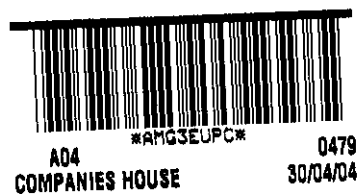


SOUTH QUAY PROPERTIES LIMITED
Registered Number: 2830131

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003



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DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2003

The directors present their report with the audited financial statements for the year ended 30 June 2003.

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 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 focused on Heron Quays in London's Docklands.

DIVIDENDS AND RESERVES

The profit and loss account for the year ended 30 June 2003 is set out on page 6. The directors do not recommend the payment of a dividend (2002: Nil) and the retained loss of £40,368 is to be transferred to reserves.

DIRECTORS

The directors of the company throughout the year ended 30 June 2003 were:

A P Anderson II
G Iacobescu
R Lyons

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 company, 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 2003 or at any time throughout the year then ended.

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2003

AUDITORS

On 1 August 2003 Deloitte & Touche, the company's auditors, transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnership Act 2000. The company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP under the provisions of s26(5) of the Companies Act 1989.

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 LLP, 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

28 April 2004

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

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 SOUTH QUAY PROPERTIES LIMITED

We have audited the financial statements of South Quays Properties Limited for the year ended 30 June 2003 which comprise the profit and loss account, the balance sheet, and the related notes 1 to 11. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 or material inconsistencies with the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SOUTH QUAY PROPERTIES LIMITED

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.

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 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

28 April 2004

SOUTH QUAY PROPERTIES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2003

	Notes	Year Ended 30 June 2003	Year Ended 30 June 2002
		£	£
Administrative expenses		(40,724)	(7,390)
OPERATING LOSS	3	(40,724)	(7,390)
Bank interest receivable		356	-
LOSS FOR THE FINANCIAL YEAR	9	(40,368)	(7,390)

Movements in reserves are shown in Note 9 of these financial statements.

All amounts relate to continuing activities in the United Kingdom.

There were no recognised gains or losses for the year ended 30 June 2003 or the year ended 30 June 2002 other than those included in the profit and loss account.

The notes on pages 8 to 11 form an integral part of these financial statements.

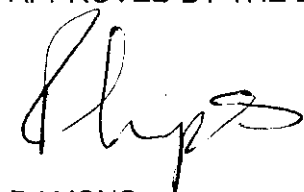
SOUTH QUAY PROPERTIES LIMITED

BALANCE SHEET AS AT 30 JUNE 2003

	Notes	30 June 2003 £	30 June 2002 £
FIXED ASSETS			
Tangible assets	5	19,223,672	17,389,212
CURRENT ASSETS			
Debtors	6	4	-
Cash at bank and in hand		3,261	-
		3,265	-
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	7	(19,274,694)	(17,396,601)
NET CURRENT LIABILITIES		(19,271,429)	(17,396,601)
TOTAL ASSETS LESS CURRENT LIABILITIES		(47,757)	(7,389)
NET LIABILITIES		(47,757)	(7,389)
CAPITAL AND RESERVES			
Called-up share capital	8	1	1
Profit and loss account	9	(47,758)	(7,390)
SHAREHOLDERS' DEFICIT	10	(47,757)	(7,389)

The notes on pages 8 to 11 form an integral part of these financial statements.

APPROVED BY THE BOARD ON 28 APRIL 2004 AND SIGNED ON ITS BEHALF BY:



R LYONS
DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

1 BASIS OF PREPARATION

The company is in a net liability position at the year end. Canary Wharf Holdings Limited, an intermediate parent undertaking, has agreed to provide or procure adequate financial resources to allow the company to continue its operations, and has also agreed to make available any funds that may be required for the company to meet its obligations as they fall due, for a period of not less than twelve months from the date of the financial statements.

2 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 and in accordance with applicable United Kingdom accounting standards.

In accordance with the provisions of 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.

Development Properties

Properties held for development are held at cost, subject to provision for diminution in value.

Debt

Debt instruments are stated immediately after issue at the amount of the net proceeds. The finance costs of such debt instruments are allocated to periods over the term of the debt at a constant rate on the carrying amount. The carrying amount is increased by the finance cost in respect of the reporting period and reduced by payments made in respect of the debt in that period. Finance costs are charged to the profit and loss account, except in the case of development financings where interest and the related financing costs are included as part of the cost of development.

Interest receivable and interest payable

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

SOUTH QUAY PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

3 OPERATING LOSS

	Year Ended 30 June 2003	Year Ended 30 June 2002
The operating loss is stated after charging:	£	£
Remuneration of the auditors:		
Audit fees	2,500	5,000

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 TAXATION

No provision for taxation has been made in view of the loss for the year. It is anticipated that tax losses will impact on future tax charges. There is no unprovided deferred taxation.

5 TANGIBLE FIXED ASSETS

	Development Properties
Cost	£
At 1 July 2002	17,389,212
Additions	1,834,460
At 30 June 2003	19,223,672

6 DEBTORS

	30 June 2003	30 June 2002
	£	£
Amount owed by parent undertaking	1	-
Prepayments and accrued income	3	-
	4	-

SOUTH QUAY PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

7 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30 June 2003	30 June 2002
	£	£
Trade creditors	29,462	-
Loan from parent undertaking	16,872,106	8,872,106
Amounts owed to fellow subsidiary undertakings	2,361,564	508,381
Accruals and deferred income	11,562	8,016,114
	<u>19,274,694</u>	<u>17,396,601</u>

The loan from the parent undertaking bears interest at a rate linked to LIBOR, subject to certain caps, and is repayable on demand.

8 CALLED-UP SHARE CAPITAL

	30 June 2003	30 June 2002
	£	£
Equity Shares		
Authorised, 100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called-up and fully paid, 1 ordinary share of £1	<u>1</u>	<u>1</u>

9 RESERVES

	Profit and Loss Account
	£
At 1 July 2002	(7,390)
Loss for the financial year	<u>(40,368)</u>
At 30 June 2003	<u>(47,758)</u>

10 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT

	£
Shareholders' deficit as at 1 July 2002	(7,389)
Loss for the financial year	<u>(40,368)</u>
Shareholders' deficit as at 30 June 2003	<u>(47,757)</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

11 RELATED PARTIES

The company's immediate parent undertaking is Canary Wharf Holdings 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.

Copies of the consolidated financial statements of Canary Wharf Group plc may be obtained from the Company Secretary, 30th Floor, 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.