CANARY WHARF
GROUP PLC

CANARY WHARF LIMITED

Registered number: 1971312

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

CANARY WHARF LIMITED

CONTENTS

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

The directors, in preparing this Strategic Report, have complied with section 414C of the Companies Act 2006.

This Strategic Report has been prepared for the company and not for the group of which it is a member and therefore focuses only on matters which are significant to the company.

BUSINESS MODEL

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.

BUSINESS REVIEW

As shown in the company's profit and loss account, the company's profit after tax for the year was £167,056,101 (2017 - £69,948,554).

From 1 January 2018, the administrative expenses associated with managing the group, including the employment costs of support staff, have been transferred to Canary Wharf Group plc. As a result the total administrative expenses of the company have reduced to £2,675,791 for 2018 in comparison with £28,820,072 for the previous year.

The balance sheet shows the company's financial position at the year end and indicates that net assets were £1,183,708,459 (2017 - £1,171,652,358).

KEY PERFORMANCE INDICATORS

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.

PRINCIPAL RISKS AND UNCERTAINTIES

The risks and uncertainties facing the business are monitored through continuous assessment, regular formal quarterly reviews and discussion at the Canary Wharf Group Investment Holdings plc audit committee and board. Such discussion focuses on the risks identified as part of the system of internal control which highlights key risks faced by the Group and allocates specific day to day monitoring and control responsibilities to management. As a member of Canary Wharf Group, the current key risks of the company include the cyclical nature of the property market, concentration risk and financing risk.

Cyclical nature of the property market

The valuation of the Group's assets is subject to many external economic and market factors. Following the turmoil in the financial markets and uncertainty in the Eurozone experienced in recent years and the implications of Brexit, the London real estate market has had to cope with fluctuations in demand. The market has, however, been assisted by the depreciation of sterling since the EU referendum and the continuing presence of overseas investors attracted by the relative transparency of the real estate market in London which is viewed as both stable and secure. Although the residential market has also been underpinned by continuing demand, there is now evidence that demand at the top of the residential market has cooled. Previous Government announcements, in particular the changes to stamp duty on the residential property market have contributed to a slowing of residential land prices. The full implications of Brexit are, moreover, not yet clear. In the meantime, there is increasing uncertainty which is unhelpful to confidence across the whole real estate sector.

Changes in financial and property markets are kept under constant review so that the Group can react appropriately and tailor the business plans of the Group accordingly.

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.

Concentration risk

The majority of the Canary Wharf Group's real estate assets are currently located on or adjacent to the Canary Wharf Estate. Although a majority of tenants are linked to the financial services industry, this proportion has now fallen to around only 55.0% of the tenants being in the financial services sector. 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.

CORPORATE & SOCIAL 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 environmental management systems 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 systems and as a result is incorporated into the staff induction programme with regular updates via in-house newsletters and presentations.

Sustainability pressures are coming from tenants and occupiers, who understandably seek more sustainable operations. These expectations are met by the group in the design and construction of more sustainable buildings and by improving the environmental performance of existing facilities through effective retrofitting and facilities management.

The group aims to design, build and manage central London's highest quality, best value and most sustainable office, retail and residential buildings and districts. In doing this, the group works with all its stakeholders to create and nurture vibrant, inclusive communities that meet today's economic, environmental and social needs while anticipating those of tomorrow.

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. During 2016, the company did not incur any fines or non monetary sanctions for non compliance with any regulation or legislation related to sustainability issues. The company is a member of the UK Green Building Council and the Better Building Partnership.

The group targets the reduction of energy, water and resource use, and the reuse 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 targeted during the construction and management of buildings. The group is also committed to preventing and monitoring pollution and to reducing any emissions which may have an adverse impact on the environment and/or local community.

The group endeavours to raise awareness and promote effective management of sustainability, environmental and social issues with staff, designers, suppliers and contractors and works with suppliers and contractors to establish effective environmental supply chain management and to promote the procurement of sustainable products and materials.

During 2015 the group submitted the Group Sustainability Report to the GRI which promotes sustainability reporting and also participated in the EPRA Sustainability Benchmarking scheme.

The annual Group Sustainability Report provides details of performance against a range of specified targets and objectives with third party verification. This report, together with additional supporting information and group publications related to this area can be downloaded from the group's website, www.canarywharf.com.

ENVIRONMENT

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.

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.

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

This report was approved by the board on 27 June 2019 and signed on its behalf.

R J J Lyons
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their report and the financial statements for the year ended 31 December 2018.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £167,056,101 (2017 -£69,948,554).

Dividends of £155,000,000 (2017 - £NIL) were paid during the year.

DIRECTORS

The directors who served during the year 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 2018 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.

EMPLOYMENT POLICIES

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 opportunity 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. A staff consultative committee, at which matters raised by employees are considered by management and staff representatives, has been established and meets every two months. The company's employment policy is regularly reviewed to incorporate changes to legislation and ensure best practice is maintained.

Diversity

The company values the benefits a diverse workforce can bring and embraces diversity as a practical contribution to its business success and in providing the highest standard of customer service to our tenants and to visitors alike.

The company strives to create a working environment which is open, supportive and inclusive at every level and believes that equality of opportunity for all is fundamental to the future of the company. All staff attend diversity training which emphasises the value of appreciating individual differences.

Health and Safety

The company seeks to continually improve and develop its health and safety performance and places the overall wellbeing of its employees, tenants and visitors in the highest regard. The company operates a health and safety management system to the internationally recognised ISO 18001 standard. This ensures that best practice is followed as a minimum threshold.

The company strives for continuous improvement to ensure a safe and healthy environment is maintained and adequate resources are made available for these purposes. The group's accreditation to ISO 18001 is externally verified on an ongoing basis allowing opportunities for continuous improvement to be identified and enacted where feasible. The group's health and safety departments are committed to supporting all employees in understanding their health and safety responsibilities through a system of processes and procedures in order to deliver the safest standards within the built environment.

Anti bribery and corruption

The directors continue to demonstrate commitment to the prevention of corruption and understands the importance of maintaining a culture in which it is not acceptable at any level. A mandatory online bribery and corruption awareness training module has been completed by over 90.0% of the work force. The company has adopted a formal anti bribery and corruption policy which requires all directors and employees to behave with integrity and in a manner that ensures the objectives of the policy are achieved. The company has a strict approach to maintaining high standards of finance, business principles and ethics.

Communities

The company's Community, Social and Economic Development strategy aims to maintain and enhance the company's relationship with the community by supporting employment opportunities, skills enhancement, investment in young people and commitment to the local business community while also confirming the company's vision for the future.

Improving the transition from education to employment; securing opportunities for local job seekers; maximising supply chains and community led development is a priority for the company, especially as it diversifies and evolves.

FUTURE DEVELOPMENTS

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

FINANCIAL INSTRUMENTS

The financial risk management objectives and policies together with the principal risks and uncertainties of the company are contained within the Strategic Report.

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This report was approved by the board on 27 June 2019 and signed on its behalf.

J R Garwood
Secretary

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

The directors are responsible for preparing the Strategic Report, the Directors' 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements and other information included in Directors' Reports may differ from legislation in other jurisdictions.

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion the financial statements of Canary Wharf Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

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

USE OF OUR REPORT

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.

Simon Letts (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
27 June 2019

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £	2017 £
Turnover	4	161,490,782	164,648,548
Cost of sales		(132,179,963)	(139,774,022)
GROSS PROFIT		29,310,819	24,874,526
Administrative expenses		(2,675,791)	(28,820,072)
Other operating income		3,986,500	4,816,508
Movement in provision against intercompany debtors	15	36,960,653	(10,182,422)
Movement in fair value of investment properties	13	(320,100)	-
OPERATING PROFIT/(LOSS)		67,262,081	(9,311,460)
Income from shares in group companies	12	4,140,000	4,390,000
Interest receivable and similar income	8	122,035,212	174,081,187
Interest payable and similar charges	9	(31,478,041)	(23,976,023)
PROFIT BEFORE TAX		161,959,252	145,183,704
Tax on profit	10	5,096,849	(75,235,150)
PROFIT FOR THE FINANCIAL YEAR		167,056,101	69,948,554
Other comprehensive income for the year		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		167,056,101	69,948,554

The notes on pages 13 to 30 form part of these financial statements.

CANARY WHARF LIMITED
REGISTERED NUMBER: 1971312

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 £	2017 £
FIXED ASSETS			
Tangible assets	11	426,027	770,199
Investments	12	6	6
Investment property	13	5,553,700	5,873,800
		5,979,733	6,644,005
CURRENT ASSETS			
Work in progress	14	255,407,944	257,198,605
Debtors	15	3,819,287,386	4,406,731,959
Cash at bank and in hand		76,873,936	50,976,138
		4,151,569,266	4,714,906,702
Creditors: amounts falling due within one year	16	(2,971,640,142)	(3,546,677,935)
NET CURRENT ASSETS		1,179,929,124	1,168,228,767
TOTAL ASSETS LESS CURRENT LIABILITIES		1,185,908,857	1,174,872,772
Creditors: amounts falling due after more than one year	17	-	(768,591)
Provisions	19	(2,200,398)	(2,451,823)
NET ASSETS		1,183,708,459	1,171,652,358
CAPITAL AND RESERVES			
Called up share capital	20	662,516,350	662,516,350
Retained earnings		521,192,109	509,136,008
		1,183,708,459	1,171,652,358

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27 June 2019.

R J J Lyons
Director

The notes on pages 13 to 30 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital	Retained earnings	Total equity
	£	£	£
At 1 January 2018	662,516,350	509,136,008	1,171,652,358
COMPREHENSIVE INCOME FOR THE YEAR			
Profit for the year	-	167,056,101	167,056,101
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	167,056,101	167,056,101
Dividends: Equity capital	-	(155,000,000)	(155,000,000)
AT 31 DECEMBER 2018	662,516,350	521,192,109	1,183,708,459

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital	Retained earnings	Total equity
	£	£	£
At 1 January 2017	662,516,350	439,187,454	1,101,703,804
COMPREHENSIVE INCOME FOR THE YEAR			
Profit for the year	-	69,948,554	69,948,554
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	69,948,554	69,948,554
AT 31 DECEMBER 2017	662,516,350	509,136,008	1,171,652,358

The notes on pages 13 to 30 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. GENERAL INFORMATION

Canary Wharf Limited is a company limited by shares incorpororated in the UK under the Companies Act 2006 and registered in England and Wales at One Canada Square, Canary Wharf, London, E14 5AB.

The nature of the company's operations and its principal activities are set out in the Strategic Report.

2. ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value and in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice, including FRS 102 "the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland").

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see Note 3).

The principal accounting policies have been applied consistently throughout the year and the preceding year and are summarised below:

2.2 Going concern

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

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

2.3 Cash flow statement

The company has taken the exemption from preparing the cash flow statement under Section 1.12(b) as it is a member of a group where the parent of the group prepares publicly available consolidated accounts which are intended to give a true and fair view.

2.4 Revenue

Rental income from operating leases is recognised in the Income Statement on a straight-line basis over the term of the lease. Lease incentives granted, including rent free periods, are recognised as an integral part of the net consideration for the use of the property and are therefore also recognised on the same straight line basis. Direct costs incurred in negotiating and arranging new leases are also amortised on the same straight line basis.

Contingent rents, being those lease payments that are not fixed at the inception of a lease, for example turnover rents, are recorded in the periods in which they are earned.

Revenue from property sales is recognised, net of VAT, on completion, when the significant risks and returns pass to the acquirer.

Revenue from construction contracts is recognised in accordance with the accounting policy on construction contracts.

Revenue from the provision of building services is recognised, net of VAT, as it falls due.

2. ACCOUNTING POLICIES (CONTINUED)

2.5 Investment properties

Investment properties, including land and buildings held for development and investment properties under construction, are measured initially at cost including related transaction costs. The finance costs associated with direct expenditure on properties under construction or undergoing refurbishment are capitalised.

Where a property interest is acquired under a lease the investment property and the associated lease liability are initially recognised at the lower of the fair value and the present value of the minimum lease payments including any initial premium. Lease payments are apportioned between the finance charge and a reduction in the outstanding obligation for future amounts payable. The total finance charge is allocated to accounting periods over the lease term so as to produce a constant periodic charge to the remaining balance of the obligation for each accounting period.

Investment properties are subsequently revalued, at each reporting date, to an amount comprising the fair value of the property interest plus the carrying value of the associated lease liability less any separately identified lease incentive assets. The gain or loss on remeasurement is recognised in the income statement.

2.6 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 employee and related costs.

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.

2.7 Tangible fixed assets

Tangible fixed assets, other than investment properties, 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:

Short term leasehold property:	the lease term
Leasehold improvements:	the shorter of the lease term or 4 years
Plant and machinery:	over 4 years
Fixture and fittings:	over 4 years
Computer equipment:	over 3 years

2. ACCOUNTING POLICIES (CONTINUED)

2.8 Construction contracts

Construction contracts consist of properties that are being constructed in accordance with long term development contracts and for which the detailed design specification of each building is agreed with the purchaser. Where applicable the contracts are split into 3 component parts: sale of land, completed construction works at the date of entering into the contracts; and on-going construction contracts.

Revenue on sale of land and completed construction works is recognised at the point that the significant risks and rewards are transferred to the buyer.

Revenue on construction contracts is recognised according to the stage reached in the contract using the percentage completion method. The percentage of completion is calculated by reference to costs incurred on the building compared with the estimated total costs.

The resulting balance carried in the statement of financial position comprises costs incurred plus recognised profits less the sum of recognised losses and progress billings. Where the sum of recognised losses and progress billings exceeds costs incurred plus recognised profits, the amount is shown as payments on account.

If it is probable that total contract cost will exceed total contract revenue, the expected loss is recognised immediately as an expense.

2.9 Finance lease agreements: lessor

Assets leased out under finance leases are recognised as receivables at the amount equal to the present value of the minimum lease payments and any residual interest accruing to the lessor. The total finance income is allocated to accounting periods over the lease term so as to produce a constant periodic return on the remaining balance of the receivable for each accounting period.

2.10 Investments

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

Income from investments is recognised as the company becomes entitled to receive payment. Dividend income from investments in companies is recognised when received or irrevocably declared.

2.11 Financial instruments

The directors have taken advantage of the exemption in paragraph 1.12c of FRS 102 allowing the company not to disclose the summary of financial instruments by the categories specified in paragraph 11.41.

2.12 Trade and other receivables

Trade and other receivables 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.

2. ACCOUNTING POLICIES (CONTINUED)

2.13 Loans receivable

Loans receivable are recognised initially at the transaction price including transaction costs. Subsequent to initial recognition, loans receivable are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the Income Statement over the period of the loan, using the effective interest method.

Where loans are subject to contractual terms and arrangements that are non-standard they are recognised initially at fair value. The fair value is assessed as the present value of most likely cash flows, subject to the limitations of the underlying terms. Any movements are recognised in the income statement.

2.14 Trade and other payables

Trade and other creditors are stated at cost.

2.15 Borrowings

Standard loans payable are recognised initially at the net proceeds including transaction costs, unless the total cost does not represent the value of a financing transaction on an arm's length basis. In this case the present value of future payments discounted at a market rate of interest for a similar debt instrument is used in place of proceeds and the difference between the two amounts is accounted for as a capital contribution.

Subsequent to initial recognition, loans payable are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the Income Statement over the period of the loan, using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows (including all fees that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability.

Where loans are subject to contractual terms and arrangement that are non-standard they are carried at fair value. The fair value is assessed as the present value of most likely cash flows, subject to the limitations of the underlying terms. Any movements are recognised in the income statement.

2. ACCOUNTING POLICIES (CONTINUED)

2.16 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 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. Timing differences are differences between the company's taxable profits and its results as stated in financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, 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 measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of timing difference. Deferred tax relating to investment property is measured using the tax rates and allowances that apply to the sale of the asset.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expenses or income.

2.17 Pensions

The company operates a defined contribution pension scheme. Contributions in respect of this scheme are expensed as they fall due.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Valuation of investment properties

The company uses valuations performed by independent valuers as the fair value of its properties. The valuations are based upon assumptions including future rental income, anticipated void costs and the appropriate discount rate or yield. The valuers also make reference to market evidence of transaction prices for similar properties.

Valuation of intercompany debt

In assessing the carrying value of the non-standard loans, the company forecasts the present value of the most likely contractual cash flows of the underlying instrument. Estimates and judgements are made in the timing and quantum of the cash flows, the discount rate applied as well as the impact of the underlying terms that can be triggered in the agreements to change the cash flows. These assessments are reviewed and amended annually.

4. TURNOVER

An analysis of turnover by class of business is as follows:

	2018 £	2017 £
Development management fees	10,680,339	10,419,470
Rent receivable	25,211,377	25,551,343
Construction revenue	125,599,066	128,677,735
	161,490,782	164,648,548

All turnover arose within the United Kingdom.

The future minimum rents receivable under other non-cancellable operating leases are as follows:

	2018 £	2017 £
Within one year	26,052,190	24,146,994
1-5 years	104,233,276	104,206,262
After more than 5 years	394,511,021	420,569,340
	524,796,487	548,922,596

5. OPERATING LOSS

The operating loss is stated after charging:

	2018 £	2017 £
Depreciation	344,172	452,864
Remuneration of the auditors: Fees for other services	-	13,535
Operating lease rentals	9,336,467	8,431,953
	9,680,639	8,898,352

The operating lease rentals are in respect of the leaseback properties referred to in Note 19.

Auditor's remuneration of £14,000 (2017 - £16,032) for the audit of the company for the year has been borne by another group undertaking.

6. EMPLOYEES

Staff costs were as follows:

	2018 £	2017 £
Wages and salaries	-	23,823,056
Social security costs	-	2,942,881
Cost of defined contribution scheme	-	1,078,516
	-	27,844,453

The average monthly number of employees, including the directors, during the year was as follows:

	2018 No.	2017 No.
Administrative	-	189

From 1 January 2018, the cost of all staff employed by the company is borne by Canary Wharf Group plc.

7. DIRECTORS' REMUNERATION

The remuneration of R J J Lyons, who is also a director of Canary Wharf Group plc ('CWG'), is included in the disclosure of CWG directors remuneration in the CWG financial statements. The remuneration of the other two directors of the company, who are also directors of Canary Wharf Group Investments Holdings plc ('CWGIH') is included in the disclosure of CWGIH directors' remuneration in the CWGIH financial statements.

Benefits are accruing under the company's money purchase pension scheme on behalf of the highest paid director. During the year and prior year no contributions were made to the company's money purchase pension plan.

8. INTEREST RECEIVABLE AND SIMILAR INCOME

	2018 £	2017 £
Interest receivable from group companies	168,795,049	162,290,004
Fair value adjustment to loans to group undertakings	(48,021,289)	11,163,521
Finance lease income	2,485	18,642
Bank and other interest receivable	1,258,967	609,020
	122,035,212	174,081,187

9. INTEREST PAYABLE AND SIMILAR CHARGES

	2018 £	2017 £
Bank interest payable	2,955	-
Interest payable to group undertakings	31,033,464	82,376,361
Less: Increase in contract prepayment	-	(58,596,326)
Unwind of discount on provisions	157,440	195,988
Other interest payable	284,182	-
	31,478,041	23,976,023

10. TAXATION

	2018 £	2017 £
CORPORATION TAX		
Current tax on profits for the year	1,856,000	38,759,794
Adjustments in respect of previous periods	(6,958,728)	36,480,790
TOTAL CURRENT TAX	(5,102,728)	75,240,584
DEFERRED TAX		
Origination and reversal of timing differences	5,879	(5,434)
TOTAL DEFERRED TAX	5,879	(5,434)
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	(5,096,849)	75,235,150

10. TAXATION (CONTINUED)

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is different to the standard rate of corporation tax in the UK of 19.0% (2017 -19.25%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	161,959,252	145,183,704
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.0% (2017 -19.25%)	30,772,258	27,947,863
EFFECTS OF:		
Property rental business	(13,072)	-
Expenses not deductible for tax purposes	52,760	2,589,242
Capital allowances	-	91,450
Adjustments to tax charge in respect of prior periods	(6,992,631)	36,333,452
Fair value movements not subject to tax	9,184,864	-
Non-taxable income	(7,022,524)	(2,561,256)
Capital gains	-	10,460,838
Dividends from UK companies	(786,600)	(845,075)
Deferred tax eliminated on conversion to REIT	(4,522)	-
Interest restriction	(12,633,950)	-
Changes in tax rates	(692)	719
Group relief	(17,652,740)	1,217,917
TOTAL TAX (CREDIT)/CHARGE FOR THE YEAR	(5,096,849)	75,235,150

On 29 March 2018, Stork Holdings Limited, a direct subsidiary of Stork HoldCo L.P., listed its shares on The International Stock Exchange in Jersey and the group headed by Stork Holdings Limited, which includes the company, converted to a REIT. As a consequence of the conversion, all qualifying property rental business is exempt from corporation tax. Only income and expenses relating to non-qualifying activities will continue to be taxable.

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

Enacted in the Finance Act (No.2) 2015 is a reduction in the corporation tax rate to 17.0% on 1 April 2020. Deferred tax has been provided by reference to this enacted corporation tax rate.

11. TANGIBLE FIXED ASSETS

	Leasehold Improvements £	Fixtures and fittings £	Equipment £	Total £
COST OR VALUATION				
At 1 January 2018	3,012,181	9,387,346	186,023	12,585,550
At 31 December 2018	3,012,181	9,387,346	186,023	12,585,550
DEPRECIATION				
At 1 January 2018	2,987,930	8,641,398	186,023	11,815,351
Charge for the year on owned assets	13,688	330,484	-	344,172
At 31 December 2018	3,001,618	8,971,882	186,023	12,159,523
NET BOOK VALUE				
At 31 December 2018	10,563	415,464	-	426,027
At 31 December 2017	24,251	745,948	-	770,199

12. FIXED ASSET INVESTMENTS

	Investments in subsidiary companies £	Investment in joint venture £	Total £
COST OR VALUATION			
At 1 January 2018	7	1	8
At 31 December 2018	7	1	8
IMPAIRMENT			
At 1 January 2018	2	-	2
At 31 December 2018	2	-	2
NET BOOK VALUE			
At 31 December 2018	5	1	6
At 31 December 2017	5	1	6

12. FIXED ASSET INVESTMENTS (CONTINUED)

SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the company, all of which were incorporated in England and Wales:

Name	Class of shares	Holding	Principal activity
Canary Wharf Management Limited	Ordinary £1	100 %	Property management
Canary Wharf Facilities Management Limited	Ordinary £1	100 %	Property management
L39 Limited	Ordinary £1	100 %	Dormant
Level 39 Limited	Ordinary £1	100 %	Serviced offices
Southbank Place Management Limited	Ordinary £1	100 %	Property management

The subsidiaries are registered at One Canada Square, Canary Wharf, London E14 5AB.

Dividends totalling £4,140,000 (2017 - £4,390,000) were paid by the company's subsidiaries during the year ended 31 December 2018.

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 23).

The directors are of the opinion that the value of the company's investments at 31 December 2018 was not less than the amount shown in the company's balance sheet.

During 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 is acting as construction manager for the project and is also a joint development manager with Qatari Diar Real Estate Investment Company. 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.

13. INVESTMENT PROPERTY

	Long term leasehold investment property £
VALUATION	
At 1 January 2018	5,873,800
Revaluation	(320,100)
AT 31 DECEMBER 2018	5,553,700

At 31 December 2018, the property was valued externally by Cushman & Wakefield Healey & Baker, Real Estate Consultants, with recent experience in office properties at Canary Wharf. The fair value was determined in accordance with the Appraisal and Valuation Manual published by the Royal Institution of Chartered Surveyors, using:

- Discounted cash flow based on inputs provided by the company (current rents, terms and conditions of lease agreements) and assumptions and valuation models adopted by the valuers (estimated rental values, terminal values and discount rates).

- Yield methodology based on inputs provided by the company (current rents) and assumptions and valuation models adopted by the valuers (estimated rental values and market capitalisation rates).

The resulting valuations are cross checked against the initial yields and the fair market values per square foot derived from actual market transactions. No allowance was made for any expenses of realisation nor for any taxation which might arise in the event of disposal.

If the investment properties had been accounted for under the historic cost accounting rules, the properties would have been measured as follows:

	2018 £	2017 £
Historic cost	1,265,000	1,265,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

14. WORK IN PROGRESS

	2018 £	2017 £
Work in progress at cost	255,407,944	257,198,605
	255,407,944	257,198,605

Movement in the carrying value of work in progress during the year:

	2018 £	2017 £
At 1 January	257,198,605	253,327,880
Additions	-	3,870,725
Reversal of accrual	(1,790,661)	-
	255,407,944	257,198,605

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 2018 the directors consulted with the company's external property advisors, Savills Commercial Limited, Chartered Surveyors.

15. DEBTORS

	2018 £	2017 £
DUE AFTER MORE THAN ONE YEAR		
Loan from fellow subsidiary undertaking	1,002,026,463	970,706,064
Lease incentives	61,881,240	62,762,971
Prepayments and accrued income	4,017,875	798,150,647
Finance lease receivables	-	101,673
	1,067,925,578	1,831,721,355
DUE WITHIN ONE YEAR		
Trade debtors	770,335	6,544,604
Amounts owed by group undertakings	2,746,355,521	2,559,990,846
Other debtors	648,038	229,002
Prepayments and accrued income	3,170,566	7,822,925
Deferred taxation	417,348	423,227
	3,819,287,386	4,406,731,959

15. DEBTORS (CONTINUED)

Included in the amounts owed by group undertakings is a loan to a parent undertaking of £640,857,849 (2017 - £623,970,433) and loans to fellow subsidiary undertakings of £764,673,794 (2017 - £719,644,695).

All loans due within one year carry interest at rates linked to LIBOR or 10%, subject to certain caps, and are repayable on demand. The fellow subsidiary undertakings' liabilities under these loans are capped upon maturity at the net assets of the fellow subsidiary undertakings. Consequently, at 31 December 2018, the carrying value of the loans has been reduced from the initial carrying amount by £289,143,367 (2017 - £255,038,126). During the year, one such loan with capital and interest totalling £37,107,619 was repaid, crystalling the cap of £13,916,897.

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. The fellow subsidiary undertaking's liability under this loan is capped upon maturity at the net assets of the fellow subsidiary undertaking. Consequently, at 31 December 2018, the carrying value of the loan has been reduced from the initial carrying amount by £150,695,742 (2017 - £150,696,591).

At 31 December 2018, the company carried provisions against amounts owed by fellow subsidiary undertakings totaling £20,124,705 (2017 - £57,085,359). These amounts relate to fellow subsidiary undertakings which were in a net liability position at the year end. The net decrease in provision of £39,960,653 (2017 - increase of £10,182,422) has been taken to the income statement.

The company has acquired assets for use in the running of its property interest, subject to leases to a fellow subsidiary undertaking under finance lease terms.

The amount at which finance lease debtors are stated comprises:

	2018 £	2017 £
Opening balance	101,673	590,927
Finance lease rents received	(104,158)	(507,896)
Finance lease interest	2,485	18,642
	-	101,673

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

16. CREDITORS: Amounts falling due within one year

	2018 £	2017 £
Trade creditors	22,884	312,030
Amounts owed to group undertakings	2,921,070,366	3,458,903,880
Corporation tax	22,697,126	52,709,655
Taxation and social security	4,340,886	4,135,389
Other creditors	1,640,411	1,452,804
Accruals and deferred income	21,868,469	29,164,177
	2,971,640,142	3,546,677,935

Included in the amounts owed to group undertakings is a £845,296,880 (2017 - £1,006,110,986) loan from a parent undertaking and £1,331,481,608 (2017 - £2,017,893,956) of loans from fellow subsidiary undertakings.

A loan of £676,962,618 at 31 December 2017 from a fellow subsidiary undertaking carried interest at 9% and was repaid during the year.

The other 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.

17. CREDITORS: Amounts falling due after more than one year

	2018 £	2017 £
Lease incentives received	-	768,591
	-	768,591

18. DEFERRED TAXATION

	2018 £
At beginning of year	423,227
Charged to profit or loss	(5,879)
AT END OF YEAR	417,348

The deferred tax asset is made up as follows:

	2018 £	2017 £
Capital allowances	417,348	427,273
Revaluation of properties	-	(4,046)
	417,348	423,227

19. PROVISIONS

	Total provision £
At 1 January 2018	2,451,823
Unwind of discount	157,440
Decrease in provision	(115,264)
Utilisation of provision	(293,601)
AT 31 DECEMBER 2018	2,200,398

The total provision comprises:

	20 Canada Square £	One Churchill Place £	One Canada Square £	Total £
As at 1 January 2018	2,222,360	222,589	6,874	2,451,823
Utilisation of provision	(148,500)	(131,957)	(13,144)	(293,601)
Unwind of discount	150,245	7,156	39	157,440
Increase/ (decrease) in provision	(121,507)	12	6,231	(115,264)
	2,102,598	97,800	-	2,200,398

	£	£	£
Total net rents due	2,464,591	99,007	2,563,598
Discount at 5.1%	(361,993)	(1,207)	(363,200)
	2,102,598	97,800	2,200,398

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 133,400 sq ft in One Churchill Place, at a rent of £5.6 million per annum until July 2019.

The company entered into leaseback agreements in respect of floor 24 at a rent of £1.0 million per annum until expiring in June 2018.

20. SHARE CAPITAL

	2018 £	2017 £
Allotted, called up and fully paid		
662,516,350 (2017 -662,516,350) Ordinary shares of £1.00 each	662,516,350	662,516,350

21. PENSION COMMITMENTS

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.

From 1 January 2018, the pension cost charge, which amounted to £1,078,516 for the year ended 31 December 2017, is borne by Canary Wharf Group plc.

22. OTHER FINANCIAL COMMITMENTS

As at 31 December 2018 and 31 December 2017 the company had given fixed and floating charges over substantially all its assets to secure the commitments of certain other group undertakings.

23. CONTROLLING PARTY

Until 28 February 2018, the company's immediate parent undertaking was Canary Wharf Holdings Limited. On that date, the shares in the company were transferred to Canary Wharf Central Limited, a subsidiary of Canary Wharf Holdings Limited.

As at 31 December 2018, 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 Investment Holdings plc. Copies of the financial statements may be obtained from the Company Secretary, One Canada Square, Canary Wharf, London E14 5AB.

The largest group of which the company is a member for which group financial statements are drawn up is the consolidated financial statements of Stork HoldCo LP, an entity registered in Bermuda and the ultimate parent undertaking and controlling party. Stork HoldCo LP is registered at 73 Front Street, 5th Floor, Hamilton HM12, Bermuda.

Stork HoldCo LP is controlled as to 50% by Brookfield Property Partners LP and as to 50% by Qatar Investment Authority.

The directors have taken advantage of the exemption in paragraph 33.1A of FRS 102 allowing the company not to disclose related party transactions with respect to other wholly-owned group companies.