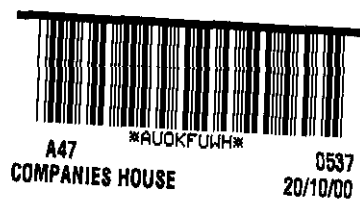


CANARY WHARF INVESTMENTS LIMITED
Registered Number: 2127410

DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2000



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DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2000

The directors present herewith the audited accounts for the year ended 30 June 2000.

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 UK parent is Canary Wharf Group plc (CWG).

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The principal activity of the company is property investment. At present this activity is concentrated on the Canary Wharf development in London's Docklands, in part of which the company holds the freehold interest.

During the year ended 30 June 2000 the company assigned its freehold interest in two properties at Canary Wharf to other group undertakings, resulting in a profit of £0.5 million (1999 - £112.7 million).

The company recorded a gross profit for the year of £13.16 million (1999 - £6.53 million). The company recorded a loss on ordinary activities of £7.49 million (1999 - Profit £104.14 million), after profits arising from the sale of property and net interest payable.

As at 30 June 2000, the company's investment properties were revalued on the basis of external Open Market Valuations (note 6). This generated a surplus of £25.00 million which has been transferred to reserves.

DIVIDENDS AND RESERVES

The profit and loss account for the year ended 30 June 2000 is set out on page 6. The directors do not recommend the payment of a dividend (1999:Nil) and the retained loss of £7.49 million is to be transferred to reserves.

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2000

DIRECTORS

The directors of the company during the year ended 30 June 2000 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 accounts 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 United Kingdom subsidiaries at 30 June 2000 or at any time throughout the year then ended.

POLICY FOR 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.

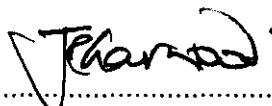
There were no trade creditors outstanding at 30 June 2000 (1999 - Nil).

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.

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2000

BY ORDER OF THE BOARD



..... Company Secretary
J R Garwood

19 September 2000

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

STATEMENT OF THE DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company Law requires the directors to prepare accounts 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 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 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 accounts 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.

AUDITORS' REPORT TO THE MEMBERS OF CANARY WHARF INVESTMENTS LIMITED

We have audited the accounts on pages 6 to 17 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 9 to 10.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 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 the 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 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



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

19 September 2000

CANARY WHARF INVESTMENTS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2000

	Notes	Year Ended 30 June 2000	Year Ended 30 June 1999
		£	£
Turnover - rental income		14,485,006	7,571,559
Cost of sales - rent payable		(1,329,266)	(1,045,806)
GROSS PROFIT		13,155,740	6,525,753
Administrative expenses		(12,387)	75,618
OPERATING PROFIT	2	13,143,353	6,601,371
Exceptional items:			
Profit on sale of investments	7	-	269,999
Profit on sale of fixed assets	6	465,000	112,652,925
Interest receivable	3	12,979,172	10,504,265
Interest payable and similar charges	4	(34,079,741)	(25,884,129)
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	13	(7,492,216)	104,144,431

Movements in reserves are shown in Note 13 of these accounts.

All amounts relate to continuing activities.

The notes on pages 9 to 17 form part of these accounts.

CANARY WHARF INVESTMENTS LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 30 JUNE 2000

	Year Ended 30 June 2000	Year Ended 30 June 1999
	£	£
(Loss)/profit for the financial year	(7,492,216)	104,144,431
Unrealised surplus on revaluation of properties	25,000,000	43,900,000
Total recognised gains relating to the year	<u>17,507,784</u>	<u>148,044,431</u>

The notes on pages 9 to 17 form part of these accounts.

CANARY WHARF INVESTMENTS LIMITED

BALANCE SHEET AS AT 30 JUNE 2000

	Notes	30 June 2000 £	30 June 1999 £
FIXED ASSETS			
Tangible assets	6	439,676,037	414,676,037
Investments	7	115,538,373	115,203,555
		<u>555,214,410</u>	<u>529,879,592</u>
CURRENT ASSETS			
Debtors	8	255,008,782	273,655,482
Cash at bank and in hand		5,595	584,314
		<u>255,014,377</u>	<u>274,239,796</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	9	(63,607,311)	(59,848,312)
NET CURRENT ASSETS		<u>191,407,066</u>	<u>214,391,484</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>746,621,476</u>	<u>744,271,076</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	10	(359,143,772)	(374,301,156)
NET ASSETS		<u><u>387,477,704</u></u>	<u><u>369,969,920</u></u>
CAPITAL AND RESERVES			
Share capital - equity	12	100	100
Share capital - non equity	12	37,878,869	37,878,869
Revaluation reserve	13	76,698,313	51,698,313
Profit and loss account	13	272,900,422	280,392,638
SHAREHOLDERS' FUNDS			
Equity		349,598,835	332,091,051
Non-equity		37,878,869	37,878,869
	14	<u><u>387,477,704</u></u>	<u><u>369,969,920</u></u>

The notes on pages 9 to 17 form part of these accounts.

APPROVED BY THE BOARD ON 19 SEPTEMBER 2000 AND SIGNED ON ITS BEHALF BY:


A P ANDERSON II
DIRECTOR

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2000

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 accounts have been prepared under the historical cost convention, as modified by the revaluation of investment properties, 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 accounts of CWG.

Turnover

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

Tangible fixed assets

Tangible fixed assets comprise properties under development and investment properties.

Investment properties

Investment properties are revalued annually in accordance with SSAP 19. No provision is made for depreciation of freehold properties or for amortisation of leasehold properties held on leases having more than 20 years unexpired. This departure from the requirements of the Companies Act 1985, which requires all properties to be depreciated, is, in the opinion of the directors, necessary for the accounts to show a true and fair view in accordance with applicable accounting standards. Depreciation or amortisation is only one of the factors reflected in the annual valuation and the amount attributable to this factor is not reasonably capable of being separately identified or quantified. Surpluses or deficits on individual properties are transferred to the revaluation reserve, unless a deficit is expected to be permanent, in which case it is charged to the profit and loss account.

Properties under development

Properties under development are stated at cost and will be transferred to investment properties on an individual building basis when construction is complete and the property is substantially let.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2000Investments in subsidiary undertakings

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

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.

Leases

As required by SSAP 21 and FRS 5, finance leases 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 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.

2 OPERATING PROFIT

	Year Ended 30 June 2000	Year Ended 30 June 1999
The operating profit is stated after charging:	£	£
Remuneration of the auditors:		
Audit fees	5,000	5,000

Emoluments paid to the directors, in respect of their services to the company are paid by another group company, and in respect of directors in common are disclosed in the financial statements of that company.

No staff were employed by the company other than the directors.

CANARY WHARF INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2000

3	INTEREST RECEIVABLE	Year Ended 30 June 2000	Year Ended 30 June 1999
		£	£
	Interest receivable from group undertakings	12,979,029	10,504,265
	Bank interest receivable	143	-
		<u>12,979,172</u>	<u>10,504,265</u>
4	INTEREST PAYABLE AND SIMILAR CHARGES	Year Ended 30 June 2000	Year Ended 30 June 1999
		£	£
	Interest payable to group undertakings	11,760,571	10,976,420
	Finance lease charges (Note 11)	22,083,598	14,907,709
	Other finance charges	235,572	-
		<u>34,079,741</u>	<u>25,884,129</u>

5 TAXATION

No charge for taxation has been made in view of the loss for the year. There is no unprovided deferred taxation. The group has substantial tax losses which may impact on the company's future tax charge.

6 TANGIBLE FIXED ASSETS

Freehold Properties:	Investment properties	Properties under development	Total
Cost or valuation	£	£	£
At 1st July 1999	400,000,000	14,676,037	414,676,037
Revaluation	25,000,000	-	25,000,000
At 30th June 2000	<u>425,000,000</u>	<u>14,676,037</u>	<u>439,676,037</u>

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

	30 June 2000	30 June 1999
	£	£
Historical cost	<u>348,426,687</u>	<u>348,426,687</u>

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2000

During the year ended 30 June 2000 the company disposed of its freehold interest in certain properties at Canary Wharf to fellow group companies. The consideration for these disposals was determined on the basis of external Open Market Valuations and resulted in exceptional profits on disposal of £465,000. These property interests were carried at a nominal value.

During the year ended 30 June 1999 the company assigned its freehold interest in two properties at Canary Wharf to fellow subsidiary undertakings. The consideration for these was determined on the basis of external Open Market Valuations which resulted in a total profit on disposal of £112.7 million which was treated as an exceptional item.

As at 30 June 2000 the company's leasehold property interest was valued by the group's external property advisers, FPD Savills, Chartered Surveyors, on the basis of Open Market Value in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institute of Chartered Surveyors. No allowance was made for any expenses of realisation nor for any taxation which might arise in the event of disposal. The external valuation resulted in a revaluation surplus of £25.00 million which has been transferred to the revaluation reserve.

Land and buildings held for or in the course of development continue to be carried at cost.

7 INVESTMENTS

	Shares in Group Undertakings
Cost	£
At 1 July 1999	115,203,555
Additions	334,822
Disposals	(4)
At 30 June 2000	<u>115,538,373</u>
Net Book Value	
At 30 June 2000	<u>115,538,373</u>
At 30 June 1999	<u>115,203,555</u>

CANARY WHARF INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2000

At 30 June 2000 the company's principal subsidiary undertakings were as follows:

<u>Name</u>	<u>Description of shares held</u>	<u>Principal activities</u>
Seven Westferry Circus Limited	Ordinary £1 shares	Property investment
CWE SPV Super HCo Limited	Ordinary £1 shares	Investment holding
CWC SPV HCo Limited	Ordinary £1 shares	Investment holding
CWC SPVb Limited	Ordinary £1 shares	Property investment
CWC SPVd Limited	Ordinary £1 shares	Property investment
CWC SPVg Limited	Ordinary £1 shares	Property investment
CWC SPVi Limited	Ordinary £1 shares	Investment company
Canary Wharf Holdings (B4) Limited	Ordinary £1 shares	Investment holding
Canary Wharf Holdings (B5) Limited	Ordinary £1 shares	Investment holding
Canary Wharf Holdings (DS6) Limited	Ordinary £1 shares	Investment holding
CW Riverside Investments (UK) Limited	Ordinary £1 shares	Investment holding
Cabot Place Holdings Limited	Ordinary £1 shares	Investment holding
Canary Wharf (Car Parks) Limited	Ordinary £1 shares	Property Investment
Canary Wharf Holdings (DS1) Limited	Ordinary £1 shares	Investment holding
Canary Wharf Holdings (DS5) Limited	Ordinary £1 shares	Investment holding
Canary Wharf Holdings (WF9) Limited	Ordinary £1 shares	Investment holding
Canary Wharf Holdings (DS2) Limited	Ordinary £1 shares	Investment holding
Canary Wharf Contractors (RT2) Limited	Ordinary £1 shares	Property contractors

The above are wholly owned subsidiaries registered in England and Wales.

A complete list of the company's subsidiaries will be appended when the company submits its annual return.

During the year ended 30 June 2000 the company acquired the entire share capital of Canary Wharf Contractors (RT2) Limited from a fellow subsidiary undertaking for a consideration of £334,820. The company also acquired Canada Place Limited from a fellow subsidiary undertaking for a consideration of £1. The remaining addition of £1 comprises the entire share capital of Canary Wharf Holdings (DS8) Limited, a newly formed subsidiary undertaking.

During the year the company disposed of its holdings in CWC SPVe Limited, CWCB Finance II Limited (Formerly Canary Wharf (DS2) T1 Limited) and CWCB Leasing (RT2) Limited (formerly Canary Wharf (DS2) T2 Limited) to other group companies for a total consideration of £4, equal to their net book value.

On 9 December 1998 the company disposed of its entire holding in the ordinary shares of Canary Wharf Contractors (B4) Limited to its subsidiary, Canary Wharf (B4) Limited, for a consideration of £270,000. This resulted in an exceptional profit on disposal of £269,999.

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 16).

The directors are of the opinion that the value of the company's investments at 30 June 2000 were not less than the amount shown in the company's balance sheet.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2000

8	DEBTORS	30 June 2000	30 June 1999
		£	£
	Loans to fellow subsidiary undertakings	118,180,278	137,680,414
	Loans to subsidiary undertakings	111,520,903	105,607,827
	Amounts owed by fellow subsidiary undertakings	20,062,820	23,193,700
	Amounts owed by subsidiary undertakings	2,979,736	2,821,503
	Other debtors	634	-
	Prepayments and accrued income	2,264,411	4,352,038
		<u>255,008,782</u>	<u>273,655,482</u>

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

9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30 June 2000	30 June 1999
	£	£
Loans from fellow subsidiary undertakings	336,196	-
Loans from subsidiary undertakings	63,075,091	59,650,301
Amounts owed to fellow subsidiary undertakings	5,611	5,613
Amounts owed to subsidiary undertakings	185,413	185,373
Accruals and deferred income	5,000	7,025
	<u>63,607,311</u>	<u>59,848,312</u>

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

10 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	30 June 2000	30 June 1999
	£	£
Obligations under finance lease contracts (Note 11)	226,738,547	223,199,249
Loan owed to fellow subsidiary undertaking	132,405,225	151,101,907
	<u>359,143,772</u>	<u>374,301,156</u>

The loan from a fellow subsidiary undertaking bears interest at rates linked to LIBOR and is repayable in 2028.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2000

11 FINANCE LEASES

The amount at which finance lease obligations are stated comprises:

	30 June 2000	30 June 1999
	£	£
Upon assumption of obligation	223,199,249	215,849,000
Finance rents paid	(18,544,300)	(7,557,460)
Finance charge (including amortisation of expenses (Note 4))	22,083,598	14,907,709
	<u>226,738,547</u>	<u>223,199,249</u>

The finance lease obligations fall due as follows:

	30 June 2000	30 June 1999
	£	£
Obligations due after five years	226,738,547	223,199,249
	<u>226,738,547</u>	<u>223,199,249</u>

During the year ended 30 June 1999 the beneficial interest in certain properties was transferred to the company by a fellow subsidiary undertaking, in part consideration of which the company assumed its fellow subsidiary's obligation under certain finance leases. These obligations are secured by first ranking fixed and floating charges over the property which is the subject of the finance leases and over certain cash deposits. The company may be called upon to make a further cash deposit of up to £14.4 million.

12 CALLED-UP SHARE CAPITAL

	30 June 2000	30 June 1999
	£	£
Authorised:		
37,878,869 deferred ordinary shares of £1 each	<u>37,878,869</u>	<u>37,878,869</u>
500,000,000 ordinary shares of £1 each	<u>500,000,000</u>	<u>500,000,000</u>
Allotted, called-up, and fully paid:		
37,878,869 deferred ordinary shares of £1 each	37,878,869	37,878,869
100 ordinary shares of £1 each	100	100
	<u>37,878,969</u>	<u>37,878,969</u>

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.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2000

13 RESERVES

	Revaluation Reserve	Profit and Loss Account	Total
	£	£	£
At 1 July 1999	51,698,313	280,392,638	332,090,951
Loss for the financial year	-	(7,492,216)	(7,492,216)
Revaluation	25,000,000	-	25,000,000
At 30 June 2000	76,698,313	272,900,422	349,598,735

14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	£
Shareholders' funds as at 1 July 1999	369,969,920
Loss for the financial year	(7,492,216)
Revaluation	25,000,000
Shareholders' funds as at 30 June 2000	387,477,704

15 CONTINGENT LIABILITIES

A fellow subsidiary undertaking, Canary Wharf Limited (CWL), has leased a substantial proportion of the company's property interests in, and assumed all of the company's obligations in respect of, the development at Canary Wharf. The company has granted CWL an option to be exercised during the year 2002 allowing CWL to put back its remaining property interests on to the company at 95% of the then open market price.

The company has also granted to CWL an option exercisable in the year 2000 whereby the company may be required, in certain circumstances, to pay 95% of the net costs of the development at Canary Wharf incurred by CWL.

The company has guaranteed the obligations of CWL under certain agreements with the tenants of Canary Wharf and in relation to certain property transactions at Canary Wharf.

A subsidiary of the company is obligated to make a further contribution to the capital of the company developing Canary Riverside, by way of a subscription for additional shares, to enable the company to complete the purchase of the southern parts of Canary Riverside. The maximum amount to be contributed is £2.7 million plus interest.

As at 30 June 2000 the company had given a guarantee and fixed and floating charges over substantially all its assets to secure the borrowings and other liabilities of certain fellow subsidiary undertakings.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2000

16 RELATED PARTIES

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

Copies of the consolidated accounts of CWG 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.