

FIRST TOWER GP(1) LIMITED
Registered No: SC 132920

DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 1998

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DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 1998

The directors present herewith the accounts for the year ended 30 June 1998.

ULTIMATE PARENT UNDERTAKING

The company's immediate parent undertaking is CWE SPV HCo Limited, a company registered in England and Wales. The company's ultimate UK parent undertaking is Canary Wharf Group Plc (formerly CWI Holdings plc) and its ultimate parent undertaking is C.W. Investments Limited Partnership, a Cayman Islands undertaking.

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS

The company owns a partnership interest as general partner in the First Tower Limited Partnership (the Partnership), an entity which holds certain property interests described in Note 5 to the accounts. The Partnership comprises two General Partners and twelve Limited Partners and commenced business on 22 August 1991.

Until 5 September 1996, all of the partners were members of the Canary Wharf Holdings Limited Group (the CWHL Group). On that date the company's investment in the Partnership was reduced to £1 as a result of a return of capital and the CWHL Group disposed of its interest in the shares of the limited partners.

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, and a profit of £4 (1997 - £15) will be transferred to reserves.

DIRECTORS

The directors of the company who served during the year ended 30 June 1998 were:

A P Anderson
G Iacobescu
G Rothman
C Young (resigned 27 January 1998)

DIRECTORS' INTERESTS

Other than share options, no director had any beneficial interest in the shares of the company, Canary Wharf Group Plc or in any of its United Kingdom subsidiaries at 30 June 1998 or at any time throughout the year then ended.


Details of options to subscribe for ordinary shares in Canary Wharf Group Plc, granted to the directors during the year, are disclosed in the consolidated accounts of that company.

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 1998 (CONTINUED)

AUDITORS

The company's incumbent auditors, Arthur Andersen, have indicated 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


..... Joint Company Secretary
M D Precious

13 November 1998

Registered office:
Dundas and Wilson
Saltire Court
20 Castle Terrace
EDINBURGH
EH1 2EN

STATEMENT OF THE DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The directors are required by the Companies Act 1985 to prepare accounts for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period and of the results of the company for the period then ended. 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 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.

London**AUDITORS' REPORT TO THE MEMBERS OF
FIRST TOWER GP(1) LIMITED**

We have audited the accounts on pages 5 to 9 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 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.

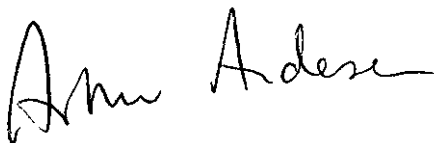
Basis of opinion

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 judgements 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 30 June 1998 and of its profit 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

13 November 1998

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 1998

	Notes	Year ended 30 June 1998 £	Year ended 30 June 1997 £
Income from fixed asset investment		-	1,261
Bank interest receivable		4	-
Interest payable to parent undertaking		-	(625)
OPERATING PROFIT		4	636
Exceptional item:			
Premium payable on assignment of creditors	1	-	(621)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX	3	4	15
Taxation on profit on ordinary activities	4	-	-
PROFIT FOR THE FINANCIAL YEAR	7	4	15

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

The notes on pages 7 to 9 form part of these accounts.

FIRST TOWER GP(1) LIMITED**BALANCE SHEET AT 30 JUNE 1998**

	Notes	30 June 1998 £	30 June 1997 £
FIXED ASSET			
Investment in partnership	5	1	1
CURRENT ASSETS			
Debtors – amounts owed by group undertakings		4	-
Cash at bank and in hand		81	81
		85	81
TOTAL ASSETS		86	82
CAPITAL AND RESERVES			
Called up share capital	6	67	67
Profit and loss account	7	19	15
		86	82

The notes on pages 7 to 9 form part of these accounts.

APPROVED BY THE BOARD ON 13 NOVEMBER 1998 AND SIGNED ON ITS BEHALF
BY:



A PETER ANDERSON
DIRECTOR

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1998

1 REORGANISATION OF PARTNERSHIP

The company owns a partnership interest as a general partner in the First Tower Limited 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 the partners' then parent undertaking;
- (b) the repayment of certain liabilities to the Partnership by other Group undertakings;
- (c) the assignment of certain other liabilities owing by the Partnership and by the partners to a fellow subsidiary undertaking. In consideration for this assignment the company paid a premium of £621;
- (d) the distribution by the Partnership of all bar £2,000 of its invested capital and accumulated reserves; and
- (e) the repayment by the partners of their remaining liabilities to other Group undertakings.

2 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies of the company, all of which have been applied consistently throughout the year and preceding year, are set out below.

(a) Accounting convention

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

In accordance with the provisions of Financial Reporting Standard FRS 1 (Revised), a cash flow statement has not been prepared as the company is a wholly-owned subsidiary of a body incorporated in the European Union. A consolidated cash flow statement will be included in the accounts of CWHL.

(b) Investment in partnership

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

(c) Related party transactions

Under the provisions of FRS 8, the company is exempt from the requirements to disclose related party transactions with other group company's as 90% of the voting rights are controlled within the group and the ultimate U.K. parent undertaking publishes consolidated financial statements that are publicly available.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1998 (CONTINUED)

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

(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 year.

(c) Employee information

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

4 TAXATION

No charge for taxation has been made since the profit for the year will be covered by group relief expected to be available for surrender by other companies within the CWHL Group. No charge will be made by other group companies for the surrender of group relief.

There is no unprovided deferred taxation. The CWHL Group has substantial tax losses which may impact on the company's future tax charge.

5 INVESTMENT IN PARTNERSHIP

As a general partner, the company has contributed 0.05% of the capital of First Tower Limited Partnership, an entity which commenced business on 22 August 1991. 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 27 December 1995 the Partnership sold its retail interests to a fellow Group company. On 5 September 1996, the Partnership granted an overriding lease in its remaining property interests to a fellow subsidiary undertaking.

Also on 5 September 1996, the company's investment in the First Tower Limited Partnership was reduced to £1 as a result of a return of capital by the Partnership. On the same date the CWHL Group disposed of its interest in the shares of the limited partners in the Partnership.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1998 (CONTINUED)

6 CALLED UP SHARE CAPITAL

	30 June 1998	30 June 1997
	£	£
Authorised:		
1,000 deferred ordinary shares of £1 each	1,000	1,000
100 ordinary shares of \$1 each	65	65
Issued, allotted and fully paid:		
2 deferred ordinary shares of £1 each	2	2
100 ordinary shares of \$1 each	65	65
	67	67

The holders of the deferred ordinary shares are entitled to a restricted participation in the profits or assets of the company and do not have any right to attend and vote at any general meeting.

7 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	£
As at 1 July 1997	82
Profit for the financial year	4
As at 30 June 1998	86

8 FINANCIAL COMMITMENTS

As at 30 June 1998 the company had given a guarantee and granted fixed and floating charges over all its assets to secure the borrowings of its parent undertakings.

9 ULTIMATE PARENT UNDERTAKING

The company's immediate parent undertaking is CWE SPV HCo Limited, a company registered in England and Wales. The company's ultimate UK parent undertaking is Canary Wharf Group Plc (formerly CWI Holdings plc) and its ultimate parent undertaking is C.W. Investments Limited Partnership, a Cayman Islands undertaking.

The smallest group into which the accounts of the company are consolidated is the consolidated accounts of CWHL. Copies of the accounts of CWHL may be obtained from the Joint Company Secretary, One Canada Square, Canary Wharf, London E14 5AB. The largest group into which the accounts of the company will be consolidated will be the accounts of Canary Wharf Group Plc. Copies of these accounts may be obtained from the same address.