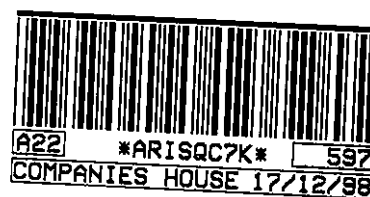


CWE SPV HCo LIMITED
Registered Number: 3123311

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 Super 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 company and its subsidiaries are listed in Note 8 to the accounts.

On 4 December 1997 the company's investment property interest was transferred to one of its subsidiary undertakings for a consideration of £58 million, determined on the basis of an external open market valuation. The profit on disposal of £1 million has been treated as an exceptional item in the profit and loss account for the year ended 30 June 1998.

During the year ended 30 June 1998 the company prepaid its bank loans resulting in an exceptional charge of £24,673,000. The estimated amount due on prepayment (£22,502,000) was accrued for in the year ended 30 June 1997. However following the early adoption of FRS 12 (Provisions, Contingent Liabilities and Contingent Assets) the accounts have been restated and the charge recorded in the year in which the loan was prepaid.

DIVIDENDS AND RESERVES

The profit and loss account for the period is set out on page 5. The directors recommend the payment of a dividend of £2,333,000 (1997 - £ Nil) and the retained loss for the year of £22,491,000 will be transferred to reserves.

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 year 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


..... Joint Company Secretary
M D Precious

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.

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

We have audited the accounts on pages 5 to 14 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.

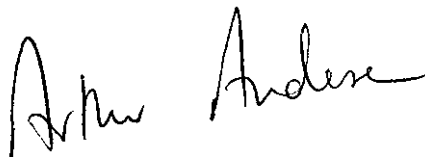
Basis of opinion

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 1998 and of its loss 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

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 1998

	Notes	Year ended 30 June 1998	Period ended 30 June 1997 (as restated – Note 4)
		£000	£000
TURNOVER - rental income		800	1,596
Cost of sales - rent payable		(2)	(4)
OPERATING PROFIT		798	1,592
Administrative expenses	2	(115)	(311)
Exceptional item:			
- profit on sale of property interest	7	1,000	
Loss on sale of shares in subsidiaries	8	-	(1)
Income from shares in group undertakings		13,243	18,768
Interest receivable	3	5,381	328
Interest payable			
- before exceptional item	4	(15,792)	(18,403)
- exceptional item	4	(24,673)	-
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(20,158)	1,973
Taxation on (loss)/profit on ordinary activities	5	-	-
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(20,158)	1,973
Dividend	6	(2,333)	-
RETAINED LOSS FOR THE FINANCIAL YEAR	13	(22,491)	1,973

Movements in reserves are shown in Note 13 to these accounts.

The notes on pages 8 to 14 form part of these accounts.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 30 JUNE 1998

	Year ended 30 June 1998	Year ended 30 June 1997 (as restated – Note 4)
	£000	£000
(Loss)/Profit for the financial year	(20,158)	1,973
Unrealised surplus on revaluation of properties	-	24,800
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE FINANCIAL YEAR	(20,158)	26,773
Prior year adjustment	22,502	-
TOTAL RECOGNISED GAINS AND LOSSES RECOGNISED SINCE LAST AUDITED ACCOUNTS	2,344	26,773

NOTE OF HISTORICAL COST PROFITS AND LOSSES FOR THE YEAR ENDED 30 JUNE 1998

	Year ended 30 June 1998	Year ended 30 June 1997
	£000	£000
Reported (loss)/profit on ordinary activities before taxation	(20,158)	1,973
Realisation of property revaluation gains of previous years	24,800	-
Historical cost profit on ordinary activities before taxation	4,642	1,973
Historical cost loss for the year retained after taxation and dividends	2,309	1,973

The notes on pages 8 to 14 form part of these accounts.

CWE SPV HCo LIMITED**BALANCE SHEET AT 30 JUNE 1998**

	Notes	30 June 1998	30 June 1997 (as restated – Note 4)
		£000	£000
FIXED ASSETS			
Investment property	7	-	57,000
Investments in group undertakings	8	196,538	196,538
		<u>196,538</u>	<u>253,538</u>
CURRENT ASSETS			
Debtors	9	100,038	37,783
Cash at bank and in hand		32	7,430
		<u>100,070</u>	<u>45,213</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	10	<u>(73,074)</u>	<u>(69,757)</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>26,996</u>	<u>(24,544)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		223,534	228,994
CREDITORS: AMOUNTS FALLING DUE IN MORE THAN ONE YEAR	11	<u>(187,216)</u>	<u>(170,185)</u>
NET ASSETS		<u><u>36,318</u></u>	<u><u>58,809</u></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	4,282	1,973
		<u><u>36,318</u></u>	<u><u>58,809</u></u>

The notes on pages 8 to 14 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

The principal accounting policies of the company, all of which have been applied consistently throughout the year and preceding year, 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 (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 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) 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 related financing costs are capitalised as part of the cost of development.

(5) Turnover

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

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1998 (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.

(7) 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 ADMINISTRATIVE EXPENSES

	Year ended 30 June 1998 £000	Year ended 30 June 1997 £000
The profit for the year is stated after charging:		
- Auditors' remuneration	4	4

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 1998 £000	Year ended 30 June 1997 £000
Bank interest receivable	201	328
Interest receivable from group undertakings	5,180	-
	5,381	328

4 INTEREST PAYABLE

	Year ended 30 June 1998 £000	Year ended 30 June 1997 (as restated) £000
Bank loans wholly repayable after five years:		
Interest payable	4,677	13,700
Amortisation of deferred financing expenses	1,492	161
Premium on redemption of Restated EIB Loan	2,135	-
Accrual of principal on the Restated EIB Loan	21,046	2,284
	29,350	16,145
Interest payable to group undertakings	11,115	2,258
	40,465	18,403

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

4 INTEREST PAYABLE (Continued)

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.

During the year ended 30 June 1998 the company prepaid the Restated EIB Loan resulting in an exceptional charge of £24,673,000. An accrual of £22,502,000 was made in the prior year's accounts and disclosed as an exceptional interest charge. However, following the early adoption by the company of FRS 12 (Provisions, Contingent Liabilities and Contingent Assets), the accounts have been restated and the total charge reflected in the year when the loan was prepaid.

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 1998	Year ended 30 June 1997
	£000	£000
Dividends (Year ended 30 June 1998 - £23,326.09 per share)	2,333	-

7 INVESTMENT PROPERTY

	£000
At 1 July 1997	57,000
Disposal in year	(57,000)
At 30 June 1998	-

During the year the company disposed of its investment property to one of its subsidiaries, CWE SPVc Limited, for a consideration of £58 million determined on the basis of an external open market valuation. The profit on disposal of £1 million has been treated as an exceptional item in the profit and loss account for the year ended 30 June 1998.

8 INVESTMENTS IN GROUP UNDERTAKINGS

	£000
At 1 July 1997 and at 30 June 1998	196,538

At 30 June 1998 the company's subsidiaries comprised:

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1998 (CONTINUED)**8 INVESTMENTS IN GROUP UNDERTAKINGS (Continued)**

- Canary Wharf Investments (Two) Limited and its subsidiary Canary Wharf Investments (Three)
- Canary Wharf Investments (Four) Limited
- CWE SPVa Limited to CWE SPVh Limited (comprising eight companies).

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

The company also holds the entire share capital of the General Partners in the First Tower Limited Partnership (the Partnership), the principal activity of which is property investment. During the previous year the company completed the sale of the twelve Limited Partners in the Partnership to a third party for a nominal consideration. The sale of these companies generated a nominal loss. Further consideration may become receivable by the company 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 1998 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 not about its group because the company and its subsidiary undertakings are included in the accounts of a larger group (Note 15).

9 DEBTORS

	30 June 1998	30 June 1997
	£000	£000
Loans to subsidiary undertakings	95,388	9,500
Loan to fellow subsidiary undertaking	944	-
Amounts due from parent and fellow subsidiary undertakings	214	184
Amounts due from subsidiary undertakings	3,491	28,099
Other debtors	1	-
	<u>100,038</u>	<u>37,783</u>

The loans to subsidiary undertakings are repayable on demand and carry interest at rates linked to LIBOR, subject to a cap equal to the amount of net income receivable by the subsidiary.

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

10 CREDITORS DUE IN LESS THAN ONE YEAR

	30 June 1998	30 June 1997
	£000	£000
Loan (Note 11)	-	7,235
Loan from parent undertaking	10,828	10,089
Loans from fellow subsidiary undertakings	24,241	34,814
Amounts due to subsidiary undertakings	17,395	11,528
Amounts due to parent and fellow subsidiary undertakings	20,606	4,212
Accruals and deferred income	4	1,879
	<u>73,074</u>	<u>69,757</u>

The loans from Group undertakings are repayable on demand and carry interest at market rates linked to LIBOR subject to a cap equal to the amount of net income receivable.

11 CREDITORS DUE IN MORE THAN ONE YEAR

	30 June 1998	30 June 1997 (as restated)
	£000	£000
Loan	-	170,185
Loan from fellow subsidiary undertaking	187,216	-
	<u>187,216</u>	<u>170,185</u>

The loan from a fellow subsidiary undertaking bears interest at a rate linked to an issue of publicly quoted debentures by a subsidiary of Canary Wharf Group Plc and is repayable in 2027.

	30 June 1998	30 June 1997 (as restated)
	£000	£000
Restated EIB Loan:		
Brought forward	177,420	170,431
Amortisation of deferred expenses	1,492	161
Accrued finance charges	21,046	6,828
Finance charges paid in the year	(11,232)	-
Prepaid in the year	(188,726)	-
As at 30 June	<u>-</u>	<u>177,420</u>
Payable within one year – interest payable	-	7,235
Payable in more than one year	-	170,185
	<u>-</u>	<u>177,420</u>

The restated EIB loan was prepaid on 4 December 1997. The original repayment dates of the Restated EIB Loan were as follows:

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

11 CREDITORS DUE IN MORE THAN ONE YEAR (Continued)

- (1) £114.7 million by instalments over the period 31 October 2001 to 31 October 2007;
- (2) £50 million on 31 October 2007; and
- (3) £24 million, on 31 October 2012.

The amount of £24 million, has been allocated as a finance cost over the period of the loan. The total finance cost comprises a stepped interest charge, equivalent to 7%, the accrual of principal in relation to the amount of £24 million referred to above, and the amortisation of deferred expenses of £1.7 million. The Restated EIB Loan was prepaid early during the year resulting in an exceptional charge of £24,638,000.

The estimated amount due on prepayment (£22,502,000) was accrued for in the year ended 30 June 1997. However, following the early adoption of FRS 12 (Provisions, Contingent Liabilities and Contingent Assets) the accounts have been restated and the charge reflected in the year when the loan was prepaid.

12 CALLED UP SHARE CAPITAL

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

13 RESERVES

	Share premium account £000	Revaluation reserve £000	Profit and loss account £000	Total £000
At 1 July 1997				
- previously stated	32,036	24,800	(20,529)	36,307
Prior year adjustment	-	-	22,502	22,502
as restated	32,036	24,800	1,973	58,809
Transfer of realised revaluation reserve	-	(24,800)	24,800	-
Retained loss for the year	-	-	(22,491)	(22,491)
At 30 June 1998	32,036	-	4,282	36,318

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1998 (CONTINUED)**14 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	£000
At 1 July 1997 – previously stated	36,307
Prior year adjustment	22,502
- as restated	58,809
Retained loss for the financial year	(22,491)
At 30 June 1998	36,318

15 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 Canary Wharf Group Plc (formerly 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 Canary Wharf Group Plc. Copies of these accounts may be obtained from the above address.