

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

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

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FIRST TOWER GP(1) 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 (together, the CWHL Group). With effect from 27 December 1995 the company's ultimate UK parent undertaking 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 general partner in the First Tower Limited Partnership (the Partnership), an entity which holds certain property interests, as described in Note 5 to the accounts.

During the year the CWHL Group was significantly restructured, involving, inter alia, the repayment of elements of the 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.

Subsequent to the year end, 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.

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 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)

FIRST TOWER GP(1) LIMITED

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

DIRECTORS' INTERESTS

No director had any beneficial interest in the shares of the company, CWI Holdings plc or any of its United Kingdom subsidiaries 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.

POLICY ON PAYMENT OF CREDITORS


In respect of the company's suppliers it is the company's policy to:

- settle the terms of payment with those suppliers when agreeing the terms of each transaction;
- ensure that those suppliers are made aware of the terms of payment; and
- abide by the terms of payment.

AUDITORS

The company's incumbent auditors, Arthur Andersen, have indicated their willingness to continue in office and a resolution confirming their reappointment will be submitted at the Annual General Meeting.

BY ORDER OF THE BOARD

 Company Secretary
M D Precious

19 December 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 GP(1) LIMITED**

We have audited the accounts on pages 5 to 11 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.

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

Arthur Andersen
Chartered Accountants
and Registered Auditors
1 Surrey Street
LONDON WC2R 2PS

19 December 1996

FIRST TOWER GP(1) LIMITED**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 1996**

	<u>Notes</u>	Year ended 30 June <u>1996</u> £	8 months to 30 June <u>1995</u> £
Income from fixed asset investment		2,593	1,671
Interest payable to parent undertaking		<u>(2,593)</u>	<u>(1,671)</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 notes on pages 7 to 11 form part of these accounts.

FIRST TOWER GP(1) 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>52,501</u>	<u>52,501</u>
CURRENT ASSETS			
Debtors	6	478,075	475,419
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	7	(530,509)	-
NET CURRENT (LIABILITIES)/ASSETS		<u>(52,434)</u>	<u>475,419</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		530,576	527,920
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	8	<u>-</u>	<u>(527,918)</u>
NET ASSETS		<u><u>67</u></u>	<u><u>2</u></u>
CAPITAL AND RESERVES			
Called-up share capital	9	67	2
Profit and loss account	10	<u>-</u>	<u>-</u>
		<u><u>67</u></u>	<u><u>2</u></u>

The notes on pages 7 to 11 form part of these accounts.

APPROVED BY THE BOARD ON 19 DECEMBER 1996 AND SIGNED ON ITS BEHALF
BY:



G ROTHMAN
DIRECTOR

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1996

1 RESTRUCTURING OF THE GROUP AND BASIS OF PREPARATION

On 27 December 1995 arrangements were finalised for the sale of the CWHL Group to CWI Holdings plc. These arrangements included 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, CWHL.
- (2) The provision to CWHL of a new interim borrowing facility in the principal amount of £220 million (the Bridge Loan) for the purposes of repaying in part certain existing indebtedness of the CWHL Group, as well as providing working capital to the companies in the CWHL Group. On 27 December 1995 £130 million was drawn down from this facility and a further £35 million was drawn down during the six months to 30 June 1996. Subsequent to the year end, £42.7 million of the facility was cancelled following the arrangement of alternative facilities. The remaining facility of £12.3 million is available to draw down until 27 December 1996 at which date the facility reduces to £100 million. This residual facility is available, subject to certain conditions, for a term of up to four years. Earlier repayment on the basis of an agreed repayment schedule is triggered in the event of refinancings being put in place within the four year term. The Bridge Loan carries interest at a margin over LIBOR and is secured by:
 - (a) guarantees from the members of the CWHL Group (being all members of the CWHL Group other than the EIB Guarantors referred to in Note 1(4) below (the Bridge Loan Guarantors));
 - (b) a first ranking fixed charge over the properties at Canary Wharf, other than those properties charged to European Investment Bank (EIB) (see Note 1(4) below) and those subject to the charge to London Underground Limited (LUL) in respect of the CWHL Group's contributions to the Jubilee Line Extension, which are subject to second ranking charges to secure the Bridge Loan;
 - (c) fixed charges over certain assets of the Bridge Loan Guarantors; and
 - (d) floating charges over all assets of the Bridge Loan Guarantors.
- (3) The early prepayment of certain elements of the CWHL Group's indebtedness as at 27 December 1995.
- (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 was assumed by the company's immediate parent undertaking, CWE SPV HCo Limited (HCo) and its obligations thereunder were guaranteed, inter alia, by CWHL, by CWE SPV Super HCo Limited, the immediate parent company of HCo, and by HCo's subsidiaries (together 'the EIB Guarantors'). The restated EIB debt carries a stepped coupon, equivalent to 7%, and is secured by first ranking charges over certain specified properties within the Canary Wharf development, over the subsidiaries within the CWHL Group holding these interests (including the company) and by second ranking fixed and floating charges over the other assets of the CWHL Group.

NOTES TO THE ACCOUNTS FOR THE PERIOD FROM INCORPORATION TO 30 JUNE 1996

1 RESTRUCTURING OF THE GROUP AND BASIS OF PREPARATION (Continued)

The company has guaranteed the borrowings of HCo, and has provided security over its assets to the CWHL Group's lenders. Amongst the secured obligations is a facility which is required to be reduced to a specified level by 27 December 1996. CWHL is in the process of refinancing so as to do so. The directors consider it appropriate for the accounts to be prepared on a going concern basis.

2 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies of the company, all of which have been applied consistently throughout the year and the preceding period, 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, 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 diminutions in value.

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 period.

(c) Employee information

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

4 TAXATION

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

FIRST TOWER GP(1) LIMITED

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

5 INVESTMENT IN PARTNERSHIP

	30 June 1996 £	30 June 1995 £
Cost and net book value	<u>52,501</u>	<u>52,501</u>

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 and which, until 5 September 1996, held 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 27 December 1995, in connection with the restructuring referred to in Note 1, the Partnership sold its retail interests to a fellow Group company.

Subsequent to the year end, 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.

6 DEBTORS

	30 June 1996 £	30 June 1995 £
Amount due from Partnership	5,510	2,919
Amount due from parent undertaking	65	-
Amount due from fellow subsidiary undertakings	<u>472,500</u>	<u>472,500</u>
	<u>478,075</u>	<u>475,419</u>

7 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30 June 1996 £	30 June 1995 £
Amount due to parent undertaking	<u>530,509</u>	<u>-</u>

The amount due to the parent company was settled in full on 5 September 1996. 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.

FIRST TOWER GP(1) LIMITED**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1996 (CONTINUED)****8 CREDITORS : AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	30 June 1996 £	30 June 1995 £
Amount due to parent undertaking	-	527,918

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.

9 CALLED-UP SHARE CAPITAL

	30 June 1996 £	30 June 1995 £
Authorised:		
1,000 ordinary shares of £1 each	-	1,000
1,000 deferred ordinary shares of £1 each	1,000	-
100 ordinary shares of \$1 each	65	-
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	65	-
	67	2

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.

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.

10 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

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

11 FINANCIAL COMMITMENTS

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).

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

12 ULTIMATE PARENT UNDERTAKING

The company's immediate parent undertaking is CWE SPV HCo Limited, a company registered in England. The company's ultimate parent undertaking until 27 December 1995 was SIL, a company controlled by certain of the lenders to the CWHL Group. Upon the sale by SIL on 27 December 1995 of its interest in the CWHL Group, the company's ultimate parent undertaking became C.W. Investments Limited Partnership, a Cayman Islands undertaking, and its ultimate UK parent became CWI Holdings plc.

The smallest group into which the accounts of the company are consolidated are the consolidated accounts of CWHL. Copies of the accounts of CWHL may be obtained from the 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 CWI Holdings plc. Copies of these accounts will be obtainable from the above address.