CANARY WHARF GROUP PLC

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

CONTENTS Page

HIGHLIGHTS

Change in ownership

- On 4 December 2014, an entity jointly owned by BidCo announced the terms of a final cash offer for the acquisition of the entire issued and to be issued ordinary share capital of Songbird at £3.50 per ordinary share. This offer became wholly unconditional on 5 February 2015. Having obtained more than 90.0% of the issued share capital, BidCo commenced the compulsory acquisition of the Songbird Shares in respect of which acceptances of the offer had not been received.
- The Songbird offer becoming unconditional triggered a mandatory cash offer for the issued and to be issued ordinary share capital of the Company at a price of £6.45 per share and the subsequent compulsory acquisition process of the Company's shares in respect of which acceptances for the offer had not been received.
- For both offers, the compulsory purchase period lasted until 17 April 2015 at which time the shares were compulsorily purchased.

Financial summary

- Adjusted NAV per share £7.01 compared with £5.53 at 31 December 2013, an increase of 26.8%, and £6.01 at 30 June 2014, an increase of 16.6%.
- Adjusted NNNAV per share £5.60 compared with £4.56 at 31 December 2013, an increase of 22.8%, and £5.09 at 30 June 2014, an increase of 10.0%.
- Net assets £3,826.3m at 31 December 2014, an increase of £874.0m or 29.6% from £2,952.3m at 31 December 2013, an increase of £720.0m or 23.2% from £3,106.3m at 30 June 2014.
- Profit before tax excluding exceptional items £21.0m (2013 – a loss of £3.0m).
- Loss after tax £99.6m (2013 – profit of £11.1m) after provision of £173.5m for the potential premium payable in connection with redemption of £577.9m of A1 Notes.

Continued growth in portfolio valuation

- Portfolio valuation up 21.7% to £6,865.2m over the year and 12.0% in second half, including land and adjusting for disposals of 10 Upper Bank Street and 50 Bank Street and capital expenditure.
- Market value of investment portfolio up 17.6% over the year and 10.3% in second half, after adjusting for disposal of 10 Upper Bank Street and 50 Bank Street and the completion of 25 Churchill Place.
- Retail investment portfolio performing strongly – valuation up 23.9% over year to £1,061.9m, and 8.9% in second half.
- Retained office investment portfolio valuation up 12.5% over the year and 9.1% in second half.
- Office weighted average initial yield reduced by 70bps to 4.5%.

Sale of 10 Upper Bank Street and repayment of securitisation notes

- June 2014, Group sold 10 Upper Bank Street for consideration of £795.0m in comparison with 31 December 2013 year end valuation of £780.0m.
- Group retained 10.0% equity interest in the building and assumed the role of asset manager.
- June 2014, Group cancelled £26.1m of B3 Notes and £35.3m of C2 Notes held by a Group company and terminated related interest rate swaps at a cost of £17.9m.
- July 2014, the Group redeemed £577.9m of A1 Notes.

Sale of 50 Bank Street

- October 2014, the Group sold the entity which held the beneficial leasehold interest in 50 Bank Street for a total consideration of £153.5m in comparison with the valuation at 30 June 2014 of £149.5m.
- Concurrently the £92.3m loan facility secured against the building was repaid.

Strong leasing activity and secure income stream

- Over 130,000 sq ft relet in year, principally in One Canada Square.
- 207,000 sq ft prelet to EY in 25 Churchill Place with an additional let to the European Medicines Agency of 28,000 sq ft.
- 280,000 sq ft prelet to Société Générale in a building to be constructed at One Bank Street.
- Weighted average lease term at 31 December 2014 of 14.6 years or 12.9 years assuming exercise of all break options.

Secure financial position provides foundation for Group's strategy

- Average loan maturity of 12.3 years supported by weighted average lease term.
- Corporate loan to value ratio of 32.2% at 31 December 2014.
- Refinancing of the Group's retail loan facility completed, increasing facility by £250m to £600m.

HIGHLIGHTS (Continued)

Development programme pipeline progressing well

- 25 Churchill Place – practical completion of base building achieved on schedule in July 2014.
- Canary Wharf Crossrail station on schedule and ahead of budget.
- Construction continues on 115,000 sq ft leisure and retail space above Canary Wharf Crossrail station, opening on phased basis from May 2015.
- Construction commenced on a new 700,000 sq ft building to be constructed at One Bank Street.
- Joint ventures:
  - 20 Fenchurch Street – *practical completion achieved and building 93.0% let or under offer.*
  - Shell Centre – in February 2015 the High Court dismissed the legal challenge to the approval of the scheme by the Secretary of State. The objector has now been granted leave to appeal this judgement.

Note:
For further information on the above, refer to the Strategic Report.
A list of defined terms is provided in Definitions.

RESULTS IN BRIEF

	Note	2014 £m	2013 £m
Turnover	(i)	**381.9**	364.3
Exceptional items:			
– refurbishment costs	(i)	**–**	(6.0)
– net amount recoverable from LBHI	(ii)	**33.2**	–
Operating profit	(i)	**244.6**	199.4
Exceptional items:			
– net profit on sale of investment properties	(iii)	**9.6**	–
– swap termination cost net of release of uneconomic hedge provision	(iv)	**(2.4)**	–
– movement in retained uneconomic hedge provision	(iv)	**(13.2)**	15.7
– accelerated amortisation of deferred financing adjustments	(iv)	**8.3**	–
– provision for premium on redemption of securitised debt	(iv)	**(173.5)**	–
– swap breakage and other costs on repayment of secured loan	(iv)	**(3.3)**	–
(Loss)/profit on ordinary activities before tax	(i)	**(120.3)**	6.7
Profit/(loss) before tax excluding exceptional items	(v)	**21.0**	(3.0)
Tax	(vi)	**20.7**	4.4
(Loss)/profit for the financial year	(i)	**(99.6)**	11.1
Dividend paid	(vii)	**–**	(39.9)
Basic and diluted (losses)/earnings per share	(v)	**(15.6)p**	1.7p

Note:
(i) Refer to Consolidated profit and loss account.
(ii) Refer to Note 13.
(iii) Refer to Note10.
(iv) Refer to Note 4.
(v) Refer to Strategic Report.
(vi) Refer to Note 5.
(vii) Refer to Note 7.
(viii) Refer to Note 9.

STRATEGIC REPORT

This Strategic Report has been prepared in order to provide additional information on the Group's strategic direction.

The Strategic Report contains certain forward looking statements. These statements are made by the Board in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including economic and business risk factors, underlying any such forward looking information.

The Board, in preparing this Strategic Report, has complied with Section 414C of the Act.

This Strategic Report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to the Company and its subsidiary undertakings when viewed as a whole.

A list of defined terms used throughout these financial statements is provided in Definitions.

The Strategic Report covers the following areas:

Principal activities

The Group is engaged in property investment and development and is currently primarily focused on the development of the Estate and an adjacent development to the east of the Estate. Elsewhere in London, the Group is involved through joint ventures at 20 Fenchurch Street and the Shell Centre.

Sale of 10 Upper Bank Street and prepayment of securitised debt

On 20 June 2014, the Group completed the sale of 10 Upper Bank Street, a 1.0m sq ft building on the Estate primarily let to Clifford Chance, for a total consideration of £795.0m. The building was acquired by an entity which is controlled as to 70.0% by China Life Insurance Company Limited and as to 20.0% by Qatar Holding LLC. The Group has acquired a 10.0% equity interest in this entity and has assumed the role of asset manager for the building. The carrying value of the building at 31 December 2013 was £780.0m and the sale resulted in a profit on disposal of £9.1m net of selling costs. The disposal also resulted in the realisation of revaluation gains recognised in previous periods of £453.2m.

The sale proceeds were applied, in part, to the redemption of £577.9m of A1 Notes on 22 July 2014. The Securitisation Trustee has indicated to the Group that it is unclear to the Securitisation Trustee as to whether an additional premium of £168.7m, being an amount equivalent to any spens which might be payable on redemption, should be paid to the holders of the A1 Notes in connection with the redemption. The Group has made an application to the High Court for a declaration as to whether or not, on a true construction of the Note conditions and other relevant contractual documentation, the additional premium is payable to the noteholders. The Court hearing has been set for July 2015.

The Group agreed, without prejudice to any interpretation of the conditions of the A1 Notes, to place on deposit with Deutsche Bank AG, London Branch, as Escrow Agent, an amount equal to the premium. The Escrow Agent will hold this amount in escrow (together with interest thereon) until either:

(i) a final court order is made as to whether or not the premium is payable in relation to the redemption;
(ii) CWF II as issuer and the Securitisation Trustee agree on an amount payable in relation to the redemption; or
(iii) CWF II and the noteholders agree on an amount payable in relation to the redemption.

STRATEGIC REPORT (Continued)

Depending on which of these conditions is satisfied, the Escrow Agent will release funds either back to the Group or to CWF II for payment to the A1 noteholders. Including interest at 6.455%, a provision of £173.5m had been recognised in the consolidated Balance Sheet at 31 December 2014.

The building was released from the securitisation by the redemption of £577.9m of A1 Notes and the cancellation of £26.1m of B3 Notes and £35.3m of C2 Notes, which had been acquired by the Group in 2009. The cancellation of the B3 Notes and C2 Notes involved a partial termination of the related interest rate swaps at a cost of £17.9m.

Disposal of 50 Bank Street and repayment of secured debt

On 23 October 2014, the Group sold the entity which held the beneficial leasehold interest in 50 Bank Street for a total consideration of £153.5m. In connection with the disposal, the Group has guaranteed the rent and certain other costs on one of the floors in the building. A provision of £2.6m was recognised upon sale for the estimated net liability.

The carrying value of the building was £149.5m and a profit on disposal of £0.5m was recognised net of selling costs. In addition, the sale resulted in the realisation of revaluation gains recognised in previous periods of £77.1m.

Concurrent with the sale of 50 Bank Street, the £92.3m loan facility secured against the building was repaid. Taking into account fees incurred, swap breakage costs of £1.5m and other costs incurred in prepaying the fixed rate portion of the loan, the Group recorded a loss of £3.3m on the repayment.

Property portfolio

At 31 December 2014, the Group's investment property portfolio comprised 17 completed properties (out of the 36 constructed on the Estate) totalling approximately 6.7m sq ft of NIA. The properties included in the Group's investment property portfolio at 31 December 2014 are shown in the table below, along with the properties under construction which will increase the portfolio to approximately 7.5m sq ft.

Property address	NIA sq ft	Leased %	**External valuation £m**	Principal tenants and sub tenants
Investment properties:				
One Churchill Place	1,038,500	100.0	**929.0**	Barclays, BGC
25 Churchill Place	545,000	89.7	**585.0**	EMA, EY
10 Cabot Square/5 North Colonnade	634,100	100.0	**490.0**	Barclays, WPP Group
20 Cabot Square/10 South Colonnade	558,100	100.0	**428.0**	Barclays
One Canada Square	1,220,500	94.7	**862.6**	Moody's, Bank of New York Mellon, Trinity Mirror Group, EBA, FCA, Euler, Metlife, MDU
33 Canada Square	562,700	100.0	**426.0**	Citigroup
20 Bank Street	546,500	100.0	**510.0**	Morgan Stanley
40 Bank Street	606,000	93.5	**405.0**	Shell, Skadden, Allen & Overy, ANZ, JLL
7 Westferry Circus	177,700	9.0	**48.0**	Being refurbished
15 Westferry Circus	171,000	100.0	**146.0**	Morgan Stanley
Cabot Place Retail	141,600	100.0	**255.2**	Boots, Tesco, Zara and other retail tenants
Canada Place Retail	71,300	100.0	**267.5**	Gap, Boots and other retail tenants
Jubilee Place Retail	137,500	100.0	**244.3**	Banana Republic, Boots, M&S Food, Wagamama and other retail tenants
Churchill Place Retail	34,900	100.0	**26.9**	Barclays, Jamie's Italian and other retail tenants
16 – 19 Canada Square	213,600	100.0	**112.5**	Waitrose Food & Home, Reebok, Plateau Restaurant
Reuters Plaza	8,900	100.0	**25.9**	Carluccio's, Smollensky's
Park Pavilion	22,900	100.0	**32.0**	Lloyds Bank, Canteen, The Parlour, Roka and Wahaca
Car parks	–	–	**35.0**	
Total	6,690,800	97.3	**5,828.9**	
Property under construction:				
Crossrail Retail	115,000	94.8	**90.3**	
One Bank Street	700,000	39.2	**60.0**	280,000 sq ft prelet to Société Générale
	7,505,800	N/A	**5,979.2**	

Excluding 7 Westferry Circus which is in the process of being refurbished, the investment property portfolio was 97.3% let at 31 December 2014, up from 97.0% at the previous year end. The weighted average unexpired lease term for the

STRATEGIC REPORT (Continued)

investment portfolio at 31 December 2014 was approximately 14.6 years, or 12.9 years assuming the exercise of outstanding break options (31 December 2013 – 14.5 years or 12.9 years respectively). Of the square footage under lease at 31 December 2014, 69.2% does not expire or cannot be terminated by tenants during the next 10 years.

As well as the rental income generated from completed properties, income is generated from managing the entire Estate, which in addition to the completed properties owned by the Group at 31 December 2013, includes 19 properties totalling 9.5m sq ft in other ownerships.

All options to sublet space back to the Group have been exercised and at 31 December 2014 the estimated net present value of sublet liabilities was approximately £14.8m discounted at 5.6%, being the Group's weighted average cost of debt (31 December 2013 – £18.2m discounted at 5.7%). These sublet commitments have been reflected in the market valuation of the Group's properties.

Leasing

In February 2014, EMA exercised its option to lease an additional floor (level 10) of approximately 28,000 sq ft in 25 Churchill Place at a rent of £46.50 psf with a 37 month rent free period from 1 July 2015. This will take total occupation by EMA to 282,000 sq ft.

Also in February 2014, EY agreed to lease approximately 207,000 sq ft in 25 Churchill Place at a rent of £48.50 psf. EY will occupy levels 14 to 21, which leaves just 2 floors unlet, one of which is under option to EMA and one is under option to EY.

As part of this transaction, the Group has taken an assignment of the EY lease at Becket House. This comprises 146,000 sq ft of office space on a lease expiring in September 2026 at an average rent of £35.00 psf. EY will continue to occupy Becket House until its space at 25 Churchill Place is fully fitted out, which is anticipated in July 2015. A provision of £27.8m for the potential net liability in relation to this property has been recognised in the Balance Sheet at 31 December 2014.

In March 2014, the National Bank of Abu Dhabi entered into a lease for 11,267 sq ft on level 28 of One Canada Square. Of the space leased, 4,522 sq ft was taken from the area vacated by Coutts & Company following the surrender of its lease. The new lease is for a term of 10 years at a rent of £40.00 psf following a 20 month rent free period. The lease is subject to a break option at the end of year 7 and if the break option is not exercised, the tenant will be given a further 9 month rent free period.

In May 2014, a reversionary lease of part of the space occupied by State Street in One Canada Square was signed with MDU comprising 47,286 sq ft on levels 32 and 33. The lease commences in July 2018 for a term of 11 years at a rent of £38.50 psf subject to a rent free period of 24 months. The rent rises to £42.50 psf with effect from the first review in June 2019. The tenant has a break option at June 2024 with a 9 month rent penalty if exercised. In connection with the grant of the reversionary lease, the State Street lease of levels 32 and 33 in One Canada Square was varied to reduce the rent from £40.00 psf to £38.50 psf.

The EBA entered into an agreement in May 2014 for 44,956 sq ft on levels 45 and 46 of One Canada Square for a term of 12 years at a rent of £40.00 psf, following a 32 month rent free period. The tenant has a break option at the end of year 6 and if the break option is exercised there is a 16 month rent penalty. The break option can only be exercised if the European Parliament removes the EBA from the UK.

The Group leased a further 20,000 sq ft in One Canada Square to tenants including Pirean, First Data Corp, Equilend, Alibaba.com, Yuan Ming Yuan and Bellway Properties Limited. Previously an occupier within the Group's technology accelerator space on Level39, Pirean is the first company to graduate from Level39 to take leased space on the Estate. The lease is for a term of 5 years from February 2014 at a rent increasing to £42.50 psf from August 2015. The other leases secured in One Canada Square were generally for 5 to 10 years, with the 10 year leases containing break options at year 5. The rents secured were generally in the range from £42.50 psf for leases completed earlier in the year to £46.00 psf for more recent leases.

In 40 Bank Street the Group leased 3,535 sq ft to Hexaware Technologies for a 5 year term at £42.50 psf. The Group also leased 4,644 sq ft to Savannah Petroleum for 10 years at a rent of £42.50 psf, subject to review at year 5.

On 23 October 2014, Société Générale agreed a prelet of approximately 280,000 sq ft of office space in One Bank Street, occupying the ground to 7th floors. The lease is for a term of 25 years at a rent of £47.50 psf. Rent is payable following a 36 month rent free period, and will be reviewed every 5th anniversary of the term commencement date. The tenant has an option to hand back one floor of approximately 31,000 sq ft at the 10th anniversary, as well as options to take additional space on levels 8 and 9.

At 20 Fenchurch Street, the Group is acting as joint development manager with Land Securities. In 2014, the joint venture completed leases on approximately 200,000 sq ft to tenants including Allied World Assurance Company (41,100 sq ft), CNA (35,200 sq ft), DWF (43,400 sq ft), Jane Street Capital (27,800 sq ft), Lancashire Insurance (27,100 sq ft) and Vanquis Bank (26,500 sq ft). As a result, 90.0% of the space is let, with a further 3.0% under offer. The majority of the office tenants are now in occupation. In addition, the retail space in the sky garden at the top of the building has

STRATEGIC REPORT (Continued)

been let to Rhubarb and this space opened to the public in December 2014. The retail space in the annex building has been let to Birley's and is due to open shortly.

Level39

Level39 was launched in March 2013 as Europe's largest accelerator space for financial, retail, cyber and future city technologies. Since then, Level39 has developed rapidly following significant media exposure and widespread attendance of events in Space39.

The accelerator space has hosted over 300 events including events for Wired, PayPal, Facebook and IBM, with in excess of 45,000 visitors having attended. Member companies of Level39 have received some 500 hours of expert mentoring from experienced industry professionals and entrepreneurs.

Level39 has received over 1,000 enquiries from technology companies and has accepted more than 150 member companies. The space is at 100.0% occupancy, with additional workstations and private offices opened in May 2014 to accommodate demand from growing member companies.

As a result of this growth, the High Growth Space on the 42nd floor of One Canada Square was opened in September 2013 and has expanded to include level 24. This space enables Level39's member companies of more than 8 employees to transition to their own self contained office space. Level 42 is already occupied by 19 companies and is approximately 95.0% let with further growth in team numbers and new companies expected throughout 2015.

Retail

Footfall in the malls increased consistently through 2014. Overall, in comparison to 2013 it was 9.6% up against a national benchmark of minus 0.69%.

In 2014, the retail tenant mix in the Cabot Place mall has continued to strengthen through the addition of new premium retail brands including Paul Smith, Crockett & Jones and Moleskine.

A number of leases in the Canada Place mall expired at the end of 2014. This positive asset management opportunity has facilitated the introduction of new retail brands to the mall and the upsizing of selected retailers. Refreshing the tenant mix within Canada Place will enliven the offer and ensure its continued success. New additions will include Vodafone, The Kooples, Mango and Watches of Switzerland.

The enlarged Jubilee Place mall continues to mature following its extension in late 2013. The addition of new international brands such as Mac, Sandro, Michael Kors and innovative beauty concept Blow demonstrate the Group's commitment to the provision of a high quality and diverse retail tenant mix. With Sandro having opened strongly, they will be joined in early 2015 by sister brand Maje in the adjoining unit.

Throughout the remainder of the Estate the positive asset management strategy is also continuing to strengthen the tenant mix and increase rental income.

In May 2015, 3 years in advance of the Crossrail network opening, phase 1 of Crossrail comprising 97,000 sq ft will open across the top 4 floors of the station. Over 95.0% of the retail space available within phase 1, is either let or in solicitors' hands. The leasing strategy implemented has addressed the continued demand for new retail and leisure provision at Canary Wharf. Openings will include the first Everyman Cinema to open in east London, the opening of Psycle, a boutique spinning class provider, and Bespoke, a specialist bicycle store. The leisure provision will be complemented by a mix of 8 new cafes, bars and restaurants that include The Big Easy, an American grill restaurant renowned for quality food complemented by a live music programme, The Sports Bar & Grill, Canary Wharf's first specialist sports screening venue, The Breakfast Club, Poncho No. 8, Roti Chai, Ippudo, Notes and Sticks 'n' Sushi. The retail offer will include Tiger and Natwest.

Construction

25 Churchill Place

On 1 July 2014, base building practical completion was achieved at 25 Churchill Place, a new 545,000 sq ft office building to be occupied by EMA and EY. Practical completion of EMA fit out was also certified in July 2014 and EMA moved into the lower half of the building prior to the year end. Alterations to the top floor have been undertaken as requested by EY, which has started construction of its fit out for occupation in the third quarter of 2015.

STRATEGIC REPORT (Continued)

Canary Wharf Crossrail

Construction commenced on the Canary Wharf Crossrail station in May 2009 and has progressed ahead of schedule. The station is being delivered to CRL for a fixed price of £350.0m and the Group bears the risk for the difference between actual costs and the fixed price payable by CRL. The Group's contribution to construction of the station will be credited against any Crossrail Section 106 and/or CIL contributions for certain agreed development sites on the Estate (comprising North Quay, Heron Quays West, Newfoundland and Riverside South) which may be required as part of the London Plan.

The project has performed well against budget. Plant installation, services distribution and finishing works are now well advanced with the ticket hall level finished and services almost complete. The first trains are due to run in 2018 when Crossrail opens for passenger service. The retail levels are being fitted out with shop fronts and finishes, and it is planned that units in the upper levels will be open for business in May 2015. The feature roof is complete, and the landscaping of the park has been installed. The road connection to Aspen Way reopened in June 2014.

Development

Planning progress

In January 2012, the Group acquired full control of the Wood Wharf joint venture and entered into a new overriding 250 year lease of the site. An application for this new mixed use extension to Canary Wharf for a revised outline planning consent was submitted in December 2013. This 4.9m sq ft development will comprise 3,100 residential units, around 1.9m sq ft of commercial and 270,000 sq ft of retail space. In July 2014, outline consent was awarded subject to concluding a Section 106 agreement, which was completed on 24 December 2014. Design work has continued on the first phase of private and affordable residential property and on the first two office buildings, in preparation for submitting details to LBTH shortly.

The Group submitted an application in July 2013 for an office development on Heron Quays West on the eastern half of the site. Outline consent for this scheme was awarded on 30 August 2013 following which the submission of details for the scheme, providing some 650,000 sq ft of office space, was worked up and approved by LBTH on 10 October 2014.

An application for consent has now been made for a second development providing some 700,000 sq ft of office space on the western half of the site and this is expected to be issued by LBTH shortly, subject to conclusion of the Section 106 Agreement. This is for the building part prelet to Société Générale, and supersedes the previous outline application.

In March 2014, the Group received planning consent for a residential scheme on the adjacent Newfoundland site, and the Section106 agreement was concluded in June 2014. The scheme extends to 470,000 sq ft over 58 floors and replaces the previous consent for 230,000 sq ft of hotel and serviced apartments. A Section 73 application is being worked up to permit some architectural changes and will be submitted to LBTH shortly. Construction is anticipated to start in quarter 2 of 2015 and utility diversion works are almost complete.

One Park Place benefits from planning consent for approximately 950,000 sq ft of development. However, in December 2013 the Group submitted a new application for a revised scheme of approximately 650,000 sq ft. This scheme is expected to receive consent shortly.

The remaining development site at North Quay has planning consent for almost 2.4m sq ft of office space. The Group is considering options for an alternative mixed use scheme, combining an office building with 2 or 3 residential buildings and a substantial retail facility, which the Group believes would be more appropriate.

STRATEGIC REPORT (Continued)

In summary, the total development capacity at each of the Group's development sites, excluding sites under development, is currently as follows:

	NIA m sq ft
Total development pipeline:	
Canary Wharf, based on existing and/or proposed consents:	
– Heron Quays West	1.35
– North Quay	2.39
– Newfoundland	0.50
– One Park Place	0.68
– Wood Wharf	4.90
	9.82
Sold to J.P. Morgan:	
– Riverside South (the Group acting as development and construction manager)	1.90
In joint venture with Qatari Diar:	
– Shell Centre (see Business Review – Shell Centre)	1.40

The site at Riverside South was acquired by J.P. Morgan in November 2008 and the Group was appointed to act as development and construction manager under a contract with a term to October 2016. The contract includes a right of first offer in the event J.P. Morgan decides to sell the site. In 2012, J.P. Morgan instructed the Group to proceed with the next phase of infrastructure works consisting of river wall protection, utilities installation and the lower ground level floor slabs. These works are now substantially completed and the riverside walkway has been reopened until the next stage of construction commences.

The Group has received £76.0m as an advance of developer's profit in conjunction with the development. This sum will be set against the Group's entitlement to future profits should J.P. Morgan proceed with full construction.

Joint ventures

In addition to the construction projects at Canary Wharf, the Group is involved in joint ventures as well as acting as construction manager for the development at 20 Fenchurch Street (see Business Review – 20 Fenchurch Street) and for the redevelopment of the Shell Centre (see Business Review – Shell Centre).

20 Fenchurch Street

In 2010, the Group and Land Securities formed 20 Fenchurch Street Limited Partnership, a 50:50 joint venture to develop 20 Fenchurch Street in the City. After syndication, the Group has retained a 15.0% equity interest in this project. Canary Wharf Contractors Limited, a wholly owned subsidiary of the Group, was appointed as sole construction manager. Land Securities and the Group were appointed as joint development managers and both are responsible for leasing. Land Securities was appointed as property manager of the completed building.

Practical completion of the office space to shell & core was achieved in March 2014 on schedule and within budget. The first tenants took up occupation in May and June 2014. The remainder of the project – the Skygarden and the annex building – were completed in December 2014, and the sky garden was officially opened to the public by the Lord Mayor of the City of London in January 2015.

The building provides approximately 690,000 sq ft of world class space in floor plate sizes of 14,000 sq ft to 28,000 sq ft, with the sky garden and restaurants on the top 3 floors.

As referred to in the Business Review – Leasing, the building is currently 90.0% prelet with a further 3.0% under offer. The property manager is responsible for the day to day running of the building, while the construction manager completes the remaining de-snagging.

Shell Centre

In July 2011, the Group and Qatari Diar concluded a 50:50 joint venture agreement to redevelop the Shell Centre. The joint venture agreed to pay £300.0m to secure the 5.25 acre site on a 999 year lease. Of this total, £30.0m was paid on exchange of the agreement with Shell and the balance was conditional on planning permission being received for the project within 3 years, subject to extension by statutory processes as set out below.

The Group will act as construction manager for the project and is also joint development manager with Qatari Diar. The joint development manager fees generated from the transaction will be apportioned between the parties.

The development will be mixed use, comprising office, residential and retail space, which will regenerate an important section of the South Bank in central London. The existing 27 storey tower in the middle of the Shell Centre will be preserved and retained by Shell for their use. Shell have also agreed to take a 245,000 sq ft prelet of the entirety of one

STRATEGIC REPORT (Continued)

of the 2 new office buildings to be constructed on the site. In total the redevelopment will comprise 523,000 sq ft of office space, 79,000 sq ft of retail, restaurants, cafes and a health club; and 835,000 sq ft of residential, creating 877 apartments.

In May 2013, a resolution to grant planning permission was achieved, subject to finalising a Section 106 agreement and stage 2 referral to the GLA and the Secretary of State. In July 2013, the GLA issued its stage 2 report endorsing the right of Lambeth to determine the application and support the development plans.

Subsequently, in September 2013, the joint venture was notified that the Secretary of State had called in the planning application. The planning inquiry concluded in December 2013 and in June 2014 the Secretary of State gave his approval to the scheme. However, at the end of the subsequent 6 week statutory period, a Section 288 objection to the Secretary of State was filed. In February 2015, the High Court dismissed the challenge to the decision of the Secretary of State to approve the redevelopment of the Shell centre. However the objector has now been granted leave to appeal this judgement.

Valuations

The net assets of the Group, as stated in the Consolidated Balance Sheet at 31 December 2014, were £3,826.3m. In arriving at this total:

(i) properties held as investments were carried at £5,710.4m, which represents the market value of those properties of £5,828.9m at that date as determined by the Group's external valuers, CBRE, Savills or Cushman, less an adjustment of £118.5m for tenant incentives;

(ii) properties under construction were carried at £111.4m, representing their cost to the Group; and

(iii) properties held for development were carried at £357.5m, representing their cost to the Group.

At 31 December 2014, the yields applied in deriving the market valuation of the investment properties can be summarised as follows:

	31 December 2014 %	30 June 2014 %	31 December 2013 %
Office portfolio:			
Weighted average initial yield	**4.5**	5.2	5.2
Weighted average equivalent yield	**4.7**	5.0	5.1
Retail portfolio:			
Weighted average initial yield	**3.9**	4.0	4.4
Weighted average equivalent yield	**4.1**	4.3	4.8

The weighted average yields for the office portfolio at 31 December 2014 excluded 7 Westferry Circus which is now under refurbishment.

10 Upper Bank Street was sold in June 2014 for £795.0m, ahead of the 31 December 2013 valuation of £780.0m. This sale has served to demonstrate the demand for large lot sizes let to good covenants.

50 Bank Street was sold in October 2014 for £153.5m, compared with the 31 December 2013 and 30 June 2014 valuation of £149.5m.

Taking office and retail together, the market value of the investment portfolio increased by 17.6% over the year after adjusting for asset disposals and the completion of 25 Churchill Place. The increase in market value in the second half was 10.3%.

After allowing for capital expenditure and adjustments in respect of tenant incentives, and excluding the disposals of 10 Upper Bank Street and 50 Bank Street, the carrying value of the investment portfolio increased by £897.6m over the year or 18.7%. The increase in the second half of the year was 13.4%.

The weighted average initial yield for the office portfolio at 31 December 2014 was 4.5%, the reduction from 5.2% at 30 June 2014 and 31 December 2013 being attributable to the strength of the investment market particularly for larger 'trophy' buildings. The weighted average equivalent yield fell from 5.1% at 31 December 2013 to 5.0% at 30 June 2014 and 4.7% at 31 December 2014.

Taking these factors into account, the overall increase in the valuation of the office portfolio, excluding the disposals and completion of 25 Churchill Place, was 12.5%, for the year and 9.1% in the second half.

STRATEGIC REPORT (Continued)

The retail investment portfolio again performed strongly with market value increasing by 23.9% of which 8.9% was in the second half, in part as a result of a reduction in yields and in part as a result of rental growth. This served to reduce the weighted average initial yield for the retail portfolio from 4.4% at 31 December 2013 to 4.0% at 30 June 2014 and 3.9% at 31 December 2014. The weighted average equivalent yield fell from 4.8% at 31 December 2013 to 4.3% at 30 June 2014 and 4.1% at 31 December 2014.

In July 2014, the Group completed the construction of a 545,000 sq ft building at 25 Churchill Place of which 282,000 sq ft had been prelet to EMA and 207,000 sq. ft. was prelet to EY. There are 2 remaining unlet floors which are subject to call options. EMA elected to receive the equivalent of a 37 month rent free period in cash, which amount has been classified as a tenant incentive.

As disclosed in the leasing section of this Strategic Report, the Group has taken an assignment of the EY lease at Becket House and recognised a provision of £27.8m as a result. This amount has also been classified as a tenant incentive.

In October 2014, the Group announced a prelet of around 280,000 sq ft to Société Générale in a new 700,000 sq ft office building at One Bank Street. Work commenced on this site in 2014.

Properties under construction at 31 December 2014, comprising the Crossrail station retail mall and One Bank Street, were valued at £150.3m in comparison with an aggregate historical cost of £111.4m.

The valuers have also provided their opinions of the market value for sites held for development, which comprised North Quay, the remainder of Heron Quays West, Newfoundland, One Park Place and Wood Wharf. These sites were valued in aggregate at £886.0m at 31 December 2014, in comparison with £700.0m at 31 December 2013 and £817.5m at 30 June 2014, This represents an increase of 26.9% after expenditure in the year, reflecting the demand for sites capable of accommodating residential development. The valuation is equivalent to approximately £97.00 psf.

Notwithstanding recent increases in value, the market value of the remaining site at Heron Quays West held for development, was below its carrying value. In assessing the requirement for an impairment provision, the directors have had regard to the net realisable value of the sites as supplied by the external valuers. On this basis the Board has concluded that no provision for impairment is required as at 31 December 2014.

The market value of the entire property portfolio increased by 21.7% to £6,865.2m of which 12.0% was in the second half. The market value after adjusting for property disposals and capital expenditure increased by £1,079.0m or 18.6% in the year of which £790.9m or 13.0% was in the second half. This increase in value was driven by the factors stated previously.

As previously disclosed, a number of properties are subject to leases back to the Group. These have been taken into account in the valuations summarised in the following table, which shows the carrying value of the Group's properties for accounts purposes in comparison with the supplementary valuations provided by the external valuers.

STRATEGIC REPORT (Continued)

	Note	31 December 2014 Carrying value £m	31 December 2014 Market value in existing state £m	30 June 2014 Carrying value £m	30 June 2014 Market value in existing state £m	31 December 2013 Carrying value £m	31 December 2013 Market value in existing state £m
Retained portfolio:							
Investment properties							
– retained	(i)	**5,189.5**	**5,243.9**	4,754.7	4,811.5	4,527.7	4,585.5
– sold in the year		**–**	**–**	149.5	149.5	929.5	929.5
– completed in the year		**520.9**	**585.0**	–	–	–	–
		5,710.4	**5,828.9**	4,904.2	4,961.0	5,457.2	5,515.0
Properties under construction	(ii),(iii)	**111.4**	**150.3**	277.8	502.0	251.1	356.5
Properties held for development	(iii)	**357.5**	**886.0**	381.5	817.5	358.7	700.0
		6,179.3	**6,865.2**	5,563.5	6,280.5	6,067.0	6,571.5
Sold property:							
Property under construction at Riverside South	(iv)	**69.3**	**145.2**	69.9	143.1	75.2	151.2
		6,248.6	**7,010.4**	5,633.4	6,423.6	6,142.2	6,722.7

Notes:
(i) The carrying value represents market value less an adjustment for UITF 28. The UITF 28 adjustment attributable to investment properties at 31 December 2014 was £118.5m (31 December 2013 – £57.8m, 30 June 2014 – £56.8m). Market value in existing state is shown prior to this adjustment.
(ii) At 30 June 2014, the carrying value of properties under construction excluded £27.1m recognised as an incentive within debtors due in more than one year in connection with the assumption of EY's lease of Becket House. The Group entered into this lease in connection with the preletting of part of 25 Churchill Place to EY. 25 Churchill Place was completed in July 2014 and transferred to investment properties.
(iii) Work has commenced on One Bank Street and this property was transferred to properties under construction in the final quarter of 2014.
(iv) The carrying value in the Consolidated Balance Sheet at 31 December 2014 is stated net of £83.9m transferred to cost of sales (31 December 2013 – £79.4m, 30 June 2014 – £81.6m) and £14.6m transferred to payments on account (31 December 2013 – £(4.2)m, 30 June 2014 – £(11.7)m). Market value in existing state includes the present value of the minimum developer's profit which will be generated from the development of the Riverside South site assuming J.P. Morgan does not proceed with full build out and excludes the profit already recognised on the disposal of the site in 2008.

All of Canary Wharf Group's properties are valued externally by qualified valuers, with office properties and future development sites valued by either CBRE or Savills and retail properties valued by Cushman & Wakefield.

Valuation process
Property valuations are assessed twice a year on the basis of valuation reports prepared by the external valuers. The properties are valued individually and not as part of a portfolio and no allowance has been made for expenses of realisation or for any tax that might arise. In accordance with market practice, the valuations do reflect deductions in respect of purchaser's costs and, in particular, liability for SDLT as applicable at the valuation date.

These valuations conform to International Valuation Standards and are arrived at by reference to market transactions for similar properties based on:

- Information provided by the Company, such as current rents, terms and conditions of lease agreements, service charges and capital expenditure. This information is derived from the company's financial and property management systems and is subject to the Company's overall control environment; and

- Assumptions and valuation models adopted by the valuers. These assumptions (or unobservable inputs) are typically market related, such as rental values, yields and discount rates. They are based on the valuers' professional judgement and market observation.

The key property valuations are driven principally by the terms of the leases in place at the valuation date. These determine the majority of the cash flow profile of the property for a number of years and therefore form the base of the

STRATEGIC REPORT (Continued)

valuation. The valuation assumes adjustments from these rental values to current market rent at the time of the next rent review and as leases expire and are replaced by new leases. The current market level of rent is assessed based on evidence provided by the most recent relevant leasing transactions and negotiations. This is based on evidence available to the valuers at the date of valuation.

The information provided to the valuers, and the assumptions and the valuation models used by the valuers, are reviewed by the Group's executive directors. When the valuation reports are considered appropriate they are recommended for adoption by the Audit Committee which considers the valuation reports as part of their overall responsibilities.

Valuation techniques
The following valuation techniques can be used for any given category of property:

- Discounted cash flow using the following inputs: net current rent, estimated rental value (annual rent), terminal value, discount rate.

- Yield methodology using net current rent or estimated market rental value, capitalised with a market capitalisation rate.

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

For properties under construction, the fair value is usually calculated by estimating the fair value of the completed property (using either of the above mentioned methodologies) less estimated costs to completion. There have been no changes in valuation techniques since the previous year.

STRATEGIC REPORT (Continued)

Quantitative information about market value measurements using unobservable inputs

	Market value 31 December 2014 £m	Valuation techniques	Unobservable inputs	Range or (weighted average)
Investment properties:				
– Offices	4,767.0	Discounted cash flow	Annual rent psf (ERV)	£40.00 – £44.00 psf (i)
			Discount rate	4.1 – 8.5% (5.3%)
			Capitalisation rate for terminal value	4.75 – 6.25% (5.5%)
		Yield methodology	Annual rent psf (ERV)	As above (i)
			Capitalisation rate	3.5 – 5.75%
			- Initial yield	(4.5%)
			- Equivalent yield	(4.7%)
– Retail and parking	1,061.9	Discounted cash flow	Annual rent psf (ERV)	£145ZA – £375ZA (ii) (£240ZA)
			Discount rate	6.54%
			Capitalisation rate for terminable value	4.14%
		Yield methodology	Annual rent psf	As above (ii)
			Capitalisation rate	
			- Initial yield	(3.9%)
			- Equivalent yield	(4.1%)
	5,828.9			
Properties under construction:				
– Offices: One Bank Street	60.0	Capitalised net revenues less costs to complete	Capitalised net revenues Estimated costs to complete	£47.50 psf (iii) (iv)
– Retail: Canary Wharf Crossrail station	90.3	Capitalised net revenues less costs to complete	Capitalised net revenues Estimated costs to complete	As above (iii) (iv)
	150.3			
Properties held for development:	886.0	Capitalised net revenues less costs to complete	Capitalised net revenues Estimated costs to complete	(iii) (iv)
	6,865.2			

Notes:
(i) ERV dependant on age, condition, building and floor.
(ii) Zone A to depth of 20 feet.
(iii) Capitalised net revenues calculated using estimated rentals and capitalisation rates derived from prior transactions and/or comparable transactions in the market.
(iv) Costs to complete are estimated for each construction project taking into account the stage of completion and the total estimated costs for the project.

Lehman claim

An agreed claim of $350.0m against LBHI has been approved by the US Bankruptcy Court for the Southern District of New York. This claim related to the occupation of 25 Bank Street by LBL under a lease where LBHI acted as surety. On 14 October 2014 the Group received $65.2m from LBHI. Under the terms of an agreement with J.P. Morgan in connection with its acquisition of 25 Bank Street in December 2010, any settlement is to be shared 50:50 with J.P. Morgan net of fees and costs. An amount of $25.7m has been paid to J.P. Morgan after deducting fees and costs of $13.7m. The amount retained by the Group was $39.5m (or £25.2m). Of the fees and costs totalling an equivalent of £8.5m, £5.5m was incurred prior to 30 June 2014 and accounted for in arriving at NAV at that date. The net proceeds after allowing for unpaid fees was therefore $35.3m (or £22.2m).

The Group estimates that the eventual recovery from LBHI will be in the order of $100.0m, equivalent to 28.6% of the $350.0m claim. The additional $34.8m (£22.0m) recoverable over and above the $65.2m received in October 2014 will be shared 50:50 with J.P. Morgan net of any further fees and costs. Tax has been provided on the gross amount of the claim. The foregoing amounts make no allowance for the additional claim the Group has against LBL as tenant. The aggregate net amount received and receivable from the claim against LBHI totalling £33.2m has been recognised in year and disclosed as an exceptional item.

STRATEGIC REPORT (Continued)

Operating results

The following review of the Group's operating results relates to the year ended 31 December 2014. The comparatives relate to the year ended 31 December 2013.

Turnover is generated primarily by the rents and service charges earned by the Group from its property interests on the Estate, together with the recognition of amounts in respect of work performed under long term contracts and fees earned from construction and development management agreements.

Turnover for 2014 was £381.9m against £364.3m for 2013, of which rental income, after the adjustments required by UITF 28 was £258.5m (2013 – £253.2m).

The impact of UITF 28 was to reduce rental income by £3.4m compared with £21.1m for 2013. Excluding the impact of UITF 28, rental income reduced from £274.3m in 2013 to £261.9m in 2014, a reduction of £12.4m or 4.5%. The reduction in rental income was primarily attributable to rent foregone on 10 Upper Bank Street and 50 Bank Street following the sale of these buildings in June 2014 and October 2014 respectively. These factors were partly offset by the Group receiving a full year of rent from 7 Westferry Circus and 15 Westferry Circus which were acquired in March 2013 and July 2013 respectively and the commencement of rent from Shell in 40 Bank Street. The Group also benefited from increased retail rents.

Service charge income reduced from £77.1m for 2013 to £74.5m and miscellaneous income, including insurance rents, the provision of tenant specific services outside the standard service charge and fees recognised on the provision of development and construction management services, increased from £20.2m to £41.5m over the year. During 2014, the Group recognised £3.0m of income in connection with the termination by tenants of certain leases on the Estate (2013 – £1.0m).

Turnover for 2014 also included £4.4m recognised on long term contracts compared with £12.8m in 2013.

Cost of sales includes rents payable, property management costs including refurbishment and repair costs, movements on provisions for certain lease commitments, as well as costs recognised on long term contracts.

In 2013, the Group substantially completed the refurbishment of the mechanical and engineering systems in One Canada Square and determined that £6.0m of the total cost of £34.0m plus VAT should be classified as repairs and taken to cost of sales. The remainder of the costs were capitalised and included as additions to investment properties within fixed assets as they were incurred. The £6.0m taken to cost of sales was shown as an exceptional item.

Rents payable and property management costs were £104.5m for 2014 in comparison with £100.1m for 2013 excluding the adjustment to One Canada Square referred to above. Taking into account service charge and miscellaneous property income totalling £96.8m for 2014 (2013 – £94.2m), a deficit was recorded on property management of £7.7m (2013 – £5.9m). This deficit was attributable to unlet space on which service charges were not recoverable and includes rates and insurance on such space.

Cost of sales for 2014 also included £4.0m of ground rent payable in relation to Wood Wharf (2013 – £3.5m) £2.3m of costs attributable to the termination of leases (2013 – £1.0m) and £4.4m relating to long term contracts.

A reduction in provisions of £0.2m (before any adjustment for discounting) was recognised in 2014 relating to certain rent support commitments and other obligations (2013 – increase of £0.6m) .

Gross profit (net property income) for 2014 was £266.9m, an increase of £26.6m in comparison with 2013. This improvement was primarily attributable to the increase in rental income of £5.2m recognised after adjusting for UITF 28 and the £6.0m refurbishment adjustment in relation to One Canada Square recognised in 2013, together with £16.7m of income recognised on long term contracts.

Administrative expenses for 2014 were £60.3m in comparison with £43.3m for 2013. Administrative expenses included leasing costs of £8.4m, an increase of £5.7m in comparison with 2013, reflecting the increased level of leasing activity in 2014. Key transactions included the preletting of 207,000 sq ft to EY in 25 Churchill Place and the prelet of 270,000 sq ft to Société Générale in One Bank Street. Within the retail estate the focus was on the retail mall above the Crossrail station which will open in May 2015. The increase in administrative expenses was also partly attributable to a £7.5m charge recognised in relation to an allocation of shares to certain directors and senior employees of the Group in the year, an increase of £4.2m in comparison with the previous year.

STRAGETIC REPORT (Continued)

Excluding leasing costs and the accounting charge relating to the allocation of shares, administrative costs were £44.4m for 2014 in comparison with £37.3m for 2013, an increase of £7.2m. This increase was in part attributable to an increase in the headcount in order to support the next phase of development. Marketing costs were also higher in anticipation of the launch of the Group's residential programme and the corporate rebranding.

An agreed claim of $350.0m against LBHI was approved in the year (see Strategic Report – Lehman claim), which has resulted in the Group recognising a net gain of £33.2m. This has been disclosed as an exceptional item within other income.

Including other operating income of £4.8m for 2014 (2013 – £2.4m), operating profit for the year was £244.6m in comparison with £199.4m for 2013. The net increase in operating profit of £45.7m was largely attributable to the Lehman claim referred to above and the impact of the refurbishment of One Canada Square in 2013, together with the other factors impacting on gross profit and administrative expenses detailed above.

In the first half of 2014, the Group recorded a net profit of £9.1m on the disposal of 10 Upper Bank Street. This profit represents the excess over the market value at 31 December 2013 of 1.9% less fees of £5.9m. In the second half of 2014, the Group recorded a net profit of £0.5m on the disposal of 50 Bank Street. This profit represents the excess over the market value at 31 December 2013 of 2.7% less fees and provision for a rental guarantee of £3.6m. The aggregate net profit from property disposals has been shown as an exceptional item after operating profit in accordance with FRS 3.

Net interest payable for 2014, excluding exceptional items, was £188.5m against £207.3m in 2013. Interest payable for 2014 has been stated net of £10.8m which has been capitalised and transferred to properties under construction within fixed assets in accordance with FRS 15 (2013 – £14.2m). This amount represents the finance charge relating to the Group's borrowings which are deemed to have been utilised in financing the properties under construction. The reduction in net interest payable was largely attributable to the redemption of £577.9m of A1 Notes in July 2014 and the repayment of the loan secured against 50 Bank Street in October 2014 (see below). This was partly offset by 2014 including a full year of interest payable on the additional facilities taken out to fund the acquisitions of 7 Westferry Circus and 15 Westferry Circus and the interest on the construction loan being taken to the profit and loss account following the completion of 25 Churchill Place. In addition, interest receivable was £0.7m lower than the previous year.

In April 2009, the Group repurchased £26.1m of B3 Notes, £35.3m of C2 Notes and £58.3m of D2 Notes, an aggregate principal amount of £119.7m. Following the repurchase, the Notes remained in issue and continued to be fully hedged in accordance with the terms of the securitisation. However, from the perspective of the consolidated accounts the hedges relating to the repurchased Notes were deemed to be uneconomic and therefore carried at fair value. In June 2014, the Group cancelled £26.1m of B3 Notes and £35.3m of C2 Notes and paid £17.9m to terminate the related interest rate swaps. At 31 December 2013, £30.8m was provided for the deemed uneconomic hedges of which £15.5m was provided in connection with the hedges against the B3 Notes and C2 Notes. The net cost associated with termination of the swaps of £2.4m has been treated as an exceptional item, along with a £13.2m increase in the provision required in respect of the hedge against the D2 Notes (Note 4).

Following the sale of 10 Upper Bank Street, the Group redeemed £577.9m of A1 Notes in July 2014 and initially provided £169.7m for the potential premium payable to the A1 noteholders, which has been disclosed as an exceptional item (Note 4). At 31 December 2014, this provision has increased to £173.5m to allow for interest accruing on this balance. As a result of the redemption in July 2014, the Group accelerated the amortisation of certain adjustments to the carrying value of the A1 Notes recognised in accordance with FRS4 and has recognised £8.3m as an exceptional gain in the results for 2014 (Note 4). This amount is stated net of fees of £1.8m connection with the redemption.

In October 2014, the Group repaid the £92.3m loan facility secured against 50 Bank Street. Swap breakage costs and other costs incurred in prepaying the fixed rate portion of the loan, together with other fees, totalled £3.3m which has been taken to the profit and loss account and disclosed as an exceptional item.

The loss on ordinary activities before tax for 2014 was £120.3m in comparison with a profit of £6.7m for 2013. Excluding exceptional items, the profit on ordinary activities before tax for 2014 was £21.0m in comparison with a loss of £3.0m for 2013.

Tax for 2014 comprised a corporation tax charge of £3.5m (2013 – charge of £6.1m) and a deferred tax credit of £24.2m (2013 – credit of £10.5m) (Note 5).

The loss after tax for 2014 was £99.6m in comparison with a profit of £11.1m for 2013. Basic and diluted losses per share for 2014 were 15.6p in comparison with earnings of 1.7p for 2013 (Note 9).

Excluding the exceptional items totalling a net loss of £141.3m and tax relief of £22.9m thereon, adjusted earnings per share for 2014 were 2.9p (2013 – earnings per share of 0.5p after excluding exceptional items of £9.7m and tax relief thereon of £1.6m). No further adjustment is made to adjusted earnings per share for deferred tax other than for the deferred tax which is directly applicable to the exceptional items. The weighted average number of shares in issue was 639.0m at both 31 December 2014 and 31 December 2013. There were no instruments which gave rise to a dilution of earnings as defined by FRS 22 at either 31 December 2014 or 31 December 2013.

STRATEGIC REPORT (Continued)

Tax

If the Group were to dispose of its property portfolio at the market value disclosed in this Strategic Report, a tax liability of £370.2m would arise (31 December 2013 – £240.8m). This amount includes tax on trading profits and net chargeable gains that would arise on the sale of properties under construction and properties held for development, including land interests. This contingent liability is included in calculating adjusted NNNAV. The liability is stated after taking into account the tax liabilities relating to deferred accounting profits on the property under construction held for sale.

Consolidated balance sheet and key performance indicators

On the basis of the Group's statutory balance sheet, which does not reflect any revaluation of properties held for development or under construction, net assets at 31 December 2014 were £3,826.3m in comparison with £2,952.3m at 31 December 2013 and £3,106.3m at 30 June 2014. The increase in NAV over the year of £874.0m or 29.6% was attributable to a revaluation surplus of £897.6m on the Group's investment portfolio together with revaluation surpluses recognised on investment properties held by associated and investment entities totalling £75.7m. The revaluation surpluses were partly offset by the loss after tax for the year of £99.6m. The increase in NAV since 30 June 2014 was £720.0m or 23.2%.

The Group's main objective is to maximise net assets through managing its property investment and development activities, although the Group is impacted by movements in the wider property market. The Board considers that the most appropriate indicator of the Group's performance is the movement in adjusted NAV per share. This measure serves to capture the Board's judgements concerning, inter alia, letting strategy, redevelopment and financial structure.

Adjusted NAV takes into account the valuation of properties under construction and properties held for development which are held in the balance sheet at cost including the Group's share of properties being developed by joint ventures. It also adds back the provision for deferred tax required by accounting standards but which, in the judgement of the Board, is for the most part unlikely to crystallise.

Adjusted NAV per share at 31 December 2014 is set out in the table below, which for comparison purposes also includes adjusted NNNAV per share.

STRATEGIC REPORT (Continued)

	Note	31 December 2014 £m	30 June 2014 £m	31 December 2013 £m
Net assets per consolidated balance sheet		**3,826.3**	3,106.3	2,952.3
Add back:				
– deferred tax		**(21.0)**	(0.7)	3.2
– provision for uneconomic hedge	(i)	**28.5**	31.3	30.8
Net assets prior to deferred tax		**3,833.8**	3,136.9	2,986.3
Revaluation of property portfolio:				
– properties held for development	(ii)	**528.5**	436.0	341.3
– properties under construction	(ii)	**38.9**	197.1	105.4
– properties under construction held for sale	(iii)	**75.9**	73.2	76.0
Group's share of revaluation of associate's property under construction	(iv)	–	–	21.9
Adjusted NAV		**4,477.1**	3,843.2	3,530.9
Fair value adjustments in respect of financial assets and liabilities less tax thereon	(v)	**(519.4)**	(260.4)	(344.8)
Contingent tax on property disposals	(vi)	**(370.2)**	(300.7)	(240.8)
Undiscounted deferred tax	(vii)	**22.4**	2.1	(1.9)
Uneconomic hedge	(i)	**(28.5)**	(31.3)	(30.8)
Adjusted NNNAV		**3,581.4**	3,252.9	2,912.6
Adjusted net assets per share	(viii)	**£7.01**	£6.01	£5.53
Adjusted NNNAV per share	(viii)	**£5.60**	£5.09	£4.56

Note:

(i) Adjusted NAV is calculated after adding back the provision in respect of uneconomic hedges (Note 17) of £28.5m (30 June 2014 – £31.3m, 31 December 2013 – £30.8m). These hedges relate to certain Notes which were repurchased by the Group in 2009 but which remain in issue and continue to be fully hedged by the issuing subsidiary and are deemed to be uneconomic. As the Board does not consider this item to be a liability of the Group that will crystallise, for the purposes of calculating adjusted NAV the adjustment for the uneconomic hedge provision has been added back. In calculating NNNAV per share, the full provision in respect of uneconomic hedges has been deducted.

(ii) Revalued at market value in existing state. At 30 June 2014 the revalued amount was stated after deducting £27.1m recognised in debtors due in more than one year in respect of the assumption of EY's lease of Becket House.

(iii) Deferred profit on construction of Riverside South (refer to Strategic Report – Valuations).

(iv) In March 2014, 20 Fenchurch Street achieved practical completion and was reclassified as an investment property (Note 12). The Group's share of any revaluation surplus is now included in the Consolidated Balance Sheet. Previously any share of the revaluation reserve movement was included as an adjustment in calculating the Group's adjusted NAV and adjusted NNNAV in accordance with the Group's policy of carrying properties under construction at historic cost.

(v) Refer to Note 16(13).

(vi) Refer to Strategic Report – Tax.

(vii) Refer to Note 17.

(viii) Calculated by reference to the closing number of shares of 639.0m at each balance sheet date. There were no dilutive instruments outstanding at any of the balance sheet dates.

Adjusted NAV per share was £7.01 at 31 December 2014 in comparison with £5.53 at 31 December 2013, an increase of £1.48 or 26.8%. There was also a £1.0 or 16.6% increase from £6.01 at 30 June 2014. The increase in adjusted NAV per share over the year was primarily attributable to the revaluation surplus, partly offset by the loss after tax. The increase in adjusted NAV in the second half of the year was primarily attributable to the revaluation surplus and the profit after tax in the second half of £18.6m.

In arriving at adjusted NAV per share the provision recognised in accordance with FRS 19 has been added back. In calculating NNNAV per share, however, the full undiscounted liability has been deducted, along with the contingent tax payable on disposal of properties at their revalued amount. NNNAV per share also factors in the fair value of financial assets and liabilities. The increase in NNNAV per share in comparison with 31 December 2013 was £1.04 or 22.8%. The increase in the second half of the year was 51p or 10.0%.

STRATEGIC REPORT (Continued)

Principal risks and uncertainties

Continuous monitoring of the principal risks and uncertainties facing the business of the Group is undertaken through regular assessment and formal quarterly reports to the audit committee and Board. The Board and audit committee focus on the risks identified as part of the Group's systems of internal control which highlight, amongst others, key risks faced by the Group and allocate specific day to day monitoring and control responsibilities as appropriate. The current key risks of the consolidated Group include the cyclical nature of the property market, concentration risk, financing risk and policy and planning risks.

Cyclical nature of the property market
The valuation of the Group's assets is subject to many external economic and market factors. Following the turmoil in the financial markets and uncertainty in the Eurozone of recent years the London real estate market had to cope with a decline in demand and a potential oversupply of office space. The possible oversupply of available space in the market was, however, mitigated by the difficulty in securing finance for speculative development leading to reduced supply. The market was assisted by the continuing presence of overseas investors attracted by the relative transparency of the real estate market in London which is still viewed as both stable and secure. The market has also been underpinned by continuing demand for sites capable of incorporating residential development. During 2014, there was strong evidence of continuing investor demand for office space and continuing confidence in the office real estate market. Changes in financial and property markets are kept under constant review so that the Group can react appropriately and tailor the business plans of the Group accordingly.

Concentration risk
The majority of the Group's real estate assets are currently located on or adjacent to the Estate with a majority of tenants linked to the financial services industry. Wherever possible steps are taken to mitigate or avoid material consequences arising from this concentration and to diversify the tenant base. Although the focus of the Group has been on and around the Estate, where value can be added the Group will also consider opportunities elsewhere. The Group is involved in joint ventures developing 20 Fenchurch Street and the Shell Centre and is also reviewing the current consents for development. This review has already led to an increased focus on residential development as reflected in the revised composition of the proposed master plan for the mixed use development on land immediately east of the Estate.

Financing risk
The broader economic cycle inevitably leads to movements in inflation, interest rates and bond yields. Further details on the management of treasury risk can be found in Strategic Report – Treasury objectives and risks.

Policy and planning risks
All of the Group's assets are currently located within London. Appropriate contact is maintained with local and national government, but changes in governmental policy on planning or tax could limit the ability of the Group to maximise the long term potential of its assets. These risks are closely monitored.

Treasury objectives and risks

The principal objectives of the Group's treasury function are to ensure the availability of finance to meet the Group's current and anticipated requirements and to minimise the Group's cost of capital. The treasury function operates as a cost centre rather than a profit centre and does not engage in trading of financial instruments.

The Group's financial instruments, other than derivatives, comprise borrowings, cash and liquid resources and various items such as trade debtors and trade creditors that arise directly from its operations. The Group enters into derivative transactions (principally interest rate swaps) only in order to manage the interest rate risk arising from the Group's variable rate borrowings. The Board reviews and agrees policies for managing the risks associated with the Group's financial instruments and these policies, which have been applied consistently throughout the year, are summarised in the following paragraphs.

Interest rate risk
The Group finances its operations through a mixture of surplus cash, bank borrowings and debentures. The Group borrows in sterling at floating rates of interest and then uses interest rate swaps to generate the desired interest profile and to manage the Group's exposure to interest rate fluctuations. The Group's policy is to keep the majority of its borrowings at fixed rates and at 31 December 2014 approximately 86.0% of the Group's borrowings were fixed after taking account of interest rate hedging and cash deposits held as cash collateral (see Note 16(12)).

Liquidity risk
The Group's policy is to ensure continuity of funding and at 31 December 2014 the average maturity of the Group's debt was 12.3 years (2013 – 11.6 years). Shorter term flexibility historically has been achieved by holding cash on deposit and through construction facilities typically with a term of 3 to 5 years arranged to fund the development of new properties. The refinancing of the retail loan provides additional flexibility through the inclusion of a £240.0m revolving facility. At 31 December 2014, none of the Group's facilities mature before April 2016.

Credit risk

The Group's policies restrict the counterparties with which derivative transactions can be contracted and cash balances deposited. This ensures that exposure is spread across a number of approved financial institutions with higher credit ratings.

Loan covenants

The Group's loan facilities are subject to financial covenants which include maximum LTV ratios and minimum ICRs. The key covenants for each of the Group's main facilities are as follows:

(i) CWF II securitisation, encompassing 6 investment properties representing 52.5% of the investment property portfolio by value. The principal amount outstanding at 31 December 2014 was £1,590.1m or £1,531.8m excluding the repurchased Notes.

Maximum LMCTV ratio of 100.0%. Based on the valuations at 31 December 2014, the LMCTV ratio at the interest payment date in January 2015 was 51.1%.

The securitisation has no minimum ICR covenant. The Group has the ability to remedy a breach of covenant by depositing eligible investments (including cash). The final maturity date of the securitisation is 2035, subject to earlier amortisation on certain classes of Notes.

(ii) Loan of £531.0m secured against One Churchill Place, representing 15.9% of the investment property portfolio by value.

This facility is not subject to any LTV or ICR covenants and has a final maturity of 2034, subject to amortisation over that term.

(iii) Loan of up to £600.0m secured against the retail and infrastructure parking properties of the Group, of which £360.0m was drawn at 31 December 2014, representing 18.2% of the investment property portfolio by value.

Maximum LTV ratio of 70.0%. Based on the valuations at 31 December 2014, the LTV was 31.4%.

Minimum ICR covenant of 120.0%. The covenant was satisfied throughout the year. The Group has the ability to remedy any potential breach of covenant by depositing cash.

The facility repayment date is 30 September 2019.

(iv) Construction loan facility of £190.0m secured against 25 Churchill Place of which £162.9m was drawn at 31 December 2014 representing 10.0% of the investment property portfolio by value.

Maximum LTV ratio of 65.0%. Based on the valuation at 31 December 2014, the LTV ratio at the interest payment date in January 2015 was 27.8%.

Maximum loan to cost ratio of 65.0%.

These covenants were satisfied throughout the year.

(v) Loan of £21.8m secured against 7 Westferry Circus, representing 0.8% of the investment property portfolio by value.

Maximum LTV ratio of 65.0%. Based on the valuations at 31 December 2014, the LTV ratio was 45.4%. This facility is not subject to any ICR covenant.

The facility repayment date is 5 September 2018.

(vii) Loan of £126.0m secured against 15 Westferry Circus, representing 2.5% of the investment property portfolio by value.

The minimum ICR covenant is 100% which was satisfied throughout the period. The loan is not subject to any LTV covenant.

The facility repayment date is 25 April 2016.

Borrowings

At 31 December 2014, net debt (after cash in hand and cash collateral) stood at £2,207.3m, down from £2,980.1m at 31 December 2013, and comprised:

	31 December 2014 £m	31 December 2013 £m
Securitised debt	**1,586.1**	2,242.6
Loans	**1,028.7**	1,130.1
Wood Wharf loan notes	**27.5**	58.5
Construction loans	**160.5**	103.5
Total borrowings	**2,802.8**	3,534.7
Less:		
– cash collateral for borrowings	**(268.6)**	(108.6)
– cash collateral for construction	**(2.3)**	(2.3)
– other cash collateral	**(10.1)**	(21.2)
	2,521.8	3,402.6
Less: cash deposits	**(314.5)**	(422.5)
Net debt	**2,207.3**	2,980.1

On 20 June 2014, the Group sold 10 Upper Bank Street for a total consideration of £795.0m (see Strategic Report – Property Portfolio) and £577.9m of the proceeds together with £9.4m of interest was transferred to a cash reserve to fund the redemption of A1 Notes on 22 July 2014. The Group also placed £168.7m in an escrow account pending a court decision on whether or not a premium is payable to the A1 noteholders as a result of the redemption. Interest at 6.455% has been accrued on the escrow account and at 31 December 2014 the balance on the account was £174.3m. This amount is included in cash collateral for borrowings.

In September 2014, the Group completed a refinancing of its £350.0m retail loan facility which will see the facility increase to £600.0m. The new 5 year facility comprises a £360.0m fixed loan and a £240.0m revolver, of which £40.0m will become available upon completion of the Canary Wharf Crossrail retail mall in May 2015. This revolving facility will provide additional liquidity for the Group and provide funding for its development pipeline. The initial margin is LIBOR plus 150bps. An interest rate cap was purchased at a strike rate of 3.0% in respect of a notional amount of £270.0m. This was to satisfy the lenders' requirement that 75.0% of the initial £360.0m borrowing be hedged. The premium due on the cap of £3.93m was cash settled.

In October 2014, the Group repaid the £92.3m loan facility secured against 50 Bank Street upon the sale of the property. Swap breakage costs and other fees totalling £3.3m were incurred and taken to the profit and loss account.

In December 2011, the Group entered into a 5 year £190.0m development loan facility to fund the construction of a new building at 25 Churchill Place. This facility carries interest at 3 month LIBOR plus a margin of 300 bps until rent commencement, following which the margin may drop to 250 bps or 225 bps, subject to satisfaction of certain interest cover tests. An interest rate swap was entered into in October 2012 at a rate of 1.017% which fixes the interest rate payable under the loan. The fixed rate payable during the construction phase, including the 300 bps margin, was 4.017%. The termination date under the swap is in December 2016. The loan is also repayable in December 2016. Finance costs incurred on this loan during the construction of the building were capitalised and included as part of the cost of construction. At 31 December 2014, £162.9m had been drawn down from the facility. Following practical completion of 25 Churchill Place, in July 2014, the finance cost of this loan has been taken to the profit and loss account.

The Group's borrowings are secured against designated property interests and are subject to lending covenants that include maximum LTV ratios and minimum ICRs as outlined earlier in the Loan Covenants section of this Strategic Report. For all of its loans, the Group was in compliance with its lending covenants at 31 December 2014 and throughout the year then ended.

STRATEGIC REPORT (Continued)

Borrowings reduced from £3,534.7m at 31 December 2013 to £2,802.8m at 31 December 2014 primarily as a result of the repayment of £577.9m of securitisation Notes, the repayment of the £92.3m loan secured against 50 Bank Street and scheduled loan amortisation totalling £56.2m. Unsecured cash deposits reduced from £422.5m at 31 December 2013 to £314.5m at 31 December 2014 as a result of construction and development expenditure, investments in associates and joint ventures and the acquisition of a 10.0% interest in the entity that acquired 10 Upper Bank Street, partly offset by the sale proceeds from the disposal of 50 Bank Street.

Comparing net debt at 31 December 2014 of £2,207.3m (31 December 2013 – £2,980.1m) with the total portfolio valuation at that date of £6,865.2m (31 December 2013 – £6,571.5m), the overall corporate LTV ratio was 32.2% (31 December 2013 – 45.3%).

At 31 December 2014, the fair value adjustment in respect of the Group's financial assets and liabilities calculated in accordance with FRS 13 (excluding debtors and creditors falling due within one year) was an unrecognised liability of £657.4m before tax (31 December 2013 – £447.8m).

The Group's weighted average cost of debt at 31 December 2014 was 5.6% including credit wraps (31 December 2013 – 5.7%).

Cash flow

The net cash inflow from operating activities for 2014 was £254.4m in comparison with £257.3m for 2013, a reduction of £2.9m. This reduction was primarily attributable to rent foregone on sold buildings and changes in working capital.

Returns on investments and servicing of finance resulted in an outflow of £233.1m for 2014 compared with £200.5m for 2013. The outflow for 2015 included £17.9m of swap breakage costs incurred on the repayment of securitisation debt, £10.5m of fees incurred on new loans, including £2.3m relating to purchase of an interest rate cap and £4.3m of fees incurred on repaying existing loans.

Capital expenditure and financial investment for 2014 resulted in a cash inflow of £729.9m, compared with an outflow of £363.0m for 2013. 2014 included £795.0m relating to the sale of 10 Upper Bank Street and £153.5m from the sale of 50 Bank Street net of total fees of £6.8m. The transfer to cash collateral of £174.3m relating to the potential premium payable to the A1 noteholders is included in the cashflow statement within management of liquid resources.

Capital expenditure and financial investment for 2014, also included £127.5m of development expenditure (2013 – £142.5m). Funding of the Group's loans to associated and joint venture undertakings totalled £38.0m (2013 – £29.8m). The Group also invested £36.1m in the entity which acquired 10 Upper Bank Street in June 2014. Expenditure for 2013 included £183.5m incurred on acquiring 7 Westferry Circus and 15 Westferry Circus.

The net cash outflow from financing activities for 2014 was £712.9m compared with an inflow of £176.6m for 2013. 2014 included the repayment of £577.9m of Securitisation Notes, the £92.3m loan secured against 50 Bank Street, the scheduled amortisation of the Group's loans of £70.4m and the payment of £31.5m of deferred consideration arising from the Group's acquisition of Wood Wharf. These repayments were offset by £54.7m of drawings under the Group's construction loan facility. 2013 included drawdowns of £108.2m against the Group's construction facility and £154.0m under the new facilities secured against 7 Westferry Circus and 15 Westferry Circus, partly offset by £84.6m of scheduled loan amortisation.

Corporate social responsibility

Corporate governance

As an unlisted public limited company the Company is not required to comply with the provisions of the UK Corporate Governance Code. The directors are, however, mindful of their responsibilities to all shareholders. The Company has produced annual and interim reports which are sent to each shareholder providing details on the financial and operating performance of the Group. The directors are aware of their statutory duties under the Act and, in particular, the core duty to act in good faith and in a way most likely to promote the success of the Company and the Group for the benefit of its shareholders as a whole.

The following principles of corporate governance applied to the year ended 31 December 2014:

- The Board comprises 2 executive directors plus their alternate directors, and 8 non executive directors who are nominated by the two joint venture partners.
- As Chairman and Chief Executive Officer, Sir George Iacobescu guides and is responsible for operational control including implementation of all development, construction and maintenance projects.
- The Board meets at least 4 times a year and has formally adopted a schedule of powers which are reserved to the Board. Details of these powers are available on the website www.canarywharf.com. The Board has full and timely access to all relevant information to enable it to discharge its duties effectively.

STRATEGIC REPORT (Continued)

- A formal process has been adopted by the Board to manage directors' conflicts of interest, details of which can be found on the Company website.
- All directors are subject to election by shareholders at the first opportunity following their appointment by the Board. Subsequently they must seek reappointment at least every 3 years.
- The terms and conditions of appointment of the directors are available for inspection at the Company's registered office and at the AGM.
- All directors have direct access to the advice and services of the company secretary and are able to seek independent professional advice at the expense of the Company if required in connection with their duties.
- Independent professional advisers specific to the Company have been appointed.
- The Board retains responsibility for the maintenance by the Group of a sound system of internal control and for reviewing its effectiveness. In addition to identifying, managing and mitigating risk across the Group's operations, the system of internal control is designed to ensure effective and efficient operations and compliance with applicable laws and regulations. The Group's system of internal control is continuously reviewed by management and also by external advisers. All risks identified by this process have been reviewed and amended as appropriate to reflect the current market conditions.

Committees
Audit, Remuneration and Operating committees have been established with formally delegated duties and responsibilities. Formal terms of reference for all 3 committees are available on the Company's website and these terms of references have been adopted by the Board and are reviewed on a regular basis. Both the Remuneration and Audit committees comprise non executive directors only. Membership of each of the committees is detailed in Shareholders' Information.

The Audit Committee meets at least 4 times a year. The Company's external auditor has direct access to the chairman of this committee. During the year, the committee reviewed the interim and annual financial statements, the full and half year valuations and external valuations process, the Group's system of internal control and risk management, and also considered the performance of the external auditors and the scope of audit findings. Risk assessment and steps taken to mitigate risk are reported quarterly to the committee for oversight and discussion. Each individual risk is evaluated and a senior executive within the Group is assigned responsibility for every risk identified by the risk assessment process.

The Remuneration Committee is responsible for reviewing the performance of the executive directors and management team, setting their remuneration packages and agreeing compensation policies for the Group having regard to overall market and employment conditions. During the year the committee decided on the appropriate level of salary increases for all employees, agreed the size of the overall bonus pool and specifically agreed the bonuses paid to the executive directors and to senior members of management.

Powers not reserved to the Board are delegated to the Operating Committee which is chaired by Sir George Iacobescu and meets on an ad hoc basis between the regular scheduled board meetings.

Subsequent to the year end an Investment Committee was established comprising 2 directors. No formal terms of reference have yet been agreed for this committee.

Sustainability

The Board retains overall responsibility for the monitoring and implementation of the Group's sustainability, environmental and social policies and activities. The Board is assisted by the Company's CRG which is chaired by the Group Company Secretary and comprises senior executives of the Group. A clear governance process has been developed and implemented to enable the CRG, and ultimately the Board, to identify, manage and respond to the sustainability and social risks and opportunities that may affect the Group's operations.

The CRG is responsible for the development and establishment of environmental management systems throughout the Group which have been developed to focus attention on those objectives and targets where improvements and actions are necessary to meet the monitoring and reporting process formally adopted by the Group. Identified environmental system managers have responsibility for the implementation of the EMS throughout their respective business areas. Employee environmental awareness is key to the success of the EMS and as a result is incorporated into the staff induction programme with regular updates via in house newsletters and presentations.

Sustainability pressures are coming from tenants and occupiers, who understandably seek more sustainable operations. These expectations are met by the Group in the design and construction of more sustainable buildings and by improving the environmental performance of existing facilities through effective retrofitting and facilities management.

STRATEGIC REPORT (Continued)

The Group aims to design, build and manage central London's highest quality, best value and most sustainable office, retail and residential buildings and districts. In doing this, the Group works with all its stakeholders to create and nurture vibrant, inclusive communities that meet today's economic, environmental and social needs while anticipating those of tomorrow.

The Company has maintained ISO 14001 accreditation since early 2005 with environmental management being an inherent part of construction since 2002. During 2014, no member of the Group incurred any fines or non monetary sanctions for non compliance with any regulation or legislation related to sustainability issues. The Company is a member of the UK Green Building Council and the Better Building Partnership. The Group targets the reduction of energy, water and resource use and the reuse and the recycling of waste where possible during the design, construction and management of properties. The minimisation of disruption and disturbance to the environment and local community is targeted during the construction and management of the buildings. The Group is also committed to preventing and monitoring pollution and to reducing any emissions which may have an adverse impact on the environment and/or local community.

Since 2013, the Group submitted the Group Sustainability Report for the first time to the GRI which promotes Sustainability reporting. In 2014 the Group achieved B+ status under the GRI and also participated in the EPRA Sustainability Benchmarking scheme.

The annual Group Sustainability Report provides details of performance against a range of specified targets and objectives with third party verification. This report, together with additional supporting information and Group publications can be downloaded from the Company's website.

Environment
The Group is committed to applying environmental best practice wherever practical in the design, construction and management of the Estate and to properties situated elsewhere, for the benefit of the environment, tenants, employees, the community and stakeholders. The Group targets the reduction of energy, water and resource use and the reuse and the recycling of waste where possible during the design, construction and management of properties. The full policy is available on the Company website.

The Group is committed to preventing pollution and to monitoring and reducing any emissions which may have an adverse impact on the environment and/or local community. The Group endeavours to raise awareness and promote effective management of environmental and social issues with staff, designers, suppliers and contractors.

People

Employment
The Company has adopted the terms of the Code of Practice for the elimination of discrimination, on all grounds, including disability discrimination. The Company has therefore implemented a continuing programme of action with the aim of providing an equal working environment where all employees are treated with respect and dignity. The Group continues to keep employees informed of events relevant to their employment via 'all staff' communications and an intranet. Staff consultative committees, at which matters raised by employees are considered by management and staff representatives, have been established. The Group's employment strategy is regularly reviewed to incorporate changes to legislation and ensure best practice is maintained.

Diversity
The Company values the benefits a diverse workforce can bring and embraces diversity as a practical contribution to its business success and in providing the highest standard of customer service to our tenants and to visitors alike.

The Company strives to create a working environment which is open, supportive and inclusive at every level and believes that equality of opportunity for all is fundamental to the future of the Group. All staff attend diversity training which emphasises the value of appreciating individual differences.

Health and safety
The Group seeks to continually improve and develop its health and safety performance and places the overall wellbeing of its employees, tenants and visitors in the highest regard. Canary Wharf operates a health and safety management system to the internationally recognised ISO 18001 standard. This ensures that best practice is followed as a minimum threshold.

The Group strives for continuous improvement to ensure a safe and healthy environment is maintained and adequate resources are made available for these purposes. The Group's accreditation to ISO 18001 is externally verified on an ongoing basis allowing opportunities for continuous improvement to be identified and enacted where feasible. The Group's health and safety departments are committed to supporting all employees in understanding their health and safety responsibilities through a system of processes and procedures in order to deliver the safest standards within the built environment.

STRATEGIC REPORT (Continued)

Anti bribery and corruption
The Board continues to demonstrate commitment to the prevention of corruption and understands the importance of maintaining a culture in which it is not acceptable at any level. During the period, a mandatory online bribery and corruption awareness training module was introduced and to date has been completed by 90.0% of the work force. The Group has adopted a formal anti bribery and corruption policy which requires all directors and employees to behave with integrity and in a manner that ensures the objectives of the policy are achieved. The Group has a strict approach to maintaining high standards of finance, business principles and ethics.

Communities
The objective of the Group's Community, Social and Economic Development strategy is to maintain and enhance the relationship with the surrounding community. The aim is to support employment opportunities and enhance skills, as well as investing in young people. The Group also has a strong commitment to the local business environment, while understanding the vision for the future.

Improving the transition from education to employment; securing opportunities for local job seekers; maximising supply chains and community led development is a priority for the Group especially as it diversifies and evolves.

Suppliers
The Group works with suppliers and contractors to establish effective environmental supply chain management and to promote the procurement of sustainable products and materials. The Group works with other parties to identify key environmental and social issues and to share solutions and best practice in managing environmental impact.

By order of the Board

John Garwood
Secretary
Canary Wharf Group plc
Registered No: 4191122

28 April 2015

DIRECTORS' REPORT
For the year ended 31 December 2014

The directors present their annual report together with the audited financial statements for the year ended 31 December 2014.

The Company is registered in England and Wales.

Results

The results for the year are set out in the Consolidated Profit and Loss Account and are analysed in the Strategic Report. An indication of likely future developments in the business of the Company is also included in the Strategic Report.

Post balance sheet events

Details of post balance sheet events are shown in Note 27.

Share capital

There were 639,015,845 ordinary shares of 1p each in issue at 31 December 2014 and 31 December 2013. The interest of Songbird in the Company, through its wholly owned subsidiary SFL, was 69.4% throughout the year.

Dividends and reserves

The loss for the year of £99.6m (2013 – profit of £11.1m) is to be transferred to reserves. Subsequent to the year end, in January 2015 an interim dividend of £44.7m was paid. In March 2015 interim dividends totalling £144.0m were declared. These dividends were paid in April 2015.

Directors

The directors who served throughout the year and to the date of signing this report, except as noted, were as follows:

Sir George Iacobescu CBE
A Peter Anderson, II
Ahmad Al–Sayed (resigned 24 July 2014)
Cai Zhiwei (resigned 13 February 2015)
Sam Levinson (resigned 13 February 2015)
Alex Midgen (resigned 13 February 2015)
Brian Niles (resigned 13 February 2015)
Olivier de Poulpiquet (resigned 13 February 2015)
Khaled Al-Rabban (appointed 24 July 2014 and resigned 18 March 2015)
Aziz Aluthman (appointed 18 March 2015)
Jeff Blidner (appointed 18 March 2015)
Ali Bouzarif (appointed 18 March 2015)
Navid Chamdia (appointed 18 March 2015)
Ric Clark (appointed 13 February 2015)
Jon Haick (appointed 18 March 2015)
Brian Kingston (appointed 18 March 2015)
Khaled Al-Sayed (appointed 18 March 2015)
Richard Archer (alternate director to Sir George Iacobescu)
Russell Lyons (alternate director to Peter Anderson)

There are 2 executive directors and 8 non executive directors on the Board.

The Board has ultimate responsibility for the business of the Company and for its overall management. Key matters reserved for the Board at those meetings include the following:

- Strategy;
- Acquisition and divestment policy;
- Examining major acquisitions and disposals;
- Merger capital and expenditure projects;
- Group's property valuation;
- Treasury and financial risk management;
- Financing arrangements;
- Group's risk management and related internal controls;

DIRECTOR'S REPORT
for the year ended 31 December 2014 (Continued)

- Major contracts;
- Corporate governance;
- Remuneration policy;
- Monitoring performance;
- Human resources; and
- Corporate social responsibility, environment and sustainability.

Directors' responsibilities

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group at the end of the financial year and of the results of the Group for the year then ended. Under that law, the directors have elected to prepare the financial statements in accordance with UK GAAP (United Kingdom Accounting Standards and applicable law). In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;

- make judgements and accounting estimates that are reasonable and prudent;

- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 adequate accounting records which disclose with reasonable accuracy at any time the financial position of each company in the Group which enable them to ensure that the financial statements comply with the Act. The directors are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors' are also responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' indemnity and insurance

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 Group also has in place liability insurance covering the directors and officers of Group companies. Both the indemnity and insurance were in force during the year ended 31 December 2014. However, neither the indemnity nor the insurance provide cover in the event that the director is proven to have acted dishonestly or fraudulently.

Political donations

Political donations (as defined by the Act and which include donations in kind) made by the Group during 2014 comprised £55,667 to the Labour Party, £55,392 to the Conservative Party, £2,000 to the Liberal Democrat Party and £36,975 to Tower Hamlets First (2013 – £28,250 to the Labour Party, £24,200 to the Conservative Party and £31,101 to the Liberal Democrat Party). No political expenditure (as defined by the Act) was incurred by the Group during either 2014 or 2013.

At the 2014 AGM, the shareholders approved a resolution authorising the Company to make certain political donations up to an aggregate of £175,000. The consent lasts until the 2015 AGM.

Going concern

The Group'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 Strategic Report. The finances of the Group, its liquidity position and borrowing facilities are described in Strategic Report – Treasury objectives and risks. This includes reference to the position in respect of the loan covenants under the Group's facilities.

The Group has considerable financial resources and at 31 December 2014 had free cash balances totalling £314.5m and £240.0m available to be drawn under its new retail loan facility. In addition, the Group enjoys the benefit of leases with a weighted average unexpired lease term of 12.9 years, assuming the exercise of all break options, and at 31 December 2014 the occupancy level in the Group's portfolio was 97.3%. The year end average maturity of the Group's debt was 12.3 years. Accordingly, the directors believe that the Group is well placed to manage its business risks successfully.

DIRECTOR'S REPORT
For the year ended 31 December 2014 (Continued)

Having made the requisite enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue their operations for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Disabled employees

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

Employee consultation

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group and the Company. This is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interest.

Auditor and disclosure of information to auditor

A resolution to reappoint Deloitte LLP as the Company's auditor will be proposed at the AGM.

So far as the directors are aware, there is no relevant audit information of which the auditor is unaware and each director has taken all reasonable steps to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information. This confirmation is given and should be interpreted in accordance with Section 418(2) of the Act.

Annual general meeting

The AGM will be held at 10.00am on Wednesday, 10 June 2015 at Level 30, One Canada Square, Canary Wharf, London E14 5AB. The notice of meeting together with an explanation of the items of special business to be considered at the meeting is enclosed with this report.

By order of the Board

John Garwood
Secretary
Canary Wharf Group plc
Registered No: 4191122

28 April 2015

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CANARY WHARF GROUP PLC

We have audited the financial statements of Canary Wharf Group plc for the year ended 31 December 2014 which comprise the Consolidated Profit and Loss Account, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and the related notes 1 to 27. 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 Group's and the parent 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 Group's and of the parent company's affairs as at 31 December 2014 and of the Group's loss for the year 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Mark Beddy

Mark Beddy
(Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
28 April 2015

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 £m	2013 £m
Turnover		**381.9**	364.3
Cost of sales		**(115.0)**	(118.0)
Exceptional item:			
– refurbishment costs		**-**	(6.0)
GROSS PROFIT		**266.9**	240.3
Administrative expenses		**(60.3)**	(43.3)
Other operating income		**4.8**	2.4
Exceptional item:			
– net amount recoverable from LBHI	13	**33.2**	-
OPERATING PROFIT	2	**244.6**	199.4
Exceptional item:			
– net profit on sale of investment properties	10	**9.6**	-
Share of associates' operating losses	12	**(1.9)**	(1.1)
Interest receivable	3	**2.4**	3.1
Interest payable before exceptional items:	4		
– Group		**(189.9)**	(210.4)
– associates		**(1.0)**	-
Exceptional items:			
– swap termination cost net of release of uneconomic hedge provision	4	**(2.4)**	-
– movement in retained uneconomic hedge provision	4	**(13.2)**	15.7
– accelerated amortisation of deferred financing adjustments	4	**8.3**	-
– provision for premium on redemption of securitised debt	4	**(173.5)**	-
– costs incurred on repayment of secured loan	4	**(3.3)**	-
		(375.0)	(194.7)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAX		**(120.3)**	6.7
Tax	5	**20.7**	4.4
(LOSS)/PROFIT FOR THE FINANCIAL YEAR	19	**(99.6)**	11.1
Basic and diluted (losses) and earnings per share	9	**(15.6)p**	1.7 p

The above results relate to the continuing activities of the Group and its share of associates.

The Notes numbered 1 to 27 form an integral part of these financial statements.

Movements in reserves are shown in Note 19 to these financial statements.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	**2014** **£m**	2013 £m
(Loss)/profit for the financial year after tax:			
– Group		**(96.7)**	12.2
– share of losses of associates		**(2.9)**	(1.1)
Unrealised movement on revaluation of investment properties:			
– Group	10	**897.6**	482.7
– associates	12	**72.5**	–
– investments	12	**3.2**	–
Reserves movement for share allocation		**0.3**	–
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR		**874.0**	493.8

CONSOLIDATED NOTE OF HISTORICAL COST PROFITS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	**2014** **£m**	2013 £m
Reported (loss)/ profit on ordinary activities before tax		**(120.3)**	6.7
Realisation of property revaluation gains of previous years	10	**530.3**	–
Historical cost profit on ordinary activities before tax		**410.0**	6.7
Historical cost profit for the year after tax		**430.7**	11.1

The Notes numbered 1 to 27 form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2014

	Note	2014 £m	2013 £m
FIXED ASSETS			
Investment properties	10	**5,710.4**	5,457.2
Properties held for development	10	**357.5**	358.7
Properties under construction	10	**111.4**	251.1
Other tangible fixed assets	11	**4.2**	0.8
Investments	12	**263.9**	114.4
		6,447.4	6,182.2
CURRENT ASSETS			
Debtors: Amounts due in more than one year	13	**118.5**	57.8
Debtors: Amounts due within one year	13	**74.0**	44.3
Cash at bank and in hand	14	**595.5**	554.6
		788.0	656.7
Creditors: Amounts due within one year	15	**(437.3)**	(772.5)
NET CURRENTASSETS/(LIABILITIES)		**350.7**	(115.8)
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,798.1**	6,066.4
Creditors: Amounts due after more than one year	16	**(2,736.9)**	(3,074.5)
Provisions	17	**(234.9)**	(39.6)
NET ASSETS		**3,826.3**	2,952.3
CAPITAL AND RESERVES			
Called up share capital	18	**6.4**	6.4
Reserves:			
– share premium	19	**146.2**	146.2
– revaluation reserve	19	**3,320.1**	2,877.1
– capital redemption reserve	19	**0.7**	0.7
– special reserve	19	**264.8**	264.8
– profit and loss account	19	**88.1**	(342.9)
SHAREHOLDERS' FUNDS	20	**3,826.3**	2,952.3

The Notes numbered 1 to 27 form an integral part of these financial statements.

Approved by the Board on 28 April 2015 and signed on its behalf by:

A. PETER ANDERSON, II
Managing Director, Finance

COMPANY BALANCE SHEET AT 31 DECEMBER 2014

	Note	2014 £m	2013 £m
FIXED ASSETS			
Investments	12	**2,985.1**	2,985.1
CURRENT ASSETS			
Debtors: Amounts due within one year	13	**941.3**	879.0
Cash at bank and in hand		**0.1**	0.2
		941.4	879.2
Creditors: Amounts due within one year	15	**(175.7)**	(102.4)
NET CURRENT ASSETS		**765.7**	776.8
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,750.8**	3,761.9
Creditors: Amounts due after more than one year	16	**(648.8)**	(627.3)
NET ASSETS		**3,102.0**	3,134.6
CAPITAL AND RESERVES			
Called up share capital	18	**6.4**	6.4
Reserves:			
– share premium	19	**146.2**	146.2
– capital redemption reserve	19	**0.7**	0.7
– special reserve	19	**2,605.8**	2,605.8
– profit and loss account	19	**342.9**	375.5
SHAREHOLDERS' FUNDS	20	**3,102.0**	3,134.6

The Notes numbered 1 to 27 form an integral part of these financial statements.

Approved and authorised for issue by the Board on 28 April 2015 and signed on its behalf by:

A PETER ANDERSON, II
Managing Director, Finance

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 £m	2013 £m
NET CASH INFLOW FROM OPERATING ACTIVITIES	22	**254.4**	257.3
Returns on investments and servicing of finance	23	**(233.1)**	(200.5)
Tax		**2.6**	3.9
Capital expenditure and financial investment	23	**729.9**	(363.0)
Equity dividend paid	7	**-**	(39.9)
		499.4	(599.5)
Cash outflow before management of liquid resources and financing		**753.8**	(342.2)
Management of liquid resources	23	**(148.9)**	1.2
Financing	23	**(712.9)**	176.6
DECREASE IN CASH IN THE YEAR	24	**(108.0)**	(164.4)

The above cash flows relate to the continuing activities of the Group.

Note 7 together with the Notes numbered 22 to 24 form an integral part of this cash flow statement.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2014

1 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

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

(1) Accounting convention

The financial statements have been prepared on a going concern basis as stated in the Going Concern section of the Director's Report under the historical cost convention, as modified by the revaluation of investment properties in accordance with Note 1(4) below, and in accordance with applicable United Kingdom accounting standards.

(2) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiary undertakings at 31 December 2014 and 31 December 2013 and their results for the years then ended.

(3) Profit and loss account

Turnover, which is stated net of VAT, comprises rental income and service charges and revenues earned on long term contracts. Marketing and administrative costs which are not development expenses are charged to the profit and loss account when incurred.

Rental income is recognised on a straight line basis over the life of the lease or until each rental review date as appropriate. Service charge income is recognised as it falls due and represents the value of the services provided in the year based on a proportion of the total contract value. Where payments are received from tenants in advance of services provided, the amounts are recorded as deferred income and included as part of Creditors due within one year. The Group's policy on the recognition of income on long term contracts is disclosed in Note 1(4) below.

(4) Property interests

The Group's property interests comprise investment properties, properties under construction and properties held for development.

Investment properties
Investment properties are revalued at the balance sheet date and, in accordance with SSAP 19, no provision is made for depreciation. This departure from the requirements of the statutory accounting rules (which require all properties to be depreciated) is, in the opinion of the directors, necessary for the financial statements 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 on investment properties 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.

Properties under construction and properties held for development
Properties held for development and properties under construction which are to be retained are categorised as fixed assets and included in the consolidated balance sheet at their fair value at the date of acquisition by CWEL in December 1995, together with subsequent additions at cost, less subsequent disposals, subject to any provision for impairment.

Properties under construction which are to be retained are transferred to investment properties on an individual building basis when construction is complete.

Properties under construction, or held for development where the Group has entered into an interrelated agreement for construction and sale, are categorised as current assets and stated at the lower of cost (namely fair value at the date of acquisition plus subsequent additions at cost) and net realisable value. Where the linked construction and sale of such properties is based on significant input to the design of the property from the purchaser the contract is accounted for as a long term contract in accordance with SSAP 9. Turnover on such contracts is calculated by reference to the estimated value of work performed to date as a proportion of the total anticipated cost of the project. Profit is recognised when the final outcome of the project can be assessed with reasonable certainty by including in the profit and loss account turnover and related costs as contract activity progresses.

Where the sale and construction of such properties are capable of operating independently of each other, the sale and construction contracts are accounted for as separate transactions.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2014 (Continued)

Additions to properties under construction or held for development include all expenses of development, including attributable finance costs where appropriate. Finance costs capitalised are calculated by reference to the rate of interest payable on the borrowings drawn down to finance the development.

Disposal of properties
Profits or losses arising from the sale of properties are calculated by reference to the carrying value at the end of the previous year, or, where relevant, the historical cost to the Group on achieving practical completion, adjusted for UITF 28 and subsequent capital expenditure (where applicable) and are included in the profit and loss account as an exceptional item. Such profits or losses are recognised upon completion of sale.

(5) **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. Consideration is also given at each balance sheet date as to whether an adjustment is required to the period for which rentals are expected to be recovered and hence over which incentives should be amortised. The cost of lease incentives is included within debtors due in more than one year. Accordingly the valuation of investment properties is reduced for these incentives.

(6) **Other tangible fixed assets**

Other tangible fixed assets are stated at cost net of depreciation and any provision for impairment. They are depreciated so as to write off the cost in equal annual instalments over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Computer equipment	33.0%
Fixtures and equipment	25.0%

(7) **Debt**

Debt instruments are stated initially at the amount of net proceeds. The finance costs of such debt instruments are allocated to periods over the term of the debt at a constant rate on the carrying amount. The carrying amount is increased by the finance cost in respect of the reporting period and reduced by payments made in respect of the debt in that period. Finance costs are charged to the profit and loss account, except in the case of development financings where interest and related financing costs are capitalised as part of the cost of development.

The Group uses derivative financial instruments to manage exposure to interest rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes.

For an interest rate swap to be treated as a hedge the instrument has to be related to a liability and must change the nature of the interest rate by converting a variable rate to a fixed rate. Interest differentials under these swaps are recognised by adjusting interest payable over the period of the liability. If a derivative ceases to act as an economic hedge, a provision is recognised for its out of the money fair value.

(8) **Investments**

Fixed asset investments in the Company only are stated at cost less any provision for impairment.

Investments in associates and joint ventures are included in the financial statements using the equity method. In the consolidated balance sheet, investments in associates and joint ventures are stated at the Group's share of net assets or liabilities. The Group's share of the profits or losses after tax of associates and joint ventures is included in the consolidated profit and loss account.

Investments in entities which hold properties but where the Group's influence is not significant are held as investments and are revalued under alternative valuation rules. The Group recognises any distribution received in the profit and loss account and its share of revaluation gains and any other changes in net assets in the revaluation reserve.

(9) **Finance leases**

Sales and leasebacks (where the leaseback is treated as a finance lease as defined by SSAP 21 and FRS 5) are recorded in the balance sheet as assets and as obligations to pay future rentals. Rents payable are apportioned between the finance charge and a reduction in the outstanding obligation for future amounts payable.

The total finance charge which includes the amortisation of deferred expenses relating to the finance lease, is allocated to accounting periods over the lease terms so as to produce a constant periodic charge on the remaining balance of the obligation for each accounting period.

(10) **Vacant leasehold property**

Provision is made for the present value of the anticipated net commitments in relation to leasehold properties where there is a shortfall in rental income receivable against the rent and other costs payable.

(11) **Pensions**

The Group operates a defined contribution pension scheme. Pension contributions in respect of the scheme are accrued as they fall due.

(12) **Share based payments**

Songbird Shares held by the Trust may be allocated to employees of the Group under the terms of share schemes or allocations adopted from time to time by the Group. The terms of an allocation may, at the option of the Group, allow the employee to receive a cash settlement in lieu of their share allocation. In this event, the cash amount receivable by an employee is calculated by reference to the market price of Songbird Shares at or about that date.

Where the terms of an allocation permit the employee to opt for a cash settlement, the allocation is accounted for as a cash settled share based payment. Where the terms of the allocation allow, but do not require the Group to offer a cash settlement option to the employees, the allocation is accounted for as an equity settled share based payment.

For cash settled share allocations, a liability is recognised, calculated by reference to the market value of the shares at each balance sheet date. The cost of equity settled share allocations is measured at the grant date based on the market value of the shares at that date. The associated cost is charged to the same expense category as the employment cost of the relevant employee, spread on a straight line basis over the relevant vesting period, based on the Group's estimate of shares that will eventually vest.

Songbird Shares held by the Company, or its subsidiaries, are recorded as a fixed asset investment at historical cost less any provision for impairment.

(13) **Tax**

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 by the balance sheet date.

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 a sale has been recognised in the financial statements.

Deferred tax is measured at the average tax rates expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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 underlying timing differences will reverse. Discount rates of 0.4% to 2.9% 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.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2014 (Continued)

(14) **Foreign exchange**

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

2 OPERATING PROFIT

	Note	2014 £'000	2013 £'000
The operating profit is stated after charging:			
– depreciation	11	**1,600**	127
– directors' emoluments	8	**4,550**	3,624
Remuneration of the auditor			
Audit fees:			
– audit fees for the audit of the Company		**56**	56
– audit of subsidiaries pursuant to legislation		**465**	448
Total audit fees		**521**	504
Fees to the auditor for other services:			
– audit related assurance services		**57**	55
– other assurance services		**70**	68
– services charge, pension work		**95**	93
– taxation compliance services		**334**	390
– other services		**–**	54
Total non audit fees		**556**	660

3 INTEREST RECEIVABLE

	2014 £m	2013 £m
Interest receivable and similar income	**2.4**	3.1

4 INTEREST PAYABLE

	2014 £m	2013 £m
Notes and debentures	**121.8**	142.6
Bank loans, overdrafts and other interest payable	**70.7**	76.1
Construction loan	**8.2**	5.9
Share of associates	**1.0**	-
Total interest payable	**201.7**	224.6
Less: interest transferred to properties under construction	**(10.8)**	(14.2)
Interest payable before exceptional item	**190.9**	210.4
Exceptional item:		
– provision for premium on redemption of securitised debt	**173.5**	-
– movement in retained uneconomic hedge provision	**13.2**	15.7
– swap termination cost net of release of uneconomic hedge provision	**2.4**	-
– accelerated amortisation of deferred financing expenses	**(8.3)**	-
– costs incurred on repayment of secured loan	**3.3**	-
Total interest payable	**375.0**	226.1

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2014 (Continued)

Financing costs relating to the inception of the Group's debt are deferred and amortised over the term of the debt at a constant rate based on the carrying amount of the debt in accordance with FRS 4. For construction loans the resulting charge is taken to the cost of the building against which the loan is secured when the building is under construction and to the profit and loss account once the building has achieved practical completion. On other loans the resulting charge is taken to the profit and loss account. In addition, any premium or discount on issue of debt is deferred and amortised over the term of that debt.

Bank loans, overdrafts and other interest payable includes £0.9m (2013 – £0.5m) of discount unwind on provisions (Note 17).

The amount of interest transferred to properties under construction comprised £7.0m attributable to the cost of funds of the Group's general borrowings (2013 – £8.3m) and £3.8m (2013 – £5.9m) of finance costs recognised on the Group's construction loan facility to the date of practical completion of that project. Following practical completion of 25 Churchill Place, finance costs on the construction facility have been taken to the profit and loss account. The capitalised interest attributable to the cost of funds of the Group's general borrowings has been calculated by reference to the costs incurred on developing the properties under construction and funded by the Group's general cash resources and the Group's weighted average cost of debt for the year of 5.6% (2013 – 5.7%).

On 20 June 2014, the Group completed the sale of 10 Upper Bank Street for a consideration of £795.0m. The sale proceeds were applied in part to the redemption on 22 July 2014 of £577.9m of A1 Notes, together with accrued interest up to the redemption date. The Securitisation Trustee has indicated to the Group that it is unclear to the Securitisation Trustee as to whether or not a premium of £168.7m (being an amount equivalent to any spens which might be payable on redemption under the Note conditions) should be paid to the holders of the A1 Notes in connection with the redemption. The Group has made an application to the Court for a declaration as to whether or not, on a true construction of the Note conditions and other relevant contractual documentation, the premium is payable to the noteholders. The court hearing is scheduled for July 2015.

The Group agreed, without prejudice to any interpretation of the conditions of the A1 Notes, to place on deposit with the Escrow Agent an amount equal to the premium. The Escrow Agent will hold the premium in escrow (together with interest thereon) until either:

(i) a final court order is made in relation to whether or not the premium is payable in relation to the redemption;
(ii) CWF II as issuer and the Securitisation Trustee agree on an amount payable in relation to the redemption; or
(iii) CWF II and the noteholders agree on an amount payable in relation to the redemption.

Depending on which of these conditions is satisfied, the Escrow Agent will release funds back to either the Group or to CWFII for payment to the A1 noteholders.

A provision for the premium of £168.7m, together with interest of £4.8m up to 31 December 2014, has been recognised and has been taken to the profit and loss account and classified as an exceptional item.

In 2009, the Group acquired £119.7m of Notes, comprising £26.1m of B3 Notes, £35.3m of C2 Notes and £58.3m of D2 Notes. The repurchased Notes were not cancelled, remained in issue and, in accordance with the requirements of the securitisation, continued to be fully hedged. The repurchase was accounted for as an extinguishment of debt in the Group's accounts. The related hedges were deemed to be uneconomic and the mark to market on these hedges was provided in full.

At 31 December 2013, £30.8m was provided for the mark to market on the hedges, of which £15.5m related to the B3 and C2 Notes and £15.3m related to the D2 Notes.

On 20 June 2014, the B3 Notes and C2 Notes held by the Group were cancelled. On the same day the Group affected a partial termination of related swap transactions at an aggregate cost of £17.9m. The provision held at 31 December 2013 in respect of these swaps of £15.5m was released. The net cost associated with termination of the swaps of £2.4m has been taken to the profit and loss account and treated as an exceptional item.

At 31 December 2014, a provision of £28.5m was required in respect of the hedge on the D2 Notes, resulting in an increase to the provision of £13.2m which has been taken to the profit and loss account and treated as an exceptional item.

At the time of issue, the Group recognised certain financing adjustments to the carrying value of the A1 Notes in accordance with FRS 4. These adjustments were being amortised over the life of the Notes. As a result of the partial redemption of the A1 Notes in July 2014, the Group accelerated the amortisation of these adjustments and recognised a gain of £12.6m. The Group incurred fees of £4.3m in connection with the redemption. The net gain of £8.3m arising from the redemption has been taken to the profit and loss account and treated as an exceptional item.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2014 (Continued)

The exceptional items described above have resulted in a reduction in the deferred tax provision of £11.8m after discounting (2013 – increase of £3.3m).

In October 2014, the Group repaid a £92.3m loan facility secured against 50 Bank Street. Costs incurred on repaying the loan, including swap breakage costs, costs associated with breaking the fixed rate portion of the loan facility and other fees, totalled £3.3m. There was no deferred tax impart from this transaction.

5 TAX

	2014 £m	2013 £m
Current tax:		
UK corporation tax (see below)	**(3.5)**	(6.1)
Deferred tax:		
Origination and reversal of timing differences:		
– current period	**24.3**	10.9
Net effect of discount	**(0.1)**	(0.4)
Total deferred tax (Note 17)	**24.2**	10.5
Total tax charge on profit on ordinary activities	**20.7**	4.4
Tax reconciliation:		
Group (loss)/profit on ordinary activities before tax	**(120.3)**	6.7
Tax on (loss)/profit on ordinary activities at UK corporation tax rate of 21.5% (2013 – 23.25%)	**25.9**	(1.5)
Effects of:		
Adjustment in respect of prior years	**(2.1)**	(5.3)
Tax losses, allowances and other timing differences	**(26.6)**	1.1
Expenses not deductible for tax purposes	**(0.7)**	(0.4)
Current tax charge for the period	**(3.5)**	(6.1)

The 2014 tax rate of 21.5% has been calculated by reference to the corporation tax rate of 21.0% which was in effect for the final 3 quarters of the year and the previous rate of 23.0%.

The 2013 tax rate of 23.25% was calculated by reference to the rate of 23.0% which was in effect for the final 3 quarters of the year and the previous rate of 24.0%.

The standard rate of corporation tax payable by the Group reduced from 23.0% to 21.0% with effect from 1 April 2014. Also enacted in the Finance Act 2013 was a further reduction in the corporation tax rate to 20.0% on 1 April 2015. Deferred tax has been provided by reference to these enacted corporation tax rates.

6 PROFIT FOR THE FINANCIAL YEAR

Of the consolidated loss transferred from reserves of £99.6m (2013 – profit of £11.1m), a loss of £32.6m (2013 – a profit of £407.2m) is dealt with in the Company's financial statements. In 2013, the Company's net profit included a £436.0m release in the provision against the Company's investment in subsidiaries. As permitted by the Act, no profit and loss account is presented for the Company.

7 DIVIDENDS

	2014 £m	2013 £m
Dividends	**–**	39.9

An interim dividend of 6.25p per share totalling £39.9m was paid in December 2013. Subsequent to the year end, in January 2015 an interim dividend of 7p per share totalling £44.7m was paid. In March 2015 interim dividends totalling £144.0m were declared. These dividends were paid in April 2015.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2014 (Continued)

8 DIRECTORS AND EMPLOYEES

(1) Staff costs

All employees of the Group, including directors:

	2014 £m	2013 £m
Wages and salaries	**68.5**	62.8
Social security costs	**7.7**	7.2
Other pension costs (Note 21)	**5.1**	4.7
	81.3	74.7

The average monthly number of employees, including directors, of the Group during 2014 was 1,051 (2013 – 972) as set out below.

	2014	2013
Construction	**249**	214
Property management	**614**	596
Administration	**188**	162
	1,051	972

(2) Directors' remuneration

	2014 £'000	2013 £'000
Emoluments (including bonuses)	**4,550**	3,624

Neither of the alternate directors received remuneration from the Company for their services as directors to the Company. Consequently the remuneration received by the alternate directors as executives of the Group is excluded from the above disclosures.

No contributions were made by the Company during 2014 or 2013 to any pension plan for the benefit of the executive directors. Contributions made by the Company during earlier years either remain within the Company's money purchase pension scheme or have been transferred into another arrangement at the election of the director.

(3) Highest paid director

The amounts set out in (2) above include remuneration in respect of the highest paid director as follows:

	2014 £'000	2013 £'000
Emoluments (including bonuses)	**2,255**	2,011

No contributions were made by the Company during 2014 or 2013 to any pension plan for the benefit of the highest paid director.

(4) Directors' share allocations

The aggregate emoluments disclosed above do not include the Songbird Shares allocated pursuant to the allocation referred to in Note 12 below.

In February 2014, a further 1,650,000 shares were awarded to Sir George Iacobescu of which 550,000 shares were eligible to be released in June 2014, 550,000 were to be released in June 2015 and 550,000 were to be released in June 2016. In December 2014, a further 1,650,000 shares were awarded to Sir George Iacobescu which were eligible to be released in equal amounts in June 2015, June 2016 and June 2017. Subsequent to the year end, the change of control triggered acceleration of all allocated shares.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2014 (Continued)

9 EARNINGS PER SHARE

The basic and diluted losses and earnings per share for 2014 have been calculated by reference to the loss attributable to ordinary shareholders after tax of £99.6m (2013 – profit of £11.1m) and on the weighted average of 639.0m shares in issue at each year end.

There were no outstanding dilutive instruments at either balance sheet date.

10 INVESTMENT PROPERTIES, PROPERTIES UNDER CONSTRUCTION, PROPERTIES HELD FOR DEVELOPMENT AND PRESOLD PROPERTIES UNDER CONSTRUCTION

Properties held as tangible fixed assets

	Investment properties £m	Properties under construction £m	Properties held for development £m
1 January 2014 (pre adjustment for UITF 28)	5,515.0	251.1	358.7
Adjustment for UITF 28	(57.8)	–	–
1 January 2014	5,457.2	251.1	358.7
Additions	9.7	101.6	58.4
Transferred to debtors due in more than one year (Note 13)	–	(36.3)	–
Transferred to investment properties	275.4	(275.4)	–
Transferred to properties under construction	–	59.6	(59.6)
Capitalised interest	–	10.8	–
Disposal of properties	(929.5)	–	–
Revaluation movement	897.6	–	–
31 December 2014	**5,710.4**	**111.4**	**357.5**
Adjustment for UITF 28 (Note 13)	118.5		
Market value at 31 December 2014	**5,828.9**		
Of which:			
Historical cost of freehold properties	2,333.2	111.4	186.4
Historical cost of long leasehold properties	–	–	171.1
Presold properties under construction			
Additions			(5.9)
Transferred to cost of sales			(4.4)
Transferred to payments on account (Note 15)			10.3
31 December 2014			–

Property transactions

The Group completed the sale of 10 Upper Bank Street to an SLP on 20 June 2014, for a consideration of £795.0m. The carrying value of the property at 31 December 2013 was £780.0m and, net of selling costs, the sale resulted in a profit on disposal of £9.1m. This amount has been taken to the profit and loss account and shown as an exceptional item. As a result of the sale, £453.2m of revaluation gains recognised in previous periods has been realised and transferred from the revaluation reserve to the profit and loss reserve (Note 19).

The partners of the SLP comprise: China Life Insurance Company Limited which has acquired a 70.0% interest; Qatar Holding LLC, which has acquired a 20.0% interest; and the Group, which acquire a 10.0% interest (Note 12). The acquisition by the SLP of the building was funded partially through equity provided by the partners of the SLP in proportion to their respective interests and partially through bank debt secured on the SLP's interest in the property (Note 12).

On 23 October 2014, Canary Wharf Group sold the entity which held the beneficial leasehold interest in 50 Bank Street for a total consideration of £153.5m. As part of the disposal Canary Wharf Group has guaranteed the rent and certain other costs on one of the floors in the building. A provision of £2.6m has been recognised for the estimated net liability. Concurrent with the sale, the £92.3m loan facility secured against the building was repaid. The carrying value of the property at 31 December 2013, was £149.5m and, net of selling costs, the sale resulted in a profit on disposal of £0.5m. This amount has been taken to the profit and loss account and shown as an exceptional item. As a result of the sale, £77.1m of revaluation gains recognised in previous periods has been realised and transferred from the revaluation reserve to the profit and loss reserve (Note 19).

Construction has continued on the retail mall located above the Canary Wharf Crossrail station which is scheduled to open on a phased basis between 2015 and 2018.

In October 2014, the Group announced the prelet of approximately 280,000 sq ft in a new 700,000 sq ft building to be constructed at One Bank Street. Construction of this building has now commenced and accordingly the carrying value of the building has been transferred from properties under development to properties under construction.

Construction of 25 Churchill Place, a new office building of approximately 545,000 sq ft, commenced in February 2012 and practical completion was achieved in July 2014. As a result, the property has been reclassified as an investment property at 31 December 2014 and revalued to market value at that date. The Group entered into a £190.0m construction and development loan facility which was utilised to fund construction of the building (Note 16).

Prior to drawdown of the construction loan facility, the Group funded the development of 25 Churchill Place from its unrestricted cash. The costs incurred on the construction of One Bank Street and retail mall above the Canary Wharf Crossrail station have also been funded from unrestricted cash. Finance costs recognised in connection with the construction loan were capitalised, together with general interest to the extent projects continued to be funded from the Group's unrestricted cash. At the date 25 Churchill Place achieved practical completion a total of £27.0m of interest had been capitalised as part of the cost of this building comprising £9.7m of construction loan interest and £17.3m of general interest . No further interest has been capitalised on this project. At 31 December 2014, properties under construction included £4.3m of capitalised general interest (31 December 2013 – £14.6m of capitalised general interest and £5.9m of construction loan interest).

In November 2008, the Group entered into an agreement with J.P. Morgan for the development of the Riverside South site on the Estate. The Group will act as development and construction manager in relation to the site and has received £76.0m as an advance of developer's profit. This sum will be set against the Group's entitlement to future profits arising from the development. Income earned on this project subsequent to the sale of the site in 2008 has been deferred and will be recognised over the term of the contract in accordance with SSAP 9. No profit has been recognised on this project to date. The 2008 agreement, which was previously due to expire in 2013, was modified in 2010 and expires in October 2016. In the event construction does not progress, the Group has a right of first offer for the site.

Valuation

Investment properties are recorded at valuation less the cost of unamortised tenant incentives incurred at the balance sheet date in accordance with UITF 28. The unamortised tenant incentives are held within debtors falling due in more than one year in the Consolidated Balance Sheet (Note 13).

The Group's investment properties have been revalued externally at 31 December 2014 on the basis of market value. The valuation of office investment properties was undertaken by either CBRE or Savills. The valuation of retail investment properties was undertaken by Cushman. Each property has been valued individually on a free and clear basis and not as part of a portfolio and no account has been taken of any intragroup leases or arrangements. Whilst allowance has been made for any purchaser's expenses including full liability for UK SDLT, no allowance has been made for any seller's expenses of realisation or for any tax which might arise in the event of disposal. The surplus arising on the valuations at 31 December 2014 has been transferred to the revaluation reserve.

The assumptions upon which the valuations are based are summarised in the Valuations section of the Strategic Report.

Properties under construction or held for development at 31 December 2014, which are to be retained as investment properties, are carried at their fair value at the time of acquisition of the CWHL group in December 1995, less subsequent disposals plus additions at cost, subject to any provision for impairment.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2014 (Continued)

11 OTHER TANGIBLE FIXED ASSETS

	Fixtures and equipment £m	Computer equipment £m	Total £m
Cost:			
1 January 2014	15.2	1.1	16.3
Additions	4.8	0.2	5.0
31 December 2014	**20.0**	**1.3**	**21.3**
Depreciation:			
1 January 2014	(14.4)	(1.1)	(15.5)
Charge for the period (Note 2)	(1.5)	(0.1)	(1.6)
31 December 2014	(15.9)	(1.2)	(17.1)
Net book amount:			
31 December 2014	**4.1**	**0.1**	**4.2**
1 January 2014	0.8	–	0.8

12 INVESTMENTS

	31 December 2014		31 December 2013	
	Group £m	**Company £m**	Group £m	Company £m
Subsidiary undertakings	–	**2,985.1**	–	2,985.1
Associated and joint venture undertakings	**200.6**	–	92.9	–
Shares	**23.8**	–	21.3	–
Other investments	**39.5**	–	0.2	–
	263.9	**2,985.1**	114.4	2,985.1

Associates and joint ventures

Details of the Group's associates and joint ventures at 31 December 2014 are as follows:

	Date of acquisition	Country of incorporation	Ownership Interest
20 Fenchurch Street	October 2010	UK/Jersey	15.0
Shell Centre	July 2011	UK/Jersey	50.0

In July 2011, the Group entered into a 50:50 joint venture with Qatari Diar to redevelop the Shell Centre. The investors are each committed to contributing £150.0m to secure the 5.25 acre site on a 999 year lease. The aggregate £300.0m payment for the site is conditional on final planning permission being received for the project within 3 years. In May 2013, a resolution to grant planning permission was achieved subject to finalising a Section 106 agreement and stage 2 referral to the GLA and Secretary of State. In July 2013, the GLA issued its stage 2 report endorsing Lambeth Borough Council's right to determine the application and supporting the development plans. Subsequently, in September 2013, the Secretary of State called in the planning application. In June 2014, the Secretary of State approved the planning application but at the end of the 6 week statutory review period a Section 288 objection to the Secretary of State's decision was filed and a court heard the case in December 2014. Subsequent to the year end, in February 2015, the High Court dismissed the challenge to the Secretary of State's decision to approve the Scheme. The objector has now applied for leave to appeal this judgment.

The Group's investment to 31 December 2014 totalled £65.0m (31 December 2013 – £40.8m) including an initial £15.0m payable upon entering into the agreement with Shell and fees of £0.7m. At 31 December 2014, the joint venture entities had aggregated assets of £131.4m and liabilities of £2.8m (31 December 2013 – assets of £84.6m and liabilities of £4.3m).

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2014 (Continued)

In October 2010, the Group entered into a joint venture with Land Securities to develop 20 Fenchurch Street. After syndication, the Group has retained a 15.0% equity interest in the joint venture and is acting as sole construction manager and joint development manager. The Group's investment was stated at £135.6m at 31 December 2014 (31 December 2013 – £52.1m) representing the Group's share of net assets. In March 2014, 20 Fenchurch Street achieved practical completion and as a result is now classified as an investment property. A 31 December 2014 external valuation resulted in a cumulative revaluation surplus, after adjusting for the Group's accounting policies, of £483.2m of which £72.5m is allocated to the Group's 15.0% interest and has been recognised in the Group's Consolidated Balance Sheet. Prior to practical completion and in accordance with its accounting policy of carrying development properties at cost, the Group did not recognise its share of the surplus arising from revaluation of the building, although the Group's share of this surplus was included in calculating adjusted NAV. Including the revaluation of property and adjusting for the Group's accounting policies, the 20 Fenchurch Street entities had assets of £910.9m and liabilities of £7.5m at 31 December 2014 (31 December 2013 – assets of £358.2m and liabilities of £10.7m). The loss recognised in the period relates to post completion interest costs partly offset by operating profits.

The Shell Centre entities have a 31 December financial year end and the 20 FSLP entities have a 31 March financial year end. The results of 20 FSLP and the Shell Centre entities attributable to the Group have been derived from their latest available management accounts after making any necessary adjustments for the Group's accounting policies. The Group's share of the profits and losses of its joint ventures and associates is as follows:

For the year ended 31 December 2014	20 FSLP £m	Shell Centre £m	Total £m
Profit and loss account			
Profit/(loss) before interest and tax	6.1	(4.5)	1.6
Interest	(10.4)	–	(10.4)
Loss after interest and tax	(4.3)	(4.5)	(8.8)
Group share	(0.6)	(2.3)	(2.9)
Balance sheet			
Net assets	903.4	128.6	1,032.0
Group share	135.6	65.0	200.6

Other Investments

On 20 June 2014, the Group acquired a 10.0% interest in an SLP established to acquire 10 Upper Bank Street (Note 4). At 31 December 2014, the carrying value of the investment comprised the initial investment of £36.1m plus the Group's share of the increase in the net assets of the SLP which was attributable to the revaluation surplus recognised on the building since its acquisition by the SLP of £49.6.m and the recognition of an out of the money interest rate swap valuation of £15.6m. This resulted in a carrying value at 31 December 2014 of £39.3m.

The Group continues to own an interest in HsO, an unlisted company, equivalent to approximately 13.0% of its nominal share capital. The carrying value of the investment at 31 December 2014 was £0.2m (31 December 2013 – £0.2m).

Songbird shares

The Group's investment in shares represents Songbird Shares held in trust.

	£m
Cost:	
1 January 2014	21.3
Transferred to employees	(2.7)
Acquired through cash equivalent	5.2
31 December 2014	**23.8**

The Songbird Shares held in the Trust were used to satisfy any allocations of shares to certain directors and senior employees. The assets of the Trust were held separately from those of the Company.

In 2012 the Group allocated 1,350,000 shares to certain directors and senior employees to be released to the recipients of the allocation in 3 equal tranches in June 2012, June 2013 and June 2014.

A further 3,125,000 Shares were allocated in 2013, to be released to the recipients of the allocation in 3 equal tranches in June 2013, June 2014 and June 2015.

In February 2014, 4,520,000 shares were allocated, to be released to the recipients of the allocation in 3 equal tranches in June 2014, June 2015 and June 2016.

In December 2014, a further 3,460,000 shares were allocated to be released in 3 equal tranches in June 2015, June 2016 and June 2017.

The cost to the Group of the 2014 share allocations has been calculated by reference to the market value of Songbird Shares at the grant date of £1.88 per share in February 2014 and £3.39 in December 2014. The aggregate cost of the allocations attributable to 2014, totalling £7.5m, has been charged to the same expense category as the employment costs of the relevant employee, taken to the profit and loss account and classified within administrative expenses.

When the recipients elected to redeem their respective share allocations by selling all or part of the allocations on the open market, the Group had the option of electing instead to pay the equivalent amount in cash which resulted in those share allocations being released back in the Trust to become available for any future allocations.

In 2014, 2,018,335 Songbird shares were allocated to the recipients. The Group acquired 744,448 Songbird Shares on the open market and 1,549,602 shares by paying the cash equivalent at an aggregate cost of £5.2m including fees. The latter shares were recycled back into the trust from those individuals who took a cash equivalent for their allocations.

At 31 December 2014, the Trust held 16,324,309 Songbird Shares including 9,606,666 shares which were allocated to directors and employees but not yet released. Subsequent to the year end, in February 2015, all allocated shares were released following the Songbird offer becoming unconditional in accordance with the terms of the allocation (Note 27).

Company

The Company holds the entire issued share capital of CWEL comprising 651,778,264 ordinary shares of 1p each. The directors have considered the value of the Company's investment in CWEL at 31 December 2014 and, as a result, the investment is stated at its historical cost of £2,985.1m (2013 – £2,985.1m).

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2014 (Continued)

At 31 December 2014, the Company's principal subsidiary undertakings, all of which were registered in England and Wales and wholly owned, were as follows:

Name	Description of shares	Principal activities
Directly held by the Company:		
Canary Wharf Developments Limited	£1 Ordinary	Property development
Canary Wharf Estate Limited	1p Ordinary	Holding company
CWCB Properties (DS7) Limited	£1 Ordinary	Property investment
Indirectly held by the Company:		
Canary Wharf Contractors Limited	£1 Ordinary	Property construction
Canary Wharf Finance (Investments) Limited	£1 Ordinary	Investment company
Canary Wharf Finance II plc	£1 Ordinary	Investment company
Canary Wharf Holdings Limited	£1 Ordinary	Holding company
Canary Wharf Investments Limited	£1 Ordinary	Property investment
	£1 Deferred	
Canary Wharf Limited	£1 Ordinary	Property development
Canary Wharf Management Limited	£1 Ordinary	Property management
Canary Wharf Properties (Crossrail) Limited	£1 Ordinary	Investment company
CW Lending II Limited	£1 Ordinary	Investment company
Heron Quays Properties Limited	£1 Ordinary	Property development
CWG (Wood Wharf Two) Limited	£1 Ordinary	Property development
South Quay Properties Limited	£1 Ordinary	Property development
Canary Wharf (North Quay) Limited	£1 Ordinary	Property development

A complete list of the Company's subsidiary undertakings is attached to the Company's annual return when it is submitted to the Registrar of Companies.

13 DEBTORS

	31 December 2014		31 December 2013	
	Group	**Company**	Group	Company
	£m	**£m**	£m	£m
Due within one year:				
Trade debtors	**8.2**	**0.5**	7.0	0.5
Other debtors	**10.4**	**–**	5.8	–
Amounts owed by subsidiary undertakings	**–**	**115.3**	–	17.1
Amounts owed by associated undertaking	**–**	**–**	–	–
Loans to subsidiary undertakings	**–**	**825.4**	–	861.3
Prepayments and accrued income	**30.5**	**0.1**	27.6	0.1
Deferred financing expenses	**3.9**	**–**	3.9	–
Deferred tax	**21.0**	**–**	–	–
	74.0	**941.3**	44.3	879.0

An agreed claim of $350.0m against LBHI has been approved by the US Bankruptcy Court for the Southern District of New York. This claim related to the occupation of 25 Bank Street by LBL under a lease where LBHI acted as surety. On 14 October 2014 the Group received $65.2m from LBHI. Under the terms of an agreement with J.P. Morgan in connection with its acquisition of 25 Bank Street in December 2010, any settlement is to be shared 50:50 with J.P. Morgan net of fees and costs. An amount of $25.7m has been paid to J.P. Morgan after deducting fees and costs of $13.7m. The amount retained by the Group was $39.5m (or £25.2m). Of the fees and costs totalling an equivalent of £8.5m, £5.5m was incurred prior to 30 June 2014 and accounted for in arriving at NAV at that date. The net proceeds after allowing for unpaid fees was therefore $35.3m (or £22.2m).

The Group estimates that the eventual recovery from LBHI will be in the order of $100.0m, equivalent to 28.6% of the $350.0m claim. The additional $34.8m (£22.0m) recoverable over and above the $65.2m received in October 2014 will be shared 50:50 with J.P. Morgan net of any further fees and costs. Tax has been provided on the gross amount of the claim and the anticipated net receivable amount of £11.0m has been included in prepayments and accrued income. The foregoing amounts make no allowance for the additional claim the Group has against LBL as tenant.

The aggregate net amount received and receivable from the claim against LBHI totalling £33.2m has been recognised in the year and disclosed as an exceptional item. There were no movements on deferred tax as a result of this transaction.

Loans to subsidiary undertakings carry interest at a rate linked to LIBOR and are repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2014 (Continued)

	Rent free periods £m	Other tenant incentives £m	Total £m
Due in more than one year:			
1 January 2014	14.5	43.3	57.8
Recognition of rent during rent free periods	6.6	–	6.6
Amortisation of lease incentives	(7.4)	(2.6)	(10.0)
Transferred from properties under construction (Note 10)	–	36.3	36.3
Provision for leasehold property (Note17)	–	27.8	27.8
31 December 2014	**13.7**	**104.8**	**118.5**

Debtors due in more than one year comprise the cumulative adjustment in respect of lease incentives required by UITF 28. Lease incentives include rent free periods and other incentives given to lessees on entering into lease arrangements. 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 market rent review if earlier. The cost of other incentives is included within debtors due in more than one year and spread on a straight line basis over the same period. Accordingly, the external valuation of investment properties has been reduced for these incentives.

14 FINANCIAL ASSETS

The Group's financial assets comprise short term trade debtors (Note 13) and cash deposits. Cash deposits totalling £595.5m at 31 December 2014 (31 December 2013 – £554.6m) comprised deposits placed on money market at call and term rates. Total cash deposits included £268.6m (31 December 2013 – £108.6m) held by third parties as cash collateral for the Group's borrowings, £2.3m (31 December 2013 – £2.3m) charged to third parties in connection with the Group's construction obligations and a further £10.1m (31 December 2013 – £21.2m) charged to third parties as security for the Group's obligations. Unsecured cash deposits totalled £314.5m at 31 December 2014 (31 December 2013 – £422.5m).

15 CREDITORS: AMOUNTS DUE WITHIN ONE YEAR

	31 December 2014		31 December 2013	
	Group £m	**Company £m**	Group £m	Company £m
Borrowings (Note 16)	**65.9**	–	467.7	–
Deferred consideration (Note 16)	**6.0**	–	–	–
Trade creditors	**21.1**	**0.2**	17.8	–
Amounts due to subsidiary undertakings	–	**164.4**	–	96.7
Taxation and social security costs	**11.0**	**2.2**	9.3	2.1
Corporation tax	**64.0**	–	58.0	–
Other creditors	**13.6**	–	15.7	–
Accruals	**79.9**	**8.9**	70.7	3.6
Deferred income	**104.4**	–	70.5	–
Payments on account	**71.4**	–	62.8	–
	437.3	**175.7**	772.5	102.4

Details of the deferred consideration of £5.9m which has been transferred from creditors falling due in more than one year, are disclosed in Note 16 (8). Payments on account comprise the amounts received in respect of the long term development contract for the construction of Riverside South on behalf of J.P. Morgan. Movements on payments on account in the current year comprise:

	Riverside South £m
1 January 2014	62.8
Advances received	2.7
Recorded as turnover	(4.4)
Work in progress transfer	10.3
31 December 2014	**71.4**

16 CREDITORS: AMOUNTS DUE AFTER MORE THAN ONE YEAR

Creditors due in more than one year comprise:

	31 December 2014		31 December 2013	
	Group £m	**Company £m**	Group £m	Company £m
Securitised debt	**1,538.5**	–	2,151.1	–
Construction Loan	**160.3**	–	103.4	–
Other secured loans	**1,010.6**	–	769.4	–
Wood Wharf loans	**27.5**	–	43.1	–
Amounts due to subsidiary undertakings	–	**648.8**	–	627.3
Deferred consideration	–	–	7.5	–
	2,736.9	**648.8**	3,074.5	627.3

The amounts at which borrowings are stated comprise:

	Securitised debt £m	Secured loans £m	Construction loan £m	Wood Wharf loan notes £m	Total borrowings £m	Deferred consideration £m	Total £m
1 January 2014	2,242.6	1,130.1	103.5	58.5	3,534.7	7.5	3,542.2
Drawn down in the year	–	10.0	54.7	–	64.7	–	64.7
Deferred financing expenses	(12.1)	2.6	2.1	–	(7.4)	(0.5)	(7.9)
Accrued finance charges	(10.3)	(3.0)	0.2	0.5	(12.6)	–	(12.6)
Repaid in year	(634.1)	(111.0)	–	(31.5)	(776.6)	(1.0)	(777.6)
31 December 2014	**1,586.1**	**1,028.7**	**160.5**	**27.5**	**2,802.8**	**6.0**	**2,808.8**
Payable within one year or on demand	47.6	18.1	0.2	–	65.9	6.0	71.9
Payable in more than one year	1,538.5	1,010.6	160.3	27.5	2,736.9	–	2,736.9
	1,586.1	**1,028.7**	**160.5**	**27.5**	**2,802.8**	**6.0**	**2,808.8**

(1) At 31 December 2014, the following Notes issued by CWF II were outstanding:

Class	Principal £m	Interest	Repayment
A1	356.2	6.455%	By instalment from 2009 to 2030
A3	400.0	5.952%	By instalment from 2032 to 2035
A7	222.0	Floating	In 2035
B	169.3	6.800%	By instalment from 2005 to 2030
B3	77.9	Floating	In 2035
C2	239.7	Floating	In 2035
D2	125.0	Floating	In 2035
	1,590.1		

On 22 July 2014, £577.9m of the A1 Notes were redeemed.

In April 2009, the Group repurchased certain floating rate Notes with an aggregate principal amount of £119.7m for an aggregate consideration, excluding accrued interest, of £35.5m. On 20 June 2014 £61.4m of these Notes were cancelled. The remaining £58.3m continue in issue and, in accordance with the requirements of the securitisation, continue to be fully hedged. For the purposes of preparing consolidated accounts, the repurchase was accounted for as an extinguishment of debt.

Interest on the floating rate Notes is at 3 month LIBOR plus a margin. The margins on the Notes are: A7 Notes – 0.19% p.a., increasing to 0.475% in January 2017; B3 Notes – 0.28% p.a., increasing to 0.70% in January 2017; C2 Notes – 1.375% p.a.; and D2 Notes – 2.10% p.a..

All of the floating rate Notes are hedged by means of interest rate swaps and the hedged rates plus the margin are: A7 Notes – 5.1135%; B3 Notes – 5.1625%; C2 Notes – 6.2666%; and D2 Notes – 7.0605%. These swaps expire in 2035 concurrent with the Notes.

In addition to the 4 classes of floating rate Notes referred to above, the following classes of fixed rate Notes remained outstanding at 31 December 2014, carrying the interest rates stated: £356.2m of A1 Notes – 6.455%; £400.0m of A3 Notes – 5.952%; and £169.3m of B Notes – 6.800%.

The principal amount of the Notes in issue at 31 December 2014 was £1,590.1m or £1,531.8m excluding the Notes repurchased and still held by the Group. The Notes are secured on certain property interests of the Group and the rental income stream therefrom.

The securitisation has the benefit of an arrangement with AIG which covers the rent in the event of a default by the tenant of 33 Canada Square, over the entire term of the lease. AIG has posted £225.2m as cash collateral in respect of this obligation. The annual fee payable during the year ended 31 December 2014 in respect of the arrangement was £1.8m.

CWF II also has the benefit of a £300.0m liquidity facility provided by Lloyds, under which drawings may be made in the event of a cash flow shortage under the securitisation. This facility is renewable annually. The commitment fee for the provision of this facility is 0.888% p.a..

Certain of the A1, A3 and B Notes were issued at a premium which is being amortised to the profit and loss account over the life of the relevant Notes. At 31 December 2014, £25.9m remained unamortised (31 December 2013 – £44.9m).

(2) The Group has a £600.0m loan facility secured against the Group's principal retail properties and its car parking interests.

This 5 year facility comprises a £360.0m fixed loan, which was fully drawn at 31 December 2014, and a £240.0m revolver, of which £40.0m will become available upon completion of the Canary Wharf Crossrail retail mall in May 2015. The initial margin is LIBOR plus 150bps. The Group has purchased an interest rate cap which serves to limit the interest payable under the drawn facility of £360.0m to 3.0%.

(3) A bank loan comprising an initial principal of £608.8m is secured against One Churchill Place. This loan amortises with a balloon payment of £155.0m on maturity in July 2034. The loan carries a hedged interest rate of 5.805%. In 2014, £10.1m of the loan principal was repaid in accordance with the loan, agreement reducing the principal at 31 December 2014 to £531.0m.

(5) In December 2011, the Group entered into a £190.0m development loan facility secured against the property at 25 Churchill Place. The first drawdown was made in January 2013 and at 31 December 2014 £162.9m had been drawn down under the facility, including rolled up interest. The margin on the loan is 300 bps over LIBOR from first drawdown to rent commencement, following which the margin may reduce to 250 bps or to 225 bps subject to the satisfaction of certain interest cover tests.

A forward starting interest rate swap was entered into in October 2012 at a rate of 1.017% which fixes the interest rate payable under the loan. The fixed rate payable during the construction phase including the 300 bps margin was 4.017%. The termination date under the swap is in December 2016. Upfront fees of £4.2m were incurred on entering into the facility and a commitment fee of 150 bps p.a. is payable on the undrawn amount.

(6) In January 2012, the Group acquired CRT's 50.0% interest in Wood Wharf. The consideration for the acquisition was £52.4m which comprised an upfront payment of £4.4m and loan notes totalling £48.0m. Of this amount, £8.25m was redeemed in each of 2012 and 2013 and CRT exercised its option to redeem the remaining notes in full in June 2014.

(7) Prior to the acquisition of Wood Wharf, the joint venture entities entered into a non recourse loan facility of £5.2m of which £4.1m remained outstanding at 31 December 2013. The loan carried an interest rate of LIBOR plus a margin of 2.5% and was repaid in full in June 2014.

The joint venture entities had also issued discounted loan notes with an outstanding value at 31 December 2014 of £27.7m to fund the acquisition of certain parts of Wood Wharf. Interest on the discounted loan notes is payable at 3 month LIBOR plus 1.0% p.a. from the dates specified and at 31 December 2014 the notes in issue were as follows:

	In issue £	Discount £	Nominal value £	Interest trigger date
'A' loan notes	8,659,498	–	8,659,498	6 February 2006
'B' loan notes	7,640,000	–	7,640,000	6 February 2009
'C' loan notes	6,890,000	–	6,890,000	6 February 2013
'D' loan notes	4,324,412	206,838	4,531,250	6 February 2016
	27,513,910	206,838	27,720,748	

The loan notes are fully cash collateralised (see Note 14) and are due for repayment in February 2021. If the holder of the loan notes serves a redemption notice before the repayment date then the loan note repayment date is 12 months from the date of the notice so long as that date does not fall due before the interest trigger date.

(8) Prior to the Group's acquisition of Wood Wharf, the joint venture entities had entered into a put and call option agreement with UBS UK Properties Limited to acquire 2 Harbour Quay, Wood Wharf. The consideration ranged from £10.25m to £10.75m depending on the exercise date of the option, which was anytime between 25 December 2014 and 25 December 2017. During that time the joint venture entities had the right to acquire the building and UBS had the right, on giving notice, to require the purchase of the building on 25 December 2016 or 25 December 2017.

In accordance with the agreement, £4.5m of the amount payable to UBS was paid on account. At 31 December 2014, the remaining deferred consideration payable to UBS was carried at £5.9m including related fees. The option to acquire the site was exercised in January 2015 and the outstanding balance repaid in full.

(9) In July 2013, the Group acquired 15 Westferry Circus and entered into a £128.0m credit facility. The facility comprises a fixed rate interest loan of £31.5m and a floating interest loan of £96.5m, at 31 December 2014, £2.0m of the fixed facility had been repaid.

Interest on the fixed rate loan is payable at 2.722% and on the floating rate loan at 3 month LIBOR plus a margin of 2.30%. The Group also took a novation of an interest rate swap secured against the property at a fixed rate of 4.75%, fixing the all in cost of borrowing for the floating rate loan at 7.05%. This swap had an out of the money valuation at the novation date of £10.6m which has been taken to Creditors due in more than one year and is being amortised to the profit and loss account over the term of the facility. At 31 December 2014, £5.0m of this adjustment remained unamortised. The loans and the associated interest rate swap terminate on 25 April 2016.

A fair value adjustment of £10.4m has been recognised on the loan facility, calculated at the date of assuming the liability, which serves to reduce the carrying value of the debt. This fair value adjustment has been recognised in Creditors due in more than one year and is being amortised over the life of the loan facility. At 31 December 2014, £5.0m of this adjustment remained unamortised.

(10) In September 2013, the Group entered into a £26.0m loan facility secured against 7 Westferry Circus. The facility carries interest of 3 month LIBOR plus 2.95% and the facility is repayable in September 2018. At 31 December 2014, £21.8m remained unamortised.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2014 (Continued)

(11) The maturity profile of the loan obligations (excluding accrued interest payable) was as follows:

	31 December 2014 £m	31 December 2013 £m
In less than 1 year or on demand	46.6	449.3
In more than 1 year but less than 2 years	329.1	92.3
In more than 2 years but not more than 5 years	508.1	579.4
In more than 5 years	1,883.6	2,471.9
	2,767.4	3,592.9

(12) After taking into account interest rate hedging entered into by the Group, the interest rate profile of the Group's financial liabilities at 31 December 2014 (including accrued interest payable) was:

	31 December 2014			31 December 2013		
	Floating £m	Fixed £m	Total £m	Floating £m	Fixed £m	Total £m
Securitised debt	–	1,586.1	1,586.1	–	2,242.6	2,242.6
Secured loans	368.3	660.4	1,028.7	29.5	1,100.6	1,130.1
Wood Wharf loan notes	27.5	–	27.5	27.1	31.4	58.5
Construction loans	–	160.5	160.5	–	103.5	103.5
	395.8	2,407.0	2,802.8	56.6	3,478.1	3,534.7
Less: Cash collateral for borrowings (Note 14)	(38.2)	(230.4)	(268.6)	(29.3)	(79.3)	(108.6)
	357.6	2,176.6	2,534.2	27.3	3,398.8	3,426.1

In respect of the Group's fixed rate financial liabilities:

	31 December 2014		31 December 2013	
	Weighted average interest rate %	Weighted average period Years	Weighted average interest rate %	Weighted average period Years
Securitised debt	6.2	15.8	6.2	14.3
Secured loans	5.2	9.0	4.9	7.7
Wood Wharf notes	1.6	6.1	6.3	1.3
Construction loan	4.0	2.0	4.1	3.0

The weighted average interest rate is calculated by reference to the rate payable by the Group at year end.

(13) The difference between the fair value and the book value of the Group's financial assets and liabilities (excluding debtors and creditors falling due within one year other than amounts relating to loans) at 31 December 2014 was an unrecognised liability of £657.4m before tax relief (31 December 2013 – £447.8m) comprising the following:

	31 December 2014		31 December 2013	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Primary financial instruments held or issued to finance the Group's operations:				
– cash on deposit earning floating rates of interest	595.5	595.5	554.6	554.6
– short term financial liabilities and current portion of long term borrowings	(65.9)	(65.9)	(467.7)	(467.7)
– long term borrowings	(2,736.9)	(2,864.3)	(3,067.0)	(3,205.2)
Derivative financial instruments held to manage interest rate profile:				
– interest rate swaps	–	(530.0)	–	(309.6)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2014 (Continued)

The fair values of derivative financial instruments have been determined by reference to market values provided by the relevant counter party. The fair values of sterling denominated fixed rate debt have been determined by reference to prices available on the markets on which they are traded.

(14) Unrecognised gains and losses on instruments used for hedging and the movements thereon are as follows:

	2014 Gains £m	**2014** (Losses) £m	**2014** Total net gains/ (losses) £m	2013 Gains £m	2013 (Losses) £m	2013 Total net gains/ (losses) £m
Unrecognised gains and losses on hedges at 1 January	–	**(309.6)**	**(309.6)**	–	(465.5)	(465.5)
Gains and losses arising in previous years that were recognised in the year	–	–	–	–	–	–
Gains and losses arising before 1 January that were not recognised in the year	–	**(309.6)**	**(309.6)**	–	(465.5)	(465.5)
Gains and losses arising in the year that were not recognised in the year	–	**(220.4)**	**(220.4)**	–	155.9	155.9
Unrecognised gains and losses on hedges at 31 December	–	**(530.0)**	**(530.0)**	–	(309.6)	(309.6)
Of which: Gains and losses expected to be recognised in the following year	–	–	–	–	–	–
Gains and losses expected to be recognised after the following year	–	**(530.0)**	**(530.0)**	–	(309.6)	(309.6)

(15) The Group has no material monetary assets or liabilities in currencies other than pounds sterling.

17 PROVISIONS FOR LIABILITIES

	Premium on redemption of Notes £m	Leasehold properties £m	Other lease commitments £m	Uneconomic hedges £m	Deferred tax £m	Total £m
1 January 2014	–	–	5.6	30.8	3.2	39.6
Provision for premium on redemption of Notes	168.7	–	–	–	–	168.7
Inception	–	27.1	2.6	–	–	29.7
Utilisation of provision	–	–	(3.2)	(17.9)	–	(21.1)
Unwind of discount/interest		0.7	0.2	–	–	0.9
Charge/(credit) to profit and loss	4.8	–	(0.1)	15.6	(3.2)	17.1
31 December 2014	**173.5**	**27.8**	**5.1**	**28.5**	–	**234.9**

Provision on redemption of Notes

The Group has provided £173.5m at 31 December 2014 for the potential liability to pay a premium to the A1 noteholders following the redemption of certain of the A1 Notes in July 2014 (see Note 4).

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2014 (Continued)

Leasehold properties

In connection with the letting to EY of 207,000 sq ft in 25 Churchill Place, the Group has taken an assignment of EY's lease at Becket House. The space was immediately let back to EY under an agreement which terminates on the date of EY's drawdown of space in 25 Churchill Place. The building comprises 146,000 sq ft of office space on a lease expiring in September 2026 at an average rent of £35.00 psf. At 31 December 2014, the Group has recognised a provision of £27.8m in respect of the estimated net liability, discounted at 5.6% being the Group's weighted average cost of debt at that date.

Lease commitments

In connection with the sale of 5 Churchill Place in 2010, the Group agreed to pay rents and other costs incurred on 2 unlet floors for a period of 5 years from the date of sale. The Group recognised a provision of £9.6m discounted at 6.3%, which was deducted from the profit on disposal of the building. At 31 December 2014, this provision totalled £0.2m, discounted at 5.6% (31 December 2013 – £3.1m discounted, at 5.7%), with the movement in provision reflecting a combination of changes in potential future letting assumptions, utilisation and the discount unwind.

In connection with the sale of certain properties during 2005, the Group agreed to provide rental support and recognised a provision in respect of this commitment at the date of disposal. At 31 December 2014, the remaining provision was £2.4m calculated on the basis of a discount rate of 5.6% (31 December 2013 – £2.5m, discounted at 5.7%).

In connection with the disposal of 50 Bank Street in October 2014, the Group guaranteed the rent and certain other costs for one floor in the building for a period of 3 years. An initial provision of £2.6m was recognised for the estimated net liability discounted at 5.6% being the Group's weighted average cost of debt. At 31 December 2014, £0.1m of this provision had been utilised.

Uneconomic hedge

The provision in respect of the remaining uneconomic hedges arises from the repurchase of the securitised debt in 2009 as explained in Note 4.

Deferred tax

	31 December 2014 £m	31 December 2013 £m
Accelerated capital allowances claimed	**13.9**	12.3
Uneconomic hedge provision	**5.8**	6.3
Other timing differences	**2.7**	(20.5)
Undiscounted deferred tax liability	**22.4**	(1.9)
Discount	**(1.4)**	(1.3)
Discounted deferred tax liability	**21.0**	(3.2)

	2014 £m	2013 £m
At 1 January	**(3.2)**	(13.7)
Deferred tax credit/(charge) in the profit and loss account for the year	**24.2**	10.5
At 31 December	**21.0**	(3.2)

The net deferred tax position is stated on a discounted basis when applicable.

In accordance with FRS 19, no provision has been made for deferred tax on gains relating to properties which are revalued in the balance sheet to their market values. If the Group's investment properties had been sold at the balance sheet date at the amounts stated in Note 10, the amount of tax payable over and above that already provided for in the accounts would have been £217.8m (31 December 2013 – £111.3m).

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2014 (Continued)

The standard rate of corporation tax payable by the Group reduced from 23.0% to 21.0% with effect from 1 April 2014. Also enacted in the Finance Act 2013 was a further reduction in corporation tax rates to 20.0% on 1 April 2015. Deferred tax has been provided by reference to these enacted corporation tax rates. It is anticipated that this future reduction in the main corporation tax rate will not have a significant impact on the deferred tax liability, although the actual impact will be dependent on the deferred tax position at that time.

18 SHARE CAPITAL

	Issued, allotted and fully paid	
	2014	2013
	£m	£m
Ordinary shares of 1p each	**6.4**	6.4

The authorised share capital of the Company comprises 1,000,000,000 ordinary shares of 1p each, of which 639,015,845 were in issue at 31 December 2014. There were no changes to the share capital during the year. No options over the ordinary shares of the Company were outstanding at 1 January or 31 December 2014, nor were any granted during the year.

19 RESERVES

Group	Share premium £m	Revaluation reserve £m	Capital redemption reserve £m	Special reserve £m	Profit and loss £m	Total £m
1 January 2014	146.2	2,877.1	0.7	264.8	(342.9)	2,945.9
Revaluation of investment properties	–	897.6	–	–	–	897.6
Transfer of realised revaluation surplus	–	(530.3)	–	–	530.3	–
Retained loss for the financial year	–	–	–	–	(99.6)	(99.6)
Share of associates' revaluation gain	–	72.5	–	–	–	72.5
Share of investment's revaluation gain	–	3.2	–	–	–	3.2
Share allocation adjustment	–	–	–	–	0.3	0.3
31 December 2014	**146.2**	**3,320.1**	**0.7**	**264.8**	**88.1**	**3,819.9**

The transfer from the revaluation reserve to the profit and loss reserve represents the realised revaluation surplus recognised on the disposal of investment properties in the year.

The capital redemption reserve arose from the purchase and cancellation of the Company's own shares in previous years.

The special reserve arose from a restructuring of the Group which was completed on 4 December 2001 involving the introduction of a new holding company for the Group by way of a scheme of arrangement in accordance with Section 425 of the Companies Act 1985.

At 31 December 2014, the profit and loss account includes £0.6m of foreign exchange gains (31 December 2013 – £nil).

Company	Share premium £m	Capital redemption reserve £m	Special reserve £m	Profit and loss £m	Total £m
1 January 2014	146.2	0.7	2,605.8	375.5	3,128.2
Loss for the financial year	–	–	–	(32.6)	(32.6)
31 December 2014	**146.2**	**0.7**	**2,605.8**	**342.9**	**3,095.6**

The directors consider that positive balances on the Company's profit and loss account and special reserve are distributable. Impairments of the Company's investments in its subsidiaries are transferred to the special reserve.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2014 (Continued)

Subsequent to the year end, on 29 January 2015, Canary Wharf Group plc paid an interim dividend of 7p per ordinary share totalling £44.7m. On 18 March 2015, an interim dividend of approximately 22.2217p per share totalling £142.0m was declared. On 25 March, a further interim dividend of approximately 0.31298p per share totalling £2.0m was declared. These dividends were paid in April 2015.

20 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group £m	Company £m
1 January 2014	2,952.3	3,134.6
Revaluation movement	897.6	–
Share of associate's revaluation gain	72.5	–
Share of investment's revaluation gain	3.2	–
Share allocation adjustment	0.3	–
Loss for the financial year	(99.6)	(32.6)
31 December 2014	3,826.3	3,102.0

21 PENSION SCHEMES

The Group operates a defined contribution pension scheme. The assets of the scheme are held in an independently administered fund. The pension cost, which amounted to £5.1m in the year (2013 – £4.7m), represents contributions payable by the Group to the scheme.

22 RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

Operating activities	**2014 £m**	2013 £m
Operating profit	**244.6**	199.4
Depreciation charges	**1.6**	0.1
Outstanding LBHI claim (i)	**(11.0)**	–
Increase in debtors	**2.3**	(28.3)
Increase in creditors	**10.5**	51.7
Expenditure charged to provisions	**(3.2)**	(3.0)
Movements in provisions	**(0.1)**	0.6
Accrued share allocation cost	**7.5**	3.3
Amortisation of lease incentives	**3.4**	21.1
Refurbishment costs	–	6.0
Long term contract proceeds	**2.7**	9.6
Long term contract costs	**(3.9)**	(3.2)
Net cash inflow	**254.4**	257.3

Note:
(i) Operating profit for 2014 is stated inclusive of an exceptional gain for a claim against LBHI totalling £33.2m of which £11.0m has been accrued (Note 13).

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2014 (Continued)

23 ANALYSIS OF CASH FLOWS

Returns on investments and servicing of finance	2014 £m	2013 £m
Interest received	2.6	4.1
Interest paid	(199.7)	(204.6)
Swap breakage costs (i)	(17.9)	–
Fees on new loan, including acquisition of interest cap	(10.5)	–
Fees on repayment of existing loans (ii)	(7.6)	–
Net cash outflow	(233.1)	(200.5)

Note:
(i). Swap breakage costs of £17.9m were paid in June 2014 in connection with the repayment of securitised debt disclosed in Note 16 (1), which compared with a provision at 31 December 2014 of £15.5m for this liability. The net charge of £2.4m has been taken to the profit and loss account and disclosed as an exceptional item.
(ii) Fees on repayment of existing loans included £3.3m on the repayment of the £92.3m loan secured on 50 Bank Street and £4.3m on the repayment of £577.9m of A1 Notes.

Capital expenditure and financial investment	2014 £m	2013 £m
Additions to properties	(127.5)	(142.5)
Acquisition of property interests	–	(183.5)
Sale of investment properties net of fees (i)	941.7	–
Acquisition of shares in parent company	(5.2)	(6.9)
Purchase of tangible fixed assets	(5.0)	(0.3)
Investments in and loans to associates	(38.0)	(29.8)
Equity investments	(36.1)	–
Net cash inflow/(outflow)	729.9	(363.0)

Note:
(i) In 2014, 10 Upper Bank Street and 50 Bank Street were sold for £795.0m and £153.5m respectively resulting in an exceptional profit of £9.6m.

Management of liquid resources	2014 £m	2013 £m
Cash placed on deposit not available on demand	(203.1)	(35.5)
Cash withdrawn from deposit accounts	54.2	36.7
Net cash (outflow)/inflow	(148.9)	1.2

Note:
(i) Cash placed on deposit not available on demand includes £174.3m placed in Escrow for the potential premium payable on the repayment of £577.9m of A1 Notes.

Financing	2014 £m	2013 £m
Repayment of secured debt	(111.0)	(11.2)
Repayment of securitised debt	(634.1)	(65.1)
Repayment of Wood Wharf loan notes	(31.5)	(8.3)
Payment of Wood Wharf deferred consideration	(1.0)	(1.0)
Drawdown of secured loan	10.0	154.0
Drawdown of Construction Loan	54.7	108.2
Net cash (outflow)/inflow	(712.9)	176.6

24 ANALYSIS AND RECONCILIATION OF NET DEBT

	1 January 2014 £m	Cash flow £m	Other non cash changes £m	**31 December 2014 £m**
Cash at bank	554.6	40.9	–	**595.5**
Amounts on deposit not available on demand	(132.1)	(148.9)	–	**(281.0)**
	422.5	(108.0)	–	**314.5**
Debt due after one year	(3,067.0)	33.1	297.0	**(2,736.9)**
Debt due within one year	(467.7)	716.9	(315.1)	**(65.9)**
	(3,534.7)	750.0	(18.1)	**(2,802.8)**
Amounts on deposit not available on demand	132.1	148.9	–	**281.0**
Net debt	(2,980.1)	790.9	(18.1)	**(2,207.3)**

Increase in cash	**40.9**
Reduction in debt and lease financing	**750.0**
Change in net debt resulting from cash flows	**790.9**
Non cash movement in net debt	**(18.1)**
Movement in net debt	**772.8**
Net debt at 1 January 2014	**(2,980.1)**
Net debt at 31 December 2014	**(2,207.3)**

25 CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS

At 31 December 2014, certain members of the Group had given fixed and floating charges over substantially all of their assets as security for certain of the Group's borrowings as referred to in Note 16. In particular, various members of the Group had, at 31 December 2014, given fixed first ranking charges over cash deposits totalling £270.9m (31 December 2013 – £110.9m).

As security for the issue of £1,590.1m (31 December 2013 – £2,285.7) of securitised debt (see Note 16(1)) the Company's indirect subsidiary, Canary Wharf Finance Holdings Limited, granted a first fixed charge over the shares of CWF II and a first floating charge over all of the assets of CWF II.

Commitments of the Group for future expenditure:

	31 December 2014 £m	31 December 2013 £m
Construction projects	**463.9**	499.8
Joint venture funding	**–**	19.7

The commitments for future expenditure relate to the completion of construction works where construction was committed at 31 December 2014 including funding commitments to associates and joint venture undertakings. Any costs accrued or provided for in the balance sheet at 31 December 2014 have been excluded.

The Group has, in the normal course of its business, granted limited warranties or indemnities to its tenants in respect of building defects (and defects on the Estate or in the car parks) caused through breach of its obligations as developer contained in any prelet or other agreement. Offsetting this potential liability, the Group has received the benefit of warranties from the trade contractors and suppliers who worked on such buildings.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2014 (Continued)

Sublet commitments

Under the terms of certain agreements for lease the Group has committed to take back certain space on the basis of short term subleases at the end of which the space reverts to the relevant tenants. This space has been securitised but, insofar as the securitisation is concerned, the tenants are contracted to pay rent on the entire amount of space leased, whilst taking the covenant of the Group on the sublet space.

The existence of the sublet commitments has been taken into account in the market valuation of the Group's properties at 31 December 2014.

The table below summarises these sublets, including the rent payable for the next financial year, net of any rent receivable:

Property	Leaseholder	Original Sublet sq ft	Relet sq ft	Net rent £m	Term commencement	Expiry or first break
One Churchill Place	Barclays	133,400	133,400	0.13	Jul 2004	Jul 2019
40 Bank Street	Barclays	38,200	38,200	0.25	Oct 2010	Dec 2017
40 Bank Street	Barclays	38,200	38,200	0.31	Oct 2010	Nov 2016
40 Bank Street	Barclays	38,200	–	1.68	Nov 2009	Dec 2017
One Canada Square	Mirror Group	26,200	26,200	1.00	May 2009	June 2018
One Canada Square	KPMG	28,600	–	1.01	Jun 2010	Dec 2016
Total		302,800	236,000	4.38		

26 ULTIMATE PARENT UNDERTAKING AND RELATED PARTY TRANSACTIONS

At 31 December 2014, the smallest group of which the Company is a member and for which financial statements are drawn up is the consolidated financial statements of the Company. 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, 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.

During 2014, the Group billed HsO, a company in which it holds an equity investment equivalent to approximately 13.0% of the issued share capital, £33,140 plus VAT for access to the Estate's telecommunications infrastructure. At 31 December 2014, the outstanding amount was £2,779 inclusive of VAT.

In December 2004, the Company entered into a provision of services agreement with Songbird. Under this agreement the Company agreed to provide certain business and corporate administration services to Songbird in consideration of a time based fee for an initial period of 12 months and to continue thereafter until terminated by either party on 3 months' notice. During 2014, £365,575 plus VAT was charged for services provided in 2013, which was paid in July 2014, and £500,000 plus VAT has been accrued at 31 December 2014.

In October 2010, the Group entered into a 50:50 joint venture with Land Securities to develop 20 Fenchurch Street. Simultaneously the Group entered into syndication arrangements with the Syndication Partners. Each of the Syndication Partners is related to a shareholder in Songbird. Under these arrangements the Group retains a 15.0% economic interest in the joint venture partnership and each of the Syndication Partners retains an 11.66% interest. At 31 December 2014, each of the Syndication Partners had invested £49.0m and the Group had invested £63.1m. In 2014, the Group billed £1,471,623 plus VAT for construction and development management services to 20 FSLP. In addition the Group billed £7,018,427 plus VAT for costs incurred by the Group which were reimbursable by 20 FSLP. At 31 December 2014, the amount outstanding was £476,588 inclusive of VAT which was received since the year end.

In July 2011, the Group entered into a 50:50 joint venture with Qatari Diar to develop the Shell Centre. At 31 December 2014 each partner had invested £64.3m. In 2014, the Group billed £2,400,000 plus VAT for development management services, and £298,062 plus VAT for administrative services. In addition, a total of £2,673,062 was accrued. The Group also billed £3,944,590 plus VAT for costs incurred by the Group which were reimbursable by the Joint Venture. There were no amounts outstanding at 31 December 2014.

In June 2014, the Group acquired a 10.0% interest in an SLP established to acquire 10 Upper Bank Street. At 31 December 2014 the Group had billed £943,860 plus VAT in respect of asset management services. There were no amounts outstanding at 31 December 2014.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2014 (Continued)

27 POST BALANCE SHEET EVENTS

On 4 December 2014, BidCo announced the terms of a final cash offer for the acquisition of the entire issued and to be issued ordinary share capital of Songbird 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 BidCo then announced a compulsory acquisition of Songbird Shares.

The acquisition of Songbird triggered a mandatory cash offer for the issued and to be issued ordinary share capital of the Company at £6.45 per share and a subsequent compulsory acquisition of the Company's shares.

For both offers the compulsory purchase period lasted until 17 April 2015 upon which time the shares were compulsorily purchased.

On 29 January 2015, an interim dividend of 7p per share totalling £44.7m was paid. Subsequently, on 18 March 2015, an interim dividend of approximately 22.2217p per share totalling £142.0m was declared. On 25 March 2015, a further interim dividend of approximately 0.31298p per share totalling £2.0m was declared. These dividends were paid in April 2015.

On 23 April 2015, the £58.3m of D Notes held by a subsidiary of the Group were sold in the market for £53.4m. The D Notes were acquired in April 2009 at a cost of £12.6m plus fees and a profit was recognised on the purchase of £45.4m. The subsequent sale of the D Notes on 23 April 2015 has resulted in a partial reversal of this profit being recognised in 2015 of approximately £4.9m.

Following the acquisition of the D Notes in 2009, the hedges relating to the repurchased Notes were deemed to be uneconomic and therefore carried at fair value. At 31 December 2014, £28.5m had been provided for this deemed liability. As a result of the sale of the D Notes, the hedges are no longer deemed to be uneconomic and the provision will be released. The sale of the D Notes will therefore result in an overall gain of approximately £23.6m being recognised for accounts purposes in 2015.

SHAREHOLDERS' INFORMATION

Directors

Executive directors

Sir George Iacobescu: Chairman and Chief Executive Officer having day to day authority over the operations of The Group with a guiding role in the development and implementation of strategy. A member of the Board of Trustees of the British Museum. He was appointed Commander of the British Empire in 2003 and was named a Knight Bachelor for services to charity, community and the financial services industry in the New Year's Honours List 2012.

Peter Anderson: Managing Director, Finance with responsibility for the Group's capital raising activities, accounting, strategic planning and analysis, taxation and information technology. He is also non executive director of Transport for London and chairman of Transport for London's Finance and Policy committee.

Jeff Blidner: Senior managing partner responsible for strategic planning as well as transaction execution for Brookfield. He is also the chief executive officer of Brookfield's Private Funds Group, Chairman and a director of Brookfield Renewable Energy Partners, chairman and a director of Rouse Properties, Inc. and a director of Brookfield Infrastructure Partners. Prior to joining Brookfield in 2000, Jeff was a senior partner at a Canadian law firm. He was appointed to the board of Canary Wharf Group plc in March 2015.

Ali Bouzarif: Co-head of Mergers and Acquisitions and head of co-investments at Qatar Holding, the strategic and direct investment arm of Qatar Investment Authority where he joined in 2007. He is also a non-executive director of Miramax, The Chernin Group, Heathrow Airport, American Express Global Business Travel and Aventicum Asset Management (a JV between Credit Suisse and Qatar Holding). He holds a Masters in Business Engineering from Solvay Brussels School of Economics & Management and is a Chartered Financial Analyst. He was appointed to the board of Canary Wharf Group plc in March 2015.

Navid Chamdia: Head of Real Estate at Qatar Investment Authority. He is responsible for international real estate investments at the firm, focusing primarily on direct acquisitions and co-investments. He joined QIA in 2005. Prior to that, Navid Chamdia spent 12 years at Ernst & Young Corporate Finance, London advising on the financing and acquisitions of real estate and project finance projects. He is a qualified Chartered Accountant from England and Wales and is also a Chartered Financial Analyst charter holder. Navid Chamdia is on the board of Pavilion REIT in Kuala Lumpur. He was appointed to the Board of the Company in March 2015.

Richard (Ric) Clark: Senior managing partner and global head of real estate at Brookfield, chief executive officer of Brookfield Property Partners, chairman of Rouse Properties and a member of the board of directors at General Growth Properties and other Brookfield affiliates. He has over 30 years of real estate experience and has been employed by Brookfield and its predecessors since 1984 in various senior roles including President of Brookfield Office Properties' U.S. Commercial Operations. He is a board member on a number of subsidiary companies of Brookfield and of Songbird Estates plc. He was appointed to the Board of the Company in February 2015.

Jon Haick: Senior managing partner at Brookfield Asset Management and chief executive officer of Brookfield Europe based in London. Since joining Brookfield in 2005, he has been involved in a number of significant transactions, a range of industries including real estate, building products and industrials. He has also been instrumental in executing a number of capital raises for companies within the Brookfield group. He was appointed to the board of Canary Wharf Group plc in March 2015.

Brian Kingston: Senior managing partner of Brookfield Asset Management and the president and chief investment officer of Brookfield's global real estate group. He has over 15 years of real estate experience and has held various senior management positions within Brookfield and its affiliates, including chief executive officer of Prime Infrastructure Holdings Ltd and chief financial officer of Brookfield Multiplex. He is a board member on a number of subsidiary companies of Brookfield. Brian was appointed to the Board of Songbird in February 2015. He was appointed to the board of Canary Wharf Group plc in March 2015.

Khaled Al-Sayed: Group chief executive officer of Qatari Diar Real Estate Investment Company. He has gained a wide range of experience in engineering, project management, contracting, supply chain management and business development in several internationally recognised companies such as Occidental Oil & Gas Corporation and Shell EP International Ltd. Previous roles include regional supply chain director (MENA Region) for Occidental Petroleum out of Abu Dhabi – UAE and then the same role for Shell EP out of Dubai – UAE. He was appointed to the board of Canary Wharf Group plc in March 2015.

Aziz Aluthman: Currently the director of Public Increment Management in the Ministry of Finance. He was a director in the Mergers and Acquisitions department of Qatar Holding LLC, the strategic and direct investments arm of the Qatar Investment Authority, where he has been instrumental in the execution of key investments. He was previously founder and CEO of Idealys, and currently represents State of Qatar on the Boards of Ooredoo, Wataniya Kuwait, United Arab Shipping Company and Knowledge Universe. He was appointed to the board of Canary Wharf Group plc in March 2015.

SHAREHOLDERS' INFORMATION (Continued)

Membership of Board Committees

Audit Committee

Navid Chamdia
Jon Haick

Operating Committee

Sir George Iacobescu (Chairman)
Peter Anderson
Khaled Al-Sayed
Ric Clark

Remuneration Committee

Aziz Aluthman
Ric Clark

Enquiries

If you would like more information about the Company, please contact John Garwood, Group Company Secretary. This annual report and other information on the Company and the Estate are available from the Company's website: www.canarywharf.com.

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Registered number: 4191122

Telephone: 020 7418 2000
Facsimile: 020 7418 2222

DEFINITIONS

20 FSLP	20 Fenchurch Street Limited Partnership
Act	The Companies Act 2006
AGM	Annual General Meeting of the Company
AIG	American International Group, Inc.
Bidco	Stork Holdings Limited, joint venture between Brookfield Property Partners LP and Qatar Investment Authority
Board	Board of directors of Canary Wharf Group plc
Bps	Basis points
CBRE	CB Richard Ellis Limited, Surveyors and Valuers
Chairman and Chief Executive Officer	Chairman and Chief Executive Officer of the Company
CIL	Community Infrastructure Levy
City	The City of London
Company	Canary Wharf Group plc
CRG	Corporate Responsibility Group
CRL	Crossrail Limited
CRT	Canal and River Trust (formerly British Waterways Board)
Cushman	Cushman & Wakefield, Real Estate Consultants
CWEL	Canary Wharf Estate Limited
CWF II	Canary Wharf Finance II plc
CWHL	Canary Wharf Holdings Limited
EBA	European Banking Authority
EMA	European Medicines Agency
EMS	Environmental Management System
EPRA	European Public Real Estate Association
ERV	Estimated Rental Value
Escrow Agent	Deutsche Bank AG, London Branch
Estate/Canary Wharf	Canary Wharf Estate including Heron Quays West, Newfoundland, Riverside South, North Quay and Park Place
EY	Ernst & Young LLP
FCA	The Financial Conduct Authority
FRS 4	Financial Reporting Standard 4 (Capital Instruments)
FRS 5	Financial Reporting Standard 5 (Substance of Transactions)
FRS 13	Financial Reporting Standard 13 (Derivatives and Other Financial Instruments)
FRS 15	Financial Reporting Standard 15 (Tangible fixed assets)
FRS 19	Financial Reporting Standard 19 (Deferred tax)
FRS 22	Financial Reporting Standard 22 (Earnings per share)
GRI	Global Reporting Initiative
Group	Canary Wharf Group plc and its subsidiaries
HsO	HighSpeed Office Limited
ICR	Interest Cover Ratio
Land Securities	Land Securities Group plc
J.P. Morgan	J.P. Morgan Chase Bank NA
LBHI	Lehman Brothers Holdings Inc.
LBL	Lehman Brothers Limited
LBTH	London Borough of Tower Hamlets
LIBOR	London Interbank Offered Rate
Lloyds	Lloyds Banking Group plc
LMCTV	Loan Minus Cash to Value
London Plan	Mayor of London planning document published by the Greater London Authority
LTV	Loan to Value
M	million
MDU	Medical Defence Union
Moody's	Moody's Investor Services Limited
Morgan Stanley	Morgan Stanley & Co Limited
NAV	Net Asset Value
NIA	Net Internal Area
NNNAV	Triple Net Asset Value
Notes	Notes of Canary Wharf Group's securitisation
Offer	Offer for Songbird shares at £3.50 per share
p.a.	per annum
psf	per sq ft
Qatari Diar	Qatari Diar Real Estate Investment Company
Savills	Savills Commercial Limited, Chartered Surveyors
Section 106	Section 106 of the Town and Country Planning Act 1990

DEFINITONS (Continued)

Securitisation Trustee	Trustee to the Group's securitised debt Deutsche Trustee Company Limited
SDLT	Stamp Duty Land Tax
SFL	Songbird Finance Limited
Shell	Shell International Limited
Shell Centre	A 5.25 acre site on the South Bank in London
Skadden	Skadden Arps Slate Meagher & Flom LLP
SLP	Separate Limited Partnership
Songbird	Songbird Estates plc
Songbird Shares	Ordinary shares of 10p each in Songbird
sq ft	square foot/feet
SSAP 9	Statement of Standard Accounting Practice 9 (Stocks and Long Term Contracts)
SSAP 19	Statement of Standard Accounting Practice 19 (Accounting for Investment Properties)
SSAP 21	Statement of Standard Accounting Practice 21 (Accounting for Leases and Hire Purchase Contracts)
Syndication Partners	Qatari Holding LLC, Chendong Investment Corporation and Morgan Stanley
Trust	Canary Wharf Employees' Share Ownership Plan Trust
UITF 28	Urgent Issue Task Force 28 (Operating Leases)
VAT	Value Added Tax
Wood Wharf	Site adjacent to the Estate