

**CANARY WHARF LIMITED**  
**Registered Number: 1971312**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

THURSDAY



\*A2BFV0F6\*

A31

27/06/2013

#245

COMPANIES HOUSE

# **CANARY WHARF LIMITED**

## **CONTENTS**

---

	<b>PAGE</b>
Directors' Report	<b>1</b>
Statement of the Directors' Responsibilities in Respect of The Financial Statements	<b>6</b>
Independent Auditor's Report	<b>7</b>
Profit and Loss Account	<b>9</b>
Balance Sheet	<b>10</b>
Notes to the Financial Statements	<b>11</b>

# **CANARY WHARF LIMITED**

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012**

---

The directors present their report with the audited financial statements for the year ended 31 December 2012

### **BUSINESS REVIEW AND PRINCIPAL ACTIVITIES**

The company is a wholly owned subsidiary of Canary Wharf Group plc and its ultimate parent undertaking is Songbird Estates plc

The principal activity of the company continues to be property development for the purposes of sale either to fellow subsidiary undertakings or external to the group. All activities take place within the United Kingdom. The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the coming year.

There have been no significant events since the balance sheet date.

As shown in the company's profit and loss account, the company's profit after tax for the year was £55,241,483 (2011 £209,167,191). In previous years, the company recognised a provision against amounts owed by certain fellow subsidiary undertakings. During the year, £38,184,031 of the provision was released to the profit and loss account and treated as an exceptional item.

The balance sheet shows the company's financial position at the year end and indicates that net assets were £732,787,747 (2011 £727,546,264). Details of amounts owed to group companies are shown in Notes 14 and 15.

The Canary Wharf Group (comprising Canary Wharf Group plc and its subsidiaries) manages its operations on a unified basis. For this reason, the company's directors believe that key performance indicators specific to the company are not necessary or appropriate for an understanding of the development, performance or position of its business. The performance of the Canary Wharf Group, which includes the company, is discussed in the Annual Report of Canary Wharf Group plc, which does not form part of this report.

### **DIVIDENDS AND RESERVES**

The profit and loss account for the year ended 31 December 2012 is set out on page 9. Dividends of £50,000,000 (2011 £Nil) have been paid during the year and the retained profit of £5,241,483 (2011 profit of £209,167,191) has been transferred to reserves.

### **GOING CONCERN**

The company is in a net asset position at the year end. In addition, as a member of the Canary Wharf Group, the company has access to considerable resources.

Having made the requisite enquiries, the directors have a reasonable expectation that the company will have adequate resources to continue its operations for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

# **CANARY WHARF LIMITED**

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012**

---

### **DIRECTORS**

The directors of the company throughout the year ended 31 December 2012 were

A P Anderson II  
Sir George Iacobescu CBE  
R J J Lyons

The company provides an indemnity to all directors (to the extent permitted by law) in respect of liabilities incurred as a result of their office. The company also has in place liability insurance covering the directors and officers of the company. Both the indemnity and insurance were in force during the year ended 31 December 2012 and at the time of the approval of this Directors' Report. Neither the indemnity nor the insurance provide cover in the event that the director is proven to have acted dishonestly or fraudulently.

### **PRINCIPAL RISKS AND UNCERTAINTIES**

As a member of the Canary Wharf Group the key risks facing the company include the cyclical nature of the property market, financing risk and concentration risk.

#### **Cyclical Nature of the Property Market**

The valuation of the Canary Wharf Group's assets is subject to many external economic and market factors. The turmoil in the financial markets and uncertainty in the Eurozone in recent years has been reflected in the property market by such factors as a significant decline in tenant demand for space in London, the oversupply of available space in the office market and changing market perceptions of property as an investment resulting in variations in property valuations in general. Fears of an oversupply of available space in the market have however been mitigated by the difficulty in securing finance for speculative development and reduced supply. The market has also been assisted by the continuing presence of overseas investors attracted by the relative transparency of the real estate market in London which is still viewed as both stable and secure. Changes in financial and property markets are kept under constant review so that the company can react appropriately and tailor its business accordingly. While the company has no direct exposure to the Euro, the ongoing uncertainty reflecting issues in the macroeconomy, particularly relating to the Eurozone, continues to impact the real estate market. The impact of these uncertainties is closely monitored.

#### **Financing Risk**

The broader economic cycle inevitably leads to movements in inflation, interest rates and bond yields. The company finances its operations largely through surplus cash and intercompany finance. The terms of the company's borrowings are summarised in Notes 14 and 15.

The ongoing uncertainty in financial markets continues to significantly limit the availability of funding. In common with other UK property companies, lack of financing facilities may have an impact on the business of Canary Wharf Group if the lending markets remain limited for the foreseeable future.

# **CANARY WHARF LIMITED**

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012**

---

### **Concentration Risk**

The majority of Canary Wharf Group's real estate assets, including the assets of the company, are currently located on or adjacent to the Canary Wharf Estate with a majority of tenants linked to the financial services industry. Wherever possible steps are taken to mitigate or avoid material consequences arising from this concentration and to diversify the tenant base.

The principal risks facing the Canary Wharf Group are discussed in the Annual Report of Canary Wharf Group plc, which does not form part of this report.

### **POLICIES**

#### **Environmental**

The company is committed to applying environmental best practice wherever practical in the design, construction and management of the Canary Wharf Estate and to properties situated elsewhere for the benefit of tenants, employees, the community and stakeholders. A summary of the Canary Wharf Group's environmental policy is available on the website [www.canarywharf.com](http://www.canarywharf.com).

The company targets the reduction of energy, water and resource use and the re-use and the recycling of waste where possible during the design, construction and management of properties. The minimisation of disruption and disturbance to the environment and local community is also targeted during the construction and management of buildings. The company is also committed to preventing pollution, monitoring and reducing any emissions which may have an adverse impact on the environment and/or local community.

The company endeavours to raise awareness and promote effective management of environmental and social issues with staff, designers, suppliers and contractors. It also works with suppliers and contractors to establish effective environmental supply chain management and to promote the procurement of sustainable products and materials. The company works with other parties to identify key environmental and social issues and to share solutions and best practice in managing environmental impact.

Information on the Canary Wharf Group's environmental and corporate performance is published annually with third party verification.

As a member of the Canary Wharf Group, the company has maintained ISO 14001 accreditation since early 2005 with environmental management being an inherent part of construction since 2002.

# **CANARY WHARF LIMITED**

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012**

---

### **Environmental responsibility**

The Canary Wharf Group board retains overall responsibility for the monitoring and implementation of the group's environmental policy and is assisted by the group's Corporate Responsibility Group which comprises senior executives of the group. A clear governance process has been developed and implemented to enable the Corporate Responsibility Group, and ultimately the board, to identify, manage and respond to the environmental and social risks and opportunities that may affect the group's operations.

The Corporate Responsibility Group is responsible for the development and establishment of the Environmental Management System throughout the group which has been developed to focus attention on those objectives and targets where improvements and actions are necessary to meet the monitoring and reporting process formally adopted by the group. Identified Environmental System Managers have responsibility for the implementation of the Environmental Management System throughout their respective business areas. Employee environmental awareness is key to the success of the Environmental Management System and as a result is incorporated into the staff induction programme with regular updates via in-house newsletters and presentations.

The group publishes annually a separate Corporate Social Responsibility Report which provides details of performance against specified targets and objectives. This report together with additional supporting information and group publications, can be downloaded from the group's website, [www.canarywharf.com](http://www.canarywharf.com)

### **Employment**

The company has adopted the terms of the Code of Practice for the elimination of discrimination, on all grounds, including disability discrimination. To effect this policy the company has implemented a continuing programme of action with the aim of providing an equal working environment where all employees are treated with respect and dignity. The company continues to keep employees informed of events relevant to their employment via 'all staff' communications and an intranet. Staff consultative committees, at which matters raised by employees are considered by management and staff representatives, have been established and meet every two months. The company's employment policy is regularly reviewed to incorporate changes to legislation and ensure best practice is maintained.

### **Equal opportunities**

The company is committed to equality of opportunity and it is the policy of the company to make all employment decisions based on the applicant's ability, experience and qualification without regard to age, sex, race, colour, sexual orientation, ethnic origin, disability or marital status. The company values the benefits a diverse workforce can bring. The company embraces diversity as a practical contribution to its business success.

Due consideration is given to the recruitment, promotion, training and working conditions of all employees including those with disabilities. In the event of an employee becoming disabled the company uses its best endeavours to ensure continuity of employment.

# CANARY WHARF LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

---

### Training and development

The policy of the company is to continuously develop its workforce with the aim of maximising its success in the marketplace. The training and development of staff is, therefore, integral to the business process. An annual appraisal programme enables the assessment of individual performance, progress and career prospects within the company.

### Health and Safety

It is the Canary Wharf Group's policy, within which the company operates, that the working conditions of its employees incorporate the best standards of health, safety and welfare that can reasonably be achieved and that all group premises are maintained as safe environments. Accordingly, adequate resources are made available for these purposes and procedures exist to enable all staff to be informed and consulted on health and safety matters and to make known their views.

When striving to create the best standards of the built environment the Canary Wharf Group seeks to promote a safe and healthy environment for its employees, tenants and visitors. The Canary Wharf Group's continuing commitment to ensuring such a safe and healthy environment is embodied into the formally adopted group health, safety and welfare policy. All legislation relating to health and safety is observed both in letter and in spirit.

### STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

Each director holding office at the date of this report has taken all the steps that he ought to have taken as a director in order to make himself aware of relevant audit information and to establish that the company's auditor is aware of that information. As far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418(2) of the Companies Act 2006.

BY ORDER OF THE BOARD

  
J R Garwood

Company Secretary

26 June 2013

Registered office  
30th Floor  
One Canada Square  
Canary Wharf  
London  
E14 5AB

Registered Number 1971312

# **CANARY WHARF LIMITED**

## **STATEMENT OF THE DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

---

The directors are responsible for preparing the report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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.



# **CANARY WHARF LIMITED**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CANARY WHARF LIMITED**

---

We have audited the financial statements of Canary Wharf Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, Balance Sheet and the related Notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

# **CANARY WHARF LIMITED**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CANARY WHARF LIMITED**

---

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



**Mark Beddy (Statutory Auditor)**  
**for and on behalf of Deloitte LLP**  
**Chartered Accountant and Statutory Auditor**  
London, UK

26 June 2013

# CANARY WHARF LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	Year Ended 31 December 2012 £	Year Ended 31 December 2011 £
<b>TURNOVER</b>	<b>2</b>	3,625,267	3,924,871
Cost of sales		(3,484,464)	(5,285,923)
<b>GROSS PROFIT/(LOSS)</b>		<b>140,803</b>	<b>(1,361,052)</b>
Administrative expenses before exceptional items		(20,752,865)	(25,686,378)
Exceptional item			
Movement in provision against intercompany debtors	<b>13</b>	(38,184,031)	112,095,203
Other operating income		3,569,753	8,214,503
<b>OPERATING (LOSS)/PROFIT</b>	<b>3</b>	<b>(55,226,340)</b>	<b>93,262,276</b>
Income from shares in group undertakings	<b>11</b>	7,230,000	–
Interest receivable and similar income	<b>6</b>	122,946,604	140,586,411
Interest payable and similar charges	<b>7</b>	(27,158,435)	(24,624,754)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>47,791,829</b>	<b>209,223,933</b>
Tax on profit on ordinary activities	<b>8</b>	7,449,654	(56,742)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE YEAR</b>	<b>18</b>	<b>55,241,483</b>	<b>209,167,191</b>

Movements in reserves are shown in Note 18 of these financial statements

All amounts relate to continuing activities in the United Kingdom

There were no recognised gains and losses for the year ended 31 December 2012 or the year ended 31 December 2011 other than those included in the profit and loss account

The Notes on pages 11 to 25 form an integral part of these financial statements

# CANARY WHARF LIMITED

## BALANCE SHEET AS AT 31 DECEMBER 2012

	Note	31 December 2012 £	31 December 2011 £
<b>FIXED ASSETS</b>			
Tangible assets	10	106,782	52,506
Investments	11	86,593	86,590
		<u>193,375</u>	<u>139,096</u>
<b>CURRENT ASSETS</b>			
Work in progress	12	112,298,060	66,926,157
Debtors	13		
Amounts falling due after one year		1,311,492,796	1,376,715,764
Amounts falling due within one year		1,895,706,362	1,442,529,392
Cash at bank and in hand		556,888,446	810,229,604
		<u>3,876,385,664</u>	<u>3,696,400,917</u>
<b>CREDITORS: Amounts falling due within one year</b>	14	<u>(2,584,839,687)</u>	<u>(2,415,709,420)</u>
<b>NET CURRENT ASSETS</b>		<u>1,291,545,977</u>	<u>1,280,691,497</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1,291,739,352</u>	<u>1,280,830,593</u>
<b>CREDITORS: Amounts falling due after more than one year</b>	15	(543,065,342)	(533,504,365)
Provision for liabilities	16	(15,886,263)	(19,779,964)
<b>NET ASSETS</b>		<u>732,787,747</u>	<u>727,546,264</u>
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	17	662,516,350	662,516,350
Profit and loss account	18	70,271,397	65,029,914
<b>SHAREHOLDERS' FUNDS</b>	19	<u>732,787,747</u>	<u>727,546,264</u>

The Notes on pages 11 to 25 form an integral part of these financial statements

APPROVED BY THE BOARD ON 26 JUNE 2013 AND SIGNED ON ITS BEHALF BY



R J J LYONS  
DIRECTOR

# CANARY WHARF LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

---

### 1. PRINCIPAL ACCOUNTING POLICIES

A summary of the principal accounting policies of the company, all of which have been applied consistently throughout the year and the preceding year, is set out below

#### **Accounting convention**

The financial statements have been prepared under the historical cost convention, with the exception of certain investments as discussed below and in accordance with applicable United Kingdom accounting standards. The financial statements have been prepared on the going concern basis as described in the Directors' Report

In accordance with the provisions of FRS 1 (Revised) the company is exempt from the requirements to prepare a cash flow statement, as it is a wholly-owned subsidiary of Canary Wharf Group plc, which has prepared a consolidated cash flow statement

#### **Profit and loss account**

Turnover, which includes property sales and rental income, is recognised, net of VAT, in the period in which it falls due

Marketing and administration costs which are not development expenses are charged to the profit and loss account when incurred

Interest receivable and payable are recognised in the period in which they fall due

Interest on the advance payment made to a fellow subsidiary for the design and construction of the phases subsequent to Phase 1 of Canary Wharf is added to the amount of the advance until construction work is undertaken. The advance is included within prepayments (see Note 13) and transfers (including interest) are made to development work in progress when construction work is undertaken by the fellow subsidiary

Investment income comprises dividends paid by the company's subsidiary undertakings during the accounting period

#### **Tangible fixed assets**

Tangible fixed assets are depreciated so as to write off the cost in equal annual instalments over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are

Leasehold improvements	25%
Fixture and fittings	25%
Computer equipment	33%

# **CANARY WHARF LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012**

---

### **Investments**

Investments in subsidiaries are stated at cost less any provision for impairment

Investments in Partnerships are carried by reference to the company's share of net assets. The investment is initially recognised at historical cost with the company's share of the realised profits and losses recorded in the profit and loss account and the company's share of unrealised gains and losses taken to the revaluation reserve. No unrealised gains relating to development properties are recognised until such gains are realised or the property is re-designated as an investment property.

Other investments are stated at cost less any provision for impairment

### **Work in progress**

Work in progress is stated at the lower of cost and net realisable value. Cost includes construction costs and development expenditure directly related to the development, including attributable interest. Such interest is calculated by reference to the rate of interest payable on the borrowings drawn down to finance the development.

Net realisable value is calculated as the amount estimated to be recovered from the development once development work has been completed and the development leased, less costs to complete (Note 12).

Properties under construction, where the company has entered into an agreement for sale, are treated as long term contracts. Turnover on such contracts is calculated by reference to the cost of work performed to date as a proportion of the total anticipated cost of the project. Profit is recognised when the final outcome of the project can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses.

### **Trade and other debtors**

Debtors are recognised initially at fair value. A provision for impairment is established where there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the debtor concerned.

### **Trade and other creditors**

Trade and other creditors are stated at cost.

### **Debt**

Debt instruments are stated initially at the amount of the net proceeds. The finance costs of such debt instruments are allocated to periods over the term of the debt at a constant rate on the carrying amount. The carrying amount is increased by the finance cost in respect of the reporting period and reduced by payments made in respect of the debt of that period. Finance costs are charged to the profit and loss account.

### **Vacant leasehold properties**

Provision is made for the present value of the net commitments in relation to leasehold properties where there is a shortfall in the rental income receivable over the rent and other costs payable.

# **CANARY WHARF LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012**

---

### **Taxation**

Current tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date

Deferred tax assets and liabilities arise from timing differences between the recognition of gains and losses in the financial statements and their recognition in the corporation tax return

Under FRS 19 deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements.

Deferred tax is measured on a discounted basis to reflect the time value of money over the period between the balance sheet date and the dates on which it is estimated that the timing differences will reverse, or where the timing differences are not expected to reverse, a period not exceeding 50 years. Discount rates of 0.2% to 2.3% have been adopted reflecting the post-tax yield to maturity that can be obtained on government bonds with similar maturity dates and currencies to those of the deferred tax assets or liabilities.

### **Pensions**

The company operates a defined contribution pension scheme. Pension contributions in respect of this scheme are accrued as they fall due.

# CANARY WHARF LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

---

### Share based payments

Shares in Songbird Estates plc held by the Canary Wharf Employees' Share Ownership Plan Trust may be allocated to employees of the company under the terms of share schemes or allocations adopted from time to time by the company. The terms of an allocation may, at the option of the company, allow the employee to receive a cash settlement in lieu of their share allocation. In this event, the cash amount receivable by an employee is calculated by reference to the market price of the shares at that date.

Where the terms of an allocation permit the employee to opt for a cash settlement, the allocation is accounted for as a cash settled share based payment. Where the terms of the allocation allow, but do not require, the company to offer a cash settlement option to the employees, the allocation is accounted for as an equity settled share based payment.

For cash settled share allocations, a liability is recorded based on the market value of the shares at each balance sheet date. The cost of equity settled share allocations is measured at the grant date based on the market value of the shares at that date. The associated cost is charged to the same expense category as the employment cost of the relevant employee, spread on a straight line basis over the relevant vesting period, based on the company's estimate of the shares that will eventually vest.

## 2. TURNOVER

An analysis of turnover is given below

	Year Ended 31 December 2012 £	Year Ended 31 December 2011 £
Rental income	1,310,922	1,804,658
Revenue recognised on long term contracts	12,812	47,033
Development management fees	2,301,533	2,073,180
	<u>3,625,267</u>	<u>3,924,871</u>



# CANARY WHARF LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

### 3. OPERATING (LOSS)/PROFIT

Operating profit is stated after charging

	Year Ended 31 December 2012 £	Year Ended 31 December 2011 £
Directors' emoluments, including bonuses (Note 4)	554,870	690,880
Depreciation (Note 10)	88,100	416,760
Remuneration of the auditors		
Audit fees for the audit of the company	16,200	18,500
Fees for other services	146,241	234,949
Audit fees for the audit of fellow subsidiary undertakings	110,963	94,500
Operating lease rentals	15,558,071	15,886,863

The operating lease rentals are in respect of the leaseback properties referred to in Note 16

### 4. DIRECTORS REMUNERATION

During the year ended 31 December 2012, the remuneration of R J J Lyons was £554,870 (2011 £690,880), which included bonuses of £300,000 (2011 £400,000), plus benefits in kind equal to £4,925 (2011 £5,275)

Benefits are accruing under the company's money purchase pension scheme on behalf of R J J Lyons. During the year a contribution of £35,021 (2011 £32,496) was made to the company's money purchase pension plan and £3,164 (2011 £12,655) of the above-mentioned salary amount was paid to the pension scheme on behalf of R J J Lyons

The Canary Wharf Employees ownership Plan Trust (the 'Trust') holds ordinary shares of 10p each in Songbird Estates plc ('Songbird Shares'), which may be used to satisfy allocations of shares or options granted under any share plan adopted by Canary Wharf Group plc and its subsidiaries

In February 2012 the Trust made an allocation of Songbird Shares to certain directors and senior employees. As a result of this allocation R J J Lyons has an entitlement of 100,000 Songbird Shares

The remuneration of the other directors is disclosed in the financial statements of Canary Wharf Group plc

# CANARY WHARF LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

### 5. EMPLOYEE INFORMATION

	Year Ended 31 December 2012 £	Year Ended 31 December 2011 £
Wages and salaries (including directors)	11,588,414	11,431,937
Social Security costs	1,344,999	1,299,131
Other pension costs (Note 20)	917,415	905,919
	<u>13,850,828</u>	<u>13,636,987</u>

The average number of persons employed (including directors) by the company during the year was 144 (2011 144), all of which were administrative employees

### 6. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year Ended 31 December 2012 £	Year Ended 31 December 2011 £
Bank interest receivable	6,189,364	6,743,593
Interest receivable from group undertakings	116,757,240	133,842,818
	<u>122,946,604</u>	<u>140,586,411</u>

### 7. INTEREST PAYABLE AND SIMILAR CHARGES

	Year Ended 31 December 2012 £	Year Ended 31 December 2011 £
Bank charges	92,643	31,257
Interest payable to group undertakings	74,535,738	70,083,953
Unwind of discount of provisions (Note 16)	1,259,162	763,661
	<u>75,887,543</u>	<u>70,878,871</u>
Less Increase in contract prepayment	(48,729,108)	(46,254,117)
	<u>27,158,435</u>	<u>24,624,754</u>

# CANARY WHARF LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

### 8. TAXATION

	Year Ended 31 December 2012 £	Year Ended 31 December 2011 £
Current tax		
UK corporation tax	–	102,720
Over provision in prior years	(7,478,000)	–
Total current tax	<u>(7,478,000)</u>	<u>102,720</u>
Deferred tax		
Net effect of discount	(3,771)	(26,679)
Deferred tax	32,117	(19,299)
Total deferred tax	<u>28,346</u>	<u>(45,978)</u>
Total tax (credit)/charge on profit on ordinary activities	<u>(7,449,654)</u>	<u>56,742</u>
Tax reconciliation		
Profit on ordinary activities before tax	<u>47,791,829</u>	<u>209,223,933</u>
Tax on profit on ordinary activities at UK corporation tax rate of 24.5% (2011: 26.5%)	11,708,998	55,444,493
Effects of		
Over provision in prior years	(7,478,000)	–
Provision against intercompany loans	9,355,087	(29,705,229)
UK dividend income	(1,771,350)	–
Expenses not deductible for tax purposes	198,657	782,053
Group relief	(19,491,392)	(26,418,597)
Current tax charge for the year	<u>(7,478,000)</u>	<u>102,720</u>

The tax rate of 24.5% has been calculated by reference to the current corporation tax rate of 24% which was in effect for the final three quarters of the year and the previous rate of 26% which was in effect for the first quarter of the year

### 9. DIVIDENDS

	Year Ended 31 December 2012 £	Year Ended 31 December 2011 £
Dividends paid during the year (7.5 pence per share)	<u>50,000,000</u>	<u>–</u>

# CANARY WHARF LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

### 10. TANGIBLE FIXED ASSETS

	Fixtures & Fittings £	Leasehold Improvements £	Total £
<b>COST</b>			
At 1 January 2012	7,352,550	2,867,745	10,220,295
Additions	71,566	70,810	142,376
<b>At 31 December 2012</b>	<b>7,424,116</b>	<b>2,938,555</b>	<b>10,362,671</b>
<b>DEPRECIATION</b>			
At 1 January 2012	7,324,786	2,843,003	10,167,789
Movement for the year	45,658	42,442	88,100
<b>At 31 December 2012</b>	<b>7,370,444</b>	<b>2,885,445</b>	<b>10,255,889</b>
<b>NET BOOK VALUE</b>			
<b>At 31 December 2012</b>	<b>53,672</b>	<b>53,110</b>	<b>106,782</b>
At 31 December 2011	27,764	24,742	52,506

### 11. INVESTMENTS

	31 December 2012 £	31 December 2011 £
Investment in partnerships	1	1
Shares in group undertakings	86,591	86,589
Investment in joint venture	1	–
	<b>86,593</b>	<b>86,590</b>

#### Investment in partnerships

	£
<b>CAPITAL ACCOUNT</b>	
At 1 January 2012	1
At 31 December 2012	<b>1</b>

The company is the beneficial owner of 1% of a partnership which has undertaken the design and construction of a development in phase I of that part of the Canary Wharf project known as Heron Quays. Heron Quays Properties Limited, another member of the Canary Wharf Group, is the beneficial owner of the other 99%.

# CANARY WHARF LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

### Shares in group undertakings

	£
<b>COST</b>	
At 1 January 2012	222,392
Additions	2
At 31 December 2012	222,394
<b>PROVISION FOR IMPAIRMENT</b>	
At 1 January 2012	135,803
At 31 December 2012	135,803
<b>NET BOOK VALUE</b>	
At 31 December 2012	86,591
At 1 January 2012	86,589

During the year the company subscribed for 2 ordinary £1 shares in Level 39 Limited, at par

At 31 December 2012 the company's subsidiary undertakings were as follows

Name	Description of shares held	Principal activities
Level 39 Limited	Ordinary £1 shares	Facility provider
Canary Wharf Management Limited	Ordinary £1 shares	Property management
Hazelway Limited	Ordinary £1 shares	Property investment
Heron Quays Developments Limited	Ordinary £1 shares	Dormant

With the exception of Heron Quays Developments Limited, which is jointly owned with a fellow subsidiary undertaking, the above are wholly owned subsidiaries registered in England and Wales

Dividends totalling £7,230,000 (2011 £nil) were paid by the company's subsidiaries during the year ended 31 December 2012

In accordance with Section 400 of the Companies Act 2006, financial information is only presented in these financial statements about the company as an individual undertaking and not about its group because the company and its subsidiary undertakings are included in the consolidated financial statements of a larger group (Note 22)

The directors are of the opinion that the value of the company's investments at 31 December 2012 was not less than the amount shown in the company's balance sheet

# CANARY WHARF LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

### Investment in joint venture

	£
<b>COST</b>	
Additions	1
At 31 December 2012	1

In July 2011, Canary Wharf Group plc and Qatari Diar Real Estate Investment Company concluded an agreement to redevelop the Shell Centre. The group and Qatari Diar have entered into a 50/50 joint venture and have committed to contributing £150.0m each to the joint venture to secure the 5.25 acre site on a 999 year lease. The group will act as construction manager for the project and will also be joint development manager with Qatari Diar Real Estate Investment Company.

During the year, as a part of this arrangement, the company subscribed for 1 ordinary £1 share in Braeburn Estates Development Management Limited at par, which represents 50% of its issued share capital.

### 12. WORK IN PROGRESS AT COST

	31 December 2012 £	31 December 2011 £
Work in progress at cost	<u>112,298,060</u>	<u>66,926,157</u>
Movement in the carrying value of work in progress during the year		
	£	£
At 1 January	66,926,157	61,013,836
Additions	45,384,715	6,068,067
Transfer to cost of sales	—	(13,381)
Transfer to cost of sales on other contracts	<u>(12,812)</u>	<u>(142,365)</u>
At 31 December	<u>112,298,060</u>	<u>66,926,157</u>

The transfer to cost of sales of £Nil (2011: £13,381) relates to property sales completed in 2009. The other contracts amount of £12,812 (2011: £142,365) relates to the construction of Canada Square Pavilion for a fellow subsidiary undertaking.

Work in progress is assessed annually to ensure its carrying value does not exceed its net realisable value. In assessing the estimated net realisable value of development properties as at 31 December 2012, the directors consulted with the company's external property advisors, Savills Commercial Limited, Chartered Surveyors.

# CANARY WHARF LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

### 13. DEBTORS

	31 December 2012 £	31 December 2011 £
Due within one year		
Trade debtors	522,810	232,530
Loan to parent undertaking	605,896,662	584,400,692
Amount owed by parent undertaking	48,207,812	15,174,221
Loans to fellow subsidiary undertakings	874,974,313	721,135,077
Amounts owed by fellow subsidiary undertakings	212,392,218	44,048,431
Other debtors	773,135	43,028
Deferred tax	205,640	233,986
Prepayments and accrued income	152,733,772	77,261,427
	<u>1,895,706,362</u>	<u>1,442,529,392</u>
Due in more than one year		
Prepayments and accrued income	615,532,826	673,658,706
Loan to a fellow subsidiary undertaking	695,959,970	703,057,058
	<u>1,311,492,796</u>	<u>1,376,715,764</u>
Deferred taxation	31 December 2012 £	31 December 2011 £
Accelerated capital allowances	233,109	270,267
Undiscounted deferred tax asset	233,109	270,267
Discount	(27,469)	(36,281)
Discounted deferred tax asset	<u>205,640</u>	<u>233,986</u>

Loans to group undertakings due within one year carry interest at rates linked to LIBOR or 10%, subject to certain caps, and are repayable on demand

The loan to a fellow subsidiary undertaking shown as due in more than one year carries interest at 10%, subject to certain caps, and is repayable by 1 December 2034

At 31 December 2012, the company carried provisions against amounts owed by fellow subsidiary undertakings totalling £276,534,184 (2011 £238,350,117). These amounts relate to fellow subsidiary undertakings which were in a net liability position at the year end, primarily as a result of falls in the carrying value of the investment properties held by those companies. The net increase of £38,184,031 has been taken to the profit and loss account and treated as an exceptional item.

# CANARY WHARF LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

### 14. CREDITORS: Amounts falling due within one year

	31 December 2012 £	31 December 2011 £
Trade creditors	923,303	3,170,260
Loan from parent undertaking	1,155,038,294	1,191,557,668
Loans from fellow subsidiary undertakings	984,959,110	901,647,072
Amounts owed to parent undertakings	15,543,843	22,412,447
Amount owed to subsidiary undertaking	24,732,145	14,147,166
Amounts owed to fellow subsidiary undertakings	321,709,499	203,394,718
Corporation tax	47,956,609	52,946,761
Other taxes and social security	1,985,048	1,883,484
Other creditors	278,650	954,406
Accruals	26,440,983	19,874,917
Deferred income	5,272,203	3,720,521
	<u>2,584,839,687</u>	<u>2,415,709,420</u>

Loans due to parent and fellow subsidiary undertakings are repayable either on demand or at set dates within one year and carry interest at market rates which are linked either to LIBOR or to the rates payable on an issue of publicly quoted debentures by a fellow subsidiary undertaking

### 15. CREDITORS: Amounts falling due after more than one year

	31 December 2012 £	31 December 2011 £
Loan from fellow subsidiary undertaking	<u>543,065,342</u>	<u>533,504,365</u>

The loan owed to a fellow subsidiary undertaking carries interest at 9% and is repayable in 2017



# CANARY WHARF LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

### 16. PROVISION FOR LIABILITIES

	Leaseback provisions			Rent subsidies	
	20 Canada Square £	One Churchill Place £	One Canada Square £	5 Churchill Place £	Total £
At 1 January 2012	2,097,031	2,410,296	7,924,373	7,348,264	19,779,964
Utilisation of provision	(148,500)	(904,144)	(1,683,803)	(2,854,873)	(5,591,320)
Unwind of discount	122,232	(26,519)	811,587	351,862	1,259,162
Increase/(decrease) in provision	(54,000)	90,472	(299,520)	701,505	438,457
At 31 December 2012	<u>2,016,763</u>	<u>1,570,105</u>	<u>6,752,637</u>	<u>5,546,758</u>	<u>15,886,263</u>
Total net rents due	3,039,677	1,757,028	7,413,039	5,872,684	18,082,428
Discount at 6 2%	(1,022,914)	(186,923)	(660,402)	(325,926)	(2,196,165)
	<u>2,016,763</u>	<u>1,570,105</u>	<u>6,752,637</u>	<u>5,546,758</u>	<u>15,886,263</u>

The company has recognised a provision in respect of a lease over 81 car parking spaces at 20 Canada Square at an annual rent of £202,500 until 5 January 2028

The company has recognised provisions in respect of leases totalling 263,100 sq ft in One Churchill Place 129,700 sq ft is for a term of 10 years, expiring in July 2014, at a rent of £5 5 million per annum and 133,400 sq ft is for a term of 15 years, expiring in July 2019, at a rent of £5 6 million per annum

The company has entered into leaseback agreements in respect of floor 24 of One Canada Square at a rent of £1 0 million per annum until June 2018, and in respect of floor 38 at a rent of £1 1 million per annum until December 2016

The company is also party to a rent subsidy agreement in respect of 5 Churchill Place at an annual rent of £2 2 million until January 2015

### 17. CALLED-UP SHARE CAPITAL

	31 December 2012 £	31 December 2011 £
Equity shares Allotted, called-up and fully paid 662,516,350 (2011 662,516,350) ordinary shares of £1 each	<u>662,516,350</u>	<u>662,516,350</u>

# CANARY WHARF LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

---

### 18. RESERVES

	Profit and loss account
	£
At 1 January 2012	65,029,914
Profit for the year	55,241,483
Dividends	(50,000,000)
At 31 December 2012	<u>70,271,397</u>

### 19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 December 2012	31 December 2011
	£	£
Opening shareholders' funds	727,546,264	113,379,073
Issue of ordinary share capital	–	405,000,000
Profit for the year	55,241,483	209,167,191
Dividends	(50,000,000)	–
Closing shareholders' funds	<u>732,787,747</u>	<u>727,546,264</u>

### 20. PENSION SCHEME

Canary Wharf Group plc operates a defined contribution pension scheme, within which the company participates. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge, which amounted to £917,415 for the company for the year (2011 £905,919), represents contributions payable by the company to the scheme.

# CANARY WHARF LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

---

### 21. CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS

As at 31 December 2012 and 31 December 2011 the company had given fixed and floating charges over substantially all its assets to secure the commitments of certain other group undertakings

The company had the following commitments for future expenditure

	31 December 2012 £	31 December 2011 £
Contracted for but not provided in the financial statements	146,568,000	203,423,000

The commitments for future expenditure relate to the completion of development properties where construction was committed at year end. Any costs accrued or provided for in the balance sheet at 31 December 2012 have been excluded.

The company has, in the course of its business, granted limited warranties or indemnities to its tenants in respect of building defects (and defects on the estate or in the car parks) caused through breach of its obligations as developer contained in any pre-let or other agreement. Offsetting this potential liability the company has received the benefit of warranties from the trade contractors and suppliers who work on such buildings.

### 22. ULTIMATE PARENT UNDERTAKING AND RELATED PARTY TRANSACTIONS

The company's immediate parent undertaking is Canary Wharf Holdings Limited.

As at 31 December 2012, the smallest group of which the company is a member and for which group financial statements are drawn up is the consolidated financial statements of Canary Wharf Group plc. The largest group of which the company is a member for which group financial statements are drawn up is the consolidated financial statements of Songbird Estates plc, the ultimate parent undertaking and controlling party. Copies of the financial statements of both companies may be obtained from the Company Secretary, One Canada Square, Canary Wharf, London E14 5AB.

The directors have taken advantage of the exemption in paragraph 3(c) of FRS 8 allowing the company not to disclose related party transactions with respect to other group companies.