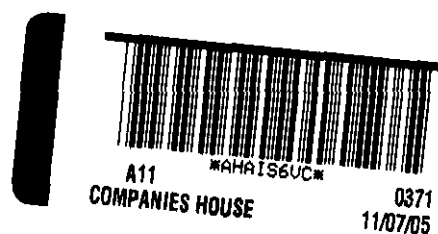


**CANARY WHARF INVESTMENTS (THREE)**  
Registered Number: 2455786

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS  
FOR THE SIX MONTH PERIOD TO 31 DECEMBER 2004**



# **CANARY WHARF INVESTMENTS (THREE)**

## **FINANCIAL STATEMENTS**

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# **CANARY WHARF INVESTMENTS (THREE)**

## **THE DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2004**

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The directors present their report with the audited financial statements for the period ended 31 December 2004.

### **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.

The company has changed its accounting reference date from 30 June to 31 December to be consistent with its ultimate parent undertaking.

### **FUTURE DEVELOPMENTS**

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

On 25 May 2005, subsequent to the period end, 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 25 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 proceeds from these transactions were lent to a fellow subsidiary undertaking.

### **DIVIDENDS AND RESERVES**

The profit and loss account for the period ended 31 December 2004 is set out on page 6. The company recorded a profit after tax of £6,879,665 (2004: £18,711,463) and the directors recommend the payment of an interim dividend of £6,879,665 (2004: £18,711,463).

### **DIRECTORS**

The directors of the company throughout the period ended 31 December 2004 were:

A P Anderson II  
G Iacobescu  
R Lyons

## **CANARY WHARF INVESTMENTS (THREE)**

### **THE DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2004**

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#### **DIRECTORS' INTERESTS**

The directors have been granted options to subscribe for ordinary class B shares in Songbird. All outstanding options to subscribe for ordinary shares in Canary Wharf Group plc as at 30 June 2004 were waived during the period in consideration for the granting of an award under The Canary Wharf 2004 Deferred Share Plan. Details of interests and options to subscribe for shares in Songbird are disclosed as appropriate in the financial statements of either of the intermediate parent companies, Canary Wharf Estate Limited or Canary Wharf Group plc.

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 31 December 2004 or at any time throughout the period then ended.

#### **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 31 December 2004 or 30 June 2004.

#### **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

27 June 2005

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**

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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 period and of the results for the period 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**

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We have audited the financial statements of Canary Wharf Investments (Three) for the period ended 31 December 2004 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 16. 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**

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.

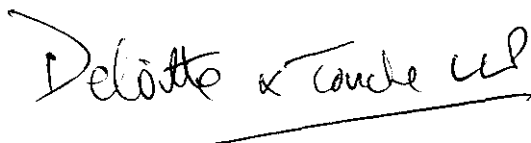
# CANARY WHARF INVESTMENTS (THREE)

## INDEPENDENT AUDITORS' REPORT

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### Opinion

In our opinion the financial statements give a true and fair view of the company's affairs as at 31 December 2004 and of its result for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style. Below the signature, there is a horizontal line that starts under the "Deloitte" part and extends to the right, ending under the "LLP" part.

**Deloitte & Touche LLP**  
**Chartered Accountants and Registered Auditors**  
London

27 June 2005

# CANARY WHARF INVESTMENTS (THREE)

## PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31 DECEMBER 2004

		Period ended 31 December 2004 £	Year ended 30 June 2004 £
	Note		
<b>TURNOVER</b>		7,846,963	18,068,668
Cost of sales		(654,183)	(1,239,121)
<b>GROSS PROFIT</b>		7,192,780	16,829,547
Administrative expenses		(860,720)	(1,916,391)
<b>OPERATING PROFIT</b>	2	6,332,060	14,913,156
Interest receivable and similar income	3	3,167,232	5,747,041
Interest payable and similar charges	4	(1,734,169)	(2,210,269)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		7,765,123	18,449,928
Tax on profit on ordinary activities	5	(885,458)	261,535
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		6,879,665	18,711,463
Dividends	6	(6,879,665)	(18,711,463)
<b>RETAINED PROFIT FOR THE FINANCIAL PERIOD TRANSFERRED TO RESERVES</b>	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 15 form an integral part of these financial statements.



## CANARY WHARF INVESTMENTS (THREE)

### STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE PERIOD ENDED 31 DECEMBER 2004

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	Period ended 31 December 2004 £	Year ended 30 June 2004 £
Profit for the financial period	6,879,665	18,711,463
Unrealised profit on revaluation of properties	2,200,000	2,800,000
Total gains relating to the period	<u>9,079,665</u>	<u>21,511,463</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 2004

	Note	31 December 2004 £	30 June 2004 £
<b>FIXED ASSETS</b>			
Tangible assets	7	184,000,000	181,800,000
<b>CURRENT ASSETS</b>			
Debtors	8	137,882,388	124,387,313
Cash in hand		15	15
		137,882,403	124,387,328
<b>CREDITORS: Amounts falling due within one year</b>	9	(109,583,724)	(96,974,107)
<b>NET CURRENT ASSETS</b>		28,298,679	27,413,221
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		212,298,679	209,213,221
Provisions for liabilities and charges	10	(19,928,929)	(19,043,471)
<b>NET ASSETS</b>		192,369,750	190,169,750
<b>CAPITAL AND RESERVES</b>			
Called-up equity share capital	11	117,660,000	117,660,000
Revaluation reserve	12	74,709,750	72,509,750
<b>SHAREHOLDERS' FUNDS - EQUITY</b>	13	192,369,750	190,169,750

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

APPROVED BY THE BOARD ON 27 JUNE 2005 AND SIGNED ON ITS BEHALF BY:



R LYONS  
DIRECTOR

# **CANARY WHARF INVESTMENTS (THREE)**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2004**

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### **1. PRINCIPAL ACCOUNTING POLICIES**

A summary of the principal accounting policies of the company, all of which have been applied consistently throughout the period 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) the company is exempt from the requirements to prepare a cash flow statement, as it is a wholly-owned subsidiary of CWG, a body incorporated in the European Union 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 PERIOD ENDED 31 DECEMBER 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 3.1% 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:

	Period ended 31 December 2004 £	Year ended 30 June 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 period.

No staff were employed by the company.

### 3. INTEREST RECEIVABLE AND SIMILAR INCOME

	Period ended 31 December 2004 £	Year ended 30 June 2004 £
Bank interest receivable	—	4
Interest receivable from group undertakings	3,167,232	5,747,037
	<u>3,167,232</u>	<u>5,747,041</u>

## CANARY WHARF INVESTMENTS (THREE)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2004

#### 4. INTEREST PAYABLE AND SIMILAR CHARGES

	Period ended 31 December 2004 £	Year ended 30 June 2004 £
Interest payable to group undertakings	<u>1,734,169</u>	<u>2,210,269</u>

#### 5. TAXATION

	Period ended 31 December 2004 £	Year ended 30 June 2004 £
Current tax:		
UK Corporation tax (see below)	<u>—</u>	<u>—</u>
Deferred tax:		
Net effect of discount	<u>885,458</u>	<u>(261,535)</u>
Total deferred tax (Note 10)	<u>885,458</u>	<u>(261,535)</u>
Total tax on profit on ordinary activities	<u>885,458</u>	<u>(261,535)</u>
Tax reconciliation:		
Profit on ordinary activities before tax	<u>7,765,123</u>	<u>18,449,928</u>
Tax on profit on ordinary activities at UK corporation tax rate of 30%	<u>2,329,537</u>	<u>5,534,978</u>
Effects of:		
Tax losses and other timing differences	<u>(2,329,537)</u>	<u>(5,534,978)</u>
Current tax charge for the period	<u>—</u>	<u>—</u>

No provision for corporation tax has been made since the profit for the period 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

	31 December 2004 £	30 June 2004 £
Interim dividend 5.85 pence per share (2004 - 15.90 pence per share)	<u>6,879,665</u>	<u>18,711,463</u>

## CANARY WHARF INVESTMENTS (THREE)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2004

#### 7. TANGIBLE FIXED ASSETS

	Long Leasehold Properties £
<b>COST OR VALUATION</b>	
At 1 July 2004	181,800,000
Revaluation	2,200,000
<b>At 31 December 2004</b>	<b>184,000,000</b>
 <b>NET BOOK VALUE</b>	
<b>At 31 December 2004</b>	<b>184,000,000</b>
At 30 June 2004	181,800,000

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

	31 December 2004 £	30 June 2004 £
Historical cost	109,290,250	109,290,250

As at 31 December 2004 the company's leasehold property interest was valued by the group's external property advisers, Savills Commercial Limited, 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 £2,200,000 which has been transferred to the revaluation reserve.

#### 8. DEBTORS

	31 December 2004 £	30 June 2004 £
Trade debtors	4,346,257	3,413,278
Loan to parent undertaking	29,916,052	27,385,430
Amount owed by parent undertaking	16,837,040	16,837,040
Loan to fellow subsidiary undertaking	75,113,040	65,150,159
Amounts owed by fellow subsidiary undertakings	11,669,999	11,578,051
Other debtors	—	23,355
	<b>137,882,388</b>	<b>124,387,313</b>

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 PERIOD ENDED 31 DECEMBER 2004

#### 9. CREDITORS: Amounts falling due within one year

	31 December 2004 £	30 June 2004 £
Loan from parent undertaking	64,636,268	63,012,229
Loan from fellow subsidiary undertaking	4,387,757	4,277,629
Amount owed to parent undertaking	27,034,804	20,107,759
Amounts owed to fellow subsidiary undertakings	10,750,306	9,258,220
Other creditors	53,407	—
Accruals and deferred income	2,721,182	318,270
	<u>109,583,724</u>	<u>96,974,107</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. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation:

	31 December 2004 £	30 June 2004 £
Accelerated capital allowances	31,945,500	31,945,500
Undiscounted deferred tax liability	31,945,500	31,945,500
Discount	(12,016,571)	(12,902,029)
Discounted deferred tax liability	<u>19,928,929</u>	<u>19,043,471</u>
At 1 July	19,043,471	19,305,006
Deferred tax charge/(credit) in profit and loss account for the period	885,458	(261,535)
At 31 December	<u>19,928,929</u>	<u>19,043,471</u>

#### 11. CALLED-UP SHARE CAPITAL

Authorised share capital:

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

Allotted, called up and fully paid:

	31 December 2004 £	30 June 2004 £
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 PERIOD ENDED 31 DECEMBER 2004

#### 12. RESERVES

	Revaluation reserve	Profit and loss account	Total
	£	£	£
At 1 July 2004	72,509,750	–	72,509,750
Profit for the period		6,879,665	6,879,665
Dividends		(6,879,665)	(6,879,665)
Revaluation of fixed assets	2,200,000		2,200,000
At 31 December 2004	<u>74,709,750</u>	<u>–</u>	<u>74,709,750</u>

#### 13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	£
Shareholders' funds as at 1 July 2004	190,169,750
Revaluation	<u>2,200,000</u>
Shareholders' funds as at 31 December 2004	<u>192,369,750</u>

#### 14. POST BALANCE SHEET EVENTS

On 25 May 2005, subsequent to the period end, 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 25 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 proceeds from these transactions were lent to a fellow subsidiary undertaking.

#### 15. CAPITAL COMMITMENTS

As of 31 December 2004 the company had given fixed and floating charges over substantially all its assets to secure the commitments of certain other group undertakings.



## **CANARY WHARF INVESTMENTS (THREE)**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2004**

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#### **16. 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 2004, 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.