

CANARY WHARF INVESTMENTS (THREE)
Registered Number: 2455786

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR FROM 1 JULY 2003 TO 30 JUNE 2004**



CANARY WHARF INVESTMENTS (THREE)

FINANCIAL STATEMENTS

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CANARY WHARF INVESTMENTS (THREE)

THE DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2004

The directors present their report with the audited financial statements for the year ended 30 June 2004.

ULTIMATE PARENT UNDERTAKING

The company's immediate parent undertaking is Canary Wharf Investments (Two) Limited, a company registered in England and Wales. On 21 May 2004, Songbird Acquisition Limited declared its offer for Canary Wharf Group plc ('CWG'), the company's previous ultimate parent undertaking, wholly unconditional. As a result of this announcement, Songbird Estates plc is now the ultimate parent company.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The principal activity of the company is property investment. At present this activity is concentrated on the Canary Wharf development in London's Docklands.

FUTURE DEVELOPMENTS

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

DIVIDENDS AND RESERVES

The profit and loss account for the year ended 30 June 2004 is set out on page 6. During the year the company recorded a profit of £18,711,463 (2003:£12,813,982). The directors recommend the payment of an interim dividend of £18,711,463 (2003 :£12,813,982).

DIRECTORS

The directors of the company throughout the year ended 30 June 2004 were:

A P Anderson II
G Iacobescu
R Lyons

DIRECTORS' INTERESTS

The directors have been granted options to subscribe for ordinary shares in CWG. Details of interests and options to subscribe for shares in CWG are disclosed as appropriate in the financial statements of either of the intermediate parent companies, Canary Wharf Estate Limited or CWG.

Subsequent to the year end, options have also been granted to subscribe for ordinary shares in Songbird Estates plc, the ultimate parent company and such details are disclosed in the financial statements of Canary Wharf Estate Limited, an intermediate parent undertaking.

Other than the above, no director had any beneficial interest in the shares of the company, its parent undertakings or any of its subsidiaries at 30 June 2004 or at any time throughout the year then ended.

CANARY WHARF INVESTMENTS (THREE)

THE DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2004

POLICY ON THE PAYMENT OF CREDITORS

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

The company had no trade creditors at 30 June 2004 or 30 June 2003.

AUDITORS

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

BY ORDER OF THE BOARD



..... Joint Secretary
A M Holland

21 December 2004

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

CANARY WHARF INVESTMENTS (THREE)

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the year and of the results for the year then ended. In preparing these financial statements, the directors are required to:

- select suitable accounting policies, as described on pages 9 to 10, and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

CANARY WHARF INVESTMENTS (THREE)

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the financial statements of Canary Wharf Investments (Three) for the year ended 30 June 2004 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 15. 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

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 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.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 circumstances of the company, consistently applied and adequately disclosed.

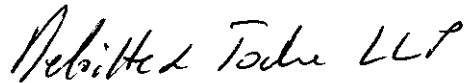
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

CANARY WHARF INVESTMENTS (THREE)

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

Opinion

In our opinion the financial statements give a true and fair view of the company's affairs as at 30 June 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

21 December 2004

CANARY WHARF INVESTMENTS (THREE)

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2004

	Note	Year Ended 30 June 2004 £	Year Ended 30 June 2003 £
TURNOVER		18,068,668	12,701,088
Cost of sales		(1,239,121)	(1,214,427)
GROSS PROFIT		16,829,547	11,486,661
Administrative expenses		(1,916,391)	(1,208,268)
Other operating income		—	5,205
OPERATING PROFIT	2	14,913,156	10,283,598
Interest receivable and similar income	3	5,747,041	4,367,520
Interest payable and similar charges	4	(2,210,269)	(1,944,585)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		18,449,928	12,706,533
Tax on profit on ordinary activities	5	261,535	107,449
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		18,711,463	12,813,982
Dividends	6	(18,711,463)	(12,813,982)
RETAINED PROFIT FOR THE FINANCIAL YEAR TRANSFERRED TO RESERVES	12	—	—

Movements in reserves are shown in Note 12 of these financial statements.

All amounts relate to continuing activities in the United Kingdom.

The notes on pages 9 to 14 form an integral part of these financial statements.

CANARY WHARF INVESTMENTS (THREE)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 30 JUNE 2004

	Year Ended 30 June 2004 £	Year Ended 30 June 2003 £
Retained profit for the financial year	18,711,463	12,813,982
Unrealised profit/(loss) on revaluation of properties	2,800,000	(10,250,000)
Total gains relating to the year	<u>21,511,463</u>	<u>2,563,982</u>

The notes on pages 9 to 14 form an integral part of these financial statements.

CANARY WHARF INVESTMENTS (THREE)

BALANCE SHEET AS AT 30 JUNE 2004

	Note	30 June 2004 £	30 June 2003 £
FIXED ASSETS			
Tangible assets	7	181,800,000	179,000,000
CURRENT ASSETS			
Debtors	8	124,387,313	101,147,883
Cash in hand		15	12
		124,387,328	101,147,895
CREDITORS: Amounts falling due within one year	9	(96,974,107)	(73,473,139)
NET CURRENT ASSETS		27,413,221	27,674,756
TOTAL ASSETS LESS CURRENT LIABILITIES		209,213,221	206,674,756
Provisions for liabilities and charges	10	(19,043,471)	(19,305,006)
NET ASSETS		190,169,750	187,369,750
CAPITAL AND RESERVES			
Called-up equity share capital	11	117,660,000	117,660,000
Revaluation reserve	12	72,509,750	69,709,750
SHAREHOLDERS' FUNDS - EQUITY	13	190,169,750	187,369,750

The notes on pages 9 to 14 form an integral part of these financial statements.

APPROVED BY THE BOARD ON 21 DECEMBER 2004 AND SIGNED ON ITS BEHALF BY:



R LYONS
DIRECTOR

CANARY WHARF INVESTMENTS (THREE)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

1. PRINCIPAL ACCOUNTING POLICIES

A summary of the principal accounting policies of the company, all of which have been applied consistently throughout the year and the preceding year, is set out below.

Accounting convention

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of properties, and in accordance with applicable United Kingdom accounting standards.

In accordance with the provisions of FRS 1 (Revised), a cash flow statement has not been prepared as the company is a wholly-owned subsidiary of a body incorporated in the European Union. A consolidated cash flow statement is included in the financial statements of CWG.

Turnover

Rental income and rents payable are stated net of VAT. Rents payable comprise ground rents and other associated property costs.

Interest receivable and interest payable

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

Tangible fixed assets

Tangible fixed assets, comprising leasehold investment properties, are revalued annually and in accordance with SSAP 19 (Accounting for Investment Properties) no provision is made for depreciation. This departure from the requirements of the statutory accounting rules, which requires all properties to be depreciated is, in the opinion of the directors, necessary for the accounts 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 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.

CANARY WHARF INVESTMENTS (THREE)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

1. PRINCIPAL ACCOUNTING POLICIES

Deferred taxation

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

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

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

Deferred tax is measured on a discounted basis to reflect the time value of money over the period between the balance sheet date and the dates on which it is estimated that the timing differences will reverse, or where the timing differences are not expected to reverse, a period not exceeding 50 years. Discount rates of 3.3% to 3.5% 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:

	Year Ended 30 June 2004 £	Year Ended 30 June 2003 £
Remuneration of the auditors:		
Audit fees	3,000	3,000

None of the directors received any emoluments in respect of their services to the company during the year.

No staff were employed by the company other than the directors.

3. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year Ended 30 June 2004 £	Year Ended 30 June 2003 £
Bank interest receivable	4	12
Interest receivable from group undertakings	5,747,037	4,367,508
	<u>5,747,041</u>	<u>4,367,520</u>

CANARY WHARF INVESTMENTS (THREE)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

4. INTEREST PAYABLE AND SIMILAR CHARGES

	Year Ended 30 June 2004 £	Year Ended 30 June 2003 £
Interest payable to group undertakings	<u>2,210,269</u>	<u>1,944,585</u>

5. TAXATION

	Year Ended 30 June 2004 £	Year Ended 30 June 2003 £
Current tax:		
UK Corporation tax (see below)	<u>—</u>	<u>—</u>
Deferred tax:		
Net effect of discount	<u>(261,535)</u>	<u>(107,449)</u>
Total deferred tax (Note 10)	<u>(261,535)</u>	<u>(107,449)</u>
Total tax on profit on ordinary activities	<u>(261,535)</u>	<u>(107,449)</u>
Tax reconciliation:		
Profit on ordinary activities before tax	<u>18,449,928</u>	<u>12,706,533</u>
Tax on profit on ordinary activities at UK corporation tax rate of 30%	5,534,978	3,811,959
Effects of:		
Tax losses and other timing differences	<u>(5,534,978)</u>	<u>(3,811,959)</u>
Current tax charge for the year	<u>—</u>	<u>—</u>

No provision for corporation tax has been made since the profit for the year will be covered by the group relief expected to be made available to the company by other companies in the group. No charge will be made by other group companies for the surrender of group relief. It is anticipated that group relief and other tax reliefs will impact on future tax charges. There is no unprovided deferred taxation.

6. DIVIDENDS

	30 June 2004 £	30 June 2003 £
Interim dividend 15.90 pence per share (2003 - 10.89 pence per share)	<u>18,711,463</u>	<u>12,813,982</u>

CANARY WHARF INVESTMENTS (THREE)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

7. TANGIBLE FIXED ASSETS

	Long Leasehold Properties £
COST OR VALUATION	
At 1 July 2003	179,000,000
Revaluation	2,800,000
At 30 June 2004	181,800,000
 NET BOOK VALUE	
At 30 June 2004	181,800,000
At 30 June 2003	179,000,000

On a historical cost basis, investment properties would have been included as follows:

	30 June 2004 £	30 June 2003 £
Historical cost	109,290,250	109,290,250

As at 30 June 2004 the company's leasehold property interest was valued by the group's external property advisers, FPD Savills, Chartered Surveyors, on the basis of Market Value in accordance with the Statement of Asset Valuation Practice and Guidance Notes of the Royal Institute of Chartered Surveyors. No allowance was made for any expenses of realisation nor for any taxation which might arise in the event of disposal. The external valuation resulted in a revaluation surplus of £2,800,000 which has been transferred to the revaluation reserve.

8. DEBTORS

	30 June 2004 £	30 June 2003 £
Trade debtors	3,413,278	530
Loan to parent undertaking	27,385,430	22,344,270
Amount owed by parent undertaking	16,837,040	16,837,040
Loan to fellow subsidiary undertaking	65,150,159	47,831,884
Amounts owed by fellow subsidiary undertakings	11,578,051	11,496,453
Other debtors	23,355	—
Prepayments and accrued income	—	2,637,706
	124,387,313	101,147,883

The loans to parent and fellow subsidiary undertakings are repayable on demand and carry interest at a rate linked to LIBOR.

CANARY WHARF INVESTMENTS (THREE)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

9. CREDITORS: Amounts falling due within one year

	30 June 2004 £	30 June 2003 £
Loan from parent undertaking	63,012,229	48,153,295
Loan from fellow subsidiary undertaking	4,277,629	4,112,311
Amount owed to parent undertaking	20,107,759	14,012,360
Amounts owed to fellow subsidiary undertakings	9,258,220	6,175,776
Other creditors	—	112
Accruals and deferred income	318,270	1,019,285
	<u>96,974,107</u>	<u>73,473,139</u>

The loans from the company's parent and fellow subsidiary undertakings bear interest at a rate linked to LIBOR and are repayable on demand.

10. DEFERRED TAXATION

Deferred taxation:

	30 June 2004 £	30 June 2003 £
Accelerated capital allowances	31,945,500	31,945,500
Undiscounted deferred tax liability	31,945,500	31,945,500
Discount	(12,902,029)	(12,640,494)
Discounted deferred tax liability	<u>19,043,471</u>	<u>19,305,006</u>
At 1 July	19,305,006	19,412,455
Deferred tax credit in profit and loss account for the period	(261,535)	(107,449)
At 30 June	<u>19,043,471</u>	<u>19,305,006</u>

11. CALLED-UP SHARE CAPITAL

Authorised share capital:

	30 June 2004 £	30 June 2003 £
500,000,000 Ordinary shares of £1 each	<u>500,000,000</u>	<u>500,000,000</u>

Allotted, called up and fully paid:

	30 June 2004 £	30 June 2003 £
117,660,000 Ordinary shares of £1 each	<u>117,660,000</u>	<u>117,660,000</u>

CANARY WHARF INVESTMENTS (THREE)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

12. RESERVES

	Revaluation reserve	Profit and loss account
	£	£
At 1 July 2003	69,709,750	—
Profit for the financial year	—	18,711,463
Dividends	—	(18,711,463)
Revaluation of fixed assets	2,800,000	—
At 30 June 2004	<u>72,509,750</u>	<u>—</u>

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	£
Shareholders funds as at 1 July 2003	187,369,750
Revaluation	<u>2,800,000</u>
Shareholders' funds as at 30 June 2004	<u>190,169,750</u>

14. CAPITAL COMMITMENTS

As of 30 June 2004 the company had given fixed and floating charges over substantially all its assets to secure the commitments of certain other group undertakings.

15. RELATED PARTIES

The company's immediate parent undertaking is Canary Wharf Investments (Two) Limited, a company registered in England and Wales. On 21 May 2004, Songbird Acquisition Limited declared its offer for Canary Wharf Group plc, the company's previous ultimate parent undertaking, wholly unconditional. As a result of this announcement, Songbird Estates plc is now the ultimate parent company and will have its first financial statements drawn up to the period ending 31 December 2004.

As at 30 June 2004, Canary Wharf Group plc was the parent undertaking of the largest and smallest group of which the company is a member and for which group financial statements are drawn up. Copies of the financial statements of Canary Wharf Group plc may be obtained from the Company Secretary, 30th Floor, One Canada Square, Canary Wharf, London E14 5AB.

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