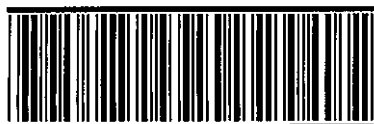


FIRST TOWER LP(7) LIMITED
Registered No: 127807

DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 OCTOBER 1994



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FIRST TOWER LP(7) LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 OCTOBER 1994

The directors present herewith the audited accounts for the year ended 31 October 1994.

ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking is Canary Wharf Investments Limited (CWIL) registered in England. The company's ultimate parent company is Sylvester Investments Limited (SIL), a company controlled by a consortium of certain of the lenders to the Canary Wharf group.

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS

The company owns a partnership interest as a limited partner in First Tower Limited Partnership, an entity which holds certain property interests described in note 4 to the accounts.

FUNDING

The company is dependent on funding from other group undertakings to finance its operations. On 28 May 1992 the then parent undertaking and certain fellow subsidiaries of the company were placed into Administration. On 2 June 1992 the company itself was placed into Administration. On 29 October 1993, prior to the discharge of the Administration Orders, arrangements were approved by the Courts to enable the company and certain fellow subsidiaries to exit from Administration. A summary of those arrangements, involving the creation of a new holding company for the companies involved in the Canary Wharf development, Canary Wharf Holdings Limited (CWHL), the restructuring of existing bank debt and intercompany accounts, company voluntary arrangements and the provision of additional bank facilities, are given in note 11 to the accounts.

The group has prepared cashflow projections covering the period to 2007. These projections were prepared on the basis of a number of significant assumptions covering an unusually extended period and their achievement could clearly be affected by a number of factors during that period. The projections indicate that the group should be able to operate within the facilities agreed with its bankers. Having considered the future prospects of the group, the Directors consider it appropriate for the company's accounts to be prepared on a going concern basis.

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 and a loss of £4,304 will be transferred to reserves.

FIRST TOWER LP(7) LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 OCTOBER 1994 (CONTINUED)

DIRECTORS

The Directors of the company during the year ended 31 October 1994 were:

Sir Peter Levene KBE	(appointed 1 November 1993)
P F Garner	(appointed 1 November 1993)
G Iacobescu	(appointed 29 July 1994)
G Rothman	(resigned 2 June 1994)

DIRECTORS' INTERESTS

No Director had any beneficial interest in the shares of the company or any United Kingdom subsidiary undertaking of SIL at 31 October 1994 or at any time during the year.

During the year 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 auditors, Price Waterhouse, have expressed 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

) Company Secretary
M D Precious

 April 1995

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 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.

FIRST TOWER LP(7) LIMITED

**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 7.

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.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31 October 1994 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse
London
Chartered Accountants
and Registered Auditors

2nd April 1995

FIRST TOWER LP(7) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 OCTOBER 1994

	<u>Notes</u>	31 October 1994 £	31 October 1993 £
Income from fixed asset investment		203,293	4,304
Interest payable to parent undertaking		<u>(207,597)</u>	<u>-</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAX		(4,304)	4,304
Taxation on (loss)/profit on ordinary activities	3	<u>-</u>	<u>-</u>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR	7	<u>(4,304)</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 year.

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

FIRST TOWER LP(7) LIMITED

BALANCE SHEET AT 31 OCTOBER 1994

	<u>Notes</u>	31 October 1994 £	31 October 1993 £
FIXED ASSET			
Investment in partnership	4	<u>8,741,417</u>	<u>167</u>
CURRENT ASSETS			
Amount due from partnership		207,597	4,304
CREDITORS: Amounts falling due within one year			
Amounts owed to parent undertaking and fellow subsidiary undertakings		<u>(78,915)</u>	<u>(165)</u>
NET CURRENT ASSETS		<u>128,682</u>	<u>4,319</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		8,870,099	4,306
CREDITORS: Amounts falling due after more than one year			
	5	<u>(8,870,097)</u>	<u>-</u>
		<u>2</u>	<u>4,306</u>
CAPITAL AND RESERVES			
Called up share capital	6	2	2
Profit and loss account	7	<u>-</u>	<u>4,304</u>
		<u>2</u>	<u>4,306</u>

APPROVED BY THE BOARD ON ^{20th} APRIL 1995 AND SIGNED ON ITS BEHALF BY:

 FINANCE DIRECTOR
P F GARNER

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

FIRST TOWER LP(7) LIMITED

NOTES TO THE ACCOUNTS AS AT 31 OCTOBER 1994

1 BASIS OF PREPARATION

The company is dependent on funding from other group undertakings to finance its operations. On 28 May 1992 the then parent undertaking and certain fellow subsidiaries of the company were placed into Administration. On 2 June 1992 the company itself was placed into Administration. On 29 October 1993, prior to the discharge of the Administration Orders, arrangements were approved by the Courts to enable the company and certain fellow subsidiaries to exit from Administration. A summary of those arrangements, involving the creation of a new holding company for the companies involved in the Canary Wharf development (CWHL), the restructuring of existing bank debt and intercompany accounts, company voluntary arrangements and the provision of additional bank facilities, are given in note 11 to the accounts.

The group has prepared cashflow projections covering the period to 2007. These projections were prepared on the basis of a number of significant assumptions covering an unusually extended period and their achievement could clearly be affected by a number of factors during that period. The projections indicate that the group should be able to operate within the facilities agreed with its bankers. Having considered the future prospects of the group, the Directors consider it appropriate for the company's accounts to be prepared on a going concern basis.

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 in view of the loss for the year.

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 has held the beneficial interest in certain properties since that date.

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%.

FIRST TOWER LP(7) LIMITED

NOTES TO THE ACCOUNTS AS AT 31 OCTOBER 1994 (CONTINUED)

5 CREDITORS : AMOUNTS FALLING DUE IN MORE THAN ONE YEAR

	31 October 1994 £	31 October 1993 £
Amounts due to parent undertaking	<u>8,870,097</u>	<u>-</u>

Amounts due to 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

	31 October 1994 £	31 October 1993 £
Authorised: 100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
Allotted and fully paid: 2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

7 PROFIT AND LOSS ACCOUNT

	£
At 1 November 1993	4,304
Loss for the financial year	<u>(4,304)</u>
At 31 October 1994	<u>-</u>

8 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	£
Shareholders funds as at 1 November 1993	4,306
Loss for the financial year	<u>(4,304)</u>
Shareholders funds as at 31 October 1994	<u>2</u>

FIRST TOWER LP(7) LIMITED

NOTES TO THE ACCOUNTS AS AT 31 OCTOBER 1994 (CONTINUED)

9 FINANCIAL COMMITMENTS

As at 31 October 1994 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 £278.9 million made available to the group on exit from administration;
- 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) loan due to the European Investment Bank (EIB) of £50 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.

10 ULTIMATE PARENT UNDERTAKING

The company is a wholly owned subsidiary of CWIL, a company registered in England. The company's ultimate parent company is SIL, a company controlled by a consortium of certain of the lenders to the Canary Wharf group.

The smallest and largest groups into which the accounts of the company are consolidated are the consolidated accounts of CWHL and SIL respectively. Copies of these group accounts may be obtained from One Canada Square, Canary Wharf, London E14 5AB.

11 GROUP REORGANISATION

During September and October 1993 arrangements were finalised which enabled the company and certain fellow subsidiaries to exit from Administration. These arrangements may be summarised as follows:

- (1) Company Voluntary Arrangements (CVAs) for certain fellow subsidiaries in accordance with the Insolvency Act 1986 were approved by the requisite majority of creditors in September 1993.
- (2) the corporate structure of the Canary Wharf group was reorganised such that a company controlled by a consortium of certain of the Canary Wharf group's existing lenders, SIL, acquired all the shares in CWHL. Previously, CWHL acquired the shares in certain group companies, including the company, prior to their discharge from Administration.

FIRST TOWER LP(7) LIMITED

NOTES TO THE ACCOUNTS AS AT 31 OCTOBER 1994 (CONTINUED)

11 GROUP REORGANISATION (Continued)

- (3) substantially all of the debt obligations of the group were compromised and deferred on terms such that it will not be repayable until 2007 (unless any of the group becomes insolvent or has a liquidator, administrator, receiver or similar officer appointed to it, or there is any other event of default in which case the lenders may demand early repayment). The security for the compromised and deferred debt ranks behind the security for the new credit facilities noted in (4) below.
- (4) new facilities totalling £278.9 million were made available to the group as follows:
 - a a £98.1 million facility made available by EIB to fund the initial payment to London Underground Limited to enable work to begin on the construction of the Jubilee Line extension; and
 - b a £180.8 million facility to fund, inter alia, the working capital requirements of the group and a payment to creditors under the CVAs of up to £27 million.
- (5) the new facilities are secured by first ranking security on the assets of the CWHL group of companies, subject to the security over phases 3, 4 and 5 of the development referred to in (7) below.
- (6) in consideration for their provision of the £98.1 million facility to fund the initial contribution towards the construction of the Jubilee Line extension, £50.0 million of unsecured debt and £13.0 million of accrued interest owed to EIB by the former ultimate UK parent company was assumed by a member of the group and restructured in accordance with (3) above. Security for this debt ranks third behind the security described above and is subject to the arrangement for security over phases 3, 4 and 5 of the development referred to in (7) below.
- (7) in addition to the first instalment of £98.1 million which has been paid to London Underground Limited, a further £300.5 million will be paid over an approximately 24 year period from completion of the Jubilee Line extension ('the subsequent payments'). The subsequent payments are secured by first ranking security over those parts of the development which remain to be built (known as phases 3, 4 and 5). In certain circumstances, such as insolvency or default, or development of phases 3, 4 or 5 of the adjacent Heron Quays site, the group may be obliged to prepay some or, in the event of insolvency or default, all of the subsequent payments at their then net present value.
- (8) the inter-company debt within the Canary Wharf group was compromised and reorganised.