CANARY WHARF GROUP INVESTMENT HOLDINGS PLC

Registered number: 5043352

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

CANARY WHARF GROUP INVESTMENT HOLDINGS PLC

CONTENTS

HIGHLIGHTS

Increase in NAV

- Net assets £4,024.2m at 31 December 2016, an increase of £15.6m from £4,008.6m at 31 December 2015.
- Adjusted NAV per share £6.30 compared with £6.31 at 31 December 2015.
- Adjusted NNNAV per share £5.16 compared with £5.24 at 31 December 2015.

Continued growth in portfolio valuation

- Market value of total portfolio up 2.9% to £7,710.0m over the year, down by 0.9% adjusting for capital expenditure.
- Retail investment portfolio continues to perform strongly – valuation up 1.3% over year to £1,275.0m.
- Retained office investment portfolio valuation up £1.5m over the year to £5,029.0m.

Continued leasing activity and secure income stream

- Leasing transactions totalling 114,691 sq ft in the year.
- Completed investment portfolio 96.9% let (2015 – 97.2%), including 7 Westferry Circus, where refurbishment completed in August 2016.
- Weighted average lease term at 31 December 2016 13.3 years or 11.6 years assuming exercise of breaks (2015 – 14.1 years or 12.4 years respectively).

Secure financial position provides foundation for Group's strategy

- Average loan maturity of 10.6 years (2015 – 11.5 years) supported by weighted average lease term.
- In April 2016, the £125.6m loan facility secured against 15 Westferry Circus was refinanced with new £110.0m 5 year loan facilities.
- In November 2016, the £600.0m revolving loan facility secured against the Group's principal retail and car parking assets was refinanced with a new £700.0m 5 year loan of which £600.0m had been drawn down at 31 December 2016.

Development programme pipeline progressing well

- Construction continued on new 720,000 sq ft office building being constructed at One Bank Street (40% pre-let to Societe General).
- Construction commenced on 3 PRS properties and 2 for sale residential sales properties at Canary Wharf
- Joint ventures:
  - 20 Fenchurch Street – building now fully let. The Group's investment was refinanced in June 2016.
  - Shell Centre – site works progressing to schedule.
    – two office buildings pre sold and 376 apartments reserved in first three residential buildings.

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

RESULTS IN BRIEF

	Note	**2016 £m**	2015 £m
Rental income	(i)	**276.2**	257.0
Underlying operating profit	(ii)	**284.6**	236.1
Capital and other items:			
– revaluation of investments in associates	(iii)	**(0.8)**	22.8
– revaluation of investments	(iii)	**1.2**	2.8
– net property revaluation movements	(iv)	**(64.8)**	434.5
– charge in respect of share allocations	(ii)	**–**	(25.5)
– movement in fair value of derivatives net of Preference Share expense (2015) and hedge reserve recycling	(v)	**(94.6)**	14.4
– provision for premium on redemption of securitised debt	(v)	**(11.4)**	(10.9)
– accelerated amortisation of deferred loan fees, breakage costs and cost of repayment of secured loan	(v)	**(4.6)**	(6.8)
Underlying profit before tax	(ii), (vi)	**153.6**	93.4
(Loss)/profit on ordinary activities before tax	(ii)	**(21.4)**	524.7
Tax (including deferred tax)	(vii)	**38.9**	34.1
Profit after tax	(ii)	**17.5**	558.8

Note:
(i) See Note 5.
(ii) See Consolidated Income Statement.
(iii) See Note 12.
(iv) See Note 6.
(v) See Note 7.
(vi) See Note 4.
(vii) See Note 8.

CHAIRMAN'S OPERATIONAL REVIEW

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 principal asset of the Company is its indirect 100% investment in Canary Wharf Group plc, which is engaged in property investment and development and is currently primarily focused on the development of the Canary Wharf Estate and the New District of Canary Wharf to the east of the Estate. Elsewhere in London, the Group is involved through joint ventures at 20 Fenchurch Street and the Shell Centre.

Property portfolio

At 31 December 2016, the Group's investment property portfolio comprised 18 completed properties (out of the 37 constructed on the Estate) totalling approximately 6.8m sq ft of NIA.

Including 7 Westferry Circus which has undergone an extensive refurbishment and which completed in August 2016, the office investment portfolio was 96.9% let at 31 December 2016 in comparison with 97.2% at the previous year end. The weighted average unexpired lease term for the investment portfolio at 31 December 2016 was approximately 13.3 years, or 11.6 years assuming the exercise of outstanding break options (31 December 2015 – 14.1 years or 12.4 years respectively). Of the square footage under lease at 31 December 2016, 55.1% 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 2016, includes 19 properties totalling 9.5m sq ft in other ownerships.

STRATEGIC REPORT (Continued)

Office Leasing

During the year, office lettings (including lease renewals) totalled 68,659 sq ft for an average term of 5.5 years at an average rent of £45.21 psf.

At 20 Fenchurch Street, where the Group acted as Construction Manager and has a 15% interest in the building, level 3 was leased and the building is now fully let and occupied.

Retail

The retail space at Canary Wharf continued to perform well and footfall for the year was up by 2.92% against the national average which was down by 2.35%. During the year 29 new lettings and lease renewals were agreed, totalling 46,032 sq ft. All retail units were let or under offer at the year end.

At Crossrail Place, the remaining two units available were let and a further 18,164 sq ft of space will open in tandem with the new station in 2018.

A total of 33 rent reviews were concluded in the year, all at or above the external valuer's ERV.

Construction

Heron Quays West
At Heron Quays West, construction is progressing at One Bank Street (a 715,000 sq ft building of which 280,000 sq ft is pre let to Societe General). The concrete core and substructure was completed and practical completion of the structure is anticipated in March 2019.

At 10 Bank Street, a revised planning application goes to committee in late March for a larger building of 850,000 sq ft.

Planning consent for a 64,000 sq ft private members club at Heron Quays West was obtained in January 2017.

Canary Wharf New District
Canary Wharf New District comprises an area immediately to the east of the existing Estate with consent for 4.9m sq ft of development comprising 3,100 residential units, 1.9m sq ft of commercial and 270,000 sq ft of retail space.

Marketing of the first residential building, 10 Park Drive, commenced in July 2015. The building comprises 345 apartments, of which 274 have been sold and 71 remain available. The building is now under construction.

Launch of marketing for the second apartment building for sale, One Park Drive, is planned for the end of March 2017. This building will comprise 483 apartments.

Two further residential buildings, designed for the private rental market, are under construction and will provide a total of 501 apartments.

Construction of these first four buildings commenced early in 2016 with the basement structures having been substantially completed by year-end. Work has commenced on the concrete superstructure of the two for sale buildings and the first two PRS buildings. Practical completion of this first phase of residential development is scheduled for the first quarter of 2020.

In total, the first phase of the New District will comprise 1.7m sq ft, of which 1.3m will be residential, 0.3m will be commercial and 94,000 sq ft will be retail.

Newfoundland
A further PRS building is to be constructed at the Newfoundland site. This is a 639,000 sq ft building comprising 636 apartments. Construction commenced in July 2015 and is scheduled for completion in May 2017.

STRATEGIC REPORT (Continued)

Future development

Planning progress
One Park Place benefits from planning consent for approximately 680,000 sq ft of office space. Progressing with construction will be contingent on achieving a pre-let.

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

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	1.42
– North Quay	2.39
– Newfoundland	0.64
– One Park Place	0.68
– Canary Wharf New District	4.90
	10.03
In joint venture with Qatari Diar:	
– Shell Centre (see Business Review – Southbank Place)	1.40

Joint ventures

In addition to the construction projects at Canary Wharf, the Group is involved in joint ventures at 20 Fenchurch Street and for the redevelopment of the Shell Centre at Southbank Place.

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. At the same time, the Group formed Canary Wharf (FS Holdings) Limited Partnership in order to syndicate its interest. After syndication, the Group retained a 15.0% equity interest in this project. The building was completed in 2014 and is now fully let.

At 31 December 2015, the Group had invested £65.4m in the joint venture. In June 2016, a £291.5m financing was completed by Canary Wharf (FS Holdings) Limited Partnership. The Group's 30% share of the net proceeds, totalling £82.2m, was received in July 2016 and accounted for as the refund of the Group's joint venture investment of £65.4m and a realisation of profits totalling £16.8m.

Southbank Place

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. The joint venture acquired the site in July 2015, following the successful conclusion of the planning process.

The Group is acting as construction manager for the project and is also joint development manager with Qatari Diar.

The development is 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 has been preserved and retained by Shell for their use. Shell also agreed to take a 282,537 sq ft prelet of the entirety of one of the two 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.

STRATEGIC REPORT (Continued)

The two office buildings have been presold to Almacantar, of which 2 Southbank Place was pre-leased by Shell. One of the residential buildings has been part pre sold to an investment fund with the affordable housing element to be sold to a registered social landlord or similar and the retail element to be retained by the joint venture. The remainder of the buildings will have apartments for private sale. Sales of apartments at the first two residential buildings commenced in September 2015. One York Square comprises 213 units and Belvedere Gardens 97 apartments. Sales to date total 238 apartments with 72 remaining available. A third building, 30 Casson Square, comprising 166 apartments, launched in March 2016 and 138 apartments have been reserved, leaving 28 available.

Valuations

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.

	Note	**31 December 2016** Carrying value £m	**31 December 2016** Market value in existing state £m	31 December 2015 Carrying value £m	31 December 2015 Market value in existing state £m
Retained portfolio:					
Investment properties – retained	(i)	**6,099.2**	**6,304.0**	6,070.7	6,286.0
Property under construction	(ii),(iii)	**393.6**	**395.4**	107.7	109.5
Properties held for development	(iv)	**892.3**	**830.1**	1,028.4	966.2
		7,385.1	**7,529.5**	7,206.8	7,361.7
Properties under construction held as current assets	(v)	**175.7**	**180.5**	132.3	132.3
		7,560.8	**7,710.0**	7,339.1	7,494.0

Note:
(i) The carrying value represents market value less an adjustment for lease incentives and deferred lease negotiation costs. The tenant incentives and deferred lease negotiation costs adjustment at 31 December 2016 was £204.8m (31 December 2015 – £215.3m). Market value in existing state is shown prior to these amounts.
(ii) The carrying value represents market value less an adjustment for deferred lease negotiation costs of £1.8m (31 December 2015 – £1.8m).
(iii) At 31 December 2016, comprised 1 Bank Street, Newfoundland, and two PRS buildings in the New District (31 December 2015, comprised 1 Bank Street).
(iv) Includes the New District subject to a 250 year lease. The present value of the ground rents payable under this lease was calculated at £62.2m at 31 December 2016 (31 December 2015 – £62.2m) (Note 22). The market value in existing state is shown prior to this amount.
(v) Comprising residential buildings One Park Drive and 10 Park Drive being developed for private sale.

At 31 December 2016, the yields applied in deriving the market valuation of the investment properties can be summarised as follows:

	31 December 2016 %	31 December 2015 %
Office portfolio:		
Weighted average initial yield	4.2	4.3
Weighted average equivalent yield	4.7	4.5
Retail portfolio:		
Weighted average initial yield	3.7	3.4
Weighted average equivalent yield	3.9	4.0

The weighted average yields for the office portfolio at 31 December 2015 excluded 7 Westferry Circus, which was under refurbishment at that date.

STRATEGIC REPORT (Continued)

Taking office and retail together, the market value of the investment portfolio increased by 0.3% over the year. After allowing for capital expenditure and adjustments in respect of tenant incentives, the carrying value of the retained portfolio increased by £18.0m over the year, also 0.3%.

Property under construction to be retained at 31 December 2016, comprised One Bank Street, Newfoundland and the first two PRS buildings in the New District. These latter three buildings were transferred from properties held for development at their 1 January 2016 market values.

In July 2015 marketing of 10 Park Drive, the first residential building at Canary Wharf, commenced and marketing of One Park Drive will commence by the end of March 2017. These properties were transferred to properties under construction to be sold at their market value at the date of transfer of £113.0m following the decision to proceed with development on a private sale basis. At 31 December 2016, the buildings were carried at £175.7m, being their transfer value plus subsequent costs. The market value of these buildings was £180.5m at that date.

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, One Park Place and the remainder of the New District. These sites were valued in aggregate at £830.1m at 31 December 2016. This represents a reduction of 6.3% after expenditure in the year and allowing for the transfer of the three PRS buildings to construction, reflecting a reduction in the market value of residential development sites. This valuation is equivalent to approximately £110.00 psf.

The market value of the entire property portfolio increased by 2.9% to £7,710.0m. The carrying value of the retained portfolio after adjusting for capital expenditure and the accounting adjustments required for tenant incentives and deferred negotiations costs, reduced by £64.8m or 0.9% in the year, primarily as a result of the reduction in value of the development sites.

Operating results

The following review of the Group's operating results relates to the year ended 31 December 2016. The comparatives relate to the year ended 31 December 2015.

Revenue is generated primarily by the rents and service charges earned by the Group from its property interests on the Estate, together with turnover recognised on construction contracts and fees earned from construction and development management agreements.

Total revenue for 2016 was £464.8m, against £400.0m for 2015, an increase of £64.8m, of which rental income after the adjustments required to spread lease incentives and committed rent increases increased from £249.3m to £265.7m.

The increase in rental income was primarily attributable to the commencement of rents on 25 Churchill Place and certain floors in One Canada Square. The Group also benefitted from increased retail rents.

Service charge income increased from £82.8m for 2015 to £91.1m for 2016. Miscellaneous income, which includes 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, reduced from £53.1m for 2015 to £36.5m for 2016.

In December 2015, the Group surrendered its lease on Becket House, resulting in a net provision release of £13.2m which was taken to revenue.

Revenue for 2016 also included £71.2m recognised on construction contracts compared with £1.5m in 2015. The increase was attributable to the recognition of deferred income relating to a contract to develop the Riverside South site. The agreement, which was entered into in 2008, expired in October 2016 (Note 11).

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 construction contracts.

Rents payable and property management costs were £125.5m for 2016 in comparison with £107.8m for 2015. Taking into account service charge and miscellaneous property income totalling £118.3m for 2016 (2015 – £104.8m), a deficit was recorded on property management of £7.2m (2015 – £3.0m). This deficit was attributable to unlet space, in particular the refurbished building at 7 Westferry Circus, on which service charges were not recoverable and includes rates and insurance on such space.

Net development, rental and related income for 2016 was £338.4m, an increase of £48.6m compared with 2015.

STRATEGIC REPORT (Continued)

Underlying administrative expenses for 2016 were £61.2m in comparison with £66.1m for 2015. Administrative expenses for 2015 included £11.8m of fees incurred in relation to advice provided to the Boards of the Company and Canary Wharf Group plc in connection with the acquisition of the Company by Stork which concluded in February 2015. Excluding costs incurred on the acquisition, administrative costs were £54.3m for 2015. The increase in cost for 2016 was attributable to payroll and management retention scheme costs. Increased marketing costs as a result of the launch of the Group's residential programme were offset by reduced office marketing costs.

The share of income from associates and joint ventures was £2.1m in 2016 in comparison with £4.6m in 2015.

Underlying operating profit (as defined in Note 4) for 2016 was £284.6m in comparison with £236.1m for 2015. The increase of £48.5m was mainly attributable to the profit recognised on the Riverside South contract.

In February 2015, following the successful conclusion of the acquisition of the Company, the beneficiaries of the outstanding share allocations to certain directors and senior managers of Canary Wharf Group were settled by paying the cash equivalent amount, resulting in a charge of £25.5m which was classified as a capital and other item (Note 25).

A net revaluation deficit of £64.8m (Note 6) was recognised in the Consolidated Income Statement in the year compared with a surplus of £434.5m in 2015. The changes in the valuation of the property portfolio are explained in more detail in Strategic Report – Valuations. The Group also recognised its share of the revaluation deficit recorded on 20 Fenchurch Street totalling £0.8m, net of adjustments for tenant incentives (2015 - £22.8m), and the revaluation surplus on 10 Upper Bank Street of £1.2m (2015 – £2.8m). Revaluation movements are classified as capital and other items.

Total operating profit for 2016 was £220.2m, compared with £670.7m in 2015. The reduction in operating profit was attributable to revaluation movements, together with the other factors referred to above.

Underlying net financing costs (Note 7) for 2016 were £131.0m against £142.7m for 2015. Underlying net financing costs are stated net of £36.7m of interest which has been capitalised and transferred to certain development properties (2015 – £28.6m). This amount represents the finance charge relating to the Group's borrowings which are deemed to have been utilised in financing those properties with significant development activity. The increase in capitalised interest reflects the increased level of construction expenditure. Excluding interest capitalised, interest payable was £167.7m for 2016, in comparison with £173.1m for the previous year.

Following the redemption of £577.9m of A1 Notes in July 2014, a provision of £169.7m was recognised for the potential premium payable to the A1 noteholders, which was disclosed as a capital and other item (Note 7). During 2016, the provision was increased by £11.4m (2015 - £10.9m) to allow for interest accruing on the potential amount payable.

In November 2016, the £600.0m loan facility secured against the Group's principal retail and car parking assets was refinanced with a new £700.0 facility. As a result, the Group accelerated the amortisation of £4.6m of deferred fees which was classified as a capital and other item. In the previous year, fees relating to refinancings totalled £6.8m.

Movements in the fair value of derivative financial instruments and hedging reserve recycling resulted in a net charge of £94.6m being recognised in the Consolidated Income Statement as a capital and other item in 2016 compared with a net credit of £35.8m in 2015.

In April 2015, the Group redeemed £275.0m of preference shares having closed out the swap relating to these shares at a cost of £1.4m in March 2015. An early redemption premium of 2.0% or £5.5m was paid and the amortisation of £6.9m of deferred issue fees was accelerated. Including the coupon on the preference shares, the total charge for 2015 was £21.4m.

The loss for the year before tax for 2016 was £21.4m in comparison with a profit of £524.7m for 2015. The results for both 2016 and 2015 included certain capital and other profits and losses as described above. Underlying profit before tax for 2016 was £153.6m (2014 – £93.4m). The movement in underlying profit was attributable to the increase in operating profit and reduction in financing costs.

Tax for 2016 comprised a corporation tax charge of £6.5m and a deferred tax credit of £45.4m. The movement in deferred tax was primarily attributable to the recognition of deferred tax on revaluation movements in the year. Tax for 2015 comprised a corporation tax charge of £0.6m and a deferred tax charge of £34.7m. The tax position of the Group is further disclosed in Note 8.

Including capital and other items, the profit for the year after tax for 2016 was £17.5m in comparison with £558.8m for 2015.

The basic and diluted Earnings Per Share (Note 4) for 2016 was 2.4p (2015 – 62.6p). There were no adjustments required in respect of dilutive instruments at either 31 December 2016 or 31 December 2015.

STRATEGIC REPORT (Continued)

Consolidated Balance Sheet and Key Performance Indicators

Net assets in the Group's Consolidated Balance Sheet were £4,024.2m at 31 December 2016 in comparison with £4,008.6m at 31 December 2015. The increase in net assets over the year of £15.6m was primarily attributable to the profit after tax of £17.5m, which includes valuation movements on the property portfolio and on derivative financial instruments.

The Company's objective is to maximise NAV from managing the Group's 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 adjusted NAV per share attributable to members of the Company. This measure serves to capture the Board's judgements concerning, inter alia, letting strategy, redevelopment and financial structure.

Adjusted NAV per share includes the valuation surplus on construction contracts but excludes deferred tax and fair value adjustments on derivatives.

In 2015, the Company received capital contributions from its shareholders of £196.8m, of which £153.0m was contributed in cash and £43.8m related to dividends paid by Canary Wharf Group plc to entities not directly or indirectly controlled by the Company at the time and subsequently reinvested in the Group. Subsequently the Company acquired those shares in Canary Wharf Group plc that were previously owned by other parties.

Adding back capital contributions totalling £153.0m resulted in an adjusted NAV of £4,662.1m or £6.30 per share at 31 December 2016 in comparison with £6.31 at 31 December 2015, a reduction of 1p.

The calculation of adjusted NAV per share is set out in Note 4. Adjusted NNNAV per share is set out in the following table:

	Note	**31 December 2016 £m**	31 December 2015 £m
Adjusted net assets attributable to members of the Company	(i)	**4,662.1**	4,671.4
Fair value adjustment in respect of financial assets and liabilities net of tax thereon	(ii)	**(676.2)**	(582.7)
Deferred tax	(iii)	**(166.7)**	(211.5)
Adjusted NNNAV		**3,819.2**	3,877.2
Adjusted NAV per share	(i), (iv)	**£6.30**	£6.31
Adjusted NNNAV per share	(iv)	**£5.16**	£5.24

Note:
(i) Refer to Note 4.
(ii) Comprises the mark to market of derivatives in Note 4 and the difference between the market value and book value of debt disclosed in Note 21 (net of tax at 17%).
(iii) Refer to Note 8.
(iv) Calculation based on 740.4m Ordinary Shares in issue at each balance sheet date.

Principal risks and uncertainties

Continuous monitoring of the principal risks and uncertainties facing the business of the consolidated Group has been undertaken through regular assessment and formal quarterly reports to the Audit Committee of the Company. 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 experienced in recent years, the London real estate market has had to cope with fluctuations in demand. The market has, however, been assisted by the depreciation of sterling since the EU referendum and the continuing presence of overseas investors attracted by the relative transparency of the real estate market in London which is viewed as both stable and secure. The market has also been underpinned by continuing demand for sites capable of incorporating residential development. Recent Government announcements in particular the changes to stamp duty on the residential property market have, however, contributed to a slowing of residential land prices. The full implications of the EU referendum held in June 2016 are also not yet clear. In the meantime, there is likely to be uncertainty which will be unhelpful to confidence across the whole real estate sector.

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 steps to diversify the tenant base have been particularly successful in recent years. 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 the joint venture with Qatari Diar to redevelop the Shell Centre in London's South Bank. The Group has also reviewed 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 and Note 21 which includes a summary of the key financial covenants applicable to each of the Group's facilities.

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 receivables and trade payables 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. Details of the financial risks facing the Group are disclosed in Note 21. The fair value of the Group's debt and the position under its lending covenants can also be found in Note 21 to the consolidated financial statements.

Borrowings
At 31 December 2016, net debt (including derivative financial instruments at fair value, net of monetary deposits and cash and cash equivalents) stood at £3,345.6m, an increase of £266.9m from £3,078.7m at 31 December 2015. The components of net debt are disclosed in Note 21.

In April 2016, the Group completed a refinancing of the £125.6m facility secured against 15 Westferry Circus. This has been replaced with a £90.0m senior facility and a £20.0m mezzanine facility, details of which are set out in Note 21(6).

STRATEGIC REPORT (Continued)

In November 2016, the Group refinanced its £600.0m retail loan facility with a new £700.0m facility. Further details are disclosed in Note 21(2).

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 in Note 21. For all of its loans, the Group was in compliance with its lending covenants at 31 December 2016 and throughout the year then ended.

Total borrowings, excluding derivatives at fair value, increased from £3,066.2m at 31 December 2015 to £3,280.7 m at 31 December 2016 reflecting draw downs against the Group's retail facility. In addition, there was an adverse movement in the fair value of derivatives of £95.9m taking the total to £624.2m.

The increase in total borrowings was partly reduced by an increase in cash and cash equivalents from £513.5m to £557.0m.

The Group's weighted average cost of debt at 31 December 2016 was 4.9% including credit wraps (31 December 2015 – 5.1%).

The weighted average maturity of the Group's loans was 10.6 years at 31 December 2016 (31 December 2015 – 11.5 years).

The Group's look through LTV at 31 December 2016 was 43.4% up from 41.1% at 31 December 2015, calculated by reference to net debt of £3,345.6m at 31 December 2016 as a proportion of the market value of the property portfolio of £7,710.0m (31 December 2015 - £7,494.0m).

Cash flow

The net cash outflow from operating activities for 2016 was £13.5m in comparison with £4.6m for 2015. The outflow for 2016 was stated after fees on new loans of £21.5m. The outflow for 2015 included fees on new loans of £15.4m and fees relating to loan repayments, including the redemption premium on preference shares, totalling £7.5m. Net corporation tax payments of £64.9m were made in 2016 compared with tax payments of £2.2m in 2015.

Cash flows from investing activities resulted in a cash outflow of £159.2m for 2016 compared with an inflow of £191.9m for 2015. In 2016, the cash outflow included £241.0m of development expenditure, partly offset by £82.3m received from the 20 Fenchurch Street refinancing. 2015 included £176.1m of development expenditure and £71.3m invested in associated and joint venture undertakings, primarily in connection with the acquisition of the long leasehold interest at the Shell Centre by the Braeburn joint venture, offset by £57.1m received from the disposal of the Company's shares which had been held by the Trust.

The net cash inflow from financing activities for 2016 was £216.2m compared with £109.3m for 2015. The net cash inflow for 2016 included £36.0m drawn down from the infrastructure loan on the New District. A net amount of £110.0m was drawn down from the revolving retail loan facility in 2016, prior to the repayment of £470.0m in November 2016 and the draw down of £600.0m from the retail loan refinancing. In April 2016, £125.6m was repaid and £110.0m was drawn down in the 15 Westferry Circus refinancing. Scheduled loan amortisation totalled £29.3m in 2016. The cash inflow for 2015 included £384.0m drawn down under the loan facility secured against 25 Churchill Place, less the repayment of £164.8m on the development loan used to finance the construction of the building. 2015 also included draw downs under the infrastructure loan facility, totalling £17.3m, and the proceeds of the disposal of the securitisation notes previously held by the Group of £53.4m. The Company received capital contributions of £196.8m from its shareholders in 2015, including reinvested dividends. These cash inflows were partly offset by £57.8m of dividends paid by Canary Wharf Group to entities not directly or indirectly controlled by the Company at the time, and the £275.0m redemption of preference shares, together with scheduled loan amortisation totalling £40.5m and £6.0m deferred consideration paid for a building forming part of the New District.

Corporate policies

Conflicts of interest
A formal process to manage directors' conflicts of interest has been adopted by the Board. The prescribed process provides a framework within which the directors who are not conflicted can manage potential conflict situations to protect the interests of the Company. An annual review is conducted of the conflicts disclosed during the preceding 12 months in order to identify any necessary changes required to the process.

Corporate Responsibility
Due to the nature of the Company's management structure and its business, being the management of its investment in Canary Wharf Group plc, it is not appropriate for the Company to adopt sustainability, environmental and social policies in its own right. However, the directors are conscious of sustainability, environmental and social issues and adhere, as appropriate, to Canary Wharf Group's policies in these areas.

STRATEGIC REPORT (Continued)

Sustainability pressures are coming from existing and prospective 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. 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 for the benefit of the environment, tenants, employees, the community and stakeholders.

Canary Wharf Group has maintained ISO 14001 accreditation since early 2005 with environmental management being an inherent part of construction since 2002. During 2016, no member of the Group incurred any fines or non monetary sanctions for non compliance with any regulation or legislation related to sustainability issues. Canary Wharf Group is a founder member of the UK Green Building Council and the Better Building Partnership. Canary Wharf 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 buildings. Canary Wharf 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.

Canary Wharf Group endeavours to raise awareness and promote effective management of sustainability, environmental and social issues with staff, designers, suppliers and contractors and works with suppliers and contractors to establish effective environmental supply chain management and to promote the procurement of sustainable products and materials.

During 2016, the Group submitted the Group Sustainability Report to the Global Reporting Initiative which promotes Sustainability reporting and also participated in the GRESB and EPRA Sustainability Benchmarking schemes.

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 related to this area can be downloaded from the Canary Wharf Group website, www.canarywharf.com.

People

Employee consultation
Canary Wharf Group has adopted the terms of the Code of Practice for the elimination of discrimination, on all grounds, including disability discrimination. Canary Wharf Group 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. A staff consultative committee, at which matters raised by employees are considered by management and staff representatives, has been established. The Group's employment strategy is regularly reviewed to incorporate changes to legislation and ensure best practice is maintained.

Diversity
The Group 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 Group 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.

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 that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

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 BSO HSAS 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 and managed 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. A mandatory online bribery and corruption awareness training module has been completed by over 90% of the Group's employees. The Group has adopted a Code of Ethics and 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.

Anti-Slavery and Human Trafficking

Following implementation of the Modern Slavery Act 2015 the Group is bound by the Act to establish controls to combat slavery, servitude, forced or compulsory labour and human trafficking.

The Board has accordingly adopted a policy and formal statement setting out the Group's commitment to prohibiting any form of forced labour or slavery throughout its supply chain.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position 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 and the risks faced by the Group are set out in Strategic Report – Principal risks and uncertainties and Note 21.

The Group has access to considerable financial resources and at 31 December 2016, the Group had cash and monetary deposits totalling £559.3m of which £189.3m was unsecured. In addition, £100.0m was available to be drawn under the Group's retail loan facility and £140.0m under the Group's shareholder loan facility. The Group has one facility for £21.8m, which matures in September 2018 and expects to refinance this loan ahead of the maturity date.

The Group enjoys the benefit of leases with a weighted average unexpired lease term of 11.6 years, assuming the exercise of all break options and at 31 December 2016, the occupancy level in the Group's portfolio was 96.9%. The year end average maturity of the Group's debt was 10.6 years. Accordingly, the directors believe that the Group is well placed to manage its business risks successfully.

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.

This Strategic Report was approved by the Board and signed on its behalf by:

JOHN GARWOOD
Secretary
Canary Wharf Group Investment Holdings plc
Registered number: 5043352

30 March 2017

DIRECTORS' REPORT
for the year ended 31 December 2016

The directors present their report with the audited consolidated financial statements for 2016. The Company is incorporated as a public limited company in England and Wales and registered in Great Britain. The registered address is: 30th Floor, One Canada Square, Canary Wharf, London E14 5AB.

Results

The results for the year are set out in the Consolidated Income Statement and are analysed in the Strategic Report. An indication of likely future development in the business of the Company is also included in the Strategic Report.

Financial instruments

The Group's use of financial instruments is set out in the Strategic Report.

Related parties

Transactions with related parties are disclosed in Note 28.

Events after the balance sheet date

Details of events after the balance sheet date are shown in Note 29.

Dividends and reserves

The profit of £17.5m (2015 – £463.8m) attributable to the members of the Company has been transferred to reserves. No dividends were declared during the year ended 31 December 2016 (2015 – £nil).

Substantial shareholdings

As at the date of this report, Stork Holdings Limited, a joint venture vehicle ultimately owned by QIA and Brookfield, owned 740,374,616 shares which is the entire issued share capital of the Company.

Directors

The following directors served on the Board during the year except as noted:

Sir George Iacobescu (Chairman & Chief Executive Officer)
A Peter Anderson II
Khaled Mohamed Ebrahim Al Sayed (resigned 20 October 2016)
Sheikh Jassim Al Thani (appointed 20 October 2016)
Aziz Ahmad Aluthman Fakhroo
Jeffrey Blidner
Ali Bouzarif
Ben Brown (appointed 30 June 2016)
Navid Chamdia
Ric Clark
Jon Haick (resigned 30 June 2016)
Brian Kingston

Directors' responsibilities statement
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing the parent company financial statements, the directors are required to:
- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

DIRECTORS' REPORT
for the year ended 31 December 2016 (Continued)

In preparing the group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records which are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are 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 of the Company and its associated companies (as defined in Section 256(b) of the Act), 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 the Company and its subsidiary undertakings. Both the indemnity and insurance were in force during the year ended 31 December 2016 and at the time of approval of this Strategic Report. Neither the indemnity nor the insurance provide cover in the event that the director is proved to have acted dishonestly or fraudulently.

Directors' interests

No directors have any interests in any of the shares of the Company.

Auditor and disclosure of information to the 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. Each director has taken all appropriate 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 the provisions of Section 418(2) of the Act.

Political donations

Political donations (as defined by the Act and which include donations in kind) made by the Group since the AGM held in June 2016 comprised £34,627 to the Labour Party (2015 - £57,121), £40,196 to the Conservative Party (2015 - £45,096), £8,500 to the Labour Friends of Bangladesh (2015 – £9,697) and £2,690 to the International Friends of Labour (2015 - £nil). Reflecting support for the EU Remain campaign in 2016, the Group made donations to political organisations (as defined by the Act) totalling £100,846. Political expenditure of £5,600 was also incurred in 2016.

At the 2016 AGM, the shareholders approved a resolution authorising the Company to make certain political donations up to an aggregate of £155,000. The consent lasts until the 2017 AGM. Following expenditure relating to the EU Referendum shareholders also approved a further resolution which authorised excess expenditure of £109,143 on political organisations.

AGM

The AGM will be held at 2pm or the conclusion of the preceding board meeting on Tuesday 20th June 2017 at One Canada Square, Canary Wharf, London E14 5AB.

By order of the Board

JOHN GARWOOD
Secretary
Canary Wharf Group Investment Holdings plc 30 March 2017
Registered number: 5043352

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

We have audited the group financial statements of Canary Wharf Group Investment Holdings plc for the year ended 31 December 2016 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement and the related Notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 group 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 group 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 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 group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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

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:

- 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.

Other matter
We have reported separately on the parent company financial statements of Canary Wharf Group Investment Holdings plc for the year ended 31 December 2016.

Mark Beddy (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
30 March 2017

CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2016

	Note	2016 Underlying* £m	2016 Capital and other £m	2016 Total £m	2015 Underlying* £m	2015 Capital and other £m	2015 Total £m
Gross development, rental and related income	5	**464.8**	**–**	**464.8**	400.0	–	400.0
Cost of sales							
– *other*		**(126.4)**	**–**	**(126.4)**	(110.2)	–	(110.2)
Net development, rental and related income	5	**338.4**	**–**	**338.4**	289.8	–	289.8
Share of associates and joint ventures after tax	12	**2.1**	**(0.8)**	**1.3**	4.6	22.8	27.4
Revaluation of investments	12	**–**	**1.2**	**1.2**	–	2.8	2.8
Administrative expenses		**(61.2)**	**–**	**(61.2)**	(66.1)	(25.5)	(91.6)
Other income		**5.3**	**–**	**5.3**	7.8	–	7.8
Net revaluation movements	6	**–**	**(64.8)**	**(64.8)**	–	434.5	434.5
Operating profit	3	**284.6**	**(64.4)**	**220.2**	236.1	434.6	670.7
Net financing costs							
– *investment revenues*	7	**0.9**	**–**	**0.9**	1.8	–	1.8
– financing costs	7	**(131.9)**	**(94.6)**	**(226.5)**	(144.5)	14.4	(130.1)
– provision of premium on redemption of securitised debt	7	**–**	**(11.4)**	**(11.4)**	–	(10.9)	(10.9)
– costs of repaying secured debt	7	**–**	**(4.6)**	**(4.6)**	–	(6.8)	(6.8)
		(131.0)	**(110.6)**	**(241.6)**	(142.7)	(3.3)	(146.0)
Profit/(loss) for the year before tax		**153.6**	**(175.0)**	**(21.4)**	93.4	431.3	524.7
Tax	8			**38.9**			34.1
Profit for the year after tax	4			**17.5**			558.8
Attributable to:							
Equity holders of the Company				**17.5**			463.8
Non controlling interest				**–**			95.0
				17.5			558.8
Earnings Per Share							
– basic and diluted	4			**2.4p**			62.6p

*As defined in Notes 1(x) and 4.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2016

	2016 £m	2015 £m
Profit after tax	**17.5**	558.8
Items that may be reclassified subsequently to profit or loss:		
Cash flow hedges:		
Losses arising on effective hedges	**(7.1)**	–
Transferred from equity	**5.8**	6.2
Tax on items that may be reclassified (including change in tax rate)	**(0.6)**	(2.1)
Other comprehensive income for the year	**(1.9)**	4.1
Total comprehensive income for the year	**15.6**	562.9
Attributable to:		
Equity holders of the Company	**15.6**	467.9
Non controlling interest	**–**	95.0
	15.6	562.9

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2016

	Share premium £m	Capital redemption reserve £m	Treasury shares £m	Cancelled share reserve £m	Hedging reserve £m	**Total other reserves £m**	Non controlling interests £m	Retained earnings £m	Share capital £m	**Total £m**
1 January 2015	**1,195.1**	**2.5**	**(23.9)**	**59.5**	**(59.0)**	**1,174.2**	**1,113.8**	**899.3**	**74.0**	**3,261.3**
Profit for the year after tax	–	–	–	–	–	–	–	558.8	–	**558.8**
Net income recognised	–	–	–	–	–	–	–	558.8	–	**558.8**
Transferred to non controlling interests	–	–	–	–	–	–	95.0	(95.0)	–	–
Transferred to income:										
– cash flow hedges	–	–	–	–	6.2	**6.2**	–	–	–	**6.2**
Tax on transfers	–	–	–	–	(2.1)	**(2.1)**	–	–	–	**(2.1)**
Total comprehensive income and expense for the year	–	–	–	–	4.1	**4.1**	95.0	463.8	–	**562.9**
Capital contributions	–	–	–	–	–	–	–	196.8	–	**196.8**
Transfer of non controlling interest	–	–	–	–	–	–	(1,151.0)	1,151.0	–	–
Gain on disposal of unallocated Treasury Shares	–	–	–	–	–	–	–	10.3	–	**10.3**
Reserve movements re share allocations	–	–	23.9	–	–	**23.9**	–	11.2	–	**35.1**
Dividends paid by subsidiary undertaking	–	–	–	–	–	–	(57.8)	–	–	**(57.8)**
31 December 2015	**1,195.1**	**2.5**	–	**59.5**	**(54.9)**	**1,202.2**	–	**2,732.4**	**74.0**	**4,008.6**
Profit for the year after tax	–	–	–	–	–	–	–	17.5	–	**17.5**
Net income recognised	–	–	–	–	–	–	–	17.5	–	**17.5**
Cash flow hedges:										
Losses arising on effective hedges	–	–	–	–	(7.1)	**(7.1)**	–	–	–	**(7.1)**
Transferred to income	–	–	–	–	5.8	**5.8**	–	–	–	**5.8**
Tax on components of other comprehensive income	–	–	–	–	(0.6)	**(0.6)**	–	–	–	**(0.6)**
Total comprehensive income and expense for the year	–	–	–	–	(1.9)	**(1.9)**		17.5	–	**15.6**
31 December 2016	**1,195.1**	**2.5**	–	**59.5**	**(56.8)**	**1,200.3**	–	**2,749.9**	**74.0**	**4,024.2**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2016 (Continued)

Description of the nature and purpose of each reserve

The capital redemption reserve comprises the nominal value of 24,539,346 Ordinary Shares cancelled as a result of share buybacks.

The Treasury Shares reserve represented the cost of Ordinary Shares held in Trust. The Treasury Shares were sold in connection with the acquisition of the Company. Details of movements on the Treasury Shares reserve are disclosed in Note 25.

The cancelled share reserve comprises the nominal value of 601,068,076 deferred shares cancelled in 2009.

The hedging reserve comprises the fair value of effective hedges and the amounts deferred in equity under previously effective hedges which are recognised in the Consolidated Income Statement in the same period in which the hedged item affects net profit or loss.

Non controlling interests represents those shareholdings in Canary Wharf Group plc which were not owned by the Group.

On 17 April 2015, the Company received capital contributions from its shareholders of £196.8m of which £153.0m was contributed in cash and £43.8m related to dividends paid by Canary Wharf Group plc to entities not directly or indirectly owned by the Company at the time and subsequently reinvested in the Group. Capital contributions are considered to be distributable and have therefore been treated as a component of retained earnings.

On 29 June 2015, the 30.6% non controlling interest in Canary Wharf Group plc's ordinary share capital was transferred to the Company as a capital contribution. Consequently, the balance on the non controlling interest reserve was at that date transferred to retained earnings.

Retained earnings include, inter alia, revaluation surpluses in respect of the Group's properties that are recognised in the Consolidated Income Statement.

CONSOLIDATED BALANCE SHEET
at 31 December 2016

	Note	2016 £m	2015 £m
Assets:			
Non current assets			
Investment properties	11	**6,099.2**	6,070.7
Properties under construction	11	**393.6**	107.7
Development properties	11	**892.3**	1,028.4
Plant and equipment	11	**4.8**	4.9
		7,389.9	7,211.7
Other non current assets			
Investments	12	**262.0**	341.7
Tenant incentives and other non current assets	14	**206.6**	217.1
Derivatives	20	**-**	0.9
		7,858.5	7,771.4
Current assets			
Work in progress	11	**175.7**	132.3
Trade and other receivables	13	**68.8**	65.9
Monetary deposits	15	**2.3**	2.3
Cash and cash equivalents	16	**557.0**	513.5
		803.8	714.0
Total assets		**8,662.3**	8,485.4
Liabilities:			
Current liabilities			
Current portion of long term borrowings	18	**(62.2)**	(182.3)
Corporation tax	17	**(4.0)**	(62.4)
Trade and other payables	17	**(298.8)**	(352.3)
		(365.0)	(597.0)
Non current liabilities			
Borrowings	19	**(3,218.5)**	(2,883.9)
Derivative financial instruments	20	**(624.2)**	(529.2)
Other non current liabilities	22	**(65.4)**	(66.5)
Deferred tax liabilities	8	**(166.7)**	(211.5)
Provisions	23	**(198.3)**	(188.7)
		(4,273.1)	(3,879.8)
Total liabilities		**(4,638.1)**	(4,476.8)
Net assets		**4,024.2**	4,008.6
Equity			
Share capital	24	**74.0**	74.0
Other reserves		**1,200.3**	1,202.2
Retained earnings		**2,749.9**	2,732.4
Total equity attributable to members of the Company		**4,024.2**	4,008.6

Approved by the Board and authorised for issue on 30 March 2017 and signed on its behalf by:

A Peter Anderson, II
Director

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2016

	Note	2016 £m	2015 £m
Net cash from operating activities	26	**170.8**	195.6
Interest paid		**(163.4)**	(179.1)
Interest received		**0.6**	1.8
Loan repayment costs		**-**	(5.5)
New loan fees		**(21.5)**	(15.4)
Swap termination fees		**-**	(2.0)
Net cash outflow from operating activities		**(13.5)**	(4.6)
Cash flows from investing activities			
Development expenditure		**(241.0)**	(176.1)
Purchase of property, plant and equipment		**(0.5)**	(1.6)
Investment in and net loans repaid by associates		**82.3**	(71.3)
Disposal of own shares		**-**	57.1
Net cash outflow from investing activities		**(159.2)**	(191.9)
Cash flows from financing activities			
Dividends paid to non controlling interests		**-**	(57.8)
Disposal of securitisation Notes		**-**	53.4
Redemption of securitised debt		**(29.3)**	(29.4)
Repayment of secured loans		**(669.3)**	(11.1)
Draw down of secured loans		**880.0**	384.0
Repayment of construction loan		**-**	(164.8)
Draw down of construction loan		**36.0**	19.2
Payment of deferred consideration		**(1.2)**	(6.0)
Redemption of Preference Shares		**-**	(275.0)
Capital contributions received		**-**	196.8
Net cash inflow from financing activities		**216.2**	109.3
Net movement in cash and cash equivalents		**43.5**	(87.2)
Cash and cash equivalents at start of year		**513.5**	600.7
Cash and cash equivalents at end of year	16	**557.0**	513.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The financial information presented in this report has been prepared in accordance with IFRS and IFRIC interpretations as adopted by the EU and the Companies Act 2006 applicable to companies reporting under IFRS.

The following new and revised accounting standards and interpretations have been adopted by the Group in 2016. Their adoption has not had any significant impact on the amounts reported in these financial statements, but may impact the accounting for future transactions and arrangements:

IAS1 'Presentation of Financial Statements'
IAS19 (amendment) 'Defined Benefit Plus: Employee Contributions amendments to IAS19
Annual improvements to the IFRS, 2010-2012 Cycle (various standards)

At the date of authorisation of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS9 'Financial Instruments'
IFRS11 (amendment) 'Accounting for Acquisitions of Interest in Joint Operations'
IFRS15 'Revenue from Contracts with Customers'
IFRS16 'Leases'
IAS27 (amendment) 'Equity Method in Separate Financial Statements'
IAS16 and IAS38 'Clarification of Acceptable Methods Depreciation and Amortisation'
Annual improvements to the IFRS, 2012-2014 Cycle (various standards)

With the potential exception of IFRS9, the directors anticipate that the adoption of these standards in future periods will not have a material impact on the financial statements of the Group.

The hedge accounting model in IFRS9 allows hedge accounting to be applied in circumstances where hedges may previously have been deemed as ineffective. The International Accounting Standards Board issued the final version of IFRS9 in July 2014 with mandatory adoption for the year commencing 1 January 2018. While the adoption of IFRS9 may result in the reclassification of certain derivatives as effective, no change to net assets is anticipated.

The financial statements have been prepared on a going concern basis as stated in the Strategic Report – Going concern.

Accounting policies

These financial statements have been prepared under the historical cost convention as modified by the revaluation of land and buildings and certain financial instruments. A summary of the principal Group accounting policies, which have been applied consistently in all material respects throughout the year and for the comparative year, is set out below:

(a) Basis of consolidation
The consolidated financial statements include the financial statements of the Company and its subsidiaries for the periods reported. For the purposes of preparing these consolidated accounts, subsidiaries are those entities where the Company has control. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases.

Where there is a change in the Company's direct or indirect interest in a subsidiary, which does not alter the classification of the entity as a subsidiary, this is accounted for as an equity transaction. When such a change occurs, the carrying amounts of the controlling and non controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount paid (or received) and the book value of the non controlling interest eliminated (or recognised) is taken directly to retained earnings.

Associated undertakings and joint ventures are accounted for under the equity method, whereby the Consolidated Balance Sheet incorporates the Group's share of the net assets of the relevant entities. The Consolidated Income Statement incorporates the Group's share of associated and joint venture undertakings, profits or losses after tax. Where the Group's share of the losses of an associated and joint venture undertaking exceeds the historic cost of the Group's investment in that entity, the investment is written down to nil and a provision is recognised for the Group's legal or constructive obligations at the Consolidated Balance Sheet date in respect of that entity. An entity is classified as an associated undertaking when the Group has significant influence over the economic activity of an undertaking but does not have control. An entity is classified as a joint venture where the contractual arrangement by which the Group undertook to join an economic activity provides joint control. Intra group balances and any unrealised gains and losses arising from intra group transactions are eliminated in preparing the consolidated financial statements.

(b) Acquisitions and business combinations

Where properties are acquired through corporate acquisitions and there are no significant assets or liabilities other than property and related debt, the acquisition is treated as an asset acquisition. In all other cases the acquisition is accounted for as a business combination in accordance with IFRS 3 in which case the assets and liabilities of a subsidiary, joint venture or associated undertaking are measured at their estimated fair value at the date of acquisition. The results of such business combinations are included from the effective date of acquisition to the effective date of disposal. The excess of acquisition costs over the Group's interest in the fair value of the identifiable assets and liabilities of the new entity at the date of acquisition is recognised as goodwill.

(c) Investment properties and properties occupied by the Group

Investment properties are those properties that are held either to earn rental income or for capital appreciation or both.

Property occupied by the Group is carried at fair value based on a professional valuation made as of each reporting date. Where the value of such property is not material it is included in investment properties. Additions consist of costs of a capital nature.

Acquired investment properties are measured initially at cost, including related transaction costs. After initial recognition at cost, investment properties are carried at their fair values based on a professional valuation made as of each reporting date. Properties are treated as acquired at the point when the Group assumes the significant risks and returns of ownership and as disposed when these are transferred to the buyer. Additions to investment properties consist of costs of a capital nature.

The difference between the fair value of an investment property at the reporting date and its carrying amount prior to remeasurement is included in the Consolidated Income Statement as a valuation gain or loss. When the Group begins to redevelop an existing investment property for continued future use as an investment property, the property remains an investment property and is accounted for as such.

(d) Development properties, properties under construction for investment and properties under construction with a view to sale

Development properties are those properties held with the intention to develop for future use as an investment property. When construction commences on such development properties, they are reclassified at fair value as a property under construction for investment. Such properties are recognised at fair value at each reporting date. Any gain or loss on remeasurement is taken direct to the Consolidated Income Statement. On completion, the property is transferred to investment properties.

Finance costs associated with direct expenditure on properties under construction to be held as an investment property or undergoing major refurbishment are capitalised. The interest capitalised is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amount capitalised is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalised as from the commencement of the development work until the date of practical completion. The capitalisation of finance costs is suspended if there are prolonged periods when development activity is interrupted.

Properties under construction with a view to sale are held at the lower of deferred costs and net realisable value. Deemed cost comprises the fair value at the date the properties are designated as being for sale plus subsequent development costs.

(e) Plant and equipment

Plant and equipment comprises computers, furniture, fixtures and fittings and improvements to Group offices. These assets are stated at cost less accumulated depreciation and any recognised impairment, and are depreciated on a straight line basis over their estimated useful lives of between 3 and 4 years.

(f) Construction contracts

Construction contracts consist of properties that are being constructed in accordance with long term development contracts and for which the detailed design specification of each building is agreed with the purchaser. Where applicable the contracts are split into 3 component parts: sale of land; completed construction works at the date of entering into the contracts; and ongoing construction contracts.

Revenue on the sale of land and completed construction works is recognised at the point that the significant risks and rewards of ownership are transferred to the buyer.

Revenue on construction contracts is recognised according to the stage reached in the contract by reference to the value of work completed using the percentage of completion method. The percentage of completion is calculated by reference to costs incurred on the building compared with the estimated total costs. The gross amount due comprises costs incurred plus recognised profits less the sum of recognised losses and progress billings. Where the sum of recognised losses and progress billings exceeds costs incurred plus recognised profits, the amount is shown as payments on account.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately as an expense.

(g) Investments

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 Income Statement.

Investments in entities which hold properties but where the Group's influence is not classified as significant are held as investments. The Group recognises any distribution received in the Income Statement and its share of revaluation gains and any other changes in net assets.

(h) Trade receivables

Trade receivables are recognised initially at fair value. A provision for impairment is established where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables concerned.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, deposits held with banks and other short term highly liquid investments with original maturities of 3 months or less, which are held for the purpose of meeting short term cash commitments.

(j) Monetary deposits

Amounts held on deposit, which do not meet the criteria to be classified as cash and cash equivalents are classified as monetary deposits and accounted for at amortised cost.

(k) Trade and other payables

Trade and other payables are stated at cost.

(l) Provisions

A provision is recognised in the Consolidated Balance Sheet when the Group has a present obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre–tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(m) Borrowings

Borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the Consolidated Income Statement over the period of the borrowings, using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows (including all fees that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability.

(n) Pension benefits

Contributions to defined contribution schemes are expensed as they fall due.

(o) Share capital

The Ordinary Shares are classed as equity. External costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

(p) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is stated net of discounts and VAT.

Revenue comprises rental income, service charges and other recoveries from tenants of the Group's properties, and income arising on long term contracts. Service charges and other recoveries include directly recoverable expenditure together with any chargeable management fees and are recognised as they fall due.

Revenue from construction contracts is recognised in accordance with the Group's accounting policy on construction contracts.

Rental income from investment property leased out under an operating lease is recognised in the Consolidated Income Statement on a straight line basis over the term of the lease. Lease incentives granted, including rent free periods, are recognised as an integral part of the net consideration for the use of the property and are therefore also recognised on the same straight line basis. An adjustment is made to ensure that the carrying value of the related property, including the accrued rent, amortised lease incentives and negotiation costs, does not exceed the external valuation.

Contingent rents, being those lease payments that are not fixed at the inception of a lease, for example turnover rents, are recorded as income in the periods in which they are earned.

Where revenue is obtained by the sale of assets, it is recognised when significant risks and returns have been transferred to the buyer. In the case of the sale of properties, this is on completion.

(q) Expenses

Property and contract expenditure incurred prior to the exchange of a contract is expensed as incurred.

Direct costs incurred in negotiating and arranging a new lease are amortised on a straight line basis over the period from the date of lease commencement to the earliest termination date.

(r) Impairment of tangible and intangible assets

The carrying amounts of the Group's non financial assets, other than investment, development and construction property (see (c) and (d) above), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the Consolidated Income Statement whenever the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of an asset is the greater of its net selling price and its value in use. The value in use is determined as the Net Present Value of the future cash flows expected to be derived from the asset, discounted using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount of an asset. An impairment loss is reversed only to the extent that the asset's carrying amount after the reversal does not exceed the amount which would have been determined, net of applicable depreciation, if no impairment loss had been recognised.

(s) Derivatives

The Group uses interest rate derivatives to help manage its risk of changes in interest rates. In accordance with its treasury policy, the Group does not hold or issue derivatives for trading purposes.

In order for a derivative to qualify for hedge accounting, the Group is required to document the relationship between the item being hedged and the hedging instrument. The Group is also required to demonstrate an assessment of the relationship between the hedged item and the hedging instrument which shows that the hedge will be effective on an ongoing basis. The effectiveness testing is performed at each Balance Sheet date to ensure that the hedge remains highly effective.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in the Statement of Comprehensive Income with any ineffective portion recognised immediately in the Consolidated Income Statement. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of a non financial asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of a non financial asset or a liability, amounts deferred in equity are recognised in the Consolidated Income Statement in the same period in which the hedged item affects net profit or loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the Consolidated Income Statement as they arise.

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

(t) 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 at the Balance Sheet date.

Deferred tax is provided in full using the balance sheet liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

A 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 temporary differences can be deducted. The deferred tax effect of fair value adjustments arising from business combinations is incorporated in the Consolidated Balance Sheet.

The deferred tax provision carried in respect of the investment property portfolio has been calculated on the basis that the carrying amount of such properties is recoverable through sale.

No provision is made for temporary differences (i) arising on the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and (ii) relating to investments in subsidiaries to the extent that the Group is able to control the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rate that is expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the Consolidated Income Statement, except where it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(u) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

i) Finance leases – are capitalised at the lease's commencement at the lower of the fair value of the asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of costs incurred in establishing the finance lease obligation, are included in borrowings. The finance charges are charged to the Consolidated Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

ii) Operating leases – payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the Consolidated Income Statement on a straight line basis over the period of the lease.

The Group as lessor
All leases operated by the Group are tested to determine whether they qualify as operating leases or finance leases. No finance leases have been identified as a result of these tests.

Operating leases – rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Any incentives given to lessees are included in Other Non Current Assets and recognised on a straight line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are deferred and recognised on a straight line basis over the lease term.

(v) Dividends
Dividend distributions to the Company's shareholders are recognised in the Group's financial statements in the period in which the dividends are paid or approved by the Company's shareholders.

(w) Segmental analysis
The Group is managed as a single entity in one geographical area with internal management reporting prepared on this basis and as such has not prepared a segmental analysis in accordance with IFRS 8.

(x) Underlying earnings
The directors are of the opinion that analysing profit before tax between underlying earnings and capital and other items provides additional useful information for members of the Company. The term underlying earnings is not a defined term under IFRS and may not therefore be comparable with similarly titled profit measurements reported by other companies. The adjustments made to reported results are as follows:

(i) *Net revaluation movements*
The revaluation movements on investment properties are included in the Consolidated Income Statement but have been reclassified separately from the underlying results to enable members to appreciate better the operating performance.

(ii) *IAS 39 and IAS 32 adjustments*
The commercial effect of the Group's hedging arrangements is that the majority of the Group's financial liabilities are at fixed rates. However, where the hedges are deemed ineffective the Consolidated Income Statement reflects the effects of movements in the fair values of these hedging instruments. As this introduces volatility in the Consolidated Income Statement which will not be reflected in the cash flows of the Group, the IAS 39 adjustments have been reclassified separately from the underlying results. The finance costs associated with the preference shares have also been reclassified separately from underlying earnings, reflecting the fact that this expense relates to share capital that was classified as debt in accordance with IAS 32.

(iii) *Refinancing costs and gains*
These items have been reclassified from underlying earnings due to their size and infrequent occurrence.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

(ii) Financial instruments
The fair values of financial instruments are determined by reference to the prices available on the markets on which they are traded or by reference to valuations provided by counter party financial institutions.

(iii) Construction contracts

IFRIC 15 requires the Group's pre sale property contracts to be split into 3 component parts: sale of land; completed construction works at the date of entering into the contracts; and ongoing construction contracts. The proceeds receivable under such contracts are required to be allocated to each of these components. The allocation of revenue to completed construction works and ongoing construction contracts is calculated by reference to the market rates applicable for such independently performed construction work. The remaining revenue component is allocated to the sale of land.

Construction contracts are carried at the lower of cost and net realisable value. The latter is assessed by the Group having regard to suitable external advice and knowledge of recent comparable transactions.

Revenue on construction contracts is recognised using the percentage of completion method. The directors have estimated the outcome of each contract on an individual basis based on the proportion of costs incurred compared with the estimated total costs and reconsider these estimates at each balance sheet date.

3. OPERATING PROFIT

Operating profit represents the consolidated profit of the Group, including the Group's share of results of associates, but before net financing costs and tax.

	2016	2015
	£'000	£'000
The operating profit is stated after charging:		
- depreciation (Note 11)	**552**	930
- directors' emoluments (Note 10)	**8,006**	2,408

Auditor's Remuneration

	2016	2015
	£'000	£'000
Audit of company	**64**	64
Audit of subsidiaries	**495**	594
Total audit	**559**	658
Audit related assurance services (interim reviews)	**7**	7
Other assurance services (service charge assurance work)	**48**	47
Audit and related assurance services	**614**	712
Tax compliance services	**–**	85
Tax advisory services	**29**	272
Services relating to taxation	**29**	357
Other non audit services not covered above	**–**	8
Total other non audit services	**–**	8
Total non audit services	**29**	365
Total fees	**643**	1,077
Occupational pension scheme audits	**22**	30

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (Continued)

4. PERFORMANCE MEASURES

Basic earnings and losses per share:

	2016 Earnings/(losses) £m	**Per share p**	2015 Earnings/(losses) £m	Per share p
Underlying profit for the year before tax	**153.6**	**20.7**	93.4	12.6
Capital and other items	**(175.0)**	**(23.6)**	431.3	58.3
Tax	**38.9**	**5.3**	34.1	4.6
Profit after tax	**17.5**	**2.4**	558.8	75.5
Less: non controlling interest	**-**	**-**	(95.0)	(12.9)
Profit after tax attributable to members of the Company	**17.5**	**2.4**	463.8	62.6

Underlying earnings exclude movements on property revaluations, movements in the fair value of ineffective hedging instruments and other derivatives, the coupon payable on preference shares, the cost attributed to share allocations and tax.

Earnings and losses per share for 2016 has been calculated by reference to the profit attributable to equity shareholders of £17.5m for 2016 (2015 – £463.8m) and on the weighted average of 740.4m Ordinary Shares in issue for 2016 (2015 – 740.4m).

Adjusted net assets per share:

	2016 £m	2015 £m
Balance sheet net assets	**4,024.2**	4,008.6
Adjustment for: deferred tax	**166.7**	211.5
Mark to market of derivatives	**624.2**	528.3
Add: surplus arising on construction contracts	**-**	76.0
	4,815.1	4,824.4
Capital contributions	**(153.0)**	(153.0)
Adjusted net assets	**4,662.1**	4,671.4
Adjusted NAV per share	**630p**	631p

In June 2015, the remaining shares in Canary Wharf Group plc which were not previously in the Company's direct or indirect ownership were transferred to CWG NewCo Limited, a wholly owned subsidiary of the Company, for no consideration.

Adjusted NAV per share included the valuation surplus on the Riverside South construction contract of £76.0m at 31 December 2015 and excludes fair value adjustments on derivatives and deferred tax in both years.

Adjusted NAV also excludes the cash element of the capital contributions received in April 2015 totalling £153.0m.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (Continued)

5. REVENUE

	2016 £m	2015 £m
Rent receivable	**276.2**	257.0
Recognised incentives and committed rent increases	**(10.5)**	(7.7)
	265.7	249.3
Service charge income	**91.1**	82.8
Miscellaneous income	**36.5**	53.1
Termination of leases	**0.3**	13.3
Construction contract revenue	**71.2**	1.5
Gross development, rental and related income	**464.8**	400.0
Service charge and other direct property expenses	**(125.5)**	(107.8)
Movement in accruals and provisions for leasehold commitments	**(0.6)**	(0.8)
Payments on termination of leases	**(0.3)**	(0.1)
Construction contract expenditure	**-**	(1.5)
Net development, rental and related income	**338.4**	289.8

The amount receivable on termination of leases for 2015 included £13.2m in respect of the Becket House surrender (Note 23).

Construction contract revenue in 2016 included the recognition of net deferred profit on the Riverside South contract of £71.2m.

In 2016, the Group had 1 other major customer, contributing £82.5m of Group revenue (2015 – 2 major customers contributing £82.1m and £38.5m).

Rent receivable included contingent rents of £2.2m (2015 – £2.7m).

6. NET REVALUATION MOVEMENTS ON PROPERTY AND INVESTMENTS

	2016 £m	2015 £m
Revaluation of:		
– investment properties	**18.0**	342.8
– properties under construction	**(26.4)**	14.5
– development properties	**(56.4)**	77.2
	(64.8)	434.5

In accordance with IAS 40 (amended), the revaluation movement on development properties is recognised in the Consolidated Income Statement. At 31 December 2016, a cumulative revaluation surplus on development properties of £560.4m had been recognised (31 December 2015 – £616.8m). There were no development properties where market value was less than historical cost at either 31 December 2016 or 31 December 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (Continued)

7. NET FINANCING COSTS

	2016 £m	2015 £m
Interest revenue		
Deposits, other loans and securities	**0.9**	1.8
Interest expense		
Notes and debentures	**(100.4)**	(94.9)
Construction loan interest	**(1.4)**	(5.0)
Other bank loans and overdrafts and other interest payable	**(60.2)**	(67.3)
Obligations under long term property lease	**(6.6)**	(5.9)
	(168.6)	(173.1)
Interest transferred to properties under construction	**36.7**	28.6
	(131.9)	(144.5)
Underlying net financing costs	**(131.0)**	(142.7)
Other financing (costs)/income		
Valuation movements on fair value of derivatives	**(88.8)**	42.0
Finance costs of non equity shares (Note 21)	**-**	(21.4)
Hedging reserve recycling	**(5.8)**	(6.2)
Provision for premium on redemption of securitised debt	**(11.4)**	(10.9)
Write off fees on refinanced loan	**(4.6)**	(4.1)
Cost on repayment of secured loans	**-**	(2.7)
	(110.6)	(3.3)
Net financing expenses	**(241.6)**	(146.0)
Total financing income	**0.9**	1.8
Total financing expenses	**(242.5)**	(147.8)
Net financing costs	**(241.6)**	(146.0)

Financing fees included in interest payable totalled £12.8m in 2016 (2015 – £11.7m).

Costs on repayment of secured loans in 2016 comprised the accelerated amortisation of £4.6m of deferred fees on the retail loan facility which was refinanced in November 2016. On 22 July 2015, the development loan facility drawn down to fund the construction of 25 Churchill Place was repaid. Swap breakage costs of £0.6m were incurred and amortisation of £2.1m of deferred fees was accelerated.

The finance cost of the preference shares prior to their redemption in April 2015 totalled £21.4m and comprised £7.2m of coupon payable, £7.3m of amortised deferred fees, of which £6.9m was accelerated as a result of the redemption, £5.5m of early redemption premium and £1.4m of swap breakage costs.

Fees totalling £4.1m incurred on a £140.0m mezzanine loan facility had been deferred in prior years. Following the agreement of a new £140.0m shareholder loan facility in October 2015 to replace the mezzanine loan, the deferred fees were written off.

The amount transferred to properties under construction and held for development comprised £35.3m attributable to the cost of funds of the Group's general borrowings (2015 – £28.6m). 2016 also included £1.4m of finance costs recognised on a construction loan facility which is being utilised to finance the infrastructure spend on the New District of Canary Wharf. Capitalised general interest has been calculated by reference to the costs incurred by the Group on developing the properties where construction is taking place, and is being funded by the Group's general cash resources and the weighted average cost of debt for the year of 4.9% (2015 – 5.4%).

In 2016, £5.8m (2015 - £6.1m) was recycled to the Consolidated Income Statement from the hedging reserve as the corresponding hedged cash flows occurred in the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (Continued)

In 2016, £7.1m of fair value losses on interest rate swaps were taken to the hedging reserve. The hedging instruments were entered into in November 2016 in connection with the retail loan refinancing and were classified as effective.

In July 2014, the Group redeemed £577.9m of A1 Notes, together with accrued interest up to the redemption date. The Securitisation Trustee indicated to the Group that it was 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 have been paid to the holders of the A1 Notes in connection with the redemption. CWF II as issuer 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 was in July 2015. On 28 January 2016 judgement was delivered which held that an amount equivalent to spens was payable on redemption under the Note conditions and should therefore be paid to the holders of the A1 Notes. Following a further decision by the Judge not to allow an appeal, CWF II applied to the Court of Appeal for leave to appeal against this decision. In July 2016, the issuer received permission to appeal on the basis that there is a real prospect of success. Procedural steps leading to the hearing are being taken and the hearing has been fixed for 13 and 14 June 2017.

CWF II agreed 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 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 £15.7m up to 31 December 2015, and a further £11.4m in 2016 has been recognised in the Consolidated Income Statement and classified as a capital and other item.

In 2009, the Group acquired £58.3m of D2 Notes. In July 2015, the D2 Notes were resold in the market for £53.4m. A £4.9m difference between the carrying value of the Notes and the consideration on sale is being amortised over the period to final maturity in 2032.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (Continued)

8. TAX

	2016 £m	2015 £m
Tax charge		
Current tax charge to income	**(6.5)**	(0.6)
Deferred tax	**45.4**	34.7
Group total tax	**38.9**	34.1
Tax reconciliation		
Group (loss)/profit on ordinary activities before tax	**(21.4)**	524.7
Tax on profit on ordinary activities at UK corporation tax rate of 20% (2015 – 20.25%)	**4.3**	(106.3)
Effects of:		
Change in tax rate	**5.9**	25.3
Adjustments in respect of prior years	**2.7**	73.6
Indexation allowances and net effect of restriction or reversal of previously restricted capital losses	**7.4**	33.2
Revaluation of properties held offshore	**(5.1)**	–
Expenses not deductible for tax purposes	**(0.3)**	(3.4)
Deferred tax assets not recognised on losses	**–**	(1.8)
Group relief	**15.1**	–
Other differences	**8.9**	13.5
Group total tax	**38.9**	34.1

The 2015 tax rate of 20.25% was calculated by reference to the corporation tax rate of 20.0% which was in effect for the final 3 quarters of the year and the previous rate of 21.0% which was in effect for the first quarter of the year.

The reconciling items noted above in relation to property valuation movements reflect the following main factors:

- Indexation allowances, which are calculated by reference to changes in the Retail Prices Index, serve to change the Group's deferred tax independently of any movements in valuation;
- Indexation allowances cannot create or increase a capital loss. Similarly capital losses are restricted on certain properties where capital allowances have been previously claimed. As such, reductions in property valuations do not necessarily result in the recognition of a corresponding deferred tax asset; and
- Property valuation gains do not necessarily result in the recognition of a corresponding deferred tax liability where the valuation gain results in a reversal of previous such restrictions.

Taking into account the availability of brought forward tax losses and other reliefs, a charge of £6.5m has been recognised in the year. In 2016 net corporation tax payments of £64.9m were made which resulted in the accrual for corporation tax payable reducing to £4.0m at 31 December 2016, in comparison with £62.4m at 31 December 2015 (Note 17).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (Continued)

Following the change of ownership and the Company having gained direct or indirect control over the entire share capital of Canary Wharf Group plc, £364.2m of losses incurred by the Group were recognised for the purposes of calculating deferred tax assets.

	Losses & tax credits £m	Revaluation deficits £m	Fair value of derivatives £m	Financial instruments £m	Other £m	Total £m
Deferred tax assets						
1 January 2015	21.4	1.0	112.5	8.7	13.9	157.5
Credit/(charge) to income	80.8	1.9	(59.0)	(6.1)	4.2	21.8
Credit to equity	–	–	(2.1)	–	–	(2.1)
31 December 2015	102.2	2.9	51.4	2.6	18.1	177.2
(Charge)/credit to income	(17.4)	(1.2)	20.2	(0.4)	2.2	3.4
Charge to equity	–	–	(0.6)	–	–	(0.6)
31 December 2016	**84.8**	**1.7**	**71.0**	**2.2**	**20.3**	**180.0**

	Revaluation surpluses £m	Fair value of derivatives £m	Financial instruments £m	Other £m	Total £m
Deferred tax liabilities					
1 January 2015	(358.2)	–	(39.5)	(3.9)	(401.6)
(Charge)/credit to income	(4.7)	–	14.6	3.0	12.9
31 December 2015	(362.9)	–	(24.9)	(0.9)	(388.7)
Credit/(charge) to income	40.5	–	1.6	(0.1)	42.0
31 December 2016	**(322.4)**	**–**	**(23.3)**	**(1.0)**	**(346.7)**

All deferred tax assets and liabilities may potentially be offset. The amount at which deferred tax is stated, after offsetting for financial reporting purposes, comprises:

	£m
Net liability at 1 January 2015	(244.1)
Credit to income	34.7
Charge to equity	(2.1)
Net liability at 31 December 2015	(211.5)
Credit to income	45.4
Charge to equity	(0.6)
Net liability at 31 December 2016	**(166.7)**

The standard rate of corporation tax payable by the Group reduced from 20.0% to 19.0% with effect from 1 April 2016. Enacted in the Finance Act (No.2) 2015 is a reduction in the corporation tax rate to 17.0% on 1 April 2020. Deferred corporation tax has been provided by reference to this enacted corporation tax rate.

It is not possible to determine the amounts which will crystallise within one year as required by IFRS as it is not possible to determine which properties, if any, will be sold in the next financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (Continued)

A deferred tax asset has been recognised on the mark to market of debt and other adjustments relating to Canary Wharf Group's tax position at the date of acquisition. These deferred tax balances will be amortised to the Consolidated Income Statement in line with the amortisation of the fair value adjustments which gave rise to them.

Deferred tax assets of £1.6m attributable to unused tax losses were not recognised at 31 December 2015 as it was not considered probable that they could be utilised. There were no such unrecognised deferred tax assets at 31 December 2016.

9. OPERATING LEASES

Operating leases with the Group as lessor
The Group leases out its investment properties under operating leases as defined by IAS 17.

At 31 December 2016, the weighted average unexpired lease term under non cancellable operating leases for the entire investment property portfolio, including retail, was 11.2 years (2015 – 11.7 years).

The future aggregate minimum rentals receivable under non cancellable operating leases, excluding contingent rental income, at the balance sheet dates are as follows:

	31 December 2016 £m	31 December 2015 £m
Within one year	**264.6**	262.2
Between 2 and 5 years	**949.0**	968.5
After 5 years	**1,811.6**	1,995.5
	3,025.2	3,226.2

10. DIRECTORS AND EMPLOYEES

With the exception of fees paid to certain non executive directors, all other staff costs relate to employees of Canary Wharf Group.

Staff costs – all employees of the Group, including directors:

	2016 £m	2015 £m
Wages and salaries	**89.2**	75.8
Social security costs	**10.2**	8.1
Other pension costs	**5.8**	5.5
	105.2	89.4

The average monthly number of employees during 2016 was 1,157 (2015 – 1,073) as set out below:

	2016	2015
Construction	**325**	271
Property management	**631**	612
Administration	**201**	190
	1,157	1,073

Directors' remuneration

	2016 £'000	2015 £'000
Emoluments paid or payable	**8,006**	2,408

Emoluments paid in 2016 including those received by the highest paid director comprise a full year charge and payments under the deferred payments scheme while the comparative disclosure for 2015 was apportioned from the relevant dates of appointment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (Continued)

Highest paid director

	2016 £'000	2015 £'000
Highest paid director	5,227	1,003

No pension plan is operated by the Company and none of the directors participate in Canary Wharf Group's pension scheme.

Other directors

In 2016, no travel and other subsistence expenses were reimbursed to non executive directors (2015 – £16,830).

Key management
The business of the Company is the management of its investment in Canary Wharf Group. The overall business decisions of the Company are managed by the Board and its committees. Remuneration of the directors is as disclosed above.

Pension schemes
The Group currently operates a defined contribution pension scheme. The assets of this scheme are held in an independently administered fund. The pension cost, which amounted to £5.8m (2015 – £5.5m), represents contributions paid by the Group during the year.

Directors' share allocations/long term benefits
No executive share allocation plan has been adopted by the Company. A scheme of deferred payments based on notional shares and the adjusted NAV of the Group has however been introduced for certain directors and senior employees of Canary Wharf Group. In accordance with the terms of this deferred payment scheme, during 2016 directors received payments totalling £3,788,776.

11. INVESTMENT, DEVELOPMENT AND CONSTRUCTION PROPERTIES AND PLANT AND EQUIPMENT

Non current property assets, construction contracts and current property assets at 31 December 2015 comprised:

	Investment properties £m	Under construction to be retained £m	Development Properties £m	Construction contracts £m	**Total £m**	Under construction to be sold £m	**Total £m**
Fair value at 1 January 2015	5,828.9	150.3	886.0	–	**6,865.2**	–	**6,865.2**
Adjust for brought forward:							
– tenant incentives*	(213.2)	–	–	–	**(213.2)**	–	**(213.2)**
– unamortised lease negotiation costs*	(10.8)	(1.8)	–	–	**(12.6)**	–	**(12.6)**
– obligations under long term property lease (Note 22)	–	–	55.0	–	**55.0**	–	**55.0**
Carrying value at 1 January 2015	5,604.9	148.5	941.0	–	**6,694.4**	–	**6,694.4**
Additions	23.3	37.6	96.5	1.4	**158.8**	17.0	**175.8**
Capitalised interest	–	6.8	19.5	–	**26.3**	2.3	**28.6**
Revaluation movement	342.8	14.5	77.2	–	**434.5**	–	**434.5**
Transfers	99.7	(99.7)	(113.0)	–	**(113.0)**	113.0	**–**
Transfer to cost of sales	–	–	–	(1.5)	**(1.5)**	–	**(1.5)**
Transfer to payments on account	–	–	–	0.1	**0.1**	–	**0.1**
Adjustment for ground rent obligations (Note 22)	–	–	7.2	–	**7.2**	–	**7.2**
Carrying value at 31 December 2015	**6,070.7**	**107.7**	**1,028.4**	**–**	**7,206.8**	**132.3**	**7,339.1**
Adjust for:							
– tenant incentives*	205.5	–	–	–	**205.5**	–	**205.5**
– unamortised lease negotiation costs*	9.8	1.8	–	–	**11.6**	–	**11.6**
– obligations under long term property lease (Note 22)	–	–	(62.2)	–	**(62.2)**	–	**(62.2)**
Fair value at 31 December 2015	**6,286.0**	**109.5**	**966.2**	**–**	**7,361.7**	**132.3**	**7,494.0**

* Refer to Note 14 for further details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (Continued)

Non current property assets, construction contracts and current property assets at 31 December 2016 comprised:

	Investment properties £m	Under construction to be retained £m	Development properties £m	Construction contracts £m	**Total £m**	Under construction to be sold £m	**Total £m**
Fair value at 1 January 2016	6,286.0	109.5	966.2	–	**7,361.7**	132.3	**7,494.0**
Adjust for brought forward:							
– tenant incentives*	(205.5)	–	–	–	**(205.5)**	–	**(205.5)**
– unamortised lease negotiation costs*	(9.8)	(1.8)	–	–	**(11.6)**	–	**(11.6)**
– obligations under long term property lease (Note 22)	–	–	62.2	–	**62.2**	–	**62.2**
Carrying value at 1 January 2016	6,070.7	107.7	1,028.4	–	**7,206.8**	132.3	**7,339.1**
Additions	10.5	111.7	91.7	(0.5)	**213.4**	35.9	**249.3**
Capitalised interest	–	16.3	12.9	–	**29.2**	7.5	**36.7**
Transfer	–	184.3	(184.3)	–	**–**	–	**–**
Revaluation movement	18.0	(26.4)	(56.4)	–	**(64.8)**	–	**(64.8)**
Transfer to cost of sales	–	–	–	0.5	**0.5**	–	**0.5**
Carrying value at 31 December 2016	**6,099.2**	**393.6**	**892.3**	**–**	**7,385.1**	**175.7**	**7,560.8**
Adjust for:							
– tenant incentives*	195.0	–	–	–	**195.0**	–	**195.0**
– unamortised lease negotiation costs*	9.8	1.8	–	–	**11.6**	–	**11.6**
– obligations under long term property lease (Note 22)	–	–	(62.2)	–	**(62.2)**	–	**(62.2)**
- Unrecognised revaluation surplus	–	–	–	–	**–**	4.8	**4.8**
Fair value at 31 December 2016	**6,304.0**	**395.4**	**830.1**	**–**	**7,529.5**	**180.5**	**7,710.0**

* Refer to Note 14 for further details.

Recurring fair value measurement

The fair value of the Group's property portfolio at 31 December 2016 was £7,710.0m (31 December 2015 – £7,494.0m).

IFRS 13 establishes a fair value hierarchy that classifies valuation inputs into 3 levels:

- Level 1: Unadjusted quoted prices in active markets;
- Level 2: Observable inputs other than quoted prices included within level 1;
- Level 3: Unobservable inputs.

All of the Group's properties are valued externally by qualified valuers, with office properties and future development sites valued by either CB Richard Ellis Limited or Savills Commercial Limited and retail properties valued by Cushman & Wakefield. The valuers have classified all of the Group's properties as Level 3.

Valuation process

Property valuations are assessed 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 reflect deductions in respect of purchaser's costs and, in particular, liability for Stamp Duty Land Tax 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 (referred to by IFRS13 as 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 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 its overall responsibilities.

Valuation techniques used for Level 3

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 were no transfers of properties between Levels 1, 2 and 3 during the period and all properties were classified as level 3 at both the beginning and end of the period. There have been no changes in valuation technique since the previous year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (Continued)

Quantitative information about fair value measurements using unobservable inputs (Level 3)

	Fair value at 31 December 2016 £m	Valuation techniques	Unobservable Inputs	Range or (weighted average)
Investment properties:				
- Offices	5,029.0	Discounted cash flow	Annual rent psf (ERV)	£42.50 – £53.50 psf (i)
			Discount rate	3.6% – 7.0% (4.6%)
			Capitalisation rate for terminal value	4.0% – 6.0% (5.3%)
		Yield methodology	Annual rent psf (ERV)	As above (i)
			Capitalisation rate - Initial yield - Equivalent yield	3.9% – 6.0% (4.2%) (4.7%)
- Retail and parking	1,275.0	Discounted cash flow	Annual rent psf (ERV)	£155ZA - £375ZA (ii) (£245ZA)
			Discount rate	6.62%
			Capitalisation rate for terminal value	4.05%
		Yield methodology	Annual rent psf Capitalisation rate - Initial yield - Equivalent yield	As above (ii) (3.7%) (3.9%)
	6,304.0			
Properties under construction to be retained:				
- Offices	151.0	Capitalised net revenues less costs to complete	Capitalised net revenues Estimated costs to complete	£47.50 - £52.00 psf (iii) (iv)
- PRS	244.4	Capitalised net revenues less costs to complete	Capitalised net revenues Estimated costs to complete	(iv)
	395.4			
Properties held for development:	830.1	Capitalised net revenues less costs to complete	Capitalised net revenues Estimated costs to complete	(iii) (iv)
	7,529.5			
Properties under construction to be sold:				
10 Park Drive/One Park Drive	180.5	Capitalised net revenue less costs to complete	Capitalised net revenues Estimated costs to complete	(iii) (iv)
Total for entire property portfolio	**7,710.0**			

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (Continued)

Sensitivity of measurement to charges in significant unobservable inputs

A fall in the estimated annual rents will reduce the fair value.

An increase in the discount rates and the capitalisation rates (used for both the direct capitalisation method or terminal value of discounted cash flow method) will reduce the fair value.

For properties under construction or held for development, an increase in the estimated cost to completion and/or in the forecast time to complete will reduce the fair value. The incurrence of such costs over the period to completion will increase fair value.

There are interrelationships between these inputs as they are partially determined by market conditions.

A movement in more than one unobservable input could magnify the impact on the valuation. Alternatively, the impact on the valuation could be mitigated by the interrelationships of two unobservable inputs moving in opposite directions e.g. an increase in ERV may be offset by an increase in yield, resulting in no net impact on the valuation.

Transactions relating to property assets

In October 2014, the Group announced the prelet of approximately 280,000 sq ft in a new 715,000 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 is disclosed as a property under construction.

Construction continues on 10 Park Drive, a residential building being developed with a view to sale of individual apartments and at 31 December 2016, 274 apartments had been sold. The Group is committed to constructing a second residential building at One Park Drive, again with a view to sale of individual apartments. Marketing of this building will be launched in Spring 2017. Consequently both sites are classified as current property assets.

At 31 December 2016 properties under construction included £67.3m of capitalised interest compared with £30.6m at 31 December 2015.

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 was appointed to act as development and construction manager in relation to the site and has received £76.0m as an advance of developer's profit. The agreement expired in October 2016 and as a result a profit has been recognised of £71.2m, representing the £76.0m advance less net costs allocated to the site since 2008 which were not recoverable from J.P. Morgan.

Included in investment properties is an amount of approximately £59.0m (31 December 2015 – £61.3m) in respect of property occupied by the Group, which in the opinion of the directors is not material for separate classification.

The historical cost of properties held as non current assets at 31 December 2016 was £4,293.1m (31 December 2015 – £4,050.0m). At 31 December 2016 and 31 December 2015, no property was subject to a finance lease obligation.

Direct operating expenses arising from investment properties that did not generate rental income in the year totalled £7.8m (2015 – £7.7m).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (Continued)

Construction contracts
Construction contracts comprise amounts recoverable under long term development contracts less payments on account. The amounts for payments on account during the year and the comparative period are as follows:

	Riverside South £m
1 January 2015	71.4
Advances received	1.0
Contract revenue recognised as revenue in the Consolidated Income Statement	(1.5)
Offset from construction contracts	0.1
31 December 2015	71.0
Directly attributable fees	(0.3)
Contract revenue recognised as profit in the Consolidated Income Statement	(71.2)
Offset from construction contracts	0.5
Gross amount due to customers for contract work at 31 December 2016	**-**

Cumulative amounts accounted for as construction contracts are as follows:

	£m
Advances received	141.7
Directly attributable fees	(0.3)
Recognised as revenue	(156.6)
Transferred to construction contracts	15.2
Payments on account (Note 17)	-

No retentions were held by customers for contract work at either 31 December 2016 or 31 December 2015.

Plant and equipment
Plant and equipment comprises computers, furniture, fixtures and fittings and improvements to Group offices. These assets are stated at cost less accumulated depreciation, and are depreciated to their anticipated residual value at the rates set out in Note 1(e).

	£m
At 1 January 2015	4.2
Additions	1.6
Depreciation	(0.9)
31 December 2015	4.9
Additions	0.5
Depreciation	(0.6)
31 December 2016	**4.8**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (Continued)

12. INVESTMENTS

The investments balance comprises:

	31 December 2016 £m	31 December 2015 £m
Shares	**36.8**	36.8
Loans	**137.2**	202.6
	174.0	239.4
Fees on acquisition	**0.7**	0.7
Share of post acquisition profits	**3.8**	1.6
Fair value adjustments	**100.8**	100.4
Impairment of investment	**(0.4)**	(0.4)
Distribution	**(16.9)**	–
	262.0	341.7

The fair values of all equity securities are based on the net assets of those companies as adjusted for the fair values of assets and liabilities.

Investments comprise:

	31 December 2016 £m	31 December 2015 £m
Associates and joint ventures	**218.5**	299.4
Other investments	**43.5**	42.3
	262.0	341.7

Associates and joint ventures
The carrying value of the investment in associates and joint ventures comprised:

At 31 December 2016	20 Fenchurch Street £m	Shell Centre £m	Total £m
Initial investment	0.1	–	0.1
Fees	–	0.7	0.7
Loan funding	–	137.2	137.2
Recognised share of profits/(losses)	9.0	(5.2)	3.8
Distribution	(16.9)	–	(16.9)
Share of revaluation surplus	93.6	–	93.6
	85.8	**132.7**	**218.5**

The directors consider that the values of the projects are not less than the amounts invested at the balance sheet date.

Details of the Group's associates and joint ventures at 31 December 2016 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

Shell Centre

On 23 July 2015, Braeburn Estates Limited Partnership (BELP), in which the Group holds a 50.0% interest, completed the draw down from Shell of long leases of each of the sites comprising the development. The aggregate consideration was £300.0m.

BELP has entered into forward sale agreements with Almacantar for two office properties within the Shell Centre redevelopment and has accounted for these agreements as construction contracts. At 31 December 2016, aggregate profits of £3.0m had been recognised on the contracts.

BELP has also entered into a conditional contract with a fund to sell the PRS element of a residential building. The remaining properties are residential properties held for sale. A £384.1m construction loan facility has been entered into and at 31 December 2016 £23.4m had been drawn down.

The aggregated receipts from forward sale agreements, sale of apartments and loan drawn downs have been used to part fund the cost of lease draw down from Shell and subsequent construction expenditure. All the properties are held for sale or accounted for as construction contracts and are therefore carried at the lower cost and Net Realisable Value.

The Group's investment to 31 December 2016 (net of receipts under forward sale agreements) including fees of £0.7m paid on entering into the agreement with Shell totalled £132.7m (31 December 2015 – £133.6m). At 31 December 2016, the joint venture entities had aggregate assets of £504.8m and liabilities of £240.8m (31 December 2015 – assets of £277.8m and liabilities of £11.7m).

20 Fenchurch Street

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 acted as sole construction manager and joint development manager. The Group's investment was stated at £165.8m at 31 December 2015 representing the initial investment plus associated fees, together with subsequent funding and the Group's share of revaluation surpluses and its share of operating profits and losses. At 31 December 2015, the historic cost of the Group's investment was £65.4m including fees and no further investment has been made. In June 2016, the syndicate in which the Group has a 30% interest and which owns 50% of 20 Fenchurch Street Limited Partnership, the entity which owns 20 Fenchurch Street, entered into a £291.5m loan facility. In July 2016, £82.3m was received following a refinancing of the Group's investment of which £65.4m was accounted for as a repayment of the Group's investment and £16.9m as a realisation of post acquisition profit. The investment is now carried at £85.8m which includes the group's share of post completion profits and revaluation gains.

The most recent valuation was £1,080.0m at 31 December 2016 and has resulted in a cumulative revaluation surplus, net of adjustment for tenant incentives, of £618.9m (31 December 2015 – £624.2m), of which £93.6m (31 December 2015 – £94.4m) is attributable to the Group. Including the revaluation of property, at 31 December 2016 the 20 Fenchurch Street entities had assets of £1,157.5m and liabilities of £585.3m (31 December 2015 – assets of £1,129.0m and liabilities of £23.4m).

Financial Information

The Shell Centre entities have a 31 December financial year end and the 20 Fenchurch Street entities have a 31 March financial year end. The results of the 20 Fenchurch Street 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:

Summarised profit and loss accounts for 2016	20 Fenchurch Street £m	Shell Centre £m
Other income/(costs)	20.5	(2.0)
Revaluation movement	(5.3)	-
Profit/(loss) before and after tax	15.2	(2.0)
Group share	2.3	(1.0)

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Summarised profit and loss accounts for 2015	20 Fenchurch Street £m	Shell Centre £m
Other income/(costs)	39.7	(2.8)
Revaluation gain	151.7	–
Profit/(loss) before and after tax	191.4	(2.8)
Group share	28.8	(1.4)

Summarised balance sheets at 31 December 2016	20 Fenchurch Street £m	Shell Centre £m
Total assets	1,157.5	504.8
Total liabilities*	(585.3)	(240.8)
Net assets	572.2	264.0
Group share	85.8	132.0

* Note: Total liabilities have been grossed up to reflect the 30% interest the Group holds in the £291.5m loan facility used to refinance the syndicate's investment in 20 Fenchurch Street.

Summarised balance sheets at 31 December 2015	20 Fenchurch Street £m	Shell Centre £m
Total assets	1,129.0	277.8
Total liabilities	(23.4)	(11.7)
Net assets	1,105.6	266.1
Group share	165.8	133.6

Other Investments

In June 2015, the Group acquired a 10.0% interest in an SLP established to acquire 10 Upper Bank Street. At 31 December 2016, 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 primarily attributable to the revaluation surplus recognised on the building since its acquisition by the SLP of £61.0m and the recognition of an out of the money interest rate swap valuation of £14.3m. This resulted in a carrying value of £43.3m.

The Group continues to own an interest in HighSpeed Office Limited, an unlisted company, equivalent to approximately 13.0% of its nominal share capital. The carrying value of the investment at 31 December 2016 was £0.2m (31 December 2015 – £0.2m).

13. TRADE AND OTHER RECEIVABLES

	2016 £m	2015 £m
Trade receivables	**8.1**	10.5
Other receivables	**5.3**	20.7
Prepayments and accrued income	**26.6**	19.3
Deferred financing expenses	**28.8**	15.4
Total trade and other receivables	**68.8**	65.9

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the receivables on an individual basis from the date the trade receivable was created to the date the accounts were approved. Credit risk is reduced due to the Group's properties being under lease to high quality tenants. In addition, rents and service charges are invoiced quarterly in advance.

At 31 December 2016, trade receivables included one trade debtor in excess of £1.0m, with an aggregate amount outstanding of £1.4m representing 17.2% of gross trade receivables at that date. This amount was receivable from BELP, a related party, and was cleared subsequent to the year end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (Continued)

Trade receivables more than 61 days past due at 31 December 2016 totalled £1.1m (31 December 2015 - £1.4m). At 31 December 2016 provisions against bad or doubtful trade debts totalled £0.1m (31 December 2015 – £0.1m) and the bad debt expense for the year was £0.1m. No impairment provisions were required against any other class of financial asset at either 31 December 2016 or 31 December 2015.

Prepayments and accrued income exclude the cumulative adjustment in respect of lease incentives (Note 14).

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 JP Morgan in connection with its acquisition of 25 Bank Street in December 2010, any settlement of the claim is to be shared 50:50 with JP Morgan net of fees and costs.

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 JP 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 was included in prepayments and accrued income at 31 December 2014.

In 2015, further payments on account of $11.7m or £7.8m were received and a total of £3.6m was paid to JP Morgan net of fees. In 2016, payments on account of $7.2m or £5.5m were received. At 31 December 2016, prepayments and accrued income included £1.5m relating to the claim against LBHI net of amounts payable to JP Morgan.

14. TENANT INCENTIVES AND OTHER NON CURRENT ASSETS

Lease incentives include rent free periods and other incentives given to lessees on entering into lease arrangements.

	Rent free periods £m	Other tenant incentives £m	Total tenant incentives £m	Deferred negotiation costs £m	**Total £m**
1 January 2015	67.7	145.5	213.2	12.6	**225.8**
Recognition of rent during rent free periods	8.7	–	8.7	–	**8.7**
Amortisation	(9.4)	(7.0)	(16.4)	(3.8)	**(20.2)**
Deferred lease negotiation costs	–	–	–	2.8	**2.8**
31 December 2015	**67.0**	**138.5**	**205.5**	**11.6**	**217.1**
Recognition of rent during rent free periods	8.3	–	8.3	–	**8.3**
Amortisation	(11.0)	(7.8)	(18.8)	(2.8)	**(21.6)**
Deferred lease negotiation costs	–	–	–	2.8	**2.8**
31 December 2016	**64.3**	**130.7**	**195.0**	**11.6**	**206.6**

15. MONETARY DEPOSITS

Monetary deposits comprise amounts held on deposit with original maturities in excess of 3 months or not held for the purpose of meeting short term cash commitments. These deposits are charged, relate to the Group's construction contracts and mature over the life of those contracts.

	2016 £m	2015 £m
Monetary deposits held at bank	**2.3**	2.3

The effective interest rate on monetary deposits was 0.1% (31 December 2015 – 0.1%).

16. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	2016 **£m**	2015 £m
Unsecured cash	**189.3**	169.9
Collateral for borrowings	**352.9**	330.7
Security for obligations	**14.8**	12.9
	557.0	513.5

Unsecured cash includes £7.7m held by the Company – (31 December 2015 – £9.0m).

The effective interest rate on short term deposits at 31 December 2016 was 0.1% (31 December 2015 – 0.1%) and the deposits had an average maturity of 1 day (31 December 2015 – 5 days).

Cash and cash equivalents comprise cash held by the Group and short term bank deposits with an original maturity of 3 months or less. The carrying amount of these assets approximates their fair value.

The Group's collateral for borrowings can be analysed by the borrowings to which it relates as follows:

	2016 **£m**	2015 £m
Securitised debt	**265.2**	242.9
Secured loans	**37.2**	37.1
Loan notes	**27.7**	28.9
Residential sales deposits	**22.8**	21.8
	352.9	330.7

Of the cash collateral disclosed above, all of the secured loans balance and £23.2m of the securitised debt balance (31 December 2015 – £13.3m) represents rental payments from tenants received in advance.

Securitised debt collateral includes £196.0m placed on deposit for the potential liability to pay a premium to the A1 noteholders following the redemption of the A1 Notes in July 2014 (Note 7).

Securitised debt collateral also includes £22.2m deposited by Barclays Bank as a result of the downgrade of its credit rating as swap provider.

The balance of cash collateral for borrowings disclosed above is held to reduce the exposure of the lenders to certain risks such as cash collateralising the Group's exposure on vacant property. These amounts are released from charge as and when such risks are eliminated in accordance with the sale agreements and the terms of the loans.

The residential sales deposits comprises deposits received on the sale of apartments at 10 Park Drive, net of releases to fund construction costs in accordance with the sale of agreements and the related construction loan facility.

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17. TRADE AND OTHER PAYABLES AND CORPORATION TAX

	2016 £m	2015 £m
Trade payables	**16.4**	10.2
Tax and social security costs	**12.4**	12.9
Other payables	**35.6**	47.8
Other accruals	**89.0**	83.4
Deferred income	**105.1**	106.2
Payments on account (Note 11)	**-**	71.0
Residential sale proceeds	**40.3**	20.8
Total trade and other payables	**298.8**	352.3
Corporation tax	**4.0**	62.4

Residential sale proceeds comprises deposits received from the sale of apartments, stated net of fees relating to the sale.

Trade and other payables includes £136.1m of financial liabilities at 31 December 2016 (31 December 2015 – £104.2m). These amounts are all payable on demand.

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and construction costs. The average credit period taken for trade purchases is 14 days (31 December 2015 – 11 days). For those suppliers that do charge interest, no interest is charged on the trade payables for the first 28 days from the date of the invoice. Thereafter interest is charged on the outstanding balances at various interest rates which are determined by reference to the terms of each such agreement. The Group has financial risk management policies in place which seek to ensure that all payables are paid within the credit timeframe. The directors consider that the carrying amount of trade payables approximates their fair value. For further information on corporation tax, refer to Note 8.

18. CURRENT PORTION OF LONG TERM BORROWINGS

The current portion of long term borrowings comprises:

	2016 £m	2015 £m
Accrued interest payable	**16.5**	17.3
Repayable within one year:		
– securitised debt	**29.3**	29.3
– secured loans	**16.4**	135.7
Long term borrowings repayable within one year	**62.2**	182.3

The terms of the Group's loan facilities are summarised in Note 21.

19. BORROWINGS

Non current liability borrowings comprise:

	2016 £m	2015 £m
Securitised debt	**1,548.5**	1,579.0
Loan notes	**26.1**	27.3
Secured loans	**1,592.3**	1,262.0
Construction Loan	**51.6**	15.6
	3,218.5	2,883.9

The terms of the Group's loan facilities are summarised in Note 21.

20. DERIVATIVE FINANCIAL INSTRUMENTS

Hedge accounting

The Group uses interest rate swaps to hedge exposure to the variability in cash flows on floating rate debt, including its bank facilities and floating rate bonds, caused by movements in market rates of interest. At 31 December 2016, the fair value of these derivatives resulted in the recognition of a liability of £624.2m (31 December 2015 – £528.3m) of which £7.1m (31 December 2015 – £nil) was recognised in respect of cash flow hedges which qualify for hedge accounting.

	2016 **£m**	2015 £m
Net liabilities:		
Securitisation	**360.5**	287.4
Other secured loans	**263.7**	240.9
	624.2	528.3

The fair value of the derivatives are stated net of a credit value/debit value adjustment reflecting the credit worthiness of the parties to the derivatives. This served to reduce the net liability of the derivatives by £23.6m from £647.8m (31 December 2015 - £15.3m from £543.6m).

Maturity of the Group's financial derivatives

The following tables show undiscounted cash flows in relation to the Group's derivative financial instruments based on the Group's prediction of future movements in interest rates.

	Securitised debt £m	Other secured loans £m	**Total derivative liabilities £m**
Within one year	29.7	29.4	**59.1**
In one to 2 years	29.2	27.8	**57.0**
In 2 to 5 years	80.2	67.1	**147.3**
In 5 to 10 years	112.6	81.8	**194.4**
In 10 to 20 years	177.9	79.9	**257.8**
31 December 2016	**429.6**	**286.0**	**715.6**

	Securitised debt £m	Other secured loans £m	Total derivative liabilities £m
Within one year	28.4	27.7	56.1
In one to 2 years	24.9	22.4	47.3
In 2 to 5 years	63.3	55.6	118.9
In 5 to 10 years	86.9	69.3	156.2
In 10 to 20 years	153.4	76.7	230.1
31 December 2015	356.9	251.7	608.6

The impact of changes in interest rates would be primarily on interest receivable and the interest payable on the loan secured against 25 Churchill Place and the loan secured against 7 Westferry Circus since the other borrowings are subject to interest rate swaps. All cash deposits are at floating rates. The impact of a 0.5% increase/(decrease) in interest rates would result in an additional credit/(charge) of £0.8m/£(1.1m) (2015 - £2.6m/£(2.6m)) to the Consolidated Income Statement. The Consolidated Income Statement is also impacted by changes in the fair value of derivatives that are not considered effective for hedge accounting purposes. A 0.5% higher/(lower) parallel shift in the interest rate curve used to value the derivatives, with all other variables held constant, would have increased/(decreased) the Group's net assets for 2016 by £118.5m/£(127.2)m (2015 – £99.5m/£(107.5m)) by changing the profit or loss for the year by £104.6m/£(112.9)m and comprehensive income by £13.9m/£(14.3)m. Other equity reserves would have been unchanged in 2015 as none of the Group's derivatives qualified for hedge accounting. The 0.5% sensitivity has been selected based on the directors' view of a reasonable interest rate curve movement assumption.

NOTES TO THE FINANCIAL CONSOLIDATED STATEMENTS
for the year ended 31 December 2016 (Continued)

21. NET DEBT

	2016 £m	2015 £m
Securitised debt	**1,950.3**	1,908.4
Loan notes	**26.2**	27.3
Other secured loans	**1,928.4**	1,658.8
Gross debt	**3,904.9**	3,594.5
Current liabilities	**62.2**	182.3
Non current liabilities:		
– borrowings	**3,218.5**	2,883.9
– derivatives including assets	**624.2**	528.3
Gross debt	**3,904.9**	3,594.5
Cash and cash equivalents	**(557.0)**	(513.5)
Monetary deposits	**(2.3)**	(2.3)
Net debt	**3,345.6**	3,078.7

The amounts at which borrowings are stated comprises:

	Securitised debt £m	Loan notes £m	Other secured loans £m	Construction loan £m	Total £m
1 January 2016	1,908.4	27.3	1,643.0	15.8	**3,594.5**
Drawn down	–	–	880.0	36.0	**916.0**
Effective interest rate adjustment	(1.2)	–	0.2	(0.1)	**(1.1)**
Accrued finance charges	(0.7)	0.1	(0.2)	0.2	**(0.6)**
Repaid in year	(29.3)	(1.2)	(669.3)	–	**(699.8)**
Movements in fair value of derivatives	73.1	–	22.8	–	**95.9**
31 December 2016	1,950.3	26.2	1,876.5	51.9	3,904.9
Payable within one year or on demand	41.3	0.1	20.5	0.3	**62.2**
Payable in more than one year	1,548.5	26.1	1,592.3	51.6	**3,218.5**
Derivatives classified as non current liabilities	360.5	–	263.7	–	**624.2**
	1,950.3	26.2	1,876.5	51.9	3,904.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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All the borrowings of Canary Wharf Group are secured against designated property interests of Canary Wharf Group.

(1) At 31 December 2016, the following Notes issued by CWF II, a subsidiary of Canary Wharf Group, were outstanding:

Class	Principal £m	Interest	Repayment
A1	311.4	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	155.5	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
	1,531.5		

The Notes are secured on certain property interests of Canary Wharf Group and the rental income stream therefrom.

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 0.7% in January 2017; C2 Notes – 1.375%; and D2 Notes – 2.1%.

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.

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 £195.9m as cash collateral in respect of this obligation. The annual fee payable during the year ended 31 December 2016 in respect of the arrangement was £1.8m.

CWF II also has the benefit of a £300.0m liquidity facility provided by Lloyds Banking Group, 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 payable for the provision of this facility is 0.888% p.a..

The weighted average maturity of the debentures at 31 December 2016 was 14.6 years (31 December 2015 – 15.3 years). The debentures may be redeemed at the option of the issuer in an aggregate amount of not less than £1.0m on any interest payment date subject to the current rating of the debentures not being adversely affected and certain other conditions affecting the amount to be redeemed.

(2) The Group has a 5 year £700.0m loan facility secured against the Group's principal retail properties and its car parking interests which was entered into in November 2016. At December 2016, £600.0m had been drawn down and the additional £100.0m is available to be drawn until 4 May 2017. Interest on the loan is payable at 3 month LIBOR plus 2.0% and an interest rate hedge has been entered into to fix 3 month LIBOR at 0.963%. The undrawn £100m is subject to a CWG repayment guarantee at maturity.

The previous £600.0m facility secured against the Group's principal retail properties and its car parking interests was repaid and the amortisation of deferred loan fees was accelerated, resulting in a £4.6m charge to the Consolidated Income Statement.

(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 2016, £11.3m of the loan principal was repaid in accordance with the loan agreement reducing the principal at 31 December 2016 to £509.0m.

(4) In July 2015, a £384.0m 5 year loan facility was drawn down, secured against 25 Churchill Place. Interest on the loan is payable at 3 month LIBOR plus 1.35%. No hedging arrangements have been entered into in respect of this loan.

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(5) Loan notes with an outstanding value at 31 December 2016 of £26.1m were issued to fund the acquisition of certain parts of the New District of Canary Wharf. Interest on the loan notes is payable at 3 month LIBOR plus 1.0% p.a. from the dates specified. At 31 December 2016 the notes in issue were as follows:

	Nominal value £	Interest trigger date
'A' loan notes	8,223,188	6 February 2006
'B' loan notes	7,280,000	6 February 2009
'C' loan notes	6,530,000	6 February 2013
'D' loan notes	4,081,250	6 February 2016
	26,114,438	

In 2016, £223,685 of A notes, £360,000 of B notes, £360,000 of C notes and £225,000 of D notes were repaid. 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.

(6) In July 2013, the Group acquired 15 Westferry Circus and entered into a £128.0m credit facility. The facility comprised a fixed rate interest loan of £31.5m and a floating interest loan of £96.5m.

In April 2016 the credit facility was repaid and a new loan was drawn down comprising a £90.0m senior facility and a £20.0m mezzanine facility. Both facilities are repayable in April 2021. Interest is payable on the senior facility at a fixed rate after hedging of 2.825%. Interest is payable on the mezzanine facility at a fixed rate of 6.0%. The senior facility amortises with a balloon payment of £66.9m on maturity. In 2016, £2.2m of the loan principal of the senior facility was repaid in accordance with the terms of the loan reducing the principal at 31 December 2016 to £87.8m. The mezzanine facility is repayable in 2021 with a balloon payment.

(7) 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 2016, £21.8m remained unamortised.

(8) In March 2015, a £200.0m infrastructure loan facility was agreed with the HCA to part fund infrastructure spending on the new phase of Canary Wharf. Interest is payable at the EC reference rate of 1.02% plus 2.2% and the facility is repayable in March 2023. No hedging is required and at 31 December 2016, £53.4m had been drawn down.

(9) In March 2015, the Group completed a £620.0m construction facility, split in to 4 tranches of which 2 will be used to fund private sale residential buildings at Canary Wharf and 2 will be used to fund private rental sector buildings. The loan term is 5 years for the private sale buildings and 5.5 years for the private rental buildings. The loans carry a margin of 3 month LIBOR plus 3% and require 70.0% minimum hedging. No amounts had been drawn under this facility at 31 December 2016 and the associated arrangement and commitment fees have been deferred and are carried within other receivables.

(10) In October 2015, a £140.0m 3 year shareholder loan facility was agreed at a margin of 7.0%, subject to an arrangement fee of 1.0% payable on first draw down and a commitment fee of 1.5% payable until the facility is drawn.

Maturity profile of borrowings

	Securitised debt £m	Other secured loans £m	Loan notes £m	**Total £m**
Contractual undiscounted cash flows at 31 December 2016:				
Within one year	93.0	43.7	0.4	**137.1**
In one to 2 years	92.1	69.0	0.4	**161.5**
In 2 to 5 years	272.4	1,216.2	26.9	**1,515.5**
In 5 to 10 years	431.5	124.9	–	**556.4**
In 10 to 20 years	1,120.5	387.5	–	**1,508.0**
In 20 to 30 years	–	–	–	**–**
	2,009.5	**1,841.3**	**27.7**	**3,878.5**
Comprising:				
Principal repayments	1,531.5	1,622.6	26.1	**3,180.0**
Interest payments	478.0	218.7	1.6	**698.3**
	2,009.5	**1,841.3**	**27.7**	**3,878.5**

	Securitised debt £m	Other secured loans £m	Loan notes £m	Total £m
Contractual undiscounted cash flows at 31 December 2015:				
Within one year	96.1	159.8	0.5	256.4
In one to 2 years	98.0	38.8	0.6	137.4
In 2 to 5 years	294.9	886.8	2.1	1,183.8
In 5 to 10 years	472.0	160.3	27.3	659.6
In 10 to 20 years	1,245.6	432.2	–	1,677.8
In 20 to 30 years	–	–	–	–
	2,206.6	1,677.9	30.5	3,915.0
Comprising:				
Principal repayments	1,560.8	1,429.0	27.3	3,017.1
Interest payments	645.8	248.9	3.2	897.9
	2,206.6	1,677.9	30.5	3,915.0

The above tables contain undiscounted cash flows (including interest) and therefore result in higher balances than the carrying values or fair values of the borrowings.

Other secured loans include the construction loan facility.

Debt service

The weighted average interest rates paid on borrowings at the balance sheet dates were as follows:

	2016 %	2015 %
Securitisation	**6.1**	6.1
Construction loan	**3.0**	3.2
Other secured loans	**3.6**	3.8
Loan notes	**1.5**	1.5

Comparison of market values and carrying amount

	31 December 2016			31 December 2015		
	Market value £m	**Carrying amount £m**	**Difference £m**	Market value £m	Carrying amount £m	Difference £m
Securitisation	**(1,652.4)**	**(1,589.8)**	**(62.6)**	(1,687.3)	(1,621.0)	(66.3)
Secured loans	**(1,664.7)**	**(1,664.7)**	**–**	(1,417.9)	(1,417.9)	–
Loan notes	**(26.2)**	**(26.2)**	**–**	(27.3)	(27.3)	–
Non equity shares	**–**	**–**	**–**	–	–	–
	(3,343.3)	**(3,280.7)**	**(62.6)**	(3,132.5)	(3,066.2)	(66.3)
Other financial liabilities:						
Interest rate derivatives	**(624.2)**	**(624.2)**	**–**	(528.3)	(528.3)	–
Cash and monetary deposits	**559.3**	**559.3**	**–**	515.8	515.8	–
Total	**(3,408.2)**	**(3,345.6)**	**(62.6)**	(3,145.0)	(3,078.7)	(66.3)

The differences above are shown before any tax relief. Short term receivables and payables have been excluded from these disclosures as their carrying amount approximates fair value. The fair value of the Sterling denominated fixed rate bonds has been determined by reference to the prices available on the markets on which they are traded. The fair values of other debt instruments have been calculated by discounting cash flows at the relevant zero coupon LIBOR interest rates prevailing at the balance sheet date. The fair values of interest rate derivative instruments have been determined by reference to market values provided by the relevant counter parties.

Interest rate profile

After taking into account interest rate hedging entered into by the Group, the interest rate profile of the Group's borrowings at the balance sheet dates including accrued interest payable but excluding any adjustments for derivatives was:

	31 December 2016			31 December 2015		
	Floating £m	**Fixed £m**	**Total £m**	Floating £m	Fixed £m	Total £m
Securitisation	**–**	**(1,589.8)**	**(1,589.8)**	–	(1,621.0)	(1,621.0)
Secured loans	**(404.8)**	**(1,208.0)**	**(1,612.8)**	(404.2)	(997.9)	(1,402.1)
Loan notes	**(26.2)**	**–**	**(26.2)**	(27.3)	–	(27.3)
Construction loans	**(51.9)**	**–**	**(51.9)**	(15.8)	–	(15.8)
	(482.9)	**(2,797.8)**	**(3,280.7)**	(447.3)	(2,618.9)	(3,066.2)
Less: Cash collateral for borrowings (Note 16)	**50.5**	**302.4**	**352.9**	57.2	273.5	330.7
	(432.4)	**(2,495.4)**	**(2,927.8)**	(390.1)	(2,345.4)	(2,735.5)

Carrying value of categories of financial instruments

	2016 £m	2015 £m
Financial assets		
FVTPL	**-**	0.9
Loans and receivables	**55.9**	40.2
Cash	**557.0**	513.5
Available for sale	**43.5**	42.3
	656.4	596.9
Assets not classified as financial assets	**8,005.9**	7,888.6
Total assets	**8,662.3**	8,485.5
Financial liabilities		
FVTPL	**(624.2)**	(529.2)
Amortised cost	**(3,419.8)**	(3,179.7)
	(4,044.0)	(3,708.9)
Liabilities not classified as financial liabilities	**(594.1)**	(768.0)
Total liabilities	**(4,638.1)**	(4,476.9)
Net assets	**4,024.2**	4,008.6

All the derivative instruments held by the Group (categorised as FVTPL) are classified as Level 2 as defined in accordance with IFRS 13.

Financial risks

Interest rate risk
The Group finances its operations through a mixture of surplus cash, bank borrowings and debentures. The Group borrows principally in sterling at both fixed and 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. After taking into account interest rate hedging and cash deposits, the borrowings which remain as floating debt comprise £26.2m of loan notes, the loan secured against 7 Westferry Circus, the loan secured against 25 Churchill Place and the HCA infrastructure loan.

Liquidity risk
The Group's policy is to ensure continuity of funding and at 31 December 2016 the average maturity of the Group's debt was 10.6 years (31 December 2015 – 11.5 years). Shorter term flexibility has historically been achieved by holding cash on deposit and through construction facilities typically with a term of 3 to 6 years arranged to fund the development of new properties. Additional flexibility is provided by the new retail loan, through the ability to drawdown an additional £100.0m and the £140.0m shareholder loan facility.

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 51.8% of the investment property portfolio by value. The principal amount outstanding at 31 December 2016 was £1,531.5m.

Maximum LMCTV ratio of 100.0%. Based on the valuations at 31 December 2016, the LMCTV ratio at the interest payment date in January 2017 was 46.3%.

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 £509.0m secured against One Churchill Place, representing 14.8% of the investment property portfolio by value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (Continued)

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 £700.0m secured against the retail and infrastructure parking properties of the Group of which £600.0m was outstanding at 31 December 2016, representing 20.2% of the investment property portfolio by value.

Maximum LTV ratio of 70.0%. Based on the valuations at 31 December 2016 and the principal outstanding, the LTV was 48.1%.

Minimum ICR covenant of 175%. 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 4 November 2021.

(iv) Loan facility of £384.0m secured against 25 Churchill Place, representing 9.5% of the investment portfolio by value.

Maximum LTV ratio of 65.0%. Based on the valuation at 31 December 2016, the LTV ratio at the interest payment date in January 2017 was 64.0%.

Minimum ICR covenant of 150%. The covenant was satisfied throughout the year.

(v) Loan of £21.8m secured against 7 Westferry Circus, representing 1.3% of the investment property portfolio by value.

Maximum LTV ratio of 65.0%. Based on the valuation at 31 December 2016, the LTV was 27.3%. This facility is not subject to any ICR covenant.

The facility repayment date is 5 September 2018.

(vi) Senior loan of £87.8m secured against 15 Westferry Circus, representing 2.4% of the investment property portfolio by value.

Maximum LTV ratio of 75.0%. Based on the valuation at 31 December 2016, the LTV was 58.9%.

The minimum ICR covenant is 115.0%, which was satisfied throughout the period from first drawn down.

Mezzanine facility of £20.0m secured against 15 Westferry Circus with a maximum LTV ratio of 82.5%. Based on the valuation at 31 December 2016, the LTV was 72.3%.

The minimum ICR covenant is 101.0%, which was satisfied throughout the period from first draw down.

The repayment date of the facilities is 26 April 2021.

(vii) Infrastructure loan of £53.4m.

Maximum LTV ratio of 60%. Based on the valuations at 31 December 2016, the LTV was 8.5%. This facility is not subject to any ICR covenant.

The facility repayment date is 23 March 2023.

Exchange rate risk
The Group's policy is to maximise all financing in Sterling and it has no plans to raise financing in currencies other than Sterling.

Capital risk
The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern. The capital structure of the Group consists of debt, cash and cash equivalents and monetary assets, as disclosed elsewhere in this Note, and equity, including reserves, as disclosed in Note 24 and the Consolidated Statement of Changes in Equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (Continued)

Credit risk
Credit risk associated with trade receivables is disclosed in Note 13.

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.

The carrying amount of financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk.

Externally imposed capital requirements
The Group is not subject to externally imposed capital requirements.

22. OTHER NON CURRENT LIABILITIES

	Ground rent obligation £m
1 January 2016	66.5
Accrued finance charges	8.1
Paid in period	(9.2)
31 December 2016	**65.4**

In January 2012, Canary Wharf Group acquired the remaining 50.0% effective interest in a site adjacent to Canary Wharf from CRT for a total consideration of £52.4m. In conjunction with the acquisition, CRT granted a new 250 year lease of the site subject to a ground rent payment to CRT which was scheduled to increase to £6.0m per annum by 2016, followed by upwards only reviews linked to the passing rent achieved on the office buildings and the ground rents paid by purchasers of the residential apartments to be built on the site. The Net Present Value of the minimum contracted ground rents payable under the terms of the 250 year lease, discounted at the rate inherent in the lease, was estimated at £55.0m at the date of inception of the lease. In 2015, the terms of the ground rent arrangements were amended. As a result, an additional payment of 3.0m was made in 2015 followed by £1.7m in 2016. Further payments of £1.7m are due in 2017 and 2018. The changes to the ground rent arrangements increased the carrying value of the obligation by £7.2m.

23. PROVISIONS

Provisions have been made in respect of the following liabilities:

	Premium on redemption of Notes £m	Leasehold properties £m	Other lease commitments £m	Total £m
1 January 2015	173.5	27.8	5.2	206.5
Change in assumptions/unwind of discount	10.9	(13.2)	1.0	(1.3)
Utilisation of provision	–	(14.6)	(1.9)	(16.5)
31 December 2015	184.4	–	4.3	188.7
Change in assumptions/unwind of discount	10.9	(0.3)	(1.0)	9.6
Utilisation of provision	–	0.3	(0.3)	–
31 December 2016	**195.3**	**–**	**3.0**	**198.3**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (Continued)

Provision for redemption of Notes
The Group has provided £195.3m at 31 December 2016 for the potential liability to pay a premium to the A1 noteholders following the redemption of the A1 Notes in July 2014 (Note 7).

Leasehold properties
In connection with the letting to EY of 207,000 sq ft in 25 Churchill Place, the Group took an assignment of EY's lease at Becket House. The space was immediately let back to EY under an agreement which terminated on the date of EY's draw down of space in 25 Churchill Place. The building comprised 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 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 with the charge being taken to tenant incentives. In November 2015, the lease was assigned to a third party in consideration for a reverse premium of £13.75m. The remaining provision was released and taken to other turnover. An adjustment of £0.3m was recognised in 2016 reflecting additional fees payable in connection with the transaction.

Lease commitments
In connection with the sale of certain properties during 2005, the Group agreed to provide rental support in respect of certain car parking rights and recognised a provision in respect of these commitments at the date of disposal. The remaining provision at 31 December 2016 was £2.3m calculated on the basis of a discount rate of 5.0% (31 December 2015 – £2.4m discounted at 5.1%).

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 that date. At 31 December 2016, the remaining provision was £0.7m (31 December 2015 - £1.7m).

24. SHARE CAPITAL

Issued share capital comprises:

	2016 £m	2015 £m
Ordinary Shares	**74.0**	74.0
Total	**74.0**	74.0

As at 31 December 2016 and 31 December 2015 a total of 740,374.616 Ordinary Shares were in issue of 10p each which were fully paid.

The rights attached to each Ordinary Share can be summarised as follows:

- One vote per share
- There is no right of redemption attaching to the Ordinary Shares
- There are no restrictions on the distribution of dividends or the repayment of capital attaching to the Ordinary Shares, subject to the requirement of the Act.
- In the event of a liquidation, the Ordinary Shares rank behind any other liability of the Group.

25. SHARE BASED PAYMENTS

At 31 December 2014, 16,324,309 Ordinary Shares were held in the Employee Share Trust, including 9,606,666 shares which were allocated to directors and employees of Canary Wharf Group but not released and 1,650,000 shares which were allocated in February 2015.

In February 2015, all allocated shares were released to the recipients following the offer for the Company's shares becoming unconditional in accordance with the terms of the allocation. All recipients were paid a cash equivalent to the value of the shares allocated.

The charge to the income statement in respect of the share allocations was calculated by reference to the market value of the allocated shares at the date the allocation was made. Such charge would previously have been spread over the vesting period. However, the recognition of this cost was accelerated as a result of the release of shares referred to above, giving rise to a charge of £25.5m being recognised in the income statement. This amount included £5.4m of employer's National Insurance Contributions.

The release of shares was funded by the sale of shares held by the Trust. The difference between the original cost of the shares sold to fund the release and the cumulative amount recognised in the income statement was a gain of £11.2m which was taken to reserves. The remaining unallocated shares held by the Trust were also sold and this resulted in a gain of £10.3m which was taken to reserves.

26. NOTES TO THE CASH FLOW STATEMENT

Reconciliation of profit on ordinary activities before tax to cash generated from operations.

	2016 £m	2015 £m
(Loss)/profit on ordinary activities before tax	**(21.4)**	524.7
Non cash movements		
Net valuation movements on properties	**64.8**	(434.5)
Share of profit after tax of associates and joint ventures	**0.8**	(22.8)
Revaluation of investments	**(1.2)**	(2.8)
Share allocation adjustment	**-**	25.5
Spreading of tenant incentives, committed rent increases and letting fees	**10.5**	8.7
Depreciation	**0.6**	0.9
Construction contract profit	**(71.2)**	-
Net receivable on LBHI claim	**1.8**	3.9
	6.1	(421.1)
	(15.3)	103.6
Changes to working capital and other cash movements		
Net financing costs	**241.6**	146.0
Utilisation of and other movements in provisions	**(0.3)**	(1.9)
Decrease/(increase) in receivables	**9.1**	(6.6)
Increase/(decrease) in payables	**0.6**	(42.9)
Proceeds from construction contracts	**-**	1.0
Construction contract expenditure	**-**	(1.4)
Cash generated from operations	**235.7**	197.8
Income tax	**(64.9)**	(2.2)
Net cash from operating activities	**170.8**	195.6

27. CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS

At 31 December 2016, 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 21. In particular, various members of the Group had at 31 December 2016, given fixed first ranking charges over cash deposits totalling £352.9m (31 December 2015 – £333.0m).

As security for the issue of up to £1,531.5m of securitised debt (Note 21), the Group has granted a first fixed charge over the shares of CWF II and a first floating charge over all of the assets of CWF II.

In connection with the Group's £700.0m retail loan facility, CWG has provided a £100.0m repayment guarantee on maturity of the loan on 4 November 2021.

In connection with the Group's construction facilities, CWG or its subsidiaries have provided certain guarantees, including in relation to cost overruns, completion of infrastructure works, satisfaction of s.106 planning obligations and payment of interest. These guarantees are market practice for construction facilities and will expire on completion of the relevant property and repayment of the facilities.

Commitments of the Group for future expenditure relating to committed developments (gross of pre-sale proceeds and funding from construction facilities):

	2016 £m	2015 £m
Joint ventures	**374.2**	456.2
Other construction projects	**1,452.0**	1,685.2
	1,826.2	2,141.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (Continued)

Of this commitment for future expenditure, £0.8m related to investment properties (31 December 2015 – £25.7m).

The commitments for future expenditure relate to the completion of construction works where construction was committed at 31 December 2016, including funding commitments to associates and joint venture undertakings. Any costs accrued or provided for in the Balance Sheet at 31 December 2016 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 benefits from warranties from the trade contractors and suppliers who worked on such buildings.

28. ULTIMATE PARENT UNDERTAKING AND RELATED PARTY TRANSACTIONS

At 31 December 2016, the smallest and largest group of which the Company is a member and for which financial statements are drawn up is the consolidated financial statements of Stork HoldCo LP, an entity registered in Bermuda. Stork HoldCo LP is controlled as to 50% by Brookfield and as to 50% by QIA.

During 2016, the Group billed HsO, a company in which it holds an equity investment equivalent to approximately 13.0% of the issued share capital, £26,263 plus VAT for access to the Estate's telecommunications infrastructure. At 31 December 2016, the outstanding amount was £1,070 plus VAT, all of which was received in January 2017.

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 or former shareholder in the Company. 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. In 2016, the Group billed £47,954 plus VAT for development management services to 20 Fenchurch Street entities all of which was received in the year.

In July 2011, the Group entered into a 50:50 joint venture with Qatari Diar to develop the Shell Centre. At 31 December 2016 each partner had invested £137.2m. In 2016, the Group billed £2,532,625 plus VAT for development management and for administrative services. The Group also billed £11,681,470 plus VAT for costs incurred by the Group which were reimbursable by the Joint Venture and £6,404,895 plus VAT for construction management services. At 31 December 2016, the amount outstanding was £2,066,894 including VAT which was received in January 2017.

In June 2014, the Group acquired a 10.0% interest in an SLP established to acquire 10 Upper Bank Street. During 2016 the Group had billed £2,163,750 plus VAT in respect of asset management services and £5,178 in respect of other services recoverable from the SLP. There were no amounts outstanding at 31 December 2016.

As disclosed in Note 21(10), the Group has entered into a £140.0m shareholder loan facility. Fees of £1,052,877 each were paid to BPY CWG1 Sarl and Qatar Holding LLC in 2016 under the terms of this facility. Qatar Holdings LLC is the provider of the mezzanine facility on 15 Westferry Circus (Note 21 (6)). Fees of £140,000 were paid in 2016 under the terms of this facility.

Transactions with the directors are disclosed in Note 10.

Balances and transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not presented in this note.

29. EVENTS AFTER THE BALANCE SHEET DATE

On 30 March 2017, the Group completed the sale to its shareholders of a 50% interest in 8 Water Street and The Grid Building, two PRS buildings within the New District. The consideration for the sale totalled £70.2m.

COMPANY BALANCE SHEET
at 31 December 2016

	Note	2016 £m	2015 £m
FIXED ASSETS			
Investments	(c)	**2,361.2**	2,361.2
CURRENT ASSETS			
Debtors due in less than one year	(d)	**2.6**	2.2
Cash at bank and in hand	(e)	**7.7**	9.0
		10.3	11.2
CREDITORS: Amounts falling due within one year	(f)	**(399.6)**	(400.4)
NET CURRENT LIABILITIES		**(389.3)**	(389.2)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,971.9**	1,972.0
NET ASSETS		**1,971.9**	1,972.0
CAPITAL AND RESERVES			
Called up share capital		**74.0**	74.0
Reserves:			
– share premium		**1,195.1**	1,195.1
– brought forward retained earnings		**275.8**	(18.6)
– (loss)/profit for the year		**(0.1)**	97.6
– capital contribution		**–**	196.8
		275.7	275.8
– other reserves		**427.1**	427.1
SHAREHOLDERS' FUNDS		**1,971.9**	1,972.0

Notes (a) to (f) on the following pages form an integral part of these financial statements.

Approved by the Board on 30 March 2017 and signed on its behalf by:

A Peter Anderson, II
Director

STATEMENT OF CHANGES IN EQUITY
at 31 December 2016

	Share Capital £m	Share premium account £m	Cancelled share reserve £m	Capital redemption reserve £m	Other reserve £m	Retained earnings £m	Total £m
1 January 2015	74.0	1,195.1	59.5	2.5	365.1	(18.6)	1,677.6
Profit for the year	–	–	–	–	–	97.6	97.6
Capital contributions	–	–	–	–	–	196.8	196.8
1 January 2016	74.0	1,195.1	59.5	2.5	365.1	275.8	1,972.0
Loss for the year	–	–	–	–	–	(0.1)	(0.1)
31 December 2016	**74.0**	**1,195.1**	**59.5**	**2.5**	**365.1**	**275.7**	**1,971.9**

At 31 December 2016 and 31 December 2015, a total of 740,374,616 10p Ordinary Shares were in issue which were fully paid.

The other reserve arose from an intra group reorganisation undertaken during 2007 and is considered by the directors to be non distributable.

Movements in retained earnings are set out in Note (b).

The comprehensive income of the Company for the year is the same as its profit.

Further information about the capital contributions has been provided on page 27.

NOTES TO THE COMPANY'S FINANCIAL STATEMENTS
for the year ended 31 December 2016

(a) STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies are set out below.

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

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies. These estimates and judgements are set out in Note 2.

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

Investments in subsidiary undertakings
Investments in subsidiary undertakings are stated in the Company's Balance Sheet at cost less any provision for impairment.

Interest receivable and interest payable
Interest receivable and payable are recognised in the period in which they fall due.

(b) PROFIT FOR THE FINANCIAL YEAR

The loss recorded by the Company in 2016 was £(0.1)m (2015 – profit of £97.6m). As permitted by Section 408 of the Act, no profit and loss account is presented for the Company in respect of either year. Dividends totalling £130.9m were received from subsidiaries in 2015.

The Company also received capital contributions totalling £196.8m in 2015.

(c) **INVESTMENTS**

Investments comprise shares held directly and indirectly in the following wholly owned subsidiaries:

Name	Principal activity	Country of Incorporation
10 Cabot Square I Unit Trust GP Limited	General partner	Scotland
10 Cabot Square I Unit Trust LP Limited	Investment holding	Scotland
10 Cabot Square I Unit Trust SLP	Investment holding	Scotland
10 Cabot Square II Unit Trust GP Limited	General partner	Scotland
10 Cabot Square II Unit Trust LP Limited	Investment holding	Scotland
10 Cabot Square II Unit Trust SLP	Investment holding	Scotland
20 Cabot Square I Unit Trust GP Limited	General partner	Scotland
20 Cabot Square I Unit Trust LP Limited	Investment holding	Scotland
20 Cabot Square I Unit Trust SLP	Investment holding	Scotland
20 Cabot Square II Unit Trust GP Limited	General partner	Scotland
20 Cabot Square II Unit Trust LP Limited	Investment holding	Scotland
20 Cabot Square II Unit Trust SLP	Investment holding	Scotland
Armoric Holdings Limited	Property investment	England & Wales
Armoric Investments Limited	Property investment	England & Wales
Armoric Limited	Property investment	Jersey
Cabot Place (Retail) Unit Trust GP Limited	General partner	Scotland
Cabot Place (Retail) Unit Trust LP Limited	Investment holding	Scotland
Cabot Place (Retail) Unit Trust SLP	Investment holding	Scotland
Cabot Place (RT2) Limited	Property investment	England & Wales
Cabot Place Holdings Limited	Property investment	England & Wales
Cabot Place Limited	Property investment	England & Wales
Canada Place (Retail) Unit Trust GP Limited	General partner	Scotland
Canada Place (Retail) Unit Trust LP Limited	Investment holding	Scotland
Canada Place (Retail) Unit Trust SLP	Investment holding	Scotland
Canada Place Limited	Property investment	England & Wales
Canada Place Mall (Retail) Unit Trust GP Limited	General partner	Scotland
Canada Place Mall (Retail) Unit Trust LP Limited	Investment holding	Scotland
Canada Place Mall (Retail) Unit Trust SLP	Investment holding	Scotland
Canada Square (Pavilion) Limited	Property investment	England & Wales
Canary Wharf (B4) Limited	Investment holding	England & Wales
Canary Wharf (B5) Limited	Property investment	England & Wales
Canary Wharf (B5) T1 Limited	Trustee landlord	England & Wales
Canary Wharf (B5) T2 Limited	Trustee landlord	England & Wales
Canary Wharf (BP1) Limited	Investment holding	England & Wales
Canary Wharf (BP1) T1 Limited	Trustee landlord	England & Wales
Canary Wharf (BP1) T2 Limited	Trustee landlord	England & Wales
Canary Wharf (BP2) Limited	Investment holding	England & Wales
Canary Wharf (BP2) T1 Limited	Trustee landlord	England & Wales
Canary Wharf (BP2) T2 Limited	Trustee landlord	England & Wales
Canary Wharf (BP3) Limited	Investment holding	England & Wales
Canary Wharf (BP4) Limited	Investment holding	England & Wales
Canary Wharf (BP4) T1 Limited	Trustee landlord	England & Wales
Canary Wharf (BP4) T2 Limited	Trustee landlord	England & Wales

NOTES TO THE COMPANY'S FINANCIAL STATEMENTS
for the year ended 31 December 2016 (Continued)

Name	Principal activity	Country of Incorporation
Canary Wharf (Car Parks) Limited	Property investment	England & Wales
Canary Wharf (CS Park Pavilion) Limited	Property investment	England & Wales
Canary Wharf (Drapers Gardens) Limited	Investment holding	England & Wales
Canary Wharf (DS1) Limited	Investment holding	England & Wales
Canary Wharf (DS1) T1 Limited	Trustee landlord	England & Wales
Canary Wharf (DS1) T2 Limited	Trustee landlord	England & Wales
Canary Wharf (DS2) Limited	Investment holding	England & Wales
Canary Wharf (DS3 East) Limited	Investment holding	England & Wales
Canary Wharf (DS3 West) Limited	Investment holding	England & Wales
Canary Wharf (DS3) Limited	Investment holding	England & Wales
Canary Wharf (DS5) Limited	Investment holding	England & Wales
Canary Wharf (DS5) T1 Limited	Trustee landlord	England & Wales
Canary Wharf (DS5) T2 Limited	Trustee landlord	England & Wales
Canary Wharf (DS6) Limited	Investment holding	England & Wales
Canary Wharf (DS6) T1 Limited	Trustee landlord	England & Wales
Canary Wharf (DS6) T2 Limited	Trustee landlord	England & Wales
Canary Wharf (DS8) Limited	Investment holding	England & Wales
Canary Wharf (DS8) T1 Limited	Trustee landlord	England & Wales
Canary Wharf (DS8) T2 Limited	Trustee landlord	England & Wales
Canary Wharf (FC2) Limited	Property investment	England & Wales
Canary Wharf (FS Borrower) Limited	Finance company	England & Wales
Canary Wharf (FS Holdco) Limited	Investment holding	England & Wales
Canary Wharf (FS Invest) Limited	Investment holding	England & Wales
Canary Wharf (FSGP) Limited	Investment holding	England & Wales
Canary Wharf (FSLP) Limited	Investment holding	England & Wales
Canary Wharf (HQ5) Jersey GP Limited	General partner	Jersey
Canary Wharf (HQ5) Jersey LP Limited	Investment holding	Jersey
Canary Wharf (North Quay) Limited	Property investment	England & Wales
Canary Wharf (PB) Jersey Limited	Investment holding	Jersey
Canary Wharf (Riverside South) Limited	Dormant	England & Wales
Canary Wharf (WF9) Limited	Investment holding	England & Wales
Canary Wharf (WF9) T1 Limited	Trustee landlord	England & Wales
Canary Wharf (WF9) T2 Limited	Trustee landlord	England & Wales
Canary Wharf Communities Limited	Dormant	England & Wales
Canary Wharf Contractors (10BS) Limited	Property contractor	England & Wales
Canary Wharf Contractors (1BS) Limited	Property contractor	England & Wales
Canary Wharf Contractors (B4) Limited	Property contractor	England & Wales
Canary Wharf Contractors (B5) Limited	Property contractor	England & Wales
Canary Wharf Contractors (BP1) Limited	Property contractor	England & Wales
Canary Wharf Contractors (BP2) Limited	Property contractor	England & Wales
Canary Wharf Contractors (BP3) Limited	Property contractor	England & Wales
Canary Wharf Contractors (BP4) Limited	Property contractor	England & Wales
Canary Wharf Contractors (Crossrail) Limited	Property contractor	England & Wales
Canary Wharf Contractors (DS1) Limited	Property contractor	England & Wales
Canary Wharf Contractors (DS2) Limited	Property contractor	England & Wales
Canary Wharf Contractors (DS3 East) Limited	Property contractor	England & Wales
Canary Wharf Contractors (DS3 West) Limited	Property contractor	England & Wales
Canary Wharf Contractors (DS3) Limited	Property contractor	England & Wales

NOTES TO THE COMPANY'S FINANCIAL STATEMENTS
for the year ended 31 December 2016 (Continued)

Name	Principal activity	Country of Incorporation
Canary Wharf Contractors (DS4) Limited	Property contractor	England & Wales
Canary Wharf Contractors (DS5) Limited	Property contractor	England & Wales
Canary Wharf Contractors (DS6) Limited	Property contractor	England & Wales
Canary Wharf Contractors (DS8) Limited	Property contractor	England & Wales
Canary Wharf Contractors (RT2) Limited	Property contractor	England & Wales
Canary Wharf Contractors (WF9) Limited	Property contractor	England & Wales
Canary Wharf Contractors Limited	Property contractor	England & Wales
Canary Wharf Developments Limited	Investment holding	England & Wales
Canary Wharf Estate Limited	Investment holding	England & Wales
Canary Wharf Facilities Management Limited	Property management	England & Wales
Canary Wharf Finance (B2) Limited	Finance company	England & Wales
Canary Wharf Finance (Investments) Limited	Investment holding	England & Wales
Canary Wharf Finance Holdings Limited	Investment holding	England & Wales
Canary Wharf Finance II plc	Finance company	England & Wales
Canary Wharf Finance III Limited	Dormant	England & Wales
Canary Wharf Finance Leasing (BP1) Limited	Finance company	England & Wales
Canary Wharf Finance Plc	Finance company	England & Wales
Canary Wharf Financing Limited	Finance company	England & Wales
Canary Wharf Funding (FC2/FC4) Limited	Investment holding	England & Wales
Canary Wharf Funding (One) Limited	Finance company	England & Wales
Canary Wharf Grosvenor Place (Jersey) Limited	Dormant	Jersey
Canary Wharf Grosvenor Place (JV) Limited	Dormant	England & Wales
Canary Wharf Grosvenor Place Limited	Dormant	England & Wales
Canary Wharf Group plc	Investment holding	England & Wales
Canary Wharf Holdings (B2) Limited	Investment holding	England & Wales
Canary Wharf Holdings (B4) Limited	Investment holding	England & Wales
Canary Wharf Holdings (B5) Limited	Investment holding	England & Wales
Canary Wharf Holdings (BP1) Limited	Investment holding	England & Wales
Canary Wharf Holdings (BP2) Limited	Investment holding	England & Wales
Canary Wharf Holdings (BP3) Limited	Investment holding	England & Wales
Canary Wharf Holdings (BP4) Limited	Investment holding	England & Wales
Canary Wharf Holdings (DS1) Limited	Investment holding	England & Wales
Canary Wharf Holdings (DS2) Limited	Investment holding	England & Wales
Canary Wharf Holdings (DS3) Limited	Investment holding	England & Wales
Canary Wharf Holdings (DS5) Limited	Investment holding	England & Wales
Canary Wharf Holdings (DS6) Limited	Investment holding	England & Wales
Canary Wharf Holdings (DS8) Limited	Investment holding	England & Wales
Canary Wharf Holdings (FC2) Limited	Investment holding	England & Wales
Canary Wharf Holdings (FC4) Limited	Investment holding	England & Wales
Canary Wharf Holdings (Jersey HQ5) Limited	Investment holding	Jersey
Canary Wharf Holdings (PB) Limited	Investment holding	England & Wales
Canary Wharf Holdings (WF9) Limited	Investment holding	England & Wales
Canary Wharf Holdings Limited	Investment holding	England & Wales
Canary Wharf Investment Holdings (BP1) Limited	Investment holding	England & Wales
Canary Wharf Investment Holdings (BP2) Limited	Investment holding	England & Wales
Canary Wharf Investment Holdings (DS5) Limited	Investment holding	England & Wales
Canary Wharf Investment Holdings (DS8) Limited	Investment holding	England & Wales

Name	Principal activity	Country of Incorporation
Canary Wharf Investments (B2) Limited	Investment holding	Jersey
Canary Wharf Investments (BP1) Limited	Property investment	England & Wales
Canary Wharf Investments (BP2) Limited	Property investment	England & Wales
Canary Wharf Investments (BP4) Limited	Property investment	England & Wales
Canary Wharf Investments (Crossrail) Limited	Property investment	England & Wales
Canary Wharf Investments (DS8) Limited	Property investment	England & Wales
Canary Wharf Investments (FC2) Limited	Property investment	England & Wales
Canary Wharf Investments (FC4) Limited	Property investment	England & Wales
Canary Wharf Investments (Four) Limited	Property investment	England & Wales
Canary Wharf Investments (RSNQ) Limited	Investment holding	England & Wales
Canary Wharf Investments (RT5) Limited	Property investment	England & Wales
Canary Wharf Investments (Three)	Property investment	England & Wales
Canary Wharf Investments (Two) Limited	Investment holding	England & Wales
Canary Wharf Investments Limited	Investment holding	England & Wales
Canary Wharf Leasing (FC4) Limited	Property investment	England & Wales
Canary Wharf Leasing (FC4) No.2 Limited	Property investment	England & Wales
Canary Wharf Limited	Property development	England & Wales
Canary Wharf Management (B1/B2) Limited	Investment holding	England & Wales
Canary Wharf Management (DS7) Limited	Property management	England & Wales
Canary Wharf Management (FC2/FC4) Limited	Property management	England & Wales
Canary Wharf Management (HQ3/HQ4) Limited	Property management	England & Wales
Canary Wharf Management Limited	Property management	England & Wales
Canary Wharf NFLA Limited	Investment holding	England & Wales
Canary Wharf NQO GP Limited (formerly Canary Wharf (RD) Limited)	Dormant as at 31 December 2016	England & Wales
Canary Wharf NQO Holdco Limited (formerly Canary Wharf (Thirty) Limited)	Dormant as at 31 December 2016	England & Wales
Canary Wharf Properties (B2) Limited	Property management	Jersey
Canary Wharf Properties (Barchester) Limited	Property development	England & Wales
Canary Wharf Properties (Burdett Road) Limited	Property development	England & Wales
Canary Wharf Properties (Crossrail Two) Limited	Property investment	England & Wales
Canary Wharf Properties (Crossrail) Limited	Property development	England & Wales
Canary Wharf Properties (FC2) Limited	Property investment	England & Wales
Canary Wharf Properties (FC4) Limited	Property investment	England & Wales
Canary Wharf Properties (RT5) Limited	Property investment	England & Wales
Canary Wharf Properties (WF9) Limited	Property investment	England & Wales
Canary Wharf Residential Management Limited (formerly Canary Wharf Residential Limited)	Property investment	England & Wales
Canary Wharf Retail (DS3) Limited	Property investment	England & Wales
Canary Wharf Retail (FC2) Limited	Property investment	England & Wales
Canary Wharf Retail (FC4) Limited	Property investment	England & Wales
Canary Wharf Retail (RT4) Limited	Property investment	England & Wales
Canary Wharf Retail Funding Limited	Finance company	England & Wales
Canary Wharf Retail Investments (DS3) Limited	Property investment	England & Wales
Canary Wharf Retail Investments (FC6) Limited	Property investment	England & Wales
Canary Wharf Telecoms Limited	Telecommunication services	England & Wales
Canary.co.uk Limited	Dormant	England & Wales
CW 10 Park Drive Limited	Property investment	England & Wales
CW 10 Park Drive Residential Limited	Property investment	England & Wales
CW DS7F (Finance Lessor) Limited	Finance company	England & Wales

Name	Principal activity	Country of Incorporation
CW Finance Holdings II Limited	Investment holding	England & Wales
CW Investments (B2) Limited	Property investment	England & Wales
CW Leasing DS7B Limited	Property investment	England & Wales
CW Leasing DS7F Limited	Property investment	England & Wales
CW Lending II Limited	Finance company	England & Wales
CW Properties DS7B Limited	Property investment	England & Wales
CW Properties DS7F Limited	Property investment	England & Wales
CW Wood Wharf A1 Limited	Property development	England & Wales
CW Wood Wharf B3 Development Company Limited	Property development	England & Wales
CW Wood Wharf B3 GP Limited	General partner	England & Wales
CW Wood Wharf B3 Limited Partnership	Property investment	England & Wales
CW Wood Wharf B3 LP Limited	Investment holding	Jersey
CW Wood Wharf B3 T1 Limited	Trustee landlord	England & Wales
CW Wood Wharf D1/D2 Development Company Limited	Property development	England & Wales
CW Wood Wharf D1/D2 GP Limited	General partner	England & Wales
CW Wood Wharf D1/D2 Limited Partnership	Property investment	England & Wales
CW Wood Wharf D1/D2 LP Limited	Investment holding	Jersey
CW Wood Wharf D1/D2 T1 Limited	Trustee landlord	England & Wales
CW Wood Wharf F2 Limited	Investment holding	England & Wales
CW Wood Wharf H1 Limited	Investment holding	England & Wales
CW Wood Wharf H2 Limited	Investment holding	England & Wales
CW Wood Wharf H3 Limited	Investment holding	England & Wales
CW Wood Wharf H4 Limited	Investment holding	England & Wales
CW Wood Wharf J4 Limited	Investment holding	England & Wales
CW Wood Wharf Jersey Limited	Investment holding	Jersey
CW Wood Wharf Retail Co Limited	Property investment	England & Wales
CWBC Finance (BP1) Limited	Finance company	England & Wales
CWBC Finance Two (BP1) Limited	Finance company	England & Wales
CWBC Investments (BP1) Limited	Property investment	England & Wales
CWBC Leasing (BP1) Limited	Property investment	England & Wales
CWBC Properties (BP1) Limited	Property investment	England & Wales
CWC SPV HCo Limited	Investment holding	England & Wales
CWC SPVa Limited	Property investment	England & Wales
CWC SPVb Limited	Dormant	England & Wales
CWC SPVc Limited	Dormant	England & Wales
CWC SPVd Limited	Property investment	England & Wales
CWC SPVe Limited	Property investment	England & Wales
CWC SPVi Limited	Dormant	England & Wales
CWCB Finance II Limited	Finance company	England & Wales
CWCB Finance Leasing (DS7B) Limited	Finance company	England & Wales
CWCB Holdings Limited	Investment holding	England & Wales
CWCB Investments (B1) Limited	Property investment	England & Wales
CWCB Investments (Car Parks) Limited	Property investment	England & Wales
CWCB Investments (DS6) Limited	Property investment	England & Wales
CWCB Investments (DS8) Limited	Property investment	England & Wales
CWCB Investments (RT2) Limited	Property investment	England & Wales
CWCB Investments (WF9) Limited	Property investment	England & Wales
CWCB Leasing (DS6) Limited	Property investment	England & Wales
CWCB Leasing (RT2) Limited	Property investment	England & Wales

NOTES TO THE COMPANY'S FINANCIAL STATEMENTS
for the year ended 31 December 2016 (Continued)

Name	Principal activity	Country of Incorporation
CWCB Properties (DS6) Limited	Property investment	England & Wales
CWCB Properties (DS7) Limited	Property investment	England & Wales
CWCB Properties (DS8) Limited	Property investment	England & Wales
CWCB Properties (WF9) Limited	Dormant	England & Wales
CWE SPV HCo Limited	Investment holding	England & Wales
CWE SPV Super HCo Limited	Investment holding	England & Wales
CWE SPVb Limited	Dormant	England & Wales
CWE SPVc Limited	Property investment	England & Wales
CWE SPVe Limited	Dormant	England & Wales
CWE SPVf Limited	Property investment	England & Wales
CWE SPVg Limited	Property investment	England & Wales
CWG (Wood Wharf Four) Limited	Investment holding	England & Wales
CWG (Wood Wharf General Partner One) Limited	Investment holding	England & Wales
CWG (Wood Wharf General Partner) Limited	Investment holding	England & Wales
CWG (Wood Wharf One) Limited	Investment holding	England & Wales
CWG (Wood Wharf Three) Limited	Investment holding	England & Wales
CWG (Wood Wharf Two) Limited	Property development	England & Wales
CWG (Wood Wharf) 1A Limited Partnership	Investment holding	Scotland
CWG (Wood Wharf) Holdings Limited	Investment holding	England & Wales
CWG (Wood Wharf) Limited	Investment holding	England & Wales
CWG (Wood Wharf) UT GP 1A Limited	General partner	Scotland
CWG (Wood Wharf) UT LP 1A Limited	Investment holding	England & Wales
CWG NewCo Limited	Investment holding	England & Wales
CWG Properties (B2) Limited	Property investment	Jersey
CWG Retail Properties (B2) Limited	Property investment	England & Wales
Drapers Gardens (2) B.V.	Investment holding	Netherlands
First Tower GP(1) Limited	General partner	Scotland
First Tower GP(2) Limited	General partner	Scotland
First Tower Limited Partnership	Property investment	England & Wales
First Tower T1 Limited	Dormant	England & Wales
First Tower T2 Limited	Dormant	England & Wales
Guidecourt Management Limited	Property investment	England & Wales
Hazelway Limited	Dormant	England & Wales
Heron Quays (HQ1) Limited	Investment holding	England & Wales
Heron Quays (HQ1) T1 Limited	Trustee landlord	England & Wales
Heron Quays (HQ1) T2 Limited	Trustee landlord	England & Wales
Heron Quays (HQ2) Limited	Investment holding	England & Wales
Heron Quays (HQ2) T1 Limited	Trustee landlord	England & Wales
Heron Quays (HQ2) T2 Limited	Trustee landlord	England & Wales
Heron Quays (HQ3) Limited	Investment holding	England & Wales
Heron Quays (HQ3) T1 Limited	Trustee landlord	England & Wales
Heron Quays (HQ3) T2 Limited	Trustee landlord	England & Wales
Heron Quays (HQ4) Investments Limited	Property investment	England & Wales
Heron Quays (HQ4) Limited	Investment holding	England & Wales
Heron Quays (HQ4) T1 Limited	Trustee landlord	England & Wales
Heron Quays (HQ4) T2 Limited	Trustee landlord	England & Wales
Heron Quays (HQ5) Limited	Investment holding	England & Wales
Heron Quays (HQ5) T1 Limited	Trustee landlord	England & Wales
Heron Quays (HQ5) T2 Limited	Trustee landlord	England & Wales

NOTES TO THE COMPANY'S FINANCIAL STATEMENTS
for the year ended 31 December 2016 (Continued)

Name	Principal activity	Country of Incorporation
Heron Quays (RT3) Limited	Investment holding	England & Wales
Heron Quays (RT3) T1 Limited	Trustee landlord	England & Wales
Heron Quays (RT3) T2 Limited	Trustee landlord	England & Wales
Heron Quays Holdings (HQ1) Limited	Investment holding	England & Wales
Heron Quays Holdings (HQ2) Limited	Investment holding	England & Wales
Heron Quays Holdings (HQ3) Limited	Investment holding	England & Wales
Heron Quays Holdings (HQ4) Limited	Investment holding	England & Wales
Heron Quays Holdings (HQ5) Limited	Investment holding	England & Wales
Heron Quays Holdings (RT3) Limited	Investment holding	England & Wales
Heron Quays Investments (RT3) Limited	Property investment	England & Wales
Heron Quays Properties Limited	Property development	England & Wales
Heron Quays West (1) Limited Partnership	Property investment	England & Wales
Heron Quays West (1) T1 Limited	Trustee landlord	England & Wales
Heron Quays West (1) T2 Limited	Trustee landlord	England & Wales
Heron Quays West (Pavilion) Limited (formerly Canary Wharf (Sutherland) Limited)	Property investment	England & Wales
Heron Quays West (T1) Limited	Dormant	England & Wales
Heron Quays West GP (Four) Limited	General partner	England & Wales
Heron Quays West GP (One) Limited	General partner	Scotland
Heron Quays West GP (Three) Limited	General partner	England & Wales
Heron Quays West GP (Two) Limited	General partner	Scotland
Heron Quays West Infrastructure Development Company Limited	Property development	England & Wales
Heron Quays West Investment (One) SLP	Investment holding	Scotland
Heron Quays West Investment (Two) SLP	Investment holding	Scotland
Heron Quays West Limited Partnership	Property investment	England & Wales
Heron Quays West LP (One) Limited	Investment holding	England & Wales
Heron Quays West LP (Two) Limited	Investment holding	England & Wales
Heron Quays West Pavillion Development Company Limited	Property development	England & Wales
Heron Quays West Properties Limited	Dormant	England & Wales
Heron Quays West T2 Limited	Dormant	England & Wales
Highplan Limited	Property investment	England & Wales
HQCB Investments Limited	Property investment	England & Wales
HQCB Properties (HQ1) Limited	Property investment	England & Wales
HQCB Properties (HQ2) Limited	Dormant	England & Wales
HQCB Properties (HQ3) Limited	Property investment	England & Wales
HQCB Properties (HQ4(2)) Limited	Dormant	England & Wales
HQCB Properties (HQ4) Limited	Dormant	England & Wales
HQCB Properties (HQ5(2)) Limited	Investment holding	England & Wales
HQCB Properties (HQ5) Limited	Dormant	England & Wales
HQCB Properties (RT3) Limited	Property investment	England & Wales
Indural Holdings Limited	Property investment	England & Wales
Jollygate Limited	Property investment	England & Wales
Jubilee Place (Retail) Unit Trust GP Limited	General partner	Scotland
Jubilee Place (Retail) Unit Trust LP Limited	Investment holding	Scotland
Jubilee Place (Retail) Unit Trust SLP	Investment holding	Scotland
L39 Limited	Dormant	England & Wales
Level39 Limited	Serviced offices	England & Wales
Nash Court Retail Limited	Property investment	England & Wales
Norquil Limited	Property investment	England & Wales

NOTES TO THE COMPANY'S FINANCIAL STATEMENTS
for the year ended 31 December 2016 (Continued)

Name	Principal activity	Country of Incorporation
One Canada Square (Retail) Unit Trust GP Limited	General partner	Scotland
One Canada Square (Retail) Unit Trust LP Limited	Investment holding	Scotland
One Canada Square (Retail) Unit Trust SLP	Investment holding	Scotland
Seven Westferry Circus Limited	Property investment	England & Wales
Songbird Acquisitions Limited	Investment holding	England & Wales
Songbird Finance (Two) Limited	Finance company	England & Wales
Songbird Finance Limited	Dormant	England & Wales
South Quay Amenities Limited	Dormant	England & Wales
South Quay Management Limited	Dormant	England & Wales
South Quay Properties Limited	Property development	England & Wales
Southbank Place Management Limited	Property management	England & Wales
Vertus A2 Development Company Limited	Property development	England & Wales
Vertus A2 Limited	Property development	England & Wales
Vertus E1/2 Development Company Limited	Property development	England & Wales
Vertus E1/2 Limited	Property development	England & Wales
Vertus G3 Development Company Limited	Property development	England & Wales
Vertus G3 Limited	Property development	England & Wales
Vertus Holdings Jersey Limited	Investment holding	Jersey
Vertus NFL Development Company Limited	Property development	England & Wales
Vertus NFL Limited	Property development	England & Wales
Vertus NFL Properties Limited	Property development	England & Wales
Vertus Residential Management Limited	Property management	England & Wales
Vertus Residential plc	Investment holding	England & Wales
Vertus WW Properties Limited	Investment holding	England & Wales
Wood Wharf (General Partner) Limited	General partner	England & Wales
Wood Wharf (General Partner) No.2 Limited	General partner	England & Wales
Wood Wharf (General Partner) No.3 Limited	General partner	England & Wales
Wood Wharf (No. 1A General Partner) Limited	General partner	England & Wales
Wood Wharf (No. 1A) Limited Partnership	Investment holding	England & Wales
Wood Wharf (No. 1B General Partner) Limited	General partner	England & Wales
Wood Wharf (No. 1B Nominee) Limited	Dormant	England & Wales
Wood Wharf (No. 1B) Limited Partnership	Investment holding	England & Wales
Wood Wharf Estate Management Limited	Property management	England & Wales
Wood Wharf Finance Company Limited	Finance company	England & Wales
Wood Wharf Infrastructure Development Company 2 Limited	Property development	England & Wales
Wood Wharf Infrastructure Development Company 1 Limited	Property development	England & Wales
Wood Wharf Limited Partnership	Property investment	England & Wales
Wood Wharf Management Company Limited	Property management	England & Wales
Wood Wharf Property Holdings Limited	Investment holding	England & Wales

The registered address of entities in England and Wales is 30th Floor, One Canada Square, Canary Wharf, London E14 5AB.

The registered address of entities in Scotland is 4th Floor, Saltire Court, 20 Castle Terrace, Edinburgh EH1 2EN.

The registered address of entities in Jersey is 47 Esplanade, St Helier, Jersey, Channel Island JE1 0BD.

Unless otherwise stated, all of these companies are incorporated in Great Britain and registered in England and Wales. CWG NewCo Limited holds the Group's investment in Canary Wharf Group plc.

	2016 £m	2015 £m
Cost and net book value of investments	**2,361.2**	2,361.2

NOTES TO THE COMPANY'S FINANCIAL STATEMENTS
for the year ended 31 December 2016

(d) DEBTORS

	2016 £m	2015 £m
Due within one year:		
Amounts owed by subsidiary undertakings	**2.6**	2.2
	2.6	2.2

(e) FINANCIAL ASSETS

The Company's financial assets comprise short term cash deposits. Cash deposits totalled £7.7m at 31 December 2016 (31 December 2015 - £9.0m), comprising deposits placed on deposit at call and term rates.

(f) CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £m	2015 £m
Amounts owed to subsidiary undertakings	**398.3**	398.2
Accruals	**1.3**	2.2
	399.6	400.4

The amounts owed to subsidiary undertakings is on an interest free basis with no defined redemption date.

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

We have audited the financial statements of Canary Wharf Group Investment Holdings plc for the year ended 31 December 2016 which comprise the Parent Company Balance Sheet, Statement of Changes in Equity and the related notes (a) to (f). 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

Respective responsibilities of directors and auditor
As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016;
- 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, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter
We have reported separately on the Group financial statements of Canary Wharf Group Investment Holdings plc for the year ended 31 December 2016.

Mark Beddy

Mark Beddy (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
30 March 2017

DEFINITIONS

20 Fenchurch Street	A 690,000 sq ft building in the City of London
Act	The Companies Act 2006
AGM	Annual General Meeting
AIG	American International Group, Inc.
Barclays	Barclays plc
Board	Board of directors of the Company
Brookfield	Brookfield Property Partners LP
Canary Wharf Group	CWG and its subsidiaries
Canary Wharf/Estate	Canary Wharf Estate including Heron Quays West, Park Place, and North Quay
Company	Canary Wharf Group Investment Holdings plc
CRT	Canal and River Trust, formerly British Waterways Board
CWF II	Canary Wharf Finance II plc
CWG	Canary Wharf Group plc
EPRA	European Public Real Estate Association
ERV	Estimated Rental Value
Escrow Agent	Deutsche Bank AG, London Branch
EU	European Union
FVTPL	Fair Value Through Profit and Loss
GRESB	Global Real Estate Sustainability Benchmark
Group	The Company, its wholly owned subsidiaries and Canary Wharf Group
HCA	Homes and Communities Agency
HsO	HighSpeed Office Limited
IAS	International Accounting Standards
IAS 17	International Accounting Standard 17 Leases
IAS 32	International Accounting Standard 32 Financial Instruments: Presentation
IAS 39	International Accounting Standard 39 Financial Instruments: Recognition and Measurement
IAS 40	International Accounting Standard 40 Investment Property
ICR	Interest Cover Ratio
IFRIC	International Financial Reporting Interpretations Committee
IFRIC 15	International Financial Reporting Interpretations Committee 15 Agreements for the Construction of Real Estate
IFRS	International Financial Reporting Standards
IFRS 3	International Financial Reporting Standard 3 Business Combinations
IFRS 8	International Financial Reporting Standard 8 Operating Segments
IFRS 9	International Financial Reporting Standard 9 Financial Instruments
IFRS 11	International Financial Reporting Standard 11 Joint Arrangements
IFRS 13	International Financial Reporting Standard 13 Fair Value Measurement
IFRS 15	International Financial Reporting Standard 15 Revenue from Contracts with Customers
IFRS 16	International Financial Reporting Standard 16 Leases
Land Securities	Land Securities Group plc
LBHI	Lehman Brothers Holdings Inc.
LBL	Lehman Brothers Limited (in administration)
LIBOR	London Interbank Offered Rate
LMCTV	Loan Minus Cash to Value
LTV	Loan to Value
m	Million
NAV	Net Asset Value
New District	A site adjacent to the Estate with consent for 4.9m sq ft of development
NIA	Net Internal Area
NNNAV	Triple Net Asset Value
Notes	Notes of Canary Wharf Group's securitisation
Ordinary Shares	Ordinary shares of 10p each
PRS	Private rental sector
psf	Per square foot
QIA	Qatar Investment Authority
Securitisation Trustee	Trustee to the Group's securitised debt, Deutsche Trustee Company Limited
Shell	Shell International Limited
Shell Centre	A 5.25 acre site on the South Bank, London
SLP	Separate Limited Partnership
sq ft	Square foot/square feet
Stork	Stork HoldCo LP, a Bermuda entity jointly owned by Brookfield and the QIA
Trust	Canary Wharf Employees' Share Ownership Plan Trust
VAT	Value Added Tax