CANARY WHARF GROUP INVESTMENT HOLDINGS PLC

Registered number: 5043352

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

CANARY WHARF GROUP INVESTMENT HOLDINGS PLC

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HIGHLIGHTS

Increase in NAV
- Net assets £4,165.7m at 31 December 2017, an increase of 3.5%.
- Adjusted NAV per share £6.46 compared with £6.30 at 31 December 2016, an increase of 2.5%.
- Adjusted NNNAV per share £5.27 compared with £5.16 at 31 December 2016, an increase of 2.1%.

Continued growth in portfolio valuation
- Retail investment portfolio valuation up by £19.1m or 1.5% over year to £1,294.1m.
- Office investment portfolio valuation reduced by £7.4m or 0.1% over the year to £5,021.6m.
- Carrying value of total retained portfolio up £9.6m or 0.1% over the year to £7,945.6m, net of capital expenditure and after adjusting for the transfer of One Park Drive and 10 Park Drive to Vertus.

Continued leasing activity and secure income stream
- Leasing transactions totalling 369,385 sq ft in the year.
- Completed investment portfolio 96.6% let (2016 – 96.9%).
- Weighted average lease term at 31 December 2017 12.4 years or 10.7 years assuming exercise of breaks (2016 – 13.3 years or 11.6 years respectively).

Secure financial position
- Litigation relating to partial redemption of A1 Notes in 2014 settled, resulting in release of £51.2m provision.
- LBL claim settled resulting in £42.2m being recognised in Other Income.
- Average loan maturity of 9.5 years (2016 – 10.6 years) supported by weighted average lease term.
- 3 year £450.0m construction facility secured against the One Bank Street development.
- 5 year construction loan facility to fund the Newfoundland site increased from £261.0m to £348.0m.

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 continued on 2 for sale residential properties at Wood Wharf and 3 PRS properties (2 of which were transferred to the Vertus Joint Venture).

Joint ventures
- 20 Fenchurch Street – Group's 15% interest in the building was sold in August 2017. Proceeds of £108.3m calculated by reference to a property value of £1,282.5m and net of loan repayment.
- Shell Centre – two pre sold office buildings and first residential building on course to complete in 2018.
- Vertus joint venture entered into with the Group's ultimate shareholders to construct 2 PRS buildings at Wood Wharf.

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	**2017 £m**	2016 £m
Rental income	(i)	**277.5**	276.2
Underlying operating profit	(ii)	**250.9**	284.6
Capital and other items:			
– revaluation of investments and associates	(iii)	**23.4**	(0.4)
– net property revaluation movements	(iv)	**9.6**	(64.8)
– movement in fair value of derivatives and hedge reserve recycling	(v)	**26.1**	(94.6)
– movement in provision for premium on redemption of securitised debt	(v)	**44.3**	(11.4)
– accelerated amortisation of deferred loan fees, breakage costs and cost of repayment of secured loan	(v)	**-**	(4.6)
Underlying profit before tax	(ii), (vi)	**118.3**	153.6
Profit/(loss) on ordinary activities before tax	(ii)	**221.7**	(21.4)
Tax (including deferred tax)	(vii)	**(87.6)**	38.9
Profit after tax	(ii)	**134.1**	17.5

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 Wood Wharf district of Canary Wharf to the east of the Estate. Elsewhere in London, the Group is involved through a joint venture at the Shell Centre.

Property portfolio

At 31 December 2017, 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.

The office investment portfolio was 96.6% let at 31 December 2017 in comparison with 96.9% at the previous year end. The weighted average unexpired lease term for the investment portfolio at 31 December 2017 was approximately 12.4 years, or 10.7 years assuming the exercise of outstanding break options (31 December 2016 – 13.3 years or 11.6 years respectively). Of the square footage under lease at 31 December 2017, 55.2% does not expire or cannot be terminated by tenants during the next 10 years.

As well as the rental income generated from completed properties, income is generated from managing the entire Estate, which in addition to the completed properties owned by the Group at 31 December 2017, includes 19 properties totalling 9.5m sq ft in other ownerships.

Office Leasing

Within the completed investment portfolio, office lettings (including lease renewals) were concluded over 138,564 sq ft for an average term of 9 years at an average rent of £47psf. This included 52,243 sq ft at 7 Westferry Circus where a major refurbishment of the building was completed in 2016. Subsequent to the year-end, a further 23,700 sq ft was leased and the office space in the building is now 48% let.

STRATEGIC REPORT (Continued)

At Wood Wharf, an agreement for lease was signed for 103,422 sq ft in 15 Water Street to be operated as a hotel. An agreement for lease was also signed with a serviced office provider for 45,412 sq ft in the same building. The remaining 40,700 sq ft available in the building is under offer to a health club operator. Construction is due to commence by the end of the year.

Retail

The retail offer at Canary Wharf continued to perform well and footfall for the year increased by 1.67% on a like for like basis compared to a national average decline of 2.63%. Of particular note was weekend footfall which was up by 5.19% on 2016.

During the year, 22 new lettings and 32 lease renewals were exchanged in respect of leases totalling 81,987 sq ft, for a total rent of £7.9m. At the year-end, 10 new lettings and lease renewals were in solicitor's hands.

A total of 14 rent reviews were agreed resulting in an increase of £767,000 above passing rents, all of which were at or above the external valuer's ERV.

In the forthcoming developments, the first 4 lettings were exchanged at Southbank Place, solicitors have been instructed with 3 retailers and heads of terms agreed with a fourth. At Wood Wharf the first letting has exchanged, 9 lettings are in solicitor's hands and head of terms agreed with a further 2.

At Crossrail Place, the final 18,164 sq ft available at level 3 will open in conjunction with the new line in December 2018. One letting has exchanged and 5 are in solicitor's hands.

Construction

Heron Quays West

At Heron Quays West, construction at One Bank Street continues to progress with practical completion targeted for summer 2019. The concrete core is complete, the steel frame is complete to level 22 and cladding complete to level 9.

Once complete, the building at One Bank Street will comprise 715,000 sq ft of which 280,000 sq ft has been leased to Societe General. Category A and B fit-out will be undertaken on behalf of the tenant.

At 10 Bank Street, a revised planning consent was granted during the year for a larger 850,000 sq ft building. Construction of the cofferdam and secant pile wall to create the basement footprint is complete and excavation of the basement levels has also concluded.

Construction of a 64,000 sq ft private members club commenced in the year, with piling complete and structural steelwork commencing subsequent to the year-end. Practical completion of the shell and core is targeted for mid 2019 with hand-over to the tenant for fitting out in December 2019.

Wood Wharf

Wood Wharf comprises an area immediately to the east of the existing Estate with consent for 5.3m sq ft of development comprising 3,600 residential units, 1.9m sq ft of commercial and 380,000 sq ft of retail space.

Marketing of the first residential building, 10 Park Drive, commenced in July 2015. The building will comprise 345 apartments and complete at the end of 2019. In light of positive sales in this building a second residential building was launched in May 2017. One Park Drive will comprise 483 apartments and will start to be occupied in late 2020.

Two further buildings designed for the private rental market, are under construction and will provide 501 apartments. In March 2017, the Group completed the sale of a 50% interest in these buildings with subsidiaries of Brookfield and QIA each taking 25%.

Construction of these first phase buildings commenced early in 2016 and will be delivered on a staged basis commencing Q4 2019. In total, the first phase of Wood Wharf will comprise 1.8m sq ft of which 1.3m sq ft will be residential, 0.4m sq ft will be commercial and 0.1m sq ft will be retail. Following the pre-leasing of 15 Water Street, construction of the commercial buildings will commence in Q4 2018.

Phase 2 of the Wood Wharf district will consist of seven buildings with a total area of 790,000 sq ft of which 390,000 sq ft is office, 165,000 sq ft is residential and 235,000 sq ft is retail / leisure use. Design consultants have been appointed and design and town planning work is progressing. Construction of the Phase 2 buildings is expected to commence in 2019.

Newfoundland

Newfoundland is a further PRS building and will comprise 639,000 sq ft and provide 636 apartments. Construction is progressing according to plan and is scheduled to complete in June 2020.

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 an implemented 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 residential and other uses including retail and leisure, 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
– Wood Wharf	5.30
	10.43
In joint venture with Qatari Diar:	
– Shell Centre (see Business Review – Southbank Place)	1.40
In joint venture with ultimate parent undertakings:	
– Vertus (see Business Review – Vertus)	0.37

Joint ventures

In addition to the construction projects at Canary Wharf, the Group is involved in a joint venture for the redevelopment of the Shell Centre at Southbank Place and until August 2017 was involved in the joint venture which developed 20 Fenchurch Street.

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 fully let. In June 2016, the syndicate completed a £291.5m financing which was used to refinance the Group's investment in the building.

In August 2017 the Group disposed of its 15% interest in 20 Fenchurch Street. The disposal proceeds were calculated by reference to the agreed consideration of £1,282.5m adjusted for allowances for rent free periods and service charge shortfalls. The loan which had been drawn down by the syndicate was repaid. The Group realised proceeds of £108.3m in the current year from its investment in 20 Fenchurch Street and recorded a valuation uplift of £23.8m.

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. In addition the Group has now been appointed to manage the overall estate, residential and retail elements as well as the new Shell HQ building.

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 560,000 sq ft of office space, 45,000 sq ft of retail, restaurants, cafes and a health club; and 850,000 sq ft of residential, creating up to 877 apartments.

The two office buildings have been presold to Almacantar, of which Building 1 was pre-leased by Shell. Building 2 has been leased by Almacantar to We Work. These office buildings are on target to be completed by mid-2018.

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 207 units and Belvedere Gardens 97 apartments. A third building, 30 Casson Square, comprising 166 apartments, launched in March 2016. Belvedere Gardens will complete in mid-2018 and the other two buildings in late 2019.

Valuations

The following table 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 2017** Carrying value £m	**31 December 2017** Market value in existing state £m	31 December 2016 Carrying value £m	31 December 2016 Market value in existing state £m
Retained portfolio: Investment properties – retained	(i)	**6,118.1**	**6,315.7**	6,099.2	6,304.0
Property under construction	(ii),(iii)	**501.5**	**503.3**	393.6	395.4
Properties held for development	(iv)	**940.8**	**878.6**	892.3	830.1
		7,560.4	**7,697.6**	7,385.1	7,529.5
Properties under construction held as current assets	(v)	**245.8**	**248.0**	175.7	180.5
		7,806.2	**7,945.6**	7,560.8	7,710.0

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 2017 was £197.6m (31 December 2016 – £204.8m). 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 2016 – £1.8m).
(iii) At 31 December 2017, comprised 1 Bank Street, Newfoundland and the Canada Square restaurant (31 December 2016 – 1 Bank Street, Newfoundland and 2 PRS buildings at Wood Wharf). A 50% interest in the 2 PRS buildings was transferred to the Vertus joint venture in March 2017 and accordingly at 31 December 2017 is accounted for as an equity investment.
(iv) Includes Wood Wharf 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 2017 (31 December 2016 – £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 2017, the yields applied in deriving the market valuation of the investment properties can be summarised as follows:

	31 December 2017 %	31 December 2016 %
Office portfolio:		
Weighted average initial yield	**4.2**	4.2
Weighted average equivalent yield	**4.7**	4.7
Retail portfolio:		
Weighted average initial yield	**3.7**	3.7
Weighted average equivalent yield	**3.9**	3.9

Taking office and retail together, the market value of the investment portfolio increased by £11.7m or 0.2% over the year. After allowing for capital expenditure and adjustments in respect of tenant incentives, the carrying value of the retained portfolio increased by £18.4m over the year, or 0.3%.

Property under construction to be retained at 31 December 2016, comprised One Bank Street, Newfoundland and the first two PRS buildings in Wood Wharf. In March 2017, the entities which own the two PRS buildings were transferred into the Vertus joint venture structure. The aggregate carrying value at the date of transfer was £79.8m, representing their market value at that date. The joint venture partners are entities related to the Group's ultimate parent undertakings. The Group also contributed £14.3m in cash and paid fees of £2.0m. The joint venture settled certain of the liabilities of the joint venture including the original cost of acquiring the sites. As a result, the Group has recorded an aggregate investment in the Vertus structure of £70.2m. At the same time as entering into the joint venture, a shareholder loan of £30.0m was entered into but has yet to be drawn down.

In July 2015 marketing commenced of 10 Park Drive, the first residential building at Canary Wharf, followed by One Park Drive in May 2017. These properties were transferred to current assets 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 2017, the buildings were carried at £245.8m, being their transfer value plus subsequent expenditure. The market value of these buildings was £248.0m 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 Wood Wharf. These sites were valued in aggregate at £878.6m at 31 December 2017. This represents a reduction of 0.4% after expenditure in the year, reflecting a softer market for development sites. The valuation at 31 December 2017 is equivalent to approximately £118.00 psf.

The market value of the entire property portfolio increased by 4.1% to £7,945.6m reflecting capital expenditure and after adjusting for the transfer of property to the Vertus joint venture. The carrying value of the retained portfolio, net of capital expenditure and the accounting adjustments required for tenant incentives and deferred negotiations costs, increased by £9.6m or 0.1% in the year.

Operating results

The following review of the Group's operating results relates to the year ended 31 December 2017. The comparatives relate to the year ended 31 December 2016.

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 2017 was £384.9m, against £464.8m for 2016, of which rental income prior to adjustments required to spread lease incentives and committed rent increases, increased from £276.2m to £277.5m. The increase in rental income was primarily attributable to increased retail rents.

Service charge income reduced from £91.1m for 2016 to £90.2m for 2017. 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 £36.5m for 2016 to £28.7m for 2017.

Revenue for 2016 included £71.2m recognised on construction contracts 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.

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 £118.7m for 2017 in comparison with £125.5m for 2016. Taking into account service charge and miscellaneous property income totalling £118.9m for 2017 (2016 – £118.3m), a surplus was recorded on property management of £0.2m (2016 – deficit of £7.2m). The deficit in 2016 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 2017 was £264.2m, a reduction of £74.2m compared with 2016, of which £71.2m was attributable to the one-off revenue recognised on the Riverside South contract.

STRATEGIC REPORT (Continued)

Underlying administrative expenses for 2017 were £64.9m in comparison with £61.2m for 2016. The increase in cost for 2017 was attributable to payroll and management retention scheme costs and increased marketing costs.

The share of profits from associates and joint ventures was £0.6m in 2017 in comparison with £2.1m in 2016. The income in 2017 was primarily attributable to profit recognised on the construction contract under which the office buildings at Southbank Place are being developed, partly offset by costs incurred on the sale of 20 Fenchurch Street, together with administrative costs incurred by the Shell Centre entities. In 2016, 20 Fenchurch Street joint venture was reporting profits until the loan taken out by the syndicate entities was entered into in July 2016, after which the operating profit was offset by an interest charge.

In February 2017, the Group settled its claim against Lehman Brothers Limited in respect of their lease of 25 Bank Street. The settlement amount received, net of fees and other deductions, totalled £42.2m and has been recognised as a component of underlying other income. Excluding this item, other income for 2017 was £8.8m in comparison with the £5.3m for 2016.

Underlying operating profit (as defined in Note 4) for 2017 was £250.9m in comparison with £284.6m for 2016. The reduction of £33.7m was mainly attributable to the profit recognised on the Riverside South contract in 2016, partly offset by the recognition of income following the settlement of the 25 Bank Street claim and the other factors referred to above.

A net revaluation surplus of £9.6m (Note 6) was recognised in the Consolidated Income Statement in the year compared with a deficit of £64.8m in 2016. 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 surplus recorded on 20 Fenchurch Street totalling £23.8m (2016 – deficit of £0.8m). The surplus on 20 Fenchurch Street arose from the sale of the Group's 15% interest in the building in August 2017 at an amount ahead of the carrying value at 31 December 2016. The revaluation surplus on 10 Upper Bank Street was £0.1m (2016 – £1.2m). Revaluation movements are classified as capital and other items.

Total operating profit for 2017 was £283.9m, compared with £220.2m in 2016. The increase in operating profit was attributable to revaluation movements, together with the other factors referred to above.

Underlying net financing costs (Note 7) for 2017 were £132.6m against £131.0m for 2016. Underlying net financing costs are stated net of £41.1m of interest which has been capitalised and transferred to certain development properties (2016 – £36.7m). This amount includes 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 and drawdowns under the construction loan facilities. Excluding interest capitalised, interest payable was £173.7m for 2017, in comparison with £167.7m for the previous year.

In July 2014, £577.9m of A1 Notes in the securitisation were prepaid, funded by the proceeds from the disposal of 10 Upper Bank Street. The prepayment of A1 Notes resulted in a potential liability to pay a redemption premium to the bondholders. Accordingly £168.7m of the proceeds from the disposal of 10 Upper Bank Street were placed in escrow with the securitisation trustee on 20 June 2014 and a provision was recognised. At 13 June 2017, the balance on the account was £200.2m including accrued interest. Following contact with the bondholder representatives, an offer of a principal and interest split of 25% for the Group and 75% for the note holders was agreed. As a result, on 14 June 2017, approximately £50.1m was transferred from the cash collateral account to the Group's unsecured cash and £150.2m was remitted to the bondholders. An equivalent amount of provision has been released and, allowing for interest at 6.455% up to the 14 June 2017 and legal fees, the net amount credited to the income statement was £44.3m which has been disclosed as a credit to interest payable.

Movements in the fair value of derivative financial instruments and hedging reserve recycling resulted in a net credit of £26.1m being recognised in the Consolidated Income Statement as a capital and other item in 2017 compared with a net charge of £94.6m in 2016.

The profit for the year before tax for 2017 was £221.7m in comparison with a loss of £21.4m for 2016. The results for both 2017 and 2016 included certain capital and other profits and losses as described above. Underlying profit before tax for 2017 was £118.3m (2016 – £153.6m). The reduction in underlying profit was attributable to the reduction in operating profit noted above.

Tax for 2017 comprised a corporation tax charge of £74.2m and a deferred tax charge of £13.4m. The movement in deferred tax was primarily attributable to the recognition of deferred tax on revaluation movements in the year and changes to the assumed recoverability of certain losses. Tax for 2016 comprised a corporation tax charge of £6.5m and a deferred tax credit of £45.4m. 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 2017 was £134.1m in comparison with £17.5m for 2016.

STRATEGIC REPORT (Continued)

The basic and diluted Earnings Per Share (Note 4) for 2017 was 18.1p (2016 – 2.4p). There were no adjustments required in respect of dilutive instruments at either 31 December 2017 or 31 December 2016.

Consolidated balance sheet and key performance indicators

Net assets in the Group's Consolidated Balance Sheet were £4,165.7m at 31 December 2017 in comparison with £4,024.2 m at 31 December 2016. The increase in net assets over the year of £141.5m was primarily attributable to the profit after tax of £134.1m, and 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 £4,783.2m or £6.46 per share at 31 December 2017 in comparison with £6.30 at 31 December 2016, an increase of 16p.

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 2017 £m**	31 December 2016 £m
Adjusted net assets attributable to members of the Company	(i)	**4,783.2**	4,662.1
Fair value adjustment in respect of financial assets and liabilities net of tax thereon	(ii)	**(698.4)**	(676.2)
Deferred tax	(iii)	**(181.9)**	(166.7)
Adjusted NNNAV		**3,902.9**	3,819.2
Adjusted NAV per share	(i), (iv)	**£6.46**	£6.30
Adjusted NNNAV per share	(iv)	**£5.27**	£5.16

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. Although the residential market has also been underpinned by continuing demand for sites capable of incorporating residential development, there have recently been signs that demand at the top of the residential market has cooled. Government announcements in particular the changes to stamp duty on the residential property market have also contributed to a slowing of residential land prices. The full implications of the EU referendum held in June 2016 are not yet clear. In the meantime, there is uncertainty which is 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. Although a majority of tenants are linked to the financial services industry, this proportion has now fallen to around only 55% of the tenants being in the financial services sector. Wherever possible steps are still taken to mitigate or avoid material consequences arising from this concentration. 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 2017, net debt (including derivative financial instruments at fair value, net of monetary deposits and cash and cash equivalents) stood at £3,540.8m, an increase of £195.2m from £3,345.6m at 31 December 2016. The components of net debt are disclosed in Note 21.

In November 2016, the Group refinanced its £600.0m retail loan facility with a new £700.0m facility of which £600.0m had been drawn down at 31 December 2016 and a further £100.0m was drawn down in April 2017. Further details are disclosed in Note 21(2).

Drawdowns totalling £127.2m were made against the Group's construction loan facilities reflecting development expenditure. This included drawings of £69.5m against a new £450.0m facility secured against the One Bank Street development (Note 21(12)). A further facility of £348.0m was secured against the Newfoundland PRS development, of which £29.7m was drawn during the year (Note 21 (11)).

The Group's borrowings are secured against designated property interests, and are subject to lending covenants that include maximum LTV and LTC 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 2017 and throughout the year then ended.

Total borrowings, excluding derivatives at fair value, increased from £3,280.7m at 31 December 2016 to £3,436.9m at 31 December 2017 reflecting draw downs against the Group's retail and construction loan facilities. This was partly offset by a favourable movement in the fair value of derivatives of £35.6m taking the total to £588.6m.

There was a reduction in cash and cash equivalents from £557.0m at 31 December 2016 to £482.4m in part as a result of the settlement of the litigation relating to the redemption of A1 Notes in 2014, resulting in a release of £150.2m to note holders. Other factors impacting on cash are explained below.

The Group's weighted average cost of debt at 31 December 2017 was 4.8% including credit wraps (31 December 2016 – 4.9%).

The weighted average maturity of the Group's loans was 9.5 years at 31 December 2017 (31 December 2016 – 10.6 years).

The Group's look through LTV at 31 December 2017 was 44.6% up from 43.4% at 31 December 2016, calculated by reference to net debt of £3,540.8m at 31 December 2017 (31 December 2016 - £3,345.6m) as a proportion of the market value of the property portfolio of £7,945.6m (31 December 2016 - £7,710.0m).

Cash flow

The net cash outflow from operating activities for 2017 was £62.7m in comparison with £13.5m for 2016. The outflow for 2017 was stated after the payment of £150.2m to note holders following the settlement of litigation. The outflow for 2016 was stated after fees on new loans of £21.5m. Net corporation tax payments of £26.2m were made in 2017 compared with tax payments of £64.9m in 2016.

Cash flows from investing activities resulted in a cash outflow of £185.5m for 2017 compared with £159.2m for 2016. In 2017, the cash outflow included £275.9m of development expenditure and £14.3m invested in the Vertus joint venture which was partly offset by the receipt of £108.3m from the sale of the Group's 15% interest in 20 Fenchurch Street. In 2016, the cash outflow included £241.0m of development expenditure, partly offset by £82.3m received from the 20 Fenchurch Street refinancing.

The net cash inflow from financing activities for 2017 was £173.7m, compared with £216.2m for 2016. The net cash inflow for 2017 included £127.2m drawn down under the Group's construction loan facilities and £100.0m from the 2016 retail loan refinancing. The net cash inflow for 2016 included £36.0m drawn down from the Wood Wharf infrastructure loan. 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 securitised loan amortisation totalled £29.3m in 2017 (2016 – £29.3m).

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.

Sustainability pressures are coming from existing and prospective tenants and occupiers, who are seeking 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. A recent 30 year local impact report commissioned by the Group has shown that Canary Wharf supports 54% of all jobs in Tower Hamlet, of which 12,000 work in Canary Wharf. Since 1997, £1.59bn of business has been generated for local businesses through Group business spend to support initiatives.

Canary Wharf Group has maintained ISO 14001 accreditation since early 2005 and will be seeking ISO 2400 for sustainable procurement in 2018. Environmental management has however been an inherent part of construction since 2002. The Group is also working to introduce Science Based Targets to ensure the business remains within the bounds of the Paris Agreement on Climate Change. During 2017, 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 2017, 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 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.

The Group has had a whistleblowing policy in place since 2008 and in 2017 introduced an employee hotline to enable employees to anonymously report issues to the company for review and where appropriate resolution.

Diversity
The Group is committed to fostering a diverse and inclusive workforce which enables the Group to hire and retain the best people. A diverse workforce brings a practical contribution to business success and in providing the highest standard of customer service to our tenants and to visitors alike. The work completed so far in creating an inclusive culture is reflected in low staff turnover and the increase in homes in technical construction roles which compares favourably with external benchmarking.

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.

STRATEGIC REPORT (Continued)

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 BSO HSAS 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.

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 95% 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. The Anti-Slavery and Human Trafficking training modules has been completed by 95% of employees.

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 other 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 2017, the Group had cash and monetary deposits totalling £482.4m of which £337.4m was unsecured. In addition, undrawn construction loan facilities total £1,246.1m and £170.0m is available to be drawn under the Group's shareholder loan facilities. 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 12.4 years or 10.7 years, assuming the exercise of all break options and at 31 December 2017, the occupancy level in the Group's office portfolio was 96.6%. The year end average maturity of the Group's debt was 9.5 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

12 April 2018

DIRECTORS' REPORT
for the year ended 31 December 2017

The directors present their report with the audited consolidated financial statements for 2017. 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 27.

Events after the balance sheet date

Details of events after the balance sheet date are shown in Note 28.

Dividends and reserves

The profit of £134.1m (2016 – £17.5m) attributable to the members of the Company has been transferred to reserves. No dividends were declared during the year ended 31 December 2017 (2016 – £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 and in the year to date except as noted:

Sir George Iacobescu (Chairman & Chief Executive Officer)
A Peter Anderson II
Mohamed Abdulrazzaq Al Hashmi (appointed 15 January 2018)
Sheikh Jassim Abdullah Al Thani (appointed 6 June 2017)
Sheikh Jassim Al Thani (resigned 15 January 2018)
Aziz Ahmad Aluthman Fakhroo
Jeffrey Blidner
Ali Bouzarif (resigned 6 June 2017)
Ben Brown
Navid Chamdia
Ric Clark
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 2017 (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 during 2017 comprised £17,864 to the Labour Party (2016 - £34,627), £38,800 to the Conservative Party (2016 - £40,196), £5,752 to the Labour Friends of Bangladesh (2016 – £8,500) and £Nil to the International Friends of Labour (2016 - £2,960). Political expenditure of £Nil was also incurred in 2017 (2016 - £5,600).

At the 2017 AGM, the shareholders approved a resolution authorising the Company to make certain political donations in the UK up to an aggregate of £155,000. The consent lasts until the 2018 AGM.

AGM

The AGM will be held at 2pm or the conclusion of the preceding board meeting on 26 June 2018 at One Canada Square, Canary Wharf, London E14 5AB.

By order of the Board

JOHN GARWOOD
Secretary
Canary Wharf Group Investment Holdings plc
12 April 2018
Registered number: 5043352

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

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31st December 2017 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Canary Wharf Group Investment Holdings plc (the 'parent company') and its subsidiaries (the 'group') which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 28.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors
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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report
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.

Report on other legal and regulatory requirements

Opinions 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 group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Simon Letts

Simon Letts (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
12 April 2018

CONSOLIDATED FINANCIAL STATEMENTS:

CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2017

	Note	2017 Underlying* £m	2017 Capital and other £m	2017 Total £m	2016 Underlying* £m	2016 Capital and other £m	2016 Total £m
Gross development, rental and related income	5	**384.9**	**–**	**384.9**	464.8	–	464.8
Cost of sales							
– other		**(120.7)**	**–**	**(120.7)**	(126.4)	–	(126.4)
Net development, rental and related income	5	**264.2**	**–**	**264.2**	338.4	–	338.4
Share of associates and joint ventures after tax	12	**0.6**	**23.3**	**23.9**	2.1	(0.8)	1.3
Revaluation of investments	12	**–**	**0.1**	**0.1**	–	1.2	1.2
Administrative expenses		**(64.9)**	**–**	**(64.9)**	(61.2)	–	(61.2)
Other income	13	**51.0**	**–**	**51.0**	5.3	–	5.3
Net revaluation movements	6	**–**	**9.6**	**9.6**	–	(64.8)	(64.8)
Operating profit	3	**250.9**	**33.0**	**283.9**	284.6	(64.4)	220.2
Net financing costs							
– investment revenues	7	**0.3**	**–**	**0.3**	0.9	–	0.9
– financing costs	7	**(132.9)**	**26.1**	**(106.8)**	(131.9)	(94.6)	(226.5)
– provision of premium on redemption of securitised debt	7	**–**	**44.3**	**44.3**	–	(11.4)	(11.4)
– costs of repaying secured debt	7	**–**	**–**	**–**	–	(4.6)	(4.6)
		(132.6)	**70.4**	**(62.2)**	(131.0)	(110.6)	(241.6)
Profit/(loss) for the year before tax attributable to equity holders of the company		**118.3**	**103.4**	**221.7**	153.6	(175.0)	(21.4)
Tax	8			**(87.6)**			38.9
Profit for the year after tax	4			**134.1**			17.5
Earnings Per Share							
– basic and diluted	4			**18.1p**			2.4p

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2017

	2017 £m	2016 £m
Profit after tax	**134.1**	17.5
Items that may be reclassified subsequently to profit or loss:		
Cash flow hedges:		
Gains/(losses) arising on effective hedges	**4.9**	(7.1)
Transferred from equity	**4.3**	5.8
Tax on items that may be reclassified (including change in tax rate)	**(1.8)**	(0.6)
Other comprehensive income for the year	**7.4**	(1.9)
Total comprehensive income for the year	**141.5**	15.6

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2017

	Share Premium £m	Capital redemption reserve £m	Cancelled share reserve £m	Hedging reserve £m	**Total other reserves £m**	Retained earnings £m	Share capital £m	**Total £m**
1 January 2016	**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**
1 January 2017	**1,195.1**	**2.5**	**59.5**	**(56.8)**	**1,200.3**	**2,749.9**	**74.0**	**4,024.2**
Profit for the year after tax	–	–	–	–	–	134.1	–	**134.1**
Net income recognised	–	–	–	–	–	134.1	–	**134.1**
Cash flow hedges:								
Gains arising on effective hedges	–	–	–	4.9	**4.9**	–	–	**4.9**
Transferred to income	–	–	–	4.3	**4.3**	–	–	**4.3**
Tax on components of other comprehensive income	–	–	–	(1.8)	**(1.8)**	–	–	**(1.8)**
Total comprehensive income and expense for the year	–	–	–	7.4	**7.4**	134.1	–	**141.5**
31 December 2017	**1,195.1**	**2.5**	**59.5**	**(49.4)**	**1,207.7**	**2,884.0**	**74.0**	**4,165.7**

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 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.

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.

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 2017

	Note	2017 £m	2016 £m
Assets:			
Non current assets			
Investment properties	11	**6,118.1**	6,099.2
Properties under construction	11	**501.5**	393.6
Development properties	11	**940.8**	892.3
Plant and equipment	11	**4.2**	4.8
		7,564.6	7,389.9
Other non current assets			
Investments	12	**249.9**	262.0
Tenant incentives and other non current assets	14	**199.4**	206.6
		8,013.9	7,858.5
Current assets			
Work in progress	11	**245.8**	175.7
Trade and other receivables	13	**138.6**	68.8
Monetary deposits	15	**2.3**	2.3
Cash and cash equivalents	16	**482.4**	557.0
		869.1	803.8
Total assets		**8,883.0**	8,662.3
Liabilities:			
Current liabilities			
Current portion of long term borrowings	18	**(86.7)**	(62.2)
Corporation tax	17	**(52.0)**	(4.0)
Trade and other payables	17	**(391.8)**	(298.8)
		(530.5)	(365.0)
Non current liabilities			
Borrowings	19	**(3,350.2)**	(3,218.5)
Derivative financial instruments	20	**(588.6)**	(624.2)
Other non current liabilities	22	**(63.9)**	(65.4)
Deferred tax liabilities	8	**(181.9)**	(166.7)
Provisions	23	**(2.2)**	(198.3)
		(4,186.8)	(4,273.1)
Total liabilities		**(4,717.3)**	(4,638.1)
Net assets		**4,165.7**	4,024.2
Equity			
Share capital	24	**74.0**	74.0
Other reserves		**1,207.7**	1,200.3
Retained earnings		**2,884.0**	2,749.9
Total equity attributable to members of the Company		**4,165.7**	4,024.2

Approved by the Board and authorised for issue on 12 April 2018 and signed on its behalf by:

A Peter Anderson, II
Director

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2017

	Note	2017 £m	2016 £m
Net cash from operating activities	25	**110.6**	170.8
Interest paid		**(165.6)**	(163.4)
Interest received		**0.3**	0.6
New loan fees		**(8.0)**	(21.5)
Net cash outflow from operating activities		**(62.7)**	(13.5)
Cash flows from investing activities			
Development expenditure		**(275.9)**	(241.0)
Purchase of property, plant and equipment		**(1.7)**	(0.5)
Investment in, net distributions received and net loans repaid by associates		**92.0**	82.3
Net cash outflow from investing activities		**(185.6)**	(159.2)
Cash flows from financing activities			
Redemption of securitised debt		**(29.3)**	(29.3)
Repayment of secured loans		**(16.5)**	(669.3)
Draw down of secured loans		**100.0**	880.0
Draw down of construction loan		**127.2**	36.0
Payment of deferred consideration		**(7.7)**	(1.2)
Net cash inflow from financing activities		**173.7**	216.2
Net movement in cash and cash equivalents		**(74.6)**	43.5
Cash and cash equivalents at start of year		**557.0**	513.5
Cash and cash equivalents at end of year	16	**482.4**	557.0

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.

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'
IFRS15 'Revenue from Contracts with Customers'
IFRS16 'Leases'

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.

Within the Group there are qualifying partners who are required to prepare financial statements, a members' or general partners' report in accordance with the requirements of the Companies Act 2006. The financial statements should be audited and made public. The Group has taken exemption from these requirements as these have been dealt with on a consolidated basis in the financial statements.

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 deemed 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 better appreciate 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.

(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.

	2017 £'000	2016 £'000
The operating profit is stated after charging:		
– depreciation (Note 11)	**2,276**	552
– directors' emoluments (Note 10)	**12,295**	8,006

Auditor's Remuneration

	2017 £'000	2016 £'000
Audit of company	**66**	64
Audit of subsidiaries	**560**	495
Total audit	**626**	559
Audit related assurance services (interim reviews)	**7**	7
Other assurance services (service charge assurance work)	**50**	48
Other assurance services	**4**	–
Audit and related assurance services	**687**	614
Tax advisory services	**–**	29
Services relating to taxation	**–**	29
Total non audit services	**–**	29
Total fees	**687**	643
Occupational pension scheme audits	**13**	22

4. PERFORMANCE MEASURES

Basic earnings and losses per share:

	2017 Earnings/(losses) £m	**Per share p**	2016 Earnings/(losses) £m	Per share p
Underlying profit for the year before tax	**118.3**	**16.0**	153.6	20.7
Capital and other items	**103.4**	**13.9**	(175.0)	(23.6)
Tax	**(87.6)**	**(11.8)**	38.9	5.3
Profit after tax attributable to members of the Company	**134.1**	**18.1**	17.5	2.4

Underlying earnings exclude movements on property revaluations, movements in the fair value of ineffective hedging instruments and other derivatives and tax.

Earnings and losses per share for 2017 has been calculated by reference to the profit attributable to equity shareholders of £134.1m for 2017 (2016 – £17.5m) and on the weighted average of 740.4m Ordinary Shares in issue for 2017 (2016 – 740.4m).

Adjusted net assets per share:

	2017 £m	2016 £m
Balance sheet net assets	**4,165.7**	4,024.2
Adjustment for: deferred tax	**181.9**	166.7
Mark to market of derivatives	**588.6**	624.2
	4,936.2	4,815.1
Capital contributions	**(153.0)**	(153.0)
Adjusted net assets	**4,783.2**	4,662.1
Adjusted NAV per share	**646p**	630p

Adjusted NAV per share 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 2017 (Continued)

5. REVENUE

	2017 £m	2016 £m
Rent receivable	**277.5**	276.2
Recognised incentives and committed rent increases	**(12.5)**	(10.5)
	265.0	265.7
Service charge income	**90.2**	91.1
Miscellaneous income	**28.7**	36.5
Termination of leases	**1.0**	0.3
Construction contract revenue	**-**	71.2
Gross development, rental and related income	**384.9**	464.8
Service charge and other direct property expenses	**(118.7)**	(125.5)
Movement in accruals and provisions for leasehold commitments	**(1.0)**	(0.6)
Payments on termination of leases	**(1.0)**	(0.3)
Net development, rental and related income	**264.2**	338.4

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

In 2017, the Group had 1 major customer, contributing £82.4m of Group revenue (2016 – 1 major customer contributing £82.5m).

Rent receivable included contingent rents of £2.3m (2016 – £2.2m).

6. NET REVALUATION MOVEMENTS ON PROPERTY AND INVESTMENTS

	2017 £m	2016 £m
Revaluation of:		
– investment properties	**18.4**	18.0
– properties under construction	**(5.3)**	(26.4)
– development properties	**(3.5)**	(56.4)
	9.6	(64.8)

In accordance with IAS 40 (amended), the revaluation movement on development properties is recognised in the Consolidated Income Statement. At 31 December 2017, a cumulative revaluation surplus on development properties of £556.9m had been recognised (31 December 2016 – £560.4m). There were no development properties where market value was less than historical cost at either 31 December 2017 or 31 December 2016.

7. NET FINANCING COSTS

	2017 £m	2016 £m
Interest revenue		
Deposits, other loans and securities	**0.3**	0.9
Interest expense		
Notes and debentures	**(94.1)**	(100.4)
Construction loan interest	**(7.0)**	(1.4)
Other bank loans and overdrafts and other interest payable	**(66.7)**	(60.2)
Obligations under long term property lease	**(6.2)**	(6.6)
	(174.0)	(168.6)
Interest transferred to properties under construction	**41.1**	36.7
	(132.9)	(131.9)
Underlying net financing costs	**(132.6)**	(131.0)
Other financing (costs)/income		
Valuation movements on fair value of derivatives	**30.4**	(88.8)
Hedging reserve recycling	**(4.3)**	(5.8)
Release of/(provision for) premium on redemption of securitised debt	**44.3**	(11.4)
Write off fees on refinanced loan	**-**	(4.6)
	70.4	(110.6)
Net financing expenses	**(62.2)**	(241.6)
Total financing income	**0.3**	0.9
Total financing expenses	**(62.5)**	(242.5)
Net financing costs	**(62.2)**	(241.6)

Financing fees included in interest payable totalled £10.8m in 2017 (2016 – £12.8m).

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.

The amount transferred to properties under construction and held for development comprised £34.1m attributable to the cost of funds of the Group's general borrowings (2016 – £35.3m). 2017 also included £7.0m of finance costs recognised on the construction loan facilities which are being utilised to finance certain of the development expenditure on the Estate (2016 – £1.4m). 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 4.8% (2016 – 4.9%).

In 2017, £4.3m (2016 - £5.8m) was recycled to the Consolidated Income Statement from the hedging reserve as the corresponding hedged cash flows occurred in the year.

In 2017, £4.9m of fair value gains (2016 – £7.1m of 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.

On 14 June 2017, the Group settled an issue relating to the partial redemption of A1 Notes on 22 July 2014. Prior to settlement, the Group had provided £201.4m in respect of the potential premium payable to the holders of the A1 Notes following the partial redemption. The provision was calculated by reference to an initial amount potentially payable of £168.7m at the date of redemption plus interest at 6.455% per annum accrued subsequently, totalling £32.7m. Of this amount, £26.6m had been recognised at 31 December 2016 and £6.1m was recognised in the current year as a component of interest payable.

An amount of £150.2m was agreed and settled to the holders of the A1 Notes, representing 75% of the balance held in escrow. The remaining provision of £51.2m was released to the Income Statement and classified as an adjustment to interest payable. The release of provision is stated after adjustment for fees incurred.

8. TAX

	2017 £m	2016 £m
Tax charge		
Current tax charge to income	**(74.2)**	(6.5)
Deferred tax	**(13.4)**	45.4
Group total tax	**(87.6)**	38.9
Tax reconciliation		
Group profit/(loss) on ordinary activities before tax	**221.7**	(21.4)
Tax on profit on ordinary activities at UK corporation tax rate of 19.25% (2016 – 20.0%)	**(42.7)**	4.3
Effects of:		
Change in tax rate	**(0.9)**	5.9
Adjustments in respect of prior years	**(33.6)**	2.7
Indexation allowances and net effect of restriction or reversal of previously restricted capital losses	**14.5**	7.4
Revaluation of properties held offshore	**(1.4)**	(5.1)
Exit charge on disposal of property	**(6.6)**	–
Expenses not deductible for tax purposes	**(0.1)**	(0.3)
Deferred tax assets not recognised on losses	**(18.2)**	–
Group relief	**3.3**	15.1
Other differences	**(1.9)**	8.9
Group total tax	**(87.6)**	38.9

The 2017 tax rate of 19.25% was calculated by reference to the corporation tax rate of 19.0% which was in effect for the final 3 quarters of the year and the previous rate of 20.0% 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, and adjusted for a provision for adjustments to liabilities of prior years, a corporation tax charge of £74.2m has been recognised in the year. In 2017 net corporation tax payments of £26.2m were made and the accrual for corporation tax payable increased to £52.0m at 31 December 2017, in comparison with £4.0m at 31 December 2016 (Note 17).

	Losses & tax credits £m	Revaluation deficits £m	Fair value of derivatives £m	Financial instruments £m	Other £m	Total £m
Deferred tax assets						
1 January 2016	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
(Charge)/credit to income	(55.6)	2.1	(1.9)	(0.2)	(4.7)	(60.3)
Charge to equity	–	–	(1.8)	–	–	(1.8)
31 December 2017	**29.2**	**3.8**	**67.3**	**2.0**	**15.6**	**117.9**

	Revaluation surpluses £m	Fair value of derivatives £m	Financial instruments £m	Other £m	Total £m
Deferred tax liabilities					
1 January 2016	(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)
Credit to income	29.7	–	17.1	0.1	46.9
31 December 2017	**(292.7)**	**–**	**(6.2)**	**(0.9)**	**(299.8)**

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 2016	(211.5)
Credit to income	45.4
Charge to equity	(0.6)
Net liability at 31 December 2016	(166.7)
Charge to income	(13.4)
Charge to equity	(1.8)
Net liability at 31 December 2017	**(181.9)**

The standard rate of corporation tax payable by the Group reduced from 20.0% to 19.0% with effect from 1 April 2017. Enacted in the Finance Act (No.2) 2015 was 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.

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.

As disclosed in Note 28, the SHL Group converted into a REIT on 29 March 2018. As a consequence of the conversion, it is anticipated that the deferred tax liability will substantially be released.

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 2017, the weighted average unexpired lease term under non cancellable operating leases for the entire investment property portfolio, including retail, was 12.1 years (2016 – 11.2 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 2017 £m	31 December 2016 £m
Within one year	**270.7**	264.6
Between 2 and 5 years	**933.5**	949.0
After 5 years	**1,632.3**	1,811.6
	2,836.5	3,025.2

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:

	2017 £m	2016 £m
Wages and salaries	**101.8**	89.2
Social security costs	**11.9**	10.2
Other pension costs	**6.1**	5.8
	119.8	105.2

The average monthly number of employees during 2017 was 1,218 (2016 – 1,157) as set out below:

	2017	2016
Construction	**377**	325
Property management	**622**	631
Administration	**219**	201
	1,218	1,157

Directors' remuneration

	2017 £'000	2016 £'000
Emoluments paid or payable	**12,295**	8,006

Highest paid director

	2017 £'000	2016 £'000
Highest paid director	8,372	5,227

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

Other directors

No travel and other subsistence expenses were reimbursed to non executive directors in either 2017 or 2016.

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 £6.1m (2016 – £5.8m), represents contributions payable 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 been introduced for certain directors and senior employees of Canary Wharf Group. In accordance with the terms of this deferred payment scheme, during 2017, directors of the company received payments totalling £7,565,000 (2016 – £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 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.

Non current property assets, construction contracts and current property assets at 31 December 2017 comprised:

	Investment properties £m	Under construction to be retained £m	Development properties £m	Total £m	Under construction to be sold £m	Total £m
Fair value at 1 January 2017	6,304.0	395.4	830.1	**7,529.5**	180.5	**7,710.0**
Adjust for brought forward:						
- 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)**
Carrying value at 1 January 2017	6,099.2	393.6	892.3	**7,385.1**	175.7	**7,560.8**
Additions	5.8	168.1	46.0	**219.9**	59.9	**279.8**
Capitalised interest	–	21.9	9.0	**30.9**	10.2	**41.1**
Transfer	–	(76.8)	(3.0)	**(79.8)**	–	**(79.8)**
Revaluation movement	18.4	(5.3)	(3.5)	**9.6**	–	**9.6**
Transfer to tenant incentives	(5.3)	–	–	**(5.3)**	–	**(5.3)**
Carrying value at 31 December 2017	**6,118.1**	**501.5**	**940.8**	**7,560.4**	**245.8**	**7,806.2**
Adjust for:						
- tenant incentives*	187.8	–	–	**187.8**	–	**187.8**
- 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	–	–	–	**–**	2.2	**2.2**
Fair value at 31 December 2017	**6,315.7**	**503.3**	**878.6**	**7,697.6**	**248.0**	**7,945.6**

* Refer to Note 14 for further details.

Recurring fair value measurement

The fair value of the Group's property portfolio at 31 December 2017 was £7,945.6m (31 December 2016 – £7,710.0m).

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 CBRE 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 2017 (Continued)

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

	Fair value at 31 December 2017 £m	Valuation techniques	Unobservable Inputs	Range or (weighted average)
Investment properties:				
- Offices	5,021.6	Discounted cash flow	Annual rent psf (ERV)	£40.00 – £53.50 psf (i)
			Discount rate	3.6% – 7.0% (4.9%)
			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	1,294.1	Discounted cash flow	Annual rent psf (ERV)	£155ZA - £385ZA (ii) (£245ZA)
			Discount rate	6.6%
			Capitalisation rate for terminal value	4.2%
		Yield methodology	Annual rent psf Capitalisation rate - Initial yield - Equivalent yield	As above (ii) (3.7%) (3.9%)
	6,315.7			
Properties under construction to be retained:				
- Offices	231.0	Capitalised net revenues less costs to complete	Capitalised net revenues Estimated costs to complete	£47.50 - £52.00 psf (iii) (iv)
- PRS	268.0	As above	As above	(iv)
- Retail	4.3	As above	As above	£50.00 psf
	503.3			
Properties held for development:	878.6	Capitalised net revenues less costs to complete	Capitalised net revenues Estimated costs to complete	(iii) (iv)
	7,697.6			
Properties under construction to be sold:				
10 Park Drive/One Park Drive	248.0	Capitalised net revenue less costs to complete	Capitalised net revenues Estimated costs to complete	(iii) (iv)
Total for entire property portfolio	**7,945.6**			

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.

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 is progressing and construction of the Newfoundland building, a residential building targeted for the private rental sector, is also under way. Both properties are classifield as properties under construction.

Work has commenced on a new restaurant located in the Canada Square Park. This property was reclassified as a property under construction in the year.

Construction continues on 10 Park Drive, a residential building being developed with a view to sale of individual apartments. The Group has also commenced construction of a second residential building at One Park Drive, again with a view to sale of individual apartments. Consequently both sites are classified as current property assets.

At 31 December 2017 properties under construction included £104.7m of capitalised interest compared with £63.6m at 31 December 2016.

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 received £76.0m as an advance of developer's profit. The agreement expired in October 2016 and as a result a profit was 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 £58.9m (31 December 2016 – £59.0m) in respect of property occupied by the Group, which in the opinion of the directors is not material for separate classification.

On 30 March 2017, the Group completed the sale to its ultimate shareholders of a 50.0% interest in 8 Water Street and the Grid Building, 2 PRS buildings under construction at Wood Wharf. The aggregate carrying value of the properties at the date of sale was £79.8m (Note 12 – Vertus).

The historical cost of properties held as non current assets at 31 December 2017 was £4,458.8m (31 December 2016 – £4,293.1m).

Direct operating expenses arising from investment properties that did not generate rental income in the year totalled £3.3m (2016 – £7.8m).

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
1 January 2016	4.9
Additions	0.5
Depreciation	(0.6)
31 December 2016	4.8
Additions	1.7
Depreciation	(2.3)
31 December 2017	**4.2**

12. **INVESTMENTS**

The investments balance comprises:

	2017 £m	2016 £m
Shares	**107.0**	36.8
Loans	**137.2**	137.2
	244.2	174.0
Fees on acquisition	**2.7**	0.7
Share of post acquisition profits	**4.4**	3.8
Fair value adjustments	**124.2**	100.8
Impairment of investment	**(0.4)**	(0.4)
Distributions	**(125.2)**	(16.9)
	249.9	262.0

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:

	2017 £m	2016 £m
Associates and joint ventures	**206.3**	218.5
Other investments	**43.6**	43.5
	249.9	262.0

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

At 31 December 2017	Shell Centre £m	20 Fenchurch Street £m	Vertus £m	**Total £m**
Initial investment	–	0.1	70.2	**70.3**
Fees	0.7	–	2.0	**2.7**
Loan funding	137.2	–	–	**137.2**
Recognised share of (losses)/profits	(1.9)	8.3	(2.0)	**4.4**
Distribution	–	(125.2)	–	**(125.2)**
Share of revaluation surplus	–	117.4	(0.5)	**116.9**
	136.0	0.6	69.7	**206.3**

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 2017 are as follows:

	Date of acquisition	Country of incorporation	Ownership interest %
20 Fenchurch Street	October 2010	UK/Jersey	30.0
Shell Centre	July 2011	UK/Jersey	50.0
Vertus	March 2017	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 2017, aggregate profits of £14.2m had been recognised on the contracts (31 December 2016 - £3.0m).

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 2017, £72.5m 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 2017 (net of receipts under forward sale agreements) including fees of £0.7m paid on entering into the agreement with Shell totalled £136.0m (31 December 2016 – £132.7m). At 31 December 2017, the joint venture entities had aggregate assets of £652.0m and liabilities of £381.3m (31 December 2016 – assets of £504.8m and liabilities of £240.8m).

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 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 £85.8m at 31 December 2016 representing the initial investment plus associated fees, together with subsequent funding and the Group's share of revaluation surpluses and of operating profits and losses.

In August 2017, the group disposed of its interest in 20 Fenchurch Street by selling its share of the units in the Canary Wharf FS Unit Trust and its equity interest in 20 Fenchurch Street (GP) Limited. The disposal proceeds were calculated by reference to the agreed property valuation of £1,282.5m adjusted for allowances for rent free periods and service charge shortfalls. The disposal included a commitment to undertake certain works to the building, including improvements to the Sky Garden, at a budgeted total cost of £5.0m, of which £750,000 is attributable to the Group. This commitment was taken into account in calculating the profit on sale. A £291.5m loan, which had been drawn down by the syndicate in July 2016, was repaid. The Group received a total of £108.3m in the current year from its interest in 20 Fenchurch Street and recorded a valuation uplift of £23.8m. The Group has retained an investment of £0.6m in the syndicate entities in which it holds a 30.0% interest and these will be wound up when their remaining obligations have been satisfied.

Vertus

On 30 March 2017, the Group transferred 2 properties with a combined carrying value of £79.8m (Note 11) into a new joint venture in which the Group has a 50.0% interest with the remaining 50.0% being owned by the Group's ultimate shareholders. The Group invested £14.3m of cash in the structure and incurred fees of £2.0m. The joint venture subsequently settled certain of its liabilities with the Group and as a result the initial carrying value of the investment was £70.2m. During the year the Group has recognised expenses of £2.0m being the fees incurred on entering into the joint venture and its share of a subsequent revaluation deficit of £0.5m.

Financial Information

The Shell Centre and Vertus entities have a 31 December financial year end. Following the sale of the Group's interest in 20 Fenchurch Street, the remaining syndicate entities in which the Group has an interest also have 31 December year end. Previously, the relevant 20 Fenchurch Street entities had a 31 March financial year end. The results of the 20 Fenchurch Street and 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 2017	Shell Centre £m	20 Fenchurch Street £m	Vertus £m
Other income/(costs)	6.5	(6.3)	–
Revaluation movement	–	157.9	(1.0)
Profit/(loss) before and after tax	6.5	151.6	(1.0)
Group share	3.3	23.1	(0.5)
Fees	–	–	(2.0)

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

Summarised balance sheets at 31 December 2017	Shell Centre £m	20 Fenchurch Street £m	Vertus £m
Total assets	652.0	6.0	200.0
Total liabilities	(381.3)	(4.2)	(60.9)
Net assets	270.7	1.8	139.1
Group share*	135.3	0.6	69.7

* Note: The Group share of the net assets of 20 Fenchurch Street is calculated by reference to the Group's remaining interest in the syndicate of 30%.

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

** Note: Total liabilities have been grossed up to reflect the 30% interest the Group held at 31 December 2016 in the £291.5m loan facility used to refinance the syndicate's investment in 20 Fenchurch Street.

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 2017, 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. This was primarily attributable to the revaluation surplus recognised on the building and other profits since acquisition of £80.9m and the recognition of an out of the money interest rate swap valuation of £7.7m. This resulted in a carrying value of £43.4m.

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 2017 was £0.2m (31 December 2016 – £0.2m).

13. TRADE AND OTHER RECEIVABLES

	2017 £m	2016 £m
Trade receivables	**37.4**	8.1
Other receivables	**11.7**	5.3
Prepayments and accrued income	**23.7**	26.6
Deferred financing expenses	**16.3**	28.8
Amounts owed by Vertus undertakings	**49.5**	–
Total trade and other receivables	**138.6**	68.8

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.

The amount owed by Vertus undertakings comprises the proportion of the Group's infrastructure loan which is attributable to the Vertus properties of £40.0m and £9.5m of costs incurred by Group entities on behalf of the Vertus entities which remained outstanding at 31 December 2017.

At 31 December 2017, trade receivables included 3 trade debtors in excess of £1.0m, with an aggregate amount outstanding of £18.5m representing 49.5% of gross trade receivables at that date. Two of these debtors with an aggregate amount outstanding of £22.8m are owed by related parties. The remaining £1.4m was cleared subsequent to the year end.

Trade receivables more than 61 days past due at 31 December 2017 totalled £5.5m (31 December 2016 – £1.1m). At 31 December 2017 provisions against bad or doubtful trade debts totalled £0.1m (31 December 2016 – £0.1m) and the bad debt expense for the year was £0.1m (2016 – £0.1m). No impairment provisions were required against any other class of financial asset at either 31 December 2017 or 31 December 2016.

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.

Since 31 December 2014, further payments on account of $20.5 m or £14.5m have been received and a total of £3.6m was paid to JP Morgan net of fees. At 31 December 2017, prepayments and accrued income included £0.4m relating to the claim against LBHI net of amounts payable to JP Morgan.

In February 2017 the Group received £65.0m in settlement of its claim against LBL. The settlement amount, net of deductions totalling £22.8m, representing the amount payable to JP Morgan and expenses, resulted in £42.2m being recognised in the Consolidated Income Statement as a component of Other Income.

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 2016	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
Transferred from Investment Property	–	5.3	5.3	–	**5.3**
Recognition of rent during rent free periods	8.1	–	8.1	–	**8.1**
Amortisation	(12.2)	(8.4)	(20.6)	(2.8)	**(23.4)**
Deferred lease negotiation costs	–	–	–	2.8	**2.8**
31 December 2017	**60.2**	**127.6**	**187.8**	**11.6**	**199.4**

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.

	2017 £m	2016 £m
Monetary deposits held at bank	**2.3**	2.3

The effective interest rate on monetary deposits was 0.2% (31 December 2016 – 0.1%).

16. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	2017 £m	2016 £m
Unsecured cash	**337.4**	189.3
Collateral for borrowings	**131.2**	352.9
Security for obligations	**13.8**	14.8
	482.4	557.0

The effective interest rate on short term deposits at 31 December 2017 was 0.05% (31 December 2016 – 0.1%) and the deposits had an average maturity of 1 day (31 December 2016 – 1 day).

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:

	2017 £m	2016 £m
Securitised debt	**70.1**	265.2
Secured loans	**10.2**	37.2
Loan notes	**27.7**	27.7
Residential sales deposits	**23.2**	22.8
	131.2	352.9

Of the cash collateral disclosed above, all of the secured loans balance and £24.1m of the securitised debt balance (31 December 2016 – £23.2m) represents rental payments from tenants received in advance.

At 31 December 2016, securitised debt collateral also included £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. This balance increased to £200.2m in June 2017 before payment was made to the bondholders (Note 7).

At 31 December 2016, securitised debt collateral included £22.2m deposited by Barclays Bank as a result of the downgrade of its credit rating as swap provider. This amount was released to Barclays in 2017 following novation of the swaps to a new swap provider, HSBC.

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

17. TRADE AND OTHER PAYABLES AND CORPORATION TAX

	2017 £m	2016 £m
Trade payables	**32.1**	16.4
Tax and social security costs	**12.6**	12.4
Other payables	**84.1**	35.6
Other accruals	**94.1**	89.0
Deferred income	**110.2**	105.1
Residential sale proceeds	**58.7**	40.3
Total trade and other payables	**391.8**	298.8
Corporation tax	**52.0**	4.0

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

Trade and other payables includes £135.9m of financial liabilities at 31 December 2017 (31 December 2016 – £136.1m). 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 25 days (31 December 2016 – 14 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:

	2017 **£m**	2016 £m
Accrued interest payable	18.3	16.5
Repayable within one year:		
– securitised debt	29.3	29.3
– secured loans	39.1	16.4
Long term borrowings repayable within one year	86.7	62.2

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

Secured loans includes the loan facility secured against 7 Westferry Circus which is repayable in September 2018 (Note 21(7)).

19. BORROWINGS

Non current liability borrowings comprise:

	2017 **£m**	2016 £m
Securitised debt	**1,513.6**	1,548.5
Loan notes	**26.1**	26.1
Secured loans	**1,655.8**	1,592.3
Construction Loan	**154.7**	51.6
	3,350.2	3,218.5

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 2017, the fair value of these derivatives resulted in the recognition of a liability of £588.6m (31 December 2016 – £624.2m) of which £2.1m (31 December 2016 – £7.1m) was recognised in respect of cash flow hedges which qualify for hedge accounting.

	2017 **£m**	2016 £m
Net liabilities:		
Securitisation	**350.2**	360.5
Other secured loans	**238.4**	263.7
	588.6	624.2

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 £18.3m from £606.9m (31 December 2016 – £23.6m from £647.8m).

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	28.8	27.2	**56.0**
In one to 2 years	27.2	23.8	**51.0**
In 2 to 5 years	76.1	59.7	**135.8**
In 5 to 10 years	115.2	79.6	**194.8**
In 10 to 20 years	162.0	67.8	**229.8**
31 December 2017	**409.3**	**258.1**	**667.4**

	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

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, the loan secured against 7 Westferry Circus and £100m of the loan secured against the Group's retail properties 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 £0.1m/£(2.2m) (2016 - £0.8m/£(1.1)m) 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 2017 by £110.5m/£(118.4)m (2016 – £118.5m/£(127.2)m) by changing the profit or loss for the year by £99.6m/£(107.2)m and comprehensive income by £10.9m/£(11.2)m. The 0.5% sensitivity has been selected based on the directors' view of a reasonable interest rate curve movement assumption.

21. NET DEBT

	2017 £m	2016 £m
Securitised debt	**1,905.0**	1,950.3
Loan notes	**26.2**	26.2
Other secured loans	**2,094.3**	1,928.4
Gross debt	**4,025.5**	3,904.9
Current liabilities	**86.7**	62.2
Non current liabilities:		
– borrowings	**3,350.2**	3,218.5
– derivatives including assets	**588.6**	624.2
Gross debt	**4,025.5**	3,904.9
Cash and cash equivalents	**(482.4)**	(557.0)
Monetary deposits	**(2.3)**	(2.3)
Net debt	**3,540.8**	3,345.6

The amounts at which borrowings are stated comprise:

	Securitised debt £m	Loan notes £m	Other secured loans £m	Construction loan £m	Total £m
1 January 2017	1,950.3	26.2	1,876.5	51.9	**3,904.9**
Drawn down	–	–	100.0	127.2	**227.2**
Effective interest rate adjustment	(5.6)	–	–	(24.2)	**(29.8)**
Accrued finance charges	(0.1)	–	4.5	0.2	**4.6**
Repaid in year	(29.3)	–	(16.5)	–	**(45.8)**
Movements in fair value of derivatives	(10.3)	–	(25.3)	–	**(35.6)**
31 December 2017	**1,905.0**	**26.2**	**1,939.2**	**155.1**	**4,025.5**
Payable within one year or on demand	41.2	0.1	45.0	0.4	**86.7**
Payable in more than one year	1,513.6	26.1	1,655.8	154.7	**3,350.2**
Derivatives classified as non current liabilities	350.2	–	238.4	–	**588.6**
	1,905.0	**26.2**	**1,939.2**	**155.1**	**4,025.5**

All the borrowings of Canary Wharf Group are secured against designated property interests of Canary Wharf Group.

(1) At 31 December 2017, the following Notes issued by CWF II, a subsidiary of Canary Wharf Group, were outstanding:

Class	Principal £m	Interest	Repayment
A1	289.0	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	148.6	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
	1,502.2		

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 – 0.475%; B3 Notes – 0.7%; 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 – 5.3985%; B3 Notes – 5.5825%; 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 £175.5m as cash collateral in respect of this obligation. The annual fee payable during the year ended 31 December 2017 in respect of the arrangement was £1.5m.

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 2017 was 13.8 years (31 December 2016 – 14.6 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 was drawn in April 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% on £600.0m of the loan. The remaining £100.0m 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 in 2016 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 2017, £12.0m of the loan principal was repaid in accordance with the loan agreement reducing the principal at 31 December 2017 to £497.0m.

(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.

(5) Loan notes with an outstanding value at 31 December 2017 of £26.1m were issued to fund the acquisition of certain parts of Wood Wharf. Interest on the loan notes is payable at 3 month LIBOR plus 1.0% p.a. from the dates specified. At 31 December 2017 the notes in issue were as follows:

	Nominal value £
'A' loan notes	8,223,188
'B' loan notes	7,280,000
'C' loan notes	6,530,000
'D' loan notes	4,081,250
	26,114,438

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 April 2016 the Group entered into a loan secured against 15 Westferry Circus 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 2017, £4.4m of the loan principal of the senior facility was repaid in accordance with the terms of the loan reducing the principal at 31 December 2017 to £83.4m. 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 2017, £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 Wood Wharf site. Interest is payable at the EC reference rate of 0.73% at 31 December 2017 plus 2.2% and the facility is repayable in March 2023. No hedging is required and at 31 December 2017, £80.6m had been drawn down.

(9) In March 2015, the Group completed a £620.0m construction facility, split in to 4 tranches of which 2 tranches totalling £428.7m will be used to fund private sale residential buildings at Canary Wharf and 2 tranches totalling £191.3m will be used to fund the 2 private rental sector buildings that now form the Vertus joint venture. Amounts drawn down under the Vertus tranches are disclosed in the audited accounts of those entities. 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% or 3.25% and require 70.0% minimum hedging. At 31 December 2017, £0.8m had been drawn down against 10 Park Drive and the associated deferred fees have been reallocated to borrowings. No amounts had been drawn under the One Park Drive tranche of this facility at 31 December 2017 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. An additional £30.0m 5 year facility was agreed in March 2017 at a fixed coupon of 5.0% and subject to an arrangement fee of 2.0%.

(11) In March 2017, the 5 year construction loan facility to fund the Newfoundland development was varied by the addition of a third bank and an increase in the facility amount from £261m to £348m. The facility is now provided by 3 banks plus the HCA. The rate payable on the bank loans is LIBOR plus 3.25% and the rate on the HCA loan is the EC reference rate plus 2.7%. No hedging is required on the HCA loan. £240.9m of the bank loans portion of the facility has been hedged. £29.7m had been drawn down at the 31 December 2017.

(12) In March 2017, a £450.0m 3 year construction loan was secured on the One Bank Street development. Interest is fixed at a rate equivalent to the 4 year swap rate plus a margin of 5.25%. The loan can be extended by 1 year, subject to a fee of 1%. An arrangement fee of 2.0% has been paid and a commitment fee is payable on the undrawn funds at 50.0% of the margin. No hedging is required on this loan and at 31 December 2017, £69.5m had been drawn down.

Maturity profile of borrowings

	Securitised debt £m	Other secured loans £m	Loan notes £m	**Total £m**
Contractual undiscounted cash flows at 31 December 2017:				
Within one year	92.4	72.4	0.4	**165.2**
In one to 2 years	92.2	54.5	0.5	**147.2**
In 2 to 5 years	271.0	1,465.0	26.6	**1,762.6**
In 5 to 10 years	409.9	222.1	–	**632.0**
In 10 to 20 years	1,041.5	358.4	–	**1,399.9**
	1,907.0	**2,172.4**	**27.5**	**4,106.9**
Comprising:				
Principal repayments	1,502.2	1,886.8	26.1	**3,415.1**
Interest payments	404.8	285.6	1.4	**691.8**
	1,907.0	**2,172.4**	**27.5**	**4,106.9**

	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
	2,009.5	1,841.3	27.7	3,878.5
Comprising:				
Principal repayments	1,531.5	1,622.6	26.1	3,180.2
Interest payments	478.0	218.7	1.6	698.3
	2,009.5	1,841.3	27.7	3,878.5

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 construction loan facilities.

Debt service

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

	2017 %	2016 %
Securitisation	**6.1**	6.1
Construction loan	**4.1**	3.0
Other secured loans	**3.5**	3.6
Loan notes	**1.3**	1.5

Comparison of market values and carrying amount

	2017			2016		
	Market value £m	**Carrying amount £m**	**Difference £m**	Market value £m	Carrying amount £m	Difference £m
Securitisation	**(1,687.1)**	**(1,554.8)**	**(132.3)**	(1,652.4)	(1,589.8)	(62.6)
Secured loans	**(1,855.9)**	**(1,855.9)**	**-**	(1,664.7)	(1,664.7)	-
Loan notes	**(26.2)**	**(26.2)**	**-**	(26.2)	(26.2)	-
	(3,569.2)	**(3,436.9)**	**(132.3)**	(3,343.3)	(3,280.7)	(62.6)
Other financial liabilities:						
Interest rate derivatives	**(588.6)**	**(588.6)**	**-**	(624.2)	(624.2)	-
Cash and monetary deposits	**484.7**	**484.7**	**-**	559.3	559.3	-
Total	**(3,673.1)**	**(3,540.8)**	**(132.3)**	(3,408.2)	(3,345.6)	(62.6)

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:

	2017			2016		
	Floating £m	**Fixed £m**	**Total £m**	Floating £m	Fixed £m	Total £m
Securitisation	**-**	**(1,554.8)**	**(1,554.8)**	-	(1,589.8)	(1,589.8)
Secured loans	**(505.5)**	**(1,195.3)**	**(1,700.8)**	(404.8)	(1,208.0)	(1,612.8)
Loan notes	**(26.2)**	**-**	**(26.2)**	(26.2)	-	(26.2)
Construction loans	**(148.2)**	**(6.9)**	**(155.1)**	(51.9)	-	(51.9)
	(679.9)	**(2,757.0)**	**(3,436.9)**	(482.9)	(2,797.8)	(3,280.7)
Less: Cash collateral for borrowings (Note 16)	**52.0**	**79.2**	**131.2**	50.5	302.4	352.9
Total	**(627.9)**	**(2,677.8)**	**(3,305.7)**	(432.4)	(2,495.4)	(2,927.8)

Carrying value of categories of financial instruments

	2017 £m	2016 £m
Financial assets		
FVTPL		
Loans and receivables	**113.2**	55.9
Cash	**482.4**	557.0
Available for sale	**43.6**	43.5
	639.2	656.4
Assets not classified as financial assets	**8,243.8**	8,005.9
Total assets	**8,883.0**	8,662.3
Financial liabilities		
FVTPL	**(588.6)**	(624.2)
Amortised cost	**(3,575.0)**	(3,419.8)
	(4,163.6)	(4,044.0)
Liabilities not classified as financial liabilities	**(553.7)**	(594.1)
Total liabilities	**(4,717.3)**	(4,638.1)
Net assets	**4,165.7**	4,024.2

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, £100.0m of the loan secured against the Group's retail properties, the HCA infrastructure loan and certain of the construction loans (see above).

Liquidity risk
The Group's policy is to ensure continuity of funding and at 31 December 2017 the average maturity of the Group's debt was 9.5 years (31 December 2016 – 10.6 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 shareholder loan facilities of £170.0m.

Loan covenants
The Group's loan facilities are subject to financial covenants which include maximum LTV and LTC 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 51.5% of the investment property portfolio by value. The principal amount outstanding at 31 December 2017 was £1,502.2m.

Maximum LMCTV ratio of 100.0%. Based on the valuations at 31 December 2017, the LMCTV ratio at the interest payment date in January 2018 was 45.7%.

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 £497.0m secured against One Churchill Place, representing 14.8% of the investment property portfolio by value.

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

(iii) Loan of £700.0m secured against the retail and infrastructure parking properties of the Group representing 20.5% of the investment property portfolio by value.

Maximum LTV ratio of 70.0%. Based on the valuations at 31 December 2017 and the principal outstanding, the LTV was 55.2%.

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 70.0%. Based on the valuation at 31 December 2017, the LTV ratio at the interest payment date in January 2018 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 1.4% of the investment property portfolio by value.

Maximum LTV ratio of 75.0%. Based on the valuation at 31 December 2017, the LTV was 24.3%. This facility is not subject to any ICR covenant.

The facility repayment date is 5 September 2018.

(vi) Senior loan of £83.4m secured against 15 Westferry Circus, representing 2.3% of the investment property portfolio by value.

Maximum LTV ratio of 75.0%. Based on the valuation at 31 December 2017, the LTV was 56.7%.

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 2017, the LTV was 70.3%.

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 £80.6m

Maximum LTV ratio of 60%. Based on the valuations at 31 December 2017, the LTV was 11.7%. This facility is not subject to any ICR covenant.

The facility repayment date is 23 March 2023.

(viii) One Bank Street loan of £69.5m

Maximum LTC of 80.0% and maximum LTV of 75.0%. These requirements were satisfied throughout the year.

(ix) Newfoundland loan of £329.7m

Maximum LTC of 60.0% and maximum LTV of 60.0%. These requirements were satisfied throughout the year.

(x) 10 Park Drive loan of £159.3m

Maximum LTC of 60.0% and maximum LTV of 60.0%. These requirements were satisfied throughout the year.

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.

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)
1 January 2017	65.4
Accrued finance charges	6.2
Paid in period	(7.7)
31 December 2017	**63.9**

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 and 2017. A further payment of £1.7m is due in 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 2016	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
Change in assumptions/unwind of discount	5.0	–	–	5.0
Utilisation of provision	(150.2)	–	(0.8)	(151.0)
Release of provision	(50.1)	–	–	(50.1)
31 December 2017	**–**	**–**	**2.2**	**2.2**

Provision for redemption of Notes
The Group had 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. This was settled in June 2017 (Note 7).

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 2017 was £2.2m calculated on the basis of a discount rate of 5.0% (31 December 2016 – £2.3m discounted at 5.0%).

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 which was utilised in the year.

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. NOTES TO THE CASH FLOW STATEMENT

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

	2017 £m	2016 £m
Profit/(loss) on ordinary activities before tax	**221.7**	(21.4)
Non cash movements		
Net valuation movements on properties	**(9.6)**	64.8
Share of profit after tax of associates and joint ventures	**(23.9)**	0.8
Revaluation of investments	**(0.1)**	(1.2)
Spreading of tenant incentives, committed rent increases and letting fees	**12.5**	10.5
Depreciation	**2.3**	0.6
Construction contract profit	**-**	(71.2)
Net receivable on LBHI claim	**2.4**	1.8
	(16.4)	6.1
	205.3	(15.3)
Changes to working capital and other cash movements		
Net financing costs	**62.2**	241.6
Utilisation of and other movements in provisions	**(151.8)**	(0.3)
(Increase)/decrease in receivables	**(94.8)**	9.1
Increase in payables	**115.9**	0.6
Cash generated from operations	**136.8**	235.7
Income tax	**(26.2)**	(64.9)
Net cash from operating activities	**110.6**	170.8

26. CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS

At 31 December 2017, 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 2017, given fixed first ranking charges over cash deposits totalling £131.2m (31 December 2016 – £352.9m).

As security for the issue of up to £1,502.2m 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):

	2017 £m	2016 £m
Joint ventures	**416.5**	374.2
Other construction projects	**1,117.3**	1,452.0
	1,533.8	1,826.2

Of this commitment for future expenditure, £15.8m related to investment properties (31 December 2016 – £0.8m).

The commitments for future expenditure relate to the completion of construction works where construction was committed at 31 December 2017, including funding commitments to associates and joint venture undertakings. Any costs accrued or provided for in the Balance Sheet at 31 December 2017 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.

27. ULTIMATE PARENT UNDERTAKING AND RELATED PARTY TRANSACTIONS

At 31 December 2017, 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 at 73 Front Street, Hamilton, HM12, Bermuda. Stork HoldCo LP is controlled as to 50% by Brookfield and as to 50% by QIA.

During 2017, the Group billed HsO, a company in which it holds an equity investment equivalent to approximately 13.0% of the issued share capital, £26,629 plus VAT for access to the Estate's telecommunications infrastructure. At 31 December 2017, the outstanding amount was £1,193, all of which was received in January 2018.

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. Following the sale of 20 Fenchurch Street in July 2017, the Group has now retained a 30.0% interest in the syndicate entities prior to winding up those entities (Note 12). In 2017, the Group billed £377,659 plus VAT for development management services and reimbursable costs, and also received £1.7m for other fees in connection with the refinancing and the sale of the property. No amounts were outstanding at 31 December 2017.

In July 2011, the Group entered into a 50:50 joint venture with Qatari Diar to develop the Shell Centre. At 31 December 2017 each partner had invested £137.2m. In 2017, the Group billed £34,929,039 plus VAT for development management, administrative services, reimbursable costs and construction management services. At 31 December 2017, the amount outstanding was £11,058,274 including VAT. Of this amount £2,985,769 was received in January 2018.

In June 2014, the Group acquired a 10.0% interest in an SLP established to acquire 10 Upper Bank Street. During 2017 the Group had billed £2,226,250 plus VAT in respect of asset management services. There were no amounts outstanding at 31 December 2017.

During 2017, the Group billed £33,797,976 plus VAT to Vertus A2 Limited, an entity in which it holds a 50.0% equity interest. The remainder of the equity interest is held by entities related to the owners of the company's ultimate parent undertaking. At 31 December 2017, £886,369 was outstanding.

During 2017, the Group billed £81,539,829 plus VAT to Vertus E1/2 Limited, an entity in which it holds a 50.0% equity interest. The remainder of the equity interest is held by entities related to the ultimate owners of the Company's ultimate parent undertaking. At 31 December 2017, £11,883,627 was outstanding.

As disclosed in Note 21(10), the Group has entered into shareholder loan facilities for a total of £170.0m. Fees of £1,168,973 were paid to BPY CWG1 Sarl during the year and £256,644 was accrued. Fees of £1,177,603 were paid to Qatar Holdings LLC and £248,014 was accrued. Further fees of £1,687,500 were paid to Qatar Holdings LLC in accordance with the terms of the construction loan facility secured against 1 Bank Street. The amounts paid and accrued were in accordance with the terms of this facility. Qatar Holdings LLC is also the provider of the mezzanine facility on 15 Westferry Circus (Note 21 (6)).

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.

28. EVENTS AFTER THE BALANCE SHEET DATE

On 23 March 2018, the Group completed a corporate reorganisation pursuant to which the following assets were demerged from the Group to a newly formed subsidiary of the Group's ultimate parent, Stork HoldCo LP:

(i) The One Park Drive development (held as a current asset with a carrying value of £152.3m);
(ii) The 10 Park Drive development (held as a current asset with a carrying value of £93.5m); and
(iii) The Group's 50.0% interest in the Southbank Place development (held as an investment with a carrying value of £136.0m).

The demerger was achieved by way of a distribution in specie of the shares in the subsidiaries holding the above assets. The Company also distributed £30.0m in cash.

The demerger of these assets was undertaken in anticipation of the Company's immediate parent undertaking, SHL, listing its shares on The International Stock Exchange in Jersey and the SHL Group converting into a REIT. The listing of SHL occurred on 29 March 2018 and the SHL Group became a REIT on the same day.

COMPANY BALANCE SHEET
at 31 December 2017

	Note	2017 £m	2016 £m
FIXED ASSETS			
Investments	(c)	**2,361.2**	2,361.2
CURRENT ASSETS			
Debtors due in less than one year	(d)	**9.0**	2.6
Cash at bank and in hand		**-**	7.7
		9.0	10.3
CREDITORS: Amounts falling due within one year	(e)	**(398.8)**	(399.6)
NET CURRENT LIABILITIES		**(389.8)**	(389.3)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,971.4**	1,971.9
NET ASSETS		**1,971.4**	1,971.9
CAPITAL AND RESERVES			
Called up share capital		**74.0**	74.0
Reserves:			
– share premium		**1,195.1**	1,195.1
– brought forward retained earnings		**275.7**	275.8
– loss for the year		**(0.5)**	(0.1)
		275.2	275.7
– other reserves		**427.1**	427.1
SHAREHOLDERS' FUNDS		**1,971.4**	1,971.9

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

The loss for 2017 was £0.5m (2016 - £0.1m).

Approved by the Board on 12 April 2018 and signed on its behalf by:

A Peter Anderson, II
Director

STATEMENT OF CHANGES IN EQUITY
at 31 December 2017

	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 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)
1 January 2017	74.0	1,195.1	59.5	2.5	365.1	275.7	1,971.9
Loss for the year	–	–	–	–	–	(0.5)	(0.5)
31 December 2017	**74.0**	**1,195.1**	**59.5**	**2.5**	**365.1**	**275.2**	**1,971.4**

At 31 December 2017 and 31 December 2016, 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.

(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 2017 was £0.5m (2016 – £0.1m). As permitted by Section 408 of the Act, no profit and loss account is presented for the Company in respect of either year.

(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

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

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	England & Wales
Canary Wharf NQO Holdco Limited (formerly Canary Wharf (Thirty) Limited)	Dormant	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

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

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

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.

	2017 **£m**	2016 £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 2017 (Continued)

(d) DEBTORS

	2017 £m	2016 £m
Due within one year:		
Amounts owed by subsidiary undertakings	**9.0**	2.6
	9.0	2.6

(e) CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £m	2016 £m
Amounts owed to subsidiary undertakings	**397.7**	398.3
Accruals	**1.1**	1.3
	398.8	399.6

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

DEFINITIONS

20 Fenchurch Street	A 690,000 sq ft building in the City of London
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, Wood Wharf, Park Place, and North Quay
Company	Canary Wharf Group Investment Holdings plc
CRT	Canal and River Trust
CWF II	Canary Wharf Finance II plc
CWG	Canary Wharf Group plc
ERV	Estimated Rental Value
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 13	International Financial Reporting Standard 13 Fair Value Measurement
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
LTC	Loan to Cost
LTV	Loan to Value
m	Million
NAV	Net Asset Value
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
REIT	Real Estate Investment Trust
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
SHL	Stork Holdings Limited
SHL Group	SHL and its subsidiaries
SLP	Separate Limited Partnership
sq ft	Square foot/square feet
Stork	Stork HoldCo LP, a Bermuda entity jointly owned by Brookfield and QIA
Syndication Partners	Entities relating to the Group, Changdong Investment Corporation, Morgan Stanley and Quartar Holding
VAT	Value Added Tax
Vertus	Joint venture entities established with the ultimate parent undertakings to develop 2 new PRS buildings at Wood Wharf
Wood Wharf	A site adjacent to the Estate with consent for 5.3m sq ft of development