

SOUTH QUAY PROPERTIES LIMITED
Registered Number: 2830131

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



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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 Canary Wharf Holdings Limited ('CWHL'), 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. However, except for the novation of intra group balances, the company has undertaken no activities in the year.

DIVIDENDS AND RESERVES

The company did not undertake any trading activities during the year and hence the directors do not recommend the payment of a dividend (2000:Nil).

DIRECTORS

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

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

DIRECTORS' INTERESTS

The directors have been granted options to subscribe for ordinary shares in CWG. For directors in office at 30 June 2001, details of interests and options to subscribe for shares in CWG are disclosed in the financial statements of either CWHL 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.

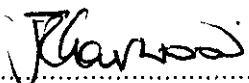
AUDITORS

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.

SOUTH QUAY PROPERTIES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2001

BY ORDER OF THE BOARD


..... Company Secretary
J R Garwood

18 April 2002

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 SOUTH QUAY PROPERTIES LIMITED

We have audited the financial statements of the company for the year ended 30 June 2001 which comprise the primary financial statements, such as the Balance Sheet, and the related Notes numbered 1 to 9. 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
SOUTH QUAY PROPERTIES 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 result 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

18 April 2002

SOUTH QUAY PROPERTIES LIMITED**BALANCE SHEET AS AT 30 JUNE 2001**

	Notes	30 June 2001	30 June 2000
		£	£
CURRENT ASSETS			
Debtors	4	1	3,109,617
		1	3,109,617
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	5	-	(3,109,616)
NET CURRENT ASSETS		1	1
NET ASSETS		1	1
CAPITAL AND RESERVES			
Called-up share capital	6	1	1
Profit and loss account		-	-
SHAREHOLDERS' FUNDS - EQUITY	7	1	1

The company recorded neither a profit nor a loss during the year ended 30 June 2001 or the year ended 30 June 2000.

There were no other recognised gains or losses for 2001 or 2000.

The notes on pages 7 to 8 form an integral part of these financial statements.

APPROVED BY THE BOARD ON 18 APRIL 2002 AND SIGNED ON ITS BEHALF BY:



R LYONS
DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001**1 PRINCIPAL ACCOUNTING POLICIES**

The Financial Statements have been prepared under the historical cost convention and in accordance with applicable accounting standards, all of which have been applied consistently throughout the year and the preceding year.

In accordance with the provisions of Financial Reporting Standard (FRS) 1 (Revised), a cashflow statement has not been prepared as the company is a wholly owned subsidiary of a body incorporated in the European Union. A consolidated cashflow statement will be included in the financial statements of Canary Wharf Group plc.

2 ADMINISTRATIVE EXPENSES

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.

Auditors' remuneration has been borne by another group undertaking.

3 TAXATION

No charge for taxation has been made since the company recorded neither a profit nor loss for the year. There is no unprovided deferred taxation.

4 DEBTORS

	30 June 2001	30 June 2000
	£	£
Amounts owed by fellow subsidiary undertakings	1	3,109,617
	<u>1</u>	<u>3,109,617</u>

5 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30 June 2001	30 June 2000
	£	£
Amounts owed to parent undertaking	-	3,104,471
Amounts owed to fellow subsidiary undertakings	-	5,145
	<u>-</u>	<u>3,109,616</u>

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

6 CALLED-UP SHARE CAPITAL

	30 June 2001	30 June 2000
	£	£
Equity Shares		
Ordinary shares of £1 each		
Authorised	100	100
Allotted, called-up and fully paid	1	1

7 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	£
Shareholders' funds	
as at 30 June 2000 and 30 June 2001	1

8 POST BALANCE SHEET EVENTS

In November 2001, the company acquired the freehold and long leasehold interest in a site in London E14 for a consideration of £16.1 million.

9 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 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.