

CANARY WHARF LIMITED
Registered Number: 1971312

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2002



CONTENTS

	Page
Directors' Report	1 to 3
Statement of the Directors' Responsibilities in Respect of the Financial Statements	4
Independent Auditors' Report	5 to 6
Profit and Loss Account	7
Statement of Total Recognised Gains and Losses	8
Balance Sheet	9
Notes to the Financial Statements	10 to 26

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2002

The directors present herewith the audited financial statements for the year ended 30 June 2002.

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 undertaking is Canary Wharf Group plc ('CWG').

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The principal activity of the company continues to be property development for the purposes of sale. These activities are concentrated on the Canary Wharf development in London's Docklands.

The company recorded a gross profit for the year to 30 June 2002 of £17.3 million (year ended 30 June 2001 - £1.8 million). After allowing for administrative expenses, other operating income and exceptional operating items, the operating loss for the year was £11.3 million (year ended 30 June 2001 - loss of £16.6 million). After interest and finance charges, the loss on ordinary activities before tax was £66.5 million (year ended 30 June 2001 - £9.5 million as restated).

The basis of the valuation of the company's development work in progress is set out in Note 12 to the accounts. At 30 June 2002 work in progress was stated net of a general provision of £24.6 million (30 June 2000 - £17.1 million).

FUTURE DEVELOPMENTS

The company is expected to continue with its principal activity for the foreseeable future.

DIVIDENDS AND RESERVES

The profit and loss account for the year ended 30 June 2002 is set out on page 7. The directors do not recommend the payment of a dividend (2001:Nil) and the retained loss of £116,544,239 is to be transferred to reserves.

DIRECTORS

The directors of the company throughout the year ended 30 June 2002, except as noted, were:

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

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2002

DIRECTORS' INTERESTS

The directors have been granted options to subscribe for ordinary shares in CWG. Details of interests and options to subscribe for shares in CWG are disclosed as appropriate in the financial statements of either the intermediate parent companies, CWHL or Canary Wharf Estate Limited ('CWEL'), or CWG, the ultimate parent company.

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 2002 or at any time throughout the year then ended.

ISSUE OF SHARES

In November 2001, the authorised share capital of the company was by Order of the High Court reduced from £2,516,278,674 (divided into 1,000,000,000 ordinary £1 shares, 500,000,000 preferred redeemable £1 shares and 1,016,278,674 deferred ordinary £1 shares) to £1,247,516,350 (divided into 747,516,350 ordinary £1 shares and 500,000,000 preferred redeemable £1 shares). As a result of the Order the issued share capital was reduced by £1,268,762,324 by extinguishing the 1,016,278,674 deferred ordinary shares and 252,483,650 of the ordinary shares in order to create a reserve which was used to eliminate the brought forward deficit on the company's profit and loss account.

This reduction is shown as a movement in reserves (Note 19).

POLICY FOR 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.

The number of days of purchases outstanding at 30 June 2002 was 5 (2001 - 2).

CHARITABLE DONATIONS

During the year the company made charitable donations of £464,947 (year ended 30 June 2001 - £454,544)

There were no political donations in either period.

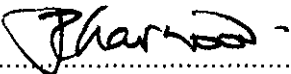
DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2002

AUDITORS

On 31 July 2002 Arthur Andersen resigned as auditors and Deloitte & Touche were appointed in their place. In accordance with section 394 of the Companies Act 1985, Arthur Andersen have confirmed that there are no circumstances connected with their ceasing to hold office which they consider should be brought to the attention of the company's members.

Elective resolutions to dispense with holding annual general meetings, the laying of financial statements before the company in general meeting and the appointment of auditors annually are currently in force. The auditors, Deloitte & Touche, will therefore be deemed to have been reappointed at the end of the period of 28 days, beginning the day on which copies of this report and financial statements are sent to members unless a resolution is passed under section 393 of the Companies Act 1985 to the effect that their appointment be brought to an end.

BY ORDER OF THE BOARD



J R Garwood

..... Company Secretary

16 October 2002

Registered office:
30th Floor
One Canada Square
Canary Wharf
London
E14 5AB

STATEMENT OF THE DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are required by the Companies Act 1985 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 MEMBERS OF CANARY WHARF LIMITED

We have audited the financial statements of Canary Wharf Limited for the year ended 30 June 2002 which comprise the profit and loss account, the balance sheet and the statement of total recognised gains and losses, and the related notes 1 to 24. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 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 for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit 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 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 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 MEMBERS OF
CANARY WHARF LIMITED**

Opinion

In our opinion, the financial statements give a true and fair view of the state of the company's affairs as at 30 June 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors
London

16 October 2002

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2002

	Notes	Year Ended 30 June 2002	Year Ended 30 June 2001 As restated
		£	£
Turnover	3	508,902,051	4,013,431
Cost of sales		(491,643,586)	(2,230,972)
GROSS PROFIT		17,258,465	1,782,459
Administrative expenses before exceptional items		(21,719,306)	(22,874,718)
Exceptional items:			
Movement in provision against work in progress	12	(7,435,669)	1,157,466
Release of loan provision	15	-	2,313,318
Other operating income		619,587	1,000,507
OPERATING LOSS	4	(11,276,923)	(16,620,968)
Income from shares in group undertakings	11	16,900,000	46,822,694
Interest receivable	5	75,253,720	69,187,744
Interest payable and similar charges before exceptional items	6	(125,194,736)	(84,847,634)
Exceptional items:			
Financing costs - debentures	6	(20,313,928)	(26,562,694)
Financing costs - loan facility	6	(1,839,453)	-
Hedge gains		-	2,483,388
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(66,471,320)	(9,537,470)
Tax on loss on ordinary activities	7	(50,072,919)	53,863,868
(LOSS)/PROFIT FOR THE FINANCIAL YEAR	19	(116,544,239)	44,326,398

Movements in reserves are shown in Note 19 of these financial statements.

All amounts relate to continuing activities.

The notes on pages 10 to 26 form an integral part of these financial statements.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 30 JUNE 2002**

	Year Ended 30 June 2002	Year Ended 30 June 2001 As Restated
	£	£
(Loss)/profit for the financial year as previously stated	(116,544,239)	44,326,398
Total recognised (losses)/gains relating to the year	(116,544,239)	44,326,398
Prior year adjustment (note 19)	184,903,063	(16,219,405)
Total recognised (losses)/gains since last audited accounts	68,358,824	28,106,993

The notes on pages 10 to 26 form an integral part of these financial statements.

CANARY WHARF LIMITED

BALANCE SHEET AS AT 30 JUNE 2002

	Notes	30 June 2002	30 June 2001 As restated
		£	£
FIXED ASSETS			
Tangible assets	10	590,614	522,099
Investments	11	4,356,013	4,422,802
		<u>4,946,627</u>	<u>4,944,901</u>
CURRENT ASSETS			
Work in progress	12	874,358,099	1,041,549,935
Debtors	13		
amounts falling due after one year		1,915,927,618	1,917,048,955
amounts falling due within one year		1,125,075,505	892,651,011
Investments	14	89,995,000	89,995,000
Cash at bank and in hand	14	431,577,869	703,318,626
		<u>4,436,934,091</u>	<u>4,644,563,527</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	15	(2,848,425,413)	(2,852,584,451)
NET CURRENT ASSETS		<u>1,588,508,678</u>	<u>1,791,979,076</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,593,455,305</u>	<u>1,796,923,977</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Provisions for liabilities and charges	16	(862,240,456)	(949,229,564)
	17	-	(275,000)
NET ASSETS		<u>731,214,849</u>	<u>847,419,413</u>
CAPITAL AND RESERVES			
Share capital - equity	18	257,516,350	510,000,000
Share capital - non equity	18	405,000,000	1,421,278,674
Profit and loss account	19	68,698,499	(1,083,859,261)
SHAREHOLDERS' FUNDS			
Equity		326,214,849	(573,859,261)
Non-equity		405,000,000	1,421,278,674
	20	<u>731,214,849</u>	<u>847,419,413</u>

The notes on pages 10 to 26 form an integral part of these financial statements.

APPROVED BY THE BOARD ON 16 OCTOBER 2002 AND SIGNED ON ITS BEHALF BY:


A P ANDERSON II
DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

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 the preceding year save for the adoption of Financial Reporting Standard 19 (Deferred Tax) (FRS 19) and Urgent Issues Task Force Abstract 28 (Operating Lease Incentives) (UITF 28) which now have effect, is set out below. The comparatives for the year ended 30 June 2001 have been restated to comply with FRS19 and UITF 28.

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom 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 is included in the financial statements of CWG.

Profit and loss account

Turnover, which is stated net of VAT, includes property sales and rental income. Marketing and administrative costs which are not development expenses are charged to the profit and loss account when incurred.

Interest receivable and payable are recognised in the period in which they fall due.

Interest on the advance payments made to a fellow subsidiary for the design and construction of the phases subsequent to Phase I of Canary Wharf is added to the amount of the advance until construction work is undertaken. The advance is included within prepayments (see Note 13) and transfers (including interest) are made to development work in progress when construction work is undertaken by the fellow subsidiary.

Income from investments

Investment income comprises dividends declared by the company's subsidiary undertakings during the accounting period.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

Tangible fixed assets

Tangible fixed assets are depreciated so as to write off the cost in equal annual instalments over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	%
Short leasehold properties	25
Fixtures and fittings	25
Computer equipment	33 1/3

Lease incentives

Lease incentives include rent-free periods and other incentives given to lessees on entering into lease agreements. The company's policy for accounting for lease incentives has changed to comply with UITF 28. Previously rental income was recognised only on expiry of rent-free periods and other lease incentives were capitalised as part of the cost of the property. Under UITF 28 the aggregate cost of lease incentives is recognised as an adjustment to rental income, allocated evenly over the lease term or the term to the first open market rent review if earlier. The cost of other lease incentives is included within prepayments and spread on a straight line basis over a similar period. Accordingly the external valuation of investment properties will be reduced for these incentives.

The new accounting policy applies to all lease incentives relating to leases commencing subsequent to 1 July 2000. The effects of the change in policy are summarised below:

	Year ended 30 June 2002	Year ended 30 June 2001
	£	£
Profit and loss:		
Increase in rental income	14,681,173	-
Balance sheet:		
Decrease in properties under construction	(10,700,000)	(10,700,000)
Increase in prepayments and accrued income	25,381,173	10,700,000

Investments in subsidiary undertakings

The company's investment in subsidiaries is stated at cost less any provision for impairment.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

Work in progress

Work in progress is stated at the lower of cost and net realisable value. Cost includes construction costs and development expenditure directly related to the development, including attributable interest. Such interest is calculated by reference to the rate of interest payable on the borrowings drawn down to finance the development.

Net realisable value is calculated as the amount estimated to be recovered from the development once development work has been completed and the development leased, less costs to complete (Note 12).

Debt

Debt instruments are stated initially 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.*

Deferred taxation

Deferred tax assets and liabilities arise from timing differences between the recognition of gains and losses in the financial statements and their recognition in the corporation tax return. The company's policy for accounting for deferred tax has been changed to comply with FRS 19. Previously the company's policy was to provide for deferred tax only to the extent that liabilities or assets were expected to crystallise in the foreseeable future.

Under FRS 19 deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements.

Deferred tax is measured on a discounted basis to reflect the time value of money over the period between the balance sheet date and the dates on which it is estimated that the timing differences will reverse, or where the timing differences are not expected to reverse, a period not exceeding 50 years. Discount rates of 3.3% to 3.5% have been adopted reflecting the post-tax yield to maturity that can be obtained on government bonds with similar maturity dates and currencies to those of the deferred tax assets or liabilities.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

The effects of the change in policy are summarised below:

	Year ended 30 June 2002	Year ended 30 June 2001
	£	£
Profit and loss account:		
Increase in deferred tax (charge)/credit	(50,072,919)	53,863,868
Balance sheet:		
Deferred tax asset	134,830,144	184,903,063

Pensions

The company operates a defined contribution pension scheme. Pension contributions in respect of this scheme are accrued as they fall due.

Share option schemes

The economic cost to the company of share option schemes is charged to the same expense category as the employment cost of the relevant employee, spread on a straight line basis over the relevant performance criteria period.

The economic cost represents either the acquisition cost of the shares or the market value of the shares at the date the options are granted, less any amount recoverable from the employee.

Where relevant, provision is made for employers' National Insurance contributions based on the market value of the share options at the balance sheet date and spread on a straight line basis over the period of the relevant performance criteria.

Leases

Operating lease rentals are charged to the profit and loss account over the period of the lease.

Vacant leasehold property

Provision is made for the present value of the net commitments in relation to leasehold properties where there is a shortfall in the rental income receivable over the rent and other costs payable.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

2 RESTATEMENT

The effects of adopting FRS19 and UITF 28 for the current and prior years are as follows:

	Turnover	Taxation	Profit after taxation	Shareholders' Funds
	£	£	£	£
Year ended 30 June 2001				
As previously reported	4,013,431	-	(9,537,470)	662,516,350
Effect of adopting UITF 28	-	-	-	-
Effect of adopting FRS19	-	53,863,868	53,863,868	184,903,063
As restated	4,013,431	53,863,868	44,326,398	847,419,413
Year ended 30 June 2002				
Results without adopting FRS19 and UITF 28	494,220,878	-	(81,152,493)	581,703,532
Effect of adopting UITF 28	14,681,173	-	14,681,173	14,681,173
Effect of adopting FRS19	-	(50,072,919)	(50,072,919)	134,830,144
As reported	508,902,051	(50,072,919)	(116,544,239)	731,214,849

3 TURNOVER

	Year Ended 30 June 2002	Year Ended 30 June 2001
	£	£
External sales of property	476,173,365	-
Sale of property to fellow subsidiaries	-	850,000
Rental income	32,728,686	3,163,431
	508,902,051	4,013,431

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

4 OPERATING LOSS

	Year Ended 30 June 2002	Year Ended 30 June 2001
	£	£
The operating loss is stated after charging:		
Depreciation (Note 10)	447,685	340,056
Directors' emoluments (Note 8)	44,951	-
Remuneration of the auditors:		
Audit fees	111,200	65,120
Fees for other services	329,956	238,095
Operating lease rentals	16,700,000	5,271,000

Operating lease rental costs are fully recovered through a sub-letting contract.

5 INTEREST RECEIVABLE

	Year Ended 30 June 2002	Year Ended 30 June 2001
	£	£
Interest receivable from group undertakings	48,897,316	47,236,896
Bank interest receivable	20,391,095	14,918,642
Debenture interest	5,965,309	7,032,206
	75,253,720	69,187,744

Debenture interest of £5,965,309 (2001: £7,032,206) is in respect of the term notes described in Note 14.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

6 INTEREST PAYABLE AND SIMILAR CHARGES

	Year Ended 30 June 2002	Year Ended 30 June 2001
	£	£
Before exceptional items:		
Bank loans and overdrafts	14,752	1,180,196
Interest payable to group undertakings	204,027,600	192,810,343
	204,042,352	193,990,539
Less: Increase in contract prepayment	(78,847,616)	(109,142,905)
	125,194,736	84,847,634
Exceptional items:		
Financing costs - debentures	20,313,928	26,562,694
Financing costs - loan facility	1,839,453	-
Hedge gains	-	(2,483,388)

Financing costs include £1,839,453 of fees incurred by certain other group companies in relation to amounts drawn down (and on-loaned to the company) under construction loan facilities for the purpose of financing the company's construction of certain buildings on Canary Wharf. These costs have been treated as an exceptional item.

In addition, in February 2002, another group company issued £1,257 million of first mortgage debentures, part of the proceeds of which were lent to the company to satisfy its future funding requirements and to refinance inter-company indebtedness. The costs of the issue attributable to the company and charged to the profit and loss account in the the year ended 30 June 2002 were £20,313,928, which have been treated as an exceptional item.

During the year ended 30 June 2001, security over cash deposits totalling £94.3 million held by certain of the company's subsidiaries was released and at the same time interest rate swaps relating to those deposits were unwound resulting in a total gain to those subsidiaries of £15.8 million. In connection with the termination of the interest rate swaps the company paid the swap counter-parties costs amounting to £11.3 million, which was charged to the profit and loss account for the year ended 30 June 2001 and was disclosed as an exceptional item.

In February 2001, another group company issued £120 million of first mortgage debentures and in June 2001 the group issued an additional £875 million of first mortgage debentures. The proceeds of these issues were lent to the company to provide funding for the company's future requirements. The costs associated with these issues, attributable to the company, and charged to the profit and loss account in the year, were £2.2 million and £13.1 million respectively. These costs were treated as exceptional items.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

In anticipation of the financings referred to above, the company entered into certain interest rate hedges which on being closed out resulted in gains of £2.5 million. These gains were credited to the company's profit and loss account for the year ended 30 June 2001 and were disclosed as an exceptional item.

7 TAXATION

	Year Ended 30 June 2002	Year Ended 30 June 2001
	£	£
Current tax:		
UK corporation tax (see below)	-	-
Deferred tax:		
Origination and reversal of timing differences	53,696,919	(49,272,849)
Net effect of discount	(3,624,000)	(4,591,019)
Total deferred tax	50,072,919	(53,863,868)
Total tax on loss on ordinary activities	50,072,919	(53,863,868)

No provision for taxation has been made in view of the loss for the year. It is anticipated that these tax losses will impact on future tax charges.

8 DIRECTORS

Remuneration

R Lyons was appointed as a director on 9 April 2002. From his appointment date to 30 June 2002, he was paid a salary of £43,750 plus benefits in kind equal to £1,201.

Details of the remuneration of other directors are disclosed in the financial statements of either CWHL or CWG, as appropriate for the directors in common.

Share options

The aggregate emoluments disclosed in the accounts of CWG do not include any amounts for the value of options to subscribe for ordinary shares in CWG, the ultimate UK parent company, granted to certain of the directors. Details of options to subscribe for ordinary shares are given in the financial statements of CWG, CWEL or CWHL as appropriate for the directors in common.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

9 EMPLOYEE INFORMATION

	Year Ended 30 June 2002	Year Ended 30 June 2001
	£	£
Wages and salaries	7,250,592	5,898,039
Social Security costs	708,172	652,296
Other pension costs (Note 22)	473,617	410,731
	<u>8,432,381</u>	<u>6,961,066</u>

The average number of employees, including directors, of the company during the year ended 30 June 2002 was 151 (2001 - 130), all of which were administrative employees.

10 TANGIBLE FIXED ASSETS

	Leasehold Improvements	Fixtures and Fittings	Computer Equipment	Total
	£	£	£	£
Cost				
At 1 July 2001	2,154,928	5,549,636	3,442,892	11,147,456
Additions	264,556	99,925	151,719	516,200
At 30 June 2002	<u>2,419,484</u>	<u>5,649,561</u>	<u>3,594,611</u>	<u>11,663,656</u>
Depreciation				
At 1 July 2001	2,058,852	5,134,519	3,431,986	10,625,357
Charge for the year	137,184	175,882	134,619	447,685
At 30 June 2002	<u>2,196,036</u>	<u>5,310,401</u>	<u>3,566,605</u>	<u>11,073,042</u>
Net Book Value				
At 30 June 2002	<u>223,448</u>	<u>339,160</u>	<u>28,006</u>	<u>590,614</u>
At 30 June 2001	<u>96,076</u>	<u>415,117</u>	<u>10,906</u>	<u>522,099</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

11 INVESTMENTS

	Shares in Group Undertakings
Cost	£
At 1 July 2001	11,767,899
Return of capital	(3)
At 30 June 2002	11,767,896
Provision For Impairment	
At 1 July 2001	7,345,097
Provided during the year	66,786
At 30 June 2002	7,411,883
Net Book Value	
At 30 June 2002	4,356,013
At 30 June 2001	4,422,802

At 30 June 2002 the company's principal subsidiary undertakings were as follows:

<u>Name</u>	<u>Description of shares held</u>	<u>Principal activities</u>
Canary Cannon Limited	Ordinary £1 shares	Property trading
Canary Wharf Management Limited	Ordinary £1 shares	Property management
Hazelway Limited	Ordinary £1 shares	Property investment
Seven Westferry Circus (No 2) Limited	Ordinary £1 shares	Property trading

The above are wholly owned subsidiaries registered in England and Wales.

During the year ended 30 June 2002, applications were filed to have CWR SPV Co, CWR SPV Co No 2 and CWR SPV Co No 3 struck off and the remaining net assets of £1 each repaid to the company.

Dividends totalling £16,900,000 were declared by the company's subsidiaries during the year ended 30 June 2002 (2001 - £46,822,694).

Financial information is only presented in these financial statements about the company as an individual undertaking and not about its group because the company and its subsidiary undertakings are included in the consolidated financial statements of a larger group (Note 24).

The directors are of the opinion that the value of the company's investments at 30 June 2002 was not less than the amount shown in the company's balance sheet.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

12 WORK IN PROGRESS

	30 June 2002	30 June 2001 As restated
	£	£
Work in progress at cost	898,929,151	1,058,685,318
Provision	(24,571,052)	(17,135,383)
	<u>874,358,099</u>	<u>1,041,549,935</u>

Movement in the carrying value of work in progress during the year:

	£
At 1 July 2001 as restated	1,041,549,935
Additions	324,351,822
Transfers relating to property sales	(484,107,989)
	<u>881,793,768</u>
Increase in provision	(7,435,669)
At 30 June 2002	<u>874,358,099</u>

Restated as set out in notes 1 and 2.

Work in progress is stated at cost less a reduction to net realisable value. In assessing the estimated net realisable value of development properties as at 30 June 2002 the directors consulted with the company's external property advisors, FPD Savills, Chartered Surveyors, and CB Hillier Parker, International Property Consultants. As a result of this assessment, the general provision against work in progress was increased by £7.4 million to £24.6 million.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

13 DEBTORS

	30 June 2002	30 June 2001 As restated
	£	£
Due within one year:		
Trade debtors	233,240	409,179
Loans to parent undertaking	87,604,111	73,249,938
Loans to fellow subsidiary undertakings	398,284,912	383,439,730
Loans to subsidiary undertakings	1,637,230	1,568,187
Amount owed by parent undertaking	67,724,802	42,336,391
Amounts owed by fellow subsidiary undertakings	162,492,468	195,534,970
Other debtors	104,828	1,072,188
Deferred tax	134,830,144	184,903,063
Prepayments and accrued income	272,163,770	10,137,365
	<u>1,125,075,505</u>	<u>892,651,011</u>
Due in more than one year:		
Lease incentives	25,381,173	10,700,000
Prepayments and accrued income	876,916,360	1,374,100,310
Loans to fellow subsidiary undertakings	1,013,630,085	532,248,645
	<u>1,915,927,618</u>	<u>1,917,048,955</u>
Deferred taxation:		
	30 June 2002	30 June 2001
	£	£
Accelerated capital allowances	1,600,952	1,964,151
Tax losses	128,844,056	184,668,205
Other	9,321,164	6,830,735
Undiscounted deferred tax asset	139,766,172	193,463,091
Discount	(4,936,028)	(8,560,028)
Discounted deferred tax asset	<u>134,830,144</u>	<u>184,903,063</u>

Loans to group undertakings due within one year carry interest at rates linked to LIBOR and are repayable on demand.

Loans to fellow subsidiary undertakings shown as due in more than one year carry interest at rates linked to LIBOR or 10%. All loans are repayable by 1 December 2034.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

14 FINANCIAL ASSETS

At 30 June 2002, the company's financial assets comprised short term debtors, notes issued by a fellow subsidiary undertaking and sterling cash deposits. Such deposits totalled £431,577,869 at 30 June 2002 (30 June 2001 - £703,318,626), comprising deposits placed on money market at call and term rates. Total cash deposits included £36,904,142 (30 June 2001 - £26,670,567) held by third parties as cash collateral for the company's obligations.

In June 2000, the group arranged a £975 million securitisation which is listed on the London Stock Exchange. The securitisation provides for £475 million of long term funding with a final maturity of up to 30 years at favourable rates. It also provides the ability to make further drawings, in any convertible currency and at the prevailing market rate of interest, upon the construction and lease of new buildings. £89,995,000 of the term notes were purchased by the company upon issue and have been retained by the company.

The terms of the notes are:

Rating	£m	Interest	Repayment
A	45	6.966%	By Instalment 2011 to 2033
BBB	45	Floating	By Instalment 2011 to 2033

Interest on the BBB notes is payable at a rate of three month LIBOR plus a margin of 1.75% until July 2005, and thereafter 4.375%.

At 30 June 2002 the notes were charged as security for the borrowings of other group undertakings.

15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30 June 2002	30 June 2001
	£	£
Trade creditors	4,667,554	5,604,424
Loans owed to parent undertakings	110,953,717	107,810,882
Loans from fellow subsidiary undertakings	2,412,367,331	2,074,336,097
Amounts owed to fellow subsidiary undertakings	166,274,490	86,299,317
Amounts owed to subsidiary undertakings	16,835,883	32,027,157
Other taxes and social security	290,247	352,860
Other creditors	998,655	389,660
Accruals	92,776,156	100,340,682
Deferred income	43,261,380	445,423,372
	<u>2,848,425,413</u>	<u>2,852,584,451</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

In accordance with the arrangements agreed for the sale of the group to the ultimate UK parent undertaking in December 1995, elements of the group's then existing indebtedness were prepaid early. Further amounts were payable to the vendors (the selling bank group) from funds set aside for this purpose once certain conditions had been satisfied and at 30 June 2000 £4.4 million was accrued in this regard, shown as due within one year. During the year ended 30 June 2001 deferred payments totalling £2.1 million were made to the vendors and the remaining £2.3 million was released to the profit and loss account and shown as an exceptional item.

Loans due to parent and fellow subsidiary undertakings are repayable either on demand or at set dates within one year and carry interest at market rates which are linked either to LIBOR or to the rates payable on an issue of publicly quoted debentures by a fellow subsidiary undertaking.

At 30 June 2001, deferred income included £440.0 million in connection with the agreement for sale, upon completion, of a building under construction at Canary Wharf. The income deferred was recognised upon completion of the building during the year ended 30 June 2002.

16 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	30 June 2002	30 June 2001
	£	£
Loan owed to fellow subsidiary undertaking	862,240,456	949,229,564
	<u>862,240,456</u>	<u>949,229,564</u>

The loan owed to a fellow subsidiary undertaking carries interest at 9% and is repayable in 2007.

17 PROVISION FOR LIABILITIES AND CHARGES

	£
Provision for amounts payable in relation to partially vacant leasehold properties:	
At 1 July 2001	275,000
Movement in the year	<u>(275,000)</u>
At 30 June 2002	<u>-</u>

During the year to 30 June 2002, the company exercised its option to surrender an interest in a leasehold property. The surplus arising as a result of this surrender was therefore released to the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

18 CALLED-UP SHARE CAPITAL

	30 June 2002	30 June 2001
	£	£
Authorised:		
500,000,000 preferred redeemable ordinary shares of £1 each	500,000,000	500,000,000
Nil (2001: 1,016,278,674) deferred ordinary shares of £1 each	-	1,016,278,674
747,516,350 (2001: 1,000,000,000) ordinary shares of £1 each	747,516,350	1,000,000,000
Allotted, called-up and fully paid:		
405,000,000 preferred redeemable ordinary shares of £1 each	405,000,000	405,000,000
Nil (2001: 1,016,278,674) deferred ordinary shares of £1 each	-	1,016,278,674
257,516,350 (2001: 510,000,000) ordinary shares of £1 each	257,516,350	510,000,000
	662,516,350	1,931,278,674

In November 2001, the authorised share capital of the company was by Order of the High Court reduced from £2,516,278,674 (divided into 1,000,000,000 ordinary £1 shares, 500,000,000 preferred redeemable £1 shares and 1,016,278,674 deferred ordinary £1 shares) to £1,247,516,350 (divided into 747,516,350 ordinary £1 shares and 500,000,000 preferred redeemable £1 shares). As a result of the Order the issued share capital was reduced by £1,268,762,324 by extinguishing the 1,016,278,674 deferred ordinary shares and 252,483,650 of the ordinary shares in order to create a reserve which was used to eliminate the brought forward deficit on the company's profit and loss account.

This reduction is shown as a movement in reserves (Note 19).

The redeemable preferred ordinary shares are redeemable at par on 21 December 2010 but the company may, at any time before that date, redeem all or 100,000 multiples of the shares by serving notice to the holders. On a return of capital, the assets of the company available for distribution to the shareholders are applied in paying to the holders of the redeemable preferred ordinary shares in priority to any payment to the holders of any other class of shares the nominal amount paid up. Subject to the above, the redeemable preferred ordinary shares rank pari passu with the ordinary shares.

The holders of the deferred ordinary shares were entitled to a restricted participation in the profits or assets of the company and did not have any right to attend and vote at any general meeting.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

19 RESERVES

	Profit and Loss Account
	£
At 1 July 2001 as previously stated	(1,268,762,324)
Prior year adjustment	184,903,063
As restated	(1,083,859,261)
Loss for the financial year	(116,544,239)
Reduction in share capital (Note:18)	1,268,762,324
Reserve movement in respect of share option schemes	339,675
At 30 June 2002	68,698,499

During the year ended 30 June 2001, 234,633 shares in CWG were allocated to the employees of the company in relation to the group's Long Term Incentive Plan at a cost of £1.3 million. This cost is amortised over the performance criteria period.

20 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	£
Shareholders' funds as at 1 July 2001	
As previously stated	662,516,350
Prior year adjustment	184,903,063
As restated	847,419,413
Loss for the financial year	(116,544,239)
Reserve movement in respect of share option schemes	339,675
Shareholders' funds as at 30 June 2002	731,214,849

21 OPERATING LEASE COMMITMENTS

At 30 June 2002 the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings	
	30 June 2002	30 June 2001
	£	£
Operating leases which expire:		
Within one year	-	50,976
After five years	16,700,000	16,700,000
	16,700,000	16,750,976

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002**22 PENSION SCHEME**

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge, which amounted to £473,617 for the year (2001: £410,731), represents contributions payable by the company to the scheme.

23 CAPITAL COMMITMENTS

The company had the following commitments for future expenditure:

	30 June 2002	30 June 2001
	£	£
Contracted for but not provided in the financial statements	500,886,000	390,772,000

The commitments for future expenditure relate to the completion of development properties where construction was in progress at the year end.

24 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 was Canary Wharf Group plc (subsequently renamed Canary Wharf Estate Limited) until 4 December 2001. Following the completion of a group reconstruction on this date the new holding company, New Canary Wharf plc, subsequently renamed Canary Wharf Group plc, a company registered in England and Wales, is considered the company's ultimate parent undertaking.

Canary Wharf Group plc is the parent company of the largest and smallest group of which the company is a member and for which group financial statements are drawn up.

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.