

CANARY WHARF INVESTMENTS (FOUR) LIMITED
Registered Number: 2388957

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



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CANARY WHARF INVESTMENTS (FOUR) LIMITED

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 CWE SPV HCo Limited, 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 is property investment. At present this activity is concentrated on the Canary Wharf development in London's Docklands.

DIVIDENDS AND RESERVES

The profit and loss account for the year ended 30 June 2001 is set out on page 6. The directors recommend the payment of a dividend of £12,031,198 (2000:£10,350,330) and the retained profit of £36 is to be transferred to reserves.

DIRECTORS

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

A P Anderson II

G Iacobescu

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 Canary Wharf Holdings Limited, an intermediate parent company, 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.

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.

CANARY WHARF INVESTMENTS (FOUR) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2001

BY ORDER OF THE BOARD



..... Company Secretary
J R Garwood

31 October 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 financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CANARY WHARF INVESTMENTS (FOUR) LIMITED

We have audited the financial statements of Canary Wharf Investments (Four) Limited for the year ended 30 June 2001 which comprise the primary financial statements, such as the Profit and Loss Account, the Balance Sheet and the Statement of Total Recognised Gains and Losses, and the related Notes numbered 1 to 16. 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 INVESTMENTS (FOUR) 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 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**

180 Strand
London
WC2R 1BL

31 October 2001

CANARY WHARF INVESTMENTS (FOUR) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2001

	Notes	Year Ended 30 June 2001	Year Ended 30 June 2000
		£	£
Turnover	2	15,180,468	15,408,206
Cost of sales		(6,003,413)	(5,988,691)
GROSS PROFIT		9,177,055	9,419,515
Administrative expenses		(2,464)	(11,325)
OPERATING PROFIT	3	9,174,591	9,408,190
Interest receivable	5	3,277,031	1,137,923
Interest payable and similar charges	6	(420,388)	(195,783)
PROFIT FOR THE FINANCIAL YEAR	14	12,031,234	10,350,330
Dividends	8	(12,031,198)	(10,350,330)
RETAINED PROFIT FOR THE YEAR	15	36	-

Movements in reserves are shown in Note 14 of these financial statements.

All amounts relate to continuing activities.

The notes on pages 9 to 14 form an integral part of these financial statements.

CANARY WHARF INVESTMENTS (FOUR) 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
	£	£
Profit for the financial year	12,031,234	10,350,330
Unrealised surplus on revaluation of properties	2,999,964	2,000,000
Total recognised gains relating to the year	<u>15,031,198</u>	<u>12,350,330</u>

The notes on pages 9 to 14 form an integral part of these financial statements.


CANARY WHARF INVESTMENTS (FOUR) LIMITED

BALANCE SHEET AS AT 30 JUNE 2001

	Notes	30 June 2001 £	30 June 2000 £
FIXED ASSETS			
Tangible assets	9	100,000,000	97,000,000
CURRENT ASSETS			
Debtors	10	54,782,209	34,411,996
		54,782,209	34,411,996
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	11	(48,348,200)	(27,977,987)
NET CURRENT ASSETS		6,434,009	6,434,009
NET ASSETS		106,434,009	103,434,009
CAPITAL AND RESERVES			
Share capital - equity	13	40,483,065	40,483,065
Share capital - non equity	13	100	100
Revaluation reserve	14	51,377,347	48,377,383
Profit and loss account	14	14,573,497	14,573,461
SHAREHOLDERS' FUNDS			
Equity		106,433,909	103,433,909
Non-equity		100	100
	15	106,434,009	103,434,009

The notes on pages 9 to 14 form an integral part of these financial statements.

APPROVED BY THE BOARD ON 31 OCTOBER 2001 AND SIGNED ON ITS BEHALF BY:



A R 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, 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 is included in the financial statements of CWG.

Profit and loss account

Rental income and rents payable are stated net of VAT. Rent payable comprises ground rents and other associated property costs. Administrative expenses comprise service charges and management fees.

Tangible fixed assets

Tangible fixed assets, comprising leasehold investment properties, are revalued annually in accordance with SSAP 19 (Accounting for Investment Properties) no provision is made for depreciation. This departure from the requirements of the statutory accounting rules, which requires all properties to be depreciated is, in the opinion of the directors, necessary for the accounts to show a true and fair view. Depreciation is only one of the factors reflected in the annual valuation and the amount attributable to this factor is not capable of being separately identified or quantified. Surpluses or deficits are transferred to the revaluation reserve, unless a deficit is expected to be permanent and exceeds previous surpluses recognised on the same property, in which case the excess is charged to the profit and loss account.

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

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

CANARY WHARF INVESTMENTS (FOUR) LIMITED

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

2 TURNOVER

The turnover, which is stated net of VAT, comprises rental income which arose wholly in the UK.

3 OPERATING PROFIT

	Year Ended 30 June 2001	Year Ended 30 June 2000
The operating profit is stated after charging:	£	£
Operating lease rentals in respect of property	5,567,440	5,567,440
Remuneration of the auditors:		
Audit fees	2,500	2,500

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

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

4 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:	£	£
After five years	5,567,440	5,567,440
	5,567,440	5,567,440

5 INTEREST RECEIVABLE

	Year Ended 30 June 2001	Year Ended 30 June 2000
	£	£
Interest receivable from group undertakings	3,277,031	935,481
Bank interest receivable	-	202,442
	3,277,031	1,137,923

CANARY WHARF INVESTMENTS (FOUR) LIMITED

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

6 INTEREST PAYABLE AND SIMILAR CHARGES

	Year Ended 30 June 2001	Year Ended 30 June 2000
	£	£
Bank loans and overdrafts	-	1,741
Interest payable to group undertakings	420,388	194,042
	<u>420,388</u>	<u>195,783</u>

7 TAXATION

No provision for taxation has been made since the profit for the year will be covered by the group relief expected to be made available to the company by other companies in the group. No charge will be made by other group companies for the surrender of group relief.

There is no unprovided deferred taxation.

8 DIVIDENDS

	Year Ended 30 June 2001	Year Ended 30 June 2000
	£	£
Ordinary dividends (19.32 pence per share) (2000 - 16.62 pence per share)	12,031,198	10,350,330
	<u>12,031,198</u>	<u>10,350,330</u>

9 TANGIBLE FIXED ASSETS

	Long Leasehold Investment Properties
Cost or valuation	£
At 1st July 2000	97,000,000
Additions	36
Revaluation	2,999,964
At 30th June 2001	<u>100,000,000</u>

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

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

	30 June 2001 £	30 June 2000 £
Historical cost	48,622,653	48,622,617

As at 30 June 2001 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 £2,999,964 which has been transferred to the revaluation reserve.

10 DEBTORS

	30 June 2001 £	30 June 2000 £
Loans to fellow subsidiary undertakings	49,904,619	28,706,689
Amount owed by parent undertaking	318,432	318,432
Amounts owed by fellow subsidiary undertakings	4,556,786	5,384,503
Other debtors	2,372	2,372
	<u>54,782,209</u>	<u>34,411,996</u>

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

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30 June 2001 £	30 June 2000 £
Loans owed to parent undertaking	25,277,699	12,826,113
Loans from fellow subsidiary undertakings	300,000	300,000
Amounts owed to fellow subsidiary undertakings	18,457,873	12,599,374
Accruals	2,500	2,500
Deferred income	4,310,128	2,250,000
	<u>48,348,200</u>	<u>27,977,987</u>

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

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

12 DEFERRED TAXATION

No provision for deferred taxation is required as at 30 June 2001.

The full potential deferred taxation liability is as follows:

	Year Ended 30 June 2001 £	Year Ended 30 June 2000 £
Accelerated capital allowances	14,550,000	14,550,000

13 CALLED-UP SHARE CAPITAL

	30 June 2001 £	30 June 2000 £
Authorised:		
100 deferred ordinary shares of £1 each	100	100
62,283,196 ordinary shares of \$1 each	40,483,065	40,483,065
Allotted, called-up and fully paid:		
100 deferred ordinary shares of £1 each	100	100
62,283,196 ordinary shares of \$1 each	40,483,065	40,483,065
	40,483,165	40,483,165

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.

14 RESERVES

	Revaluation Reserve £	Profit and Loss Account £	Total £
At 1 July 2000	48,377,383	14,573,461	62,950,844
Profit for the financial year	-	12,031,234	12,031,234
Dividend	-	(12,031,198)	(12,031,198)
Revaluation	2,999,964	-	2,999,964
At 30 June 2001	51,377,347	14,573,497	65,950,844

• **CANARY WHARF INVESTMENTS (FOUR) LIMITED**

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

15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	£
Shareholders' funds as at 1 July 2000	103,434,009
Profit for the financial year	12,031,234
Dividend	(12,031,198)
Revaluation	2,999,964
	<hr/>
Shareholders' funds as at 30 June 2001	106,434,009
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16 RELATED PARTIES

The company's immediate parent undertaking is CWE SPV HCo 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.