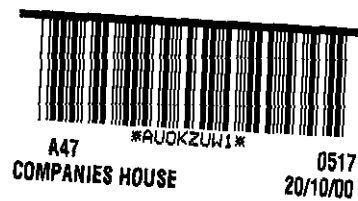


CANARY WHARF INVESTMENTS (THREE)
Registered Number: 2455786

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



CANARY WHARF INVESTMENTS (THREE)

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CANARY WHARF INVESTMENTS (THREE)

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 Investments (Two) Limited, 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.

DIVIDENDS AND RESERVES

The profit and loss account for the year ended 30 June 2000 is set out on page 5. During the year the company recorded a profit on ordinary activities before taxation of £8,699,629 (1999:£9,087,976), and the directors recommend the payment of a dividend of this amount (1999:£9,087,976).

DIRECTORS

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

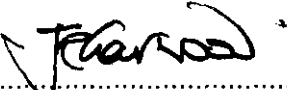
AUDITORS

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 (THREE)

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2000

BY ORDER OF THE BOARD


.....
J R Garwood

Company Secretary

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 (THREE)

We have audited the accounts on pages 5 to 12 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 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 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

19 September 2000

CANARY WHARF INVESTMENTS (THREE)

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2000

	Notes	Year Ended 30 June 2000	Year Ended 30 June 1999
		£	£
Turnover	2	10,648,487	10,868,939
Cost of sales		(716,106)	(843,358)
GROSS PROFIT		9,932,381	10,025,581
Administrative expenses		(1,131,891)	(1,067,169)
OPERATING PROFIT	3	8,800,490	8,958,412
Interest receivable	4	1,242,163	1,241,793
Interest payable and similar charges	5	(1,343,024)	(1,112,229)
PROFIT FOR THE FINANCIAL YEAR		8,699,629	9,087,976
Dividends	7	(8,699,629)	(9,087,976)
RETAINED PROFIT FOR THE YEAR	13	-	-

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

All amounts relate to continuing activities.

The notes on pages 8 to 12 form part of these accounts.

CANARY WHARF INVESTMENTS (THREE)

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

	Year Ended 30 June 2000	Year Ended 30 June 1999
	£	£
Profit for the financial year	8,699,629	9,087,976
Unrealised surplus on revaluation of properties	8,350,000	6,750,000
Total recognised gains relating to the year	<u>17,049,629</u>	<u>15,837,976</u>

The notes on pages 8 to 12 form part of these accounts.

CANARY WHARF INVESTMENTS (THREE)

BALANCE SHEET AS AT 30 JUNE 2000

	Notes	30 June 2000 £	30 June 1999 £
FIXED ASSETS			
Tangible assets	8	171,500,000	162,250,000
CURRENT ASSETS			
Debtors	9	56,525,420	45,347,319
Cash at bank and in hand		6	7,610,940
		56,525,426	52,958,259
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	10	(40,135,345)	(35,668,178)
NET CURRENT ASSETS		16,390,081	17,290,081
NET ASSETS		187,890,081	179,540,081
CAPITAL AND RESERVES			
Called-up share capital	12	117,660,000	117,660,000
Revaluation reserve	13	62,241,250	53,891,250
Profit and loss account	13	7,988,831	7,988,831
SHAREHOLDERS' FUNDS - EQUITY	14	187,890,081	179,540,081

The notes on pages 8 to 12 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.

Profit and loss account

Rental income and rents payable are stated net of VAT. Rents 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.

2 TURNOVER

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

CANARY WHARF INVESTMENTS (THREE)

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2000

3 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	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 INTEREST RECEIVABLE

	Year Ended 30 June 2000	Year Ended 30 June 1999
	£	£
Interest receivable from group undertakings	1,102,674	783,277
Bank interest receivable	139,489	458,516
	1,242,163	1,241,793

5 INTEREST PAYABLE AND SIMILAR CHARGES

	Year Ended 30 June 2000	Year Ended 30 June 1999
	£	£
Bank loans and overdrafts	29	89
Interest payable to group undertakings	1,342,995	1,112,140
	1,343,024	1,112,229

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.

CANARY WHARF INVESTMENTS (THREE)

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2000

7 DIVIDENDS

	Year Ended 30 June 2000	Year Ended 30 June 1999
	£	£
Ordinary dividends - proposed (7.39 pence per share) (1999 - 7.72 pence per share)	8,699,629	9,087,976
	<u>8,699,629</u>	<u>9,087,976</u>

8 TANGIBLE FIXED ASSETS

	Long Leasehold Investment Properties
	£
Cost or valuation	
At 1st July 1999	162,250,000
Additions	900,000
Revaluation	8,350,000
At 30th June 2000	<u>171,500,000</u>

During the year the company paid a premium of £900,000 to a tenant in consideration for the surrender of a lease.

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

	30 June 2000	30 June 1999
	£	£
Historical cost	<u>109,258,750</u>	<u>108,358,750</u>

At 30 June 2000 the company's leasehold property interests were 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 £8.35 million which has been transferred to the revaluation reserve.

CANARY WHARF INVESTMENTS (THREE)

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2000

9 DEBTORS

	30 June 2000	30 June 1999
	£	£
Loans to fellow subsidiary undertakings	27,647,711	16,105,940
Amounts owed by fellow subsidiary undertakings	28,713,669	29,208,571
Prepayments and accrued income	164,040	32,808
	<u>56,525,420</u>	<u>45,347,319</u>

The loans to fellow subsidiary undertakings are repayable on demand and carry interest at a rate linked to LIBOR.

10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30 June 2000	30 June 1999
	£	£
Loans owed to parent undertaking	32,090,691	29,104,046
Loans from fellow subsidiary undertakings	3,567,014	3,361,459
Amounts owed to fellow subsidiary undertakings	3,821,281	3,200,173
Other creditors	23,534	-
Accruals	63,699	2,500
Deferred income	569,126	-
	<u>40,135,345</u>	<u>35,668,178</u>

The loans from the company's parent and fellow subsidiary undertakings are repayable on demand and carry interest at a rate linked to LIBOR.

11 DEFERRED TAX

No provision for deferred taxation is required as at 30 June 2000.

The full potential deferred taxation liability is as follows:

	30 June 2000	30 June 1999
	£	£
Accelerated capital allowances	<u>35,295,000</u>	<u>35,295,000</u>

CANARY WHARF INVESTMENTS (THREE)

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2000

12 CALLED-UP SHARE CAPITAL

	30 June 2000	30 June 1999
	£	£
Equity Shares		
Ordinary shares of £1 each		
Authorised	500,000,000	500,000,000
Allotted, called-up, and fully paid:	117,660,000	117,660,000

13 RESERVES

	Revaluation Reserve	Profit and Loss Account	Total
	£	£	£
At 1 July 1999	53,891,250	7,988,831	61,880,081
Profit for the financial year	-	8,699,629	8,699,629
Dividend	-	(8,699,629)	(8,699,629)
Revaluation	8,350,000	-	8,350,000
At 30 June 2000	62,241,250	7,988,831	70,230,081

14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	£
Shareholders' funds as at 1 July 1999	179,540,081
Profit for the financial year	8,699,629
Dividend	(8,699,629)
Revaluation	8,350,000
Shareholders' funds as at 30 June 2000	187,890,081

15 RELATED PARTIES

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