

**CANARY WHARF LEASING (FC4) LIMITED (FORMERLY CAPITAL BANK PROPERTY
INVESTMENTS LIMITED)**

REPORT AND ACCOUNTS

FOR THE PERIOD ENDED 14 MARCH 2005

COMPANY NUMBER: 722624



CANARY WHARF LEASING (FC4) LIMITED

PERIOD ENDED 14 MARCH 2005

CONTENTS

Report of the Directors	1 – 5
Independent Auditor's Report	6
Profit and Loss Account	7
Balance Sheet	8
Notes to the Accounts	9 – 16

CANARY WHARF LEASING (FC4) LIMITED

PERIOD ENDED 14 MARCH 2005

REPORT OF THE DIRECTORS

The Directors hereby submit their Report and the accounts for the period ended 14 March 2005.

Principal Activities

The principal activity of the Company is the provision of finance and associated services. On 13 April 2005 the Company changed its name to Canary Wharf Leasing (FC4) Limited.

Review of the business and future developments

The Company's profit for the financial period is £1,625,000 (2003: £1,828,000). A dividend of £2,495,000 is proposed for the financial period (2003: £1,800,000)

The Company has conducted its activities throughout the period in a satisfactory manner. No significant change in the Company's activities is foreseen at the present time.

Post balance sheet events

The company was purchased by Canary Wharf Investments Limited on 15 March 2005.

Directors

The Directors of the Company during the period to 14 March 2005 were: -

R. B. Hare
P. Gittins
A. L. Webster (appointed 20 January 2004)
E. J. Morrison (appointed 20 January 2004)
G. G. Reid (appointed 20 January 2004)

Subsequent to the period end, the following changes occurred:

M. D. Precious was appointed as a Director on 15 March 2005
R.J.J. Lyons was appointed as a Director on 15 March 2005
P. Gittins resigned as a Director on 15 March 2005
R. B. Hare resigned as a Director on 7 March 2005
A. L. Webster resigned as a Director on 15 March 2005
E. J. Morrison resigned as a Director on 15 March 2005
G. G. Reid resigned as a Director on 15 March 2005

During the period no Director had any beneficial interest in the share capital of the Company or of any group undertaking other than in HBOS Plc, the ultimate holding Company.

The beneficial interests of the Directors and their immediate families in the HBOS Plc shares are set out below:-

Ordinary Shares of 25p each

	As at 1 January 2004	As at 14 March 2005
R. B. Hare	34,682	37,235
A. L. Webster*	144,032	172,641
E. J. Morrison*	36,679	61,806
G. G. Reid*	3,092	5,093

CANARY WHARF LEASING (FC4) LIMITED

PERIOD ENDED 14 MARCH 2005

REPORT OF THE DIRECTORS (continued)

Short-term Incentive Plan

Certain Directors have a conditional entitlement to shares arising from the annual incentive. Where the annual incentive for any year was taken in shares and these shares are retained in trust for 3 years, the following shares will also be transferred to the Directors.

	Grant effective from March 2002	Grant effective from March 2003	Grant effective from March 2004	As at 14 March 2005
R. B. Hare	1,165	-	1,612	2,777
A. L. Webster*	1,943	3,720	2,525	8,188
E. J. Morrison*	2,331	4,306	3,340	9,977
G. G. Reid*	-	485	953	1,438

Long term incentive plan – HBOS Scheme

Details of the shares which have been conditionally awarded to the Directors under the plan are set out below. The conditions relating to the long term incentive plan may be found in the HBOS Plc Annual Report & Accounts 2004.

Conditional Awards – Ordinary shares of 25p each

Grant effective from	As at 1 January 2004	Awards Granted/ lapsed	Added as a result of performance	Dividend reinvestment shares	Released in year	As at 14 March 2005
R. B. Hare						
January 2002	3,999	-	-	-	-	3,999
January 2003	5,312	-	-	-	-	5,312
January 2004	-	6,508	-	-	-	6,508
January 2005	-	-	-	-	-	-
A. L. Webster*						
January 2002	12,500	-	-	-	(12,500)	-
January 2003	17,708	-	-	-	-	17,708
January 2004	-	18,596	-	-	-	18,596
January 2005	-	15,873	-	-	-	15,873
E. J. Morrison*						
January 2002	12,500	-	-	-	(12,500)	-
January 2003	16,171	-	-	-	-	16,171
January 2004	-	21,385	-	-	-	21,385
January 2005	-	18,253	-	-	-	18,253
G. G. Reid*						
January 2002	-	-	-	-	-	-
January 2003	-	-	-	-	-	-
January 2004	-	-	-	-	-	-
January 2005	-	-	-	-	-	-

CANARY WHARF LEASING (FC4) LIMITED

PERIOD ENDED 14 MARCH 2005

REPORT OF THE DIRECTORS (continued)

Long term incentive plan - HBOS Scheme, former Bank of Scotland scheme

Share options granted between 1995 and 2000 under the Bank of Scotland Executive Stock Option Scheme 1995 are subject to performance pre-conditions which have now been satisfied. Share options granted under other plans are not subject to a performance precondition. Details of the options outstanding under these plans are set out below.

Options – Ordinary shares of 25p each

	As at 1 January 2004	Options granted	Options exercised/ Lapsed	As at 14 March 2005
R. B. Hare	31,724	3,929	-	35,653
A. L. Webster*	26,000	-	-	26,000
E. J. Morrison*	41,500	-	-	41,500
G. G. Reid*	9,186	1,964	-	11,150

Sharesave Plan

Share options granted under these plans are set out below.

Options – Ordinary shares of 25p each

	As at 1 January 2004	Options Granted	Options exercised/ Lapsed	As at 14 March 2005
R. B. Hare	5,179	972	(622)	5,529
A. L. Webster*	5,483	752	(1,987)	4,248
E. J. Morrison*	3,929	485	(1,475)	2,939
G. G. Reid*	2,029	607	-	2,636

Options under these plans were granted using middle market prices shortly before the dates of the grants, discounted by 20%.

* As at date of appointment

CANARY WHARF LEASING (FC4) LIMITED

PERIOD ENDED 14 MARCH 2005

REPORT OF THE DIRECTORS (continued)

Auditor

Elective resolutions to dispense with holding annual general meetings, the laying of accounts before the Company in general meeting and the appointment of auditors annually are currently in force. The auditor, KPMG Audit Plc, will therefore be deemed to have been reappointed at the end of the period of 28 days beginning with the day on which the copies of this report and accounts are sent to members unless a resolution is passed under section 393 of the Companies Act 1985 to the effect that their appointment be brought to an end.

CANARY WHARF LEASING (FC4) LIMITED

PERIOD ENDED 14 MARCH 2005

REPORT OF THE DIRECTORS (continued)

Statement of directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing those accounts, 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 accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

By order of the Board



Secretary

One Canada Square
Canary Wharf
LONDON
E14 5AB

10 January 2006

CANARY WHARF LEASING (FC4) LIMITED

PERIOD ENDED 14 MARCH 2005

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAPITAL BANK PROPERTY INVESTMENTS LIMITED

We have audited the financial statements on pages 7 to 16.

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 auditor's 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 are responsible for preparing the directors' report and, as described on page 5, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 14 March 2005 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

**KPMG Audit Plc
Chartered Accountants
Registered Auditor**

11 January 2006

**St James Square
Manchester
M2 6DS**

CANARY WHARF LEASING (FC4) LIMITED

PERIOD FROM 1 JANUARY 2004 TO 14 MARCH 2005

PROFIT AND LOSS ACCOUNT

	Notes	1 January 2004 to 14 March 2005 £'000	Year ended 31 December 2003 £'000
Continuing Operations		£'000	£'000
Turnover	2	2,735	5,536
Finance and trading costs		<u>(3,516)</u>	<u>(2,929)</u>
Gross profit		(781)	2,607
Administrative expenses		<u>(1)</u>	<u>(1)</u>
Operating (loss)/profit	3	(782)	2,606
Exceptional profit on sale of fixed asset investment		<u>2,167</u>	<u>-</u>
Profit on ordinary activities before taxation		1,385	2,606
Tax on profit on ordinary activities	5	<u>240</u>	<u>(778)</u>
 Profit for the financial year		 1,625	 1,828
Dividends		<u>(2,495)</u>	<u>(1,800)</u>
Retained (loss)/profit for the financial year		(870)	28
Balance brought forward		870	842
Balance carried forward		<u>-</u>	<u>870</u>

There are no recognised gains or losses other than those shown above.

The notes on pages 9 to 16 form part of the financial statement.

CANARY WHARF LEASING (FC4) LIMITED

AS AT 14 MARCH 2005

BALANCE SHEET

	Notes	14 March 2005 £'000	31 December 2003 £'000
Fixed assets			
Unlisted Investment	7	-	38
Current assets			
Debtors : receivable within one year	8	1,042	29
: receivable after one year	8	53,010	55,427
		54,052	55,456
Creditors: payable within one year	9	(38,262)	(38,421)
Net current assets		15,790	17,035
Total assets less current liabilities		15,790	17,073
Provisions for liabilities and charges			
Deferred taxation	10	(15,790)	(16,203)
		-	870
Called up share capital	11	-	-
Profit and loss account		-	870
Shareholders' funds	12	-	870

The notes on pages 9 to 16 form part of the financial statements.

Approved by the Board of Directors on 10 January 2006 and signed on its behalf by



M. D. Precious
Director

CANARY WHARF LEASING (FC4) LIMITED

PERIOD ENDED 14 MARCH 2005

NOTES TO THE ACCOUNTS

1. Accounting Policies

Basis of preparation

The accounts have been prepared on a going concern basis under the historical cost convention and in accordance with applicable Accounting Standards, S226 of, and schedule 4 to, the Companies Act 1985 and in compliance with the Finance and Leasing Association Statement of Recommended Accounting Practice (SORP).

Cash flow Statement

As a wholly owned subsidiary undertaking the Company is exempt from including a statement of cash flows in its accounts. HBOS Plc has included a consolidated statement of cash flows in its consolidated accounts.

Deferred taxation

Deferred taxation is provided on the full provision method on those timing differences that have originated but not reversed by the balance sheet date. Deferred tax is not recognised on permanent timing differences.

Deferred tax assets are recognised only to the extent that they are considered recoverable.

Finance leases

Assets leased to customers which transfer substantially all the risks and rewards of ownership to the customer are classified as finance leases and are recorded within finance debtors or loans and advances within debtors. The net investment in finance leases agreements represents total minimum payments less gross earnings allocated to future periods. Obligations under leases with third party finance lessors are included in creditors.

Income from finance leases agreements is credited to the profit and loss account using a method to give a constant periodic return on the net cash investment.

Credit is taken in each accounting period for finance charges received and receivable after eliminating from the balance, at the conclusion of each such period, the unearned finance charges as calculated using the "investment period method".

The earnings element of leasing rentals is credited to revenue, after making a deduction for certain initial expenses, in proportion to the funds invested to the related contracts.

Rentals on leases in secondary periods are recognised on a cash received basis.

Unguaranteed residual values are subject to regular review to identify potential impairments. Provisions are made for impairment arising on specific asset categories.

CANARY WHARF LEASING (FC4) LIMITED

PERIOD ENDED 14 MARCH 2005

NOTES TO THE ACCOUNTS (continued)

1. Accounting Policies (continued)

Provisions for bad and doubtful debts

Specific provisions are calculated using either an individual assessment basis or a formulae driven approach. The formulae driven assessment is made using statistical techniques developed based on previous experience. These formulae take into account factors such as the length of time that payments from the customer are overdue, the value of any collateral held and the level of past and expected losses, in order to derive an appropriate provision.

A general provision is made against loans and advances to cover bad and doubtful debts which have not been separately identified, but which are known from experience to be present in portfolios of loans and advances. The level of general provision is determined in light of past experience, current economic and other factors affecting the business environment and management's monitoring and control procedures, including the scope of specific provisioning procedures.

Specific and general provisions are deducted from loans and advances. Provision made during the year, less amounts released and recoveries of amounts written off in previous years are charged to the profit and loss account.

Interest payable

Interest payable on funding from group undertakings is regarded as an operating cost and is included in operating profit in the profit and loss account.

2. Turnover

Turnover, all of which arose from activities within the United Kingdom, represents finance charges earned on leasing agreements and income from associated services.

The turnover and pre-tax result are attributable to one continuing activity, the provision of finance and associated services.

CANARY WHARF LEASING (FC4) LIMITED

PERIOD ENDED 14 MARCH 2005

NOTES TO THE ACCOUNTS (continued)

3. Operating (loss)/profit

	1 January 2004 to 14 March 2005 £'000	Year ended 31 December 2003 £'000
Operating (loss)/profit is stated after crediting:		
Rental income	4,095	3,405
(Depreciation)/Rental equalisation	(1,375)	2,118
Investment income	<u>15</u>	<u>14</u>
And after charging:		
Interest payable to Capital Bank Plc	<u>3,516</u>	<u>2,930</u>

Auditor's remuneration is borne by Capital Bank Plc.

The Company has no employees. It uses the services of Capital Bank Plc, its immediate parent undertaking for which a management charge, included in administrative expenses, is made.

4. Directors' emoluments

None of the Directors received any emoluments for their services as Directors of the Company.

CANARY WHARF LEASING (FC4) LIMITED

PERIOD ENDED 14 MARCH 2005

NOTES TO THE ACCOUNTS (continued)

5. Tax on profit on ordinary activities

a. Analysis of tax credit in the period

	1 January 2004 to 14 March 2005	Year ended 31 December 2003
	£'000	£'000
Current tax		
UK corporation tax at 30% (2003: 30%) on profits for the period	173	142
Deferred tax		
Origination and reversal of timing differences	(413)	636
Tax on profits from ordinary activities	<u>(240)</u>	<u>778</u>

b. Factors affecting tax charge for the period

The current tax charge for the year is lower (2003: charge is lower) than the standard rate of corporation tax in the UK of 30% (2003: 30%). The differences are explained below.

	1 January 2004 to 14 March 2005	Year ended 31 December 2003
	£'000	£'000
Profit on ordinary activities before taxation	<u>1,385</u>	<u>2,606</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003: 30%)	415	782
Effects of:		
Non-taxable depreciation	413	(636)
Non-taxable UK dividend income	(5)	(4)
Non-taxable inter group sale	<u>(650)</u>	<u>-</u>
Current tax charge for the year	<u>173</u>	<u>142</u>

c. Factors that may affect future tax charges

The Company expects its effective tax rate in future years to be broadly in line with the standard rate of corporation tax in the UK.

CANARY WHARF LEASING (FC4) LIMITED

PERIOD ENDED 14 MARCH 2005

NOTES TO THE ACCOUNTS (continued)

6. Dividends

	1 January 2004 to 14 March 2005 £'000	Year ended 31 December 2003 £'000
Equity – Ordinary		
Final proposed: £1,247,500 (2003: £900,000) per £1 share	<u>2,495</u>	<u>1,800</u>

7. Fixed Asset Investment

	14 March 2005 £'000	31 December 2003 £'000
Unlisted investment		
Cost and net book value	<u>-</u>	<u>38</u>

The unlisted investment represents 28.3% of the ordinary shares and 31.6% of the preference shares of Macrae & Dick Limited. The investment was sold for £2,205,000 in the period to another group company.

8. Debtors

Receivable within one year

	14 March 2005 £'000	31 December 2003 £'000
Finance lease debtors	1,042	-
Amounts owed by group undertakings	-	6
Other debtors	-	23
	<u>1,042</u>	<u>29</u>

Receivable after one year

	14 March 2005 £'000	31 December 2003 £'000
Finance lease debtors	<u>53,010</u>	<u>55,427</u>

The cost of assets acquired during the year for the purpose of finance leasing was £Nil (2003: £Nil). On 15 March 2005 the Company disposed of the finance lease rents receivable by the grant of a new lease to a Canary Wharf Group company.

CANARY WHARF LEASING (FC4) LIMITED

PERIOD ENDED 14 MARCH 2005

NOTES TO THE ACCOUNTS (continued)

9. Creditors

Amounts falling due within one year

	14 March 2005 £'000	31 December 2003 £'000
Amounts due to group undertakings	38,101	36,479
Proposed dividends	-	1,800
Taxation and social security	-	142
Other creditors	161	-
	<u>38,262</u>	<u>38,421</u>

On 15 March 2005 the amounts owed to group undertakings were repaid following the acquisition of the Company by Canary Wharf Investments Limited.

10. Deferred Taxation

	14 March 2005 £'000	31 December 2003 £'000
Deferred tax provision at the beginning of the period	16,203	15,567
(Credit)/Charge for the period (note 5)	(413)	636
Deferred tax provision at the end of the period	<u>15,790</u>	<u>16,203</u>
Accelerated capital allowances	15,790	16,203
Deferred tax provision	<u>15,790</u>	<u>16,203</u>

CANARY WHARF LEASING (FC4) LIMITED

PERIOD ENDED 14 MARCH 2005

NOTES TO THE ACCOUNTS (continued)

11. Share Capital

	14 March 2005 £	31 December 2003 £
Authorised		
100 ordinary shares of £1 each	100	100
Allotted, called up and fully paid		
2 ordinary shares of £1 each	2	2

12. Reconciliation of movements in shareholders' funds

	14 March 2005 £'000	31 December 2003 £'000
Shareholders' funds at the beginning of the period	870	842
Profit for the period	1,625	1,828
Proposed dividends	(2,495)	(1,800)
Shareholders' funds at the end of the period	-	870

13. Related party transactions

Under FRS 8 Related Party Disclosures, the Company is exempt from disclosing transactions with other companies within the HBOS Plc group where 90% or more of the voting rights are held within the HBOS Plc group.

CANARY WHARF LEASING (FC4) LIMITED

PERIOD ENDED 14 MARCH 2005

NOTES TO THE ACCOUNTS (continued)

14. Ultimate parent undertaking

Until 14 March 2005 HBOS plc is the ultimate parent undertaking of Capital Bank Property Investments Limited and heads the largest group into which the accounts of the Company are consolidated. The consolidated accounts of HBOS plc may be obtained from its head office at The Mound, Edinburgh EH1 1YZ.

The Governor and Company of the Bank of Scotland heads the smallest group into which the accounts of the Company are consolidated. The accounts of The Governor and Company of the Bank of Scotland may be obtained from its head office at The Mound, Edinburgh EH1 1YZ.

On 15 March 2005 the Company was purchased by Canary Wharf Investments Limited a company registered in England and Wales, as set out in note 15. The ultimate parent undertaking of both the Company and Canary Wharf Investments Limited is Songbird Estates plc a company registered in England and Wales.

15. Post balance sheet events

On 15 March 2005 the Company was purchased by Canary Wharf Investments Limited. The Company name was changed to Canary Wharf Leasing (FC4) Limited on 13 April 2005.