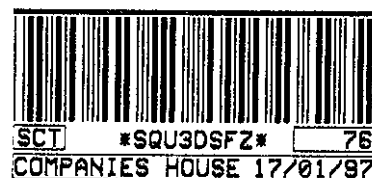


FIRST TOWER LP(7) LIMITED
Registered No: SC 127807

DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 1996

C.



FIRST TOWER LP(7) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 1996

The directors present herewith the audited accounts for the year ended 30 June 1996.

ULTIMATE PARENT UNDERTAKING

The company's immediate parent undertaking until 22 December 1995 was Canary Wharf Investments Limited (CWIL), a company registered in England and Wales. With effect from 22 December 1995 the company's immediate parent undertaking became CWE SPV HCo Limited, a company registered in England and Wales. The company's ultimate parent undertaking until 27 December 1995 was Sylvester Investments Limited (SIL), a company controlled by certain former and existing lenders to the Canary Wharf Group comprising Canary Wharf Holdings Limited (CWHL) and its subsidiaries (the Group). With effect from 27 December 1995 the company's ultimate UK parent undertaking became CWI Holdings plc (CWI Holdings) upon the sale by SIL of its interest in the Group. The company's ultimate parent undertaking with effect from that date became C.W. Investments Limited Partnership, a Cayman Islands undertaking.

A contract has been entered into for the sale of the shares in the company to a company outside of the existing Group and such sale is due to be completed on the date on which these accounts are signed.

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS

The company owns a partnership interest as a limited partner in the First Tower Limited Partnership, an entity which holds certain property interests, as described in Note 5 to the accounts.

During the year the Group, of which the company is a member, was significantly restructured, involving, inter alia, the repayment of elements of the Group's bank debt, the provision of new borrowing facilities and an injection of share capital. Further details of this restructuring are set out in Note 1.

Subsequent to the year end, 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.

SHARE CAPITAL

Details of the company's share capital are shown in Note 9 to the accounts.

DIVIDENDS AND RESERVES

The profit and loss account for the year is set out on page 5. The directors do not recommend the payment of a dividend, there being no profit or loss to be transferred to reserves.

FIRST TOWER LP(7) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 1996 (CONTINUED)

DIRECTORS

The directors of the company who served during the year ended 30 June 1996 were:

A P Anderson	(appointed 22 December 1995)
P F Garner	(resigned 22 December 1995)
G Iacobescu	(resigned 22 December 1995, reappointed 6 February 1996)
Sir Peter Levene, KBE	(resigned 22 December 1995)
G Rothman	(appointed 6 February 1996)
C Young	(appointed 1 April 1996)

DIRECTORS' INTERESTS


No director had any beneficial interest in the shares of the company or in, any United Kingdom subsidiary of, CWI Holdings at 30 June 1996 or at any time during the year.

During the year the Group purchased and maintained for its directors liability insurance against liabilities in relation to the Group, in accordance with section 310(3)(a) of the Companies Act 1985.

AUDITORS

The company's incumbent auditors, Arthur Andersen, have indicated their willingness to resign and Coopers & Lybrand have agreed to be appointed as auditors to the company.

BY ORDER OF THE BOARD


..... Company Secretary
M D Precious

9 October 1996

STATEMENT OF 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 year and of the result for that period. In preparing those 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.

AUDITORS' REPORT TO THE SHAREHOLDERS OF FIRST TOWER LP(7) LIMITED

We have audited the accounts on pages 5 to 10 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 to report our opinion to you.

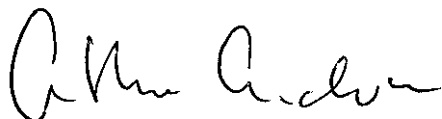
Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgments 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 the 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 information in the accounts and in particular Note 1 which refers to the basis of preparation of the accounts, the restructuring of the Group's borrowing facilities on 27 December 1995, the provision of new bank facilities and the injection of additional share capital. Our opinion is not qualified in this respect.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 30 June 1996 and of its result 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

9 October 1996

FIRST TOWER LP(7) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 1996

	<u>Notes</u>	Year ended 30 June 1996 £	8 months to 30 June 1995 £
Income from fixed asset investment		431,712	278,180
Interest payable to parent undertaking		<u>(431,712)</u>	<u>(278,180)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX	3	-	-
Taxation on profit on ordinary activities	4	<u>-</u>	<u>-</u>
PROFIT FOR THE FINANCIAL YEAR		<u>-</u>	<u>-</u>

All gains and losses have been recognised in the profit and loss account for the financial year.

The company's only cash flow in the year ended 30 June 1996 was the receipt of £65 for the issue of shares and loan back of £65 to its parent undertaking. There were no cash flows in the company during the period ended 30 June 1995.

The notes on pages 7 to 10 form part of these accounts.

FIRST TOWER LP(7) LIMITED**BALANCE SHEET AT 30 JUNE 1996**

	<u>Notes</u>	<u>30 June 1996</u>	<u>30 June 1995</u>
		£	£
FIXED ASSET			
Investment in partnership	5	<u>8,741,417</u>	<u>8,741,417</u>
CURRENT ASSETS			
Debtors	6	917,553	485,777
CREDITORS: Amounts falling due within one year			
Amounts owed to fellow subsidiary undertakings	7	<u>(9,658,903)</u>	<u>(78,916)</u>
NET CURRENT (LIABILITIES)/ ASSETS		<u>(8,741,350)</u>	<u>406,861</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		67	9,148,278
CREDITORS: Amounts falling due after more than one year	8	<u>-</u>	<u>(9,148,276)</u>
		<u><u>67</u></u>	<u><u>2</u></u>
CAPITAL AND RESERVES			
Called-up share capital	9	67	2
Profit and loss account		<u>-</u>	<u>-</u>
	10	<u><u>67</u></u>	<u><u>2</u></u>

The notes on pages 7 to 10 form part of these accounts.

APPROVED BY THE BOARD ON 9 OCTOBER 1996 AND SIGNED ON ITS BEHALF BY:



G ROTHMAN
DIRECTOR

FIRST TOWER LP(7) LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1996

1 RESTRUCTURING OF THE GROUP

On 27 December 1995 arrangements were finalised for the sale of the Group to CWI Holdings plc. These arrangements comprised the following:

- (1) The injection of share capital totalling £405 million by way of a subscription for preferred redeemable shares in the company's parent, Canary Wharf Holdings Limited (CWHL).
- (2) The provision of a new interim borrowing facility comprising short term and long term debt in the principal amount of £220 million for the purposes of repaying in part certain existing indebtedness of the Group as well as providing working capital to the companies in the Group. The loan is secured by:
 - (a) guarantees from the members of the Group;
 - (b) a first ranking fixed charge over the properties at Canary Wharf, other than those charged to European Investment Bank (EIB) (Note 1(4)) and those subject to a charge to London Underground Limited (LUL) in respect of the Group's contributions to the Jubilee Line Extension, these latter properties being subject to second ranking charges;
 - (c) fixed charges over other assets of the Group; and
 - (d) floating charges over all the assets of the Group.
- (3) The early prepayment of certain elements of the Group's existing indebtedness.
- (4) The amendment and restatement of existing facilities made available by EIB relating to the funding of the Docklands Light Railway and the Jubilee Line Extension in an aggregate amount of £188.7 million. The restated EIB debt is secured by first ranking charges over certain specified properties within the Canary Wharf development and over the subsidiaries within the Group holding these interests, including the company, and by second ranking charges over other assets of the Group.
- (5) The restructuring of the company's share capital (see Note 9 to the accounts) such that 100 ordinary shares of \$1 each were issued to CWIL and the existing share capital reclassified as deferred ordinary share capital.

The directors of the company are of the opinion that the security provided by the company in respect of borrowings by other Group entities will not be exercised on the basis of the plans of those entities to meet their short term finance obligations. Accordingly the directors consider it appropriate for the company's accounts to be prepared on a going concern basis.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1996 (CONTINUED)

2 PRINCIPAL ACCOUNTING POLICIES

A summary of the accounting policies of the company, all of which have been applied consistently throughout the year and the preceding period, is set out below:

(a) Accounting convention

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

(b) Investment in partnership

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

3 ADMINISTRATIVE EXPENSES

(a) Auditors' remuneration

Auditors' remuneration has been borne by a fellow subsidiary undertaking.

(b) Directors' emoluments

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

(c) Employee information

No staff were employed by the company other than the directors.

4 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

No charge for taxation has been made as there was no profit chargeable to corporation tax for the year.

5 INVESTMENT IN PARTNERSHIP

As a limited partner, the company has contributed 8.325% of the capital of First Tower Limited 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, in connection with the restructuring referred to in Note 1, the Partnership sold its retail interests to a fellow Group company.

FIRST TOWER LP(7) LIMITED**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1996 (CONTINUED)****6 DEBTORS**

	30 June 1996	30 June 1995
	£	£
Amount due from Partnership	917,488	485,777
Amount due from parent undertaking	65	-
	<u>917,553</u>	<u>485,777</u>

7 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30 June 1996	30 June 1995
	£	£
Amount owed to fellow subsidiary undertakings	78,750	78,916
Amount due to parent undertaking	<u>9,580,153</u>	-
	<u>9,658,903</u>	<u>78,916</u>

Amounts due to other group companies were settled in full on 5 September 1996.

8 CREDITORS : AMOUNTS FALLING DUE IN MORE THAN ONE YEAR

	30 June 1996	30 June 1995
	£	£
Amount due to parent undertaking	-	<u>9,148,276</u>

The amount due to the company's parent undertaking was repaid on 5 September 1996 and has therefore been shown within creditors due within one year. During the year interest was charged on the outstanding balance at the lower of a rate equal to the Sterling Base Rate quoted by Barclays Bank Plc and the company's retained profit for the period.

9 CALLED-UP SHARE CAPITAL

	30 June 1996	30 June 1995
	£	£
Authorised:		
100,000 ordinary shares of £1 each	-	100,000
100,000 deferred ordinary shares of £1 each	<u>100,000</u>	-
100 ordinary shares of \$1 each	<u>65</u>	-
Issued, allotted and fully paid:		
2 ordinary shares of £1 each	-	2
2 deferred ordinary shares of £1 each	2	-
100 ordinary shares of \$1 each	<u>65</u>	-
	<u>67</u>	<u>2</u>

On 27 December 1995 the ordinary shares of £1 each were reclassified as deferred ordinary shares of £1 each. Simultaneously 100 ordinary shares of \$1 each were authorised and issued in connection with the Group restructuring referred to in Note 1.

FIRST TOWER LP(7) LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1996 (CONTINUED)

10 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	£
As at 1 July 1995	2
Issue of ordinary shares	<u>65</u>
As at 30 June 1996	<u>67</u>

11 FINANCIAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 1996 the company had given a guarantee and granted fixed and floating charges over its assets to secure the borrowings referred to in Notes 1(2) and 1(4).

Under Partnership Law the partners are liable to re-contribute the capital which has been previously returned to them to meet any liabilities or obligations of the Partnership.

12 ULTIMATE PARENT UNDERTAKING

The company's immediate parent undertaking until 22 December 1995 was CWIL, a company registered in England and Wales. With effect from 22 December 1995 the company's immediate parent undertaking became CWE SPV HCo Limited, a company registered in England and Wales. The company's ultimate parent undertaking until 27 December 1995 was SIL, a company controlled by certain of the lenders to the Group. With effect from 27 December 1995 the company's ultimate UK parent became CWI Holdings upon the sale by SIL of its interest in the Group. The company's ultimate parent undertaking with effect from that date became C.W. Investments Limited Partnership, a Cayman Islands undertaking.

The smallest and largest groups into which the accounts of the company will be consolidated are the consolidated accounts of CWHL and CWI Holdings. Copies of these accounts will be obtainable from One Canada Square, Canary Wharf, London E14 5AB.

13 POST BALANCE SHEET EVENT

A contract has been entered into for the sale of the shares in the company to a company outside of the existing Group and such sale is due to be completed on the date on which these accounts are signed.