

CANARY WHARF INVESTMENTS (FOUR) LIMITED
Registered Number: 2388957

DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 1999



CANARY WHARF INVESTMENTS (FOUR) LIMITED

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CANARY WHARF INVESTMENTS (FOUR) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 1999

The directors present herewith the audited accounts for the year ended 30 June 1999.

ULTIMATE PARENT UNDERTAKING

The company's immediate parent undertaking is CWE SPV HCo Limited, a company registered in England. The company's ultimate UK parent is Canary Wharf Group plc (CWG) and until 6 April 1999 its ultimate parent undertaking was C.W. Investments Limited Partnership, a Cayman Islands undertaking. The limited partnership was dissolved on 6 April 1999 following the shares of CWG being admitted for listing on the London Stock Exchange on 1 April 1999.

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 1999 is set out on page 5. During the year the company recorded a profit on ordinary activities before taxation of £4,832,281 (1998:£2,952,929). The directors recommend the payment of a dividend of £4,832,281 (1998:£1,510,694).

DIRECTORS

The directors of the company during the year ended 30 June 1999 were:

A P Anderson
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 issued to the directors are disclosed in the accounts of CWG.

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 1999 or at any time throughout the year then ended.

CANARY WHARF INVESTMENTS (FOUR) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 1999

YEAR 2000 COMPLIANCE

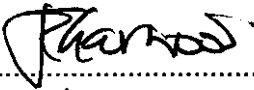
The Group has assessed the impact of the Year 2000 issue on its reporting systems and operations and on the basis of this assessment has formulated an action plan for dealing with the issues associated with the date change, with a view to rectifying any Year 2000 problem before 2000 and minimising the impact of third parties' lack of Year 2000 compliance. Work has been completed on the core financial system and is progressing according to plan in respect of other business information and operational systems and will be completed prior to the year end. Costs are taken to the profit and loss account for the period in which they are incurred.

After allowing for recoveries, costs incurred in upgrading the Group's systems during the year were not significant. Moreover, the financial cost to be borne by the Group in ensuring compliance with the remaining Year 2000 issues is not expected to be significant to the Group during the subsequent accounting 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


..... Company Secretary
J R Garwood

16 September 1999

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

CANARY WHARF INVESTMENTS (FOUR) LIMITED

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 year 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 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 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 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.

ARTHUR ANDERSEN

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

London

We have audited the accounts on pages 5 to 13 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 page 8.

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 report our opinion to you.

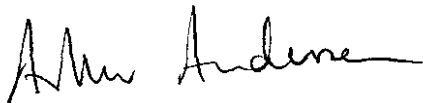
Basis of opinion

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 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 1999 and of its result 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

16 September 1999

CANARY WHARF INVESTMENTS (FOUR) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 1999

	Notes	Year Ended 30 June 1999	Year Ended 30 June 1998
		£	£
Turnover		10,193,922	3,798,460
Cost of sales		(6,149,633)	(855,245)
GROSS PROFIT		4,044,289	2,943,215
Administrative expenses		(2,500)	(2,500)
OPERATING PROFIT	2	4,041,789	2,940,715
Exceptional Items:			
Loss on sale of fixed assets		-	(300,000)
Interest receivable	3	1,207,842	706,255
Interest payable and similar charges	4	(417,350)	(394,041)
PROFIT FOR THE FINANCIAL YEAR		4,832,281	2,952,929
Dividends	7	(4,832,281)	(1,510,694)
RETAINED PROFIT FOR THE YEAR	13	-	1,442,235

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

The notes on pages 8 to 13 form part of these accounts.

CANARY WHARF INVESTMENTS (FOUR) LIMITED

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 30 JUNE 1999**

	Year Ended 30 June 1999	Year Ended 30 June 1998
	£	£
Profit for the financial year	4,832,281	2,952,929
Unrealised surplus on revaluations of properties	4,981,851	18,895,532
Total recognised gains relating to the year	<u>9,814,132</u>	<u>21,848,461</u>

The notes on pages 8 to 13 form part of these accounts.

CANARY WHARF INVESTMENTS (FOUR) LIMITED**BALANCE SHEET AS AT 30 JUNE 1999**

	Notes	30 June 1999	30 June 1998
		£	£
FIXED ASSETS			
Tangible assets	8	95,000,000	90,000,000
CURRENT ASSETS			
Debtors	9	16,682,685	6,240,279
Cash at bank and in hand		10,181,773	9,534,197
		26,864,458	15,774,476
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	10	(20,430,449)	(9,322,318)
NET CURRENT ASSETS		6,434,009	6,452,158
NET ASSETS		101,434,009	96,452,158
CAPITAL AND RESERVES			
Share capital - equity	12	40,483,065	40,483,065
Share capital - non equity	12	100	100
Revaluation reserve	13	46,377,383	41,395,532
Profit and loss account	13	14,573,461	14,573,461
SHAREHOLDERS' FUNDS - EQUITY	14	101,434,009	96,452,158

The notes on pages 8 to 13 form part of these accounts.

APPROVED BY THE BOARD ON 16TH SEPTEMBER 1999 AND SIGNED ON ITS BEHALF
BY:



A P ANDERSON
DIRECTOR

CANARY WHARF INVESTMENTS (FOUR) LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1999

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.

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. No provision has been made for depreciation of investment properties and 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 ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1999

2 OPERATING PROFIT

	Year Ended 30 June 1999 £	Year Ended 30 June 1998 £
The operating profit is stated after charging:		
Operating lease rentals in respect of property	5,567,440	230,800
Remuneration of the auditors:		
Audit fees	2,500	2,500

The commitment under the operating lease interest for the next financial year, the unexpired term of which is in excess of five years, is £5,567,440

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.

3 INTEREST RECEIVABLE

	Year Ended 30 June 1999 £	Year Ended 30 June 1998 £
Interest receivable from Group undertakings	535,970	47,260
Bank interest receivable	647,576	658,995
Interest on overdue debts	24,296	-
	<u>1,207,842</u>	<u>706,255</u>

4 INTEREST PAYABLE AND SIMILAR CHARGES

	Year Ended 30 June 1999 £	Year Ended 30 June 1998 £
Interest payable to Group undertakings	417,350	394,041
	<u>417,350</u>	<u>394,041</u>

CANARY WHARF INVESTMENTS (FOUR) LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1999

5	EMPLOYEE INFORMATION	Year Ended 30 June 1999 £	Year Ended 30 June 1998 £
	Wages and salaries	-	167,179
	Social Security costs	-	15,426
	Other pension costs (Note 15)	-	7,320
		<u>-</u>	<u>189,926</u>

With effect from the 31 May 1998 the employment contracts of the company's employees were transferred to certain other group companies. The average number of employees, including directors, for the year ended 30 June 1998 was 8.

6 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.

7	DIVIDENDS	Year Ended 30 June 1999 £	Year Ended 30 June 1998 £
	Ordinary dividends - proposed (7.76 pence per share (1998 - 2.43 pence per share))	4,832,281	1,510,694
		<u>4,832,281</u>	<u>1,510,694</u>

8 TANGIBLE FIXED ASSETS

	Long Leasehold Investment Properties
Cost or valuation	£
At 1st July 1998	90,000,000
Additions	18,149
Revaluation	4,981,851
At 30th June 1999	<u>95,000,000</u>

CANARY WHARF INVESTMENTS (FOUR) LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1999

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

	30 June 1999	30 June 1998
	£	£
Historical cost	<u>48,622,617</u>	<u>48,604,468</u>

As at 30 June 1999 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 £4,981,851 which has been transferred to the revaluation reserve.

9 DEBTORS

	30 June 1999	30 June 1998
	£	£
Loans to fellow subsidiary undertakings	11,513,655	1,928,103
Amount owed by parent undertaking	318,432	318,432
Amounts owed by fellow subsidiary undertakings	3,866,910	3,845,946
Other debtors	4,149	21,465
Prepayments and accrued income	979,539	126,333
	<u>16,682,685</u>	<u>6,240,279</u>

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

10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30 June 1999	30 June 1998
	£	£
Loans owed to parent undertaking	12,665,956	7,416,325
Loans owed to fellow subsidiary undertakings	300,000	300,000
Amounts owed to fellow subsidiary undertakings	6,740,875	882,376
Accruals	2,500	2,500
Deferred income	721,118	721,117
	<u>20,430,449</u>	<u>9,322,318</u>

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

CANARY WHARF INVESTMENTS (FOUR) LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1999

11 DEFERRED TAXATION

No provision for deferred taxation is required as at 30 June 1999.

The full potential deferred taxation liability is as follows:

	Year Ended 30 June 1999 £	Year Ended 30 June 1998 £
Accelerated capital allowances	14,550,000	15,035,000

12 SHARE CAPITAL

	30 June 1999 £	30 June 1998 £
Authorised:		
100 deferred ordinary shares of £1 each	100	100
62,283,196 ordinary shares of \$1 each	40,483,065	40,483,065
Issued, allotted 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.

13 RESERVES

	Revaluation Reserve	Profit and Loss Account	Total
	£	£	£
At 1 July 1998	41,395,532	14,573,461	55,968,993
Profit for the financial year	-	4,832,281	4,832,281
Dividend	-	(4,832,281)	(4,832,281)
Revaluation	4,981,851	-	4,981,851
At 30 June 1999	46,377,383	14,573,461	60,950,844

CANARY WHARF INVESTMENTS (FOUR) LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1999

14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	£
Shareholders' funds as at 1 July 1998	96,452,158
Profit for the financial year	4,832,281
Dividend	(4,832,281)
Revaluation	4,981,851
Shareholders' funds as at 30 June 1999	<u>101,434,009</u>

15 PENSION SCHEME

The company operated a defined contribution pension scheme. The assets of the scheme were held separately from those of the company in an independently administered fund. The pension cost charge, which amounted to £7,320 for the year ended 30 June 1998, represented contributions payable by the company to the scheme.

16 CAPITAL COMMITMENTS

As at 30 June 1999 the company was party to an indemnity under the terms of which it has entered into a first ranking fixed charge over £10.18 million of its cash deposits.

As at 30 June 1999 the company had also given a guarantee and fixed and floating charges to secure the borrowings of other group companies.

17 RELATED PARTIES

The company's immediate parent undertaking is CWE SPV HCo Limited, a company registered in England. The company's ultimate UK parent is Canary Wharf Group plc and until 6 April 1999 its ultimate parent undertaking was C.W. Investments Limited Partnership, a Cayman Islands undertaking. The limited partnership was dissolved on 6 April 1999 following the shares of CWG being admitted for listing on the London Stock Exchange on 1 April 1999.

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.