

CANARY WHARF INVESTMENTS (THREE)
Registered Number: 2455786

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2002**



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CANARY WHARF INVESTMENTS (THREE)

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CANARY WHARF INVESTMENTS (THREE)

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2002

The directors present herewith the audited financial statements for the year ended 30 June 2002.

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 parent undertaking 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 2002 is set out on page 6. The directors recommend the payment of an interim dividend of £784,582 (2001:£10,251,003) and the retained profit of £10,212,931 is to be transferred to reserves.

DIRECTORS

The directors of the company throughout the year ended 30 June 2002, except as noted, were:

A P Anderson II
G Iacobescu
R Lyons (appointed 9 April 2002)
G Rothman (resigned 8 April 2002)

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 as appropriate in the financial statements of either the intermediate parent companies, Canary Wharf Holdings Limited or Canary Wharf Estate Limited, or CWG, the ultimate parent company.

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 2002 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.

The company had no trade creditors at 30 June 2002 or 30 June 2001.

CANARY WHARF INVESTMENTS (THREE)


DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2002

AUDITORS

On 31 July 2002 Arthur Andersen resigned as auditors and Deloitte and Touche were appointed in their place. In accordance with section 394 of the Companies Act 1985, Arthur Andersen have confirmed that there are no circumstances connected with their ceasing to hold office which they consider should be brought to the attention of the company's members. Deloitte & Touche have indicated their willingness to continue in office and a resolution confirming their re-appointment will be submitted at the Annual General Meeting.

Elective resolutions to dispense with holding annual general meetings, the laying of financial statements before the company in general meeting and the appointment of auditors annually are currently in force. The auditors, Deloitte & Touche, will therefore be deemed to have been reappointed at the end of the period of 28 days, beginning the day on which copies of this report and financial statements are sent to members unless a resolution is passed under section 393 of the Companies Act 1985 to the effect that their appointment be brought to an end.

BY ORDER OF THE BOARD



..... Company Secretary
J R Garwood

11 November 2002

Registered office:
30th Floor
One Canada Square
Canary Wharf
London
E14 5AB

CANARY WHARF INVESTMENTS (THREE)

STATEMENT OF THE DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are required by the Companies Act 1985 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 MEMBERS OF CANARY WHARF INVESTMENTS (THREE)

We have audited the financial statements of Canary Wharf Investments (Three) for the year ended 30 June 2002 which comprise the profit and loss account, the balance sheet and the statement of total recognised gains and losses, and the related notes 1 to 16. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 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 for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit 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 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 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 MEMBERS OF
CANARY WHARF INVESTMENTS (THREE)**

Opinion

In our opinion, the financial statements give a true and fair view of the state of the company's affairs as at 30 June 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors
London

11 November 2002

CANARY WHARF INVESTMENTS (THREE)

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2002

	Notes	Year Ended 30 June 2002	Year Ended 30 June 2001 As restated
		£	£
Turnover		12,784,371	10,860,135
Cost of sales		(685,758)	(730,066)
GROSS PROFIT		12,098,613	10,130,069
Administrative expenses		(1,330,030)	(1,044,816)
OPERATING PROFIT	3	10,768,583	9,085,253
Interest receivable	4	3,267,037	2,966,097
Interest payable and similar charges	5	(1,827,413)	(1,800,347)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		12,208,207	10,251,003
Tax on profit on ordinary activities	6	(1,210,694)	510,002
PROFIT FOR THE FINANCIAL YEAR	13	10,997,513	10,761,005
Dividends	7	(784,582)	(10,251,003)
RETAINED PROFIT FOR THE YEAR	14	10,212,931	510,002

Movements in reserves are shown in Note 13 of these financial statements.

All amounts relate to continuing activities.

The notes on pages 9 to 17 form an integral part of these financial statements.

CANARY WHARF INVESTMENTS (THREE)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 30 JUNE 2002

	Year Ended 30 June 2002	Year Ended 30 June 2001 As restated
	£	£
Profit for the financial year	10,997,513	10,761,005
Unrealised surplus on revaluation of properties	1,218,500	16,500,000
Total recognised gains relating to the year	12,216,013	27,261,005
Prior year adjustment	(18,201,762)	-
Total recognised gains since last audited accounts	(5,985,749)	27,261,005

The notes on pages 9 to 17 form an integral part of these financial statements.

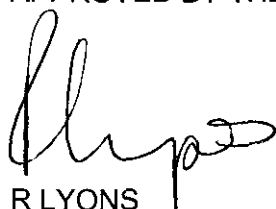
CANARY WHARF INVESTMENTS (THREE)

BALANCE SHEET AS AT 30 JUNE 2002

	Notes	30 June 2002	30 June 2001 As restated
		£	£
FIXED ASSETS			
Tangible assets	8	189,250,000	188,000,000
CURRENT ASSETS			
Debtors	9	83,753,130	69,298,953
		83,753,130	69,298,953
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	10	(55,970,925)	(52,908,873)
NET CURRENT ASSETS		27,782,205	16,390,080
TOTAL ASSETS LESS CURRENT LIABILITIES		217,032,205	204,390,080
Provisions for liabilities and charges	11	(19,412,455)	(18,201,761)
NET ASSETS		197,619,750	186,188,319
CAPITAL AND RESERVES			
Called-up share capital	12	117,660,000	117,660,000
Revaluation reserve	13	79,959,750	78,741,250
Profit and loss account	13	-	(10,212,931)
SHAREHOLDERS' FUNDS - EQUITY	14	197,619,750	186,188,319

The notes on pages 9 to 17 form an integral part of these financial statements.

APPROVED BY THE BOARD ON 11 NOVEMBER 2002 AND SIGNED ON ITS BEHALF BY:



R LYONS
DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

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 save for the adoption of Financial Reporting Standard 19 (Deferred Tax) (FRS 19) which now has effect, is set out below. The comparatives for the year ended 30 June 2001 have been restated to comply with FRS19.

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 United Kingdom 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. 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

Deferred tax assets and liabilities arise from timing differences between the recognition of gains and losses in the financial statements and their recognition in the corporation tax return. The company's policy for accounting for deferred tax has been changed to comply with FRS 19. Previously the company's policy was to provide for deferred tax only to the extent that liabilities or assets were expected to crystallise in the foreseeable future.

CANARY WHARF INVESTMENTS (THREE)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

Under FRS 19 deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements.

Deferred tax is measured on a discounted basis to reflect the time value of money over the period between the balance sheet date and the dates on which it is estimated that the timing differences will reverse, or where the timing differences are not expected to reverse, a period not exceeding 50 years. Discount rates of 3.3% to 3.5% have been adopted reflecting the post-tax yield to maturity that can be obtained on government bonds with similar maturity dates and currencies to those of the deferred tax assets or liabilities.

The effects of the change in policy are summarised below:

	Year ended 30 June 2002	Year ended 30 June 2001
	£	£
Profit and loss account:		
Increase in deferred tax (charge)/credit	(1,210,694)	510,002
Balance sheet:		
Deferred tax liability	(19,412,455)	(18,201,761)

Interest receivable and interest payable

Interest receivable and payable are recognised in the period in which they fall due.

CANARY WHARF INVESTMENTS (THREE)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

2 RESTATEMENT

The effects of adopting FRS19 for the current and prior years are as follows:

	Taxation	Profit after taxation	Shareholders' Funds
	£	£	£
Year ended 30 June 2001			
As previously reported	-	10,251,003	204,390,080
Effect of adopting FRS19	510,002	510,002	(18,201,761)
As restated	510,002	10,761,005	186,188,319
Year ended 30 June 2002			
Results without adopting FRS19	-	12,208,207	217,032,205
Effect of adopting FRS19	(1,210,694)	(1,210,694)	(19,412,455)
As reported	(1,210,694)	10,997,513	197,619,750

3 OPERATING PROFIT

	Year Ended 30 June 2002	Year Ended 30 June 2001
	£	£
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 2002	Year Ended 30 June 2001
	£	£
Interest receivable from group undertakings	3,267,037	2,966,097
	3,267,037	2,966,097

CANARY WHARF INVESTMENTS (THREE)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

5 INTEREST PAYABLE AND SIMILAR CHARGES

	Year Ended 30 June 2002	Year Ended 30 June 2001
	£	£
Bank loans and overdrafts	-	29
Interest payable to group undertakings	1,827,413	1,800,318
	<u>1,827,413</u>	<u>1,800,347</u>

6 TAXATION

	Year Ended 30 June 2002	Year Ended 30 June 2001
	£	£
Current tax:		
UK corporation tax (see below)	-	-
Deferred tax:		
Net effect of discount	1,210,694	(510,002)
Total deferred tax (Note 11)	1,210,694	(510,002)
Total tax on profit on ordinary activities	<u>1,210,694</u>	<u>(510,002)</u>
Tax reconciliation:		
Profit on ordinary activities before tax	12,208,207	10,251,003
Tax on profit on ordinary activities at UK corporation tax rate of 30%	3,662,462	3,075,300
Effects of:		
Tax losses and other timing differences	(3,662,462)	(3,075,300)
Current tax charge for the year	<u>-</u>	<u>-</u>

No provision for corporation tax 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. It is anticipated that group relief and other tax reliefs will impact on future tax charges.

CANARY WHARF INVESTMENTS (THREE)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

If the company's property was sold at its market value, a tax liability of £13,987,829 would arise (2001: £14,069,507). As the company has no intention to sell its investment property, it is not expected that any liability will arise in the foreseeable future and no provision for this contingent liability has been made.

7	DIVIDENDS	Year Ended 30 June 2002	Year Ended 30 June 2001
		£	£
	Interim dividend (0.67 pence per share) (2001 - 8.71 pence per share)	784,582	10,251,003
		<u>784,582</u>	<u>10,251,003</u>

8 TANGIBLE FIXED ASSETS

	Long Leasehold Investment Properties
Cost or valuation	£
At 1 July 2001	188,000,000
Additions	31,500
Revaluation	1,218,500
At 30 June 2002	<u>189,250,000</u>

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

	30 June 2002	30 June 2001
	£	£
Historical cost	<u>109,290,250</u>	<u>109,258,750</u>

At 30 June 2002 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 £1.22 million which has been transferred to the revaluation reserve.

CANARY WHARF INVESTMENTS (THREE)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

9 DEBTORS

	30 June 2002	30 June 2001
	£	£
Loans to fellow subsidiary undertakings	53,679,102	39,821,295
Amounts owed by fellow subsidiary undertakings	28,611,463	29,100,277
Prepayments and accrued income	1,462,565	377,381
	<u>83,753,130</u>	<u>69,298,953</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 2002	30 June 2001
	£	£
Loans from parent undertaking	45,581,477	33,679,865
Loans from fellow subsidiary undertakings	3,954,962	3,778,158
Amounts owed to parent undertaking	1,790,704	11,008,908
Amounts owed to fellow subsidiary undertakings	4,255,946	3,691,163
Other creditors	19,031	23,641
Accruals	53,535	-
Deferred income	315,270	727,138
	<u>55,970,925</u>	<u>52,908,873</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.

CANARY WHARF INVESTMENTS (THREE)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

11 PROVISION FOR LIABILITIES AND CHARGES

Deferred taxation:

	Year ended 30 June 2002	Year ended 30 June 2001 as restated
	£	£
Accelerated capital allowances	35,295,000	35,295,000
Undiscounted deferred tax liability	35,295,000	35,295,000
Discount	(15,882,545)	(17,093,239)
Discounted deferred tax liability	19,412,455	18,201,761
At 1 July	18,201,761	18,711,763
Deferred tax charge/(credit) in profit and loss account for the period	1,210,694	(510,002)
At 30 June	19,412,455	18,201,761

As the company has no intention to sell its investment properties it is not expected that the deferred tax liability will crystallise in the foreseeable future.

12 CALLED-UP SHARE CAPITAL

	30 June 2002	30 June 2001
	£	£
Equity Shares		
Authorised, 500,000,000 ordinary shares of £1 each	500,000,000	500,000,000
Allotted, called-up and fully paid, 117,660,000 ordinary shares of £1 each	117,660,000	117,660,000

CANARY WHARF INVESTMENTS (THREE)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

13 RESERVES

	Revaluation Reserve	Profit and Loss Account
	£	£
At 1 July 2001 as previously stated	78,741,250	7,988,831
Prior year adjustment	-	(18,201,762)
As restated	78,741,250	(10,212,931)
Profit for the financial year	-	10,997,513
Dividend	-	(784,582)
Revaluation	1,218,500	-
At 30 June 2002	79,959,750	-

14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	£
Shareholders' funds as at 1 July 2001	
As previously stated	204,390,081
Prior year adjustment	(18,201,762)
As restated	186,188,319
Profit for the financial year	10,997,513
Dividend	(784,582)
Revaluation	1,218,500
Shareholders' funds as at 30 June 2002	197,619,750

15 CAPITAL COMMITMENTS

As at 30 June 2002 the company had given fixed and floating charges over substantially all its assets to secure the commitments of certain other group undertakings.

16 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 parent was Canary Wharf Group plc (subsequently renamed Canary Wharf Estate Limited) until 4 December 2001. Following the completion of a group reconstruction on this date the new holding company, New Canary Wharf plc, subsequently renamed Canary Wharf Group plc, a company registered in England and Wales, is considered the company's ultimate parent undertaking.

Canary Wharf Group plc is the parent company of the largest and smallest group of which the company is a member and for which group financial statements are drawn up.

CANARY WHARF INVESTMENTS (THREE)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

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.