

CWE SPV HCo LIMITED
Registered Number: 3123311

DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 1997



DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 1997

The directors present herewith the audited accounts for the year ended 30 June 1997.

INCORPORATION

The company was incorporated on 7 November 1995.

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 Super HCo Limited and the company's ultimate UK parent undertaking is 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 company and its subsidiaries are listed in Note 8 to the accounts.

DIVIDENDS AND RESERVES

The profit and loss account for the period is set out on page 5. The directors do not recommend the payment of a dividend (1996 - £1,021,000) and the loss for the year of £20,529,000 will be transferred to reserves.

DIRECTORS

The directors of the company during the period ended 30 June 1997 were:

A P Anderson
G Iacobescu
G Rothman
C Young

DIRECTORS' INTERESTS

No director had any beneficial interest in the shares of the company, CWI Holdings plc or any of its United Kingdom subsidiaries at 30 June 1997 or at any time during the period then ended.

POLICY ON 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.


There were no trade creditors at 30 June 1997 (30 June 1996 - Nil).

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 1997 (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


.....) Joint Company Secretary
M D Precious

27 October 1997

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.

**AUDITORS' REPORT TO THE MEMBERS OF
CWE SPV HCo LIMITED**

We have audited the accounts on pages 5 to 13 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

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 1997 and of its profit 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

27 October 1997

CWE SPV HCö LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 1997

	Notes	Year ended 30 June 1997 £000	Period ended 30 June 1996 £000
TURNOVER - rental income		1,596	-
Cost of sales - rent payable		(4)	-
OPERATING PROFIT		1,592	-
Administrative expenses	2	(311)	-
Loss on sale of shares in subsidiaries	8	(1)	-
Income from shares in group undertakings		18,768	8,456
Interest receivable	3	328	9
Interest payable			
- before exceptional item	4	(18,403)	(7,444)
- exceptional item	4	(22,502)	-
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION - CONTINUING OPERATIONS		(20,529)	1,021
Taxation on (loss)/profit on ordinary activities	5	-	-
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(20,259)	1,021
Dividend	6	-	(1,021)
RETAINED LOSS FOR THE FINANCIAL YEAR	12	(20,529)	-

Movements in reserves are shown in Note 12 to these accounts.

The notes on pages 8 to 13 form part of these accounts.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED
30 JUNE 1997**

	Year ended 30 June 1997 <u>£000</u>	Year ended 30 June 1996 <u>£000</u>
(Loss)/Profit for the financial period	(20,529)	1,021
Unrealised surplus on revaluation of properties	24,800	-
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE FINANCIAL PERIOD	<u><u>4,271</u></u>	<u><u>1,021</u></u>

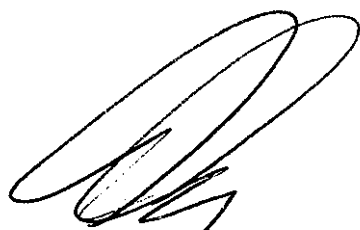
The notes on pages 8 to 13 form part of these accounts.

BALANCE SHEET AT 30 JUNE 1997

	Notes	30 June 1997 £000	30 June 1996 £000
FIXED ASSETS			
Investment property	7	57,000	-
Investments in group undertakings	8	196,538	196,539
		<u>253,538</u>	<u>196,539</u>
CURRENT ASSETS			
Debtors	9	37,783	18,140
Cash at bank and in hand		7,430	5,438
		<u>45,213</u>	<u>23,578</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	10	<u>(69,757)</u>	<u>(24,339)</u>
NET CURRENT LIABILITIES		<u>(24,544)</u>	<u>(761)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		228,994	195,778
CREDITORS: AMOUNTS FALLING DUE IN MORE THAN ONE YEAR	11	<u>(192,687)</u>	<u>(163,742)</u>
NET ASSETS		<u>36,307</u>	<u>32,036</u>
CAPITAL AND RESERVES			
Called up share capital	12	-	-
Share premium	13	32,036	32,036
Revaluation reserve	13	24,800	-
Profit and loss account	13	(20,529)	-
		<u>36,307</u>	<u>32,036</u>

The notes on pages 8 to 13 form part of these accounts.

APPROVED BY THE BOARD ON 27 OCTOBER 1997 AND SIGNED ON ITS BEHALF BY:



A PETER ANDERSON
DIRECTOR

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1997

1 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies of the company, all of which have been applied consistently throughout the period, are set out below.

(1) Accounting convention

The accounts have been prepared under the historical cost convention, as modified by the revaluation of investment properties in accordance with Note 1(2) below, and in accordance with applicable accounting standards.

In accordance with the provisions of Financial Reporting Standard (FRS) 1, 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 properties

Investment properties are revalued annually in accordance with SSAP 19. No provision is made for depreciation of investment properties and this departure from the requirements of the Companies Act 1985, 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 as required by SSAP 19. 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 on investment properties are transferred to the revaluation reserve, unless a deficit is expected to be permanent, in which case it is charged to the profit and loss account.

(3) Investments in group undertakings

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

(4) Restated EIB Loan

The Restated EIB Loan is carried at the amount assumed by the company, less associated expenses, plus subsequent financing costs. In accordance with FRS 4, the total finance cost of the Restated EIB Loan is allocated to accounting periods over the term of the Loan 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.

(5) Turnover

Turnover, which is stated net of VAT, comprises rental income.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1997 (CONTINUED)

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(6) 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 ADMINISTRATIVE EXPENSES

	Year ended 30 June 1997 £000	Year ended 30 June 1996 £000
The profit for the year is stated after charging:		
- Auditors' remuneration	4	-

During the previous period auditors' remuneration was borne by a fellow subsidiary undertaking.

None of the directors received any emoluments in respect of their services to the company during the year. The company has no employees other than its directors.

3 INTEREST RECEIVABLE

	Year ended 30 June 1997 £000	Period to 30 June 1996 £000
Bank interest receivable	328	9

4 INTEREST PAYABLE

	30 June 1997 £000	30 June 1996 £000
Bank loans wholly repayable after five years:		
Interest payable	13,700	6,688
Amortisation of deferred financing expenses	1,654	50
Accrual of principal on the Restated EIB Loan	23,293	706
	38,647	7,444
Interest payable to group undertakings	2,258	-
	40,905	7,444

The total finance cost of bank debt comprises a stepped interest charge, equivalent to 7%, the accrual of principal in relation to the amount of £24 million referred to in Note 11 and the amortisation of deferred expenses of £1.7 million.

At the date of approving the accounts, the CWHL Group is at an advanced stage in raising new debt finance, the proceeds of which will be used partly in prepayment of the Restated EIB Loan. The full amount due on prepayment has been accrued as at 30 June 1997 resulting in an exceptional interest charge of £22.5 million.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1997 (CONTINUED)

5 TAXATION

No charge for taxation has been made in view of the loss for the year.

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

6 DIVIDEND

	Year ended 30 June 1997 £000	Period to 30 June 1996 £000
Dividends (Period ended 30 June 1996 - £10,209.68 per share)	-	1,021

7 INVESTMENT PROPERTY

	£000
Acquired in year	32,200
Revaluation	24,800
	<u>57,000</u>

During the year the company acquired an investment property, subject to and with the benefit of an underlease to one of its subsidiaries, CWE SPVc Limited.

The company's leasehold property interest was valued by its external property advisers, Savills Commercial Limited, Chartered Surveyors, as at 30 June 1997 on the basis of Open Market Value in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution 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 valuation resulted in a revaluation surplus of £24.8 million.

8 INVESTMENTS IN GROUP UNDERTAKINGS

	£000
At 1 July 1996	196,539
Disposal of First Tower Limited Partners	(1)
At 30 June 1997	<u>196,538</u>

At 30 June 1997 the company's subsidiaries comprised:

- Canary Wharf Investments (Two) Limited and its subsidiary Canary Wharf Investments (Three)
- Canary Wharf Investments (Four) Limited
- The First Tower Limited Partnership and the companies comprising the remaining parties thereof (see below)
- CWE SPVa Limited to CWE SPVh Limited (comprising eight companies).

The principal activity of each of these undertakings is property investment.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1997 (CONTINUED)

8 INVESTMENTS IN GROUP UNDERTAKINGS (Continued)

In October 1996 the company completed the sale of the twelve limited partners in the First Tower Limited Partnership to a third party for a nominal consideration. The sale of these companies generated a loss of £762. Further consideration may become payable in the future, contingent upon the satisfaction of certain conditions.

The directors are of the opinion that the value of the company's investments at 30 June 1997 was not less than the amount shown in the company's balance sheet.

Financial information is only presented in these accounts about the company as an individual undertaking and about its group because the company and its subsidiary are included in the accounts of a larger group (Note 16).

9 DEBTORS

	30 June 1997	30 June 1996
	£000	£000
Loan to subsidiary undertaking	9,500	9,500
Amount due from parent undertaking	184	184
Amount due from subsidiary undertaking	28,099	8,456
	<u>37,783</u>	<u>18,140</u>

The loan to a subsidiary undertaking is repayable on demand and carries interest at a rate linked to LIBOR, subject to a cap equal to the amount of net income receivable by the subsidiary.

10 CREDITORS DUE IN LESS THAN ONE YEAR

	30 June 1997	30 June 1996
	£000	£000
Bank loan (Note 11)	7,235	6,689
Loan from parent undertaking	10,089	9,500
Loan from fellow subsidiary undertaking	34,814	-
Amounts due to subsidiary undertakings	11,528	1
Amounts due to parent and fellow subsidiary undertakings	4,212	8,149
Accruals and deferred income	1,879	-
	<u>69,757</u>	<u>24,339</u>

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

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1997 (CONTINUED)

11 CREDITORS DUE IN MORE THAN ONE YEAR

	30 June 1997	30 June 1996
	£000	£000
Restated EIB Loan:		
Brought forward	170,431	164,690
Deferred expenses	-	(1,704)
Amortisation of deferred expenses	1,654	50
Accrued finance charges	27,837	7,395
As at 30 June	<u>199,922</u>	<u>170,431</u>
Payable within one year - interest payable	7,235	6,689
Payable in more than one year	<u>192,687</u>	<u>163,742</u>
	<u>199,922</u>	<u>170,431</u>

The Restated EIB Loan falls due for repayment as follows:

- (1) £114.7 million by instalments over the period 31 October 2001 to 31 October 2007; and
- (2) £50 million, on 31 October 2007.

In addition, a further amount of £24 million, allocated as a finance cost over the period of the loan, is payable on 31 October 2012. The total finance cost comprises a stepped interest charge, equivalent to 7%, the accrual of principal in relation to the amount of £24 million, and the amortisation of deferred expenses of £1.7 million. At the date of approving the accounts, the CWHL Group is at an advanced stage in raising new debt finance, the proceeds of which will be used partly in prepayment of this facility. The full amount due on prepayment has been accrued as an exceptional interest charge in the year of £22.5 million.

The Restated EIB facility is secured by guarantees granted by the company and its subsidiaries, by first ranking fixed and floating charges over certain of the properties and assets of the CWHL Group, and by second ranking charges over the other assets of the CWHL Group.

12 CALLED UP SHARE CAPITAL

	30 June 1997	30 June 1996
	£	£
Ordinary shares of £1 each:		
Authorised	<u>100</u>	<u>100</u>
Issued, allotted and fully paid	<u>100</u>	<u>100</u>

On 27 December 1995 the company issued a further 99 ordinary shares of £1 each at a premium of £323,597.51 per share in connection with the acquisition of the companies listed in Note 8. The total amount raised by way of the issue of shares was £32,036,253.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1997 (CONTINUED)

13 RESERVES

	Share premium account	Revaluation reserve	Profit and loss account	Total
	£000	£000	£000	£000
At 1 July 1996	32,036	-	-	32,036
Revaluation	-	24,800	-	24,800
Retained loss for the year	-	-	(20,529)	(20,529)
At 30 June 1997	<u>32,036</u>	<u>24,800</u>	<u>(20,529)</u>	<u>36,307</u>

14 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	£000
At 1 July 1996	32,036
Revaluation	24,800
Retained profit for the financial year	(20,529)
At 30 June 1997	<u>36,307</u>

15 FINANCIAL COMMITMENTS

As at 30 June 1997 the company had given a guarantee and fixed and floating charges to secure the borrowing referred to in Note 11 and in addition to secure the borrowings of other CWHL Group undertakings. In particular, the company had at that date given a fixed first ranking charge over deposits totalling £7.4 million.

16 ULTIMATE PARENT UNDERTAKING

The company's immediate parent undertaking is CWE SPV Super HCo Limited, a company registered in England. The company's ultimate UK parent is CWI Holdings plc and its 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 CWI Holdings plc. Copies of these accounts will be obtainable from the above address.