

CWC SPVb LIMITED
Registered Number: 3123060

DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 1999



CWC SPVb LIMITED

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CWC SPVb LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 1999

The directors present herewith the audited accounts for the year ended 30 June 1999.

ULTIMATE PARENT UNDERTAKING

The company's immediate parent undertaking is Canary Wharf Investments Limited (CWIL), a company registered in England. The company's ultimate UK parent is Canary Wharf Group plc (CWG) and until 6 April 1999 its ultimate parent undertaking was C.W. Investments Limited Partnership, a Cayman Islands undertaking. The limited partnership was dissolved on 6 April 1999 following the shares of CWG being admitted for listing on the London Stock Exchange on 1 April 1999.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The principal activity of the company is property investment. At present this activity is concentrated on the Canary Wharf development in London's Docklands.

DIVIDENDS AND RESERVES

The profit and loss account for the year ended 30 June 1999 is set out on page 5. The directors do not recommend the payment of a dividend (1998:Nil) and the retained profit of £2,710,381 is to be transferred to reserves.

DIRECTORS

The directors of the company during the year ended 30 June 1999 were:

A P Anderson
G Iacobescu
G Rothman

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 issued to the directors are disclosed in the accounts of CWG.

Other than the above, no director had any beneficial interest in the shares of the company, its parent undertaking or any of its United Kingdom subsidiaries at 30 June 1999 or at any time throughout the year then ended.

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 1999

YEAR 2000 COMPLIANCE

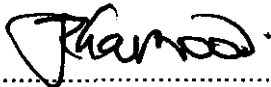
The Group has assessed the impact of the Year 2000 issue on its reporting systems and operations and on the basis of this assessment has formulated an action plan for dealing with the issues associated with the date change, with a view to rectifying any Year 2000 problem before 2000 and minimising the impact of third parties' lack of Year 2000 compliance. Work has been completed on the core financial system and is progressing according to plan in respect of other business information and operational systems and will be completed prior to the year end. Costs are taken to the profit and loss account for the period in which they are incurred.

After allowing for recoveries, costs incurred in upgrading the Group's systems during the year were not significant. Moreover, the financial cost to be borne by the Group in ensuring compliance with the remaining Year 2000 issues is not expected to be significant to the Group during the subsequent accounting period.

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



.....
J R Garwood

Company Secretary

16 September 1999

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 year 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 year then ended. In preparing these 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 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
CWC SPVb LIMITED**

We have audited the accounts on pages 5 to 12 which have been prepared under the historical cost convention 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 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 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 the 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 1999 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

16 September 1999

CWC SPVb LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 1999

	Notes	Year Ended 30 June 1999	Year Ended 30 June 1998
		£	£
Turnover		33,759	679,937
Cost of sales		(36,623)	(507,425)
GROSS (LOSS)/PROFIT		(2,864)	172,512
Administrative expenses		(1,103)	(3,000)
Other operating income		-	2,000
OPERATING (LOSS)/PROFIT	2	(3,967)	171,512
Exceptional Items:			
Profit on transfer of lease interests	6	-	4,215,000
Interest receivable	4	13,874,902	10,231,449
Interest payable and similar charges	5	(11,160,554)	(9,756,543)
PROFIT FOR THE FINANCIAL YEAR	11	<u>2,710,381</u>	<u>4,861,418</u>

Movements in reserves are shown in Note 11 of these accounts.

All amounts relate to continuing activities.

There were no recognised gains or losses for 1999 or 1998 other than those included in the profit and loss account.

The notes on pages 8 to 12 form part of these accounts.

CWC SPVb LIMITED**HISTORICAL COST PROFITS AND LOSSES FOR THE YEAR ENDED 30 JUNE 1999**

	Year Ended 30 June 1999	Year Ended 30 June 1998
	£	£
Profit on ordinary activities before taxation	2,710,381	4,861,418
Realisation of revaluation gains of previous periods	-	40,784,127
Historical cost profits on ordinary activities before taxation	<u>2,710,381</u>	<u>45,645,545</u>
Historical cost profits for the year retained after taxation, dividends and other appropriations	<u>2,710,381</u>	<u>45,645,545</u>

The notes on pages 8 to 12 form part of these accounts.

CWC SPVb LIMITED**BALANCE SHEET AS AT 30 JUNE 1999**

	Notes	30 June 1999	30 June 1998
		£	£
CURRENT ASSETS			
Debtors	8	219,198,110	214,476,355
Cash at bank and in hand		1,038	1,000
		<u>219,199,148</u>	<u>214,477,355</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	9	<u>(175,845,860)</u>	<u>(173,834,448)</u>
NET ASSETS		<u>43,353,288</u>	<u>40,642,907</u>
CAPITAL AND RESERVES			
Called up share capital	10	1	1
Profit and loss account	11	<u>43,353,287</u>	<u>40,642,906</u>
SHAREHOLDERS' FUNDS - EQUITY	12	<u>43,353,288</u>	<u>40,642,907</u>

The notes on pages 8 to 12 form part of these accounts.

APPROVED BY THE BOARD ON 16TH SEPTEMBER 1999 AND SIGNED ON ITS BEHALF
BY:



A P ANDERSON
DIRECTOR

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1999

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, is set out below.

Accounting Convention

The accounts have been prepared under the historical cost convention 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 CWG.

Turnover

Turnover, representing rents receivable, is recognised net of VAT in the period in which the rents become due.

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 OPERATING LOSS

	Year Ended 30 June 1999	Year Ended 30 June 1998
The operating loss is stated after charging:	£	£
Remuneration of the auditors:		
Audit fees	-	3,000

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 group undertaking.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1999

3	EMPLOYEE INFORMATION	Year Ended	Year Ended
		30 June 1999	30 June 1998
		£	£
	Wages and salaries	-	255,323
	Social Security costs	-	24,189
	Other pension costs (Note 13)	-	6,868
		<u>-</u>	<u>286,380</u>

With effect from 31 May 1998 the employment contracts of the company's employees were transferred to certain other group companies. The average number of employees, including directors, of the company for the year ended 30 June 1998 was 10.

4	INTEREST RECEIVABLE	Year Ended	Year Ended
		30 June 1999	30 June 1998
		£	£
	Interest receivable from group undertakings	13,874,861	10,231,407
	Bank interest receivable	41	42
		<u>13,874,902</u>	<u>10,231,449</u>

5	INTEREST PAYABLE AND SIMILAR CHARGES	Year Ended	Year Ended
		30 June 1999	30 June 1998
		£	£
	Interest payable to group undertakings	11,160,554	9,756,543
		<u>11,160,554</u>	<u>9,756,543</u>

6 EXCEPTIONAL ITEM

During the year ended 30 June 1998 the terms of certain of the company's leasehold interests were varied in consideration for the payment of lease premiums totalling £14,410,000, determined on the basis of external open market value.

Subsequently the company disposed of its property interests to certain fellow subsidiary undertakings for amounts determined on the basis of external open market valuations. The net profit arising on disposal amounted to £4,215,000 and this amount has been shown as an exceptional item in the profit and loss account for the year ended 30 June 1998.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1999

7 TAXATION

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

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

8 DEBTORS

	30 June 1999	30 June 1998
	£	£
Trade debtors	-	56,138
Loans to parent undertaking	38,296,962	35,941,834
Loans to fellow subsidiary undertakings	179,570,471	177,256,167
Amounts owed by fellow subsidiary undertakings	1,330,674	1,221,639
Other debtors	-	577
Prepayments and accrued income	3	-
	<u>219,198,110</u>	<u>214,476,355</u>

Loans to fellow subsidiary undertakings bear interest at rates linked to LIBOR and are repayable on demand.

9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30 June 1999	30 June 1998
	£	£
Loans owed to fellow subsidiary undertakings	174,989,947	173,020,011
Amounts owed to parent undertaking	758,001	721,378
Amounts owed to fellow subsidiary undertakings	85,275	90,059
Other creditors	12,637	-
Accruals and deferred income	-	3,000
	<u>175,845,860</u>	<u>173,834,448</u>

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

CWC SPVb LIMITED**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1999**

10 SHARE CAPITAL	30 June 1999	30 June 1998
	£	£
Equity Shares		
Ordinary shares of £1 each		
Authorised	<u>100</u>	<u>100</u>
Issued, allotted and fully paid	<u>1</u>	<u>1</u>

11 RESERVES

	Profit and Loss Account
	£
At 1 July 1998	40,642,906
Profit for the financial year	<u>2,710,381</u>
At 30 June 1999	<u>43,353,287</u>

12 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	£
Shareholders' funds as at 1 July 1998	40,642,907
Profit for the financial year	<u>2,710,381</u>
Shareholders' funds as at 30 June 1999	<u>43,353,288</u>

13 PENSION SCHEME

The company operated 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 £6,868 for the year ended 30 June 1998, represents contributions payable by the company to the scheme.

CWC SPVb LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1999

14 RELATED PARTIES

The company's immediate parent undertaking is Canary Wharf Investments Limited, a company registered in England. The company's ultimate UK parent is Canary Wharf Group plc and until 6 April 1999 its ultimate parent undertaking was C.W. Investments Limited Partnership, a Cayman Islands undertaking. The limited partnership was dissolved on 6 April 1999 following the shares of CWG being admitted for listing on the London Stock Exchange on 1 April 1999.

Copies of the consolidated accounts of CWG 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.