

CANARY WHARF INVESTMENTS (THREE)
Registered Number: 2455786

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



CANARY WHARF INVESTMENTS (THREE)

FINANCIAL STATEMENTS

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CANARY WHARF INVESTMENTS (THREE)

THE DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2005

The directors present their report with the audited financial statements for the year ended 31 December 2005.

ULTIMATE PARENT UNDERTAKING

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

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

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

On 23 May 2005, the company varied the terms of the ground rent payable under its leasehold interest in 7 Westferry Circus for a consideration of £1,750,000. It then granted an underlease for a consideration of £19,500,000.

Also on 23 May 2005, the company varied the terms of the ground rent payable under its leasehold interest in One Canada Square for a consideration of £9,100,000. It then granted an underlease for a consideration of £129,550,000.

The company granted an overriding lease in respect of its interest in 10 Cabot Square for a consideration of £62,900,000.

The company recorded a total profit on disposal of £17,439,554 on these transactions.

FUTURE DEVELOPMENTS

Following the disposal of its property interests the company is expected to become dormant.

DIVIDENDS AND RESERVES

The profit and loss account for the year ended 31 December 2005 is set out on page 6. Dividends of £120,000,000 (2004: £6,879,665) have been paid during the year and the retained loss of £72,948,715 (2004: profit of £Nil) has been transferred to reserves.

DIRECTORS

The directors of the company throughout the year ended 31 December 2005 were:

A P Anderson II
G Iacobescu
R Lyons

The group has in place liability insurance covering the directors and other officers of group companies.

CANARY WHARF INVESTMENTS (THREE)

THE DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2005

DIRECTORS' INTERESTS

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

Other than the above, no director had any beneficial interest in the shares of the company, its parent undertakings or other group undertakings at 31 December 2005 or at any time throughout the year then ended.

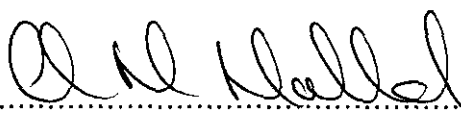
FINANCIAL INSTRUMENTS

The company is exposed to financial risk through its financial assets and liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due. The most important components of financial risk are interest rate risk, currency risk, credit risk, liquidity risk, cash flow risk and price risk. Due to the nature of the company's business and the assets and liabilities contained within the company's balance sheet the only financial risks the directors consider relevant are credit risk and liquidity risk. These risks are mitigated by the nature of the debtor balances owed, with these due from other group companies who are able to repay these if required.

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

15 August 2006

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 MEMBERS OF CANARY WHARF INVESTMENTS (THREE)

We have audited the financial statements of Canary Wharf Investments (Three) for the year ended 31 December 2005 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Note of Historical Cost Profits and Losses, Balance Sheet and the related notes 1 to 14. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant financial reporting framework and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

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

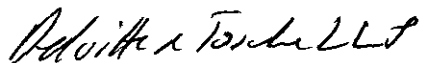
CANARY WHARF INVESTMENTS (THREE)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CANARY WHARF INVESTMENTS (THREE)

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

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the company's affairs as at 31 December 2005 and of its 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

15 August 2006

CANARY WHARF INVESTMENTS (THREE)

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	Year ended 31 December 2005 £	Six months ended 31 December 2004 £
TURNOVER		6,144,695	7,846,963
Cost of sales		(554,490)	(654,183)
GROSS PROFIT		5,590,205	7,192,780
Administrative expenses		(598,105)	(860,720)
OPERATING PROFIT	2	4,992,100	6,332,060
Exceptional items:			
Profit on sale of fixed asset	7	17,439,554	—
Provision against fixed asset	7	(123,000)	—
Interest receivable and similar income	3	8,926,566	3,167,232
Interest payable and similar charges	4	(4,062,992)	(1,734,169)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		27,172,228	7,765,123
Tax on profit on ordinary activities	5	19,879,057	(885,458)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		47,051,285	6,879,665
Dividends	6	(120,000,000)	(6,879,665)
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR TRANSFERRED TO RESERVES	12	(72,948,715)	—

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 15 form an integral part of these financial statements.

CANARY WHARF INVESTMENTS (THREE)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2005

	Year ended 31 December 2005 £	Six months ended 31 December 2004 £
Profit for the financial year	47,051,285	6,879,665
Unrealised surplus on revaluation of properties	—	2,200,000
Total recognised gains relating to the year	<u>47,051,285</u>	<u>9,079,665</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	Year ended 31 December 2005 £	Six months ended 31 December 2004 £
Reported profit on ordinary activities before taxation	27,172,228	7,765,123
Realisation of gains recognised in previous periods	74,709,750	—
Historical cost profit on ordinary activities before taxation	<u>101,881,978</u>	<u>7,765,123</u>
Historical cost profit for the year retained after taxation and dividends	<u>1,761,035</u>	<u>—</u>

The notes on pages 9 to 15 form an integral part of these financial statements.

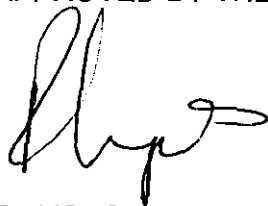
CANARY WHARF INVESTMENTS (THREE)

BALANCE SHEET AS AT 31 DECEMBER 2005

	Note	31 December 2005 £	31 December 2004 £
FIXED ASSETS			
Tangible assets	7	187,000	184,000,000
CURRENT ASSETS			
Debtors	8	134,277,705	137,882,388
Cash in hand		15	15
		134,277,720	137,882,403
CREDITORS: Amounts falling due within one year	9	(14,993,813)	(109,583,724)
NET CURRENT ASSETS		119,283,907	28,298,679
TOTAL ASSETS LESS CURRENT LIABILITIES		119,470,907	212,298,679
Provisions for liabilities and charges	10	(49,872)	(19,928,929)
NET ASSETS		119,421,035	192,369,750
CAPITAL AND RESERVES			
Called-up equity share capital	11	117,660,000	117,660,000
Reserves:			
Revaluation reserve	12	–	74,709,750
Profit and loss account	12	1,761,035	–
SHAREHOLDERS' FUNDS - EQUITY	13	119,421,035	192,369,750

The notes on pages 9 to 15 form an integral part of these financial statements.

APPROVED BY THE BOARD ON 15 AUGUST 2006 AND SIGNED ON ITS BEHALF BY:



R LYONS
DIRECTOR

CANARY WHARF INVESTMENTS (THREE)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

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 period, 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 law and accounting standards.

In accordance with the provisions of FRS 1 (Revised) the company is exempt from the requirements to prepare a cash flow statement, as it is a wholly-owned subsidiary of Canary Wharf Group plc, which has prepared a consolidated cash flow statement.

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 31 DECEMBER 2005

1. PRINCIPAL ACCOUNTING POLICIES

Deferred taxation

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

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

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

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

2. OPERATING PROFIT

Operating profit is stated after charging:

	Year ended 31 December 2005 £	Six months ended 31 December 2004 £
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 or the prior period.

No staff were employed by the company during the year or the prior period.

3. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 December 2005 £	Six months ended 31 December 2004 £
Interest receivable from group undertakings	8,926,566	3,167,232

CANARY WHARF INVESTMENTS (THREE)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

4. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 December 2005 £	Six months ended 31 December 2004 £
Interest payable to group undertakings	4,062,992	1,734,169

5. TAXATION

	Year ended 31 December 2005 £	Six months ended 31 December 2004 £
Current tax:		
UK Corporation tax (see below)	—	—
Deferred tax:		
Net effect of discount	3,609	885,458
Origination and reversal of timing differences	(19,882,666)	—
Total deferred tax (Note 10)	(19,879,057)	885,458
Total tax on profit on ordinary activities	(19,879,057)	885,458
Tax reconciliation:		
Profit on ordinary activities before tax	27,172,228	7,765,123
Tax on profit on ordinary activities at UK corporation tax rate of 30%	8,151,668	2,329,537
Effects of:		
Items not chargeable to tax	(5,231,866)	—
Expenses not deductible for tax purposes	36,900	—
Tax losses and other timing differences	(2,956,702)	(2,329,537)
Current tax charge for the year	—	—

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

CANARY WHARF INVESTMENTS (THREE)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

6. DIVIDENDS

	Year ended 31 December 2005 £	Six months ended 31 December 2004 £
Dividends paid during the year (101.99 pence per share) (2004: 5.85 pence per share)	<u>120,000,000</u>	<u>6,879,665</u>

7. TANGIBLE FIXED ASSETS

	Long Leasehold Properties £
COST OR VALUATION	
At 1 January 2005	184,000,000
Disposals	(183,690,000)
At 31 December 2005	<u>310,000</u>
PROVISION	
Movement for the year	123,000
At 31 December 2005	<u>123,000</u>
NET BOOK VALUE	
At 31 December 2005	<u>187,000</u>
At 31 December 2004	<u>184,000,000</u>

On 23 May 2005, the company varied the terms of the ground rent payable under its leasehold interest in 7 Westferry Circus for a consideration of £1,750,000. It then granted an underlease for a consideration of £19,500,000.

Also on 23 May 2005, the company varied the terms of the ground rent payable under its leasehold interest in One Canada Square for a consideration of £9,100,000. It then granted an underlease for a consideration of £129,550,000.

The company granted an overriding lease in respect of its interest in 10 Cabot Square for a consideration of £62,900,000.

On 15 November 2005, the company granted an option over its remaining interest in 7 Westferry Circus for a consideration of £30,000. The option is exercisable from 1 March 2018 at a price of £30,000.

The company recorded a total profit on disposal of £17,439,554 on these transactions, which has been taken to the profit and loss account and treated as an exceptional item. This did not give rise to deferred tax.

CANARY WHARF INVESTMENTS (THREE)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

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

	31 December 2005 £	31 December 2004 £
Historic cost	310,000	109,290,250

As at 31 December 2005 the company's residual leasehold property interests were valued by the directors, Savills Commercial Limited, Chartered Surveyors and CB Richard Ellis Limited, Surveyors and Valuers. The valuation resulted in the provision for diminution of £123,000, which has been taken to the profit and loss account and treated as an exceptional item. This item did not give rise to deferred tax.

8. DEBTORS

	31 December 2005 £	31 December 2004 £
Trade debtors	—	4,346,257
Loan to parent undertaking	—	29,916,052
Amount owed by parent undertaking	—	16,837,040
Loan to fellow subsidiary undertaking	122,466,840	75,113,040
Amounts owed by fellow subsidiary undertakings	11,810,865	11,669,999
	<u>134,277,705</u>	<u>137,882,388</u>

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

9. CREDITORS: Amounts falling due within one year

	31 December 2005 £	31 December 2004 £
Loan from parent undertaking	—	64,636,268
Loan from fellow subsidiary undertaking	1,681,551	4,387,757
Amount owed to parent undertaking	282	27,034,804
Amounts owed to fellow subsidiary undertakings	13,246,900	10,750,306
Other creditors	61,916	53,407
Accruals and deferred income	3,164	2,721,182
	<u>14,993,813</u>	<u>109,583,724</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.

CANARY WHARF INVESTMENTS (THREE)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

10. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation:

	31 December 2005 £	31 December 2004 £
Accelerated capital allowances	74,100	31,945,500
Undiscounted deferred tax liability	74,100	31,945,500
Discount	(24,228)	(12,016,571)
Discounted deferred tax liability	49,872	19,928,929
Brought forward	19,928,929	19,043,471
Deferred tax (credit)/charge in profit and loss account for the period	(19,879,057)	885,458
Carried forward	49,872	19,928,929

11. CALLED-UP SHARE CAPITAL

Authorised share capital:

	31 December 2005 £	31 December 2004 £
500,000,000 Ordinary shares of £1 each	500,000,000	500,000,000

Allotted, called up and fully paid:

	31 December 2005 £	31 December 2004 £
117,660,000 Ordinary shares of £1 each	117,660,000	117,660,000

12. RESERVES

	Revaluation reserve £	Profit and loss account £	Total £
At 1 January 2005	74,709,750	–	74,709,750
Profit for the year	–	47,051,285	47,051,285
Realisation of property revaluation gains of prior periods	(74,709,750)	74,709,750	–
Dividends	–	(120,000,000)	(120,000,000)
At 31 December 2005	–	1,761,035	1,761,035

CANARY WHARF INVESTMENTS (THREE)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 December 2005 £	31 December 2004 £
Opening shareholders' funds - equity	192,369,750	190,169,750
Profit for the year	47,051,285	6,879,665
Dividends	(120,000,000)	(6,879,665)
Revaluation	-	2,200,000
Closing shareholders' funds - equity	<u>119,421,035</u>	<u>192,369,750</u>

14. RELATED PARTIES

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

As at 31 December 2005, Songbird Estates plc was the parent company of the largest group of which the company is a member and Canary Wharf Group plc was the parent undertaking of the smallest group of which the company is a member. Copies of the financial statements of Songbird Estates plc and Canary Wharf Group plc may be obtained from the Company Secretary, 30th Floor, One Canada Square, Canary Wharf, London E14 5AB.

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