

FIRST TOWER LP(7) LIMITED
Registered No: 127807

DIRECTORS' REPORT AND ACCOUNTS
FOR THE EIGHT MONTH PERIOD ENDED 30 JUNE 1995

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FIRST TOWER LP(7) LIMITED

DIRECTORS' REPORT FOR THE EIGHT MONTH PERIOD ENDED 30 JUNE 1995

The directors present herewith the audited accounts for the period ended 30 June 1995.

ULTIMATE PARENT UNDERTAKING

The company's immediate parent undertaking until 22 December 1995 was Canary Wharf Investments Limited ('CWIL'), a company registered in England. With effect from 22 December 1995 the company's immediate parent undertaking became CWE SPV HCo Limited, a company registered in England. The company's ultimate parent undertaking until 27 December 1995 was Sylvester Investments Limited (SIL), a company controlled by certain of the lenders to the Canary Wharf Group ('the Group'). With effect from 27 December 1995 the company's ultimate UK parent became CWI Holdings plc 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.

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 described in Note 4 to the accounts.

Subsequent to the period end the Group, of which the company is a part, was significantly restructured, involving, inter alia, the repayment of elements of the Group's existing 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.

SHARE CAPITAL

Details of the company's share capital are shown in Note 6 to the accounts.

DIVIDENDS AND RESERVES

The profit and loss account for the period 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.

DIRECTORS

The directors of the company who served during the period ended 30 June 1995 were:

P F Garner	(resigned 22 December 1995)
G Iacobescu	(resigned 22 December 1995)
Sir Peter Levene, KBE	(resigned 22 December 1995)

Subsequent to the period end, on 22 December 1995, AP Anderson was appointed as sole director of the company. On 6 February 1996, G Iacobescu was reappointed as a director and on the same date G Rothman was appointed as a director.

FIRST TOWER LP(7) LIMITED

DIRECTORS' REPORT FOR THE EIGHT MONTH PERIOD ENDED 30 JUNE 1995 (CONTINUED)

DIRECTORS' INTERESTS

No director had any beneficial interest in the shares of the company or any United Kingdom subsidiary undertaking of SIL at 30 June 1995 or at any time during the period.

During the period the Group, of which the company is a member, purchased and maintained for its directors liability insurance against liabilities in relation to the Group, as described in section 310(3)(a) of the Companies Act 1985.

AUDITORS

The company's incumbent auditors, Price Waterhouse, have indicated their willingness to resign and Arthur Andersen have agreed to be appointed as auditors.

BY ORDER OF THE BOARD

) Company Secretary
M D Precious

26 March 1996

FIRST TOWER LP(7) LIMITED

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 accounting records which disclose with reasonable accuracy at any time the financial position of the company and to 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 MEMBERS 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 accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

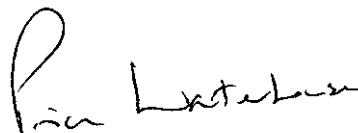
Basis of opinion

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 1995 and of its result for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Price Waterhouse
London
Chartered Accountants
and Registered Auditors

26 March 1996

FIRST TOWER LP(7) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 30 JUNE 1995

	<u>Notes</u>	Period ended 30 June <u>1995</u> £	Year ended 31 October <u>1994</u> £
Income from fixed asset investment		278,180	203,293
Interest payable to parent undertaking		<u>(278,180)</u>	<u>(207,597)</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAX		-	(4,304)
Taxation on profit/(loss) on ordinary activities	3	<u>-</u>	<u>-</u>
PROFIT/(LOSS) FOR THE FINANCIAL PERIOD	7	<u>-</u>	<u>(4,304)</u>

Movements in reserves are shown in note 7 to these accounts.

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

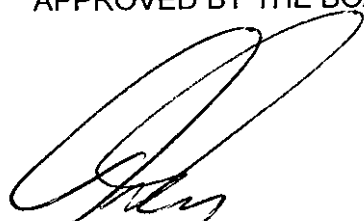
The notes on pages 7 to 10 form part of these accounts.

FIRST TOWER LP(7) LIMITED**BALANCE SHEET AT 30 JUNE 1995**

	<u>Notes</u>	<u>30 June 1995</u>	<u>31 October 1994</u>
		£	£
FIXED ASSET			
Investment in partnership	4	<u>8,741,417</u>	<u>8,741,417</u>
CURRENT ASSETS			
Amount due from partnership		485,777	207,597
CREDITORS: Amounts falling due within one year			
Amounts owed to parent undertaking and fellow subsidiary undertakings		<u>(78,916)</u>	<u>(78,915)</u>
NET CURRENT ASSETS		<u>406,861</u>	<u>128,682</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		9,148,278	8,870,099
CREDITORS: Amounts falling due after more than one year	5	<u>(9,148,276)</u>	<u>(8,870,097)</u>
		<u>2</u>	<u>2</u>
CAPITAL AND RESERVES			
Called up share capital	6	2	2
Profit and loss account	7	<u>-</u>	<u>-</u>
		<u>2</u>	<u>2</u>

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

APPROVED BY THE BOARD ON 26 MARCH 1996 AND SIGNED ON ITS BEHALF BY:



A P ANDERSON

FIRST TOWER LP(7) LIMITED

NOTES TO THE ACCOUNTS FOR THE EIGHT MONTH PERIOD ENDED 30 JUNE 1995

1 SUBSEQUENT EVENTS AND BASIS OF PREPARATION

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 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. On 27 December 1995 £130 million was drawn down from this facility and prior to 30 April 1996 a further amount of up to £90 million may be drawn down. The facility is then frozen at the amount drawn down at 30 April until 31 December 1996. At that date the facility reduces to £100 million with this amount being available for a term of up to five years. Earlier repayment on the basis of an agreed repayment schedule is triggered in the event of refinancings being put in place within the five year term. The loan carries interest at a rate of LIBOR plus 400 basis points and 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;
 - (c) fixed charges over the 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 as at 30 June 1995. A further deferred payment will be made to the Group's former lenders from funds set aside for this purpose once certain conditions have been satisfied.
- (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 carries an effective interest rate of 7% and 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 the other assets of the Group.
- (5) The restructuring of the company's share capital (see Note 6 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.

FIRST TOWER LP(7) LIMITED

NOTES TO THE ACCOUNTS FOR THE EIGHT MONTH PERIOD ENDED 30 JUNE 1995 (CONTINUED)

2 PRINCIPAL ACCOUNTING POLICIES

A summary of the principal accounting policies of the company 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.

3 TAXATION ON LOSS ON ORDINARY ACTIVITIES

No charge for taxation has been made as any profit chargeable to corporation tax will be covered by group relief, expected to be available for surrender by other companies within the Group.

4 INVESTMENT IN PARTNERSHIP

As a limited partner, the company has contributed 8.325% of the initial 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.

On 11 February 1994, the company contributed a further £8,741,250 of capital to the First Tower Limited Partnership. Following this capital contribution, and similar contributions by the other Limited Partners, the company's interest in the partnership remained at 8.325%.

5 CREDITORS : AMOUNTS FALLING DUE IN MORE THAN ONE YEAR

	30 June 1995 £	31 October 1994 £
Amounts due to parent undertaking	<u>9,148,276</u>	<u>8,870,097</u>

The amounts due to the company's parent undertaking are due to be repaid by 1 November 2007. Interest is 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 profits.

6 CALLED UP SHARE CAPITAL

	30 June 1995 £	31 October 1994 £
Authorised: 1,000,000 ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
Allotted and fully paid: 2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

FIRST TOWER LP(7) LIMITED

NOTES TO THE ACCOUNTS FOR THE EIGHT MONTH PERIOD ENDED 30 JUNE 1995 (CONTINUED)

6 CALLED UP SHARE CAPITAL (Continued)

Subsequent to the period end on 22 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.

7 PROFIT AND LOSS ACCOUNT

	£
At 1 November 1994 and 30 June 1995	<u>—</u>

8 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	£
Shareholders funds as at 1 November 1994 and 30 June 1995	<u>2</u>

9 FINANCIAL COMMITMENTS

As at 30 June 1995 the company had given a fixed charge over substantially all its assets and a floating charge over the remainder against the following bank borrowings:

- i) term loans totalling £176.3 million comprising a loan of £113.3 million made available by EIB to fund the Group's initial payment to London Underground Limited to enable work to begin on construction and operation of the Jubilee Line extension and a loan of £63.0 million to fund, inter alia, the working capital requirements of the Group.
- ii) construction loan liabilities totalling £578 million plus the accumulated interest that would arise in the event of any member of the Group becoming insolvent or a liquidator, administrator, receiver or similar officer being appointed or upon the occurrence of any other relevant event of default;
- iii) a loan due to the European Investment Bank (EIB) of £50 million plus the accumulated interest that would arise in the event of default.

The security referred to in paragraphs (i) and (ii) was released and the security referred to in paragraph (iii) restructured as part of the arrangements referred to in Note 1.

10 ULTIMATE PARENT UNDERTAKING

The company's immediate parent undertaking until 22 December 1995 was Canary Wharf Investments Limited (CWIL), a company registered in England. With effect from 22 December 1995 the company's immediate parent undertaking became CWE SPV HCo Limited, a company registered in England. The company's ultimate parent undertaking until 27 December 1995 was Sylvester Investments Limited (SIL), a company controlled by certain of the lenders to the Canary Wharf Group ('the Group'). With effect from 27 December 1995 the company's ultimate UK parent became CWI Holdings plc 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.

FIRST TOWER LP(7) LIMITED

NOTES TO THE ACCOUNTS FOR THE EIGHT MONTH PERIOD ENDED 30 JUNE 1995 (CONTINUED)

10 ULTIMATE PARENT UNDERTAKING (Continued)

The smallest and largest groups into which the accounts of the company are consolidated are the consolidated accounts of CWHL and SIL. Copies of the accounts of CWHL may be obtained from One Canada Square, Canary Wharf, London, E14 5AB. Copies of the accounts of SIL will be obtainable from Lloyds Bank Plc acting as Security Agent to the Group's former lenders, St George's House, 6-8 Eastcheap, London EC3M 1LL.