers for the limited grade 'A' accommodation.

In the City, with take up down and availability rising again, prime rents remained unchanged at £63.50 per sq ft and net effective rents at £59.00 per sq ft.

Given that availability is rising again, landlords may start to offer more generous incentive packages going forward, suggesting that net effective rents will decline this year.

Prime headline rents at Canary Wharf on part floor lettings remained steady at £50.00 per sq ft. For whole floors the tone is around £47.50 per sq ft although this changed little over the course of 2007. Outside Canary Wharf the prime rent on Docklands space rose to £29.50 per sq ft.

Property portfolio

The activities of the group are currently focused on the development of the Estate. The group is also involved through joint ventures in the development of Wood Wharf and the redevelopment of Drapers Gardens.

At 31 December 2007 and 31 December 2006 the investment arm comprised 16 completed properties (out of the 30 constructed on the Estate) totalling 7.9m sq ft of NIA. The properties included in the total at 31 December 2007 are shown in the following table.

Property address	NIA sq ft	Leased %	External valuation £m	Principal tenants
One Churchill Place	1,014,400	100.0	800.0	Barclays, BGC, LOCOG
10 Cabot Square	639,000	100.0	332.0	Barclays Capital, WPP Group
20 Cabot Square	562,000	100.0	250.0	Morgan Stanley, Barclays Capital
One Canada Square	1,236,200	99.0	873.7	KPMG, Mirror Group Newspapers, State Street, Bear Stearns, Bank of New York
33 Canada Square	562,700	100.0	425.0	Citigroup
20 Bank Street	546,500	100.0	500.0	Morgan Stanley
25-30 Bank Street	1,023,300	98.9	955.0	Lehman Brothers
40 Bank Street	607,400	96.9	472.5	Barclays Capital, Skadden, Allen & Overy, BGC, ANZ
50 Bank Street	209,800	100.0	167.5	Northern Trust, Goldenberg Hehmeyer
10 Upper Bank Street	1,000,400	100.0	850.0	Clifford Chance, Infosys, FTSE, Total
Cabot Place Retail	95,700	100.0	166.0	Various retail tenants
Canada Place Retail	72,200	100.0	175.0	Various retail tenants
Jubilee Place Retail	89,400	100.0	106.1	Various retail tenants
Churchill Place Retail	22,400	100.0	5.9	Barclays Bank and various retail tenants
16-19 Canada Square	204,500	100.0	57.8	Waitrose Food & Home, Reebok, Plateau Restaurant
Reuters Plaza	8,900	100.0	11.9	Smollensky's, Carluccio's
Car Parks	–	–	62.9	
	<u>7,894,800</u>	<u>99.6</u>	<u>6,211.3</u>	

At 31 December 2007 the investment property portfolio was 99.6% let (31 December 2006 – 95.6%), net of sub-lets back to the group.

As well as the rental income generated from completed properties, income is generated from managing the entire Estate which, in addition to the completed properties in the ownership of the group, includes 14 properties totalling 6.3m sq ft in other ownerships.

The properties of the group are under lease to high quality tenants which provide a diversified income stream. At 31 December 2007 the weighted average unexpired lease term for the investment property portfolio was approximately 18.7 years, or 15.8 years assuming exercise of outstanding break options (31 December 2006 – 19.8 years or 17.1 years respectively). Of the square footage under lease, 68.6% does not expire or cannot be terminated by tenants during the next 10 years.

Leasing

During 2007 the group announced transactions over a total of 755,000 sq ft including lettings totalling approximately 435,000 sq ft. The lettings concluded during the year comprised:

- Barclays Capital agreed to lease a total of 301,575 sq ft in 40 Bank Street on three separate leases expiring in April 2023. Barclays Capital will take up the space on a phased basis over the next 18 months at rents ranging from £44.00 per sq ft to £47.50 per sq ft. In addition Damac Properties and Mirae took a total of 11,485 sq ft in this building for terms of 5 years and 10 years respectively.
- Bear Stearns took a further 28,780 sq ft in One Canada Square for a 5 year term with break options to coincide with the completion of their new headquarters building at 5 Churchill Place. Bear Stearns also exercised an option over approximately 52,600 sq ft in 5 Churchill Place taking their total contractual commitment in this building to approximately 259,000 sq ft.
- In One Canada Square, Michael Page took 6,548 sq ft for a 5 year term, Bank of New York renewed a lease of 6,463 sq ft for one year and Primus Telecommunications exercised a break over 8,800 sq ft. In December 2007 the group took a surrender of 27,231 sq ft on the 18th floor from Mirror Group Newspapers and simultaneously re-let the space to the FSA for a term of 10 years. Subsequent to the year end the group announced that it had entered into an agreement for lease with Moody's, the international credit rating agency, for approximately 170,000 sq ft on

a 15 year lease which included space formerly occupied by the Telegraph Media Group on floors 11-16. The group also took a surrender of the 37th floor (28,435 sq ft) from Burlington Resources and re-let the space to Abbey Business Centres for a term of 15 years. The rents achieved on these recent lettings ranged from £45.50 to £49.00 per sq ft.

As a result of these lettings, vacancy in completed

buildings on the Estate owned by the group reduced to 0.4%.

All space previously sub-let back to the group has now been re-let or is subject to call options. At 31 December 2007 the net present value in respect of the remaining sub-let liabilities had reduced to approximately £30.0m discounted at 6.1% being the group's weighted average cost of debt (31 December 2006 – £43.8m, discounted at 6.1%). These sub-let commitments have been reflected in the market valuation of the group's properties.

Construction

The following properties were under construction at 31 December 2007:

Property address	NIA sq ft	Expected completion date	Status
20 Churchill Place	300,000	October 2008	Pre-sold to Prudential for occupation by State Street on completion.
15 Canada Square	400,000	April 2009	Pre-sold to KPMG.
5 Churchill Place	300,000	May 2009	259,000 sq ft let to Bear Stearns.
30 North Colonnade	320,000	October 2010	Pre-sold to Fimalac for occupation by Fitch.
	<u>1,320,000</u>		

On 29 June 2007 terms were agreed with Fimalac for the sale, and an agreement for the construction, of a new £290.0m headquarters for Fitch. The new building under construction at 30 North Colonnade will comprise approximately 320,000 sq ft and is scheduled for completion in the second half of 2010. On exchange, the group received an initial payment of £165.4m from Fimalac in respect of the site.

In addition to the construction of new office buildings, the group has redeveloped the western end of the Cabot Place Retail Mall, which opened in March 2008. This redevelopment increased the existing retail area by approximately 38,500 sq ft (approximately 7.3%), adding new retailers to the Estate including Zara, River Island and Leon.

The remaining development site on the Estate at BP4 could accommodate approximately 0.4m sq ft of new development. Following the sale of 30 North Colonnade to Fimalac, the group has decided to proceed with the phased construction of BP4. In addition, the group has development sites at North Quay and Riverside South. At Riverside South a revised planning consent in respect of 1.9m sq ft was agreed and initial ground works are underway which will accelerate the completion time for the development for any prospective occupant. At North Quay the local authority granted consent for an increase in the permitted density to 2.4m sq ft and there is further development capacity at Heron Quays West.

The group entered into an option deed with BWB in November 2007 which allows for the group to elect for the draw down of a 999 year lease of additional land south of Heron Quays West. The option deed is for a period of 5 years from November 2007. An initial option payment of £2.25m was made and is to be followed by annual payments of £250,000 on each anniversary of the option deed. If the group exercises the option, BWB has the right to receive a fixed stream of rental payments throughout the duration of the lease or to commute the rental payments into a capital sum payable on the fifth anniversary of the option deed. Subsequent to the option deed, an application was made to increase the permitted density on Heron Quays West to 1.25m sq ft. Construction of new buildings on this and other sites will commence as and when market conditions allow.

In October 2007 the company signed heads of terms in relation to the Crossrail development with the Secretary of State for Transport. The Government subsequently announced its commitment to the Crossrail project, subject to parliamentary approval and Royal Assent. Under the agreement, the group will design, build and finance construction of a station at Canary Wharf and upon completion lease the station to TFL. It is anticipated that construction will be funded by way of a construction facility, in conjunction with an equity contribution from the group. Subject to planning, the group will be granted the right to develop a retail complex above the station. Royal Assent is expected in July 2008.

The development capacity at each of the previously mentioned sites is as follows:

	NIA m sq ft
Based on existing planning permissions:	
– Canary Wharf	0.4
– Riverside South	1.9
– North Quay	2.4
	4.7
Subject to planning application:	
– Heron Quays West	1.3
	6.0

In addition to the above, the group is working with Ballymore and BWB on the redevelopment of the Wood Wharf site. The master plan for the scheme, in which the group has a 25.0% interest, sets a framework for 6.5m sq ft (gross) of mixed commercial, residential and retail development.

On 15 June 2007 the group announced an agreement with MSREF V and Exemplar to undertake the redevelopment of Drapers Gardens. The scheme comprises approximately 300,000 sq ft of prime commercial development and is scheduled for completion in the autumn of 2009. The group acquired 20.0% of the share capital in the companies that own the property and has assumed the role as development manager with day to day running of the scheme. This represents the group's first involvement in a scheme away from the Estate and, coupled with involvement as construction manager on Ballymore's Crossharbour and Millharbour projects, demonstrates that the group's skills are transferable to developments away from the Estate.

Valuations

The net assets of the group, as stated in its consolidated balance sheet at 31 December 2007, were £3,206.9m. In arriving at this total:

- (i) properties held as investments were carried at £5,908.4m, which represents the market value of those properties of £6,211.3m at that date as determined by the group's external valuers, CBRE, Savills and Cushman, less an adjustment of £302.9m for tenant incentives as required by UITF 28;
- (ii) properties held for development were carried at £232.3m, representing their cost to the group; and

- (iii) properties under construction to be retained by the group were carried at £61.4m, representing their cost to the group.

Excluding additions, the valuation of the investment portfolio on the basis of market value increased by £136.2m or 2.2% over the year. After allowing for adjustments in respect of UITF 28 the carrying value of the investment portfolio increased by £179.1m over the year. The increase was primarily driven by the benefit of new lettings which was partly offset by a softening of yields in the market. In comparison with 30 June 2007, the valuation of the investment portfolio reduced by £270.8m or 4.2% as a result of the increase in yields. The group is of the view that the low vacancy rate on the Estate and the long unexpired average lease terms puts the group in a strong position to weather the more uncertain economic outlook.

CBRE and Savills have provided a joint opinion at 31 December 2007 that the market value of properties held for development was £452.0m, in comparison with a carrying value for accounts purposes of £232.3m. In valuing the properties held for development, the valuers have allowed for estimated costs to complete, including an allowance for fitout. In addition they have allowed for letting, disposal, marketing and financing costs. The market value of £452.0m represents a reduction of 15.1%, excluding additions and transfers, since 30 June 2007 which reflects a more uncertain outlook for development in the second half of the year.

The valuers also provided an opinion at 31 December 2007 that the market value of properties under construction and held for sale was £511.0m, in comparison with an historical cost of £215.4m, and the market value of the property under construction to be retained by the group was £100.0m, in comparison with an historical cost of £61.4m.

The market value of the entire property portfolio including investment properties, properties held for development and properties under construction increased by £330.7m or 4.8% over the year, excluding additions and transfers, and reduced by £323.1m or 4.3% in the six months ended 31 December 2007. This reduction was driven by the factors referred to above.

As previously disclosed, a number of properties are subject to leases back to the group. These have been taken into account in the valuations summarised in the table on the following page, which shows the carrying value of the group's properties for accounts purposes in comparison with the supplementary valuations provided by the external valuers.

	31 December 2007		30 June 2007		31 December 2006	
	Carrying value £m	Market value in existing state £m	Carrying value £m	Market value in existing state £m	Carrying value £m	Market value in existing state £m
Investment properties	5,908.4 ⁽¹⁾	6,211.3 ⁽²⁾	6,145.6 ⁽¹⁾	6,470.6 ⁽²⁾	5,715.9 ⁽¹⁾	6,058.4 ⁽²⁾
Properties under construction	61.4	100.0	36.3	65.0	46.2	95.0
Properties held for development	232.3	452.0	210.6	511.0	204.3	415.0
	6,202.1	6,763.3	6,392.5	7,046.6	5,966.4	6,568.4
Properties under construction held for sale	215.4 ⁽³⁾	511.0	141.3 ⁽³⁾	418.4	69.1 ⁽³⁾	169.0
	6,417.5	7,274.3	6,533.8	7,465.0	6,035.5	6,737.4

Note:

- (1) The carrying value of investment properties represents market value less an adjustment for UITF 28.
- (2) Stated at market value in existing state before adjustment for UITF 28. The UITF 28 adjustment attributable to investment properties at 31 December 2007 was £302.9m (30 June 2007 – £325.0m, 31 December 2006 – £342.5m).
- (3) Represents historical cost to the group. The carrying value in the balance sheet at 31 December 2007 is stated net of £210.8m (30 June 2007 – £178.2m, 31 December 2006 – £76.4m) transferred to cost of sales, £4.6m (30 June 2007 – £5.0m, 31 December 2006 – £2.2m) transferred from payments on account and £nil (30 June 2007 – £41.9m, 31 December 2006 – £9.5m) of costs accrued in accordance with SSAP9.

Taxation

The group has EZAs available to shelter future operating and taxable profits and gains arising on the sale of properties.

During the year ended 31 December 2006 two finance lessor companies were acquired from a third party. A deferred tax liability net of discount of £42.8m (31 December 2006 – £61.1m) is recognised in respect of the potential clawback of EZAs resulting from claims made by these companies (Note 5).

Substantially all other EZAs available within the group are attached to assets that are now of negligible value following an internal property restructuring in the year ended 31 December 2005. As a result there is no uplift in the value of the group's investment properties attributable to the EZAs available to the group. Whereas the group can claim these EZAs based on the original qualifying expenditure, a third party purchaser would only be able to claim EZAs by reference to the post restructuring values. Furthermore, as these assets to which the EZAs attach are negligible in value, a disposal of the property to which the qualifying expenditure relates would not result in a material clawback of EZAs claimed prior to 31 December 2007. As a result there is no deferred tax liability recognised in respect of these EZAs.

If the group were to dispose of its property portfolio at the market value disclosed in this 'Business Review', a tax liability of £194.1m would arise (31 December 2006 – £129.1m). This liability is stated after taking into account the tax liabilities relating to deferred accounting profits on properties under construction held for sale and the benefit of the remaining EZAs which would have been crystallised as a balancing allowance. This amount includes tax on trading profits and net chargeable gains that would arise on the sale of properties under construction and properties held for development, including land interests. In line with FRS 19, the benefit of EZAs has not been recognised through the creation of a deferred tax asset in the balance sheet as there is no certainty as to the time period for the realisation of this asset.

Operating results

The following review of the group's operating results relates to the year ended 31 December 2007. The comparatives relate to the year ended 31 December 2006.

Turnover of the group is generated primarily by the rents and service charges earned from its property interests on the Estate, together with the recognition of amounts in respect of work performed on the pre-sale contracts. Turnover for 2007 was £559.4m, against £370.4m for 2006, of which rental income was £234.0m (2006 – £213.7m).

The impact of UITF 28 was to reduce rental income by £41.3m compared with £42.0m for 2006. Excluding the impact of UITF 28, rental income increased by £19.6m from £255.7m in 2006 to £275.3m in 2007 (7.7%), primarily attributable to the benefit of rent reviews and the commencement of rent on recently let space.

Service charge income increased from £53.6m for 2006 to £62.2m for 2007, an increase of £8.6m or 16.0%. The increase over 2006 was attributable to higher occupancy on the Estate. Miscellaneous income (which includes insurance, rents and the provision of tenant specific services outside the standard service charge) fell from £26.7m for 2006 to £24.8m for 2007.

Turnover for 2007 also included £238.4m recognised on the construction of development properties that have been pre-sold (Note 10) in accordance with SSAP 9 (2006 – £76.4m).

Cost of sales includes rents payable and property management costs, movements on provisions for vacant leasehold properties and certain other lease commitments, as well as costs allocated to cost of sales on the construction of properties that have been pre-sold and accounted for as long term contracts. Rents payable and property management costs were £84.4m for 2007 in comparison with £82.2m for 2006. Taking into account service charge and miscellaneous income totalling £87.0m for 2007, a profit on estate management of £2.6m was achieved (2006 – loss of £1.9m). The reduction in void costs mainly derives from recent lettings and the consequent increase in occupancy on the Estate.

Provisions relating to vacant leasehold properties, rent support commitments and certain other obligations increased by £4.2m in 2007, whereas in 2006 there was a net release of such provisions totalling £2.2m. Cost of sales in 2007 also included £2.9m of surrender premiums paid to certain tenants in order to obtain vacant possession. In addition, cost of sales for 2007 included £134.4m of costs on long term contracts (2006 – £76.4m) resulting in £104.0m of profit being recognised on such contracts (2006 – £nil).

Gross profit for 2007 was £333.5m, an increase of £119.0m over 2006, of which £104.0m was attributable to the recognition of profit on long term contracts.

Administrative expenses for 2007 were £46.8m in comparison with £41.7m for 2006. The increase in administrative expenses was in part attributable to the payment of deferred bonuses to management and staff triggered by the achievement of certain performance goals during the year. In addition feasibility study costs were incurred in connection with the review of potential development and investment opportunities.

Operating profit for the period was £309.0m in comparison with £174.4m for 2006. The increase in operating profit of £134.6m was largely attributable to the increase in net property income, including £104.4m of profit recognised on long term contracts and £19.2m of deferred proceeds from the sale of investment properties in prior years.

Net interest payable for 2007 excluding exceptional items was £187.8m, against £193.6m for 2006. Finance costs incurred on the construction loan of £1.8m were capitalised as part of the construction cost of 5 Churchill Place. In 2006, prior to the draw down of the construction loan, £0.7m of general interest payable was capitalised on this building. In 2007 the group restructured its securitised debt resulting in an exceptional charge of £16.9m (Note 4). In 2006 the group recognised a gain of £123.3m in connection with the acquisition of three finance leases which was treated as an exceptional item. Excluding these exceptional items, the reduction in net interest payable of £5.8m was primarily attributable to lower levels of net debt resulting from amounts received on the sale of properties under construction.

The profit on ordinary activities after interest for 2007 was £104.3m in comparison with a profit of £104.1m for 2006. The results for both years included certain exceptional profits and losses as described above. Excluding exceptional items, the profit on ordinary activities after interest for 2007 was £102.0m (2006 – loss of £19.2m).

Taxation for 2007 and 2006 was wholly attributable to deferred tax (Note 5). In 2006 an increase in the deferred tax provision of £60.3m arose primarily from the acquisition of finance leases in the year.

Basic and diluted earnings per share for 2007 was 19.2p in comparison with 6.9p for 2006 (Note 9).

The adjusted basic and diluted earnings per share for 2007 excluding exceptional items and deferred tax was 18.8p (2006 – loss of 2.9p). Adjusted earnings per share for 2007 has been calculated on the profit after tax excluding net exceptional income of £2.3m and the weighted average of 639.0m shares in issue. In 2007 exceptional items comprised deferred proceeds and the release of surplus accruals on properties sold in prior years totalling £19.2m and exceptional charges on restructuring debt of £16.9m. In 2006 exceptional items comprised a gain of £123.3m on the acquisition of finance leases. For the purposes of the calculation of adjusted earnings per share, £61.1m of the deferred tax charge for 2006 (Note 5) has also been excluded as it relates to the acquisition of the finance leases. There were no instruments which gave rise to a dilution of earnings as defined by Financial Reporting Standard 22 (Earnings per share) at 31 December 2007 or 31 December 2006.

Balance sheet and key performance indicators

On the basis of the group's statutory balance sheet, which does not reflect any revaluation of properties held for development or under construction, net assets at 31 December 2007 were £3,206.9m in comparison with £2,905.3m at 31 December 2006. The increase in net asset value was attributable to the revaluation surplus on investment properties of £179.1m and the profit for the year of £122.5m.

The group's main objective is to maximise growth in net assets from increases in investment property values and property development activities, although the group is impacted by movements in the wider property market. The board considers that the most appropriate indicator of the

group's performance is the movement in adjusted net asset value per share prior to payment of dividends. This measure serves to capture the board's judgements concerning, inter alia, letting strategy, redevelopment and financial structure.

Adjusted net asset value takes into account the valuation of properties under construction and properties held for development which are held in the balance sheet at cost. It also adds back the provision for deferred taxation required by accounting standards but which, in management's judgement, is unlikely to crystallise.

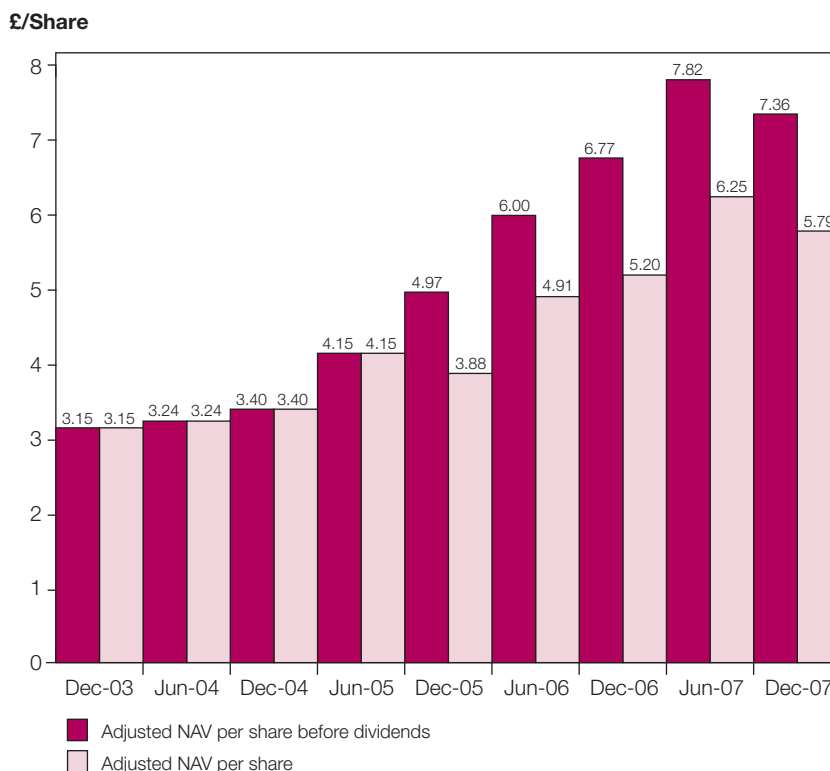
Adjusted net asset value per share at 31 December 2007 is set out in the table below, which for comparison purposes also includes adjusted NNNAV per share.

	31 December 2007 £m	30 June 2007 £m	31 December 2006 £m
Net assets per statutory balance sheet	3,206.9	3,349.7	2,905.3
Add back deferred tax provision	42.3	57.6	60.5
Net assets prior to deferred tax provision	3,249.2	3,407.3	2,965.8
Revaluation of property portfolio:			
– properties held for development ⁽¹⁾	219.7	300.4	210.7
– properties under construction ⁽²⁾	230.2	287.6	148.7
Adjusted net assets⁽³⁾	3,699.1	3,995.3	3,325.2
Fair value adjustments in respect of financial assets and liabilities less tax relief at 30.0% ⁽⁴⁾	(22.8)	8.6	(159.2)
Contingent tax on property disposals ⁽⁵⁾	(194.1)	(285.5)	(129.1)
Undiscounted deferred tax ⁽⁶⁾	(75.4)	(109.2)	(112.1)
Adjusted NNNAV⁽³⁾	3,406.8	3,609.2	2,924.8
Cumulative dividends paid since completion of the offer process ⁽⁷⁾	1,002.0	1,002.0	1,002.0
Adjusted NNNAV before dividends	4,408.8	4,611.2	3,926.8
Adjusted net assets per share⁽⁸⁾	£5.79	£6.25	£5.20
Adjusted net assets per share before dividends	£7.36	£7.82	£6.77
Adjusted NNNAV per share⁽⁸⁾	£5.33	£5.65	£4.58
Adjusted NNNAV per share before dividends	£6.90	£7.22	£6.15

Note:

- (1) Stated at market value in existing state.
- (2) Uplift to market value on pre-sold properties under construction of £295.6m (30 June 2007 – £277.1m, 31 December 2006 – £99.9m) less profit of £104.0m recognised in 2007 (30 June 2007 – £18.2m, 31 December 2006 – £nil) together with an uplift to market value on properties under construction to be retained by the group of £38.6m (30 June 2007 – £28.7m, 31 December 2006 – £48.8m).
- (3) Excludes the potential value to the group of EZAs (refer to 'Business Review – Taxation').
- (4) Refer to Note 16(9).
- (5) Refer to 'Business Review – Taxation'.
- (6) Refer to Note 17.
- (7) The company paid interim dividends as follows: 8 September 2005 – 65p (£407.7m); 30 December 2005 – 45p (£287.6m); 3 November 2006 – 48p (£306.7m).
- (8) Calculated by reference to the closing number of shares of 639.0m (2006 – 639.0m). There were no dilutive instruments outstanding at either date.

The growth in net asset value per share from December 2003 to December 2007 is shown in the following chart which shows the position both before and after dividends:



In arriving at adjusted NAV per share the provision recognised in accordance with FRS 19 has been added back. FRS 19 requires, inter alia, provision for deferred tax on capital allowances claimed, notwithstanding that no tax would become payable unless the related properties were disposed of. In contrast no provision is required for the tax which would become payable if the group was to dispose of its properties at their revalued amount. This inconsistency in the standard has therefore been reversed in calculating the adjusted NAV per share. In calculating the NNNAV per share, however, the full undiscounted liability has been deducted along with the contingent tax payable on disposal of properties at their revalued amount.

NNNAV per share also factors in the fair value of financial assets and liabilities and any contingent tax payable in the event of disposing of the property portfolio.

Risks and uncertainties

The risks and uncertainties facing the business are monitored through continuous assessment and more regular and formal quarterly review and discussion at audit committee and board level. Board and audit committee discussion focuses on the risks identified as part of the

group's system of internal control which highlights key risks faced by the company and allocates specific day to day monitoring and control responsibilities as appropriate. The key risks include the cyclical nature of the property market, financing risk, concentration risk and policy and planning risk.

Cyclical nature of the property market

The valuation of the 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 constantly monitored in order to ensure that the group can react swiftly and flexibly should they arise. The upheaval in the financial markets during 2007 triggered by the problems in the US sub prime mortgage market impacted onto the UK property and financial markets in general. The impact of this market and banking upheaval on the business of the group has been, and continues to be, closely monitored.

Financing risk

The broader economic cycle inevitably leads to movements in inflation, interest rate and bond yields. The group finances its operations largely through a mixture of surplus cash, secured borrowing and debentures. The group borrows at both fixed and floating rates and uses interest rate swaps, caps or collars to modify exposure to interest rate fluctuations. After taking account of interest rate hedging and cash deposits held as collateral, all of the group's facilities are fixed long term loans with an average maturity of 16.2 years. Further details on the management of treasury risk can be found in the section 'Business Review – Treasury objectives'.

Concentration risk

The majority of the group's real estate assets are currently located on or adjacent to the Estate. Wherever possible steps are taken to mitigate or avoid material consequences arising from this concentration. Whilst the focus of the group will remain on and around the Estate, where value can be added the group will consider opportunities elsewhere such as the joint venture arrangements for the redevelopment of Drapers Gardens.

Policy and planning risks

The majority of the group's assets are currently located within a single London borough. Appropriate contact is maintained with local and national government, but changes in governmental policy on planning or taxation could limit the ability of the group to maximise the long term potential of its assets.

Treasury objectives

The principal objectives of the group's treasury function are to ensure the availability of finance to meet the group's current and anticipated requirements and to minimise the group's cost of capital. The treasury function operates as a cost centre rather than a profit centre and does not engage in trading of financial instruments.

The group's financial instruments, other than derivatives, comprise borrowings, cash and liquid resources and various items such as trade debtors and trade creditors that arise directly from its operations. The group enters into derivative transactions (principally interest rate swaps and collars) only in order to manage the interest rate risk arising from the group's variable rate borrowings. The board reviews and agrees policies for managing the risks associated with the group's financial instruments and these policies, which have been applied consistently throughout the year, are summarised below.

Interest rate risk

The group finances its operations through a mixture of surplus cash, bank borrowings and debentures. The group

borrows principally in sterling at both fixed and floating rates of interest and then uses interest rate swaps and collars to generate the desired interest profile and to manage the group's exposure to interest rate fluctuations. The group's policy is to keep the majority of its borrowings at fixed rates, and at 31 December 2007 all of the group's borrowings (31 December 2006 – 99.3%) were fixed after taking account of interest rate hedging and cash deposits held as cash collateral (see Note 16(8)).

Liquidity risk

The group's policy is to ensure continuity of funding and at 31 December 2007 the average maturity of the group's debt was 16.2 years. Shorter term flexibility is achieved by holding cash on deposit and through construction facilities typically with a term of 3 to 6 years arranged to fund the development of new properties.

Exchange rate risk

Although the group's policy is to maximise all financing in sterling, it has previously issued some bonds in US dollars which were redeemed in April 2007. Prior to redemption the bonds were fully hedged with all principal and interest liabilities swapped into sterling at fixed rates.

Credit risk

Swap counter parties of the group's derivative financial instruments are all rated 'A' or better on the S&P rating system. Cash deposits are placed on the money market for varying periods of time with banks that are all 'A' rated or above, or remain on deposit with major UK clearing banks.

The group has a £155.0m construction loan facility secured against 5 Churchill Place provided jointly by Barclays Bank and Bear Stearns and at 31 December 2007 £118.4m remained available to draw down. The Drapers Gardens joint venture, in which the group has a 20.0% interest, has a £172.5m facility with Lehman Brothers, of which £102.0m remained to be drawn down at 31 December 2007.

Borrowings

In April 2007 the group completed a restructuring of its securitisation involving the redemption of £572.6m of FRNs and the issue of £726.0m of new non-amortising FRNs. Additional proceeds of £153.4m were represented principally by £51.0m of C2 Notes, rated A, and £100.0m of D2 Notes, rated BBB. All of the new notes issued mature in October 2037.

During the year the group also entered into a £155.0m 3 year construction loan facility secured on 5 Churchill Place. A total of £36.6m including interest had been drawn down under this facility at 31 December 2007.

At 31 December 2007, net debt (after cash in hand and cash collateral) stood at £2,849.4m, down from £2,971.0m at 31 December 2006 and comprised:

	2007 £m	2006 £m
Securitised debt	2,644.8	2,492.5
Loans	1,263.4	1,269.2
Finance lease obligations	41.7	42.0
Construction loan	35.0	–
Total borrowings	3,984.9	3,803.7
Less:		
– cash collateral for borrowings	(144.0)	(145.2)
– cash collateral for construction	(115.9)	(143.0)
– other cash collateral	(19.9)	(24.7)
Less: cash deposits	3,705.1 (855.7)	3,490.8 (519.8)
Net debt	2,849.4	2,971.0

The increase in total borrowings from £3,803.7m to £3,984.9m reflects the securitisation tap issue completed in April 2007 and draw downs under the new construction loan facility. The increase in cash and term deposits from £832.7m to £1,135.5m is primarily as a result of the net proceeds from the tap issue and the amounts received under the agreement to sell 30 North Colonnade.

At 31 December 2007 the fair value adjustment in respect of the group's financial assets and liabilities (excluding debtors and creditors falling due within one year) calculated in accordance with FRS 13 was £32.5m before tax relief (31 December 2006 – £227.3m).

At 31 December 2007, the group's weighted average cost of debt was unchanged from 31 December 2006 at 5.9% excluding credit wraps (or 6.1% including credit wraps).

Cash flow

Net cash inflow from operating activities for 2007 was £430.4m in comparison with £471.6m for 2006. This caption now includes cash flows relating to properties in the course of construction which were pre-sold. These cash flows served to increase operating cash inflow by £67.8m in 2007 (2006 – £247.7m). Excluding the impact of these cash flows, operating cash inflows increased from £223.9m to £362.6m.

Returns on investments and servicing of finance resulted in an outflow of £196.0m for 2007 compared with £195.5m

for 2006. 2007 included £10.5m of fees on loans drawn down and repaid in the year compared with £4.5m for 2006.

Capital expenditure and financial investment for 2007 resulted in a cash outflow of £104.3m, compared with £32.2m for 2006. 2007 included £91.6m of development expenditure incurred on properties to be retained by the group and funding of the group's investment in associated undertakings of £11.8m. 2006 included £27.0m of deferred consideration received in January 2006 from the sale of 30 South Colonnade in 2005. These inflows were partly offset by development expenditure of £41.4m, property acquisition expenditure of £7.2m and funding of the group's associated undertakings by £10.5m.

The financing cash inflow for 2007 was £172.7m compared with an outflow of £758.6m for 2006. 2007 included net proceeds of £148.0m arising from restructuring the group's securitisation and £34.9m drawn down under the group's construction loan facility. 2006 included £836.6m expended on the acquisition of finance leases by the group, funded by the removal of restrictions over certain cash collateral accounts totalling £836.7m. 2006 also included repayment of £203.6m remaining on a £750.0m loan facility funded by the proceeds of a new £300.0m retail facility.

Directors' Report

for the year ended 31 December 2007

The directors present their report with the audited financial statements for the year ended 31 December 2007.

Principal activities and business review

The principal activity of the company is to act as a holding company for a group which specialises in integrated property development, investment and management. The group's primary business is the provision of grade 'A' office space and high quality retail facilities on the Estate, which comprises some 97 acres within the Central London property market. The group's activities also extend to projects outside of the Estate, such as the Wood Wharf mixed use development via a joint venture with Ballymore and BWB and the redevelopment of Drapers Gardens with its joint venture partner, Exemplar.

A detailed review of the business of the company, both during the year and its position at 31 December 2007, can be found in the Business Review and also in the Chairman's and Chief Executive's Statement. The principal risks and uncertainties facing the group can be found in the Business Review. A measure of the group's performance by reference to an appropriate key performance indicator may be found in 'Business Review – Balance sheet and key performance indicators'.

Post balance sheet events

Details of post balance sheet events are shown in Note 27 to the financial statements.

Results and valuations

The results for the year are set out in the consolidated profit and loss account. Changes in the market value of land and buildings during 2007 are reviewed in the 'Business Review – Valuations'.

Dividends and reserves

There were no dividends declared during the year. The profit for the year of £122.5m (2006 – £43.8m) is to be transferred to reserves. Details of the dividend declaration made on 26 March 2008 can be found in Note 27 to the financial statements.

Share capital

There were 639,015,845 ordinary shares of 1p each in issue at 31 December 2007 and 31 December 2006. The interest of Songbird, through its wholly owned subsidiary Songbird Finance Limited, remained at 60.8% of the issued share capital of the company.

Going concern

The directors are required to prepare the financial statements for each financial year on a going concern basis unless to do so would not be appropriate. Having

made requisite enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue their operations for the foreseeable future and hence the financial statements have been prepared on that basis.

Directors

During the year the following directors served on the board of the company:

A Peter Anderson, II
John Carrafiell
Robert Falls
George Iacobescu CBE
Sir Martin Jacomb
Shmuel (Sam) Levinson
Alexander (Alex) Midgen
Toby Phelps*

* Appointed alternate director to John Carrafiell and Robert Falls on 21 March 2007.

Pursuant to the company's articles of association, John Carrafiell, George Iacobescu and Sam Levinson will retire by rotation at the annual general meeting and, being eligible, will offer themselves for reappointment. John Carrafiell and Sam Levinson are both non-executive directors and, as such, do not have service contracts. The service contract of George Iacobescu is terminable upon not less than 12 months' notice by either party.

Directors' responsibilities

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company, and the group, at the end of the financial year and of the results of the group for the year then ended. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, 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 each company in the group and which enable them to ensure that the financial statements comply with the Companies Act 1985. The directors are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Directors' and officers' liability insurance

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 group also has in place liability insurance covering the directors and officers of group companies. Neither the indemnity or the insurance provide cover in the event that the director is proved to have acted dishonestly or fraudulently.

Corporate governance

As an unlisted public company the company is not required to comply with the provisions of the Combined Code on Corporate Governance. The directors are, however, mindful of their responsibilities to all shareholders and as such the following principles of corporate governance continue to be applied.

- The board comprises two executive directors and five non-executive directors. As well as being non-executive chairman of the company, Sir Martin Jacomb is considered to be an independent non-executive director.
- There is a clear division of responsibilities between the chairman and the chief executive. As non-executive chairman, Sir Martin Jacomb is primarily responsible for the strategic direction of the group and as chief executive, George Iacobescu is responsible for operational control including implementation of all development, construction and maintenance projects.
- The board meets at least four times a year and has formally adopted a schedule of powers which are reserved to the board. The board has full and timely access to all relevant information to enable it to discharge its duties effectively.
- All directors are subject to election by shareholders at the first opportunity following their appointment by the board. Subsequently they must seek re-election at least every three years.
- All directors have direct access to the advice and services of the company secretary and are able to seek independent professional advice at the expense of the company if required in connection with their duties.

- Independent professional advisers specific to the company have been appointed.
- Formal arrangements are in place in relation to the provision of services and information to Songbird.
- The board retains responsibility for the maintenance by the group of a sound system of internal control and for reviewing its effectiveness. In addition to identifying, managing and mitigating risk across the group's operations, the system of internal control is designed to ensure effective and efficient operations and compliance with applicable laws and regulations. The group's system of internal control is continuously reviewed and enhanced to ensure it reflects the current commercial environment.

Committees

Audit, Remuneration and Operating Committees have been established with formally delegated duties and responsibilities. The Terms of Reference (the 'Terms') for all three committees were reviewed and new Terms adopted by the Board during the year. Both the Remuneration and Audit Committees comprise non-executive directors only.

The Audit Committee meets at least four times a year and is chaired by John Carrafiell. All meetings are attended by the company's external auditors who also have direct access to the chairman.

The Remuneration Committee, chaired by Sir Martin Jacomb, is responsible for reviewing the performance of the executive directors and management team, setting their remuneration packages and agreeing compensation policies for the group.

Powers not reserved to the board are delegated to the Operating Committee which is chaired by George Iacobescu and comprises Peter Anderson, John Carrafiell, Robert Falls, Sam Levinson and Toby Phelps.

Policies

Environmental

The company is committed to fully understanding the environmental and social impacts of development on the Estate and, as appropriate, outside projects. As a result, it is also committed to applying environmental best practice wherever practical in the design, construction and management of buildings and their surroundings for the benefit of tenants, employees, the local community, shareholders and the environment. The company has maintained ISO 14001 accreditation since early 2005 with environmental management being an inherent part of construction since 2002. The company is a member of the UK Building Council and the Green 500 and supports the Mayor of London's Climate Change Action Plan and the Clinton Climate Initiative.

Directors' Report continued

for the year ended 31 December 2007

Environmental responsibility

Whilst the board retains overall responsibility for the monitoring and implementation of the group's environmental policy, it is assisted by the company's EMRG which comprises senior executives of the group. In order to identify, manage and respond to the environmental risks and opportunities that may affect the group's operations, a clear governance process has been developed and implemented.

The EMRG is responsible for the development and establishment of the EMS throughout the group which has been developed to focus attention on those objectives and targets where improvements and actions are necessary to meet the governance process adopted by the group. The Environmental System Managers have responsibility for the implementation of the EMS throughout their respective businesses. Employee environmental awareness is key to the success of the EMS and as a result is incorporated into the staff induction programme with regular follow-up/updates via in-house newsletters and presentations.

The group publishes annually a separate Environmental and Social Report which, together with additional supporting information and group publications, can be downloaded from the company's environmental website, www.greencanarywharf.com. The group environmental policies are also set out in full on this website.

Employment

The group is committed to providing a working environment where all employees are treated with respect and dignity. The company has adopted the terms of the Code of Practice for the elimination of racial discrimination, the promotion of equality of opportunity in employment, the elimination of disability discrimination and to a continuing programme of action to make this policy fully effective. The group continues to keep employees informed of events relevant to their employment via 'all staff' communications and intranet. Staff consultative committees, at which matters raised by employees are considered by management and staff representatives, have been established and meet every two months. The group's employment policy is regularly reviewed to incorporate changes to legislation and ensure best practice is maintained.

Equal opportunities

The group is committed to equality of opportunity and it is the policy of the group to make all employment decisions based on the applicant's ability, experience and qualification without regard to age, sex, race, colour, sexual orientation, ethnic origin, disability or marital status. The group values the benefits a diverse workforce can bring. The group embraces diversity as a practical contribution to

its business success. Equality and diversity have a crucial role on two levels, at both the interpersonal and managerial level.

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 group uses its best endeavours to ensure continuity of employment.

Training and development

The group continuously develops its workforce to maximise its success in the marketplace. The training and development of staff is therefore integral to the business process. It is group policy to encourage, facilitate and provide training and development opportunities relevant to its business within a culture of continuous improvement. An annual appraisal programme enables the assessment of individual performance, progress and career prospects within the group.

Health and safety

It is the group's policy that the working conditions of its employees should incorporate the best standards of health, safety and welfare that can reasonably be achieved and that all group premises are maintained as safe environments. Accordingly, adequate resources are made available for these purposes and procedures exist to enable all staff to be informed and consulted on health and safety matters and to make known their views.

When striving to create the best standards of the built environment the group seeks to promote a safe and healthy working environment for its employees, tenants and visitors. The group's continuing commitment to ensuring the health and safety of its employees and all other persons who could be affected by the group's undertakings is embodied into the group health, safety and welfare policy. All legislation relating to health and safety is observed both in letter and in spirit.

Treasury

Details of the group's treasury objectives and policies can be found in the 'Business Review – Treasury objectives' and the fair value of the group's debt is disclosed in Note 16.

Payment of suppliers

It is the group's policy to settle the terms of payment with suppliers when agreeing the terms of each transaction, to ensure that suppliers are made aware of the terms of payment and to abide by the terms of payment.

The number of days of purchases outstanding for the group at 31 December 2007 was 22 (31 December 2006 – 28).

The company had no trade creditors outstanding at either 31 December 2007 or 31 December 2006.

Donations

The group made charitable donations of £394,451 during 2007 (2006 – £208,838) primarily in support of local community initiatives. Political donations (as defined by the Companies Act 2006 and which includes donations in kind) made by the group during 2007 comprised £65,680 to the Labour Party and £11,500 to the Conservative Party (2006 – £10,000 to the Labour Party). In addition, political expenditure (as defined by the Companies Act 2006) of £1,200 (Labour Party) and £3,588 (Conservative Party) was incurred by Canary Wharf Group during 2007. The above figures relate to the financial year and, as such, extend over two shareholder authority periods for political donations and expenditure.

Auditors and disclosure of information to auditors

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

So far as the directors are aware, there is no relevant audit information of which the auditors are unaware and each director has taken all reasonable steps to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Annual general meeting

The annual general meeting of the company will be held at 11.00 am on Wednesday 28 May 2008 at 10 Upper Bank Street, Canary Wharf, London E14 5JJ. The Notice of Meeting, together with an explanation of the items of special business to be considered at the meeting, is enclosed with this report.

By order of the board



JOHN GARWOOD
Secretary
26 March 2008

Independent Auditors' Report to the Members of Canary Wharf Group plc

We have audited the group and individual company financial statements (the 'financial statements') of Canary Wharf Group plc for the year ended 31 December 2007 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the balance sheets, the consolidated cash flow statement and the Notes numbered 1 to 27. 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 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 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. The information given in the 'Directors' Report' includes that specific information presented in the 'Business Review' that is cross-referred from the 'Principal activities and business review' section of the 'Directors' Report'.

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 other information contained in the Annual Report as described in the contents section, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

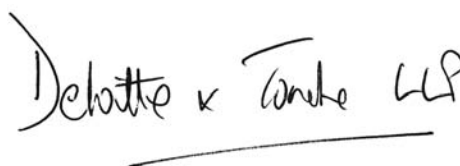
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 and the group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Practice, of the state of affairs of the individual company and of the group as at 31 December 2007 and of the profit of the group 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
United Kingdom
26 March 2008

Consolidated Profit and Loss Account

for the year ended 31 December 2007

	Note	2007 £m	2006 £m
Turnover		559.4	370.4
Cost of sales		(225.9)	(155.9)
Gross Profit		333.5	214.5
Administrative expenses		(46.8)	(41.7)
Other operating income:			
– before exceptional item		3.1	1.6
Exceptional item:			
– deferred proceeds on sale of property	10	19.2	–
		22.3	1.6
Operating Profit	2	309.0	174.4
Interest receivable	3	51.3	43.4
Interest payable:			
– before exceptional item:			
– group	4	(238.7)	(236.7)
– associated undertakings	4	(0.4)	(0.3)
Exceptional item:			
– (charges)/gains relating to repayment of debt	4	(16.9)	123.3
		(256.0)	(113.7)
Profit on ordinary activities before taxation		104.3	104.1
Taxation	5	18.2	(60.3)
Profit for the financial year	19	122.5	43.8
Basic and diluted earnings per share	9	19.2p	6.9p

The above results relate to the continuing activities of the group and its share of its associated undertakings.

The Notes numbered 1 to 27 form an integral part of these financial statements.

Movements in reserves are shown in Note 19 to these financial statements.

Consolidated Statement of Total Recognised Gains and Losses

for the year ended 31 December 2007

	Note	2007 £m	2006 £m
Profit for the financial year after taxation:			
– group		122.9	44.1
– share of loss of associated undertakings		(0.4)	(0.3)
Unrealised surplus on revaluation of investment properties	10	179.1	790.9
Total recognised gains and losses relating to the year		301.6	834.7

Consolidated Balance Sheet

at 31 December 2007

	Note	2007 £m	2006 £m
Fixed assets			
Investment properties	10	5,908.4	5,715.9
Properties under construction	10	61.4	46.2
Properties held for development	10	232.3	204.3
Other tangible fixed assets	11	0.9	0.4
Investments	12	24.8	13.3
		6,227.8	5,980.1
Current assets			
Debtors: due in more than one year	13	302.9	342.5
Debtors: due within one year	13	69.4	53.3
Cash at bank and in hand	14	1,135.5	832.7
		1,507.8	1,228.5
Creditors: Amounts falling due within one year	15	(534.4)	(438.1)
		973.4	790.4
Net current assets			
		7,201.2	6,770.5
Total assets less current liabilities			
Creditors: Amounts falling due after more than one year	16	(3,924.6)	(3,763.8)
Provisions for liabilities	17	(69.7)	(101.4)
		3,206.9	2,905.3
Net assets			
Capital and reserves			
Called up share capital	18	6.4	6.4
Reserves:			
– share premium	19	146.2	146.2
– revaluation reserve	19	3,211.8	3,032.7
– capital redemption reserve	19	0.7	0.7
– special reserve	19	264.8	264.8
– profit and loss account	19	(423.0)	(545.5)
		3,206.9	2,905.3
Shareholders' funds			
	20	3,206.9	2,905.3

The Notes numbered 1 to 27 form an integral part of these financial statements.

Approved by the board on 26 March 2008 and signed on its behalf by:



A PETER ANDERSON, II
Managing Director, Finance

Company Balance Sheet

at 31 December 2007

	Note	2007 £m	2006 £m
Fixed assets			
Investments	12	<u>2,776.1</u>	<u>2,461.1</u>
Current assets			
Debtors	13	<u>1,157.0</u>	<u>1,015.4</u>
Cash at bank and in hand		<u>0.8</u>	<u>0.1</u>
		<u>1,157.8</u>	<u>1,015.5</u>
Creditors: Amounts falling due within one year	15	<u>(8.9)</u>	<u>(8.5)</u>
Net current assets		<u>1,148.9</u>	<u>1,007.0</u>
Total assets less current liabilities		<u>3,925.0</u>	<u>3,468.1</u>
Creditors: Amounts falling due after one year	16	<u>(498.6)</u>	<u>(477.2)</u>
Net assets		<u>3,426.4</u>	<u>2,990.9</u>
Capital and reserves			
Called up share capital	18	<u>6.4</u>	<u>6.4</u>
Reserves:			
– share premium	19	<u>146.2</u>	<u>146.2</u>
– capital redemption reserve	19	<u>0.7</u>	<u>0.7</u>
– special reserve	19	<u>2,396.8</u>	<u>2,081.8</u>
– profit and loss account	19	<u>876.3</u>	<u>755.8</u>
Shareholders' funds	20	<u>3,426.4</u>	<u>2,990.9</u>

The Notes numbered 1 to 27 form an integral part of these financial statements.

Approved by the board on 26 March 2008 and signed on its behalf by:



A PETER ANDERSON, II
Managing Director, Finance

Consolidated Cash Flow Statement

for the year ended 31 December 2007

	Note	2007 £m	2006 £m
Net cash inflow from operating activities	22	430.4	471.6
Returns on investments and servicing of finance	23	(196.0)	(195.5)
Capital expenditure and financial investment	23	(104.3)	(32.2)
Equity dividend paid		-	(306.7)
		(300.3)	(534.4)
Cash inflow/(outflow) before management of liquid resources and financing		130.1	(62.8)
Management of liquid resources	23	33.1	675.0
Financing	23	172.7	(758.6)
Increase/(decrease) in cash in the year	24	335.9	(146.4)

The above cash flows relate to the continuing activities of the group.

The Notes numbered 22 to 24 form an integral part of this cash flow statement.

Notes to the Financial Statements

for the year ended 31 December 2007

1 Basis of preparation and principal accounting policies

A summary of the principal accounting policies of the group, all of which have been applied consistently throughout this and the preceding year, is set out below. In the consolidated cash flow statement, cash flows resulting from long term contracts have been reclassified from capital expenditure and financial investment to cash inflows from operating activities.

(1) **Accounting convention**

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties in accordance with Note 1(4) below, and in accordance with applicable United Kingdom accounting standards.

(2) **Basis of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiary undertakings at 31 December 2007 and their results for the year then ended.

(3) **Profit and loss account**

Turnover, which is stated net of VAT, comprises rental income and service charges and revenues earned on long term contracts. Marketing and administrative costs which are not development expenses are charged to the profit and loss account when incurred.

Rental income is recognised on a straight line basis over the life of the lease or until each review date as appropriate. Service charge income is recognised as it falls due. The group's policy on the recognition of income on long term contracts is disclosed in Note 1(4) below.

(4) **Property interests**

The group's property interests comprise investment properties, properties under construction and properties held for development.

Investment properties

Investment properties are revalued at the balance sheet date and, in accordance with SSAP 19, no provision is made for depreciation. This departure from the requirements of the statutory accounting rules (which require all properties to be depreciated) is, in the opinion of the directors, necessary for the financial statements to show a true and fair view. Depreciation is only one of the factors reflected in the annual valuation and the amount attributable to this factor is not capable of being separately identified or quantified. Surpluses or deficits on investment properties are transferred to the revaluation reserve, unless a deficit is expected to be permanent and exceeds previous surpluses recognised on the same property, in which case the excess is charged to the profit and loss account.

Properties under construction and properties held for development

Properties held for development and properties under construction which are to be retained are categorised as fixed assets and included in the consolidated balance sheet at their fair value at the date of acquisition by CWEL of the CWHL group in December 1995, together with subsequent additions at cost, less subsequent disposals, subject to any provision for impairment.

Properties under construction which are to be retained are transferred to investment properties on an individual building basis when construction is complete and the properties are substantially let.

Properties under construction, or held for development where the group has entered into an agreement for sale, are categorised as current assets and stated at the lower of cost (namely fair value at the date of acquisition plus subsequent additions at cost) and net realisable value. Turnover on such contracts is calculated by reference to the cost of work performed to date as a proportion of the total anticipated cost of the project. Profit is recognised when the final outcome of the project can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses.

Additions to properties under construction or held for development include all expenses of development, including attributable interest where appropriate. Interest capitalised is calculated by reference to the rate of interest payable on the borrowings drawn down to finance the development.

Disposal of properties

Profits or losses arising from the sale of investment properties are calculated by reference to the carrying value at the end of the previous year, adjusted for UITF 28 and subsequent capital expenditure and are included in the profit and loss account as an exceptional item. Such profits or losses are recognised upon completion of sale.

Properties acquired with the intention of re-sale are categorised as current assets and stated at the lower of cost and net realisable value. Profits or losses arising on the sale of such assets are included in the profit and loss account.

(5) **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 lease incentives is included within debtors due in more than one year and spread on a straight line basis over a similar period. Accordingly the valuation of investment properties is reduced for these incentives.

(6) **Other tangible fixed assets**

Other tangible fixed assets are stated at cost net of depreciation and any provision for impairment. They 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:

Computer equipment	33%
Fixtures and equipment	25%

(7) **Debt**

Debt instruments are stated initially at the amount of 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 in that period. Finance costs are charged to the profit and loss account, except in the case of development financings where interest and related financing costs are capitalised as part of the cost of development.

The group uses derivative financial instruments to manage exposure to interest rate movements. The group 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.

(8) **Investments**

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

Investments in associated undertakings are included in the financial statements using the equity method. In the consolidated balance sheet, investments in associated undertakings are stated at the group's share of net assets. The group's share of the associated undertakings' profits or losses after tax is included in the consolidated profit and loss account.

(9) **Finance leases**

Sales and leasebacks (where the leaseback is treated as a finance lease as defined by SSAP 21 and FRS 5) are recorded in the balance sheet as assets and as obligations to pay future rentals. Rents payable are apportioned between the finance charge and a reduction in the outstanding obligation for future amounts payable.

The total finance charge, which includes the amortisation of deferred expenses relating to finance leases, is allocated to accounting periods over the lease terms so as to produce a constant periodic charge on the remaining balance of the obligation for each accounting period.

(10) **Vacant leasehold property**

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

(11) **Pensions**

The group currently operates two defined contribution pension schemes. Pension contributions in respect of these schemes are accrued as they fall due.

Notes to the Financial Statements continued

for the year ended 31 December 2007

(12) **Accounting for share options**

B Shares are held in trust in connection with the Deferred Plan. A number of the options granted under the Deferred Plan that have vested and remained outstanding at 31 December 2007 allow the holders to opt for a cash settlement. The cash alternative is calculated at the end of the vesting period in accordance with the terms of the grant and linked to the market price of the B Shares at that date. For cash settled share options, a liability is recorded based on the market value of the shares at each balance sheet date. The cost of equity settled share options is measured at the grant date and is based on the market value of B Shares at that date. In both cases the associated cost is charged to the same expense category as the employment cost of the relevant employee, spread on a straight line basis over the relevant vesting period. The carrying value of the B Shares held in trust continues to be recorded as a fixed asset investment at historical cost.

(13) **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 at the average tax rates expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

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 underlying timing differences will reverse or, where the timing differences are not expected to reverse, a period not exceeding 50 years. Discount rates of 3.1% to 3.2% 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.

2 Operating profit

Operating profit is stated after charging:

	Note	2007 £'000	2006 £'000
– depreciation	11	353	180
– amortisation of investment in B Shares	12	–	459
– directors' emoluments	8	7,174	7,210
– operating lease rentals:			
– land and buildings		10,253	4,752

The operating lease rentals relate to the vacant leasehold properties referred to in Note 17. 2007 includes a surrender premium of £6,350,000 paid on one of these properties.

	2007 £'000	2006 £'000
Remuneration of the auditors:		
– audit fees for the audit of the company	50	45
– audit of subsidiaries pursuant to legislation	378	357
Total audit fees	<u>428</u>	<u>402</u>
Fees to the auditors for other services:		
– other services pursuant to legislation	46	40
– corporate finance transactions	72	63
– taxation	355	213
– other services	192	154
– pension fund audit	10	12
– other pension fund services	–	40
Total non audit fees	<u>675</u>	<u>522</u>

Audit fees

Audit fees of £50,000 were incurred by the company in 2007 out of a total of £427,845 (2006 – £45,000 out of £402,500).

3 Interest receivable

	2007 £m	2006 £m
Bank interest receivable	<u>51.3</u>	<u>43.4</u>

4 Interest payable

	2007 £m	2006 £m
Notes and debentures	160.3	154.6
Bank loans and overdrafts	76.3	78.4
Finance lease charges	2.1	4.4
Construction loan	1.8	–
Share of associated undertakings	0.4	0.3
	<u>240.9</u>	<u>237.7</u>
Less:		
Interest at 6.5% (2006 – 6.1%) on the construction loan transferred to properties under construction	<u>(1.8)</u>	<u>(0.7)</u>
Interest payable before exceptional items	239.1	237.0
Exceptional items:		
– gain relating to repayment of finance leases	–	(123.3)
– charges relating to early repayment of debt:		
– prepayment and breakage costs	0.6	–
– write off of deferred financing costs and other accounting adjustments	16.3	–
	<u>16.9</u>	<u>(123.3)</u>
Total interest payable	<u>256.0</u>	<u>113.7</u>

Notes to the Financial Statements continued

for the year ended 31 December 2007

During 2006 the group recognised gains on the acquisition of finance leases totalling £123.3m. These gains were taken to the profit and loss account as an exceptional item in 2006. As a result of the property interests acquired, the group recognised a deferred tax provision (Note 17).

Financing costs relating to the inception of the group's debt are deferred and amortised to the profit and loss account over the term of the debt at a constant rate based on the carrying amount of the debt in accordance with FRS 4. In addition, any premium on issue of debt is deferred and amortised over the term of that debt. As a result of prepaying certain of the group's borrowings, the unamortised portion of the financing costs relating to the debt prepaid, totalling £16.3m, was written off to the profit and loss account in 2007 and shown as an exceptional item. There was no deferred tax as a result of the repayment of debt in the year.

For 2007, interest payable of £1.8m was transferred to properties under construction (Note 10) representing financing costs associated with the group's construction loan facility. In 2006 £0.7m was transferred to properties under construction that was attributable to the cost of funds forming part of the group's general borrowings which were utilised in financing construction.

5 Taxation

	2007 £m	2006 £m
Current tax:		
UK corporation tax (see below)	–	–
Deferred tax:		
Origination and reversal of timing differences:		
– current period	16.2	(60.2)
– changes in tax rate	3.0	–
Net effect of discount	(1.0)	(0.1)
Total deferred tax (Note 17)	<u>18.2</u>	<u>(60.3)</u>
Total tax credit/(charge) on profit on ordinary activities	<u>18.2</u>	<u>(60.3)</u>
Tax reconciliation:		
Group profit on ordinary activities before tax	<u>104.3</u>	<u>104.1</u>
Tax on profit on ordinary activities at UK corporation tax rate of 30%	<u>(31.3)</u>	<u>(31.2)</u>
Effects of:		
Tax losses, allowances and other timing differences	32.5	32.5
Expenses not deductible for tax purposes	(1.2)	(1.3)
Current tax charge for the period	<u>–</u>	<u>–</u>

The charges and credits for 2007 and 2006 relate solely to deferred tax.

During 2006 the group acquired property interests where it is possible that a clawback of EZAs may arise in the event that those property interests are sold. Under FRS 19 a deferred tax liability net of discount of £42.8m (31 December 2006 – £61.1m) is recognised. Other movements in deferred tax of £0.1m resulted in a total charge to the profit and loss account for the year of £18.2m (Note 17).

No provision for corporation tax has been made in the consolidated results of the group for 2007 or 2006 due to the availability of tax losses and other tax reliefs arising in those periods. It is anticipated that remaining capital losses and other tax reliefs including EZAs will reduce future tax charges.

6 Profit for the financial year

Of the consolidated profit transferred to reserves of £122.5m (2006 – £43.8m) a profit of £435.5m (2006 – £1,026.9m) is dealt with in the company's financial statements. The company's profit included £115.0m (2006 – £440.0m) attributable to subsidiary dividends received and a £315.0m release of the provision against the company's investment in subsidiaries (2006 – £600.0m). As permitted by Section 230(3) of the Companies Act 1985, no profit and loss account is presented for the company.

7 Dividends

	2007 £m	2006 £m
Dividends	–	306.7
	–	306.7

No dividends were declared or paid during 2007. On 30 October 2006, the company declared an interim dividend of 48p per ordinary share totalling £306.7m which was paid on 7 November 2006.

8 Directors and employees

(1) Staff costs

All employees of the group, including directors:

	2007 £m	2006 £m
Wages and salaries	55.5	45.7
Social security costs	6.5	5.2
Other pension costs (Note 21)	3.0	2.6
	65.0	53.5

A deferred cash incentive plan has been established to retain and incentivise the executive directors and senior members of the management team. Initial payments under this plan were made in 2006 and 2007. Further payments are linked to participants remaining employed by the group and to two sets of performance related milestones which include leasing, financial and operational targets.

The average monthly number of employees, including directors, of the group during 2007 was 869 (2006 – 760) as set out below.

	2007	2006
Construction	205	114
Property management	525	517
Administration	139	129
	869	760

Notes to the Financial Statements continued

for the year ended 31 December 2007

(2) Directors' remuneration

	2007 £'000	2006 £'000
Emoluments (including bonuses)	<u>7,174</u>	<u>7,210</u>

The amounts shown above exclude benefits arising on the exercise of options granted to the executive directors under the Deferred Plan, details of which are set out at (4) below.

No contributions were made by the company during 2007 or 2006 to any pension plan for the benefit of the executive directors. Contributions made by the company during earlier years either remain within the company's money purchase pension plan or have been transferred into another arrangement at the election of the director.

(3) Highest paid director

The amounts set out in (2) above include remuneration in respect of the highest paid director as follows:

	2007 £'000	2006 £'000
Emoluments (including bonuses)	<u>3,747</u>	<u>3,684</u>

No contributions were made by the company during 2007 or 2006 to any pension plan for the benefit of the highest paid director. Details of share based payments received by the highest paid director during 2007 are disclosed in (4) below.

(4) Directors' share options

No director held any options to subscribe for ordinary shares in the company during the year. The aggregate emoluments disclosed above do not include any options granted under the Deferred Plan to subscribe for B Shares. The following table provides details of the executive directors' share options under the Deferred Plan both during the year and at 31 December 2007.

	Date of grant	Exercisable from	1 January 2007	Exercised during year	31 December 2007
G Iacobescu CBE	23/09/04	21/05/06	439,970	–	439,970

Note:

- (1) None of the other directors have any remaining unexercised options.
- (2) Options granted under the Deferred Plan do not benefit from HMRC approval for income tax and national insurance purposes.

Further information about the Deferred Plan, under which options have been granted over B Shares may be found in (5) below.

(5) Share based payments

During the year the company operated the Deferred Plan in conjunction with the Trust.

The Deferred Plan is a discretionary plan which does not benefit from approved status for income tax purposes. Under the terms of the Deferred Plan, options over B Shares are granted to participants at the discretion of the Remuneration Committee. No consideration is payable for the grant of an option and an exercise price of £1.00 is payable upon exercise, in full or in part, of the option. Unless the Remuneration Committee determines otherwise, an option may normally be exercised on or after the first anniversary of the grant date in respect of 50.0% of the B Shares to which it relates. The balance of the option may normally be exercised on or after the second anniversary of the grant date. Options normally lapse on the third anniversary of the date of grant unless determined otherwise by the board. Upon exercise or part-exercise of an option, the participant also receives a distribution equating to any net dividend received on the shares since the date of grant. The trustee of the Trust waives its entitlement to dividend (save for 0.01p per share) on any shares in excess of those required to satisfy outstanding options. The terms of the Deferred Plan allow participants who were granted options on or after December 2005 to elect to take a cash equivalent value in substitution for exercising their options.

During the year options over 148,750 B Shares were exercised under the Deferred Plan and participants with options over a further 46,000 B Shares elected to take a cash sum in substitution for exercising their options. At 31 December 2007, options over 744,220 B Shares were outstanding.

Date of grant	Exercise period	1 January 2007 B Shares	Exercised B Shares	Surrendered for cash alternative B Shares	31 December 2007 B Shares	Aggregate net value ⁽¹⁾ of shares at date of exercise or surrender £	Share distributions ⁽²⁾ made by Trustee out of dividend income £
23/09/04	21/05/06 to 22/09/08	439,970	–	–	439,970	–	–
03/05/05	21/05/06 to 22/09/08	60,000	–	–	60,000	–	–
20/12/05	20/12/06 to 19/12/08	138,000	(57,500) ⁽³⁾	(23,000) ⁽⁴⁾	57,500	216,409	50,313
20/12/05	20/12/07 to 19/12/08	289,500	(85,500) ⁽⁵⁾	(23,000) ⁽⁶⁾	181,000	184,464	96,023
05/12/06	20/12/07 to 19/12/08	5,750	(5,750) ⁽⁵⁾	–	–	9,660	4,054
05/12/06	01/05/08 to 19/12/08	5,750	–	–	5,750	–	–
		<u>938,970</u>	<u>(148,750)</u>	<u>(46,000)</u>	<u>744,220</u>	<u>410,533</u>	<u>150,390</u>

Note:

- (1) Market value of shares less cost of exercise.
- (2) Dividends received on shares under option are distributed to participants as and when the options are exercised or a cash equivalent value is taken in substitution for exercising the option.
- (3) Exercised over various dates throughout the year at an average price of £2.373.
- (4) Surrendered for cash alternative on 9 January 2007 at a price of £3.477.
- (5) Exercised on 20 December 2007 at an average price of £1.700.
- (6) Surrendered for cash equivalent on 20 and 21 December 2007 at an average price of £1.735.

Details of the options held by the executive directors can be found at (4) above.

The Trust holds B Shares which may be used to satisfy options granted under the Deferred Plan or any other share plan the company may adopt. The assets of the Trust are held separately from those of the company and the trustee of the Trust is Halifax EES Trustees International Limited.

Where a participant has the right to take a cash alternative sum in substitution for exercising an option the company has agreed to loan the necessary sum to the trustee and the trustee has agreed to sell such shares as may be necessary to repay the loan unless determined otherwise by the board.

At 31 December 2007, the trustee of the Trust held 966,223 B Shares (31 December 2006 – 1,124,973).

At 31 December 2007 the group had accrued £0.4m in respect of its liability under the Deferred Plan (31 December 2006 – £1.0m). This amount related to shares over which options had vested but had not been exercised (31 December 2006 – £0.5m).

9 Earnings per share

The basic and diluted earnings per share for 2007 have been calculated by reference to the profit attributable to ordinary shareholders after taxation of £122.5m (2006 – £43.8m) and on the weighted average of 639.0m shares in issue at each year end.

There were no outstanding dilutive instruments at either balance sheet date.

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for the year ended 31 December 2007

10 Investment properties, properties held for development and properties under construction

Freehold properties held as tangible fixed assets:

	Investment properties £m	Properties held for development £m	Properties under construction £m
1 January 2007 (pre-adjustment for UITF 28)	6,058.4	204.3	46.2
Adjustment for UITF 28	(342.5)	–	–
1 January 2007	5,715.9	204.3	46.2
Additions (net of adjustment for UITF 28)	13.4	28.0	35.9
Transferred to pre-sold properties under construction	–	–	(20.7)
Revaluation	179.1	–	–
31 December 2007	5,908.4	232.3	61.4
Adjustment for UITF 28 (Note 13)	302.9		
Market value at 31 December 2007	6,211.3		
Of which, subject to lease and finance leaseback arrangements	103.2		
Historical cost	2,564.2		

Pre-sold properties under construction

Transferred from properties under construction	20.7
Additions	125.6
SSAP 9 accrual	(9.5)
Transferred to cost of sales	(134.5)
Transferred to payments on account	(2.3)
31 December 2007	–

Additions to properties for 2007 totalled £206.2m. In the above table additions are stated net of £3.3m of tenant works which have been classified as other tenant incentives for the purposes of UITF 28 (Note 13).

In June 2007 the group entered into an agreement for the sale of 30 North Colonnade and received an initial payment of £165.4m which has been treated as a payment on account (Note 15). The historical cost to the group of the site was £20.7m. This amount has been transferred from properties under construction to pre-sold properties under construction held as a current asset. At 31 December 2007 the carrying value of this and other properties carried as current assets is stated net of amounts taken to cost of sales, accrued or transferred to payments on account in accordance with SSAP 9.

During 2007 the group also received £8.3m of deferred proceeds and released surplus accruals and deferred income totalling £10.9m relating to the sale of properties in 2003.

Investment properties are recorded at valuation less the cost of unamortised tenant incentives incurred at the balance sheet date in accordance with UITF 28. The unamortised tenant incentives are held within debtors falling due in more than one year in the balance sheet (Note 13).

The group's investment properties have been revalued externally at 31 December 2007 on the basis of market value. The valuation of office investment properties was undertaken by either CBRE or Savills. The valuation of retail investment properties was undertaken by Cushman. Each property has been valued individually on a free and clear basis and not as part of a portfolio and no account has been taken of any intragroup leases or arrangements. Whilst allowance has been made for any purchaser's expenses, no allowance has been made for any seller's expenses of realisation or for any taxation which might arise in the event of disposal. The surplus arising on the valuations at 31 December 2007 of £179.1m has been transferred to the revaluation reserve.

Properties held for development at 31 December 2007, which are to be retained as investment properties, are carried at their fair value at the time of acquisition of the CWHL group in December 1995, less subsequent disposals plus additions at cost, subject to any provision for impairment.

At 31 December 2007, properties under construction held for investment included £2.5m in respect of financing costs (31 December 2006 – £0.7m).

11 Other tangible fixed assets

	Fixtures and equipment £m	Computer equipment £m	Total £m
Cost:			
1 January 2007	12.0	1.0	13.0
Additions	0.8	0.1	0.9
31 December 2007	12.8	1.1	13.9
Depreciation:			
1 January 2007	(11.6)	(1.0)	(12.6)
Charge for the period (Note 2)	(0.3)	(0.1)	(0.4)
31 December 2007	(11.9)	(1.1)	(13.0)
Net book amount:			
31 December 2007	0.9	–	0.9
31 December 2006	0.4	–	0.4

12 Investments

	2007		2006	
	Group £m	Company £m	Group £m	Company £m
Subsidiary undertakings	–	2,776.1	–	2,461.1
Associated undertakings	24.2	–	12.6	–
Shares	0.4	–	0.5	–
Other investments	0.2	–	0.2	–
	24.8	2,776.1	13.3	2,461.1

In June 2007 the group entered into a joint venture with MSREF V and Exemplar to undertake the redevelopment of Drapers Gardens. The group has invested £6.7m and incurred fees of £0.7m in consideration for a 20.0% stake in the joint venture. This investment has been accounted for as an investment in an associated undertaking. Drapers Gardens has a reporting date of 31 December and its results attributable to the group have been derived from its management accounts to 31 December 2007. Drapers Gardens is structured as a Jersey property unit trust and the unit holders in which the company has an investment are registered in the Netherlands.

In April 2005, BWB appointed the group, together with Ballymore, as its partner for the development of Wood Wharf. WWLP is incorporated in the United Kingdom and has been established to oversee the development of an approximately 6.5m sq ft (gross) mixed use scheme in which the group has a 25.0% effective interest. The group has subscribed for £1,000 of equity share capital in the partners of WWLP and for interest free long term redeemable loan notes totalling £15.5m to fund the working capital requirements of the partnership, which are redeemable at par in 2030, subject to being repayable out of development profits.

In addition to the funding loan, the investment in WWLP includes an initial entry premium of £1.9m and is stated net of the group's share of WWLP's losses since acquisition.

Notes to the Financial Statements continued

for the year ended 31 December 2007

WWLP has entered into a loan facility of £9.0m, repayable in 2010 of which £5.2m had been drawn down at 31 December 2007 (31 December 2006 – £nil). This must first be repaid before the loan provided to WWLP by the group can be repaid. All loans must have been repaid in full prior to any dividends being declared.

The group's share of the results and net assets of its associated undertakings at 31 December 2007 are as follows:

	Drapers Gardens £m	WWLP £m	Total £m
Loss before interest and tax	–	(1.5)	(1.5)
Interest receivable	–	1.9	1.9
Interest payable	–	(1.9)	(1.9)
Loss after interest and tax	–	(1.5)	(1.5)
Group share	–	(0.4)	(0.4)
Net assets	<u>33.7</u>	<u>59.0</u>	<u>92.7</u>
Group share	<u>6.7</u>	<u>14.7</u>	<u>21.4</u>

The investment in shares represents the B Shares held in trust in connection with the group's share option scheme (Note 8(5)).

	£m
Cost:	
1 January 2007	1.1
Transferred to participants in the deferred plan	<u>(0.1)</u>
31 December 2007	1.0
Amounts amortised at 1 January and 31 December 2007	<u>(0.6)</u>
Net book amount:	
31 December 2007	<u>0.4</u>
31 December 2006	<u>0.5</u>

There was no amortisation in 2007. In 2006 £0.5m was charged to the profit and loss account. Further details of movements in the investment in B Shares are given in Note 8(5).

The group owns 52,079 0.1p B preferred ordinary shares and 72,050 0.1p ordinary shares in HSO, an unlisted company registered in England and Wales, being approximately 13.0% of its nominal share capital. The principal activity of HSO is the provision of broadband telecommunications services. The consideration paid was £2.1m representing the historical cost to the group including fees. During 2007 the carrying value of the investment was held at £0.2m (after a total provision of £1.9m), based on the net asset value of HSO at 31 December 2007.

The company holds the entire issued share capital of CWEL comprising 651,778,264 ordinary shares of 1p each. The directors have considered the value of the company's investment in CWEL at 31 December 2007 and the investment was stated at £2,776.1m, net of a provision of £209.0m (2006 – £2,461.1m, net of a provision of £524.0m).

At 31 December 2007 the company's principal subsidiary undertakings, all of which were incorporated in Great Britain, registered in England and Wales and are wholly owned, were as follows:

Name	Description of shares	Principal activities
Canary Wharf Estate Limited ⁽¹⁾	£1 Ordinary	Holding company
Canary Wharf Holdings Limited	£1 Ordinary	Holding company
	£1 Preferred Redeemable	
Canary Wharf Limited	£1 Ordinary	Property development
	£1 Preferred Redeemable	
Canary Wharf Investments Limited	£1 Ordinary	Property investment
	£1 Deferred	
Canary Wharf Contractors Limited	£1 Ordinary	Property construction
Canary Wharf Management Limited	£1 Ordinary	Property management
Heron Quays Properties Limited	£1 Ordinary	Property development
Norquil Limited	£1 Ordinary	Property investment
Canary Wharf Finance II plc	£1 Ordinary	Investment company
CW Lending II Limited	£1 Ordinary	Investment company
Canary Wharf Developments Limited ⁽¹⁾	£1 Ordinary	Property development

Note:

(1) Held directly by the parent company.

A complete list of the company's subsidiary undertakings will be attached to the company's annual return when it is submitted to the Registrar of Companies.

13 Debtors

	2007		2006	
	Group £m	Company £m	Group £m	Company £m
Due within one year:				
Trade debtors	10.4	–	6.0	–
Other debtors	33.0	–	10.6	0.5
Amounts owed by subsidiary undertakings	–	310.7	–	323.8
Loans to subsidiary undertakings	–	845.5	–	690.1
Prepayments and accrued income	26.0	0.8	36.7	1.0
	69.4	1,157.0	53.3	1,015.4

Loans to subsidiary undertakings carry interest at a rate linked to LIBOR and are repayable on demand.

	Rent free periods £m	Other tenant incentives £m	Total £m
Due in more than one year:			
1 January 2007	114.7	227.8	342.5
Transferred from properties held as fixed assets (Note 10)	–	3.3	3.3
Recognition of rent during rent free periods	10.6	–	10.6
Amortisation of lease incentive	(8.6)	(43.3)	(51.9)
Unwind of discount/release of other lease provisions	–	(1.6)	(1.6)
31 December 2007	116.7	186.2	302.9

Notes to the Financial Statements continued

for the year ended 31 December 2007

Debtors due in more than one year comprise the cumulative adjustment in respect of lease incentives required by UITF 28. Lease incentives include rent free periods and other incentives given to lessees on entering into lease arrangements. 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 market rent review if earlier.

The cost of other lease incentives is included within debtors due in more than one year and spread on a straight line basis over a similar period. Accordingly the external valuation of investment properties is reduced for these incentives.

14 Financial assets

The group's financial assets comprise short term trade debtors (Note 13) and cash deposits. Cash deposits totalled £1,135.5m at 31 December 2007 (31 December 2006 – £832.7m) comprising deposits placed on money market at call and term rates. Total cash deposits included £144.0m (31 December 2006 – £145.2m) held by third parties as cash collateral for the group's borrowings, £115.9m (31 December 2006 – £143.0m) charged to third parties in connection with the group's construction obligations, and a further £19.9m (31 December 2006 – £24.7m) charged to third parties as security for the group's obligations. Unsecured cash deposits totalled £855.7m at 31 December 2007 (31 December 2006 – £519.8m).

15 Creditors: amounts falling due within one year

	2007		2006	
	Group £m	Company £m	Group £m	Company £m
Borrowings (Note 16)	60.3	–	39.9	–
Trade creditors	20.3	–	13.5	–
Amounts due to subsidiary undertakings	–	2.8	–	4.1
Taxation and social security costs	8.2	2.8	5.3	–
Other creditors	37.8	–	30.6	0.8
Accruals	72.4	3.3	92.1	3.6
Deferred income	80.7	–	55.1	–
Payments on account	254.7	–	201.6	–
	534.4	8.9	438.1	8.5

Payments on account comprise the amounts received in respect of the pre-sales of the following freehold properties:

	20 Churchill Place £m	15 Canada Square £m	30 North Colonnade £m	Total £m
1 January 2007	149.7	51.9	–	201.6
Amounts received	22.9	85.6	180.5	289.0
Recorded as turnover	(109.3)	(54.3)	(74.8)	(238.4)
Applied as an offset against long term contract balances	1.5	(1.7)	(2.1)	(2.3)
Deferred interest	2.9	1.9	–	4.8
31 December 2007	67.7	83.4	103.6	254.7

16 Creditors: amounts falling due after more than one year

Creditors due after more than one year comprise:

	2007		2006	
	Group £m	Company £m	Group £m	Company £m
Securitised debt	2,606.0	–	2,473.6	–
Construction loans	35.0	–	–	–
Other secured loans	1,241.9	–	1,248.2	–
Finance lease obligations	41.7	–	42.0	–
Amounts due from subsidiary undertakings	–	498.6	–	477.2
	3,924.6	498.6	3,763.8	477.2

The amounts at which borrowings are stated comprise:

	Securitised debt £m	Construction loan £m	Other secured loans £m	Finance lease obligations £m	Total £m
1 January 2007	2,492.5	–	1,269.2	42.0	3,803.7
Drawn down	726.0	34.9	–	–	760.9
Deferred financing expenses	(7.2)	(1.6)	1.1	–	(7.7)
Accrued finance charges	(1.4)	1.7	(0.1)	(0.3)	(0.1)
Repaid in year	(581.4)	–	(6.8)	–	(588.2)
Exceptional charge on loan repayment	16.3	–	–	–	16.3
31 December 2007	2,644.8	35.0	1,263.4	41.7	3,984.9
Payable within one year or on demand	38.8	–	21.5	–	60.3
Payable in more than one year	2,606.0	35.0	1,241.9	41.7	3,924.6
	2,644.8	35.0	1,263.4	41.7	3,984.9

(1) At 31 December 2007 the following notes issued by CWF II were outstanding:

Class	Principal £m	Interest	Repayment
A1	1,215.0	6.455%	By instalment from 2009 to 2033
A3	400.0	5.952%	By instalment from 2032 to 2037
A7	222.0	Floating	By instalment from 2035 to 2037
B	217.7	6.800%	By instalment from 2005 to 2033
B3	104.0	Floating	By instalment from 2035 to 2037
C2	275.0	Floating	By instalment from 2035 to 2037
D2	125.0	Floating	By instalment from 2035 to 2037
	2,558.7		

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In April 2007 the group completed a restructuring of its securitisation involving the redemption of £572.6m of FRNs and the issue of £726.0m of new non-amortising FRNs. The new notes issued comprised £222.0m of A7 Notes, £104.0m of B3 Notes, £275.0m of C2 Notes and £125.0m of D2 Notes. All of the notes have a maturity of October 2037.

Interest on the new notes is at three month LIBOR plus a margin. The margins on the notes are: A7 Notes – 0.19% per annum, increasing to 0.475% in January 2017; B3 Notes – 0.28% per annum, increasing to 0.7% per annum in January 2017; C2 Notes – 0.55% per annum, increasing to 1.375% in April 2014; and D2 Notes – 0.84% per annum increasing to 2.1% in April 2014.

All of the notes are hedged by means of interest rate swaps and the hedged rates plus the margin are: A7 Notes – 5.1135%; B3 Notes – 5.1625%; C2 Notes – 5.4416% and D2 Notes – 5.8005%.

Certain of the A1, A3 and B Notes were issued at a premium which is being amortised to the profit and loss account over the life of the relevant notes. At 31 December 2007 £73.3m remained unamortised.

The notes are secured on certain property interests of the group and the rental income stream therefrom.

The weighted average maturity of the debentures at 31 December 2007 was 18.8 years. The debentures may be redeemed at the option of the issuer in an aggregate amount of not less than £1.0m on any interest payment date subject to the current rating of the debentures not being adversely affected and certain other conditions affecting the amount to be redeemed.

- (2) In February 2007 the group entered into a £155.0m 3 year construction loan facility secured on 5 Churchill Place. Interest is charged at LIBOR plus a margin of 0.9% hedged at 5.625%. At 31 December 2007 – £36.6m including interest had been drawn down under this facility.
- (3) In March 2006 the group entered into a £300.0m facility secured against the group's principal retail properties. The loan facility carries interest at LIBOR plus a variable margin rate subject to, inter alia, prevailing loan to value and interest cover ratio tests. At 31 December 2007 the margin was 70 bps. The group has entered into an arrangement whereby the exposure to the movement in three month LIBOR rates on the facility is fully hedged with a fixed interest rate swap at 5.15%.
- (4) A bank loan facility of £369.4m has been secured against 10 Cabot Square and 20 Cabot Square. The loan carries interest at a rate of 5.82% until April 2008 when it becomes a floating rate facility. The loan is repayable in January 2013. The group has entered into a forward starting interest rate swap from April 2008 to January 2013 at a fixed rate of 5.031%.
- (5) A bank loan facility of £608.8m is secured against One Churchill Place. The loan is fully amortising with a final maturity in July 2034. The loan carries a hedged interest rate of 5.82%. During 2007 £7.1m of the loan was amortised in accordance with the loan agreement, reducing the principal at 31 December 2007 to £591.1m.
- (6) The group's obligations under its finance lease are secured by first ranking fixed and floating charges over the property which is the subject of the finance lease and over certain cash deposits (Note 25). The rate of interest implicit in the finance lease was 4.9% at 31 December 2007 (31 December 2006 – 4.9%).
- (7) The maturity profile of the loans and finance lease obligations (excluding accrued interest payable) was as follows:

	2007		2006	
	Loans £m	Finance leases £m	Loans £m	Finance leases £m
In less than one year or on demand	14.0	–	21.6	–
In more than one year but less than two years	76.4	–	22.0	–
In more than two years but not more than five years	498.1	–	500.4	–
In more than five years	3,308.4	41.7	3,199.4	42.0
	3,896.9	41.7	3,743.4	42.0

- (8) After taking into account interest rate hedging entered into by the group, the interest rate profile of the group's financial liabilities at 31 December 2007 (including accrued interest payable) was:

	2007			2006		
	Floating £m	Fixed £m	Total £m	Floating £m	Fixed £m	Total £m
Securitised debt	-	2,644.8	2,644.8	25.3	2,467.2	2,492.5
Secured loans	-	1,263.4	1,263.4	-	1,269.2	1,269.2
Construction loan	-	35.0	35.0	-	-	-
Finance leases	41.7	-	41.7	42.0	-	42.0
	41.7	3,943.2	3,984.9	67.3	3,736.4	3,803.7
Less: Cash collateral for borrowings (Note 14)	(42.4)	(101.6)	(144.0)	(42.4)	(245.8)	(288.2)
	(0.7)	3,841.6	3,840.9	24.9	3,490.6	3,515.5

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

	2007		2006	
	Weighted average interest rate %	Weighted average period Years	Weighted average interest rate %	Weighted average period Years
Securitised debt	6.2	18.8	6.2	15.8
Secured loans	5.8	11.3	5.9	14.6

- (9) The difference between the fair value and the book value of the group's financial assets and liabilities (excluding debtors and creditors falling due within one year other than amounts relating to loans) at 31 December 2007 was a loss of £32.5m before tax relief (31 December 2006 – £227.3m) comprising the following:

	2007		2006	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Primary financial instruments held or issued to finance the group's operations:				
- cash on deposit earning floating rates of interest	1,135.5	1,135.5	832.7	832.7
- short term financial liabilities and current portion of long term borrowings	(60.3)	(60.3)	(39.9)	(39.9)
- long term borrowings	(3,882.9)	(3,833.4)	(3,721.5)	(3,812.5)
- finance leases	(41.7)	(41.7)	(42.0)	(42.0)
Derivative financial instruments held to manage interest rate and exchange rate profile:				
- interest rate swaps	-	(82.0)	-	(48.4)
- interest rate collars	-	-	(0.3)	(2.2)
- currency swaps	-	-	-	(86.0)

Notes to the Financial Statements continued

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The fair values of derivative financial instruments have been determined by reference to market values provided by the relevant counter party. The fair values of sterling denominated fixed rate debt have been determined by reference to prices available on the markets on which they are traded. All other fair values shown have been calculated by discounting cash flows at the relevant zero coupon LIBOR interest rates prevailing at the balance sheet date.

- (10) Unrecognised gains and losses on instruments used for hedging and the movements thereon are as follows:

	2007			2006		
	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	9.2	(145.5)	(136.3)	–	(203.2)	(203.2)
Gains and losses arising in previous years that were recognised in the year	–	64.2	64.2	–	–	–
Gains and losses arising before 1 January that were not recognised in the year	9.2	(81.3)	(72.1)	–	(203.2)	(203.2)
Gains and losses arising in the year that were not recognised in the year	(9.1)	(0.8)	(9.9)	9.2	57.7	66.9
Unrecognised gains and losses on hedges at 31 December	0.1	(82.1)	(82.0)	9.2	(145.5)	(136.3)
Of which:						
Gains and losses expected to be recognised in the following year	–	–	–	–	–	–
Gains and losses expected to be recognised after the following year	0.1	(82.1)	(82.0)	9.2	(145.5)	(136.3)

- (11) The group has no material monetary assets or liabilities in currencies other than pounds sterling.

17 Provisions for liabilities

	Vacant leasehold properties £m	Other lease commitments £m	Deferred taxation £m	Total £m
1 January 2007	13.8	27.1	60.5	101.4
Utilisation of provision	(12.4)	(3.9)	–	(16.3)
Unwind of discount	0.6	0.5	1.0	2.1
Increase/(release) of provision	1.5	0.2	(19.2)	(17.5)
31 December 2007	3.5	23.9	42.3	69.7

Vacant leasehold properties

In December 2007 the group paid a £6.3m surrender premium in respect of one of its vacant leasehold properties. A break notice has been served on the landlord of the remaining property and as a result the lease will determine in July 2009.

At 31 December 2007 the provision for the estimated net liability under the remaining property, discounted at 6.1%, being the group's weighted average cost of debt was £3.5m (31 December 2006 – £13.8m).

Other lease commitments

In connection with an agreement for lease signed in 2001 the group entered into a rent support commitment under which it may contribute a maximum of £10.00 per sq ft per annum towards the difference between the passing rent payable by a tenant at its previous premises and the rent achievable on any sub-lease. The maximum amount payable in respect of this commitment at 31 December 2007 had reduced to £23.7m (nominal) with a present value of £19.3m calculated on the basis of a discount rate of 6.1% (31 December 2006 – £26.6m nominal, present value £20.9m discounted at 6.1%). This amount has been provided for in full and will be subject to review at each subsequent balance sheet date.

In connection with the sale of certain properties during 2005 the group agreed to provide rental support in respect of either the unexpired rent free periods or, where there is a fixed uplift in rent, until the next rent review date. The group recognised a provision in respect of these commitments at the date of disposal and at 31 December 2007 the remaining provision was £4.6m calculated on the basis of a discount rate of 6.1% (31 December 2006 – £6.2m discounted at 6.1%).

	2007 £m	2006 £m
Deferred taxation:		
Accelerated capital allowances claimed	(75.4)	(112.2)
Other timing differences	–	0.1
Undiscounted deferred tax liability	(75.4)	(112.1)
Discount	33.1	51.6
Discounted deferred tax liability	(42.3)	(60.5)
At start of year	(60.5)	(0.2)
Deferred tax credit/(charge) in the profit and loss account for the year	18.2	(60.3)
At end of year	(42.3)	(60.5)

A deferred tax liability of £75.4m (31 December 2006 – £112.2m), stated net of a discount of £33.1m (31 December 2006 – £51.6m), is recognised at 31 December 2007 primarily in respect of EZA claims made by the group in prior years. This is primarily as a result of the acquisitions of finance leases in 2006.

Notes to the Financial Statements continued

for the year ended 31 December 2007

In accordance with FRS 19, no provision has been made for deferred tax on gains relating to properties which are revalued in the balance sheet to their market values. If the group's investment properties had been sold at the balance sheet date at the amounts stated in Note 10, the amount of tax payable over and above that already provided for in the accounts would have been £90.8m (31 December 2006 – £59.0m) reduced from £209.8m (31 December 2006 – £212.5m) by EZA balancing allowances and capital losses carried forward.

18 Share capital

	Authorised		Issued, allotted and fully paid	
	2007 £m	2006 £m	2007 £m	2006 £m
Ordinary shares of 1p each	<u>10.0</u>	<u>10.0</u>	<u>6.4</u>	<u>6.4</u>

The authorised share capital of the company comprises 1,000,000,000 ordinary 1p shares, of which 639,015,845 were in issue at 31 December 2007. There were no changes to either the authorised share capital or the issued share capital during the year. No options over the ordinary shares of the company were outstanding at 1 January or 31 December 2007, nor were any granted during the year.

19 Reserves

	Share premium £m	Revaluation reserve £m	Capital redemption reserve £m	Special reserve £m	Profit and loss £m	Total £m
Group						
1 January 2007	146.2	3,032.7	0.7	264.8	(545.5)	2,898.9
Revaluation of investment properties	–	179.1	–	–	–	179.1
Profit for the year	–	–	–	–	122.5	122.5
31 December 2007	<u>146.2</u>	<u>3,211.8</u>	<u>0.7</u>	<u>264.8</u>	<u>(423.0)</u>	<u>3,200.5</u>

The capital redemption reserve arose from the purchase and cancellation of own shares in previous years.

The special reserve arose from a restructuring of the group which was completed on 4 December 2001 involving the introduction of a new holding company for the group by way of a scheme of arrangement in accordance with Section 425 of the Companies Act 1985.

	Share premium £m	Capital redemption reserve £m	Special reserve £m	Profit and loss £m	Total £m
Company					
1 January 2007	146.2	0.7	2,081.8	755.8	2,984.5
Transfer	–	–	315.0	(315.0)	–
Profit for the financial period	–	–	–	435.5	435.5
31 December 2007	<u>146.2</u>	<u>0.7</u>	<u>2,396.8</u>	<u>876.3</u>	<u>3,420.0</u>

The directors consider that positive balances on the company's profit and loss account and special reserve are distributable.

20 Reconciliation of movements in shareholders' funds

	Group £m	Company £m
1 January 2007	2,905.3	2,990.9
Revaluation surplus	179.1	–
Profit for the financial year	122.5	435.5
31 December 2007	3,206.9	3,426.4

21 Pension schemes

The group currently operates two defined contribution pension schemes. The assets of these schemes are held in independently administered funds. The pension cost, which amounted to £3.0m in the year (2006 – £2.6m), represents contributions payable by the group to both schemes.

22 Reconciliation of operating profit to operating cash flows

	2007 £m	2006 £m
Operating activities		
Operating profit ⁽¹⁾	309.0	174.4
Depreciation charges	0.4	0.2
Provision against investments	–	0.1
Share option costs	–	0.5
Increase in debtors	(12.4)	(0.2)
Increase in creditors	35.9	22.6
Expenditure charged to provisions	(16.3)	(13.4)
Movements in provisions	4.7	(2.3)
Amortisation of lease incentives	41.3	42.0
Long term contract proceeds ⁽²⁾	289.0	274.8
Long term contract costs ⁽²⁾	(117.2)	(27.1)
Profit recognised on long term contracts ⁽²⁾	(104.0)	–
Net cash inflow	430.4	471.6

Note:

(1) During 2007 the group also received £8.3m of deferred proceeds and released surplus accruals and deferred income totalling £10.9m relating to sold properties.

(2) The comparatives for 2006 now include cash flows associated with pre-sold properties under construction.

23 Analysis of cash flows

	2007 £m	2006 £m
Returns on investments and servicing of finance		
Interest received	52.7	43.8
Interest paid	(236.1)	(229.7)
Interest element of finance lease rentals	(2.1)	(5.1)
Financing expenses on loans drawn down	(9.9)	(4.0)
Financing expenses and breakage costs on loans repaid ⁽¹⁾	(0.6)	(0.5)
Net cash outflow	(196.0)	(195.5)

Note:

(1) 2007 financing expenses and breakage costs on loans repaid included an exceptional charge of £16.9m in connection with restructuring the group's securitisation (Note 4) of which £0.6m was paid and £16.3m related to the write off of deferred costs.

Notes to the Financial Statements continued

for the year ended 31 December 2007

	2007 £m	2006 £m
Capital expenditure and financial investment		
Additions to properties	(91.6)	(41.4)
Acquisition of property interests	-	(7.2)
Purchase of tangible fixed assets	(0.9)	(0.1)
Sale of investment properties ⁽¹⁾	-	27.0
Investment in associated undertakings	(11.8)	(10.5)
Net cash outflow	(104.3)	(32.2)

Note:

(1) £27.0m of deferred consideration from the sale of 30 South Colonnade in 2005 was received in January 2006.

	2007 £m	2006 £m
Management of liquid resources		
Cash placed on deposit not available on demand	(55.4)	(180.0)
Cash withdrawn from deposit accounts	88.5	855.0
Net cash inflow	33.1	675.0

	Note	2007 £m	2006 £m
Financing			
Repayment of secured debt	16	(6.8)	(210.1)
Repayment of securitised debt	16	(581.4)	(11.9)
Repayment of finance leases	16	-	(836.6)
Draw down of securitised debt	16	726.0	-
Draw down of secured loans	16	-	300.0
Draw down of construction loans	16	34.9	-
Net cash inflow/(outflow)		172.7	(758.6)

24 Analysis and reconciliation of net debt

	1 January 2007 £m	Cash flow £m	Other non cash changes £m	31 December 2007 £m
Cash at bank	832.7	302.8	–	1,135.5
Amounts on deposit not available on demand	(312.9)	33.1	–	(279.8)
	519.8	335.9	–	855.7
Debt due after 1 year	(3,721.8)	(172.7)	11.6	(3,882.9)
Debt due within 1 year	(39.9)	39.9	(60.3)	(60.3)
Finance lease	(42.0)	2.1	(1.8)	(41.7)
	(3,803.7)	(130.7)	(50.5)	(3,984.9)
Amounts on deposit not available on demand	312.9	(33.1)	–	279.8
Net debt	(2,971.0)	172.1	(50.5)	(2,849.4)
Increase in cash				302.8
Increase in debt and lease financing				(130.7)
Change in net debt resulting from cash flows				172.1
Non cash movement in net debt				(50.5)
Movement in net debt				121.6
Net debt at 1 January 2007				(2,971.0)
Net debt at 31 December 2007				(2,849.4)

25 Contingent liabilities and financial commitments

At 31 December 2007 certain members of the group had given fixed and floating charges over substantially all of their assets as security for certain of the group's borrowings and finance lease obligations as referred to in Note 16. In particular, various members of the group had, at 31 December 2007 given fixed first ranking charges over cash deposits totalling £259.9m (31 December 2006 – £288.2m).

As security for the issue of £2,558.7m (31 December 2006 – £2,414.2m) of securitised debt (see Note 16(1)) the company's indirect subsidiary, Canary Wharf Finance Holdings Limited, has granted a first fixed charge over the shares of CWF II and a first floating charge has been given over all of the assets of CWF II.

Commitments of the group for future expenditure:

	2007 £m	2006 £m
Under contract	324.0	387.0

The commitments for future expenditure relate to the completion of construction works where construction was committed at 31 December 2007. Any costs accrued or provided for in the balance sheet at 31 December 2007 have been excluded.

Notes to the Financial Statements continued

for the year ended 31 December 2007

Commitments of the group for the next financial year in respect of other operating leases on land and buildings are analysed as follows:

	2007 £m	2006 £m
Annual commitment for which the leases expire:		
– within one year	–	–
– between two and five years	1.3	4.8
– after five years	–	–
	<hr/> 1.3 <hr/>	<hr/> 4.8 <hr/>

The group entered into an option deed with BWB in November 2007 which allows for the group to elect for the draw down of a 999 year lease of additional land south of Heron Quays West. The option deed is for a period of 5 years from November 2007. An initial option payment of £2.25m was made and is followed by annual payments of £250,000 on each anniversary of the option deed. If the group exercises the option, BWB has the right to receive a fixed stream of rental payments throughout the duration of the lease or to commute the rental payments into a capital sum payable on the fifth anniversary of the option deed.

In October 2007 the company signed heads of terms in relation to the Crossrail development with the Secretary of State for Transport. The government subsequently announced its commitment to the Crossrail project, subject to parliamentary approval and Royal Assent. Under the agreement, the group will design, build and finance construction of a station at Canary Wharf and upon completion lease the station to TFL. It is anticipated that construction will be funded by way of a construction facility, in conjunction with an equity contribution from the group. Subject to planning, the group will be granted the right to develop a retail complex above the station. Royal Assent is expected in July 2008.

The group has, in the normal 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 group has received the benefit of warranties from the trade contractors and suppliers who worked on such buildings.

In relation to the Drapers Gardens joint venture in which certain group companies own a 20.0% shareholding, CWHL has entered into a cost overrun guarantee in favour of the construction loan lending bank. CWHL guarantees to the bank the cost of any outstanding cost overruns, equal to its proportional shareholding, subject to an overall cap of £2.3m. In addition CWHL has entered into an interest guarantee in favour of the bank, pursuant to which it guarantees 20.0% of the interest due on the construction loan. This guarantee is limited to a maximum period of 12 months' interest following the date of practical completion of the building.

Sub-let commitments

Under the terms of certain agreements for lease the group has committed to take back certain space on the basis of short term sub-leases at the end of which the space reverts to the relevant tenants. This space has been securitised, but insofar as the securitisation is concerned, the tenants are contracted to pay rent on the entire amount of space leased, whilst taking the covenant of the group on the sub-let space.

The existence of the sub-let commitments has been taken into account in the market valuation of the group's properties at 31 December 2007.

The table below summarises these sub-lets, including the rent payable for the next financial year, net of any rent receivable:

Property	Leaseholder	Original sub-let sq ft	Re-let ⁽¹⁾ sq ft	Net rent ⁽²⁾ £m	Rent review date	Rent review basis	Term commencement	Expiry or first break
10 Upper Bank Street	Clifford Chance	52,600	52,600	0.77	N/A	N/A	Jul 2003	Jul 2008
10 Upper Bank Street	Clifford Chance	52,100	52,100	0.99	Jul 2008	Fixed at £49/sf	Jul 2003	Jul 2013
25-30 Bank Street	Lehman Brothers	25,200	25,200	0.44	N/A	N/A	Jul 2003	Jul 2008
25-30 Bank Street	Lehman Brothers	50,400	50,400	0.32	N/A	N/A	Jul 2003	Jul 2008
25-30 Bank Street	Lehman Brothers	24,100	24,100	0.24	Nov 2008	Fixed at £53/sf	Jul 2003	Mar 2009
25-30 Bank Street	Lehman Brothers	100,900	90,100	3.32	Jul 2008	Fixed at £53/sf ⁽³⁾	Jul 2003	Jul 2013
One Churchill Place	Barclays	133,400	133,400	0.98	Jul 2009	OMR up only	Jul 2004	Jul 2019
One Churchill Place	Barclays	129,700	129,700	0.89	Jul 2009	OMR up only	Jul 2004	Jul 2014
One Churchill Place	Barclays	65,000	65,000	1.21	N/A	N/A	Jul 2004	Jul 2009
40 Bank Street	Skadden	19,500	19,500	0.05	N/A	N/A	Mar 2003	Mar 2008
40 Bank Street	Skadden	19,500	19,500	0.59	Apr 2008	OMR up only	Mar 2003	Sep 2010
40 Bank Street	Skadden	19,500	19,500	0.26	Apr 2008	OMR up only	Mar 2003	Mar 2013
		<u>691,900</u>	<u>681,100</u>	<u>10.06</u>				

Note:

- (1) A call option has been granted on 10,800 sq ft of sub-let space in 25-30 Bank Street. With the exception of this space, all of the sub-let space has now been re-let.
- (2) The net annual sub-let rental obligations will decrease over time with the expiration of re-letting rent free periods.
- (3) Followed by annual increases to £59.65 per sq ft in 2012.

26 Ultimate parent undertaking and related party transactions

At 31 December 2007, 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 the company. 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, 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.

During 2007 the group purchased IT and telecommunications services totalling £126,814 plus VAT from HSO, a company in which it holds an equity investment equivalent to approximately 13.0% of the issued share capital. £123,971 plus VAT was owed to HSO at 31 December 2007. In addition, during 2007 the group billed HSO £40,599 plus VAT for access to the Estate's telecommunications infrastructure. At 31 December 2007 £108,035 plus VAT was owed by HSO.

During 2007 a group company billed £507,099 plus VAT for the provision of development management services to WWLP in which the group holds a 25.0% effective interest. At 31 December 2007 £19,426 plus VAT was outstanding.

In June 2007 the group entered into joint venture arrangements with MSREF V and Exemplar, on behalf of Omega, for the redevelopment of Drapers Gardens. Under the terms of the joint venture arrangements a £0.84m agency fee and £3.50m financing fee were paid to Morgan Stanley by the joint venture. During 2007 the group billed £332,500 for construction management services to the Drapers Gardens Unit Trust, in which it holds a 20.0% interest. At 31 December 2007 £110,000 plus VAT was outstanding.

On 29 December 2004 the company entered into a provision of services agreement with Songbird (the 'Provision of Services Agreement'). Under the Provision of Services Agreement the company agreed to provide certain business and corporate administration services to Songbird in consideration of a time based fee for an initial period of twelve months and to continue thereafter until terminated by either party on three months notice. No such notice has been served to date. During 2007 £350,000 plus VAT was charged by the company and at 31 December 2007 remained outstanding.

During 2005 the group entered into a consultancy services agreement dated 28 April 2005 between the company and MS under which the company appointed MS to provide consultancy services in respect of the management of the Estate and the provision of strategic advice in relation to all areas of the group's business. The fees chargeable under this agreement are calculated on a time spent basis in accordance with daily rates notified to the company and subject to a maximum limit of £1.0m in aggregate (exclusive of VAT), in any twelve month period. No amounts were payable under this agreement in 2007 or 2006.

Notes to the Financial Statements continued

for the year ended 31 December 2007

During the year a group company paid Morgan Stanley £2.0m for financial advisory services provided in respect of the restructuring of the group's securitisation as referred to in Note 16(1). A £1.5m abort fee was also paid to Morgan Stanley in 2007 in respect of work carried out for an initial finance restructuring proposal put forward in 2006.

27 Events after the balance sheet date

On 7 February 2008 the group announced lettings on over 225,000 sq ft in One Canada Square (of which approximately 200,000 sq ft was concluded post 31 December 2007), including an agreement for lease with Moody's for approximately 170,000 sq ft on a 15 year lease in space formerly occupied by the Telegraph Media Group.

On 26 March 2008 the group declared a dividend of 16p per share to be paid to ordinary shareholders on 9 April 2008.

Definitions

ANZ	Australia and New Zealand Banking Group Limited
B Shares	Songbird Ordinary Class B Shares of 10p each
Ballymore	Ballymore Properties Limited
Barclays	Barclays Bank PLC
board	Board of directors of the company
BP4	25 Churchill Place
bps	Basis points
BWB	British Waterways Board
CBRE	CB Richard Ellis Limited, Surveyors and Valuers
City	The City of London
company	Canary Wharf Group plc
Cushman	Cushman & Wakefield, Real Estate Consultants
CWEL	Canary Wharf Estate Limited
CWF II	Canary Wharf Finance II plc
CWHL	Canary Wharf Holdings Limited
Deferred Plan	Canary Wharf Group 2004 Deferred Share Plan
Drapers Gardens	Drapers Gardens scheme in the City
EMRG	Environmental Management Review Group
EMS	Environmental Management System
Estate	Canary Wharf Estate including Heron Quays, Riverside South and North Quay
Exemplar	Exemplar Developments LLP
EZAs	Enterprise Zone Allowances
Fimalac	F Marc de Lachariere
Fitch	Fitch Ratings Limited
FRNs	Floating Rate Notes
FRS 4	Financial Reporting Standard 4 (Capital Instruments)
FRS 5	Financial Reporting Standard 5 (Substance of Transactions)
FRS 13	Financial Reporting Standard 13 (Derivatives and other financial instruments)
FRS 19	Financial Reporting Standard 19 (Deferred tax)
FRS 25	Financial Reporting Standard 25 (Financial Instruments: Disclosure and Presentation)
FSA	Financial Services Authority
group	The company and its subsidiaries
HMRC	Her Majesty's Revenue and Customs
HSO	HighSpeed Office Limited
Knight Frank	Knight Frank LLP, Property Consultants
LOCOG	The London Organising Committee of the Olympic Games Limited
m	Million
Mirae	Mirae Asset Global Investment Management Limited
Moody's	Moody's Investor Services Limited
Morgan Stanley	Morgan Stanley & Co Limited
MS	Morgan Stanley European Real Estate Special Situations II Offshore Inc
MSREF V	Morgan Stanley Real Estate Fund V
NAV	Net Asset Value
NIA	Net Internal Area
NNNAV	Triple Net Asset Value
Omega	Omega Land BV
OMR	Open Market Rent
S&P	Standard & Poors
Savills	Savills Commercial Limited, Chartered Surveyors
Skadden	Skadden Arps Slate Meagher & Flom LLP
Songbird	Songbird Estates plc
sq ft	Square feet/square foot
SSAP 9	Statement of Standard Accounting Practice 9 (Stocks and long term contracts)
SSAP 19	Statement of Standard Accounting Practice 19 (Accounting for Investment Properties)
SSAP 21	Statement of Standard Accounting Practice 21 (Accounting for leases and hire purchase contracts)
TFL	Transport for London
Trust	Canary Wharf Employees' Share Ownership Plan Trust
UITF 28	Urgent Issue Task Force 28 ('Operating leases')
UKGAAP	United Kingdom Generally Accepted Accounting Practice
VAT	Value Added Tax
WWLP	Wood Wharf Limited Partnership

Shareholders' Information

Directors

Executive directors

George Iacobescu CBE Chief Executive#

Peter Anderson Managing Director, Finance#

Non-executive directors

Sir Martin Jacomb Non-executive Chairman and Independent Non-executive director +

John Carrafiell * # +

Robert Falls * #

Shmuel (Sam) Levinson * # +

Alexander (Alex) Midgen +

Toby Phelps # (alternate director to John Carrafiell and Robert Falls)

Biographical details on each of the directors are available on the company's website: www.canarywharf.com

* *Audit Committee*

Operating Committee

+ *Remuneration Committee*

Shareholder enquiries

All enquiries relating to holdings of shares in the company should be addressed to the company's registrars:

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
Telephone: 0871 664 0300*
Facsimile: 020 8639 2342
e-mail: ssd@capitaregistrars.com
Website: www.capitaregistrars.com

*Currently calls cost 10p per minute plus network extras.

Other enquiries

If you would like more information about Canary Wharf Group plc please contact John Garwood, Group Company Secretary. This annual report and other information on the company and the Estate are available from the company's website: www.canarywharf.com.

Registered office and registered number

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Telephone: 020 7418 2000
Facsimile: 020 7418 2222
Registered Number: 4191122

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