

**LA DEFENSE III PLC**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS  
FOR THE PERIOD FROM INCORPORATION ON 23 JANUARY 2004  
TO 31 DECEMBER 2004**



## LA DEFENSE III PLC

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### COMPANY INFORMATION

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**DIRECTORS**

SPV Management Limited  
Mr R G Baker  
Mr J P J Fairrie  
Mr M McDermott  
Mr S Masson

**SECRETARY**

SPV Management Limited (appointed 23 January 2004)

**COMPANY NUMBER**

5024429

**REGISTERED OFFICE**

Tower 42 (level 11)  
International Financial Centre  
25 Old Broad Street  
London  
EC2N 1HQ

**AUDITORS**

KPMG Audit Plc  
Chartered Accountants  
8 Salisbury Square  
London  
EC4Y 8BB

LA DEFENSE III PLC

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CONTENTS

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	Page
Directors' report	1 - 2
Independent Auditors' report	3
Profit and loss account	4
Balance sheet	5
Notes to the financial statements	6 - 12

**DIRECTORS' REPORT**

**For the period from incorporation on 23 January 2004 to 31 December 2004**

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

**PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS**

The company's principal activity is to acquire units in the FCC La Defense III fund and to raise or borrow money and to grant security over its assets for such purpose and to lend money. The FCC La Defense III fund in France acquires receivables derived from real property financing together with ancillary rights and other investments.

The company was incorporated on 23 January 2004. The company issued €5,700,000 and €635,000,000 of floating rate loan notes on 3 March 2004 and 4 March 2004 respectively.

**RESULTS AND DIVIDENDS**

The profit for the year, after taxation, amounted to €22,899.

The directors recommend that no dividend should be paid.

**DIRECTORS AND THEIR INTERESTS'**

The directors who served during the period and up to the date of this report and their interests' were:

SPV Management Limited (appointed 23 January 2004)

Mr J P J Fairrie (appointed 23 January 2004)

Mr M McDermott (appointed 23 January 2004)

On 29 January 2004, Mr R G Baker and Mrs S J Over were appointed as alternate directors to Mr J P J Fairrie and Mr M McDermott respectively. Mrs S J Over resigned on 27 May 2005. On 27 May 2005, Mr S Masson was appointed as alternate director to Mr M McDermott.

None of the directors received any remuneration from the company for their services during the period. Under the terms of a corporate services agreement, SPV Management Limited is contracted to receive fees of €21,150 per annum and an additional €8,813 in the period ended 31 December 2004 for the provision of corporate services.

None of the directors had a beneficial interest in the shares of the company during the period. SPV Management Limited held one share in the company under a declaration of trust for charitable purposes. The shares in La Defense III (Holdings) Limited, the parent company of La Defense III plc are held by SPV Management Limited under a declaration of trust for charitable purposes.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**DIRECTORS' REPORT**

**For the period from incorporation on 23 January 2004 to 31 December 2004**

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**POLITICAL AND CHARITABLE CONTRIBUTIONS**

The company made no political contributions or charitable donations during the period.

**COMPANY'S POLICY FOR PAYMENT OF CREDITORS**

The company's policy concerning the payment of its trade creditors is to pay in accordance with its contractual and other legal obligations. Due to the nature of the business, the main creditors are the noteholders.

**AUDITORS**

The auditors, KPMG Audit Plc, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

This report was approved by the board on 12 December 2005 and signed on its behalf.



**On behalf of SPV Management Limited**

Director

Date: 12/12/2005

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REPORT OF THE INDEPENDENT AUDITORS, KPMG AUDIT PLC, TO THE SHAREHOLDERS OF  
LA DEFENSE III PLC

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We have audited the financial statements on pages 4 to 12.

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

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

The directors are responsible for the preparing the directors' report and, as described on page 1, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, by the Auditing Practices Board and by our profession's ethical guidance.

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

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**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 company's circumstances, consistently applied and adequately disclosed.

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

**OPINION**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2004 and of its profit for the period from 23 January 2004 (the date of incorporation) to 31 December 2004 and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor

Date:

*12 December 2005*

**PROFIT AND LOSS ACCOUNT**  
**For the period from incorporation on 23 January 2004 to 31 December 2004**

		2004
	Note	€
Interest receivable and similar income	2	22,052,728
Interest payable and similar charges	3	<u>(22,324,053)</u>
		(271,325)
Other operating income	4	635,025
Administrative expenses		(338,293)
<b>OPERATING PROFIT</b>	5	<u><b>25,407</b></u>
Tax on profit on ordinary activities	6	(2,508)
<b>RETAINED PROFIT FOR THE FINANCIAL PERIOD</b>		<u><b>22,899</b></u>

All amounts relate to continuing operations.


There were no recognised gains and losses for the period other than those included in the profit and loss account.

The notes on pages 6 to 12 form part of these financial statements.

**BALANCE SHEET**  
As at 31 December 2004

	Note	€	2004 €
<b>FIXED ASSETS</b>			
Investments	7		608,971,831
<b>CURRENT ASSETS</b>			
Debtors: amounts falling due within one year	8	5,430,213	
Investments	7	9,525,000	
Cash at bank		79,721	
		<u>15,034,934</u>	
<b>CREDITORS: amounts falling due within one year</b>	9	<u>(14,993,270)</u>	
<b>NET CURRENT ASSETS</b>			<u>41,664</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>609,013,495</b>
<b>CREDITORS: amounts falling due after more than one year</b>	10		<u>(608,971,831)</u>
<b>NET ASSETS</b>			<u><u>41,664</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	11		18,765
Profit and loss account			22,899
<b>SHAREHOLDERS' FUNDS - All Equity</b>	12		<u><u>41,664</u></u>

The financial statements were approved by the board on 12 December 2005 and signed on its behalf.

  
**SPV Management Limited**  
 Director

The notes on pages 6 to 12 form part of these financial statements.



## NOTES TO THE FINANCIAL STATEMENTS

For the period from incorporation on 23 January 2004 to 31 December 2004

**1. ACCOUNTING POLICIES****1.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention and are prepared in accordance with applicable accounting standards.

The financial statements have been expressed in euros, as this is the currency in which the company conducts the majority of its transactions.

**1.2 Foreign currencies**

Assets and liabilities in foreign currencies are translated into euros at the rates of exchange ruling at the balance sheet date. Generally, transactions in foreign currencies are translated into euros at the rate ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating result.

**1.3 Income and expense**

Interest income and expense are accounted for in the profit and loss account on the accruals basis.

**1.4 Cash flow statement**

The company has taken advantage of the exemption in FRS 1 from producing a cash flow statement on the grounds that it is a wholly owned subsidiary company of an EC parent company which produces its own cash flow statement.

**1.5 Deferred taxation**

Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transaction or events that result in an obligation to pay more, or a right to pay less tax in the future, have occurred at the balance sheet date.

Deferred tax assets are recognised only to the extent that the directors consider it is 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 measured on a non-discounted basis at the tax rates and laws enacted or substantively enacted at the balance sheet date.

**1.6 Amortisation of issue costs**

Issue costs relating to the issue of the loan notes are amortised to the profit and loss account in proportion to the expected closing balances of loans outstanding at the end of each interest payment date until the expected date of redemption.

**1.7 Investments**

Current asset investments are stated at the lower of cost and net realisable value. Fixed asset investments are held at cost less provisions for diminutions in value.

**1.8 Hedging contracts and instruments**

The criteria required for an instrument to be classified as a hedge are that the transaction must be reasonably expected to match or eliminate a significant proportion of the risk inherent in the assets or liabilities being hedged and which results from potential movements in interest rates; and adequate evidence of the intention to hedge and linkage with the underlying risk inherent in the assets or liabilities being hedged, must be established at the outset of the transaction.

All interest rate instruments which are designated as hedges are accounted for on a consistent basis with the underlying assets, liabilities or positions. The company hedges its interest rate exposures on a portfolio basis using interest rate swaps and an interest rate cap. Amounts accrued on hedging contracts and instruments are included within accruals and deferred income or prepayments and accrued income.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the period from incorporation on 23 January 2004 to 31 December 2004**

**2. INTEREST RECEIVABLE AND SIMILAR INCOME**

	2004
	€
Interest receivable on units	11,520,982
Swap interest receivable	5,097,129
Other income	4,072,030
Amortisation of issue costs reimbursed	79,176
Bank interest receivable	<u>1,283,411</u>
	<u>22,052,728</u>

**3. INTEREST PAYABLE AND SIMILAR CHARGES**

	2004
	€
Interest payable on class A1 loan notes	9,338,070
Interest payable on class B1 loan notes	2,210,215
Interest payable on class C1 loan notes	1,527,914
Swap interest payable	9,168,678
Amortisation of issue costs	<u>79,176</u>
	<u>22,324,053</u>

**4. OTHER OPERATING INCOME**

	2004
	€
Issue costs reimbursed	<u>635,025</u>
	<u>635,025</u>

The costs incurred by the company are reimbursed by the FCC La Defense III fund.

**5. OPERATING PROFIT**

The operating profit is stated after charging/(crediting):

	2004
	€
Auditors' remuneration	17,532
Auditors' remuneration - non-audit	5,343
Amortisation of issue costs reimbursed	(79,176)
Amortisation of issue costs	<u>79,176</u>

During the period no director received any emoluments. Under the terms of a corporate services agreement dated 4 March 2004, SPV Management Limited is contracted to receive fees of €21,150 per annum and an additional €8,813 in the period ending 31 December 2004 for the provision of corporate services.

Operating profit represents interest receivable on units of loans made to French property companies less interest payable on floating rate notes.

**6. TAXATION**

	2004
	€
<b>Analysis of tax charge in year</b>	
UK corporation tax on profits for the period	2,508
<b>Tax on profit on ordinary activities</b>	<u>2,508</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the period from incorporation on 23 January 2004 to 31 December 2004

## 6. TAXATION (continued)

<b>Factors affecting tax charge for year</b>	<b>2004</b>
	€
Profit on ordinary activities before tax	<u>25,407</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19%	4,827
Less: group relief claimed	(921)
Less: starting rate relief	<u>(1,398)</u>
<b>Current tax charge for period (see note above)</b>	<b><u>2,508</u></b>
There were no factors that may affect future tax charges.	

## 7. INVESTMENTS:

	<b>2004</b>
	€
At 23 January 2004	-
Acquisitions in period	635,000,000
Redemptions in period	<u>(16,503,169)</u>
<b>At 31 December 2004</b>	<b><u>618,496,831</u></b>
Due within one year	9,525,000
Due after more than one year	<u>608,971,831</u>
	<b><u>618,496,831</u></b>

Investments represent units acquired in the FCC La Defense III fund which acquires receivables derived from real property financing together with ancillary rights and other investments.

The investments are repayable in instalments and are expected to be repaid by April 2009.

## 8. DEBTORS:

<b>Due within one year</b>	<b>2004</b>
	€
Other debtors	14,663
Prepayments and accrued income	<u>5,415,550</u>
	<b><u>5,430,213</u></b>

## 9. CREDITORS:

<b>Amounts falling due within one year</b>	<b>2004</b>
	€
Floating rate notes	9,525,000
Interest payable	3,520,238
Corporation tax	2,508
Other creditors	13,232
Accruals and deferred income	<u>1,932,292</u>
	<b><u>14,993,270</u></b>

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the period from incorporation on 23 January 2004 to 31 December 2004**

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

	2004
	€
Floating rate notes	604,202,447
Reimbursed issue costs	4,848,560
Amortisation of reimbursed issue costs	<u>(79,176)</u>
	<b><u>608,971,831</u></b>

The floating rate notes' outstanding principal balance declines over time as the proceeds from redemptions on loans made by the FCC fund are used to repay noteholders, along with accrued interest, on each quarterly interest payment date. Costs relating to the issue of the floating rate notes are deducted from the principal balance on the notes. These costs are charged to the profit and loss account in line with the expected redemptions of the underlying floating rate notes. Costs are fully amortised by the earliest date at which the option to redeem the floating rate notes may be exercised.

The notes were issued in March 2004 to fund investment in a French fund which acquires receivables derived from real property financing together with ancillary rights and other investments. Interest on the notes is a floating rate of three month EURIBOR plus a margin of 0.27%, 0.60% and 0.85% per annum for A1, B1 and C1 loan notes respectively. The notes are secured by fixed and floating charges on the assets of the company. The floating rate notes fall due for repayment in full in April 2014.

	2004
	€
Class A1 floating rate notes due 2014	459,696,831
Class B1 floating rate notes due 2014	97,265,000
Class C1 floating rate notes due 2014	<u>61,535,000</u>
	<b>618,496,831</b>
Issue costs	(4,848,560)
Amortisation of issue costs	<u>79,176</u>
	<b><u>613,727,447</u></b>
Summary of floating rate notes maturity:	
Amounts due within one year	9,525,000
Amounts due after more than one year	<u>604,202,447</u>
	<b><u>613,727,447</u></b>

Included within the above are amounts falling due as follows:

**Between one and two years**

Floating rate notes	<u>9,525,000</u>
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**Between two and five years**

Floating rate notes	<u>28,575,000</u>
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**Over five years**

Floating rate notes	<u>566,102,447</u>
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Creditors include amounts not wholly repayable within 5 years as follows:

	2004
	€
Repayable by instalments	<u>566,102,447</u>

## LA DEFENSE III PLC

### NOTES TO THE FINANCIAL STATEMENTS

For the period from incorporation on 23 January 2004 to 31 December 2004

#### 11. SHARE CAPITAL

<b>Authorised</b>	<b>2004</b>
	€
2 ordinary subscriber shares of £1 each 25p paid	1
49,998 ordinary shares of 25p paid	<u>18,764</u>
	<u>18,765</u>
<b>Allotted, called up and fully paid</b>	
	€
2 ordinary subscriber shares of £1 each 25p paid	1
49,998 ordinary shares of 25p paid	<u>18,764</u>
	<u>18,765</u>

#### 12. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	<b>2004</b>
	€
Profit for the period	22,899
Share capital allotted, called up and fully paid	<u>18,765</u>
Closing shareholders' funds	<u>41,664</u>

#### 13. FINANCIAL INSTRUMENTS

The company's financial instruments, other than derivatives, comprise borrowings, cash balances and debtors and creditors, that arise directly from its operations. As permitted by FRS 13, the numerical disclosures below exclude short term debtors and creditors. The company has entered into transactions which consist principally of loan notes. The risks arising from the company's activities are interest rate risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks which are noted below.

##### Liquidity risk

It is the company's policy to fully match its funding requirements. The company's policy is to match the value of the notes issued with floating rate units invested in. At the period end the entire portfolio of floating rate notes was covered by assets whose maturity did not exceed that of the notes.

##### Interest rate risk profile of financial liabilities

The interest margins on the floating rate notes issued by the company are disclosed within note 9. The underlying 3 month Euribor rate at 31 December 2004 was 2.15438%.

##### Interest rate risk

The company has an exposure to interest rate risk as the loan notes from which the company's activities are funded are floating rate whereas the FCC fund units are a part floating, part fixed rate. The interest rate risk is managed by the company entering into interest rate swap and interest rate cap agreements in order to ensure the company can meet its obligations under the floating rate notes.

##### Fair value of assets and liabilities

The table on the following page shows the estimated fair value and carrying value for each major category of assets and liabilities in the balance sheet at the balance sheet date. The fair value of a financial instrument is the amount at which it could be exchanged in an arm's length transaction between informed and willing parties other than in a forced or liquidation sale. Where external or quoted market prices were not available the fair values were estimated using discounted cash flow techniques based on interest rates prevailing at the balance sheet date. Financial instruments with short term maturities or near term re-pricing terms are assumed to have fair values equal to their carrying amounts.

LA DEFENSE III PLC

NOTES TO THE FINANCIAL STATEMENTS

For the period from incorporation on 23 January 2004 to 31 December 2004

13. FINANCIAL INSTRUMENTS (continued)

	Carrying value 31 December 2004	Fair value 31 December 2004
	€	€
<b><i>Fair value of financial assets and liabilities</i></b>		
<i>On balance sheet</i>		
Investments due within one year and other short term debtors	14,955,213	14,955,213
Investments due after more than one year	608,971,831	608,971,831
Cash and other short term deposits	79,721	79,721
Loans and obligations due within one year	(14,993,270)	(14,993,270)
Loans due after more than one year	<u>(608,971,831)</u>	<u>(596,565,683)</u>
	<u>41,664</u>	<u>12,447,812</u>
<i>Off balance sheet</i>		
Interest rate swap	-	(12,652,864)
Interest rate cap	<u>-</u>	<u>246,716</u>
	<u>-</u>	<u>(12,406,148)</u>
<b>Maturity of financial liabilities excluding unamortized costs</b>		
Amounts falling due:		
In one year or less or on demand	9,525,000	9,525,000
In more than one year but not more than two years	9,525,000	9,525,000
In more than two years but not more than five years	28,575,000	28,575,000
After more than five years	<u>570,871,831</u>	<u>570,871,831</u>
	<u>618,496,831</u>	<u>618,496,831</u>

The maturity profile is determined by reference to the earliest date on which payment can be required or on which the liability falls due.

**Unrecognised gains and losses on interest rate hedges**

	Gains	(Losses)	Total net gains/(losses)
	€	€	€
Gains and losses arising in 2004 not recognised in 2004	246,716	(12,652,864)	(12,406,148)
Unrealised gains and losses on hedges	<u>246,716</u>	<u>(12,652,864)</u>	<u>(12,406,148)</u>
<b>Of which:</b>			
Gains and losses expected to be recognised in 2005	-	-	-
Gains and losses expected to be recognised in 2006 or later	<u>246,716</u>	<u>(12,652,864)</u>	<u>(12,406,148)</u>
	<u>246,716</u>	<u>(12,652,864)</u>	<u>(12,406,148)</u>

## **LA DEFENSE III PLC**

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### **NOTES TO THE FINANCIAL STATEMENTS**

**For the period from incorporation on 23 January 2004 to 31 December 2004**

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#### **14. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The immediate parent undertaking is La Defense III (Holdings) Limited, a company registered in England and Wales.

The smallest and largest group into which the company is consolidated is that of La Defense III (Holdings) Limited.

The shares in La Defense III (Holdings) Limited are held by SPV Management Limited under a declaration of trust for charitable purposes. The directors regard La Defense III (Holdings) Limited as the ultimate parent and controlling undertaking.

Copies of the consolidated financial statements may be obtained from La Defense III (Holdings) Limited, c/o SPV Management Limited, Tower 42 (Level 11), 25 Old Broad Street, London, EC2N 1 HQ.