

SOUTH QUAY PROPERTIES LIMITED

Registered number: 2830131

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

MONDAY



L6BUIGUS
LD4 31/07/2017 #187
COMPANIES HOUSE

SOUTH QUAY PROPERTIES LIMITED

CONTENTS

	Page
Directors' Report	1
Directors' Responsibilities Statement	2
Independent Auditor's Report	3 - 4
Statement of Comprehensive Income	5
Statement of Financial Position	6
Statement of Changes in Equity	7
Notes to the Financial Statements	8 - 15

SOUTH QUAY PROPERTIES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their report and the financial statements for the year ended 31 December 2016.

In preparing this report, the directors have taken advantage of the small companies exemptions.

PRINCIPAL ACTIVITY

The company holds the freehold of the road known as Bank Street and the leasehold of the pavilion decking to the north of the road.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £1,060,962 (2015 -loss £352,495).

No dividends have been paid or proposed in the year (2015 - £NIL).

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 2016 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 the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This report was approved by the board on 27 July 2017 and signed on its behalf.



J R Garwood
Secretary

SOUTH QUAY PROPERTIES LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

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 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;
- 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 MEMBERS OF SOUTH QUAY PROPERTIES LIMITED

We have audited the financial statements of South Quay Properties Limited for the year ended 31 December 2016, 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 relevant financial reporting framework that has been applied in their preparation is the applicable law and the 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'.

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 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER 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 and the Directors' Report has been prepared in accordance with applicable legal requirements.

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

SOUTH QUAY PROPERTIES LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTH QUAY PROPERTIES LIMITED
(CONTINUED)**

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 in preparing the Directors' Report or from the requirement to prepare a Strategic Report.



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

27 July 2017

SOUTH QUAY PROPERTIES LIMITED**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016 £	2015 £
Administrative expenses		(8,536)	(4,344)
Profit/(loss) on sale of tangible fixed assets		-	2,054,234
Movement in fair value of investment properties	8	1,388,553	(2,850,526)
OPERATING PROFIT/(LOSS)		<u>1,380,017</u>	<u>(800,636)</u>
Interest receivable and similar income	6	189	185
PROFIT/(LOSS) BEFORE TAX		<u>1,380,206</u>	<u>(800,451)</u>
Tax on profit/(loss)	7	(319,244)	447,956
PROFIT/(LOSS) FOR THE YEAR		<u>1,060,962</u>	<u>(352,495)</u>
OTHER COMPREHENSIVE INCOME NET OF TAX		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>1,060,962</u></u>	<u><u>(352,495)</u></u>

The notes on pages 8 to 15 form part of these financial statements.

SOUTH QUAY PROPERTIES LIMITED
REGISTERED NUMBER: 2830131

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	2016 £	2015 £
FIXED ASSETS			
Investment property	8	10,780,963	7,297,836
		<u>10,780,963</u>	<u>7,297,836</u>
CURRENT ASSETS			
Debtors: amounts falling due after more than one year	9	573,263	850,560
Debtors: amounts falling due within one year	9	5,636,511	7,342,926
Cash at bank and in hand		90,802	12,767
		<u>6,300,576</u>	<u>8,206,253</u>
Creditors: amounts falling due within one year	10	(15,504,383)	(14,987,895)
NET CURRENT LIABILITIES		<u>(9,203,807)</u>	<u>(6,781,642)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,577,156</u>	<u>516,194</u>
NET ASSETS		<u><u>1,577,156</u></u>	<u><u>516,194</u></u>
CAPITAL AND RESERVES			
Called up share capital	12	1	1
Retained earnings		1,577,155	516,193
		<u>1,577,156</u>	<u>516,194</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27 July 2017.



R J J Lyons
 Director

The notes on pages 8 to 15 form part of these financial statements.

SOUTH QUAY PROPERTIES LIMITED

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

	Called up share capital	Retained earnings	Total equity
	£	£	£
At 1 January 2016	1	516,193	516,194
COMPREHENSIVE INCOME FOR THE YEAR			
Profit for the year	-	1,060,962	1,060,962
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	1,060,962	1,060,962
AT 31 DECEMBER 2016	1	1,577,155	1,577,156

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Called up share capital	Retained earnings	Total equity
	£	£	£
At 1 January 2015	1	(16,131,312)	(16,131,311)
COMPREHENSIVE INCOME FOR THE YEAR			
Loss for the year	-	(352,495)	(352,495)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	(352,495)	(352,495)
Capital contribution	-	17,000,000	17,000,000
AT 31 DECEMBER 2015	1	516,193	516,194

The notes on pages 8 to 15 form part of these financial statements.

SOUTH QUAY PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. GENERAL INFORMATION

South Quay Properties 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 Directors' Report.

2. ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

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

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

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

2.2 Going concern

At the year end, the company is in a net asset position, but has net current liabilities. Included in this are group creditors of £14,121,732, 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.

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.

SOUTH QUAY PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Investment properties

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

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

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

2.5 Financial instrument

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

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.

Trade and other payables

Trade and other creditors are stated at cost.

Borrowings

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

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

SOUTH QUAY PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. ACCOUNTING POLICIES (CONTINUED)

2.6 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 differences. 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.

SOUTH QUAY PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Valuation of development properties

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

4. AUDITOR'S REMUNERATION

The auditor's remuneration of £2,000 (2015 - £2,000) for the audit of the company for the year has been borne by another group undertaking.

5. EMPLOYEES

The company has no employees other than the directors, who did not receive any remuneration (2015 -£NIL).

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2016 £	2015 £
Bank interest receivable	189	185
	<u>189</u>	<u>185</u>

SOUTH QUAY PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

7. TAXATION

	2016 £	2015 £
Current tax on loss for the year	-	-
TOTAL CURRENT TAX	<u>-</u>	<u>-</u>
DEFERRED TAX		
Origination and reversal of timing differences	283,222	(468,000)
Changes to tax rates	36,022	20,044
TOTAL DEFERRED TAX	<u>319,244</u>	<u>(447,956)</u>
TAXATION ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES	<u><u>319,244</u></u>	<u><u>(447,956)</u></u>

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 20% (2015 -20.25%). The differences are explained below:

	2016 £	2015 £
Profit/(loss) on ordinary activities before tax	<u>1,380,206</u>	<u>(800,451)</u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 -20.25%)	276,041	(162,091)
EFFECTS OF:		
Expenses not deductible for tax purposes	3,375	30,742
Adjustments to tax charge in respect of prior periods	52,116	18,392
Changes in the tax rate	(13,958)	(413,542)
Group relief	1,670	78,543
TOTAL TAX CHARGE/(CREDIT) FOR THE YEAR	<u><u>319,244</u></u>	<u><u>(447,956)</u></u>

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The standard rate of corporation tax payable reduced from 21.0% to 20.0% with effect from 1 April 2015.

Enacted in the Finance Act (No.2) 2015 is a reduction in the corporation tax rate to 19.0% on 1 April 2017 and a further reduction to 17.0% on 1 April 2020. Deferred tax has been provided by reference to this enacted corporation tax rate.

SOUTH QUAY PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

8. INVESTMENT PROPERTY

	Property held for development £
VALUATION	
At 1 January 2016	7,297,836
Additions at cost	2,094,574
Revaluation	1,388,553
AT 31 DECEMBER 2016	<u><u>10,780,963</u></u>

The company holds the freehold of the road known as Bank Street and the leasehold of the pavilion decking to the north of the road.

At 31 December 2016, the property was valued externally by CB Richard Ellis Limited, qualified valuers with recent experience in office properties at Canary Wharf. The fair value was determined in accordance with the Appraisal and Valuation Manual published by the Royal Institution of Chartered Surveyors, using:

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

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

The resulting valuations are cross checked against the initial yields and the fair market values per square foot derived from actual market transactions.

No allowance was made for any expenses of realisation nor for any taxation which might arise in the event of disposal.

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

	2016 £	2015 £
Historic cost	11,989,525	11,949,185
Impairments	(1,208,562)	(4,449,185)
	<u><u>10,780,963</u></u>	<u><u>7,500,000</u></u>

The fair value has been allocated to the following balance sheet items:

	2016 £	2015 £
Property held for development	10,780,963	7,297,836
Negotiation costs	219,037	202,164
Fair value	<u><u>11,000,000</u></u>	<u><u>7,500,000</u></u>

SOUTH QUAY PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

9. DEBTORS

	2016 £	2015 £
DUE AFTER MORE THAN ONE YEAR		
Other debtors	244,111	202,164
Deferred tax asset	329,152	648,396
	<u>573,263</u>	<u>850,560</u>
	2016 £	2015 £
DUE WITHIN ONE YEAR		
Amounts owed by group undertakings	5,410,237	7,303,708
Other debtors	226,252	39,218
Prepayments and accrued income	22	-
	<u>5,636,511</u>	<u>7,342,926</u>

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

10. CREDITORS: Amounts falling due within one year

	2016 £	2015 £
Trade creditors	5,040	4,685
Amounts owed to group undertakings	14,578,959	14,966,622
Accruals and deferred income	920,384	16,588
	<u>15,504,383</u>	<u>14,987,895</u>

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

11. DEFERRED TAXATION

	2016 £
At beginning of year	648,396
Charged to profit or loss	(319,244)
AT END OF YEAR	<u>329,152</u>

SOUTH QUAY PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

11. DEFERRED TAXATION (CONTINUED)

The deferred tax asset is made up as follows:

	2016 £	2015 £
Revaluation of properties	329,152	648,396
	<u>329,152</u>	<u>648,396</u>

12. SHARE CAPITAL

	2016 £	2015 £
Allotted, called up and fully paid		
1 Ordinary share of £1	<u>1</u>	<u>1</u>

13. OTHER FINANCIAL COMMITMENTS

As at 31 December 2016 and 31 December 2015 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. CONTROLLING PARTY

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

As at 31 December 2016, 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 102.33.1A of FRS 102 allowing the company not to disclose related party transactions with respect to other wholly-owned group companies