

CWE SPVh LIMITED
Registered Number: 3123281

DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 1998



DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 1998

The directors present herewith the audited accounts for the year ended 30 June 1998.

ULTIMATE PARENT UNDERTAKING

The company is a subsidiary of the Canary Wharf Group comprising Canary Wharf Holdings Limited (CWHL) and its subsidiaries (together, the CWHL Group). Its immediate parent undertaking is CWE SPV HCo Limited and the company's ultimate UK parent undertaking is Canary Wharf Group Plc (formerly CWI Holdings plc). The company's ultimate parent undertaking is C.W. Investments Limited Partnership, a Cayman Islands undertaking.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The principal activity of the company is to act as an investment holding company. It has one investment, being in its fellow subsidiary undertaking, CWE SPVg Limited.

DIVIDENDS AND RESERVES

The profit and loss account for the year is set out on page 5. The company did not record a profit or loss for the year (1997 - £Nil). The directors do not recommend the payment of a dividend (1997 - £Nil).

DIRECTORS

The directors of the company during the year ended 30 June 1998 were:

A P Anderson
G Iacobescu
G Rothman
C Young (resigned 27 January 1998)

DIRECTORS' INTERESTS

Other than share options, no director had any beneficial interest in the shares of the company, Canary Wharf Group Plc or in any of its United Kingdom subsidiaries at 30 June 1998 or at any time throughout the period then ended.

Details of options to subscribe for ordinary shares in Canary Wharf Group Plc, granted to the directors during the year, are disclosed in the consolidated accounts of that company.

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 1998 (CONTINUED)

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



M D Precious

..... Joint Company Secretary

13 November 1998

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

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 period 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 period then ended. In preparing those 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 to 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.

London

**AUDITORS' REPORT TO THE MEMBERS OF
CWE SPVh LIMITED**

We have audited the accounts on pages 5 to 9 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

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 to 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 the 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 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 1998 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

13 November 1998

CWE SPVh LIMITED**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 1998**

	Notes	Year ended 30 June 1998 £	Year ended 30 June 1997 £
Income from shares in subsidiary undertaking	3	852,538	-
Interest payable to group undertakings	4	(852,538)	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION - CONTINUING OPERATIONS	2	-	-
Taxation on profit on ordinary activities	5	-	-
PROFIT FOR THE FINANCIAL YEAR	10	-	-

Movements in reserves are shown in Note 10 to these accounts.

All gains and losses have been recognised in the profit and loss account for the financial year.

The notes on pages 7 to 9 form part of these accounts.

CWE SPVh LIMITED**BALANCE SHEET AT 30 JUNE 1998**

	Notes	30 June 1998 £	30 June 1997 £
FIXED ASSETS			
Investment in group undertaking	6	<u>77,000,000</u>	<u>77,000,000</u>
CURRENT ASSETS			
Debtors	7	852,539	1
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	8	<u>(77,852,538)</u>	<u>(77,000,000)</u>
NET CURRENT LIABILITIES		<u>(76,999,999)</u>	<u>(76,999,999)</u>
NET ASSETS		<u>1</u>	<u>1</u>
CAPITAL AND RESERVES			
Called up share capital	9	1	1
Profit and loss account	10	-	-
		<u>1</u>	<u>1</u>

The company recorded neither a profit nor loss during the year ended 30 June 1998.

The notes on pages 7 to 9 form part of these accounts.

APPROVED BY THE BOARD ON 13 NOVEMBER 1998 AND SIGNED ON ITS BEHALF
BY:



A PETER ANDERSON
DIRECTOR

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1998**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 preceding period, is set out below.

(1) Accounting convention

The accounts have been prepared under the historical cost convention, as modified by the revaluation of investment property interests, 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 CWHL.

(2) Investment in group undertakings

Investments are stated at cost less provision for permanent diminution in value.

(3) 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.

(4) Related party transactions

Under the provisions of FRS 8, the company is exempt from the requirements to disclose related party transactions with other group company's as 90% of the voting rights are controlled within the group and the ultimate U.K. parent undertaking publishes consolidated financial statements that are publicly available.

2 OPERATING PROFIT

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 CWHL Group undertaking.

3 INCOME FROM SHARES IN SUBSIDIARY UNDERTAKINGS

	Year ended 30 June 1998	Year ended 30 June 1997
	£	£
Proposed dividend from CWE SPVg Limited	852,538	-

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1998 (CONTINUED)**4 INTEREST PAYABLE**

	Year ended 30 June 1998	Year ended 30 June 1997
	£	£
Interest payable to group undertakings	5,263,268	4,774,184
Less: Interest cap	(4,410,730)	(4,774,184)
	<u>852,538</u>	<u>-</u>

Interest payable to group undertakings is subject to a cap equal to the amount of net income receivable by the company.

5 TAXATION

No charge for taxation has been made as there was no profit chargeable to corporation tax for the year.

There is no unprovided deferred taxation. The CWHL Group has substantial tax losses which may impact on the company's future tax charge.

6 INVESTMENT IN GROUP UNDERTAKING

	£
At 30 June 1997 and 30 June 1998	<u>77,000,000</u>

The company has invested in redeemable preference shares issued by its fellow subsidiary undertaking, CWE SPVg Limited. The principal activity of this company is property investment. The directors are of the opinion that the value of the investment is not less than the amount shown in the company's balance sheet.

7 DEBTORS

	30 June 1998	30 June 1997
	£	£
Amount due from parent undertaking	1	1
Amount due from subsidiary undertaking	852,538	-
	<u>852,539</u>	<u>1</u>

8 CREDITORS

	30 June 1998	30 June 1997
	£	£
Amount due to parent undertaking	<u>77,852,538</u>	<u>77,000,000</u>

The amount due to the parent undertaking is repayable on demand and bears interest at a rate linked to LIBOR, subject to a cap equal to the amount of net income receivable.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1998 (CONTINUED)

9 CALLED UP SHARE CAPITAL

	30 June 1998	30 June 1997
	£	£
Ordinary shares of £1 each: Authorised	100	100
Issued, allotted and fully paid up	1	1

10 RESERVES

	Profit & Loss Account
	£
At 1 July 1997	-
Profit for the financial year	-
At 30 June 1998	-

11 ULTIMATE PARENT UNDERTAKING

The company is a subsidiary of the Canary Wharf Group comprising Canary Wharf Holdings Limited (CWHL) and its subsidiaries (together, the CWHL Group). Its immediate parent undertaking is CWE SPV HCo Limited and the company's ultimate UK parent undertaking is Canary Wharf Group Plc (formerly CWI Holdings plc). The company's ultimate parent undertaking is C.W. Investments Limited Partnership, a Cayman Islands undertaking.

The smallest group into which the accounts of the company are consolidated are the consolidated accounts of CWHL. Copies of the accounts of CWHL may be obtained from the Joint Company Secretary, One Canada Square, Canary Wharf, London E14 5AB. The largest group into which the accounts of the company will be consolidated will be the accounts of Canary Wharf Group Plc. Copies of these accounts may be obtained from the above address.