

**CANARY WHARF CONTRACTORS LIMITED**  
**Registered Number: 2352250**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2001**



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## **CANARY WHARF CONTRACTORS LIMITED**

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### **DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2001**

The directors present herewith the audited financial statements for the year ended 30 June 2001.

### **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 is Canary Wharf Group plc ('CWG').

### **PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS**

The principal activity of the company is building contracting. The company is currently engaged in the design and construction of the second phase of the Canary Wharf project in London's Docklands and Phases 1 and 2 of the part of the Canary Wharf development known as Heron Quays.

### **DIVIDENDS AND RESERVES**

The profit and loss account for the year ended 30 June 2001 is set out on page 6. The directors do not recommend the payment of a dividend (2000:Nil) and the retained profit of £5,256,601 is to be transferred to reserves.

### **DIRECTORS**

The directors of the company during the year ended 30 June 2001 were:

A P Anderson II  
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 are disclosed in the financial statements of either CWHL or CWG, as appropriate.

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 2001 or at any time throughout the year then ended.

### **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 2001 was 38 (2000 - 22).

**CANARY WHARF CONTRACTORS LIMITED**

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**DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2001**

**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

31 October 2001

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

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

Company Law requires the directors 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 SHAREHOLDERS OF CANARY WHARF CONTRACTORS LIMITED**

We have audited the financial statements of Canary Wharf Contractors Limited for the year ended 30 June 2001 which comprise the primary financial statements, such as the Profit and Loss Account and the Balance Sheet, and the related Notes numbered 1 to 17. These financial statements have been prepared under the accounting policies set out therein.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom 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 to you 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 and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of 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 circumstances of the company, 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 SHAREHOLDERS OF  
CANARY WHARF CONTRACTORS LIMITED**

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the affairs of the company at 30 June 2001 and of the company's 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**

180 Strand  
London  
WC2R 1BL

31 October 2001

**CANARY WHARF CONTRACTORS LIMITED**

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2001**

	Notes	Year Ended 30 June 2001	Year Ended 30 June 2000
		£	£
Turnover		503,080,864	269,495,266
Cost of sales		(497,629,305)	(266,681,078)
<b>GROSS PROFIT</b>		5,451,559	2,814,188
Administrative expenses		(416,393)	(363,769)
Other operating income		46,750	-
<b>OPERATING PROFIT</b>	2	5,081,916	2,450,419
Interest receivable	4	174,685	245,551
<b>PROFIT FOR THE FINANCIAL YEAR</b>	13	5,256,601	2,695,970

Movements in reserves are shown in Note 13 of these financial statements.

All amounts relate to continuing activities.

There were no recognised gains or losses for the year ended 30 June 2001 or the year ended 30 June 2000 other than those included in the profit and loss account.

The notes on pages 8 to 14 form an integral part of these financial statements.



# CANARY WHARF CONTRACTORS LIMITED

## BALANCE SHEET AS AT 30 JUNE 2001

	Notes	30 June 2001 £	30 June 2000 £
<b>FIXED ASSETS</b>			
Tangible assets	6	5,753,431	3,347,529
<b>CURRENT ASSETS</b>			
Work in progress	7	25,913,114	10,565,582
Debtors	8		
amounts falling due after one year		1,031,473,283	1,442,274,010
amounts falling due within one year		484,670,956	255,161,172
Cash at bank and in hand		7,263,452	469,203
		1,549,320,805	1,708,469,967
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	9	(512,296,583)	(485,957,822)
<b>NET CURRENT ASSETS</b>		1,037,024,222	1,222,512,145
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,042,777,653	1,225,859,674
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	10	(1,017,511,183)	(1,206,907,142)
<b>NET ASSETS</b>		25,266,470	18,952,532
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	12	2	2
Profit and loss account	13	25,266,468	18,952,530
<b>SHAREHOLDERS' FUNDS - EQUITY</b>	14	25,266,470	18,952,532

The notes on pages 8 to 14 form an integral part of these financial statements.

APPROVED BY THE BOARD ON 31 OCTOBER 2001 AND SIGNED ON ITS BEHALF BY:

  
A P ANDERSON II  
DIRECTOR

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001**

**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 financial statements 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 is included in the financial statements of CWG.

Turnover

Turnover represents amounts charged, net of VAT, in respect of the provision of building services.

Tangible fixed assets

Tangible fixed assets, comprising an interest in leasehold property and leasehold improvements, 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 rate used for this purpose is 25%.

Work in progress

Work in progress is stated at the lower of cost and net realisable value. Cost includes construction costs and development expenditure, including employee and related costs.

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.

Pensions

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001**

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 period of the relevant performance criteria.

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.

**2 OPERATING PROFIT**

	Year Ended 30 June 2001	Year Ended 30 June 2000
The operating profit is stated after charging:	£	£
Remuneration of the auditors:		
Audit fees	10,000	10,000
Fees for other services	4,200	-

None of the directors received any emoluments in respect of their services to the company during the year.

For the year ended 30 June 2001, depreciation of £2,222,348 (year ended 30 June 2000 - £1,114,518) relating to leasehold office space occupied by the company's construction personnel has been treated as a development expense and capitalised within the cost of properties under construction.

**CANARY WHARF CONTRACTORS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001**

**3 EMPLOYEE INFORMATION**

	Year Ended 30 June 2001	Year Ended 30 June 2000
	£	£
Wages and salaries	19,393,006	10,206,509
Social Security costs	2,040,661	1,091,167
Other pension costs	1,239,533	734,598
	<u>22,673,200</u>	<u>12,032,274</u>

The average number of persons employed by the company during the year was 423 (2000 - 228).

**4 INTEREST RECEIVABLE**

	Year Ended 30 June 2001	Year Ended 30 June 2000
	£	£
Interest receivable from group undertakings	109,142,905	118,814,744
Bank interest receivable	<u>174,685</u>	<u>245,551</u>
	109,317,590	119,060,295
Less: Interest transferred to payment on account (Note 11)	<u>(109,142,905)</u>	<u>(118,814,744)</u>
	<u>174,685</u>	<u>245,551</u>

**5 TAXATION**

No charge for taxation has been made in view of the company's loss for taxation purposes.

There is no unprovided deferred taxation.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

6 TANGIBLE FIXED ASSETS

	Leasehold Land and Buildings
<b>Cost</b>	£
At 1st July 2000	4,458,072
Additions	4,628,099
At 30th June 2001	<u>9,086,171</u>
<b>Depreciation</b>	
At 1st July 2000	1,110,543
Charge for the year	2,222,197
At 30th June 2001	<u>3,332,740</u>
<b>Net Book Value</b>	
At 30th June 2001	<u>5,753,431</u>
At 30th June 2000	<u>3,347,529</u>

7 WORK IN PROGRESS

	30 June 2001 £	30 June 2000 £
Work in progress	<u>25,913,114</u>	<u>10,565,582</u>
Movement in the carrying value of work in progress during the year:		
		£
At 1 July 2000		10,565,582
Additions		512,976,837
Released to cost of sales		(497,629,305)
At 30 June 2001		<u>25,913,114</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

8 DEBTORS

	30 June 2001	30 June 2000
	£	£
Due within one year:		
Trade debtors	10,516,772	5,740,242
Amounts owed by fellow subsidiary undertakings	171,753,553	64,017,471
Other debtors	37,846,811	3,955,552
Prepayments and accrued income	264,553,820	181,447,907
	<u>484,670,956</u>	<u>255,161,172</u>
Due in more than one year:		
Prepayments and accrued income	82,243,719	122,576,046
Loan to fellow subsidiary undertaking	949,229,564	1,319,697,964
	<u>1,031,473,283</u>	<u>1,442,274,010</u>

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

9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30 June 2001	30 June 2000
	£	£
Payments received on account	314,799,000	422,862,000
Trade creditors	21,362,123	4,034,090
Amounts owed to fellow subsidiary undertakings	174,415,018	57,758,146
Other taxes and social security	683,035	407,685
Accruals and deferred income	1,037,407	895,901
	<u>512,296,583</u>	<u>485,957,822</u>

10 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	30 June 2001	30 June 2000
	£	£
Payments received on account	1,017,511,183	1,206,907,142
	<u>1,017,511,183</u>	<u>1,206,907,142</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

11 PAYMENTS ON ACCOUNT

	Balance of initial payment	Interest	Total
	£	£	£
Balance as at 1 July 2000	621,121,534	1,008,647,608	1,629,769,142
Interest receivable thereon (Note 4)	-	109,142,905	109,142,905
Allocated to turnover	(145,226,049)	(261,375,815)	(406,601,864)
Balance as at 30 June 2001	<u>475,895,485</u>	<u>856,414,698</u>	<u>1,332,310,183</u>

The company has entered into an agreement with a fellow subsidiary whereby it will design and construct a building and the associated infrastructure at Canary Wharf in return for a fee which will accrue over the life of the project. The company received an initial payment of £1 billion on account, equal to the estimated sums due including fees, discounted at an annual rate of 9% in accordance with the agreement. The fee is allocated against the initial payment as it becomes due.

Of the above amount, £314,799,000 (2000 - £422,862,000) is included in creditors falling due within one year of the balance sheet date.

12 CALLED-UP SHARE CAPITAL

	30 June 2001	30 June 2000
	£	£
Equity Shares		
Ordinary shares of £1 each		
Authorised	<u>100</u>	<u>100</u>
Allotted, called-up and fully paid	<u>2</u>	<u>2</u>

13 RESERVES

	Profit and Loss Account
	£
At 1 July 2000	18,952,530
Profit for the financial year	5,256,601
Reserve movement in respect of share option schemes	1,057,337
At 30 June 2001	<u>25,266,468</u>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001**

**14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	£
Shareholders' funds as at 1 July 2000	18,952,532
Profit for the financial year	5,256,601
Credit in respect of share option schemes	1,057,337
	<hr/>
Shareholders' funds as at 30 June 2001	25,266,470
	<hr/>

**15 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 £1,239,533 for the year (2000 - £734,598), represents contributions payable by the company to the scheme.

**16 CAPITAL COMMITMENTS**

As at 30 June 2001 the company had given fixed and floating charges over substantially all its assets to secure the commitments of certain other group undertakings.

**17 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 is Canary Wharf Group plc, a company registered in England and Wales.

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.