



CANARY WHARF RETAIL FUNDING LIMITED

Registered number: 08302481

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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CANARY WHARF RETAIL FUNDING LIMITED

CONTENTS

	Page
Strategic Report	1 - 3
Directors' Report	4
Directors' Responsibilities Statement	5
Independent Auditor's Report	6 - 9
Statement of Comprehensive Income	10
Statement of Financial Position	11
Statement of Changes in Equity	12
Notes to the Financial Statements	13 - 20

CANARY WHARF RETAIL FUNDING LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

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 is a wholly owned subsidiary of Canary Wharf Group plc and its ultimate parent undertaking is Stork HoldCo LP.

The company acts as a financing company for the retail areas at Canary Wharf.

BUSINESS REVIEW

As shown in the company's income statement, the company's loss after tax for the year was £2,535,722 (2019 - profit of £239,237).

The balance sheet shows the company's financial position at the year end and indicates that net assets were £18,373,248 (2019 - £22,845,964).

FUTURE DEVELOPMENTS

Since March 2020 the UK economy has been significantly impacted by the COVID-19 virus which has caused widespread disruption and economic uncertainty. It is not expected that the crisis will have any further material impact on assets, liabilities or performance of the company.

The company's bank loans were repaid in 2021 and replaced with an intra-group loan.

PRINCIPAL RISKS AND UNCERTAINTIES

The risks and uncertainties facing the business are monitored through regular assessment, 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 particularly following the ongoing impact of the Covid-19 virus, concentration risk and financing risk.

Cyclical nature of the property market

The valuation of the Company and Group's assets are subject to many other external economic and market factors. In recent years, the London real estate market has had to cope with fluctuations in demand caused by key events such as the 2008/2009 financial crisis, uncertainty in the Eurozone and the implications of the UK's withdrawal from the EU. The full impact of the coronavirus is not yet possible to predict. Any long-term continuation of the pandemic will however inevitably affect short and medium term economic performance and confidence, with adverse implications for the property market. The real estate market has to date, 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 still viewed as both relatively stable and secure. Previous Government announcements, in particular the changes to stamp duty underpinned continuing demand in the residential market and the value of the Group's development sites. Property valuations for office properties let on long leases to good covenants have remained relatively strong despite continuing economic uncertainties which are unhelpful to confidence across the wider real estate sector.

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 50.0% of tenants. Wherever possible steps are still taken to mitigate or avoid material consequences arising from this concentration.

CANARY WHARF RETAIL FUNDING LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

Financing risk

The broader economic cycle inevitably leads to movement in inflation, interest rate and bond yields.

The company holds loan finance, in sterling at floating rates and uses interest rate swaps to modify exposure to interest rate fluctuations. The company enters into derivative financial instruments solely for the purposes of hedging its financial assets and liabilities. No derivatives are entered into for speculative purposes.

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

SECTION 172(1) STATEMENT COMPANIES ACT 2006

Section 172 (1) of the Companies Act 2006 requires that a director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

(a) the likely consequences of any decision in the long term

The Board meets regularly to discuss and make decisions on matters of strategic importance to the business, to promote the long- term success of the Company and to consider the likely long term impact of any such decisions.

In accordance with the Articles of Association the Company has by ordinary resolution appointed each of the directors. Accordingly, there is an alignment of the interests between shareholders and the Board. The Group Executive Chairman and Group Chief Executive Officer are also members of the Board.

(b) the interests of the Company's employees

The Company has no employees other than the directors, who did not receive remuneration from the Company during the year.

((c) the need to foster the Company's business relationships with suppliers, customers and others

The Group has strong and well-established long-term relationships with its suppliers, tenants and customers. This is evidenced by the continuation of links across the full value chain, over many years, with the full range of contractors, advisors and suppliers who interact directly with employees of the company without the intervention of sub-contractors.

(d) the impact of the Company's operations on the community and the environment

The Group publishes an annual Corporate Responsibility report which is available on the Group website. However, in addition to the above, the Group is committed to fostering positive links within the local communities in which it works. The Group has an appointed Group Strategy Director who manages a team which works collaboratively with the London Boroughs of Tower Hamlets and of Lambeth. The Director is also engaged politically and is responsible for the Group's long-term strategy, planning, community and sports events, links with local educational establishments and promotional arts events.

The Group is an established member of the Tower Hamlets Partnership Executive Group which engages with a range of local business leaders. The Group's Personnel Department has well established links with local schools, colleges, universities and with the local job centre.

CANARY WHARF RETAIL FUNDING LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

(e) the desirability of the Company maintaining a reputation for high standards of business conduct

The Group expects the highest standards of conduct from its employees, business partners and suppliers with which it engages. The Group has an established internal risk control and audit process with a range of official policies. In addition, the Internal Audit process is provided independently by Ernst & Young LLP.

The Group is fully compliant with all current GDPR laws and employment legislation.

(f) the need to act fairly between members of the Company


The Company's articles of association may be amended by special resolution of the Company's shareholder. The Company is a wholly owned subsidiary within the Stork HoldCo LP group of companies and is a single member company under section 123 (1) of the Companies Act 2006.

Throughout 2021 the Board will continue to review how the Group can improve engagement with its employees and stakeholders.

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 10 August 2021 and signed on its behalf.

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A S J Daffern
Director

CANARY WHARF RETAIL FUNDING LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their report and the financial statements for the year ended 31 December 2020.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £2,535,722 (2019 - profit £239,237).

No dividends have been paid or proposed in the year (2019 - £Nil).

DIRECTORS

The directors who served during the year were:

Sir George Iacobescu CBE
S Z Khan
R J J Lyons

On 6 May 2021, subsequent to the year end, A S J Daffern, K J Kingston and R J Worthington were appointed as directors of the company. On 21 May 2021, R J J Lyons resigned as a director of the company. On 1 July 2021, Sir George Iacobescu CBE resigned as a director of the company.

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 2020 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.

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.

FUTURE DEVELOPMENTS


Details of the company's future developments are set out in 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 10 August 2021 and signed on its behalf.

DocuSigned by:

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A S J Daffern
Director

CANARY WHARF RETAIL FUNDING LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

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.

CANARY WHARF RETAIL FUNDING LIMITED

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

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

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss 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 14.

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 Financial Reporting Council's ('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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

CANARY WHARF RETAIL FUNDING LIMITED

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

OTHER INFORMATION

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

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.

CANARY WHARF RETAIL FUNDING LIMITED

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

EXTENT TO WHICH THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, and relevant tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC.

CANARY WHARF RETAIL FUNDING LIMITED

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

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.

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.



Jason Partington FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
10 August 2021

CANARY WHARF RETAIL FUNDING LIMITED**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 £	2019 £
Interest receivable and similar income	6	19,349,376	22,350,604
Interest payable and similar charges	7	(21,885,098)	(22,111,367)
(LOSS)/PROFIT BEFORE TAX		<u>(2,535,722)</u>	<u>239,237</u>
Tax on (loss)/profit	8	-	-
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		<u>(2,535,722)</u>	<u>239,237</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR			
Fair value movement on derivative financial instruments	12	(1,936,994)	(5,731,823)
OTHER COMPREHENSIVE INCOME FOR THE YEAR		<u>(1,936,994)</u>	<u>(5,731,823)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>(4,472,716)</u>	<u>(5,492,586)</u>

The notes on pages 13 to 20 form part of these financial statements.

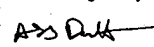
CANARY WHARF RETAIL FUNDING LIMITED
REGISTERED NUMBER: 08302481

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020 £	2019 £
CURRENT ASSETS			
Debtors	9	727,727,454	727,079,435
Cash at bank and in hand		3,828,087	2,731
		<u>731,555,541</u>	<u>727,082,166</u>
Creditors: amounts falling due within one year	10	(713,182,293)	(3,944,525)
NET CURRENT ASSETS		<u>18,373,248</u>	<u>723,137,641</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>18,373,248</u>	<u>723,137,641</u>
Creditors: amounts falling due after more than one year	11	-	(700,291,677)
NET ASSETS		<u><u>18,373,248</u></u>	<u><u>22,845,964</u></u>
CAPITAL AND RESERVES			
Called up share capital	13	29,127,050	29,127,050
Hedging reserve	12	(4,890,174)	(2,953,180)
Retained earnings		(5,863,628)	(3,327,906)
		<u>18,373,248</u>	<u>22,845,964</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 10 August 2021.

DocuSigned by:



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A S J Daffern
 Director

The notes on pages 13 to 20 form part of these financial statements.

CANARY WHARF RETAIL FUNDING LIMITED**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Called up share capital £	Hedging reserve £	Retained earnings £	Total equity £
At 1 January 2020	29,127,050	(2,953,180)	(3,327,906)	22,845,964
COMPREHENSIVE INCOME FOR THE YEAR				
Loss for the year	-	-	(2,535,722)	(2,535,722)
Fair value movement on effective hedging instrument	-	(1,936,994)	-	(1,936,994)
OTHER COMPREHENSIVE INCOME FOR THE YEAR	-	(1,936,994)	-	(1,936,994)
AT 31 DECEMBER 2020	29,127,050	(4,890,174)	(5,863,628)	18,373,248

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital £	Hedging reserve £	Retained earnings £	Total equity £
At 1 January 2019	29,127,050	2,778,643	(3,567,143)	28,338,550
COMPREHENSIVE INCOME FOR THE YEAR				
Profit for the year	-	-	239,237	239,237
Fair value movement on effective hedging instrument	-	(5,731,823)	-	(5,731,823)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	(5,731,823)	239,237	(5,492,586)
AT 31 DECEMBER 2019	29,127,050	(2,953,180)	(3,327,906)	22,845,964

The notes on pages 13 to 20 form part of these financial statements.

CANARY WHARF RETAIL FUNDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. GENERAL INFORMATION

Canary Wharf Retail Funding Limited is a private company limited by shares incorporated 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").

Replacement of LIBOR as an interest rate benchmark

It is anticipated that LIBOR will be replaced or discontinued after the end of 2021, as part of global financial regulators' project to reform interest rate benchmarks. The Company will therefore re-negotiate and/or otherwise amend to accommodate such change in benchmarks, where related instruments mature after 2021.

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. Furthermore, the company's external debt has been refinanced in 2021 and replaced with an intra-group loan.

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.

The impact of COVID-19

Since March 2020 the UK economy has been significantly impacted by the COVID-19 virus which has caused widespread disruption and economic uncertainty. It is not expected that the crisis will have any further material impact on assets, liabilities or performance of the company.

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 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

CANARY WHARF RETAIL FUNDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. ACCOUNTING POLICIES (CONTINUED)

paragraph 11.41.

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.

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.

Trade and other payables

Trade and other creditors are stated at cost.

2.5 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.

Borrowings

Standard loans payable are recognised initially at transaction price including transaction costs.

Subsequent to initial recognition, loans payable are stated at amortised cost with any difference between the amount initially recognised and the 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.

CANARY WHARF RETAIL FUNDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. ACCOUNTING POLICIES (CONTINUED)

2.6 Derivative instruments

The company uses interest rate derivatives to help manage its risks of changes in interest rates. The company does not hold or issue derivatives for trading purposes.

In order for a derivative to qualify for hedge accounting, the company is required to document the relationship between the item being hedged and the hedging instrument. The company is also required to demonstrate an assessment of the relationship between the hedged item and the hedging instrument for its economic relationship, effects of credit risk and hedge ratio. This shows that the hedge will be effective on an on-going basis. The effectiveness testing is re-performed at each balance sheet date to ensure that the hedge remains effective.

The changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in other comprehensive income. The changes in the fair value of derivative financial instruments that are designated and effective as fair value hedges are recognised against the item being hedged. The changes in the fair value of any ineffective portions of hedges or undesignated financial instruments are recognised in the profit and loss account.

Hedge accounting is discontinued when the company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained until the forecast transaction occurs. If the hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period.

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.

The preparation of financial statements also requires use of judgements, apart from those involving estimation, that management makes in the process of applying the entity's accounting policies.

Derivative financial instruments

The fair values of derivative financial instruments are provided by counter party financial institutions. Consistent with International Accounting Standards, the value provided is then reduced for the company's own credit risk, in the case of credit balances, and for the counterparty's credit risk, in the case of debit balances. These adjustments are calculated by using a calculation tool provided by Bloomberg.

For the year ended 31 December 2020, the financial statements of the company did not contain any significant items that required the application of judgements, apart from those involving estimation.

4. AUDITOR'S REMUNERATION

Auditor's remuneration of £6,000 (2019: £6,000) for the audit of the company for the year ended 31 December 2020 has been borne by another group undertaking.

CANARY WHARF RETAIL FUNDING LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020****5. EMPLOYEES**

The Company has no employees other than the directors, who did not receive any remuneration (2019 - £NIL).

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2020 £	2019 £
Interest receivable from group companies	17,679,357	20,677,343
Amortisation of loan fees	1,664,133	1,659,592
Other interest receivable	5,886	13,669
	<u>19,349,376</u>	<u>22,350,604</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2020 £	2019 £
Bank interest payable	17,090,556	19,797,058
Loan fees	1,641,096	1,502,901
Interest payable on derivative financial instruments	3,150,798	809,093
Bank charges	2,648	2,315
	<u>21,885,098</u>	<u>22,111,367</u>

8. TAXATION

	2020 £	2019 £
Current tax on profits for the year	-	-
TOTAL CURRENT TAX	<u>-</u>	<u>-</u>
DEFERRED TAX		
TOTAL DEFERRED TAX	<u>-</u>	<u>-</u>
TAXATION ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES	<u>-</u>	<u>-</u>

CANARY WHARF RETAIL FUNDING LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020****8. 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% (2019 - 19%). The differences are explained below:

	2020 £	2019 £
(Loss)/profit on ordinary activities before tax	(2,535,721)	239,237
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	(481,787)	45,455
EFFECTS OF:		
Interest restriction	619,779	-
Group relief	(137,992)	(45,455)
TOTAL TAX CHARGE FOR THE YEAR	-	-

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

Enacted in the Finance Act 2020 is a provision to hold the rate of corporation tax at 19.0% on 1 April 2020.

Following the year end, in the 2021 Budget, HM Treasury announced their intention to raise corporation tax to 25% in 2023.

The company is a member of a REIT headed by Stork Holdings Limited. As a consequence all qualifying property rental business is exempt from corporation tax. Only income and expenses relating to nonqualifying activities will continue to be taxable.

9. DEBTORS

	2020 £	2019 £
DUE AFTER MORE THAN ONE YEAR		
Amounts owed by group undertakings	-	696,935,457
	-	696,935,457
DUE WITHIN ONE YEAR		
Amounts owed by group undertakings	727,727,454	30,143,978
	727,727,454	727,079,435

The loans to group undertakings bear interest at LIBOR plus 2.1% and are repayable in November 2021.

Recorded against the balance at 31 December 2020 is £1,400,420 (2019 - £3,064,553) of unamortised financing fees.

CANARY WHARF RETAIL FUNDING LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020****Amounts owed by group undertakings**

	2020 £	2019 £
Loan to group undertaking	724,013,663	26,264,411
Accrued interest on loans to group undertakings due after more than one year	3,713,789	3,879,565
Amounts owed to group undertakings	2	2
	<u>727,727,454</u>	<u>30,143,978</u>

The loan to a group undertaking bears interest at a rate linked to LIBOR and is repayable on demand.

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

10. CREDITORS: Amounts falling due within one year

	2020 £	2019 £
Bank loans	698,783,764	-
Amounts owed to group undertakings	5,609,640	-
Accruals and deferred income	3,898,715	3,944,525
Derivative financial instruments	4,890,174	-
	<u>713,182,293</u>	<u>3,944,525</u>

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

	2020 £	2019 £
Bank loans	-	697,338,497
Derivative financial instruments	-	2,953,180
	<u>-</u>	<u>700,291,677</u>

CANARY WHARF RETAIL FUNDING LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020****12. DERIVATIVE FINANCIAL INSTRUMENTS**

	2020 £	2019 £
Interest rate swap (liability)/asset	(4,890,174)	(2,953,180)

The company uses an interest rate swap to hedge the exposure to the variability in cash flows on floating rate debt caused by movements in market rates of interest. The swap rate is 0.963%.

At 31 December 2020 the fair value of the interest rate swap resulted in the recognition of a liability of £4,890,174 (2019 - £2,953,180). The swap qualifies for hedge accounting and has been designated as a highly effective hedge.

The fair values of derivative financial instruments have been determined by reference to market values provided by the relevant counter party.

The terms of the derivative financial instrument correlates with the terms of the financial instruments to which they relate. Consequently the cash flows and effect on profit or loss are expected to arise over the term of the financial instrument.

The following table shows the undiscounted cash outflows in relation to the company's interest rate swap based on the company's prediction of future movements in interest rates:

	2020 £	2019 £
Within one year	5,980,096	1,281,261
In one to two years	-	1,525,566
in two to five years	-	-
Impact on net assets	5,980,096	2,806,827

Changes in interest rates would affect the market value of derivative financial instruments. These changes would impact the reserves for swaps, which are highly effective. A 0.5% parallel shift in the interest rate curve used to value the derivatives, with all other variables held constant would have the following impact:

	2020 £	2019 £
0.5% increase in interest rates		
Impact on hedging reserve	2,245,036	5,250,885
Impact on net assets	2,245,036	5,250,885

CANARY WHARF RETAIL FUNDING LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

A -0.5% parallel shift in the interest rate curve used to value derivatives, with all other variables held constant would have the following impact:

	2020 £	2019 £
0.5% decrease in interest rates		
Impact on hedging reserve	(2,268,951)	(5,329,876)
	<u>(2,268,951)</u>	<u>(5,329,876)</u>

The 0.5% sensitivity have been selected based on the directors' view of a reasonable interest rate curve movement assumption.

The impact on the net assets of the company arises because all of the company's borrowings are subject to interest rate swaps, which are carried at valuation in the balance sheet and all of its loans to fellow subsidiary undertakings are at fixed rate, and carried at amortised cost.

13. SHARE CAPITAL

	2020 £	2019 £
Allotted, called up and fully paid		
29,127,050 (2019 - 29,127,050) Ordinary shares of £1.00 each	<u>29,127,050</u>	<u>29,127,050</u>

14. CONTROLLING PARTY

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

As at 31 December 2020, 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.