



CANARY WHARF  
GROUP PLC

## **SOUTH QUAY PROPERTIES LIMITED**

Registered number: 2830131

### **DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2014**

THURSDAY



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# **SOUTH QUAY PROPERTIES LIMITED**

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## **SOUTH QUAY PROPERTIES LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014**

The directors present their report and the financial statements for the year ended 31 December 2014.

#### **PRINCIPAL ACTIVITIES**

Until 17 July 2014, the company owned the freehold and certain leaseholds interests in Heron Quays West, Canary Wharf. On 17 July 2014, the company participated in the restructuring of the Heron Quays West development site (Note 6).

As a result of the restructuring, the freeholds of One Bank Street and 10 Bank Street were transferred to certain other group entities. The company retains the freehold of the road known as Bank Street and the leasehold of the pavilion decking to the north of the road.

#### **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 2014 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.

#### **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 that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that 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.

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on 14 August 2015 and signed on its behalf.



**J R Garwood**  
Secretary

## **SOUTH QUAY PROPERTIES LIMITED**

### **DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014**

The directors are responsible for preparing 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make 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 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.

## **SOUTH QUAY PROPERTIES LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SOUTH QUAY PROPERTIES LIMITED**

We have audited the financial statements of South Quay Properties Limited for the year ended 31 December 2014, which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR**

As explained more fully in the 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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS**

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

### **OPINION ON FINANCIAL STATEMENTS**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006**

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

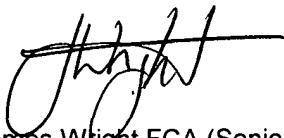
## **SOUTH QUAY PROPERTIES LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SOUTH QUAY PROPERTIES LIMITED**

#### **MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemption from the requirement to prepare a Strategic Report or in preparing the Directors' Report.



James Wright FCA (Senior Statutory Auditor)  
for and on behalf of  
**Deloitte LLP**  
Chartered Accountant and Statutory Auditor  
London, UK

14 August 2015

# **SOUTH QUAY PROPERTIES LIMITED**

## **PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2014**

	Note	2014 £000	2013 £000
Cost of sales		-	(5)
<b>GROSS PROFIT/(LOSS)</b>		-	(5)
Administrative expenses		(114)	(426)
Exceptional item: Movement in provision against development properties	6	861	(21,686)
Total administrative expenses		747	(22,112)
<b>OPERATING PROFIT/(LOSS)</b>	2	747	(22,117)
<b>EXCEPTIONAL ITEMS</b>			
Net loss on sale of tangible fixed assets	6	(3,782)	(6,943)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST</b>		(3,035)	(29,060)
Interest receivable and similar income		4	-
Interest payable and similar charges	4	(106)	-
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(3,137)	(29,060)
Tax on loss on ordinary activities	5	(3)	3
<b>LOSS FOR THE FINANCIAL YEAR</b>	11	(3,140)	(29,057)

All amounts relate to continuing operations.

There were no recognised gains and losses for 2014 or 2013 other than those included in the Profit and Loss Account.

The notes on pages 7 to 12 form part of these financial statements.

**SOUTH QUAY PROPERTIES LIMITED**  
**REGISTERED NUMBER: 2830131**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2014**

	Note	£000	2014 £000	£000	2013 £000
<b>FIXED ASSETS</b>					
Investment property	6		7,500		28,612
<b>CURRENT ASSETS</b>					
Debtors	7	1,712		318	
Cash at bank		34		1,453	
		<u>1,746</u>		<u>1,771</u>	
<b>CREDITORS: amounts falling due within one year</b>	8	<u>(42,450)</u>		<u>(60,447)</u>	
<b>NET CURRENT LIABILITIES</b>			<u>(40,704)</u>		<u>(58,676)</u>
<b>NET LIABILITIES</b>			<u>(33,204)</u>		<u>(30,064)</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	10		-		-
Profit and loss account	11		<u>(33,204)</u>		<u>(30,064)</u>
<b>SHAREHOLDERS' DEFICIT</b>	12		<u>(33,204)</u>		<u>(30,064)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 14 August 2015.

  
**R J J Lyons**  
 Director

The notes on pages 7 to 12 form part of these financial statements.



## **SOUTH QUAY PROPERTIES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014**

#### **1. ACCOUNTING POLICIES**

##### **1.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

##### **1.2 Going concern**

The company is in a net liability position at the year end. Included in this are group creditors of £42,355,775, which to the extent that the company cannot pay, will not be called in for at least a period of 12 months from the signing date of the financial statements.

In addition, as a member of the Canary Wharf Group, the company has access to considerable resources.

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

##### **1.3 Cash flow**

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

##### **1.4 Investment properties**

Investment properties are included in the Balance sheet at their open market value in accordance with Statement of Standard Accounting Practice No.19 and are not depreciated. This treatment is contrary to the Companies Act 2006 which states that fixed assets should be depreciated but is, in the opinion of the directors, necessary in order to give a true and fair view of the financial position of the company.

Properties held for development are held at cost, subject to provision for diminution in value. Development properties which are to be retained are transferred to investment properties when development is complete and revalued at each balance sheet date.

##### **1.5 Deferred taxation**

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if 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 assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are discounted.

# **SOUTH QUAY PROPERTIES LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014**

### **2. OPERATING PROFIT/(LOSS)**

The operating profit/(loss) is stated after charging:

	2014 £000	2013 £000
Auditor's remuneration	2	2

### **3. STAFF COSTS**

The company has no employees other than the directors, who did not receive any remuneration (2013 - £NIL).

### **4. INTEREST PAYABLE**

	2014 £000	2013 £000
On other loans	106	-

### **5. TAXATION**

	2014 £000	2013 £000
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#### **Analysis of tax charge in the year**

#### **Deferred tax (see note 9)**

Origination and reversal of timing differences	3	(3)
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#### **Tax on loss on ordinary activities**

	3	(3)
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#### **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 21.5% (2013 - 23.25%). The differences are explained below:

	2014 £000	2013 £000
Loss on ordinary activities before tax	(3,137)	(29,060)

Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.5% (2013 - 23.25%)

	(674)	(6,756)
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#### **Effects of:**

Book profit on chargeable assets	813	1,614
Changes in provisions leading to an increase (decrease) in the tax charge	(185)	5,042
Group relief	46	100

#### **Current tax charge for the year (see note above)**

	-	-
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# **SOUTH QUAY PROPERTIES LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014**

### **5. TAXATION (continued)**

#### **Factors that may affect future tax charges**

The tax rate of 21.5% has been calculated by reference to the current corporation tax rate of 21% which was in effect for the final three quarters of the year and the previous rate of 23% which was in effect for the first quarter of the year.

No provision for taxation has been made in view of the tax loss for the year. It is anticipated that tax losses will impact on future tax charges. There is no unprovided deferred taxation.

### **6. INVESTMENT PROPERTY**

	Property held for develop- ment £000
At 1 January 2014	28,612
Additions at cost	3,364
Reversal of impairment charge	861
Disposals	(10,782)
Reversal of accrued costs	(14,555)
At 31 December 2014	<u>7,500</u>

On 17 July 2014 the company participated in the restructuring of the Heron Quays West development site.

The company sold the parts of its development property, which related to One Bank Street and 10 Bank Street, to fellow subsidiary undertakings for a total consideration of £7,000,000. This resulted in a loss on disposal of £3,781,876 which has been taken to the profit and loss account and treated as an exceptional item. The company also acquired leasehold interests relating to the retained part of its development site at Heron Quays West for a total consideration of £5,057,500.

At 31 December 2014, the company recognised a provision against its development property of £1,758,362 (2013 - £21,685,533). Following the restructuring in the year and related loss on disposal, £860,936 of the provision has been released to the profit and loss account and treated as an exceptional item.

### **7. DEBTORS**

	2014 £000	2013 £000
Amounts owed by group undertakings	1,608	165
Other debtors	104	-
Prepayments and accrued income	-	150
Deferred tax asset (see note 9)	-	3
	<u>1,712</u>	<u>318</u>

# **SOUTH QUAY PROPERTIES LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014**

### **8. CREDITORS: Amounts falling due within one year**

	2014 £000	2013 £000
Trade creditors	67	35
Amounts owed to group undertakings	42,357	56,100
Other taxation and social security	-	949
Accruals and deferred income	26	3,363
	<u>42,450</u>	<u>60,447</u>

Included within amounts owed to group undertakings is a loan of £16,872,106 (2013 - £16,872,106) which bears interest at 10%, subject to certain caps, and is repayable on demand.

### **9. DEFERRED TAXATION**

	2014 £000	2013 £000
At beginning of year	3	3
Released during year	(3)	-
	<u>-</u>	<u>3</u>
At end of year	<u>-</u>	<u>3</u>

The deferred taxation balance is made up as follows:

	2014 £000	2013 £000
Accelerated capital allowances	-	4
Undiscounted provision for deferred tax	-	4
Discount	-	(1)
	<u>-</u>	<u>3</u>
Discounted provision for deferred tax	<u>-</u>	<u>3</u>

### **10. SHARE CAPITAL**

	2014 £	2013 £
<b>Allotted, called up and fully paid</b>		
1 Ordinary share of £1	<u>1</u>	<u>1</u>

## **SOUTH QUAY PROPERTIES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014**

#### **11. RESERVES**

	Profit and loss account £000
At 1 January 2014	(30,064)
Loss for the financial year	(3,140)
	<hr/>
At 31 December 2014	<u>(33,204)</u>

#### **12. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' DEFICIT**

	2014 £000	2013 £000
Opening shareholders' deficit	(30,064)	(1,007)
Loss for the financial year	(3,140)	(29,057)
	<hr/>	<hr/>
Closing shareholders' deficit	<u>(33,204)</u>	<u>(30,064)</u>

#### **13. CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS**

As at 31 December 2014 and 31 December 2013 the company had given fixed charges over certain of its property interests to secure contingent consideration which may become payable to the previous owner of the freehold in the event that the development undertaken exceeds certain thresholds.

#### **14. POST BALANCE SHEET EVENTS**

On 4 December 2014, Stork Holdings Limited, an entity jointly owned by Qatar Investment Authority and Brookfield Properties Partners LP, announced the terms of a final cash offer for the acquisition of the entire issued and to be issued ordinary share capital of Songbird Estates plc, the company's ultimate parent undertaking, at £3.50 per ordinary share.

The offer became wholly unconditional on 5 February 2015. Having obtained more than 90.0% of the issued share capital, Stork Holdings Limited then announced a compulsory acquisition of Songbird Estates plc shares in respect of which acceptances of the offer had not been received. The offer becoming unconditional triggered a mandatory cash offer for the issued and to be issued ordinary share capital of Canary Wharf Group plc at a price of £6.45 per share and the subsequent compulsory acquisition process of the Canary Wharf Group plc shares in respect of which acceptances of the offer had not been received.

The compulsory purchase periods lasted until 17 April 2015, at which time the shares were compulsorily purchased on the same terms as the original offers.

## **SOUTH QUAY PROPERTIES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014**

#### **15. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

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

As at 31 December 2014, the smallest group of which the company is a member and for which group financial statements are drawn up is the consolidated financial statements of Canary Wharf Group plc. The largest group of which the company is a member for which group financial statements are drawn up is the consolidated financial statements of Songbird Estates plc, the ultimate parent undertaking and controlling party. Copies of the financial statements of both companies may be obtained from the Company Secretary, One Canada Square, Canary Wharf, London E14 5AB.

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