



CANARY WHARF
GROUP PLC

CANARY WHARF CONTRACTORS LIMITED

Registered number: 02352250

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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CANARY WHARF CONTRACTORS LIMITED

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CANARY WHARF CONTRACTORS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

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 company's immediate parent undertaking is Canary Wharf Holdings Limited and its ultimate parent undertaking is Stork HoldCo LP.

The principal activity of the company is to act as a construction and design manager for building projects in Canary Wharf and various other sites in London.

BUSINESS REVIEW

Heron Quays West

At Heron Quays West, construction at One Bank Street continues to progress with practical completion targeted for summer 2019. The concrete core is complete, the steel frame is complete to level 22 and cladding complete to level 9.

Once complete, the building at One Bank Street will comprise 715,000 sq ft of which 280,000 sq ft has been leased to Societe General. Category A and B fit-out will be undertaken on behalf of the tenant.

At 10 Bank Street, a revised planning consent was granted during the year for a larger 850,000 sq ft building. Construction of the cofferdam and secant pile wall to create the basement footprint is complete and excavation of the basement levels has also concluded.

Construction of a 64,000 sq ft private members club commenced in the year, with piling complete and structural steelwork commencing subsequent to the year-end. Practical completion of the shell and core is targeted for mid 2019 with hand-over to the tenant for fitting out in December 2019.

Wood Wharf

Wood Wharf comprises an area immediately to the east of the existing Estate with consent for 5.3m sq ft of development comprising 3,600 residential units, 1.9m sq ft of commercial and 380,000 sq ft of retail space.

Marketing of the first residential building, 10 Park Drive, commenced in July 2015. The building will comprise 345 apartments and complete at the end of 2019. In light of positive sales in this building a second residential building was launched in May 2017. One Park Drive will comprise 483 apartments and will start to be occupied in late 2020.

Two further buildings designed for the private rental market, are under construction and will provide 501 apartments.

Construction of these first phase buildings commenced early in 2016 and will be delivered on a staged basis commencing Q4 2019. In total, the first phase of Wood Wharf will comprise 1.8m sq ft of which 1.3m sq ft will be residential, 0.4m sq ft will be commercial and 0.1m sq ft will be retail. Following the pre-leasing of 15 Water Street, construction of the commercial buildings will commence in Q4 2018.

Phase 2 of the Wood Wharf district will consist of seven buildings with a total area of 790,000 sq ft of which 390,000 sq ft is office, 165,000 sq ft is residential and 235,000 sq ft is retail / leisure use. Design consultants have been appointed and design and town planning work is progressing. Construction of the Phase 2 buildings is expected to commence in 2019.

CANARY WHARF CONTRACTORS LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

Newfoundland

Newfoundland is a further private rental sector building and will comprise 639,000 sq ft and provide 636 apartments. Construction is progressing according to plan and is scheduled to complete in June 2020.

Southbank Place

In July 2011, the Group and Qatari Diar Real Estate Investment Company concluded an agreement to redevelop the Shell Centre. The company is acting as construction manager for the project. The development will be mixed use, comprising office, residential and retail space, which will regenerate an important section of the South Bank in central London. The existing 27 storey tower in the middle of the Shell Centre will be preserved and retained by Shell for their use. Shell also agreed to take a 282,537 sq ft prelet of the entirety of one of the two new office buildings to be constructed on the site. In total, the redevelopment will comprise 523,000 sq ft of office space, 79,000 sq ft of retail, restaurants, cafes and a health club; and 835,000 sq ft of residential, creating 877 apartments.

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 company and allocates specific day to day monitoring and control responsibilities to management. As a member of the 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, 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 for sites capable of incorporating residential development, there have recently been signs that demand at the top of the residential market has cooled. Government announcements in particular the changes to stamp duty on the residential property market have also contributed to a slowing of residential land prices. The full implications of the EU referendum held in June 2016 are not yet clear. In the meantime, there is 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.

Concentration risk

The majority of the Group's real estate assets are currently located on or adjacent to the Estate. Although a majority of tenants are linked to the financial services industry, this proportion has now fallen to around only 55% of the tenants being in the financial services sector. Wherever possible steps are still taken to mitigate or avoid material consequences arising from this concentration. Although the focus of the Group has been on and around the Estate, where value can be added the Group will also consider opportunities elsewhere. The Group is involved in the joint venture with Qatari Diar to redevelop the Shell Centre in London's South Bank. The Group has also reviewed current consents for development. This review has already led to an increased focus on residential development as reflected in the revised composition of the proposed master plan for the mixed use development on land immediately east of the Estate.

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.

CANARY WHARF CONTRACTORS LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

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.

This report was approved by the board on 25 June 2018 and signed on its behalf.

A handwritten signature in black ink, appearing to read 'R J J Lyons', with a stylized arrow pointing to the right at the end of the signature.

R J J Lyons
Director

CANARY WHARF CONTRACTORS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their report and the financial statements for the year ended 31 December 2017.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £940,639 (2016 - £69,746,264).

No dividends have been paid during the year (2016 - £6,430,000).

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 2017 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.

ENVIRONMENTAL MATTERS

The Canary Wharf Group plc board retains overall responsibility for the monitoring and implementation of the group's sustainability, environmental and social policies and activities and is assisted by the group's Corporate Responsibility Group which is chaired by the group's company secretary and 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 sustainability and social risks and opportunities that may affect the group's operations.

Sustainability pressures are coming from existing and prospective tenants and occupiers, who are seeking 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 for the benefit of the environment, tenants, employees, the community and stakeholders. A recent 30 year local impact report commissioned by the Group has shown that Canary Wharf supports 54% of all jobs in Tower Hamlets, of which 12,000 work in Canary Wharf. Since 1997, £1.59bn of business has been generated for local businesses through Group business spend to support initiatives.

The Group has maintained ISO 14001 accreditation since early 2005 and will be seeking ISO 2400 for sustainable procurement in 2018. Environmental management has however been an inherent part of construction since 2002. The Group is also working to introduce Science Based Targets to ensure the business remains within the bounds of the Paris Agreement on Climate Change. During 2017, no member of the Group incurred any fines or non monetary sanctions for non compliance with any regulation or legislation related to sustainability issues. Canary Wharf Group plc is a founder 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.

CANARY WHARF CONTRACTORS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

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 2017, 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.

EMPLOYEE CONSULTATION

The company has adopted the terms of the Code of Practice for the elimination of discrimination, on all grounds, including disability discrimination. The company has therefore 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. A staff consultative committee, at which matters raised by employees are considered by management and staff representatives, has been established. The company's employment strategy is regularly reviewed to incorporate changes to legislation and ensure best practice is maintained.

DIVERSITY

The company is committed to fostering a diverse and inclusive workforce which enables the company to hire and retain the best people. A diverse workforce brings a practical contribution to business success and in providing the highest standard of customer service to our tenants and to visitors alike. The work completed so far in creating an inclusive culture is reflected in low staff turnover and the increase in homes in technical construction roles which compares favourably with external benchmarking.

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.

DISABLED EMPLOYEES

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

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 BSI HSAS 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.

CANARY WHARF CONTRACTORS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

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 95% of the work force. The company has adopted a Code of Ethics and 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.

ANTI-SLAVERY AND HUMAN TRAFFICKING

Following implementation of the Modern Slavery Act 2015 the company is bound by the Act to establish controls to combat slavery, servitude, forced or compulsory labour and human trafficking. The directors have accordingly adopted a policy and formal statement setting out the company's commitment to prohibiting any form of forced labour or slavery throughout its supply chain. The Anti-Slavery and Human Trafficking training modules has been completed by 95% of the Group's workforce.

FUTURE DEVELOPMENTS

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, it is anticipated that the deferred tax asset will be released.

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 25 June 2018 and signed on its behalf.



J R Garwood
Secretary

CANARY WHARF CONTRACTORS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

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 judgments 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.

CANARY WHARF CONTRACTORS LIMITED

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 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 of Canary Wharf Contractors Limited (the 'company') which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 19.

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.

CANARY WHARF CONTRACTORS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CANARY WHARF CONTRACTORS 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.

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.

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.

CANARY WHARF CONTRACTORS LIMITED

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

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.



Simon Letts (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
25 June 2018

CANARY WHARF CONTRACTORS LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017**

| | Note | 2017 £ | 2016 £ |
|--|------|----------------|-------------------|
| Turnover | 4 | 72,356,586 | 148,442,344 |
| Cost of sales | | (71,904,925) | (77,568,427) |
| GROSS PROFIT | | 451,661 | 70,873,917 |
| Administrative expenses | | (35) | (250) |
| Other operating income | | 71,117 | 454 |
| OPERATING PROFIT | | 522,743 | 70,874,121 |
| Interest receivable and similar income | 7 | 44,411 | 24,134 |
| Interest payable and similar charges | 8 | (274,136) | (1,140,468) |
| PROFIT BEFORE TAX | | 293,018 | 69,757,787 |
| Tax on profit | 9 | 647,621 | (11,523) |
| PROFIT FOR THE FINANCIAL YEAR | | 940,639 | 69,746,264 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | 940,639 | 69,746,264 |

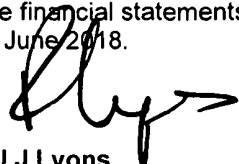
The notes on pages 14 to 23 form part of these financial statements.

CANARY WHARF CONTRACTORS LIMITED
REGISTERED NUMBER: 02352250

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

| | Note | 2017 £ | 2016 £ |
|---|------|--------------------------|--------------------------|
| CURRENT ASSETS | | | |
| Work in progress | 10 | 48,963,624 | 58,758,305 |
| Debtors: amounts falling due after more than one year | 11 | 51,754,814 | 53,766,974 |
| Debtors: amounts falling due within one year | 11 | 972,484,877 | 965,498,502 |
| Cash at bank and in hand | | 111,995,596 | 19,859,692 |
| | | <u>1,185,198,911</u> | <u>1,097,883,473</u> |
| Creditors: amounts falling due within one year | 12 | (310,184,955) | (276,013,032) |
| NET CURRENT ASSETS | | <u>875,013,956</u> | <u>821,870,441</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>875,013,956</u> | <u>821,870,441</u> |
| Creditors: amounts falling due after more than one year | 13 | (799,273,778) | (747,070,902) |
| NET ASSETS | | <u><u>75,740,178</u></u> | <u><u>74,799,539</u></u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 15 | 2 | 2 |
| Retained earnings | | <u>75,740,176</u> | <u>74,799,537</u> |
| | | <u><u>75,740,178</u></u> | <u><u>74,799,539</u></u> |

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 25 June 2018.



R J J Lyons
Director

The notes on pages 14 to 23 form part of these financial statements.

CANARY WHARF CONTRACTORS LIMITED

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

| | Called up share capital | Retained earnings | Total equity |
|--|----------------------------|----------------------|--------------|
| | £ | £ | £ |
| At 1 January 2017 | 2 | 74,799,537 | 74,799,539 |
| COMPREHENSIVE INCOME FOR THE YEAR | | | |
| Profit for the year | - | 940,639 | 940,639 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | - | 940,639 | 940,639 |
| AT 31 DECEMBER 2017 | 2 | 75,740,176 | 75,740,178 |

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

| | Called up share capital | Retained earnings | Total equity |
|--|----------------------------|----------------------|--------------|
| | £ | £ | £ |
| At 1 January 2016 | 2 | 11,483,273 | 11,483,275 |
| COMPREHENSIVE INCOME FOR THE YEAR | | | |
| Profit for the year | - | 69,746,264 | 69,746,264 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | - | 69,746,264 | 69,746,264 |
| Dividends: Equity capital | - | (6,430,000) | (6,430,000) |
| AT 31 DECEMBER 2016 | 2 | 74,799,537 | 74,799,539 |

The notes on pages 14 to 23 form part of these financial statements.

CANARY WHARF CONTRACTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. GENERAL INFORMATION

Canary Wharf Contractors Limited is an English Limited Company registered 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

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

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.

2.5 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.

CANARY WHARF CONTRACTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. ACCOUNTING POLICIES (CONTINUED)

2.6 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 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 gross amount due 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.

2.7 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.

Trade and other receivables

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.

Loans receivable

Loans receivable are recognised initially at fair value less attributable 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.

Trade and other payables

Trade and other creditors are stated at cost.

2.8 Pensions

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

CANARY WHARF CONTRACTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. ACCOUNTING POLICIES (CONTINUED)

2.9 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.

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.

Construction contracts

Revenue on construction contracts is recognised according to the stage reached in the contract using the percentage completion method. The directors estimate the outcome of each contract on an individual basis on the proportion of costs incurred compared with the estimated total costs at each balance sheet date.

Work in progress

The company uses valuations performed by independent valuers in determining the net realisable value of the company's work in progress. At the year end the net realisable value exceeded the historical cost.

CANARY WHARF CONTRACTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

4. TURNOVER

An analysis of turnover is given below:

| | 2017 £ | 2016 £ |
|---|-------------------|--------------------|
| Revenue recognised on long term contracts | - | 70,660,110 |
| Construction revenue | 67,263,148 | 77,782,234 |
| Construction management fees | 5,093,438 | - |
| | <u>72,356,586</u> | <u>148,442,344</u> |

5. AUDITOR'S REMUNERATION

Auditor's remuneration of £13,000 (2016 - £13,000) for the audit of the company for the year has been borne by another group undertaking.

6. EMPLOYEES

Staff costs were as follows:

| | 2017 £ | 2016 £ |
|-------------------------------------|-------------------|-------------------|
| Wages and salaries | 35,696,214 | 30,679,068 |
| Social security costs | 3,803,217 | 3,587,693 |
| Cost of defined contribution scheme | 2,668,279 | 2,411,768 |
| | <u>42,167,710</u> | <u>36,678,529</u> |

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

| | 2017 No. | 2016 No. |
|--------------|-------------|-------------|
| Construction | <u>377</u> | <u>325</u> |

None of the directors received any emoluments in respect of their services to the company during the year or the prior year.

CANARY WHARF CONTRACTORS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

7. INTEREST RECEIVABLE AND SIMILAR INCOME

| | 2017 £ | 2016 £ |
|---|---------------|---------------|
| Bank interest receivable | 44,411 | 24,134 |
| Interest receivable from group undertakings | 58,596,326 | 53,758,448 |
| Less: Interest transferred to payments on account | (58,596,326) | (53,758,448) |
| | <u>44,411</u> | <u>24,134</u> |

8. INTEREST PAYABLE AND SIMILAR CHARGES

| | 2017 £ | 2016 £ |
|------------------------|----------------|------------------|
| Other interest payable | 274,136 | 1,140,468 |
| | <u>274,136</u> | <u>1,140,468</u> |

9. TAXATION

| | 2017 £ | 2016 £ |
|---|------------------|---------------|
| Current tax on profits for the year | - | - |
| TOTAL CURRENT TAX | <u>-</u> | <u>-</u> |
| DEFERRED TAX | | |
| Origination and reversal of timing differences | (647,621) | 11,523 |
| TOTAL DEFERRED TAX | <u>(647,621)</u> | <u>11,523</u> |
| TAXATION ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES | <u>(647,621)</u> | <u>11,523</u> |

CANARY WHARF CONTRACTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

9. 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 19.25% (2016 - 20%). The differences are explained below:

| | 2017 £ | 2016 £ |
|---|------------------|---------------|
| Profit on ordinary activities before tax | 293,018 | 69,757,787 |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%) | 56,406 | 13,951,557 |
| EFFECTS OF: | | |
| Capital allowances | (904,147) | - |
| Change in tax rates | 85,715 | 1,306 |
| Group relief | 114,405 | (13,941,340) |
| TOTAL TAX CHARGE FOR THE YEAR | (647,621) | 11,523 |

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The tax rate of 19.25% has been calculated by reference to the current corporation tax rate of 19% which was in effect for the final three quarters of the year and the previous rate of 20% which was in effect for the first quarter of the year.

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.

10. WORK IN PROGRESS

| | 2017 £ | 2016 £ |
|---|-------------------|-------------------|
| Work in progress at cost | 48,963,624 | 58,758,305 |
| | <u>48,963,624</u> | <u>58,758,305</u> |
| Movement in the carrying value of work in progress during the year: | | |
| | 2017 £ | 2016 £ |
| At 1 January | 58,758,305 | 46,934,533 |
| Additions | 61,796,523 | 81,847,947 |
| Released to cost of sales | (71,591,204) | (70,024,175) |
| | <u>48,963,624</u> | <u>58,758,305</u> |

CANARY WHARF CONTRACTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

11. DEBTORS

| | 2017 £ | 2016 £ |
|-------------------------------------|--------------------|--------------------|
| DUE AFTER MORE THAN ONE YEAR | | |
| Amounts owed by group undertakings | 51,754,814 | 53,766,974 |
| | <u>51,754,814</u> | <u>53,766,974</u> |
| | 2017 £ | 2016 £ |
| DUE WITHIN ONE YEAR | | |
| Trade debtors | 5,277,729 | 2,012,233 |
| Amounts owed by group undertakings | 945,451,956 | 934,609,750 |
| Other debtors | 187,401 | 164,693 |
| Prepayments and accrued income | 20,880,604 | 28,672,260 |
| Deferred taxation | 687,187 | 39,566 |
| | <u>972,484,877</u> | <u>965,498,502</u> |

Amounts owed by group undertakings due within one year consist of the following:

| | 2017 £ | 2016 £ |
|--|--------------------|--------------------|
| Amounts owed by fellow subsidiary undertakings | 320,244,152 | 363,168,919 |
| Loan owed by fellow subsidiary undertakings | 625,207,804 | 571,440,831 |
| | <u>945,451,956</u> | <u>934,609,750</u> |

Amounts owed by group undertakings are interest free and repayable on demand.

The loan to a fellow subsidiary undertaking bears interest at 9% and is repayable on demand.

CANARY WHARF CONTRACTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

12. CREDITORS: Amounts falling due within one year

| | 2017 £ | 2016 £ |
|------------------------------------|--------------------|--------------------|
| Payments received on account | 366,000 | 880,000 |
| Trade creditors | 2,223,904 | 3,119,463 |
| Amounts owed to group undertakings | 292,985,334 | 265,396,221 |
| Other taxation and social security | 7,739,342 | 5,331,433 |
| Other creditors | 6,577,000 | - |
| Accruals and deferred income | 293,375 | 1,285,915 |
| | <u>310,184,955</u> | <u>276,013,032</u> |

Amounts owed to group undertakings are interest free and repayable on demand.

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

| | 2017 £ | 2016 £ |
|------------------------------|--------------------|--------------------|
| Payments received on account | 799,092,445 | 746,823,630 |
| Lease incentives received | 181,333 | 247,272 |
| | <u>799,273,778</u> | <u>747,070,902</u> |

Payments received on account

| | Balance of initial payment £ | Interest £ | Total £ |
|---------------------------------------|---------------------------------------|--------------------|--------------------|
| Balance as at 1 January 2017 | 121,273,648 | 626,429,982 | 747,703,630 |
| Interest | - | 58,596,326 | 58,596,326 |
| Allocated to turnover | (574,302) | (6,267,209) | (6,841,511) |
| Balance as at 31 December 2017 | <u>120,699,346</u> | <u>678,759,099</u> | <u>799,458,445</u> |

CANARY WHARF CONTRACTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

14. DEFERRED TAXATION

| | 2017 £ |
|---------------------------|----------------|
| At beginning of year | 39,566 |
| Charged to profit or loss | 647,621 |
| AT END OF YEAR | 687,187 |

The deferred tax asset is made up as follows:

| | 2017 £ | 2016 £ |
|--------------------|----------------|---------------|
| Capital allowances | 687,187 | 39,566 |
| | 687,187 | 39,566 |

15. SHARE CAPITAL

| | 2017 £ | 2016 £ |
|---|-----------|-----------|
| Allotted, called up and fully paid | | |
| 2 Ordinary shares of £1 each | 2 | 2 |

16. PENSION COMMITMENTS

As part of the Canary Wharf Group pension arrangements, the company participates in a defined contribution pension scheme. 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 £2,668,279 for the year (2016 - £2,411,768), represents contributions payable by the company to the scheme.

17. OTHER FINANCIAL COMMITMENTS

At 31 December 2017 and 31 December 2016, the company had given fixed and floating charges over substantially all its assets to secure the commitments of certain other group companies.

18. POST BALANCE SHEET EVENTS

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, it is anticipated that the deferred tax asset will be released.

CANARY WHARF CONTRACTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

19. 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 2017, 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 group companies.