CANARY WHARF LIMITED
Registered Number: 1971312

DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 1997

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 1997

The directors present herewith the audited accounts for the year ended 30 June 1997.

ULTIMATE PARENT UNDERTAKING

The company's immediate parent undertaking is Canary Wharf Holdings Limited (CWHL), a company registered in England. The company's ultimate UK parent is CWI Holdings plc and its ultimate parent undertaking is C.W. Investments Limited Partnership, a Cayman Islands undertaking.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The principal activities of the company are property development and trading. These activities are concentrated on the Canary Wharf development in London's Docklands.

Canary Wharf is being developed pursuant to an agreement, the Master Building Agreement, with the London Docklands Development Corporation. The completed buildings have a net rentable area of approximately 4.8 million sq ft, of which 3.4 million sq ft continues in the ownership of the CWHL Group. The first tenants took up occupation in 1991.

In connection with the acquisition of the CWHL Group in December 1995, the company was significantly restructured, involving, inter alia, the repayment of elements of the company's bank debt, the provision of new borrowing facilities and an injection of share capital. As a result of the restructuring and refinancing, the results of the company for the year ended 30 June 1996 were reduced by an exceptional charge of £5.2 million.

On 27 May 1997 the company sold its interest in the Riverside site at Canary Wharf to a joint venture in which a fellow Group company has acquired a 20% equity interest. On 2 June 1997 the company also completed the sale of a building at Canary Wharf. As a result of these transactions the company recorded a loss of £16.0 million.

The company recorded a gross loss for the year to 30 June 1997 of £24.8 million (year ended 30 June 1996 - loss £111.0 million). After allowing for administrative expenses, other operating income and exceptional operating items, including the release of general provisions against work in progress and leasehold properties of £68.1 million, the operating profit for the year was £31.7 million (year ended 30 June 1996 - profit of £125.2 million after exceptional profits totalling £245.8 million). After interest and finance charges, the profit on ordinary activities for the year was £3.1 million (year ended 30 June 1996 - profit of £88.0 million).

The basis of the valuation of the company's development work in progress is set out in Note 12 to the accounts. At 30 June 1997 work in progress was stated net of a general provision of £302.9 million (30 June 1996 - £360 million).

DIVIDENDS AND RESERVES

The profit and loss account for the year ended 30 June 1997 is set out on page 5. The directors do not recommend the payment of a dividend and the profit for the year is to be transferred to reserves.

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 1997 (CONTINUED)

DIRECTORS

The directors of the company during the year ended 30 June 1997 were:

A P Anderson
D Gawler (appointed 16 August 1996, resigned 19 December 1996)
G Iacobescu
P Reichmann
G Rothman
C Young

DIRECTORS' INTERESTS

CWI Holdings plc, the ultimate United Kingdom parent undertaking, is controlled by a limited partnership in which P Reichmann and his family hold an interest of approximately 5%. Other than this, no director had any beneficial interest in the shares of the company, CWI Holdings plc or any of its United Kingdom subsidiaries at 30 June 1997 or at any time throughout the period then ended.

POLICY ON 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 number of days of purchases outstanding at 30 June 1997 was 54 (1996 - 36).

CHARITABLE DONATIONS

The company made charitable donations of £86,582 (year ended 30 June 1996 - £38,354). 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 reappointment will be submitted at the Annual General Meeting.

BY ORDER OF THE BOARD

M D Precious ...... Joint Company Secretary
M D Precious

27 October 1997

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

STATEMENT OF THE DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The directors are required by the Companies Act 1985 to prepare accounts for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period and of the results of the company for the period then ended. In preparing those accounts, 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 accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors have responsibility for ensuring that the company keeps 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 accounts comply with the Companies Act 1985.

The directors have a general responsibility 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.

AUDITORS' REPORT TO THE MEMBERS OF CANARY WHARF LIMITED

We have audited the accounts on pages 5 to 18 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 to 9.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 30 June 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Arthur Andersen
Chartered Accountants
and Registered Auditors
1 Surrey Street
LONDON WC2R 2PS

27 October 1997

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 1997

	Notes	Year ended 30 June 1997 £m	Year ended 30 June 1996 £m
Turnover	2	80.0	118.6
Cost of sales			
- exceptional item: lease surrenders	3	(6.5)	-
- other		(98.3)	(229.6)
GROSS LOSS - continuing operations		(24.8)	(111.0)
Administrative expenses before exceptional items	3	(12.4)	(10.4)
Exceptional items:			
Reorganisation costs	3	-	(5.2)
Provision against diminution in value of investments	11	-	(10.0)
Release of general provision against work in progress	12	57.1	261.0
Release of general provision against leasehold properties	3,16	11.0	-
Other operating income		0.8	0.8
OPERATING PROFIT - continuing operations		31.7	125.2
Exceptional item:			
Provision for payment to former lenders	4,14	-	(30.0)
Interest receivable and similar income	5	11.1	12.4
Interest payable and similar charges	6	(39.7)	(19.6)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		3.1	88.0
Tax on profit on ordinary activities	7	-	-
PROFIT FOR THE FINANCIAL YEAR	18	3.1	88.0

Movements in reserves are shown in Note 18 to these accounts.

All gains and losses have been recognised in the profit and loss account for the financial year.

The notes on pages 7 to 18 form part of these accounts.

BALANCE SHEET AT 30 JUNE 1997

	Notes	30 June 1997	30 June 1996
		£m	£m
FIXED ASSETS			
Tangible assets	10	0.1	0.1
Investments	11	93.7	25.3
		93.8	25.4
CURRENT ASSETS			
Work in progress	12	537.0	499.0
Debtors: Amounts due within one year	13	148.8	128.1
Debtors: Amounts due after one year	13	1,865.0	1,699.8
Cash at bank and in hand		48.8	46.5
		2,599.6	2,373.4
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	14	(313.3)	(344.8)
NET CURRENT ASSETS		2,286.3	2,028.6
TOTAL ASSETS LESS CURRENT LIABILITIES		2,380.1	2,054.0
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	15	(2,049.2)	(1,715.2)
Provisions for liabilities and charges	16	(4.0)	(15.0)
NET ASSETS		326.9	323.8
CAPITAL AND RESERVES			
Called up share capital - equity	17	510.0	510.0
- non equity	17	1,421.3	1,421.3
Profit and loss account - equity	18	(1,604.4)	(1,607.5)
		326.9	323.8

The notes on pages 7 to 18 form part of these accounts.

APPROVED BY THE BOARD ON 27 OCTOBER 1997 AND SIGNED ON ITS BEHALF BY:

A PETER ANDERSON
DIRECTOR

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1997

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.

(1) Accounting convention

The accounts 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, 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 accounts of Canary Wharf Holdings Limited (CWHL).

(2) 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 net of tax relief 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 13) and transfers (including interest) are made to development work in progress when construction work is undertaken by the fellow subsidiary.

(3) 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:

	%
Computer equipment	33⅓
Fixtures and fittings	25
Short leasehold improvements	25

(4) 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 interest in relation to development financings.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1997 (CONTINUED)

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

Net realisable value is calculated as the amount estimated as recoverable from the development once development work has been completed and the development leased, less costs to complete (Note 12).

(5) Debt

Conventional debt instruments are stated immediately after issue 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.

(6) Investments in subsidiary undertakings

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

(7) 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 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.

(8) 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.

(9) Pensions

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

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1997 (CONTINUED)

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(10) 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.

2 TURNOVER

	Year ended 30 June 1997	Year ended 30 June 1996
	£m	£m
External sales of property	58.6	-
Sale of property to fellow subsidiaries	14.5	112.8
Rental income	6.9	5.8
	80.0	118.6

3 ADMINISTRATIVE EXPENSES

	Year ended 30 June 1997	Year ended 30 June 1996
The profit is stated after charging:	£000	£000
- Depreciation (Note 10)	78	341
- Directors' emoluments (Note 8)	1,693	1,938
- Remuneration of the auditors:	£000	£000
Audit fees	55	55
Fees for other services	689	539

Operating lease rentals in relation to vacant leasehold properties totalling £7.6 million (1996 - £4.9 million) are included in cost of sales. For the year ended 30 June 1997, operating lease rentals include premiums of £6.5 million paid in connection with the surrender of the leases on two partially vacant properties. This has been shown as an exceptional item in the profit and loss account for that year. As a result of these surrenders a surplus provision in respect of partially vacant properties was released to the profit and loss account, shown as an exceptional item (Note 16).

For the year ended 30 June 1996 administrative expenses included an exceptional charge of £5.2 million relating to the restructuring and refinancing of the company's debt.

4 LOSS UPON EARLY PREPAYMENT AND RESTRUCTURING OF BANK DEBT

Certain elements of the company's indebtedness were prepaid or restructured on 27 December 1995. A further deferred payment will be made to the company's former lenders if certain conditions are satisfied. A provision for the estimated amount payable of £30 million was made in the profit and loss account for the year ended 30 June 1996, treated as an exceptional item.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1997 (CONTINUED)

5 INTEREST RECEIVABLE

	Year ended 30 June 1997	Year ended 30 June 1996
	£m	£m
Interest receivable from Group undertakings	7.5	11.2
Other interest receivable	3.6	1.2
	11.1	12.4

6 INTEREST PAYABLE

	Year ended 30 June 1997	Year ended 30 June 1996
	£m	£m
Bank loans and overdrafts	3.5	5.2
Finance lease charges (Note 15)	17.5	5.0
Interest payable to Group undertakings	171.0	150.2
	192.0	160.4
Less: interest on development financings transferred to work in progress	(1.2)	-
Less: taken to contract prepayment (Note 13)	(151.1)	(140.8)
	39.7	19.6

Interest payable on bank loans and overdrafts includes financing costs of £1.7 million (year ended 30 June 1996 - £Nil) in relation to bank loans arranged during the year.

Interest on a facility arranged specifically to finance the completion of a property which was sold during the year has been taken into account in calculating the profit on disposal.

7 TAXATION

No provision for taxation has been made in view of tax losses brought forward.

There is no unprovided deferred taxation. The CWHL Group has substantial tax losses which may impact on the company's future tax charge.

8 DIRECTORS' REMUNERATION

Remuneration

	Year ended 30 June 1997	Year ended 30 June 1996
	£	£
Emoluments	1,594,877	1,866,576
Company contributions to money purchase pension schemes	98,054	71,479
	1,692,931	1,938,055

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1997 (CONTINUED)

8 DIRECTORS' REMUNERATION (Continued)

The number of directors who were members of money purchase pension schemes was 3 (year ended 30 June 1996 - 3).

Highest-paid director

The above amounts for remuneration include the following in respect of the highest paid director:

	Year ended 30 June 1997	Year ended 30 June 1996
	£	£
Emoluments	615,988	607,966
Company contributions to money purchase pension schemes	31,648	25,300
	647,636	633,266

Compensation for loss of office

In addition to the emoluments included under remuneration, the following amounts were incurred in connection with directors' loss of office:

	Year ended 30 June 1997	Year ended 30 June 1996
	£	£
Aggregate compensation for loss of office	180,000	3,512,000

Compensation paid during the year relates to D Gawler, who resigned as a director on 19 December 1996.

AP Anderson is remunerated by an entity controlled by Mr P Reichmann, another director of the company. No part of AP Anderson's emoluments can be specifically attributed to his services in respect of his position as a director of the company.

9 EMPLOYEE INFORMATION

Staff costs of all employees including directors were:

	Year ended 30 June 1997	Year ended 30 June 1996
	£m	£m
Wages and salaries	4.0	6.7
Social Security costs	0.4	0.6
Other pension costs	0.2	0.6
	4.6	7.9

The amounts stated above include compensation for loss of office (Note 8). The average number of employees, including directors, of the company during the year ended 30 June 1997 was 69 (period ended 30 June 1996 - 68).

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1997 (CONTINUED)

10 TANGIBLE FIXED ASSETS

	Short leasehold improvements	Fixtures and fittings	Computer equipment	Total
	£m	£m	£m	£m
Cost				
30 June 1996	1.9	4.9	3.1	9.9
Additions	-	-	0.1	0.1
30 June 1997	1.9	4.9	3.2	10.0
Depreciation				
30 June 1996	(1.9)	(4.8)	(3.1)	(9.8)
Charge for the period	-	(0.1)	-	(0.1)
30 June 1997	(1.9)	(4.9)	(3.1)	(9.9)
Net book amount				
30 June 1997	-	-	0.1	0.1
30 June 1996	-	0.1	-	0.1

11 INVESTMENTS

	£m
At 1 July 1996	25.3
Additions during the period	68.4
At 30 June 1997	93.7
Historical cost	105.2

During the year, the company subscribed £68.4 million for shares in two newly established subsidiaries, CWR SPV Co No 2 and No 3.

At 30 June 1997 the company's subsidiary undertakings were as follows:

Name	Description of shares held	Principal activities
Canary Cannon Limited	Ordinary £1 shares	Property trading
Canary Wharf Management Limited	Ordinary £1 shares	Property management
Hazelway Limited	Ordinary £1 shares	Property investment
Cabot Place Limited	Ordinary £1 shares	Property management
Seven Westferry Circus (No 2) Limited	Ordinary £1 shares	Property trading
CWR SPV Co	Ordinary £1 shares	Investment company
CWR SPV Co No 2	Ordinary £1 shares	Investment company
CWR SPV Co No 3	Ordinary £1 shares	Investment company
Langer Limited	Ordinary £1 shares	Financing company

The above are wholly owned subsidiary undertakings registered in England

Financial information is only presented in these accounts about the company as an individual undertaking and not about its group because the company and its subsidiary undertakings are included in the consolidated accounts of a larger group (Note 24).

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1997 (CONTINUED)

12 WORK IN PROGRESS

	30 June 1997	30 June 1996
	£m	£m
Work in progress at cost	839.9	859.0
General provision	(302.9)	(360.0)
	537.0	499.0

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

	£m	£m
At 1 July 1996		499.0
Additions		45.2
Interest on development financing		1.2
Fair value of property subject to finance lease		15.0
Premia payable in consideration for variation to headleases		60.8
Transfers relating to property sales		
- cost	(141.3)	
- release of general provision	26.8	
		(114.5)
Release of general provision		30.3
At 30 June 1997		537.0

During the year the terms of the company's leasehold interests in certain property at Canary Wharf were varied in consideration for the payment by the company of premiums totalling £60.8 million. During the year the company also granted long leases in two of the properties at Canary Wharf. An inferior interest in these properties was subsequently granted back to the company and the leasebacks have been accounted for as finance leases. These property interests were valued externally and the resulting valuations have been treated as the fair value of the properties concerned at the inception of the leases.

On 27 May 1997, the company sold its interest in the first phase of the Riverside site at Canary Wharf to a joint venture in which a fellow subsidiary has a 20% equity interest. On 2 June 1997 the company also sold a completed property at Canary Wharf. The resulting loss on disposal of these property interests was £16.0 million.

During the year certain property interests within the Canary Wharf development were transferred to other Group undertakings resulting in a loss on disposal of £0.4 million.

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 1997 the directors consulted with the company's external property advisers, Savills Commercial Limited, Chartered Surveyors and Hillier Parker, Chartered Surveyors as regards completed buildings awaiting disposal. The assessment of net realisable value of partially developed land reflects the fair value derived from the consideration paid for the acquisition of the CWHL Group in December 1995. As a result of these assessments, the general provision against work in progress was reduced by a further £57.1 million.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1997 (CONTINUED)

13 DEBTORS

	30 June 1997	30 June 1996
Due within one year:	£m	£m
Trade debtors	0.4	0.3
Loans to group undertakings:		
Parent and fellow subsidiary undertakings	82.0	69.0
Subsidiary undertakings	1.4	19.9
Amounts owed by group undertakings:		
Parent and fellow subsidiary undertakings	47.1	24.3
Subsidiary undertakings	1.9	2.0
Other debtors	3.2	0.1
Prepayments and accrued income	12.8	12.5
	148.8	128.1

Loans to group undertakings carry interest at a rate linked to LIBOR and are repayable on demand.

	30 June 1997	30 June 1996
	£m	£m
Due in more than one year:		
Loans to fellow subsidiary undertakings	125.4	98.7
Prepayments and accrued income	1,739.6	1,601.1
	1,865.0	1,699.8

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30 June 1997	30 June 1996
	£m	£m
Bank loans	30.0	30.0
Trade creditors	10.3	5.5
Loans owed to parent and fellow subsidiary undertakings	191.6	251.6
Amounts owed to group undertakings:		
Parent and fellow subsidiary undertakings	43.4	22.5
Subsidiary undertakings	16.9	16.2
Taxation and social security costs	0.1	0.1
Other creditors	-	0.1
Accruals	19.8	14.5
Deferred income	1.2	4.3
	313.3	344.8

In accordance with the arrangements agreed for the sale of the CWHL Group in December 1995, elements of the CWHL Group's then existing indebtedness were prepaid early. A further deferred payment in relation to this indebtedness will be made from funds set aside for this purpose once certain conditions have been satisfied. At 30 June 1996 and 30 June 1997 the total accrued in respect of the deferred payment was £30.0 million.

Loans due to parent and fellow subsidiary undertakings carry interest at a rate linked to LIBOR and are repayable either on demand or at set dates within one year.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1997 (CONTINUED)

15 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	30 June 1997	30 June 1996
	£m	£m
Bank loan	76.0	-
Finance lease obligations (Note 20)	207.0	76.0
Loans owed to parent and fellow subsidiary undertakings	1,766.2	1,638.9
Other creditors	-	0.3
	2,049.2	1,715.2

The bank loan was drawn under a £160 million facility, which carries interest at a margin over LIBOR. The amount drawn by 30 June 1997 was repaid subsequent to the year end on 30 September 1997, although £55.5 million of the facility remains available to draw down. The facility is secured by first ranking fixed and floating charges over certain of the properties and assets of the company and of other CWHL Group companies and by second ranking charges over other assets of the CWHL Group.

The amount at which finance lease obligations are stated comprises:

	£m	£m
At inception of lease	196.5	72.3
Deferred financing expenses	(3.8)	(1.3)
Finance charge (including amortisation of expenses)	14.3	5.0
	207.0	76.0

Loans owed to Group undertakings carry interest at a rate linked to LIBOR.

16 PROVISION FOR LIABILITIES AND CHARGES

	£m
Provision for amounts payable in relation to vacant leasehold properties:	
As at 30 June 1996	15.0
Transfer to profit and loss account in period	(11.0)
As at 30 June 1997	4.0

During the year, the leases of two partially vacant leasehold properties were surrendered. As a result of these surrenders, the surplus provision arising in respect of partially vacant leaseholds was released to the profit and loss account. The transfer to the profit and loss account is shown as an exceptional item.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1997 (CONTINUED)

17 CALLED UP SHARE CAPITAL

	Equity Ordinary Shares of £1 each	Non-equity Deferred Ordinary Shares of £1 each	Non-equity Preferred redeemable ordinary shares of £1 each	Total £
Authorised	1,000,000,000	1,016,278,674	500,000,000	2,516,278,674
Allotted and fully paid:				
As at 1 July 1996 and 30 June 1997	510,000,000	1,016,278,674	405,000,000	1,931,278,674

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.

18 PROFIT AND LOSS ACCOUNT

	£m
At 1 July 1996	(1,607.5)
Profit for the financial year	3.1
At 30 June 1997	(1,604.4)

19 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	£m
Shareholders' funds as at 1 July 1996	323.8
Profit for the financial year	3.1
Shareholders' funds as at 30 June 1997	326.9

20 FINANCE LEASE OBLIGATIONS

The company's finance lease obligations were as follows:

	30 June 1997 £m	30 June 1996 £m
Payments due within one year	-	-
Payments due between two and four years	-	-
Payments due after more than five years	207.0	76.0
	207.0	76.0

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1997 (CONTINUED)

20 FINANCE LEASE OBLIGATIONS (Continued)

The company's obligations under finance leases held at 30 June 1997 are secured by first ranking fixed and floating charges over the properties subject to the finance leases and by charges over certain cash deposits held by the company and its subsidiary undertakings.

21 OPERATING LEASE COMMITMENTS

Commitments of the company for the next financial year in respect of operating leases are analysed as follows:

	Land and buildings	
	30 June 1997	30 June 1996
	£m	£m
Leases for which the commitment expires:		
Between two and five years	0.7	2.0
After more than five years	0.1	3.0

22 PENSION SCHEMES

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 £238,407 for the year (1996 - £636,944), represents contributions payable by the company to the scheme.

23 CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS

As at 30 June 1997 the company had given fixed charges over substantially all of its assets and floating charges over all its assets to secure its bank borrowings and finance lease obligations and those of other members of the CWHL Group. In particular, the company had, at 30 June 1997, given fixed first ranking charges over cash deposits totalling £26.4 million (1996 - £19.9 million) and may be called upon to make further cash deposits of up to £25 million.

In October 1993 the company granted a charge over the future phases of Canary Wharf to London Underground Limited (LUL) as security for the payment of contributions totalling £300.5 million towards the construction and operation of the Jubilee Line Extension. During the year contributions totalling £14.5 million were paid in connection with the release from charge of certain land. The amounts paid were computed by reference to the net present value of the contributions secured on the charged land computed at the contracted discount rate. The remaining contributions totalling £260.9 million are payable on an annual basis over a 24 year period commencing one year after construction of the Jubilee Line is complete and operation has commenced.

The company has the right and it may, in certain circumstances, such as insolvency, default or development of the future phases of Canary Wharf or Heron Quays, be obliged to prepay a portion or all of the subsequent payments at their net present

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1997 (CONTINUED)

23 CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS (Continued)

value computed at the contracted discount rate. The net present value of the contributions at 30 June 1997 was £97.5 million (30 June 1996 - £102 million). In assessing the carrying value of the undeveloped land the directors have had regard to the net present value of the commitment to LUL.

Commitments of the company for future expenditure:

	30 June 1997	30 June 1996
	£m	£m
Under contract	182.2	30.1

24 ULTIMATE PARENT UNDERTAKING AND RELATED PARTY TRANSACTIONS

The company's immediate parent undertaking is CWHL, a company registered in England. The company's ultimate UK parent is CWI Holdings plc and its ultimate parent undertaking is C.W. Investments Limited Partnership, a Cayman Islands undertaking.

The smallest group into which the accounts of the company are consolidated for the year ended 30 June 1997 are the consolidated accounts of CWHL. Copies of these accounts may be obtained from the Joint Company Secretary, One Canada Square, Canary Wharf, London E14 5AB. The largest group into which the accounts of the company will be consolidated will be the accounts of CWI Holdings plc. Copies of these accounts will be obtainable from the same address.

The ultimate parent undertaking is controlled by a consortium of investors, and approximately 5% of the consortium is held by entities controlled by the Reichmann family. Mr P Reichmann is a director of the company and during the period ended 30 June 1997 he received a stipend of £60,000 in respect of his services to the company.

Expenses totalling £25,762 were incurred by the company during the year ended 30 June 1997 (year ended 30 June 1996 - £62,625) which are recoverable from CWI Holdings plc and are included within debtors at that date.