

**CANARY WHARF LIMITED**  
**Registered Number: 1971312**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2001**



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## **DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2001**

The directors present herewith the audited financial statements for the year ended 30 June 2001.

### **ULTIMATE PARENT UNDERTAKING**

The company's immediate parent undertaking is Canary Wharf Holdings Limited ('CWHL'), a company registered in England and Wales. The company's ultimate parent is Canary Wharf Group plc ('CWG').

### **PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS**

The principal activity of the company continues to be property development for the purposes of sale. These activities are concentrated on the Canary Wharf development in London's Docklands.

The company recorded a gross profit for the year to 30 June 2001 of £1.8 million (year ended 30 June 2000 - £21.2 million as restated). After allowing for administrative expenses, other operating income and exceptional operating items, the operating loss for the year was £16.6 million (year ended 30 June 2000 - profit of £84.3 million, as restated). After interest and finance charges, the loss on ordinary activities for the year was £9.5 million (year ended 30 June 2000 - profit of £69.7 million as restated). See Note 19 for details of the restatement made to the 30 June 2000 financial statements.

The basis of the valuation of the company's development work in progress is set out in Note 11 to the accounts. At 30 June 2001 work in progress was stated net of a general provision of £17.1 million (30 June 2000 - £18.3 million).

### **DIVIDENDS AND RESERVES**

The profit and loss account for the year ended 30 June 2001 is set out on page 6. The directors do not recommend the payment of a dividend (2000:Nil) and the retained loss of £9,537,470 is to be transferred to reserves.

**DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2001**

**DIRECTORS**

The directors of the company during the year ended 30 June 2001 were:

A P Anderson II  
G Iacobescu  
P Reichmann  
G Rothman

**DIRECTORS' INTERESTS**

The directors have been granted options to subscribe for ordinary shares in CWG. Details of interests and options to subscribe for shares in CWG are disclosed in the financial statements of either CWHL or CWG, as appropriate.

Other than the above, no director had any beneficial interest in the shares of the company, its parent undertaking or any of its subsidiaries at 30 June 2001 or at any time throughout the year then ended.

**CHARITABLE DONATIONS**

During the year the company made charitable donations of £454,544 (year ended 30 June 2000 - £399,716)

There were no political donations in either period.

**AUDITORS**

The company's incumbent auditors, Arthur Andersen, have indicated their willingness to continue in office and a resolution confirming their re-appointment will be submitted at the Annual General Meeting.

BY ORDER OF THE BOARD



J R Garwood

..... Company Secretary

12 September 2001

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

**STATEMENT OF THE DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

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 as at the end of the financial year and of the results of the company for the year then ended. In preparing these 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 accounts; 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.

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CANARY WHARF LIMITED**

We have audited the financial statements of Canary Wharf Limited for the year ended 30 June 2001 which comprise the primary financial statements such as the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related Notes numbered 1 to 25. These financial statements have been prepared under the accounting policies set out therein.

### **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 are set out in the Statement of Directors' Responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom 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 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 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.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF  
CANARY WHARF LIMITED**

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the affairs of the company at 30 June 2001 and of the company's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in cursive script that reads "Arthur Andersen".

**Arthur Andersen  
Chartered Accountants and Registered Auditors**

180 Strand  
London  
WC2R 1BL

12 September 2001

# CANARY WHARF LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2001

	Notes	Year Ended 30 June 2001	Year Ended 30 June 2000 As restated
		£	£
Turnover	2	4,013,431	915,991,699
Cost of sales		(2,230,972)	(894,748,401)
<b>GROSS PROFIT</b>		<b>1,782,459</b>	<b>21,243,298</b>
Administrative expenses before exceptional items		(22,874,718)	(16,916,726)
Exceptional items:			
Release of provision against work in progress	11	1,157,466	45,100,514
Release of loan provision	14	2,313,318	-
Other operating income		1,000,507	1,006,392
Exceptional item: Transfer of finance lease obligation	16	-	33,861,986
<b>OPERATING (LOSS)/PROFIT</b>	3	<b>(16,620,968)</b>	<b>84,295,464</b>
Income from shares in group undertakings	10	46,822,694	-
Interest receivable	4	69,187,744	38,698,821
Interest payable and similar charges before exceptional items	5	(84,847,634)	(50,905,433)
Exceptional items:			
Financing costs	5	(26,562,694)	(6,166,384)
Hedge gains	5	2,483,388	3,811,300
<b>(LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>	19	<b>(9,537,470)</b>	<b>69,733,768</b>

Movements in reserves are shown in Note 19 of these financial statements.

All amounts relate to continuing activities.

There were no recognised gains or losses for the year ended 30 June 2001 or the year ended 30 June 2000 other than those included in the profit and loss account.

The notes on pages 9 to 24 form an integral part of these financial statements.



**CANARY WHARF LIMITED****STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 30 JUNE 2001**

	Year Ended 30 June 2001	Year Ended 30 June 2000
	£	£
(Loss)/profit for the financial year as previously stated	(9,537,470)	69,733,768
Total recognised (losses)/gains relating to the year	(9,537,470)	69,733,768
Prior year adjustment (note 19)	(16,219,405)	-
Total recognised (losses)/gains since last audited accounts	(25,756,875)	69,733,768

The notes on pages 9 to 24 form an integral part of these financial statements.

# CANARY WHARF LIMITED

## BALANCE SHEET AS AT 30 JUNE 2001

	Notes	30 June 2001	30 June 2000 As restated
		£	£
<b>FIXED ASSETS</b>			
Tangible assets	9	522,099	462,587
Investments	10	4,422,802	98,170,237
		<u>4,944,901</u>	<u>98,632,824</u>
<b>CURRENT ASSETS</b>			
Work in progress	11	1,052,249,935	616,608,982
Debtors	12		
amounts falling due after one year		1,906,348,955	2,138,694,080
amounts falling due within one year		707,747,948	515,113,037
Investments	13	89,995,000	89,995,000
Cash at bank and in hand	13	703,318,626	208,791,851
		<u>4,459,660,464</u>	<u>3,569,202,950</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	14	(2,852,584,451)	(1,254,462,600)
<b>NET CURRENT ASSETS</b>		<u>1,607,076,013</u>	<u>2,314,740,350</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1,612,020,914</u>	<u>2,413,373,174</u>
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>			
Provisions for liabilities and charges	15	(949,229,564)	(1,738,698,269)
	17	(275,000)	(2,900,000)
<b>NET ASSETS</b>		<u>662,516,350</u>	<u>671,774,905</u>
<b>CAPITAL AND RESERVES</b>			
Share capital - equity	18	510,000,000	510,000,000
Share capital - non equity	18	1,421,278,674	1,421,278,674
Profit and loss account	19	(1,268,762,324)	(1,259,503,769)
<b>SHAREHOLDERS' FUNDS</b>			
Equity		(758,762,324)	(749,503,769)
Non-equity		1,421,278,674	1,421,278,674
	20	<u>662,516,350</u>	<u>671,774,905</u>

The notes on pages 9 to 24 form an integral part of these financial statements.

APPROVED BY THE BOARD ON 12 SEPTEMBER 2001 AND SIGNED ON ITS BEHALF BY:

A P ANDERSON II  
DIRECTOR



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

**1 PRINCIPAL ACCOUNTING POLICIES**

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

Accounting convention

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

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

Profit and loss account

Turnover, which is stated net of VAT, includes property sales and rental income. Marketing and administrative costs which are not development expenses are charged to the profit and loss account when incurred.

Interest is charged to the profit and loss account, except in the case of development financings where interest and the related financing costs are treated as part of the cost of development. Interest on general corporate facilities is not capitalised.

Interest on the advance payments made to a fellow subsidiary for the design and construction of the phases subsequent to Phase 1 of Canary Wharf is added to the amount of the advance until construction work is undertaken. The advance is included within prepayments (see Note 12) and transfers (including interest) are made to development work in progress when construction work is undertaken by the fellow subsidiary.

Income from investments

Investment income comprises dividends declared by the company's subsidiary undertakings during the accounting period.

Tangible fixed assets

Tangible fixed assets are depreciated so as to write off the cost in equal annual instalments over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	%
Short leasehold properties	25
Fixtures and fittings	25
Computer equipment	33 1/3

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001**

Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated in the company's balance sheet at cost less any provision for impairment.

Work in progress

Work in progress is stated at the lower of cost and net realisable value. Cost includes construction costs and development expenditure directly related to the development, including attributable interest. Such interest is calculated by reference to the rate of interest payable on the borrowings drawn down to finance the development.

Net realisable value is calculated as the amount estimated to be recovered from the development once development work has been completed and the development leased, less costs to complete (Note 11).

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 in that period. Finance costs are charged to the profit and loss account, except in the case of development financings where interest and the related financing costs are included as part of the cost of development.

Deferred taxation

Taxation deferred or accelerated by the effect of timing differences is accounted for to the extent that it is probable that a liability or asset will crystallise.

Pensions

The company operates a defined contribution pension scheme. Pension contributions in respect of this scheme are accrued as they fall due.

Share option schemes

The economic cost to the company of share option schemes is charged to the same expense category as the employment cost of the relevant employee, spread on a straight line basis over the period of the relevant performance criteria.

The economic cost represents either the acquisition cost of the shares or the market value of the shares at the date the options are granted, less any amount recoverable from the employee.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

Where relevant, provision is made for employers' National Insurance contributions based on the market value of the share options at the balance sheet date and spread on a straight line basis over the period of the relevant performance criteria.

Leases

Operating lease rentals are charged to the profit and loss account in the period in which they are incurred.

Sale and leasebacks (where the lease is treated as a finance lease, as required by SSAP 21 and FRS 5), are recorded in the balance sheet as an asset and as an obligation to pay future rentals. Rentals payable are apportioned between the finance charge and a reduction in the outstanding obligation for future amounts payable.

The total finance charge, which includes the amortisation of the deferred expenses relating to the finance lease, is allocated to accounting periods over the lease term so as to produce a constant periodic charge on the remaining balance of the obligation for each accounting period.

Vacant leasehold property

Provision is made for the present value of the net commitments in relation to leasehold properties where there is a shortfall in the rental income receivable over the rent and other costs payable.

**2 TURNOVER**

	Year Ended 30 June 2001	Year Ended 30 June 2000 As Restated
	£	£
External sales of property	-	343,462,684
Sale of property to fellow subsidiaries	850,000	557,630,595
Rental income	3,163,431	14,898,420
	<u>4,013,431</u>	<u>915,991,699</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

**3 OPERATING (LOSS)/PROFIT**

	Year Ended 30 June 2001	Year Ended 30 June 2000 As restated
The operating (loss)/profit is stated after charging:	£	£
Depreciation (Note 9)	340,056	231,862
Directors' emoluments (Note 7)	-	-
Remuneration of the auditors:		
Audit fees	65,120	65,700
Fees for other services	238,095	224,450

Operating lease rentals in relation to vacant leasehold properties totaling £5,271,000 (2000 - £934,250) are included in cost of sales.

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

**4 INTEREST RECEIVABLE**

	Year Ended 30 June 2001	Year Ended 30 June 2000
	£	£
Interest receivable from group undertakings	47,236,896	31,056,855
Bank interest receivable	21,950,848	7,641,966
	69,187,744	38,698,821

Included in bank interest receivable is £7.0 million in respect of the term notes described in Note 13.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

5 INTEREST PAYABLE AND SIMILAR CHARGES	Year Ended 30 June 2001	Year Ended 30 June 2000
	£	£
Bank loans and overdrafts	1,180,196	811,152
Interest payable to group undertakings	192,810,343	162,627,512
Finance lease charges (Note 16)	-	6,281,513
	193,990,539	169,720,177
Less: Increase in contract prepayment	(109,142,905)	(118,814,744)
	<u>84,847,634</u>	<u>50,905,433</u>

During the year ended 30 June 2001, security over cash deposits totalling £94.3 million held by certain of the company's subsidiaries was released and at the same time interest rate swaps relating to those deposits were unwound resulting in a total gain to those subsidiaries of £15.8 million. In connection with the termination of the interest rate swaps the company paid the swap counter-parties costs amounting to £11.3 million, which has been charged to the profit and loss account for the year ended 30 June 2001 and is disclosed as an exceptional item.

Subsequently, and prior to 30 June 2001 the gains recorded by the subsidiaries have been paid up to the company, along with those subsidiaries' accumulated profits, by way of dividends.

In February 2001, the group (CWG and its subsidiaries) issued £120 million of first mortgage debentures and in June 2001, the group issued an additional £875 million of first mortgage debentures. The proceeds of these issues were lent to the company to provide funding for the company's future requirements. The costs associated with the issues, attributable to the company, and charged to the profit and loss account in the year, were £2.2 million and £13.1 million respectively. These costs have been treated as exceptional items.

During the year ended 30 June 2000 the group established a financing subsidiary which issued £475 million of rated debentures which are quoted on the London Stock Exchange. The costs of the issue, attributable to the company, totalling £6.2 million, were charged to the company's profit and loss account for the year ended 30 June 2000 and disclosed as an exceptional item.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

In anticipation of the financings referred to above, the company entered into certain interest rate hedges which on being closed out resulted in gains of £2.5 million (2000:£3.8 million). These gains have been credited to the company's profit and loss account and disclosed as an exceptional item.

**6 TAXATION**

No charge for taxation has been made in view of the loss for the year. There is no unprovided deferred taxation.

**7 DIRECTORS**Remuneration

Details of the remuneration of directors are disclosed in the financial statements of either CWHL, the immediate parent company, or CWG, the ultimate parent company, as appropriate for the directors in common.

Share options

The aggregate emoluments disclosed in the accounts of CWG do not include any amounts for the value of options to subscribe for ordinary shares in CWG, the ultimate UK parent company, granted to certain of the directors. Details of options to subscribe for ordinary shares are given in the financial statements of CWG or CWHL as appropriate for the directors in common.

**8 EMPLOYEE INFORMATION**

	Year Ended 30 June 2001	Year Ended 30 June 2000
	£	£
Wages and salaries	5,898,039	5,116,860
Social Security costs	652,296	500,246
Other pension costs (Note 22)	410,731	359,735
	<u>6,961,066</u>	<u>5,976,841</u>

The average number of employees, including directors, of the company during the year ended 30 June 2001 was 130 (2000 - 114).



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

## 9 TANGIBLE FIXED ASSETS

	Leasehold Improvements	Fixtures and Fittings	Computer Equipment	Total
<b>Cost</b>	£	£	£	£
At 1st July 2000	2,145,241	5,261,191	3,341,456	10,747,888
Additions	9,687	288,445	101,436	399,568
At 30th June 2001	<u>2,154,928</u>	<u>5,549,636</u>	<u>3,442,892</u>	<u>11,147,456</u>
<b>Depreciation</b>				
At 1st July 2000	1,987,806	5,035,772	3,261,723	10,285,301
Charge for the year	71,046	98,747	170,263	340,056
At 30th June 2001	<u>2,058,852</u>	<u>5,134,519</u>	<u>3,431,986</u>	<u>10,625,357</u>
<b>Net Book Value</b>				
At 30th June 2001	<u>96,076</u>	<u>415,117</u>	<u>10,906</u>	<u>522,099</u>
At 30th June 2000	<u>157,435</u>	<u>225,419</u>	<u>79,733</u>	<u>462,587</u>

## 10 INVESTMENTS

	Shares in Group Undertakings
<b>Cost</b>	£
At 1 July 2000	105,243,246
Return of capital	(93,475,347)
At 30 June 2001	<u>11,767,899</u>
<b>Provision For Impairment</b>	
At 1 July 2000	7,073,009
Provided during the year	272,088
At 30 June 2001	<u>7,345,097</u>
<b>Net Book Value</b>	
At 30 June 2001	<u>4,422,802</u>
At 30 June 2000	<u>98,170,237</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

At 30 June 2001 the company's subsidiary undertakings were as follows:

<u>Name</u>	<u>Description of shares held</u>	<u>Principal activities</u>
Canary Cannon Limited	Ordinary £1 shares	Property trading
Canary Wharf Management Limited	Ordinary £1 shares	Property management
Hazelway Limited	Ordinary £1 shares	Property investment
Langer Limited	Ordinary £1 shares	Dormant
Seven Westferry Circus (No 2) Limited	Ordinary £1 shares	Property trading
CWR SPV Co	Ordinary 1p shares	Investment company
CWR SPV Co No 2	Ordinary 1p shares	Investment company
CWR SPV Co No 3	Ordinary 1p shares	Investment company

The above are registered in England and Wales and except for CWR SPV Co, CWR SPV Co No2 and CWR SPV Co No3, they are wholly owned by the company. CWR SPV Co, CWR SPV Co No2 and CWR SPV Co No3 are owned 99% by the company and 1% by the company's immediate parent undertaking.

During the year ended 30 June 2001 CWR SPV Co, CWR SPV Co No 2 and CWR SPV Co No 3 realised all of their investments as described in Note 5. Subsequently, on 29 June 2001, the accumulated profits of these companies (totalling £46,577,693) were paid up to the company by way of dividend. On the same date the companies resolved to return substantially all of their share capital to the company as a result of which, the investment in these companies has been written down to the nominal value of the shares.

Dividends totalling £245,001 were also declared by other subsidiaries during the year ended 30 June 2001 (2000 - Nil).

Financial information is only presented in these financial statements about the company as an individual undertaking and not about its group because the company and its subsidiary undertakings are included in the consolidated financial statements of a larger group (Note 25).

The directors are of the opinion that the value of the company's investments at 30 June 2001 were not less than the amount shown in the company's balance sheet.

<b>11 WORK IN PROGRESS</b>	<b>30 June 2001 £</b>	<b>30 June 2000 £</b>
Work in progress at cost	1,069,385,318	634,901,831
Provision	(17,135,383)	(18,292,849)
	<u>1,052,249,935</u>	<u>616,608,982</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

Movement in the carrying value of work in progress during the year:

	£
At 1 July 2000	616,608,982
Additions	416,317,020
Reconstruction of Riverside joint venture	18,166,467
Premium payable in consideration for the restructuring of a property interest	650,000
Transfers relating to property sales	(650,000)
	<hr/>
	1,051,092,469
Release of provision	1,157,466
	<hr/>
At 30 June 2001	<u>1,052,249,935</u>

On 7 December 2000 the company's interest in the Canary Riverside joint venture was varied so as to achieve a reconstruction of the interests of the joint venture partners. As a result the company has regained full control over a leasehold interest in land which has the benefit of planning permission for approximately 1 million sq ft gross of development.

Payments totalling £17.2 million, including costs, were made by the company with respect to this reconstruction. The company has also accrued £1 million which will become due in the event that planning consent is achieved for significant incremental development on the site.

Work in progress is stated at cost less a reduction to net realisable value. In assessing the estimated net realisable value of development properties as at 30 June 2001 the directors consulted with the company's external property advisors, FPD Savills, Chartered Surveyors, and CB Hillier Parker, International Property Consultants. As a result of this assessment, the general provision against work in progress was reduced by a further £1.2 million to £17.1 million.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

## 12 DEBTORS

	30 June 2001	30 June 2000
	£	£
Due within one year:		
Trade debtors	409,179	1,503,988
Loans to parent undertaking	73,249,938	13,012,375
Loans to fellow subsidiary undertakings	383,439,730	359,524,829
Loans to subsidiary undertakings	1,568,187	1,479,926
Amount owed by parent undertaking	42,336,391	36,797,545
Amounts owed by fellow subsidiary undertakings	195,534,970	97,016,758
Other debtors	1,072,188	2,933,674
Prepayments and accrued income	10,137,365	2,843,942
	<u>707,747,948</u>	<u>515,113,037</u>
Due in more than one year:		
Prepayments and accrued income	1,374,100,310	1,666,639,531
Loans to fellow subsidiary undertakings	532,248,645	472,054,549
	<u>1,906,348,955</u>	<u>2,138,694,080</u>

Loans to group undertakings due within one year carry interest at rates linked to LIBOR and are repayable on demand.

Loans to fellow subsidiary undertakings shown as due in more than one year carry interest at rates linked to LIBOR or 10%. All loans are repayable by 1 December 2034.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

## 13 FINANCIAL ASSETS

At 30 June 2001, the company's financial assets comprised short term debtors, notes issued by a fellow subsidiary undertaking and sterling cash deposits. Such deposits totalled £703,318,626 at 30 June 2001 (30 June 2000 - £208,791,851), comprising deposits placed on money market at call and term rates. Total cash deposits included £26,670,567 (30 June 2000 - £33,811,900) held by third parties as cash collateral for the company's obligations.

In June 2000, the group arranged a £975 million securitisation which is listed on the London Stock Exchange. The securitisation provides for £475 million of long term funding with a final maturity of up to 30 years at favourable rates. It also provides the ability to make further drawings, in any convertible currency and at the prevailing market rate of interest, upon the construction and lease of new buildings. £89,995,000 of the term notes were purchased by the company upon issue and have been retained by the company.

The terms of the notes are:

Rating	£m	Interest	Repayment
A	45	6.966%	By Installment 2011 to 2033
BBB	45	Floating	By Installment 2011 to 2033

Interest on the BBB notes is payable at a rate of three month LIBOR plus a margin of 1.75% until July 2005, and thereafter 4.375%.

At 30 June 2001 the notes were charged as security for the borrowings of other group undertakings.

## 14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30 June 2001	30 June 2000
	£	£
Bank loans	-	4,376,667
Trade creditors	5,604,424	4,963,134
Loans owed to parent undertakings	107,810,882	105,731,769
Loans from fellow subsidiary undertakings	2,074,336,097	868,058,047
Amounts owed to fellow subsidiary undertakings	86,299,317	69,391,213
Amounts owed to subsidiary undertakings	32,027,157	72,661,567
Other taxes and social security	352,860	165,030
Other creditors	389,660	15,434,430
Accruals	100,340,682	110,112,995
Deferred income	445,423,372	3,567,748
	<u>2,852,584,451</u>	<u>1,254,462,600</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

In accordance with the arrangements agreed for the sale of the group to the ultimate UK parent undertaking in December 1995, elements of the group's then existing indebtedness were prepaid early. Further amounts were payable to the vendors (the selling bank group) from funds set aside for this purpose once certain conditions had been satisfied and at 30 June 2000 £4.4 million was accrued in this regard, shown as due within one year. During the year ended 30 June 2001 deferred payments totalling £2.1 million were made to the vendors and the remaining £2.3 million has been released to the profit and loss account and shown as an exceptional item.

Loans due to parent and fellow subsidiary undertakings are repayable either on demand or at set dates within one year and carry interest at market rates which are linked either to LIBOR or to the rates payable on an issue of publicly quoted debentures by a fellow subsidiary undertaking.

At 30 June 2001 accruals included £50.2 million (30 June 2000 - £50.2 million) in respect of the group's remaining contribution to the Jubilee Line Extension.

At 30 June 2001 deferred income included £440.0 million, (30 June 2000: £419.0 million, shown within creditors: amounts falling due after more than one year), in connection with agreements for the sale, upon completion, of buildings presently under construction at Canary Wharf. The income deferred will be recognised upon completion of the buildings.

**15 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR**

	30 June 2001	30 June 2000
	£	£
Loan owed to fellow subsidiary undertaking	949,229,564	1,319,697,965
Deferred income (Note 14)	-	419,000,304
	<u>949,229,564</u>	<u>1,738,698,269</u>

The loan owed to a fellow subsidiary undertaking carries interest at 9% and is repayable in 2007.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

## 16 FINANCE LEASES

	30 June 2001	30 June 2000
	£	£
Inception of finance lease	-	230,000,000
Finance rents paid	-	(38,720,041)
Finance charges (including amortisation of expenses)	-	6,281,513
Assigned to fellow subsidiary undertaking	-	(163,699,486)
Benefit realised on assignment	-	(33,861,986)
	-	-

## 17 PROVISION FOR LIABILITIES AND CHARGES

	£
At 1 July 2000	2,900,000
Movement in the year	(2,625,000)
At 30 June 2001	275,000

At 30 June 2001 the directors reassessed the requirement for a provision in respect of partially vacant leasehold properties and as a result of this assessment the provision was reduced by £2.6 million.

## 18 CALLED-UP SHARE CAPITAL

	30 June 2001	30 June 2000
	£	£
Authorised:		
500,000,000 preferred redeemable ordinary shares of £1 each	500,000,000	500,000,000
1,016,278,674 deferred ordinary shares of £1 each	1,016,278,674	1,016,278,674
1,000,000,000 ordinary shares of £1 each	1,000,000,000	1,000,000,000
Allotted, called-up and fully paid:		
405,000,000 preferred redeemable ordinary shares of £1 each	405,000,000	405,000,000
1,016,278,674 deferred ordinary shares of £1 each	1,016,278,674	1,016,278,674
510,000,000 ordinary shares of £1 each	510,000,000	510,000,000
	1,931,278,674	1,931,278,674

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

The redeemable preferred ordinary shares are redeemable at par on 21 December 2010 but the company may, at any time before that date, redeem all or 100,000 multiples of the shares by serving notice to the holders. On a return of capital, the assets of the company available for distribution to the shareholders are applied in paying to the holders of the redeemable preferred ordinary shares in priority to any payment to the holders of any other class of shares the nominal amount paid up.

Subject to the above, the redeemable preferred ordinary shares rank pari passu with the ordinary shares.

The holders of the deferred ordinary shares are entitled to a restricted participation in the profits or assets of the company and do not have any right to attend and vote at any general meeting.

**19 RESERVES**

	Profit and Loss Account
	£
At 1 July 2000 as previously stated	(1,243,284,364)
Prior year adjustment	(16,219,405)
As Restated	(1,259,503,769)
Loss for the financial year	(9,537,470)
Reserve movement in respect of share option schemes	278,915
At 30 June 2001	<u>(1,268,762,324)</u>

During the year ended 30 June 2000, the company transferred a property to a fellow subsidiary undertaking, for a consideration of £109.0 million. Subsequently it was determined that the consideration was inclusive of VAT and accordingly that turnover and profit for that year were over-stated by £16.2 million. The correction required in respect of this amount has been treated as a prior year adjustment.

During the year 234,633 shares in CWG were allocated to the employees of the company in relation to the group's Long Term Incentive Plan at a cost of £1.3 million. This cost is amortised over the performance criteria period.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

**20 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	£
Shareholders' funds as at 1 July 2000	
As previously stated	687,994,310
Prior period adjustment	(16,219,405)
As restated	671,774,905
Loss for the financial year	(9,537,470)
Credit in respect of share option schemes	278,915
Shareholders' funds as at 30 June 2001	<u>662,516,350</u>

**21 OPERATING LEASE COMMITMENTS**

At 30 June 2001 the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 30 June 2001	30 June 2000
Operating leases which expire:	£	£
Within one year	50,976	-
Between two and five years	-	744,250
After five years	16,700,000	190,000
	<u>16,750,976</u>	<u>934,250</u>

**22 PENSION SCHEME**

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge, which amounted to £410,731 for the year (2000 - £359,735), represents contributions payable by the company to the scheme.

**23 CONTINGENT LIABILITIES**

In October 1998 the company entered into an agreement for the construction of a headquarters building for the HSBC Group. Liquidated damages are payable by the company in the event that it fails to comply with certain contractual obligations in this agreement by a specified date, which may be extended by force majeure and delay by the HSBC Group. The directors believe that, on the basis of current progress and the building programme, no liability to the HSBC Group will arise under the above provisions.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001****24 CAPITAL COMMITMENTS**

The company had the following commitments for future expenditure:

	30 June 2001	30 June 2000
	£	£
Contracted for but not provided in the financial statements	390,772,000	626,703,000

The commitments for future expenditure relate to the completion of development properties where construction was in progress at the year end.

**25 RELATED PARTIES**

The company's immediate parent undertaking is Canary Wharf Holdings Limited, a company registered in England and Wales. The company's ultimate parent is Canary Wharf Group plc, a company registered in England and Wales.

Copies of the consolidated financial statements of Canary Wharf Group plc may be obtained from the Company Secretary, 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.