

**HQCB PROPERTIES (HQ3) LIMITED**  
**Registered Number: 4525220**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

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# **HQCB PROPERTIES (HQ3) LIMITED**

## **FINANCIAL STATEMENTS**

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# **HQCB PROPERTIES (HQ3) LIMITED**

## **THE DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008**

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The directors present their report with the audited financial statements for the year ended 31 December 2008.

### **BUSINESS REVIEW AND PRINCIPAL ACTIVITIES**

The company is a wholly owned subsidiary of Canary Wharf Group plc and its ultimate parent undertaking is Songbird Estates plc.

The principal activity of the company is property investment. All activities take place within the United Kingdom. The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year.

As shown in the company's profit and loss account, the company's profit after tax for the year was £11,300 (2007: loss of £16,668).

The balance sheet shows the company's financial position at the year end and indicates that net assets were £1,911,680 (2007: £1,900,380).

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.

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

### **DIVIDENDS AND RESERVES**

The profit and loss account for the year ended 31 December 2008 is set out on page 7. No dividends have been paid or proposed (2007: £Nil) and the retained profit of £11,300 (2007: loss of £16,668) has been transferred to reserves.

### **GOING CONCERN**

The company's business activities, together with the factors likely to affect its future development, performance and position (including the principal risks and uncertainties), are set out in this Directors' Report. The finances of the company and its liquidity position and borrowings are, where appropriate, also described in this report.

The company is in a net asset position at the year end. The company has the benefit of leases which provide an income stream which the directors forecast will enable it to meet its obligations as they fall due for a period of not less than 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, the directors have a reasonable expectation that the company will have adequate resources to continue its operations for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

# **HQCB PROPERTIES (HQ3) LIMITED**

## **THE DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008**

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### **DIRECTORS**

The directors of the company throughout the year ended 31 December 2008 were:

A P Anderson II  
G Iacobescu  
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. Neither the indemnity or the insurance provide cover in the event that the director is proven to have acted dishonestly or fraudulently.

### **PRINCIPAL RISKS AND UNCERTAINTIES**

As a member of the Canary Wharf Group the key risks facing the company include the property market upheaval, financing risk and concentration risk.

#### **Property Market Upheaval**

The valuation of Canary Wharf Group's assets is subject to many external economic and market factors which are cyclical in nature. The unprecedented turmoil in the financial markets has been reflected in the property market by such factors as the oversupply of available space in the office market, a recent significant decline in tenant demand for space in London and a change in the market perception of property as an investment resulting in a negative impact on property valuations in general. Such issues are kept under constant review so that the company as part of the Canary Wharf Group can react appropriately. The impact of the ongoing upheaval in the property and financial markets continues to be closely monitored.

#### **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. The unprecedented turmoil in the financial markets has resulted in an unusually pronounced negative impact on the real estate market. In the current difficult economic environment there is an increased risk that further softening of yields could put pressure on the loan to value covenants in the facilities of Canary Wharf Group.

#### **Concentration Risk**

The majority of Canary Wharf Group's real estate assets, including the assets of the company, are currently located on or adjacent to the Canary Wharf Estate, with tenants that are mainly linked to the financial services industry. Wherever possible steps are taken to mitigate or avoid material consequences arising from this concentration.

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

# **HQCB PROPERTIES (HQ3) LIMITED**

## **THE DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008**

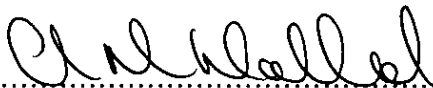
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### **STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

Each director holding office at the date of this report has taken all the steps that he ought to have taken as a director in order to make himself aware of relevant audit information and to establish that the company's auditors are aware of that information. As far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware.

This confirmation is given and should be interpreted in accordance with the provisions of Section 234ZA of the Companies Act 1985.

BY ORDER OF THE BOARD

  
..... Joint Secretary  
A M Holland

26 June 2009

Registered office:  
30th Floor  
One Canada Square  
Canary Wharf  
London  
E14 5AB

## **HQCB PROPERTIES (HQ3) LIMITED**

### **STATEMENT OF THE DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

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The directors are responsible for preparing the Annual 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). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the results of the company for the year then ended. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- 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 proper accounting records that 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 1985. 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.

# **HQCB PROPERTIES (HQ3) LIMITED**

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HQCB PROPERTIES (HQ3) LIMITED**

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We have audited the financial statements of HQCB Properties (HQ3) Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, Balance Sheet and the related Notes 1 to 13. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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 auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

## **HQCB PROPERTIES (HQ3) LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HQCB PROPERTIES (HQ3) LIMITED**

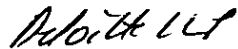
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We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

#### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



**Deloitte LLP**  
**Chartered Accountants and Registered Auditors**  
London, UK

26 June 2009



# HQCB PROPERTIES (HQ3) LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2008

		Year Ended 31 December 2008 £	Year Ended 31 December 2007 £
	Note		
<b>TURNOVER - RENTAL INCOME</b>		17,583,192	11,272,065
Cost of sales		(17,310,819)	(9,772,166)
<b>GROSS PROFIT</b>		272,373	1,499,899
Administrative expenses		(259,929)	(1,496,061)
<b>OPERATING PROFIT</b>	2	12,444	3,838
Interest receivable and similar income	3	12,010	—
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		24,454	3,838
Tax on profit on ordinary activities	4	(13,154)	(20,506)
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE YEAR</b>	10	11,300	(16,668)

Movements in reserves are shown in Note 10 of these financial statements.

All amounts relate to continuing activities in the United Kingdom.

There were no recognised gains and losses for the year ended 31 December 2008 or the year ended 31 December 2007 other than those included in the profit and loss account.

The Notes on pages 9 to 14 form an integral part of these financial statements.


# HQCB PROPERTIES (HQ3) LIMITED

## BALANCE SHEET AS AT 31 DECEMBER 2008

	Note	31 December 2008 £	31 December 2007 £
<b>FIXED ASSETS</b>			
Tangible assets	5	150,000	150,000
<b>CURRENT ASSETS</b>			
Debtors	6		
Amounts falling due after one year		7,052,873	3,415,988
Amounts falling due within one year		1,983,568	5,395,851
Cash at bank		2,220,886	432,073
		11,257,327	9,243,912
<b>CREDITORS: Amounts falling due within one year</b>	7	(9,461,987)	(7,473,026)
<b>NET CURRENT ASSETS</b>		1,795,340	1,770,886
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,945,340	1,920,886
Provisions for liabilities	8	(33,660)	(20,506)
<b>NET ASSETS</b>		1,911,680	1,900,380
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	9	45,601,157	45,601,157
Profit and loss account	10	(43,689,477)	(43,700,777)
<b>SHAREHOLDERS' FUNDS</b>	11	1,911,680	1,900,380

The Notes on pages 9 to 14 form an integral part of these financial statements.

APPROVED BY THE BOARD ON 26 JUNE 2009 AND SIGNED ON ITS BEHALF BY:

  
R J J LYONS  
DIRECTOR

# **HQCB PROPERTIES (HQ3) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008**

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

A summary of the principal accounting policies of the company, all of which have been applied consistently throughout the year and the preceding year, is set out below.

#### **Accounting convention**

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

In accordance with the provisions of FRS 1 (Revised) the company is exempt from the requirements to prepare a cash flow statement, as it is a wholly-owned subsidiary of Canary Wharf Group plc, which has prepared a consolidated cash flow statement.

#### **Turnover**

Turnover represents rents receivable net of VAT and is recognised on an accruals basis in the period in which the rents become due.

#### **Interest receivable and interest payable**

Interest receivable and payable are recognised on an accruals basis in the period in which they fall due.

#### **Investment properties**

Investment properties are revalued annually and in accordance with SSAP 19 (Accounting for Investment Properties) no provision is made for depreciation. This departure from the requirements of the statutory accounting rules, which requires all properties to be depreciated is, in the opinion of the directors, necessary for the accounts to show a true and fair view. Depreciation is only one of the factors reflected in the annual valuation and the amount attributable to this factor is not capable of being separately identified or quantified. Surpluses or deficits are transferred to the revaluation reserve, unless a deficit is expected to be permanent and exceeds previous surpluses recognised on the same property, in which case the excess is charged to the profit and loss account.

#### **Lease incentives**

Lease incentives include rent free periods and other incentives given to lessees on entering into lease agreements. Under UITF 28 the aggregate cost of lease incentives is recognised as an adjustment to rental income, allocated evenly over the lease term or the term to the first open market rent review if earlier. The cost of lease incentives is included within debtors due in more than one year and spread on a straight line basis over a similar period.

# HQCB PROPERTIES (HQ3) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

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### Taxation

Current tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantially enacted at the balance sheet date. The company is part of a UK group for group relief purposes and accordingly may take advantage of the group relief provisions whereby current taxable profits can be offset by current tax losses arising in other companies in that group. The group's policy is that no payment will be made for tax losses surrendered under the group relief provisions.

Deferred tax assets and liabilities arise from timing differences between the recognition of gains and losses in the financial statements and their recognition in the corporation tax return.

Under FRS 19 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. A net deferred tax asset is regarded as recoverable and therefore recognised only when, 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 not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements.

Deferred tax is measured on a discounted basis to reflect the time value of money over the period between the balance sheet date and the dates on which it is estimated that the timing differences will reverse, or where the timing differences are not expected to reverse, a period not exceeding 50 years. Discount rates of 2.1% to 2.2% have been adopted reflecting the post-tax yield to maturity that can be obtained on government bonds with similar maturity dates and currencies to those of the deferred tax assets or liabilities.

## 2. OPERATING PROFIT

Operating profit is stated after charging:

	Year Ended 31 December 2008 £	Year Ended 31 December 2007 £
Remuneration of the auditors:		
Audit fees for the audit of the company	3,000	3,000

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

No staff were employed by the company during the year or the prior year.

# HQCB PROPERTIES (HQ3) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

### 3. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year Ended 31 December 2008 £	Year Ended 31 December 2007 £
Bank interest receivable	<u>12,010</u>	<u>—</u>

### 4. TAXATION

	Year Ended 31 December 2008 £	Year Ended 31 December 2007 £
Current tax:		
UK Corporation tax (see below)	<u>—</u>	<u>—</u>
Deferred tax:		
Net effect of discount	13,154	—
Origination and reversal of timing differences	<u>—</u>	<u>20,506</u>
Total deferred tax (Note 8)	<u>13,154</u>	<u>20,506</u>
Tax reconciliation:		
Profit on ordinary activities before tax	<u>24,454</u>	<u>3,838</u>
Tax on profit on ordinary activities at UK corporation tax rate of 28.5% (2007: 30%)	6,969	1,279
Effects of:		
Expenses not deductible for tax purposes	—	420,874
Tax losses and other timing differences	<u>(6,969)</u>	<u>(422,153)</u>
Current tax charge for the year	<u>—</u>	<u>—</u>

The tax rate of 28.5% is calculated by reference to the current corporation tax rate of 28% which was in effect for the final three quarters of the year and the previous rate of 30% which was in effect for the first quarter of the year.

No provision for corporation tax has been made since the profit for the year will be covered by the group relief expected to be made available to the company by other companies in the group. No charge will be made by other group companies for the surrender of group relief. It is anticipated that group relief and other tax reliefs will impact on future tax charges. There is no unprovided deferred taxation.

# HQCB PROPERTIES (HQ3) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

### 5. TANGIBLE FIXED ASSETS

	Leasehold Property £
<b>COST</b>	
At 1 January 2008 and 31 December 2008	<u>150,000</u>
<b>NET BOOK VALUE</b>	
At 31 December 2008	<u>150,000</u>
At 31 December 2007	<u>150,000</u>

As at 31 December 2008 the company's leasehold property interest was valued by the group's external property advisers, CB Richard Ellis Limited, Surveyors and Valuers, on the basis of Market Value in accordance with the Appraisal and Valuation Manual published by the Royal Institution of Chartered Surveyors. No allowance was made for any expenses of realisation nor for any taxation which might arise in the event of disposal.

### 6. DEBTORS

	31 December 2008 £	31 December 2007 £
Due within one year:		
Trade debtors	10,490	112,257
Amount owed by parent undertaking	1	1
Amount owed by fellow subsidiary undertaking	1,970,728	5,184,960
Other debtors	—	98,204
Prepayments and accrued income	2,349	429
	<u>1,983,568</u>	<u>5,395,851</u>
Due in more than one year:		
Lease incentives	<u>7,052,873</u>	<u>3,415,988</u>

# HQCB PROPERTIES (HQ3) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

### 7. CREDITORS: Amounts falling due within one year

	31 December 2008 £	31 December 2007 £
Amount owed to fellow subsidiary undertaking	1,901,822	4,643,237
Other creditors	1,781,927	731,420
Accruals and deferred income	5,778,238	2,098,369
	<u>9,461,987</u>	<u>7,473,026</u>

### 8. DEFERRED TAXATION

	31 December 2008 £	31 December 2007 £
Accelerated capital allowances	42,000	42,000
Undiscounted deferred tax liability	42,000	42,000
Discount	(8,340)	(21,494)
Discounted deferred tax liability	<u>33,660</u>	<u>20,506</u>
Brought forward	20,506	—
Deferred tax charge in profit and loss account for the period	13,154	20,506
Carried forward	<u>33,660</u>	<u>20,506</u>

### 9. CALLED-UP SHARE CAPITAL

#### Authorised share capital:

	31 December 2008 £	31 December 2007 £
100,000,000 Ordinary shares of £1 each	<u>100,000,000</u>	<u>100,000,000</u>

#### Allotted, called up and fully paid:

	31 December 2008 £	31 December 2007 £
45,601,157 Ordinary shares of £1 each	<u>45,601,157</u>	<u>45,601,157</u>

# HQCB PROPERTIES (HQ3) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

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### 10. RESERVES

	Profit and loss account £
At 1 January 2008	(43,700,777)
Profit for the year	11,300
At 31 December 2008	<u>(43,689,477)</u>

### 11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 December 2008 £	31 December 2007 £
Opening shareholders' funds	1,900,380	1,917,048
Profit/(loss) for the year	11,300	(16,668)
Closing shareholders' funds	<u>1,911,680</u>	<u>1,900,380</u>

### 12. CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS

As of 31 December 2008 the company had given fixed and floating charges over substantially all its assets to secure the commitments of certain other group undertakings.

### 13. ULTIMATE PARENT UNDERTAKING AND RELATED PARTY TRANSACTIONS

The company's immediate parent undertaking is HQCB Properties (HQ5(2)) Limited.

As at 31 December 2008, 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.