

HERON QUAYS HOLDINGS (HQ4) LIMITED
Registered Number: 4292545

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003



CONTENTS

	Page
Directors' Report	1 to 2
Statement of the Directors' Responsibilities in Respect of the Financial Statements	3
Independent Auditors' Report	4 to 5
Profit and Loss Account	6
Balance Sheet	7
Notes to the Financial Statements	8 to 12

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2003

The directors present their report with the audited financial statements for the year ended 30 June 2003.

ULTIMATE PARENT UNDERTAKING

The company's immediate parent undertaking is Canary Wharf Investments Limited, 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 is to act as an investment holding company.

DIVIDENDS AND RESERVES

The profit and loss account for the year ended 30 June 2003 is set out on page 6. The directors do not recommend the payment of a dividend (2002: Nil) and the retained profit of £782 is to be transferred to reserves.

DIRECTORS

The directors of the company throughout the year ended 30 June 2003 were:

A P Anderson II
G Iacobescu
R Lyons

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 company, Canary Wharf Estate Limited, 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 2003 or at any time throughout the year then ended.

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2003

AUDITORS

On 1 August 2003 Deloitte & Touche, the company's auditors, transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnership Act 2000. The company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP under the provisions of s26(5) of the Companies Act 1989.

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 LLP, 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



..... Company Secretary
J R Garwood

23 December 2003

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 HERON QUAYS HOLDINGS (HQ4) LIMITED

We have audited the financial statements of Heron Quays Holdings (HQ4) Limited for the year ended 30 June 2003 which comprise the profit and loss account, the balance sheet, and the related notes 1 to 13. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 or material inconsistencies with the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
HERON QUAYS HOLDINGS (HQ4) LIMITED**

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.

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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

23 December 2003

HERON QUAYS HOLDINGS (HQ4) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2003

	Notes	Year Ended 30 June 2003	Period Ended 30 June 2002
		£	£
Administrative expenses		-	(2,115)
Other operating income		-	500
OPERATING LOSS	2	-	(1,615)
Interest receivable and similar income	3	76,598	391,801
Interest payable and similar charges	4	(75,816)	(389,665)
PROFIT FOR THE FINANCIAL YEAR	10	782	521

Movements in reserves are shown in Note 10 of these financial statements.

All amounts relate to continuing activities in the United Kingdom.

There were no recognised gains or losses for the year ended 30 June 2003 or the period ended 30 June 2002 other than those included in the profit and loss account.

The notes on pages 8 to 12 form an integral part of these financial statements.

HERON QUAYS HOLDINGS (HQ4) LIMITED**BALANCE SHEET AS AT 30 JUNE 2003**

	Notes	30 June 2003	30 June 2002
		£	£
FIXED ASSETS			
Investments	6	1	1
CURRENT ASSETS			
Debtors	7	690,191	684,160
Cash at bank and in hand		-	8,918,574
		690,191	9,602,734
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	8	(688,888)	(9,602,213)
NET CURRENT ASSETS		1,303	521
TOTAL ASSETS LESS CURRENT LIABILITIES		1,304	522
NET ASSETS		1,304	522
CAPITAL AND RESERVES			
Called-up share capital	9	1	1
Profit and loss account	10	1,303	521
SHAREHOLDERS' FUNDS - EQUITY	11	1,304	522

The notes on pages 8 to 12 form an integral part of these financial statements.

APPROVED BY THE BOARD ON 23 DECEMBER 2003 AND SIGNED ON ITS BEHALF BY:



R LYONS
DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

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 period, is set out below.

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 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.

Investments in subsidiary undertakings

The company's investments in subsidiaries are stated at cost less any provision for impairment.

Interest receivable and interest payable

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

2 OPERATING LOSS

	Year Ended 30 June 2003	Period Ended 30 June 2002
The operating profit/(loss) is stated after charging:	£	£
Remuneration of the auditors:		
Audit fees	-	1,800

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.

HERON QUAYS HOLDINGS (HQ4) LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003****3 INTEREST RECEIVABLE AND SIMILAR INCOME**

	Year Ended 30 June 2003	Period Ended 30 June 2002
	£	£
Interest receivable from group undertakings	-	218,293
Bank interest receivable	76,598	173,508
	<u>76,598</u>	<u>391,801</u>

4 INTEREST PAYABLE AND SIMILAR CHARGES

	Year Ended 30 June 2003	Period Ended 30 June 2002
	£	£
Bank loans and overdrafts	-	16
Financing costs	-	217,876
Interest payable to group undertakings	75,816	171,773
	<u>75,816</u>	<u>389,665</u>

5 TAXATION

	Year Ended 30 June 2003	Period Ended 30 June 2002
	£	£
Current tax:		
UK corporation tax (see below)	-	-
Tax reconciliation:		
Profit on ordinary activities before tax	782	521
Tax on profit on ordinary activities at UK corporation tax rate of 30%	234	156
Effects of:		
Tax losses and other timing differences	(234)	(156)
Current tax charge for the year	<u>-</u>	<u>-</u>

HERON QUAYS HOLDINGS (HQ4) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

No provision for corporation tax 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. It is anticipated that group relief and other tax reliefs will impact on future tax charges. There is no unprovided deferred taxation.

6 INVESTMENTS

	Shares in Group Undertakings
	£
Net Book Value	
At 30 June 2002 and at 30 June 2003	1

At 30 June 2003 the company had one subsidiary undertaking as follows:

<u>Name</u>	<u>Description of shares held</u>	<u>Principal activities</u>
Heron Quays (HQ4) Limited	Ordinary £1 shares	Investment holding

The above is a wholly owned subsidiary registered in England and Wales.

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 undertaking are included in the consolidated financial statements of a larger group (Note 13).

The directors are of the opinion that the value of the company's investment at 30 June 2003 was not less than the amount shown in the company's balance sheet.

7 DEBTORS

	30 June 2003	30 June 2002
	£	£
Amount owed by parent undertaking	1	1
Amounts owed by fellow subsidiary undertakings	690,190	680,543
Prepayments and accrued income	-	3,616
	<u>690,191</u>	<u>684,160</u>

HERON QUAYS HOLDINGS (HQ4) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

8 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30 June 2003	30 June 2002
	£	£
Loan from a fellow subsidiary undertaking	-	8,920,471
Amounts owed to fellow subsidiary undertakings	688,887	679,626
Amount owed to subsidiary undertaking	1	1
Accruals and deferred income	-	2,115
	<u>688,888</u>	<u>9,602,213</u>

The loan from a fellow subsidiary undertaking carried interest at a rate linked to company's deposit account and was repaid in the year ended 30 June 2003.

9 CALLED-UP SHARE CAPITAL

	30 June 2003	30 June 2002
	£	£
Equity Shares		
Authorised, 100 ordinary shares of £1 each	100	100
Allotted, called-up and fully paid, 1 ordinary share of £1	<u>1</u>	<u>1</u>

10 RESERVES

	Profit and Loss Account
	£
At 1 July 2002	521
Profit for the financial year	782
At 30 June 2003	<u>1,303</u>

11 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	£
Shareholders' funds as at 1 July 2002	522
Profit for the financial year	782
Shareholders' funds as at 30 June 2003	<u>1,304</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

12 CAPITAL COMMITMENTS

As at 30 June 2003 the company had given fixed and floating charges over substantially all its assets to secure the commitments of certain other group undertakings.

13 RELATED PARTIES

The company's immediate parent undertaking is Canary Wharf Investments 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, 30th Floor, 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.