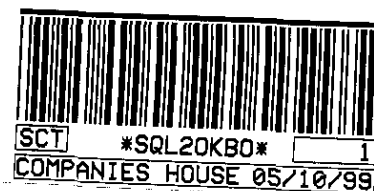


FIRST TOWER LP(11) LIMITED

DIRECTOR'S REPORT AND ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 1998

(Company Number SC122181)

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**FIRST TOWER LP(11) LIMITED**

**DIRECTOR'S REPORT AND ACCOUNTS**  
**FOR THE YEAR ENDED 31 DECEMBER 1998**

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**FIRST TOWER LP(11) LIMITED**  
**REPORT OF THE DIRECTOR**  
**FOR THE YEAR ENDED 31 DECEMBER 1998**

The director presents herewith the audited accounts for the year ended 31 December 1998.

1. **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 a beneficial leasehold interest in office accommodation.

Both the level of business and the year end financial position were satisfactory, and the director expects that the present level of activity will be sustained for the foreseeable future.

2. **Results**

The profit and loss account for the year is set out on page 5. The retained profit for the year of £42 (1997: £15) has been transferred to reserves.

3. **Dividend**

The director does not recommend the payment of a dividend in respect of the year (prior period: £Nil).

4. **Director**

The director of the company who served during the year ended 31 December 1998 was Mr R S Heels.

5. **Director's interests**

According to the register required to be kept under Section 325 of the Companies Act 1985, the interests of the director of the company at 31 December 1998 and at the beginning of the year, in the shares of the company's parent undertaking were as follows:

	Number of ordinary shares of 10 <sup>4</sup> / <sub>11</sub> p each (1 January 1998 10p each)			
	<u>Beneficial holdings</u>		<u>Share options</u>	
	<u>31 December</u> <u>1998</u>	<u>1 January</u> <u>1998</u>	<u>31 December</u> <u>1998</u>	<u>1 January</u> <u>1998</u>
R S Heels	<u>59,161</u>	<u>68,115</u>	<u>62,456</u>	<u>56,422</u>

The above options are exercisable at various dates before 2008 at prices ranging between 140p and 985p per ordinary share. During the year Mr R S Heels was granted 6,034 and exercised no share options. On 29 January 1999 Mr R S Heels exercised 492 share options.

Mr R S Heels did not have any interest in the shares of the company or any other group company, except as disclosed above.

**FIRST TOWER LP(11) LIMITED**  
**REPORT OF THE DIRECTOR**  
**FOR THE YEAR ENDED 31 DECEMBER 1998**

6. **Year 2000**

All critical changes have been made to ensure the efficient and effective transition of the company's systems through the millennium date change. Work continues on the outstanding minor issues. This work is co-ordinated by the parent undertaking.

The company has also requested specific assurances of Year 2000 compliance and, where appropriate, sought evidence of this from external suppliers.

The planning and managing of the project has been monitored and reviewed by the company's internal auditors, KPMG.

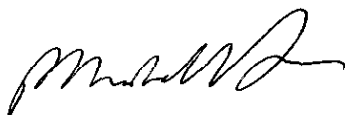
Given the complexity of the problem, it is impossible to guarantee that no year 2000 problems will occur. However, given the programme of work which is well under way, the main risk is believed to be from third parties, such as suppliers.

There are no estimated costs to the company, as these are borne by fellow group undertakings.

7. **Auditors**

Following the merger between Coopers & Lybrand and Price Waterhouse, Coopers & Lybrand resigned as the company's auditors on 18 September 1998 and the company in general meeting appointed PricewaterhouseCoopers as auditors on 2 November 1998.

BY ORDER OF THE BOARD



Secretary

2 March 1999

Registered office:

Saltire Court  
20 Castle Terrace  
EDINBURGH  
EH1 2EN

**FIRST TOWER LP(11) LIMITED**


**STATEMENT OF DIRECTOR'S RESPONSIBILITIES**

Company law requires the director to prepare accounts for each financial year 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 year. 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; and
- 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.

BY ORDER OF THE BOARD



Secretary  
2 March 1999

**FIRST TOWER LP(11) LIMITED**

**REPORT OF THE AUDITORS TO THE MEMBERS OF**  
**FIRST TOWER LP(11) LIMITED**

We have audited the accounts on pages 5 to 9.

**Respective responsibilities of director and auditors**

The director is responsible for preparing the accounts as described on page 3. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the director's report is not consistent with the accounts, 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 director's remuneration and transactions is not disclosed.

We read the other information contained in the Report and Accounts and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

**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 judgements made by the director 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 at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers  
Chartered Accountants and Registered Auditors

LEEDS

2 March 1999

**FIRST TOWER LP(11) LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 1998**

	Notes	<u>Year ended 31 Dec 1998</u> £	<u>Year ended 31 Dec 1997</u> £
Operating loss	2	(208)	(235)
Income from interest in fixed asset investment	1(d)	<u>250</u>	<u>250</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	42	15
Taxation on profit on ordinary activities	3	<u>-</u>	<u>-</u>
PROFIT FOR THE FINANCIAL YEAR		42	15
Dividend paid on ordinary shares		<u>-</u>	<u>-</u>
RETAINED PROFIT FOR THE YEAR		<u><u>42</u></u>	<u><u>15</u></u>

**STATEMENT OF RETAINED PROFITS/(LOSSES)**

	£	£
RETAINED PROFIT FOR THE YEAR	42	15
RETAINED LOSS BROUGHT FORWARD	<u>(100)</u>	<u>(115)</u>
RETAINED LOSS CARRIED FORWARD	<u><u>(58)</u></u>	<u><u>(100)</u></u>

The results shown in the profit and loss account derive wholly from continuing activities.

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

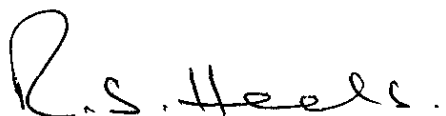
There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

**FIRST TOWER LP(11) LIMITED**

**BALANCE SHEET - 31 DECEMBER 1998**

	Notes	<u>31 Dec</u> <u>1998</u> £	<u>31 Dec</u> <u>1997</u> £
FIXED ASSETS			
Investment in Partnership	4	<u>167</u>	<u>167</u>
CURRENT ASSETS			
Debtors	5	580	330
Cash at bank		<u>5</u>	<u>5</u>
CREDITORS: amounts falling due within one year	6	<u>585</u> <u>(643)</u>	<u>335</u> <u>(435)</u>
NET CURRENT LIABILITIES		<u>(58)</u>	<u>(100)</u>
NET ASSETS		<u>109</u>	<u>67</u>
CAPITAL AND RESERVES			
Called-up share capital	7	167	167
Profit and loss account		<u>(58)</u>	<u>(100)</u>
EQUITY SHAREHOLDERS' FUNDS	8	<u>109</u>	<u>67</u>

These accounts were approved and signed on 2 March 1999 by:



R S Heels  
Director



**FIRST TOWER LP(11) LIMITED**

**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31 DECEMBER 1998**

**1. Principal accounting policies**

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom. A summary of the more important accounting policies applied in preparing the accounts of the company for the year ended 31 December 1998, which have been applied on a consistent basis, is set out below:

a) Investment in Partnership

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

b) Cash flow statement

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

c) 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.

d) Income from fixed asset investment

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

**2. Profit on ordinary activities before taxation**

The company does not employ any staff. The director did not receive any emoluments in respect of his services to the company during the year (1997: £Nil). Auditors' remuneration of £177 is included in the operating loss for the year (1997: £200).

**3. Taxation on profit on ordinary activities**

There is no charge to corporation tax for the year (1997: £Nil).

**4. Investment in Partnership**

As a limited partner, the company has contributed 8.325% of the capital of the Partnership, an entity which holds a beneficial leasehold interest in office accommodation.

Under partnership law, there is a possibility that the company may, in certain circumstances, be required to re-contribute to the Partnership some or all of the capital previously returned to it by the Partnership (in total £8,741,250). No liability is expected to arise.

**FIRST TOWER LP(11) LIMITED**

**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31 DECEMBER 1998 (continued)**

**5. Debtors**

	<u>31 Dec</u> <u>1998</u> £	<u>31 Dec</u> <u>1997</u> £
Amount due from the Partnership	<u>580</u>	<u>330</u>

**6. Creditors: amounts falling due within one year**

	<u>31 Dec</u> <u>1998</u> £	<u>31 Dec</u> <u>1997</u> £
Accruals	-	200
Amount due to parent undertaking	<u>643</u>	<u>235</u>
	<u>643</u>	<u>435</u>

**7. Called-up share capital**

	<u>31 Dec</u> <u>1998</u> £	<u>31 Dec</u> <u>1997</u> £
<u>Authorised:</u>		
1,000,000 deferred ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
100 ordinary shares of \$1 each	<u>65</u>	<u>65</u>
<u>Issued, allotted and fully paid:</u>		
Deferred ordinary shares of £1 each	102	102
100 ordinary shares of \$1 each	<u>65</u>	<u>65</u>
	<u>167</u>	<u>167</u>

The deferred ordinary shares of £1 each 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.

**8. Reconciliation of movements in equity shareholders' funds**

	£
As at 31 December 1997	67
Profit for the year	<u>42</u>
As at 31 December 1998	<u>109</u>

**FIRST TOWER LP(11) LIMITED**

**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31 DECEMBER 1998 (continued)**

**9. Parent undertaking**

The company's parent undertaking is Provident Financial plc, a company registered in England. Copies of that company's consolidated accounts can be obtained from the Company Secretary, Provident Financial plc, Colonnade, Sunbridge Road, Bradford, BD1 2LQ.