

**CWCB LEASING (RT2) LIMITED**  
**Registered Number: 3605344**

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



# **CWCB LEASING (RT2) LIMITED**

## **FINANCIAL STATEMENTS**

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# **CWCB LEASING (RT2) LIMITED**

## **THE DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2005**

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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 CWCB Holdings 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 25 May 2005 as part of a reorganisation of the Canary Wharf Group's debt, the company repaid its existing loan from a fellow subsidiary undertaking at a premium of £1,301,046.

On 30 November 2005 the company received £119,880,000 from a fellow subsidiary undertaking, in consideration for a variation to the rents payable under its leasehold interest in Canada Square Retail Mall. The sale gave rise to a profit on disposal of £40,868,084.

### **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 31 December 2005 is set out on page 6. Dividends of £77,000,000 (2004: £Nil) have been paid during the year and the retained loss of £28,746,651 (2004: loss of £997,196) 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.

### **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.

# **CWCB LEASING (RT2) LIMITED**

## **THE DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2005**

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### **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      28 June 2006  
AM Holland

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

## **CWCB LEASING (RT2) LIMITED**

### **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 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.

# **CWCB LEASING (RT2) LIMITED**

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CWCB LEASING (RT2) LIMITED**

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We have audited the financial statements of CWCB Leasing (RT2) Limited 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 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**

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.

## **CWCB LEASING (RT2) LIMITED**

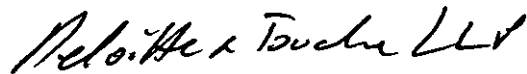
### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CWCB LEASING (RT2) LIMITED**

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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

28 June 2006

# CWCB LEASING (RT2) LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005

		Year ended 31 December 2005 £	Six months ended 31 December 2004 £
	Note		
<b>TURNOVER - RENTAL INCOME</b>		5,767,736	2,078,793
Cost of sales		(489,373)	—
<b>GROSS PROFIT</b>		5,278,363	2,078,793
Administrative expenses		(3,525)	(3,525)
<b>OPERATING PROFIT</b>	2	5,274,838	2,075,268
Exceptional item:			
Profit on sale of fixed asset	7	40,868,084	100,000
Interest receivable and similar income	3	752,350	688
Interest payable and similar charges	4	(5,318,960)	(2,075,956)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		41,576,312	100,000
Tax on profit on ordinary activities	5	6,677,037	(1,097,196)
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION</b>		48,253,349	(997,196)
Dividends	6	(77,000,000)	—
<b>RETAINED LOSS FOR THE FINANCIAL YEAR TRANSFERRED TO RESERVES</b>	13	(28,746,651)	(997,196)

Movements in reserves are shown in Note 13 of these financial statements.

All amounts relate to continuing activities in the United Kingdom.

The notes on pages 9 to 16 form an integral part of these financial statements.

## **CWCB LEASING (RT2) LIMITED**

### **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/(loss) for the financial year	48,253,349	(997,196)
Unrealised surplus on revaluation of properties	—	8,680,000
Total recognised gains relating to the year	<u>48,253,349</u>	<u>7,682,804</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	41,576,312	100,000
Realisation of gains recognised in previous periods	36,330,386	549,614
Historical cost profit on ordinary activities before taxation	<u>77,906,698</u>	<u>649,614</u>
Historical cost profit/(loss) for the year retained after taxation and dividends	<u>7,583,735</u>	<u>(447,582)</u>

The notes on pages 9 to 16 form an integral part of these financial statements.

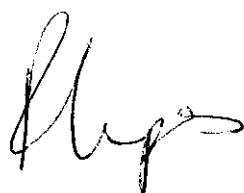
# CWCB LEASING (RT2) LIMITED

## BALANCE SHEET AS AT 31 DECEMBER 2005

	Note	31 December 2005 £	31 December 2004 £
<b>FIXED ASSETS</b>			
Tangible assets	7	65,000	78,000,000
<b>CURRENT ASSETS</b>			
Debtors	8	2,658,671	28,174
<b>CREDITORS: Amounts falling due within one year</b>	9	(1,168,569)	(3,525)
<b>NET CURRENT ASSETS</b>		1,490,102	24,649
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,555,102	78,024,649
<b>CREDITORS: Amounts falling due after more than one year</b>	10	–	(41,045,859)
Provisions for liabilities and charges	11	(11,348)	(6,688,385)
<b>NET ASSETS</b>		1,543,754	30,290,405
<b>CAPITAL AND RESERVES</b>			
Called-up equity share capital	12	1	1
<b>Reserves:</b>			
Revaluation reserve	13	–	36,330,386
Profit and loss account	13	1,543,753	(6,039,982)
<b>SHAREHOLDERS' FUNDS - EQUITY</b>	14	1,543,754	30,290,405

The notes on pages 9 to 16 form an integral part of these financial statements.

APPROVED BY THE BOARD ON 28 JUNE 2006 AND SIGNED ON ITS BEHALF BY:



R LYONS  
DIRECTOR

# **CWCB LEASING (RT2) LIMITED**

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

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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 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.

#### **Interest receivable and interest payable**

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

#### **Turnover**

Turnover, representing rents receivable, is recognised net of VAT in the period in which the rents become 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.

#### **Debt**

Debt instruments are stated initially at the amount of the net proceeds. The finance costs of such debt instruments are allocated to periods over the term of the debt at a constant rate on the carrying amount. The carrying amount is increased by the finance cost in respect of the reporting period and reduced by payments made in respect of the debt of that period. Finance costs are charged to the profit and loss account.

# CWCB LEASING (RT2) LIMITED

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

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### 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.

# CWCB LEASING (RT2) LIMITED

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

### 3. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 December 2005 £	Six months ended 31 December 2004 £
Bank interest receivable	—	688
Interest receivable from group undertakings	752,350	—
	<u>752,350</u>	<u>688</u>

### 4. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 December 2005 £	Six months ended 31 December 2004 £
Interest payable to group undertakings	3,495,252	2,073,575
Financing costs	522,662	2,381
Premium on repayment of loans	1,301,046	—
	<u>5,318,960</u>	<u>2,075,956</u>

### 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	1,070	308,936
Origination and reversal of timing differences	(6,678,107)	788,260
Total deferred tax (Note 11)	<u>(6,677,037)</u>	<u>1,097,196</u>
Total tax on profit on ordinary activities	<u>(6,677,037)</u>	<u>1,097,196</u>

# CWCB LEASING (RT2) LIMITED

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

### 5. TAXATION

Tax reconciliation:

Profit on ordinary activities before tax	41,576,312	100,000
Tax on profit on ordinary activities at UK corporation tax rate of 30%	12,472,894	30,000
Effects of:		
Items not chargeable to tax	(12,260,425)	–
Tax losses and other timing differences	(212,469)	(30,000)
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.

### 6. DIVIDENDS

	Year ended 31 December 2005 £	Six months ended 31 December 2004 £
Dividends paid during the year (£77,000,000 per share)	77,000,000	–

### 7. TANGIBLE FIXED ASSETS

	Leasehold Property £
<b>COST</b>	
At 1 January 2005	78,000,000
Additions	1,076,916
Disposals	(79,011,916)
<b>At 31 December 2005</b>	<b>65,000</b>
<b>NET BOOK VALUE</b>	
At 31 December 2005	65,000
At 31 December 2004	78,000,000

## CWCB LEASING (RT2) LIMITED

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

On 30 November 2005 the company received £119,880,000 from a fellow subsidiary undertaking, in consideration for a variation to the rents payable under its leasehold interest in Canada Square Retail Mall. The remaining property interest has a residual value of £65,000. The sale gave rise to a profit on disposal of £40,868,084, which has been taken to the profit and loss account and treated as an exceptional item. This transaction did not give rise to deferred tax.

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

	31 December 2005 £	31 December 2004 £
Historic cost	65,000	41,669,614

As at 31 December 2005 the company's leasehold property interest was valued by the group's external property advisers, Cushman & Wakefield Healey & Baker, Real Estate Consultants, on the basis of Market Value in accordance with the Appraisal and Valuation Manual published by the Royal Institution of Chartered Surveyors. No allowance was made for any expenses of realisation nor for any taxation which might arise in the event of disposal.

#### 8. DEBTORS

	31 December 2005 £	31 December 2004 £
Amount owed by parent undertaking	1	1
Loan to fellow subsidiary undertaking	2,128,939	—
Amount owed by fellow subsidiary undertaking	529,731	28,173
	<u>2,658,671</u>	<u>28,174</u>

The loan to a fellow subsidiary undertaking carries interest at a rate linked to LIBOR and is repayable on demand.

# CWCB LEASING (RT2) LIMITED

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

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

	31 December 2005 £	31 December 2004 £
Amount owed to fellow subsidiary undertaking	1,165,044	—
Accruals	3,525	3,525
	<u>1,168,569</u>	<u>3,525</u>

### 10. CREDITORS: Amounts falling due after more than one year

	31 December 2005 £	31 December 2004 £
Loans from fellow subsidiary undertakings	—	41,045,859

The loan to a fellow subsidiary undertaking carried interest at 10%, subject to certain caps and was repaid during the year.

### 11. PROVISION FOR LIABILITIES AND CHARGES

Deferred taxation:

	31 December 2005 £	31 December 2004 £
Accelerated capital allowances	19,500	12,690,000
Undiscounted deferred tax liability	19,500	12,690,000
Discount	(8,152)	(6,001,615)
Discounted deferred tax liability	<u>11,348</u>	<u>6,688,385</u>
Brought forward	6,688,385	5,591,189
Deferred tax (credit)/charge in profit and loss account for the period	(6,677,037)	1,097,196
Carried forward	<u>11,348</u>	<u>6,688,385</u>

# CWCB LEASING (RT2) LIMITED

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

### 12. 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
	£	£
1 Ordinary shares of £1 each	1	1

### 13. RESERVES

	Revaluation reserve	Profit and loss account	Total
	£	£	£
At 1 January 2005	36,330,386	(6,039,982)	30,290,404
Profit for the year	–	48,253,349	48,253,349
Dividends	–	(77,000,000)	(77,000,000)
Transfer of realised profits	(36,330,386)	36,330,386	–
At 31 December 2005	–	1,543,753	1,543,753

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

	31 December 2005	31 December 2004
	£	£
Opening shareholders' funds - equity	30,290,405	22,607,601
Profit/(loss) for the year	48,253,349	(997,196)
Dividends	(77,000,000)	–
Revaluation	–	8,680,000
Closing shareholders' funds - equity	1,543,754	30,290,405

### 15. CAPITAL COMMITMENTS

As of 31 December 2005 the company had given fixed and floating charges over substantially all its assets to secure the commitments of certain other group undertakings.

## **CWCB LEASING (RT2) LIMITED**

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

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#### **16. RELATED PARTIES**

The company's immediate parent undertaking is CWCB Holdings 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 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.