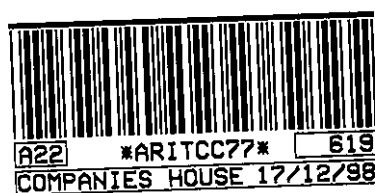


CWE SPVb LIMITED

Registered Number: 3123333

**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 property investment. During the year the company disposed of its interest in the Canary Wharf development in London's Docklands.

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 £1,825,081 (1997 - £Nil) and a retained profit of £212,898 (1997 - £687,710) is to 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.

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.

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

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.

London

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

We have audited the accounts on pages 5 to 11 which have been prepared under the historical cost convention, as modified by the revaluation of investment property interests, and the accounting policies set out on page 8.

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 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

13 November 1998

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 1998

	Notes	Year ended 30 June 1998 £	Year ended 30 June 1997 £
TURNOVER - Rental income		331,707	864,311
Cost of sales		-	(2)
OPERATING PROFIT – continuing operations	2	331,707	864,309
Administrative expenses		-	(1,200)
Exceptional items			
- profit on variation of lease interest	4	-	486,008
- profit on disposal of lease interests	4	100,000	-
Other income		1,000	-
Interest receivable from group undertakings		1,563,498	446,387
Interest payable to group undertakings		(1,783,307)	(1,107,794)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		212,898	687,710
Tax on profit on ordinary activities	3	-	-
PROFIT FOR THE FINANCIAL YEAR	8	212,898	687,710
Dividend	4	(1,825,081)	-
TRANSFERRED (FROM)/TO RESERVES		(1,612,183)	687,710

Movements on reserves are shown in Note 9 to the accounts.

The notes on pages 8 to 11 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
	£	£
Profit for the financial year before taxation and dividends	212,898	687,710
Unrealised surplus on revaluation of properties	-	(6,086,008)
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE FINANCIAL YEAR	212,898	(5,398,298)

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	Year ended 30 June 1998	Year ended 30 June 1997
	£	£
Reported profit on ordinary activities before taxation and dividends	212,898	687,710
Realisation of property revaluation gains of previous years	913,992	-
Historical cost profit on ordinary activities before taxation	<u>1,126,890</u>	<u>687,710</u>
Historical cost profit for the year retained after taxation and dividends	<u>(699,191)</u>	<u>687,710</u>

The notes on pages 8 to 11 form part of these accounts.

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

	Notes	30 June 1998 £	30 June 1997 £
FIXED ASSETS			
Tangible fixed assets	4	-	11,000,000
CURRENT ASSETS			
Debtors	5	31,205,677	10,293,623
		31,205,677	10,293,623
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	6	(31,205,676)	(19,681,439)
NET CURRENT ASSETS/(LIABILITIES)		1	(9,387,816)
NET ASSETS		1	1,612,184
CAPITAL AND RESERVES			
Called up share capital	7	1	1
Revaluation reserve	8	-	913,992
Profit and loss account	8	-	698,191
		1	1,612,184

The notes on pages 8 to 11 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 year, 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) Tangible fixed assets

Tangible fixed assets, comprising leasehold investment properties, are revalued annually in accordance with SSAP 19. No provision has been 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 in accordance with applicable accounting standards. 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 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) Turnover

Turnover represents rents receivable which are recognised in the profit and loss account in the period in which they become due.

(4) 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.

(5) 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.

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

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 TAXATION

No charge for taxation has been made since the profit for the year will be covered by group relief expected to be available for surrender by other companies within the CWHL Group. No charge will be made by other group companies for the surrender of group relief.

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

4 DIVIDENDS

	Year ended 30 June 1998	Year ended 30 June 1997
	£	£
Dividend proposed at £1,825,081 per share (1997 – Nil)	1,825,081	-

5 TANGIBLE FIXED ASSETS

The company's tangible fixed assets comprised a leasehold property interest, subject to and with the benefit of under leases to fellow subsidiary undertakings.

	£
At 1 July 1997	11,000,000
Variation of leasehold interest	-
Disposal of leasehold interest	(11,000,000)
Balance at 30 June 1998	-

On 6 October 1997 the company's interest in its leasehold property was varied in consideration for the receipt of a premium of £2.1 million, determined on the basis of an external valuation. This transaction, which has been treated as a partial disposal, gave rise to a profit of £360,000 which is reflected in the profit and loss account for the year as an exceptional item.

Subsequently, on 4 December 1997 the company transferred its remaining interest in the property to a fellow subsidiary undertaking for a consideration of £9.0 million determined on the basis of an external valuation. This transaction resulted in a loss of £260,000 which has also been reflected in the profit and loss account as an exceptional item.

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

6 DEBTORS

	30 June 1998	30 June 1997
	£	£
Loan to parent undertaking	2,215,463	-
Loans to fellow subsidiary undertakings	27,675,933	9,311,057
Amounts due from fellow subsidiary undertakings	1,314,281	982,566
	<u>31,205,677</u>	<u>10,293,623</u>

The loans to parent and fellow subsidiary undertakings bear interest at a rate linked to LIBOR and are repayable on demand.

7 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30 June 1998	30 June 1997
	£	£
Amounts due to parent undertaking	1,825,081	-
Loans from fellow subsidiary undertakings	29,380,595	19,681,439
	<u>31,205,676</u>	<u>19,681,439</u>

The loans from fellow subsidiary undertakings bear interest at a rate linked to LIBOR and are repayable on demand.

8 CALLED UP SHARE CAPITAL

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

8 RESERVES

	Profit and loss account	Revaluation Reserve	Total
	£	£	£
At 1 July 1997	698,191	913,992	1,612,183
Transfer of realised revaluation reserve	913,992	(913,992)	-
Loss for the financial period	(1,612,183)	-	(1,612,183)
As at 30 June 1998	<u>-</u>	<u>-</u>	<u>-</u>

10 MOVEMENT IN SHAREHOLDERS' FUNDS

	£
At 1 July 1997	1,612,184
Loss for the financial year	(1,612,183)
At 30 June 1998	<u>1</u>

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

11 ULTIMATE PARENT UNDERTAKING

The company's immediate parent undertaking is CWE SPV HCo Limited, a company registered in England. The company's ultimate UK parent undertaking is Canary Wharf Group Plc (formerly CWI Holdings plc) and its ultimate parent 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.