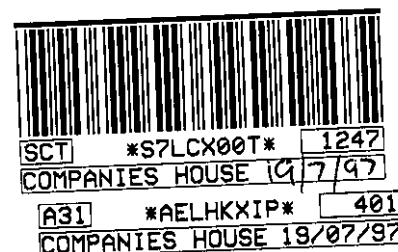


**Director's report and accounts
for the period 1 July 1996 to 10 October 1996**

	Pages
Director's report	1
Statement of director's responsibilities	3
Report of the auditors	4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7

U.



127

Director's report for the period 1 July 1996 to 10 October 1996

The director presents herewith the audited financial statements for the period from 1 July 1996 to 10 October 1996.

Ultimate parent undertaking

At the start of business on 10 October 1996 the company's immediate parent undertaking was CWE SPV HCo Limited, a company registered in England. The company's ultimate UK parent undertaking was CWI Holdings plc and its ultimate parent undertaking was CW Investments Limited Partnership, a Cayman Islands undertaking. These companies are collectively referred to as the "Canary Wharf Group" throughout these financial statements.

On 10 October 1996 the company's shares were sold to Provident Financial plc, a company registered in England and independent of the Canary Wharf Group.

Principal activity and review of business

The company owns an interest as a limited partner in the First Tower Limited Partnership ("the Partnership"), an entity which holds certain property interests, as described in note 6 to the financial statements.

On 5 September 1996, the company's investment in the First Tower Limited Partnership was reduced to £166.50 as a result of a return of capital by the Partnership. Following this return of capital the director expects the company to earn only a nominal level of income in the foreseeable future.

The financial position at 10 October 1996 was satisfactory.

Share capital

Details of the company's share capital are shown in note 10 to the financial statements.

Dividend

On 12 September 1996 a dividend of £2,590 was paid to the ordinary shareholders.

Director's report for the period 1 July 1996 to 10 October 1996 (continued)

Directors

The directors of the company who served during the period ended 10 October 1996 were:

A P Anderson II	(resigned 10 October 1996)
G Iacobescu	(resigned 10 October 1996)
G Rothman	(resigned 10 October 1996)
C Young	(resigned 10 October 1996)
R S Heels	(appointed 10 October 1996)

Directors' interests

No director had any beneficial interest in the shares of the company or in any United Kingdom company of the Canary Wharf Group during the period ended 10 October 1996.

According to the register required to be kept under Section 325 of the Companies Act 1985 the interests of the remaining director of the company at 10 October 1996 in the shares of the company's parent undertaking, Provident Financial plc, were as follows:

	Number of ordinary shares of 10p each	
	Beneficial holdings 10 October 1996	Share options 10 October 1996
R S Heels	26,568	81,265

The above options are exercisable at various dates before 2007 at prices ranging between 75.2p and 450p per ordinary share.

The director holding office at 10 October 1996 had no interest in the shares of other subsidiary companies of Provident Financial plc at that date.

During the period the Canary Wharf Group purchased and maintained for its directors liability insurance against liabilities in relation to the Canary Wharf Group, in accordance with section 310(3)(a) of the Companies Act 1985. Provident Financial plc also maintains liability insurance for its directors and the directors of its subsidiary companies in relation to their services to the Provident Financial plc group.

Auditors

The company's auditors, Arthur Andersen resigned on 10 October 1996 and Coopers & Lybrand were appointed as auditors to the company in their place.

By order of the board



P A Vevers
Company Secretary
5 December 1996

Statement of director's responsibilities

Company law requires the director to prepare accounts for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the director is 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;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the accounts comply with the Companies Act 1985. He is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



PA Vevers
Company Secretary
5 December 1996

Report of the auditors to the members of First Tower LP (7) Limited

We have audited the financial statements on pages 5 to 11.

Respective responsibilities of director and auditors

As described on page 3 the company's director is responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the director 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 at 10 October 1996 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants

Leeds

// December 1996

Profit and loss account for the period 1 July 1996 to 10 October 1996

	Notes	Period ended 10 October 1996 £	Year ended 30 June 1996 £
Turnover		-	-
Administrative expenses			
Premium payable on assignment of creditors	2(c)	(103,331)	-
Operating loss		(103,331)	-
Income from interest in fixed asset investment		209,887	431,712
Profit on ordinary activities before interest		106,556	431,712
Interest payable to former parent undertaking		(103,937)	(431,712)
Profit on ordinary activities before taxation	3	2,619	-
Taxation on profit on ordinary activities	4	-	-
Profit for the financial period		2,619	-
Dividend paid on ordinary shares	5	(2,590)	-
Retained profit for the period		29	-

Statement of retained profits

	£	£
Retained profit for the period	29	-
Retained profit brought forward	-	-
Retained profit carried forward	29	-

All of the trading during the period related to continuing operations.

The company has no recognised gains and losses other than those included in the profits and losses above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the period stated above and their historical cost equivalents.

Balance sheet at 10 October 1996

	Notes	10 October 1996 £	30 June 1996 £
Fixed asset			
Investment in Partnership	6	<u>167</u>	<u>8,741,417</u>
Current assets			
Debtors	8	24	917,553
Cash at bank		<u>5</u>	<u>-</u>
		29	917,553
Creditors: amounts falling due within one year	9	<u>-</u>	<u>(9,658,903)</u>
Net current assets/(liabilities)		29	(8,741,350)
Total net assets		<u>196</u>	<u>67</u>
Capital and reserves			
Called-up share capital	10	167	67
Profit and loss account		<u>29</u>	<u>-</u>
Equity shareholders' funds	11	<u>196</u>	<u>67</u>

The financial statements on pages 5 to 11 were approved and signed on 5 December 1996 by:

R. S. Heels

R S Heels
Director

**Notes to the financial statements
for the period 1 July 1996 to 10 October 1996**

1 Principal accounting policies

A summary of the more important accounting policies of the company, all of which have been applied consistently throughout the period 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.

Investment in Partnership

The company's partnership interest is stated at cost less provision for permanent diminutions in value.

Cash flow statement

As permitted by Financial Reporting Standard No 1, no cash flow statement is presented as the company is a wholly owned subsidiary undertaking of a company incorporated in the UK.

Deferred taxation

To the extent that either a liability or benefit is expected to arise in the foreseeable future, deferred taxation is calculated on all timing differences at the rates of tax ruling at the dates when these timing differences are expected to reverse.

Income from fixed asset investment

In each period the company recognises as income a share of the net profits of the Partnership for the same period. This share is calculated on an accruals basis in proportion to the company's contribution to the Partnership's capital.

2 Reorganisation of First Tower Limited Partnership ("the Partnership")

The company owns an interest as a limited partner in the Partnership. On 5 September 1996 the Partnership was reorganised, the terms of which comprised:

- (a) the grant by the Partnership of an overriding lease in the Partnership's property interest to a Canary Wharf Group undertaking;
- (b) the repayment of certain liabilities owing to the Partnership by other Canary Wharf Group undertakings;
- (c) the assignment of certain other liabilities owing by the Partnership and by the limited partners to a Canary Wharf Group undertaking. In consideration for this assignment the company paid an amount equal to the fair value of the debts plus interest together with a premium of £103,331;
- (d) as described in note 6 the distribution by the Partnership of all but £2,000 of its invested capital and accumulated reserves leaving each of the twelve limited partners with an investment of £166.50 in the Partnership; and
- (e) the repayment by the limited partners of their remaining liabilities to other Canary Wharf Group undertakings.

3 Profit on ordinary activities before taxation

The company employs no staff. None of the directors received any emoluments in respect of their services to the company during the period. Auditors' remuneration has been borne by a company of the Provident Financial plc group.

4 Taxation on profit on ordinary activities

There is no charge for corporation tax due to the availability of tax allowances brought forward.

5 Dividend

	Period ended 10 October 1996 £	Year ended 30 June 1996 £
Ordinary dividend of £39.85 per share paid on 12 September 1996	2,590	-

6 Investment in Partnership

As a limited partner, the company has contributed 8.325% of the capital of First Tower Limited Partnership ("the Partnership"), an entity which commenced business on 22 August 1991 and which holds the beneficial interest in certain properties at Canary Wharf.

Upon commencing business the Partnership acquired an interest in certain floors within the Tower at Canary Wharf and certain retail areas within the Canary Wharf estate. On 22 December 1995 the Partnership sold its retail interests to a fellow Canary Wharf Group undertaking and as at 30 June 1996, the Partnership's remaining property interest comprised a leasehold interest in certain office space within the Tower.

As referred to in note 2, on 5 September 1996 the Partnership granted an overriding lease on this office space at a nominal ground rent to a Canary Wharf Group undertaking. On the same date the Partnership returned all but £2,000 of its invested capital to its partners leaving each of the twelve limited partners with an investment of £166.50 in the Partnership.

The movement in the company's investment over the period was as follows:

	Period ended 10 October 1996 £
At 1 July 1996	8,741,417
Return of capital by Partnership	(8,741,250)
	<hr/>
At 10 October 1996	167
	<hr/>

Under partnership law, there is a possibility that the company may, in certain circumstances, have to re-contribute to the Partnership some or all of the capital which has been returned previously by the Partnership to the company. No liability is expected to arise.

7 Release of fixed and floating charges

The company had granted the following security up to the start of business on 10 October 1996:

- (a) a guarantee and first ranking fixed and floating charge over its assets to secure a loan in the principal amount of £188.7 million assumed by the company's immediate former parent undertaking within the Canary Wharf Group; and
- (b) second ranking fixed and floating charges to secure borrowings by Canary Wharf Holdings Limited (CWHL), totalling £165 million.

As a condition of the sale the security referred to above was released.

8 Debtors

	10 October 1996 £	30 June 1996 £
Amount due from Partnership	24	917,488
Amount due from Canary Wharf Group	-	65
	<u>24</u>	<u>917,553</u>

9 Creditors: amounts falling due within one year

	10 October 1996 £	30 June 1996 £
Amount owed to Canary Wharf Group	-	9,658,903
	<u>-</u>	<u>9,658,903</u>

10 Called-up share capital

	10 October 1996 £	30 June 1996 £
Authorised:		
100,000 deferred ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
100 ordinary shares of \$1 each	<u>65</u>	<u>65</u>
Issued, allotted and fully paid:		
Deferred ordinary shares of £1 each	102	2
100 ordinary shares of \$1 each	<u>65</u>	<u>65</u>
	<u>167</u>	<u>67</u>

On 5 September 1996, 100 deferred ordinary shares of £1 each were issued for cash.

The deferred ordinary shares do not carry a right to receive notice of or attend and vote at any general meeting of the company. Under the Articles of Association the holders of the deferred ordinary shares will only be entitled to any participation in the profit or assets of the company in very limited and specified circumstances. The company has the power and authority at any time to purchase all or any of these shares for an aggregate consideration of £1.

11 Reconciliation of movements in equity shareholders' funds

	£
As at 1 July 1996	67
Issue of deferred ordinary shares	100
Profit for the period	<u>29</u>
As at 10 October 1996	<u>196</u>

12 Ultimate parent undertaking

On 10 October 1996 the company's shares were sold to Provident Financial plc, a company registered in England and independent of the Canary Wharf Group.