

**CANARY WHARF GROUP INVESTMENT HOLDINGS PLC**

**Registered number: 05043352**

**REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**WEDNESDAY**



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## HIGHLIGHTS

### Results and NAV

- The underlying profit before tax for the year was £84.3m (2019 – £88.0m) (Note 4), a reduction of £3.7m or 4.2%. An increase in underlying operating profit of £23.3m was offset by an increase in net financing costs of £27.0m.
- Capital and other items recognised in the Income Statement relating to movements in the fair value of properties and derivative financial instruments resulted in a loss before tax of £503.7m (2019 – profit £244.9m).
- The loss after tax for the year was £511.3m (2019 – profit of £326.9m). The profit for 2019 reflected a deferred tax credit of £85.4m as a result of changes in legislation (Note 8).
- Net assets £3,691.0m at 31 December 2020, a reduction of £516.3m or 12.3% from £4,207.3m at 31 December 2019 as a result of a reduction in the value of the property portfolio.
- Adjusted NAV per share reduced by 59p to £5.70 at 31 December 2020, a reduction of 9.4% after adding back cumulative dividends subsequent to the 2015 acquisition (Note 4).

### Portfolio valuation

- The carrying value of the total portfolio at 31 December 2020, including development properties, reduced by £514.4m or 6.0% over the year to £8,087.0m, net of capital expenditure and tenant incentives.
- Office investment portfolio valuation reduced by £97.2m or 1.7% to £5,700.1m over the year.
- Retail investment portfolio valuation reduced by £320.8m or 27.7% over the year to £847.5m allowing for the transfer upon completion of the Quay Club, as result of a 50bp increase in yields and the impact of the COVID-19 pandemic on the retail sector.
- Properties under construction and properties held for development reduced in value by £96.4m or 5.3% over the year.

### Continued leasing activity and secure income stream

- Office leasing transactions totalling approximately 66,200 sq ft in the year for the existing completed estate.
- Completed investment office portfolio 95.2% let (2019 – 97.5%).
- Weighted average office lease term at 31 December 2020 12.3 years or 10.4 years assuming exercise of breaks (2019 – 12.4 years or 10.7 years respectively).

### Secure financial position

- Average loan maturity of 6.6 years (2019 – 7.1 years) supported by weighted average lease term.
- Committed construction loan financing of £764.0m in place to develop the Group's properties, of which £221.3m remained undrawn at 31 December 2020.
- Of the Group's £170.0m shareholder loan facilities, £47.5m of the £95.0m drawn was repaid in the year and the remaining £47.5m was repaid in March 2021.

### Development programme pipeline progressing

- Construction continued on approximately 1.4m sq ft of office, residential and retail projects at Canary Wharf.
- The Quay Club private members club reached practical completion in October 2020.
- Canary Wharf's first PRS property, 10 George Street (50.0% interest), welcomed its first tenants in February 2020. The second property, 8 Water Street (50.0% interest), reached practical completion in November 2020.
- Sites with capacity for a further 7.0m sq ft are held for future development.

### Scheme of reconstruction and REIT conversion

- In March 2018, the Company demerged 2 residential for sale properties at Wood Wharf and its interests in the Southbank Place joint venture in connection with a scheme of reconstruction. The Group's parent company, SHL, subsequently listed its shares on The International Stock Exchange in Jersey and the SHL Group converted to a REIT. Further details are disclosed in Note 1.
- The Group paid its second REIT distribution of £6.1m in December 2020.

#### Notes:

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

**CANARY WHARF GROUP INVESTMENT HOLDINGS PLC**

**RESULTS IN BRIEF**

	Note	<b>2020</b> <b>£m</b>	<b>2019</b> <b>£m</b>
Rental income	(i)	<b>288.1</b>	272.7
Underlying operating profit	(ii)	<b>243.3</b>	220.0
Capital and other items:			
– revaluation of investments and associates	(iii)	<b>(2.7)</b>	1.7
– net property revaluation movements	(iv)	<b>(514.4)</b>	200.0
– movement in fair value of derivatives and hedge reserve recycling	(v)	<b>(70.9)</b>	(44.8)
Underlying profit before tax	(ii), (vi)	<b>84.3</b>	88.0
(Loss)/profit on ordinary activities before tax	(ii)	<b>(503.7)</b>	244.9
Tax (including deferred tax)	(vii)	<b>(7.6)</b>	82.0
(Loss)/profit after tax	(ii)	<b>(511.3)</b>	326.9
(Loss)/earnings per share	(ii)	<b>(69.1)p</b>	44.2p

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:

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#### Principal activities

The principal asset of the Company is its indirect 100.0% 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.

#### COVID-19

Since early 2020, the UK economy has been significantly impacted by the COVID-19 virus which has caused widespread disruption and economic uncertainty. This uncertainty has continued into 2021 despite the positive news around rollout of vaccines and a potential opening up of the economy later in the year. This continuation is considered to be a non adjusting post balance sheet event and accordingly the valuation of assets and liabilities at the balance sheet date has not been adjusted for the subsequent uncertainty caused by the ongoing pandemic.

The COVID-19 outbreak has had a significant impact on the business during 2020 for a number of reasons including: the reduced availability of labour and supplies during the first lockdown in the first half of 2020 resulting in delays to completing the Group's remaining development projects on schedule; the lockdown of the retail and hospitality sectors; and UK government guidance for office workers to work from home wherever possible.

While the pandemic had minimal impact on office rental income for the year, retail rental income was 15.7% lower after adjusting for the impact of granting short term concessions to retail tenants to support them through the lockdowns. As a result of the support provided by the Group to retail tenants in the year, an expected credit loss adjustment to income of £2.4m was recognised in 2020 and an additional doubtful debt provision of £6.1m was recognised at the year end.

The valuation of the Group's office properties has been resilient notwithstanding the pandemic but, as a result of the impact on the retail sector, the valuation of the Group's retail portfolio has fallen by 27.7% over the year impacting the loan to value covenant in the Group's retail facility.

**STRATEGIC REPORT (Continued)**

While there remains a risk of future falls in valuation, it is not anticipated that this will lead to covenant breaches of the Group's securitisation or the bank loans secured against its office properties as the rental income stream from these properties is predominantly secured against tenants with strong covenants. In so far as the 2020 rents are concerned, the Group collected over 99.0% of the office rents billed. A similar result was achieved for 1 January 2021 rents. The Group's office portfolio comprised 87.0% of the total investment portfolio at 31 December 2020.

The remaining 13.0% of the investment portfolio comprised the Group's retail malls. Absent loan waivers, there is an increased risk of a breach of the loan covenants in relation to the Group's £700.0m retail facility as a result of a shortfall in contracted rents and falling valuations. The retail loan is subject to a corporate guarantee in respect of amounts exceeding an LTV of 70.0% but is otherwise non recourse. Of the 2020 retail rents billed, the Group collected around 55% which was sufficient to service the interest obligations under the loan. Of the 1 January retail 2021 rents billed, the Group has so far collected 46.0% and this, combined with rent deposits, was sufficient to service the Q1 interest obligation.

The Group has negotiated a waiver of covenant breaches under the retail loan until 30 June 2021. In accordance with the UK government announcement on 22 February 2020 it is anticipated non essential retail will reopen on 12 April 2021 and food and beverage outlets will reopen on a phased basis from May. Nevertheless, it is expected that it will take some months for footfall to recover.

Insofar as the Group's construction facilities are concerned, the lenders agreed extensions to the Group's construction facilities and temporary waivers of key loan covenants to the extent caused by market disruption attributable to the COVID-19 outbreak. The Board is of the view that these extensions and waivers should allow sufficient time for the remaining developments to be completed and the loans refinanced.

At the date of approving the annual report, there remains uncertainty around how long COVID-19 social distancing restrictions will need to remain in place and, more generally, on the impact of COVID-19 on the wider economy. For the Group, this translates into uncertainty around the pace of recovery in the retail market, the time required to complete the Group's construction projects given social distancing's impact on productivity and the time required to lease up the Group's residential and office developments.

Nevertheless, the Group has access to considerable financial resources and at 31 December 2020 the Group had cash and monetary deposits totalling £405.8m of which £276.1m was unrestricted. In addition, undrawn construction loan facilities total £221.3m and at 31 December 2020 £122.5m was available to be drawn under the Group's shareholder loan facilities.

The Group also benefits from an office portfolio which at 31 December 2020 was 95.2% let (31 December 2019 – 96.5%). The weighted average unexpired lease term for the investment portfolio at 31 December 2020 was approximately 12.3 years, or 10.4 years assuming the exercise of outstanding break options (31 December 2019 – 12.4 years or 10.7 years respectively). Of the square footage under lease at 31 December 2020, 54.0% does not expire or cannot be terminated by tenants during the next 10 years. The Group's office portfolio is let on leases to reliable covenants and therefore provides an income stream which is considered secure notwithstanding the current challenging economic environment. The Group is therefore well placed to withstand the economic downturn which COVID-19 has induced and to benefit from the recovery when it comes.

**Property portfolio**

At 31 December 2020, the Group's investment property portfolio comprised 22 completed properties which are wholly owned, together with interests in 3 other properties through joint ventures (out of the 43 constructed on the Estate). The wholly owned portfolio comprises 6.8m sq ft of office space and 0.9m sq ft of retail. In addition, the Group holds 50.0% interests in 2 residential buildings for rent, totalling 0.36m sq ft, and a 10.0% interest in a 1m sq ft office building.

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 2020, includes 18 properties totalling 8.5m sq ft in other ownerships.

**Office Leasing**

Within the completed investment portfolio, office lettings (including lease renewals) were concluded for 66,217 sq ft for an average term of 5.4 years at an average rent of £52.80 psf, within the range of ERVs assumed by the valuers.

In 40 Bank Street, 17,924, sq ft was leased to IPC for 5 years commencing December 2020. A further 1,311 sq ft was leased to Ibbuy for a 5 year term commencing October 2020.

Shell's lease of 186,903 sq ft on floors 8 – 17 of 40 Bank Street terminated on 8 June 2020. Herbert Smith Freehills have taken a lease in respect of 37,680 sq ft on floors 16 and 17 of that building. The lease is for a term of 8 years from 9 June 2020.

**STRATEGIC REPORT (Continued)**

In One Canada Square, Fisher Investments agreed to take the remainder of floor 19 in addition to their existing lease of floor 18 and part of floor 19. This represents an increase of 11,931 sq ft over the original commitment and is for a term expiring June 2030, with a break option in Dec 2026. A further 2,386 sq ft was leased to Bellway Properties for a 5 year term commencing October 2020.

Lease renewals were agreed with 4 tenants in One Canada Square over a total of 30,269 sq ft. This included Pirean who entered into a new lease of 5,814 sq ft for a minimum 2 year term and MetLife (12,899 sq ft), Adamsons (7,004 sq ft) and Diligence (4,552 sq ft) that all entered into one year renewals.

The European Banking Authority's lease over 44,673 sq ft was surrendered (in line with their break option) on 12 June 2020.

**Retail**

Notwithstanding the significant difficulties experienced by the retail sector caused by the pandemic during 2020, 24 new lettings, 4 temporary lettings and 22 lease renewals were exchanged. At 31 December 2020, 9 new lettings in the existing estate and 2 lease renewals were in solicitors' hands. In addition, 2 further lettings were under offer in Wood Wharf. A further 2 new lettings/lease renewals have been agreed to date in Q1 2021. The Group has provided support to the retail tenants at Canary Wharf on a case by case basis to assist them in continuing to trade through the downturn caused by COVID-19.

A total of 20 rent reviews were concluded in the year, the majority of which were nil increases. However, overall in 2020, an uplift was achieved of £111,781 above passing rent.

In 2020, 7 CVAs, 17 administrations and 5 liquidations were called by retailers and restaurateurs which have been dealt with on an individual basis.

There are currently 21 voids in the 283 retail units on the existing estate, totalling 44,346 sq ft, representing 5.2% of retail space. Of these, 9 are under offer.

At Wood Wharf, in addition to the 11 lettings already achieved, a further 3 are under offer/in solicitors' hands.

**Construction**

***Heron Quays West***

At Heron Quays West, 1 Bank Street reached practical completion in October 2019 and transferred from under construction to completed investment. The building comprises 715,000 sq ft of which 286,000 sq ft NIA has been leased to Société Générale.

Relevant base build works achieved practical completion for EBRD was on 31 October 2019. EBRD have commenced fitting out their space ahead of the anticipated occupation date in July 2022.

At 10 Bank Street, revised planning consent was granted in 2017 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 been concluded. The planning permission was implemented in March 2020 ahead of the expiry date in June 2020. The detailed design work continues in advance of any decision to commence construction. Temporary landscaping to 10 Bank Street has been completed and was opened to the public in December 2019.

Construction of a 64,300 sq ft private members club (the Quay Club) commenced in 2017. Practical completion of the shell and core was achieved in October 2020, with the tenant's fitout progressing thereafter.

***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 comprises 346 apartments and staged completion began in June 2020. Considering the positive sales in this building a second residential building was launched in May 2017. One Park Drive will comprise 484 apartments and completion is targeted in stages from mid to end of 2021. In March 2018, these 2 residential buildings were demerged from the Group in connection with a scheme of reconstruction ahead of the Group becoming a REIT.

Two further buildings designed for the private rental market completed during the year providing 501 apartments. The first of these buildings, 10 George Street, welcomed its first tenants in February 2020. The second building, 8 Water Street, completed in November 2020. In March 2017, the Group completed the sale of a 50.0% interest in these buildings with subsidiaries of Brookfield and QIA each taking 25.0%.

**STRATEGIC REPORT (Continued)**

Work is progressing on various affordable and community use projects to support the residential offering at Wood Wharf. In total, the first phase of Wood Wharf will comprise 1.8m sq ft of which 1.3m sq ft comprises the residential buildings referred to above, 0.4m sq ft will be commercial and 0.1m sq ft will be retail. The commercial buildings comprise 15 Water Street and 20 Water Street. Following the prelet of 15 Water Street, construction of the commercial buildings commenced in Q4 2018 with 15 Water Street due to complete in November 2021 and 20 Water Street due to complete in Q2 2021. 15 Water Street is a 187,000 sq ft development including a hotel of 88,500 sq ft, serviced offices of 46,300 sq ft and a health club of 40,800 sq ft. 20 Water Street is a 236,000 sq ft office development.

Phase 2 of the Wood Wharf district will consist of 7 buildings with a total area of approximately, 704,000 sq ft of which 414,000 sq ft is offices, 76,000 sq ft is residential, 82,000 sq ft is serviced apartments and 132,000 sq ft is retail/leisure use. Design of the buildings is being progressed to the tender information stage and reserved matters planning consent has been received on all the buildings with the exception of the 2 standalone retail buildings where the application is still to be made.

Construction of the Phase 2 basements and enabling work commenced in the fourth quarter of 2019. The works to the main basement area beneath the commercial buildings have been completed, and the substructure works to the remaining plots are due to complete in Q4 2021.

Seven condition precedents relating to the One Charter Street Edyn Joint Venture were fulfilled during 2020 allowing the Joint Venture to become unconditional. This site is being delivered as an aparthotel containing 279 units. Construction work began during Q2 2020, with the cofferdam and piling works completed by January 2021. The modular trade contract was also concluded during 2020 and will be executed during Q1 2021, with manufacturing to begin during the second quarter. PC for this building is targeted for Q2 2023.

Phase 3 of the Wood Wharf district completes the residential Phases of the Master Plan. Occupying prominent waterside positions, the 6 buildings provide approximately 1.3m sq ft and will deliver circa 1,538 build to rent units and 334 affordable housing units, together with amenities, public realm and supporting retail accommodation. Design of the buildings is being progressed to planning and submission of the Reserved Matters applications is targeted for Q2 and Q4 2021.

***Newfoundland***

Newfoundland is a further PRS building and comprises 639,000 sq ft providing 636 apartments. Construction was delayed due to the pandemic but practical completion was achieved on 25 February 2021 and the building will be launched to the market in Q2 2021.

Offsite affordable housing comprising 115 apartments at Barchester Street was completed subsequent to the year end and on 26 February 2021 the Group completed the sale of the property to the London Borough of Tower Hamlets.

**Future development*****Planning progress***

Park Place benefits from planning consent for approximately 650,000 sq ft of office space. Progressing with construction would be contingent on achieving a prelet. In response, design proposals are being developed to bring forward a major Build to Rent scheme on the site, together with other uses to increase the vibrancy of the western end of Canary Wharf. Submission of the planning application is targeted for Q2 2021.

The remaining development site at North Quay has an implemented planning consent for almost 2.4m sq ft of office space. The Group has submitted planning for an alternative more flexible mixed use scheme of around 2.0 m sq ft comprising office, residential, student accommodation and leisure. The Group believes that this mix and configuration would be more appropriate for the site and anticipated market.

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	0.85
– North Quay (existing consent)	2.39
– One Park Place (existing consent)	0.68
– Wood Wharf	3.10
	7.02



## STRATEGIC REPORT (Continued)

## Valuations

The following table shows the carrying value of the Group's properties for accounts purposes in comparison with the valuations provided by the external valuers.

	Note	31 December 2020		31 December 2019	
		Carrying value £m	Market value in existing state £m	Carrying value £m	Market value in existing state £m
Investment properties	(i)	6,317.5	6,547.6	6,678.1	6,881.8
Properties under construction	(ii), (iii)	743.9	745.9	668.5	669.0
Properties held for development	(iv)	1,025.6	963.4	1,048.9	986.7
		<b>8,087.0</b>	<b>8,256.9</b>	<b>8,395.5</b>	<b>8,537.5</b>

## Note:

- (i) At 31 December 2020 includes the Quay Club private members club following practical completion in October 2020. 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 2020 was £230.1m (31 December 2019 – £203.7m). 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 £2.0m (31 December 2019 – £0.5m).
- (iii) At 31 December 2020, comprised Newfoundland, 2 office buildings and 2 retail pavilions at Wood Wharf and associated intermediate, affordable and community use buildings (31 December 2019 – comprised Newfoundland, the private members club and 2 office buildings at Wood Wharf).
- (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 2020 (31 December 2019 – £62.2m) (Note 22). The market value in existing state is shown prior to this amount.

At 31 December 2020, the yields derived from the market valuation of the investment properties can be summarised as follows:

	31 December 2020 %	31 December 2019 %
Office portfolio:		
Weighted average initial yield	4.1	3.8
Weighted average equivalent yield	4.9	4.8
Retail portfolio:		
Weighted average initial yield	5.1	4.3
Weighted average equivalent yield	5.9	4.8

After allowing for capital expenditure and adjustments in respect of tenant incentives, the carrying value of the investment portfolio reduced by £418.0m or 6.2%. With this retail portfolio reduced in value by £320.8m or 27.7%, net of capital expenditure and transfers of completed property. This was primarily caused by a 50bp increase in yields and a reduction in ERVs as a result of the impact of the COVID-19 pandemic.

The office portfolio reduced in value by £97.2m or 1.7% net of capital expenditure. Office valuation yields remained stable over the year. The reduction in valuation was attributable primarily to those office properties with shorter lease maturities or vacancy.

Following the completion of the private members club, property under construction to be retained at 31 December 2020, comprised Newfoundland, 2 office buildings and 2 retail pavilions at Wood Wharf and associated intermediate, affordable and community use buildings. These properties were valued at £745.9m at the year end, a reduction of £71.8m or 8.8% net of capital expenditure.

In December 2020, the Group entered into a joint venture for the development of the Charter Street site at Wood Wharf as an aparthotel. This has been treated as a disposal at its fair value at that date of £29.5m. The investment in the Charter Street joint venture has at 31 December 2020 been accounted for as an equity accounted investment.

The valuers have provided their opinions of the market value for sites held for development, which comprised North Quay, 10 Bank Street, One Park Place and the remainder of Wood Wharf. These sites were valued in aggregate at £963.4m at 31 December 2020. This represents a reduction of £24.6m or 2.5% after expenditure in the year. The valuation at 31 December 2020 is equivalent to approximately £137.24 psf.

**STRATEGIC REPORT (Continued)**

The reduction in value of properties under construction and properties held for development reflects a more challenging environment for development over the last year in light of the economic slow down caused by the pandemic.

In total, the carrying value of the portfolio, net of capital expenditure and the accounting adjustments required for tenant incentives and deferred negotiations costs, reduced by £514.4m or 5.9% in the year as a result of the valuation movements referred to above.

**Operating results**

The following review of the Group's operating results relates to the year ended 31 December 2020. The comparatives relate to the year ended 31 December 2019.

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 2020 was £426.8m, compared with £400.9m for 2019, of which rental income (after adjustments required to spread lease incentives and committed rent increases) increased from £272.7m to £288.1m. Office rental income increased by £24.5m to £239.3m in 2020, primarily attributable to the completion of 1 Bank Street in the second half of 2019. Retail rental income reduced by £9.1m or 15.7% from £57.9m in 2019 to £48.8m in 2020. The reduction was as a result of the impact of the pandemic on the retail sector. Rental income for 2020 is stated net of adjustments for concessions granted to tenants.

Service charge income increased marginally from £95.0m for 2019 to £95.3m for 2020. Other tenant recoveries 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. Other tenant recoveries reduced from £30.9m for 2019 to £25.5m for 2020. In 2020, the Group also received £17.9m (2019 – £2.3m) from surrender premiums and dilapidations as a result of the exercise of contractual lease break options.

Cost of sales includes rents payable, property management costs, including refurbishment and repair costs and movements on provisions for certain lease commitments. In 2019, cost of sales was stated net of rates rebates of £10.0m.

Rents payable and property management costs were £127.6m for 2020 in comparison with £127.7m for 2019 after adjusting for the rates rebates. Taking into account service charge and other tenant recoveries totalling £120.8m for 2020 (2019 – £125.9m), a deficit was recorded on property management of £6.8m (2019 – £1.8m). The deficit was attributable in part to service charge voids in the Estate's car parks and in part to unlet space, on which service charges, rates and insurance were not recoverable. Cost of sales for 2020 also included a provision of £8.2m for refurbishment costs on space becoming vacant in the year.

Net development, rental and related income for 2020 was £290.9m, an increase of £8.7m compared with 2019, primarily attributable to the factors disclosed above.

Underlying administrative expenses for 2020 were £58.4m in comparison with £68.1m for 2019, a reduction of 14.2%. This was attributable to lower staff costs, as well as lower marketing expenses during the lockdown.

Other income of £11.5m was recorded in 2020 in comparison with £5.9m in the previous year. The total for 2020 included £4.3m relating to the grant of redevelopment rights to a property at Canary Wharf in third party ownership.

Underlying operating profit (as defined in Note 4) for 2020 was £243.3m in comparison with £220.0m for 2019. The increase of £23.3m was mainly attributable to the increase in net operating income and the reduction in administrative expenses.

A net revaluation deficit of £514.4m (Note 6) was recognised in the Consolidated Income Statement in the year compared with a surplus of £200.0m in 2019. The changes in the valuation of the property portfolio are explained in more detail in Strategic Report – Valuations.

The share of losses from associates and joint ventures was £2.1m in 2020 in comparison with a profit of £2.5m in 2019. The income in 2019 was attributable to the Group's 50.0% share of the increase in net assets of the Vertus joint ventures. The net loss in 2020 was attributable to the Group's share of the Vertus joint ventures' operating losses including net interest payable in the first year of operation of the 2 private rental buildings at Wood Wharf, 10 George Street and 8 Water Street. This was in part offset by an increase in the valuation of the properties following their completion. The Group's share of the revaluation deficit on 10 Upper Bank Street for 2020 was £4.9m (2019 – deficit of £0.8m). Revaluation movements are classified as capital and other items.

Total operating losses for 2020 were £273.8m, compared with a profit of £421.7m in 2019. The reduction in operating profit was mainly attributable to property revaluation movements.

**STRATEGIC REPORT (Continued)**

Underlying net financing costs (Note 7) for 2020 were £159.0m compared with £132.0m for 2019. Underlying net financing costs are stated net of £42.5m of interest which has been capitalised and transferred to certain development properties (2019 – £76.6m). 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 reduction in capitalised interest reflects the completion of projects under construction, including 1 Bank Street in late 2019 and the private members club in October 2020. Excluding interest capitalised, the Group's interest payable was £198.5m for 2020, in comparison with £209.9m for the previous year. 2020 included the accelerated amortisation of deferred finance costs totalling £1.2m following the loan refinancing on 25 Churchill Place compared with £5.3m in 2019 following the loan refinancing on 1 Bank Street and part repayment of the shareholder loan. 2020 also included the Group's share of net interest payable incurred by the Vertus entities of £3.6m following the completion of 10 George Street and 8 Water Street.

Movements in the fair value of derivative financial instruments and hedging reserve recycling resulted in a net loss of £70.9m being recognised in the Consolidated Income Statement under capital and other items in 2020 compared with a net loss of £44.8m in 2019.

The loss for the year before tax for 2020 was £503.7m in comparison with a profit of £244.9m for 2019. The results for both 2020 and 2019 included certain capital and other profits and losses as described above. Underlying profit before tax for 2020 was £84.3m in comparison with £88.0m for 2019. The increase in underlying operating profit of £23.3m referred to above was offset by the increase in net financing costs of £27.0m.

Tax for 2020 comprised a corporation tax charge of £5.1m and a deferred tax charge of £2.5m. Tax for 2019 comprised a corporation tax charge of £3.4m and a deferred tax credit of £85.4m. The release of deferred tax was primarily driven by changes to the tax status of properties held offshore in the Finance Act 2019. The tax position of the Group is further disclosed in Note 8.

Including capital and other items, the loss for the year after tax for 2020 was £511.3m in comparison with a profit of £326.9m for 2019.

The basic and diluted losses per share (Note 4) for 2020 was 69.1p (2019 – earnings of 44.2p). There were no adjustments required in respect of dilutive instruments at either 31 December 2020 or 31 December 2019.

**Consolidated balance sheet and key performance indicators**

Net assets in the Group's Consolidated Balance Sheet were £3,691.0m at 31 December 2020 in comparison with £4,207.3m at 31 December 2019. The reduction in net assets over the year of £516.3m was primarily attributable to the loss after tax for the year of £511.3m which includes valuation movements on the property portfolio and on derivative financial instruments. A distribution of £6.1m was paid prior to the year end. This was the Group's second distribution since becoming a REIT in March 2018. A distribution of £14.5m was paid in 2019.

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 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 reinvested in the Group. Subsequently the Company acquired those shares in Canary Wharf Group plc that were previously owned by other parties.

Adjusting for capital contributions totalling £153.0m and the cumulative dividends paid since the Group became a REIT of £20.6m, adjusted NAV at 31 December 2020 was £4,222.5m or £5.70 per share at 31 December 2020 in comparison with £4,660.4m or £6.29 per share at 31 December 2019, a reduction of 59p per share or 9.4%.

## STRATEGIC REPORT (Continued)

The calculation of adjusted NAV per share is set out in Note 4. Adjusted NNNAV per share is set out in the following table which indicates that at 31 December 2020, adjusted NNNAV was £3,314.9m or £4.48 per share in comparison with £3,918.3m or £5.29 per share at 31 December 2019, a reduction of £0.81 or 15.3%:

	Note	31 December 2020 £m	31 December 2019 £m
Adjusted net assets	(i)	4,222.5	4,660.4
Fair value adjustment in respect of financial assets and liabilities net of tax thereon	(ii)	(889.1)	(726.1)
Deferred tax	(iii)	(18.5)	(16.0)
<b>Adjusted NNNAV</b>		<b>3,314.9</b>	<b>3,918.3</b>
Adjusted NAV per share	(i)	£5.70	£6.29
Adjusted NNNAV per share	(iv)	£4.48	£5.29

## 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.
- (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 ongoing impact of COVID-19, the cyclical nature of the property market, departure from the EU, concentration risk, financing risk, interest rate risk and policy and planning risks.

**COVID-19**

As noted on page 5, the COVID-19 pandemic has had a significant impact on the Group in a number of areas including the lockdown of the retail sector and the resulting impact on tenants' ability to pay their contracted rents; a reduction in property valuations, most notably for the retail portfolio; delays to construction projects as a result of shortages of labour and materials; slower let up of the Group's private residential rental buildings due to weakening of the residential market; and the need to negotiate loan covenant waivers and extensions as a result of the delay to completing construction projects.

Despite these difficulties, the Group has demonstrated the resilience of its office rental income, comprising 87.0% of the total investment portfolio, and has recorded an increase in operating profit for 2020 in comparison with the previous year. The vaccination programme holds the prospect of the retail sector opening up later in the year and a recovery in the wider economy. On 22 February 2021, the UK government announced a phased relaxation of the current lockdown, beginning with non essential retail on 12 April 2021. However, should the current lockdown extend beyond the second quarter of the year as a result of a renewed increase in levels of infection, this could have an adverse effect on the Group's income and financial position. Any extended continuation of the pandemic could lead to significant disruption to global financial markets, reducing the ability of the Group to access capital and potentially affecting negatively its liquidity. At the current time the long term impact of the pandemic cannot be accurately predicted.

**Cyclical nature of the property market**

The valuation of the Company and Group's assets are subject to many other external economic and market factors. In recent years, the London real estate market has had to cope with fluctuations in demand caused by key events such as the 2008/2009 financial crisis, uncertainty in the Eurozone and the implications of the UK's withdrawal from the EU. The full impact of the coronavirus is not yet possible to predict. Any long term continuation of the pandemic will however inevitably affect short and medium term economic performance and confidence, with adverse implications for the property market. The real estate market has to date, 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 still viewed as both relatively stable and secure. Previous Government announcements, in particular the changes to stamp duty underpinned continuing demand in the residential market and the value of the Group's development sites. Property valuations for office properties let on long leases to good covenants have remained relatively strong despite continuing economic uncertainties which are unhelpful to confidence across the wider real estate sector.

**STRATEGIC REPORT (Continued)**

***Departure from the EU***

Since the EU referendum in 2016, considerable uncertainty has been experienced across the whole of the UK economy. Although the UK has now formally withdrawn from the EU the longer term impact of this withdrawal on trade and immigration remains uncertain.

The UK signed a trade deal with the EU on 24 December 2020. There are still a number of areas of uncertainty in relation to the UK's future relationship with the EU under the trade deal and Brexit related matters may take several years to be clarified and resolved. The trade agreement only addresses the trade of goods and uncertainty remains over the long term trading of services relationship with the EU. The UK may still face barriers to trade and commerce with EU states, particularly in the financial sector. It is currently impossible to determine the long term impact of Brexit and the trade deal and any possible government response in terms of fiscal and monetary policies and the effect on the economy and real estate sector.

In the real estate and construction sectors issues arising from withdrawal from the EU have been experienced as manifested through currency risk. Although depreciation of sterling has helped to maintain overseas demand for UK real estate, in the construction sector it has also led to increased cost pressures on materials throughout the supply chain. The Company and Group have been relatively sheltered from this risk by the forward placing of contracts in the course of long running construction projects and where feasible the forward purchasing of some supplies. However, as a result of the depreciation of sterling and also as a result of change in the perceived attraction of the UK as a destination for workers from the EU, staff working in construction trades are increasingly being attracted to work on projects in Euro denominated countries. Although only about 8.0% of the Group's employees hold EU passports, the availability of labour in the construction industry is likely to be adversely affected by uncertainty over the status of EU nationals and Government proposals for the introduction of a points based system of immigration. If the UK's departure from the EU leads to a fall in confidence and demand, there could be a drop in property values and a sustained weakness of demand.

The Board believes the Company is relatively well placed to weather the impact of an EU departure linked economic downturn or change in London's competitive environment. Most tenants at Canary Wharf are on relatively long leases and in the Group's portfolio there is a low vacancy rate. The business has diversified into residential lettings and there has also been a successful move to attract tenants from outside the financial sector, such as public sector and TMT tenants, to take space at Canary Wharf and in the new Wood Wharf district. This has diversified the office portfolio away from financial services. Further diversification occurred in 2020 with entry into an aparthotel transaction at Wood Wharf.

***Concentration risk***

The Group's real estate assets are currently located on or adjacent to the Estate. Although a majority of tenants have traditionally been linked to the financial services industry, this proportion has now fallen to around only 50% of tenants. 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 as construction manager and joint development manager 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 to react to changes in the market. This review has led to an increased focus on the residential build to rent sector as reflected in the composition of the master plan for the mixed use development at Wood Wharf.

***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.

The current low interest rate environment has supported demand for real estate and higher property valuations as a result of the availability of inexpensive financing. In the future, monetary tightening may occur leading to increases in interest rates. When interest rates increase the value of real estate could be adversely affected. This could negatively impact the value of the Group's real estate assets.

***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, tax or other regulations 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.

**STRATEGIC REPORT (Continued)**

The Group enters into derivative transactions (principally interest rate swaps and caps) 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.

The Group is exposed to interest rate benchmarks within its hedge accounting relationships, which are subject to interest rate benchmark reform. As listed in Note 21, the hedged items include issued sterling GBP LIBOR floating rate debt.

The Group has closely monitored the market and the output from the various industry working groups managing the transition to new benchmark interest rates. This includes announcements made by LIBOR regulators including the Financial Conduct Authority (FCA) regarding the transition away from GBP LIBOR to the Sterling Overnight Index Average Rate (SONIA). The FCA has made clear that, at the end of 2021, it will no longer seek to persuade, or compel, banks to submit to LIBOR.

In response to the announcements, the Group is establishing an IBOR transition programme comprising the following work streams: risk management, tax, treasury, legal, accounting and systems. The programme is under the governance of the Group Treasurer. The aim of the programme will be to understand where IBOR exposures are within the business and prepare and deliver on an action plan to enable a smooth transition to alternative benchmark rates. The Group aims to have its transition and fallback plans in place by the end of 2021.

None of the Group's current GBP LIBOR linked contracts include adequate and robust fallback provisions for a cessation of the referenced benchmark interest rate. Different working groups in the industry are working on fallback language for different instruments and different IBORs, which the Group is monitoring closely and will look to implement these when appropriate.

For the Group's derivatives, the International Swaps and Derivatives Association's (ISDA) fallback clauses were made available at the end of 2019 and the Group will begin discussion with its banks with the aim to implement this language into its ISDA agreements in 2021.

For the Group's floating rate debt, the Group has started discussions with the lenders to amend the GBP LIBOR bank loan so that the reference benchmark interest rate will change to SONIA. The Group aims to finalise this amendment mid 2021. For the GBP LIBOR issued securitisation notes, the Group will begin a dialogue with the Trustee in 2021 to propose amendments to the fallback provisions to move from GBP LIBOR to SONIA.

The Group will continue to apply the amendments to IFRS 9 until the uncertainty arising from the interest rate benchmark reforms with respect to the timing and the amount of the underlying cash flows that the Group is exposed to ends. The Group has assumed that this uncertainty will not end until the Group's contracts that reference IBORs are amended to specify the date on which the interest rate benchmark will be replaced, the cash flows of the alternative benchmark rate and the relevant spread adjustment. This will, in part, be dependent on the introduction of fallback clauses which have yet to be added to the Group's contracts and the negotiation with lenders.

The nominal amount of the hedging instruments in those hedging relationships is £2,101.1m.

***Borrowings***

At 31 December 2020, net debt (including derivative financial instruments at fair value, net of monetary deposits and cash and cash equivalents) stood at £4,562.2m, an increase of £271.3m from £4,290.9m at 31 December 2019. The components of net debt are disclosed in Note 21.

Drawdowns totalling £158.0m were made against the Group's construction loan facilities in 2020 to fund development expenditure. Of the Group's committed construction loan facilities at 31 December 2020, totalling £764.0m, £221.3m remained available to draw at 31 December 2020.

In March 2020, the Group refinanced its £384.0m loan facility secured against 25 Churchill Place with a new 5 year loan which comprised £384.0m of senior debt and £60.0m of mezzanine debt. Interest on the loan is payable at 3 month LIBOR plus 1.7% and the mezzanine facility at LIBOR plus 4.9%. Of the senior loan, £300.0m is hedged with an interest rate cap at a strike rate of 1.5% which runs until 22 July 2022. The mezzanine loan is unhedged.

Overall, 68.0% of the Group's loan facilities were at fixed or hedged rates at 31 December 2020 (Note 21 – Interest rate profile).

The Group also has shareholder loan facilities totalling £170.0m of which £47.5m had been drawn by CWGRL at 31 December 2020, leaving £122.5m available to be drawn by either the Group or CWGRL. Subsequent to the year end, the amount drawn by CWGRL was repaid. As a result, the full £170.0m available from the facilities is now available to be drawn by the Group.

**STRATEGIC REPORT (Continued)**

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. Taking into account the loan waivers agreed during the year, the Group was in compliance with its lending covenants at 31 December 2020 and throughout the year then ended.

Total borrowings, excluding derivatives at fair value, increased from £4,160.0m at 31 December 2019 to £4,322.6m at 31 December 2020 reflecting draw downs against the Group's construction loan facilities and the 25 Churchill Place refinancing. There was an adverse movement in the fair value of derivatives of £69.8m taking the net liability recognised at 31 December 2020 to £645.4m.

Cash and cash equivalents reduced from £442.4m at 31 December 2019 to £403.5m primarily as a result of capital expenditure in the year.

The Group's weighted average cost of debt at 31 December 2020 was 4.3% including credit wraps (31 December 2019 – 4.5%).

The weighted average maturity of the Group's loans was 6.6 years at 31 December 2020 (31 December 2019 – 7.1 years).

Excluding the fair value of derivative financial instruments, the look through LTV at 31 December 2020 was 47.4% in comparison with 43.5% at 31 December 2019. The look through LTV was calculated by reference to net debt of £3,916.8m at 31 December 2020 (31 December 2019 – £3,715.3m) as a proportion of the market value of the property portfolio of £8,256.9m (31 December 2019 – £8,537.5m). The increase in LTV was attributable to a fall in the value of the property portfolio and an increase in net borrowings. The Group's look through LTV at 31 December 2020 including the fair value of financial instruments was 55.3%, up from 50.3% at 31 December 2020, calculated by reference to the net debt including the fair value of financial instruments of £4,562.2m at 31 December 2020 and £4,290.9m at 31 December 2019.

**Cash flow**

The net cash outflow from operating activities for 2020 was £10.6m in comparison with £2.3m for 2019. The inflow for 2020 was stated after movements in working capital of £32.3m (2019 – £17.4m). In 2020, corporation tax payments of £1.0m were made compared with £Nil in 2019.

Cash flows from investing activities resulted in a cash outflow of £181.6m for 2020 compared with £286.4m for 2019. In 2020, the cash outflow included £167.1m of development expenditure (2019 – £282.5m).

The net cash inflow from financing activities for 2020 was £153.3m, compared with £407.3m for 2019. The net cash inflow for 2020 included £158.0m drawn down under the Group's construction loan facilities (2019 – £269.7m). In addition, the refinancing of the 25 Churchill Place facility resulted in a net cash inflow of £60.0m. In 2019, the refinancing of the 1 Bank Street construction loan resulted in a net cash inflow of £211.8m. Scheduled securitised and loan amortisation totalled £29.3m in both 2020 and 2019.

A cash distribution of £6.1m was made in 2020 (2019 – £14.5m).

**Corporate policies**

**Conflicts of interest**

A formal process to manage directors' conflicts of interest is observed 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 involving self certification by directors is conducted of the conflicts disclosed during the preceding 12 months.

**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 30 year local impact report by CEBR commissioned by the Group has shown that Canary Wharf supports 54.0% of all jobs in Tower Hamlets, of which around 12,000 people work in Canary Wharf. Since 1997, £3.0bn of business has been generated for local businesses in East London through initiatives supported by the Group.

## STRATEGIC REPORT (Continued)

Canary Wharf Group has maintained ISO 14001 accreditation since early 2005 and environmental management has been an inherent part of construction since 2002. During 2020, 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 (UKGBC), the Better Building Partnership (BBP) and the Business Clean Air Taskforce (B-CAT). The Group has also signed the BBP Climate Change Commitment, as well as The Climate Pledge, joining Amazon and other companies in pledging to achieve net zero carbon at least 10 years ahead of the Paris Agreement. 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 also works with suppliers and contractors to establish effective environmental supply chain management and to promote the procurement of sustainable products and materials.

In 2020, the Group published its Net Zero Carbon Pathway, a roadmap for reaching net zero carbon by 2030, 20 years ahead of the Paris Agreement. The Group also published ambitious Science Tased Targets (SBTs) ratified by the Science Based Targets Initiative (SBTi), becoming the first commercial district in the world to set collective SBTs.

In 2020, the Group participated in GRESB and CDP Sustainability Benchmarking schemes, receiving a GRESB 5 star rating and a CDP score of B.

The Group provides the following new disclosure requirements in relation to UK energy use and carbon emissions for the period of 1 January 2020 – 31 December 2020 for Canary wharf Group operations as detailed below:

## UK Local Emissions – figures based on net building

At 31 December 2020	Total consumption (kWh)	Total emissions (tCO <sub>2</sub> e)
Scope 1 (direct emissions):		
Natural gas	24,842,201	4,568
Gas oil	4,177,034	1,072
Petrol (on site)	15,641	3.6
Transport	155,916	40
Scope 2 (indirect emissions):		
Electricity	81,797,074	19,070
PV	74,757	–
<b>Total</b>	<b>81,871,831</b>	<b>19,070</b>
<b>Total Emissions</b>	<b>111,062,624</b>	<b>24,754</b>

At 31 December 2020	Turnover £m	Energy usage kWh/£100k
<b>Intensity Metrics:</b>	462.8	26,022

CWG has purchased 100.0% renewable electricity for all operations since 2012, which has reduced our Scope 2 emissions to zero during this reporting year. This electricity supply is backed by Renewable Energy Guarantee of Origin (REGO) certificates. CWG are also investigating Power Purchase Agreements (PPAs) to further reduce tenant Scope 2 emissions.

In the last financial year, CWG completed a number of energy reduction initiatives, resulting in 196, 120 kWh energy savings. These measures include:

- Replacement of cooling unit in lift motor room with a more energy efficient compressor in 7 Westferry Circus;
- Continued installation of LED lighting across managed buildings;
- Adjustment of lighting and fan run times in order to reduce energy usage;
- Continued monitoring of plant equipment in order to run buildings in the most efficient way possible;
- Door curtains in retail buildings were replaced with air source heat pumps;
- Replacement of 2 water pumps in retail buildings with more energy efficient alternatives; and
- A Smart Building Gateway was installed in flagship building One Canada Square to identify potential areas for improvement in energy efficiency.



**STRATEGIC REPORT (Continued)**

The annual Group Sustainability Report, produced in accordance with EPRA guidelines, provides details of performance against a range of specified targets and objectives with third party verification in line with ISAE 3000. 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](http://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 including a weekly staff newsletter available on the Group's intranet site. A staff consultative committee, at which matters raised by employees and considered by management and elected staff representatives, has been established for many years. The Group's employment strategy is regularly reviewed to incorporate changes to legislation and ensure best practice is maintained.

The first company wide engagement survey took place in April 2020 to obtain feedback from employees on a variety of issues. A 24/7 survey has been set up which allows staff to give feedback on any topic on a daily basis.

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. Steps are now being taken to allow stakeholders and third parties to utilise this hotline Quarterly employee call provides regular company updates to employees.

***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 women in technical construction and professional 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.

The Company has established a Women's Steering Group and an Ethnicity Steering Group to help develop diversity initiatives. The Company voluntarily published an Ethnicity Pay Gap Report in 2020 alongside the Gender Pay Gap Report.

The following events have taken place to support the development of a diverse culture:

- Women's Leadership event where the Chief Administrative Officer and a panel of external speakers spoke about their careers.
- Senior CWG female managers interviewed to develop internal role models.
- Mentoring Scheme to develop diversity of senior managers.
- Diversity Statistics given to senior management and departmental heads to track progress in their own teams.

***Disabled employees***

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

***Health and safety***

The Group seeks to continually improve and develop its health and safety performance and places the overall wellbeing of its employees, tenants and visitors in the highest regard. The Group operates a health and safety management system to the internationally recognised BS OHSAS 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 BS OHSAS 18001 is externally verified on an ongoing basis allowing opportunities for continuous improvement to be identified and enacted where feasible. The Group's health and safety departments are committed to supporting all employees in understanding their health and safety responsibilities through a system of processes and procedures in order to deliver the safest standards within the built and managed environment.

**STRATEGIC REPORT (Continued)**

***Anti bribery and corruption***

The Board continues to demonstrate commitment to the prevention of corruption and understands the importance of maintaining a culture in which it is not acceptable at any level. An online bribery and corruption awareness refresher training module has been issued in Spring 2020 and completed by over 80% 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 which is renewed regularly. The Anti Slavery and Human Trafficking training modules have been completed by 95.0% of employees and a refreshed module is being issued in 2021.

***General Data Protection Regulation (GDPR)***

In compliance with the GDPR adopted in May 2018, data protection, data breach and document retention policies were adopted and appropriate privacy notices introduced. All relevant documentation is available for review on the corporate website [www.canarywharf.com](http://www.canarywharf.com). In line with good GDPR practice, the Group has appointed a DPO (who is a qualified solicitor) and established a GDPR steering committee with representation from key senior personnel across the business. GDPR training modules have been completed by 86.0% of employees and a refreshed module is being issued in 2021.

**Companies Act 2006 Section 172 (1) Statement**

The Company is a large privately owned joint venture, owned equally by 2 shareholders, which each nominate 4 directors directly to the Board. Accordingly, there is full alignment of the interests between shareholders and the Board. The Executive Chairman and Chief Executive Officer are also members of the Board.

Section 172 (1) of the Companies Act 2006 requires that a director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

**(a) the likely consequences of any decision in the long term**

The Board meets regularly to discuss and make decisions on matters of strategic importance to the business, to promote the long term success of the Company and to consider the likely long term impact of any such decisions.

**(b) the interests of the company's employees**

The Group recognises that the engagement of employees is fundamental to the success of the business and in achieving its long term strategy and business objectives. Further details can be found in the Statement of Employee Engagement contained in the Directors' Report on page 24.

**(c) the need to foster the company's business relationships with suppliers, customers and others**

The Group has strong and well established long term relationships with its suppliers, tenants and customers. This is evidenced by the continuation of links across the full value chain, over many years, with the full range of contractors, advisers and suppliers who interact directly with employees of the company without the intervention of sub contractors.

**(d) the impact of the company's operations on the community and the environment**

This area is covered under the Corporate Responsibility section on pages 15 of this report. However, in addition to the above, the Group is committed to fostering positive links within the local communities in which it works. The Group has an appointed Group Strategy Director who manages a team which works collaboratively with the London Boroughs of Tower Hamlets and of Lambeth. The Director is also engaged politically and is responsible for the Group's long term strategy, planning, community and sports events, links with local educational establishments and promotional arts events.

The Group is an established member of the Tower Hamlets Partnership Executive Group which engages with a range of local business leaders. The Group's Personnel Department has well established links with local schools, colleges, universities and with the local job centre. Further details are provided in the Directors' Report.

**STRATEGIC REPORT (Continued)**

**(e) the desirability of the company maintaining a reputation for high standards of business conduct**

The Group expects the highest standards of conduct from its employees, business partners and suppliers with which it engages. The Group has an established internal risk control and audit process with a range of official policies. In addition, an Internal Audit process is provided independently by Ernst & Young LLP. The Group is fully compliant with all current GDPR laws and employment legislation. Further details are set out in the Directors' report.

**(f) the need to act fairly as between members of the company**

The Company's Articles of Association may be amended by special resolution of the Company's shareholders. The Company is a joint venture vehicle with a Shareholders' Agreement in place and there is equal representation between the 2 shareholders.

Throughout 2021 the Board will continue to review how the Group can improve engagement with its employees and stakeholders.

**Going concern**

The financial statements have been prepared on a going concern basis which assumes the Group will be able to meet its liabilities as they fall due.

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 an annual business plan process which entails production of a 5 year business plan which is typically tabled for approval in the December prior to the start of the relevant business plan period. Progress against the plan is monitored on a quarterly basis as the year progresses and the plan is subject to review and updating should circumstances change. The start of the pandemic in Q1 2020 resulted in a significant review of the 2020 business plan as a result of the shortfalls in rental income from the Group's retail properties and delays to completing the Group's construction projects.

The 2021 business plan assumed that social distancing measures will continue through to Q3 2021, with a gradual improvement in footfall through to 2022. The assumptions underlying the 2021 plan will be reviewed at least quarterly as the year progresses and mitigating action taken if the improvement in the general economic environment is slower than anticipated.

The Group enjoys the benefit of leases with a weighted average unexpired lease term of 12.3 years or 10.4 years, assuming the exercise of all break options and, at 31 December 2020, the occupancy level in the Group's office portfolio was 95.2%. The year end average maturity of the Group's loans was 6.6 years. Accordingly, the directors believe that the Group is well placed to manage its business risks successfully.

Note 1 of the financial statements includes a summary of the Group's facilities which will mature during the course of 2021. The board is of the view that all of these facilities will be refinanced or in the case, of the Newfoundland facility, rescheduled during the course of the year. Notwithstanding, given the refinancing of these loans is not yet committed, the Group's ultimate shareholders, Brookfield and QIA, have confirmed that they intend to provide financial support to enable the Group to meet its liabilities if required for a period of at least 12 months from the date of approving the financial statements.

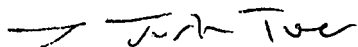
In addition, at 31 December 2020, the Group had cash and monetary deposits totalling £405.8m of which £276.1m was unrestricted. In addition, undrawn construction loan facilities total £221.3m and at the date of approving these financial statements £170.0m is available to be drawn under the Group's shareholder loan facilities.

As noted above, the Board regularly monitors downside sensitivities including the impact of valuation declines/cash collection rates. Other than the uncertainties set out above in relation to short term refinancing, the Group has considerable headroom over its key financing facilities as set out in Note 21 – loan covenants.

**STRATEGIC REPORT (Continued)**

Having made the requisite enquiries and having considered the financial support from the Group's ultimate shareholders, 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:



**Justin Turner**  
**Secretary**

Canary Wharf Group Investment Holdings plc  
Registered number: 05043352

16 March 2021

**DIRECTORS' REPORT**

for the year ended 31 December 2020

The directors present their report with the audited consolidated financial statements for 2020. The Company is incorporated as a public limited company in England and Wales and registered in Great Britain. The registered address is: 30<sup>th</sup> 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.

**Dividends and reserves**

The loss of £511.3m (2019 – profit of £326.9m) attributable to the members of the Company has been transferred to reserves. A distribution of £6.1m was recorded during the year ended 31 December 2020 (2019 – £14.5m).

**Substantial shareholdings**

As at the date of this report, Stork Holdings Limited, a company ultimately owned jointly 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:

Sir George Iacobescu – Executive Chairman  
Shoaib Z Khan – Chief Executive Officer  
Mohamed Abdulrazzaq Al-Hashmi  
Sheikh Jassim Abdulla Al-Thani  
Sheikh Khalifa Khalid Al-Thani  
Navid Chamdia  
Brian Kingston  
Thomas Jan Sucharda  
Connor Teskey  
Zachary Vaughan

**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 are required to prepare the group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the IASB 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.

## DIRECTORS' REPORT

for the year ended 31 December 2020 (Continued)

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.

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 2020 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 2020 comprised £6,540 to the Labour Party (2019 – £23,540), £58,685 to the Conservative Party (2019 – £5,000), and £10,000 to the Liberal Democrats (2019 – £37,408). In 2019, £5,000 was donated to the Labour Friends of Bangladesh. No political expenditure was incurred in 2020 (2019 – £Nil).

At the 2020 AGM, the shareholders approved a resolution authorising the Company to make certain political donations in the UK and incur political expenditure up to an aggregate of £175,000. The consent lasts until the 2021 AGM.

**DIRECTORS' REPORT**

for the year ended 31 December 2020 (Continued)

**STATEMENT OF CORPORATE GOVERNANCE ARRANGEMENTS**

Although the Board acknowledges its obligations under the Companies (Miscellaneous Reporting) Regulations 2018, in view of the structure outlined in the Strategic Report for the financial year ended 31 December 2020, the Company has not applied any corporate governance code under the Companies (Miscellaneous Reporting) Regulations 2018. The Board is however, committed to maintain the highest standards of corporate governance, where appropriate for a company of its size.

**Board Composition**

There were at least 2 executive directors and 8 non executive Directors throughout 2020. The Board met 5 times during the financial year. All of the non executive Directors bring independent judgement to bear on issues considered by the Board and have the appropriate knowledge, experience and skills to discharge their duties. All Directors are able to take independent advice in the furtherance of their duties, if necessary, at the Company's expense.

**Board Leadership**

On 1 October 2019 the roles of Chairman and Chief Executive were formally separated and a new Chief Executive Officer was appointed.

The Executive Chairman is responsible for the construction and development activities along with public affairs together with effective leadership, operation and governance of the Board and its Committees. Directors contribute effectively in the development and implementation of the Company's strategy whilst ensuring that the nature and extent of the risks of the Company is willing to embrace in the implementation of its strategy are determined and challenged.

The Chief Executive is responsible for the maximisation of value within the existing investment portfolio, real estate and retail leasing estate management, the legal, finance and administration functions.

**Stakeholder dialogue**

Shareholder representation is through an equal number of duly appointed non executive directors who meet at regular timetabled meetings throughout the year.

**Committees of the Board**

The Board delegates its authority through the appropriate Committees, with specified Terms of Reference and appropriate levels of authority to act.

**Audit Committee**

The members of the Committee comprise 2 non executive directors, each representing a shareholder. The external and internal auditors also attend committee meetings. The Committee considers financial reporting, corporate governance and internal controls. It also reviews the scope and results of the external audit and the independence and objectivity of the auditors. It meets at least 4 times a year and reviews the interim and annual accounts before they are approved by the Board. The Committee met 5 times during 2020.

**Remuneration Committee**

The Remuneration Committee reviews and sets the remuneration of the executive directors and senior executives. It also agrees a policy for salaries and bonuses for all staff. The Committee met once during the year.

**Investment Committee**

The Investment Committee meets on an ad hoc basis during the year to discuss matters of long term strategic importance. The composition is made up of 4 non executive directors each representing the ultimate beneficial owners and the Executive Chairman and Chief Executive Officer.

**Board Meetings**

Board members are given appropriate documentation in advance of each Board and Committee meeting. Senior executives below Board level are invited to attend meetings for the purpose of making presentations on their areas of responsibility. Five Board meetings were held during the year.

**DIRECTORS' REPORT**

for the year ended 31 December 2020 (Continued)

**Company Secretary**

All Directors have access to the advice and services of the Company Secretary, whose appointment and removal is a matter of the Board. The Company Secretary attends all Board and Committee meetings and is responsible for ensuring compliance with the relevant procedures, rules and regulations.

**STATEMENT OF EMPLOYEE ENGAGEMENT**

The Board is conscious and committed to the needs and wellbeing of its employees and continues to review a range of products which are of benefit to staff. The Group has strong links with local schools, sports and other community organisations in which employees can actively become involved. The Group has an established volunteering policy which encourages staff to actively participate in the communities in which it operates.

**Training and development**

The Group is committed to provide equal opportunities for growth and development to all employees by improving the skills of employees through various learning initiatives. Employees are encouraged to discuss career development objectives as part of the bi annual performance review approach. The Group is increasingly using e-learning training to enable staff to extend their knowledge and capabilities in key areas such as cyber security training which has been implemented to reduce risk and ensure staff are informed of ways to protect against cyber crime.

E-learning modules have also been utilised to support key policies such as Modern Slavery and Anti Bribery and Corruption and GDPR.

**Well being**

As well as offering a comprehensive health benefits package, the Group has launched a new initiative: the 'Time to' campaign which encourages staff to take positive action in relation to both their physical and mental health.

**Gender pay gap initiatives**

Results of the Gender Pay Report, showed that men and women were equally likely to receive a bonus, have equal pay rates but women continue to be underrepresented in areas such as Construction, Maintenance and Security. Although there are examples of senior women across all areas of the business, the Company has developed further initiatives to attract more women into the sector and for them to attain more senior positions. A women's steering group formed of staff across the Group aims to engage, inspire and support all women across the business. Recruitment sources are being reviewed to attract a wider talent pool. The Company is now using LinkedIn and other recruitment providers to make roles more accessible to a wider pool of talent. Job adverts now encourage applications from people needing flexible working.

In addition to being an inclusive employer, the Group recognises the positive impact that flexible working can have on wellbeing, engagement and productivity.

**Mentoring**

A Group wide mentoring scheme was launched in 2019 to improve diversity within management levels, promote knowledge sharing across the business, develop future leaders, increase self confidence, as well as assist in building relationships with colleagues. There are currently 55 trained mentors and 22 mentees.

**STATEMENT ON BUSINESS RELATIONSHIPS:**

**Customers**

Regular reports are received on customer satisfaction surveys and online surveys completed by tenants. Detailed data analysis of trends, themes and volume of traffic is also undertaken. The Board has overall oversight of this process.

In conjunction with an external company and TfL, the Group also conducts an annual transport survey and detailed analysis of the results is undertaken in order to engage constructively with stakeholders.

**Suppliers**

During the year, the Group set 9 corporate objectives as performance indicators in key areas within the business such as: Health & Safety, Security, Quality Management, Environmental Management, Property Management/Service Delivery and Design/Construction Delivery. These performance indicators set the tone of the business culture focusing on achievable targets and ensuring an accurate review of the organisation's performance corporate objectives. The Integrated Management System (IMS), incorporating ISO45001, 9001, 14001, 50001, is implemented and driven by top level management. External audits with suppliers and contractors are planned throughout the year, giving suppliers the opportunity to raise concerns, and for Canary Wharf Group to review third party policies and procedures.



**DIRECTORS' REPORT**

for the year ended 31 December 2020 (Continued)

Through our value chain, suppliers tendering for works must carry out a 'Tender Prequalification Process'. This asks for details of qualifications, adopting of the London living wage, insurances, amongst other requirements. This is then checked in order to confirm that the supplier operates within our standards.

Management staff routinely meet with the supply chain and customers to check the status of contracts and to address any concerns. Canary Wharf Group hosts events for suppliers and contractors on a 6 monthly basis, where motivational speakers are booked to discuss key issues.

**AGM**

The AGM will be held at 2.00 pm on the conclusion of the preceding board meeting on 15 June 2021 at One Canada Square, Canary Wharf, London E14 5AB.

By order of the Board



**Justin Turner**  
**Secretary**

Canary Wharf Group Investment Holdings plc  
Registered number: 05043352

16 March 2021

**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 of Canary Wharf Group Investments Holdings plc (the 'Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- 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 which comprise:

- the Consolidated Income Statement;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated and parent company statements of changes in equity;
- the Consolidated and parent company Balance Sheets;
- the Consolidated Cash Flow Statement; and
- the related notes 1 to 28 and (a) to (e).

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as issued by the IASB. 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 Financial Reporting Council's (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**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

**Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information within the annual report. 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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CANARY WHARF GROUP INVESTMENT HOLDINGS PLC (Continued)**

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 FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Group's industry and its control environment, and reviewed the Group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and internal audit about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the Group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team, including relevant internal specialists such as tax, valuations and IT, specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud to be in the assumptions in relation to valuations of Investment and Development property. To address the fraud risk we used our internal real estate specialists to benchmark yields, estimated rental values and capital values to external market data, including recent property transactions. In conjunction with our specialists, we challenged the external valuers on the key estimates and assumptions that underpin the valuation. We tested the tenancy data sent to the valuers for accuracy and completeness by taking a sample of underlying tenancy agreements and tracing a sample of lease agreements to the data package.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CANARY WHARF GROUP INVESTMENT HOLDINGS PLC (Continued)**

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house/external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC.

**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 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.

**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.



**Claire Faulkner FCA  
(Senior Statutory Auditor)**

For and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom

16 March 2021

## CONSOLIDATED FINANCIAL STATEMENTS:

## CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2020

	Note	Underlying* £m	2020 Capital and other £m	Total £m	Underlying* £m	2019 Capital and other £m	Total £m
Gross development, rental and related income	5	426.8	–	426.8	400.9	–	400.9
Cost of sales		(135.9)	–	(135.9)	(118.7)	–	(118.7)
<b>Net development, rental and related income</b>	5	<b>290.9</b>	<b>–</b>	<b>290.9</b>	<b>282.2</b>	<b>–</b>	<b>282.2</b>
Share of associates and joint ventures after tax	12	(0.7)	2.2	1.5	–	2.5	2.5
Revaluation of investments	12	–	(4.9)	(4.9)	–	(0.8)	(0.8)
Administrative expenses		(58.4)	–	(58.4)	(68.1)	–	(68.1)
Other income		11.5	–	11.5	5.9	–	5.9
Net revaluation movements	6	–	(514.4)	(514.4)	–	200.0	200.0
<b>Operating profit/(loss)</b>	3	<b>243.3</b>	<b>(517.1)</b>	<b>(273.8)</b>	<b>220.0</b>	<b>201.7</b>	<b>421.7</b>
Net financing costs							
– investment revenues	7	0.6	–	0.6	1.3	–	1.3
– financing costs	7	(159.6)	(70.9)	(230.5)	(133.3)	(44.8)	(178.1)
		(159.0)	(70.9)	(229.9)	(132.0)	(44.8)	(176.8)
<b>Profit/(loss) for the year before tax attributable to equity holders of the Company</b>		<b>84.3</b>	<b>(588.0)</b>	<b>(503.7)</b>	<b>88.0</b>	<b>156.9</b>	<b>244.9</b>
Tax	8			(7.6)			82.0
<b>(Loss)/profit for the year after tax</b>	4			<b>(511.3)</b>			<b>326.9</b>
<b>(Losses) and earnings per share</b>							
– basic and diluted	4			(69.1)p			44.2p

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

for the year ended 31 December 2020

	<b>2020</b>	2019
	<b>£m</b>	£m
(Loss)/profit after tax	<b>(511.3)</b>	326.9
Items that may be reclassified subsequently to profit or loss:		
Cash flow hedges:		
Losses arising on effective hedges	<b>(4.1)</b>	(6.8)
Transferred from equity	<b>5.2</b>	5.3
Other comprehensive income/(expense) for the year	<b>1.1</b>	(1.5)
<b>Total comprehensive (expense)/income for the year</b>	<b>(510.2)</b>	325.4

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

	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 2019	1,195.1	2.5	59.5	(52.8)	1,204.3	2,618.1	74.0	3,896.4
Profit for the year after tax	-	-	-	-	-	326.9	-	326.9
Net income recognised	-	-	-	-	-	326.9	-	326.9
Cash flow hedges:								
Losses arising on effective hedges	-	-	-	(6.8)	(6.8)	-	-	(6.8)
Transferred to income	-	-	-	5.3	5.3	-	-	5.3
Total comprehensive (expense)/income for the year	-	-	-	(1.5)	(1.5)	326.9	-	325.4
Distribution	-	-	-	-	-	(14.5)	-	(14.5)
<b>1 January 2020</b>	<b>1,195.1</b>	<b>2.5</b>	<b>59.5</b>	<b>(54.3)</b>	<b>1,202.8</b>	<b>2,930.5</b>	<b>74.0</b>	<b>4,207.3</b>
Loss for the year after tax	-	-	-	-	-	(511.3)	-	(511.3)
Net income recognised	-	-	-	-	-	(511.3)	-	(511.3)
Cash flow hedges:								
Losses arising on effective hedges	-	-	-	(4.1)	(4.1)	-	-	(4.1)
Transferred to income	-	-	-	5.2	5.2	-	-	5.2
Total comprehensive Income/(expense) for the year	-	-	-	1.1	1.1	(511.3)	-	(510.2)
Distribution	-	-	-	-	-	(6.1)	-	(6.1)
<b>31 December 2020</b>	<b>1,195.1</b>	<b>2.5</b>	<b>59.5</b>	<b>(53.2)</b>	<b>1,203.9</b>	<b>2,413.1</b>	<b>74.0</b>	<b>3,691.0</b>

## 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.

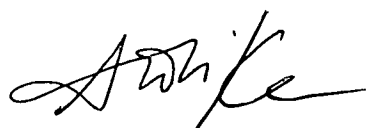
CANARY WHARF GROUP INVESTMENT HOLDINGS PLC

CONSOLIDATED BALANCE SHEET

at 31 December 2020

	Note	2020 £m	2019 £m
<b>Assets:</b>			
<b>Non current assets</b>			
Investment properties	11	6,317.5	6,678.1
Properties under construction	11	743.9	668.5
Development properties	11	1,025.6	1,048.9
Plant and equipment	11	8.4	6.3
		<b>8,095.4</b>	<b>8,401.8</b>
<b>Other non current assets</b>			
Investments	12	117.5	114.5
Tenant incentives and other non current assets	14	232.1	204.2
		<b>8,445.0</b>	<b>8,720.5</b>
<b>Current assets</b>			
Trade and other receivables	13	181.8	216.8
Monetary deposits	15	2.3	2.3
Cash and cash equivalents	16	403.5	442.4
		<b>587.6</b>	<b>661.5</b>
<b>Total assets</b>		<b>9,032.6</b>	<b>9,382.0</b>
<b>Liabilities:</b>			
<b>Current liabilities</b>			
Current portion of long term borrowings	18	(1,125.4)	(452.7)
Derivative financial instruments	20	(6.9)	-
Corporation tax	17	(35.2)	(31.1)
Trade and other payables	17	(255.8)	(327.9)
		<b>(1,423.3)</b>	<b>(811.7)</b>
<b>Non current liabilities</b>			
Borrowings	19	(3,197.2)	(3,707.3)
Derivative financial instruments	20	(638.5)	(575.6)
Other non current liabilities	22	(62.2)	(62.2)
Deferred tax liabilities	8	(18.5)	(16.0)
Provisions	23	(1.9)	(1.9)
		<b>(3,918.3)</b>	<b>(4,363.0)</b>
<b>Total liabilities</b>		<b>(5,341.6)</b>	<b>(5,174.7)</b>
<b>Net assets</b>		<b>3,691.0</b>	<b>4,207.3</b>
<b>Equity</b>			
Share capital	24	74.0	74.0
Other reserves		1,203.9	1,202.8
Retained earnings		2,413.1	2,930.5
<b>Total equity attributable to members of the Company</b>		<b>3,691.0</b>	<b>4,207.3</b>

Approved by the Board and authorised for issue on 16 March 2021 and signed on its behalf by:



Shoaib Z Khan  
Chief Executive Officer



**CONSOLIDATED CASH FLOW STATEMENT**  
 for the year ended 31 December 2020

	Note	2020 £m	2019 £m
<b>Cash from operating activities (before interest)</b>	25	<b>187.3</b>	206.3
Interest paid		(198.5)	(209.9)
Interest received		0.6	1.3
<b>Net cash outflow from operating activities</b>		<b>(10.6)</b>	(2.3)
<b>Cash flows from investing activities</b>			
Development expenditure		(167.1)	(282.5)
Purchase of property, plant and equipment		(4.5)	(3.9)
Investment in associated undertakings		(10.0)	-
<b>Net cash outflow from investing activities</b>		<b>(181.6)</b>	(286.4)
<b>Cash flows from financing activities</b>			
Redemption of securitised debt		(29.3)	(29.3)
Repayment of secured loans		(403.0)	(53.2)
Draw down of secured loans		444.0	613.0
Draw down of construction loans		158.0	269.7
Payment of deferred consideration		(6.0)	(6.0)
Repayment of construction loans		-	(366.2)
New loan fees		(4.3)	(6.6)
Dividends paid		(6.1)	(14.5)
Dividends received from associate undertakings		-	0.4
<b>Net cash inflow from financing activities</b>		<b>153.3</b>	407.3
Net movement in cash and cash equivalents		<b>(38.9)</b>	118.6
Cash and cash equivalents at start of year		442.4	323.8
<b>Cash and cash equivalents at end of year</b>	16	<b>403.5</b>	442.4

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

for the year ended 31 December 2020

**1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards as issued by the IASB.

The following new and revised accounting standards and interpretations have been adopted by the Group in 2020. Their adoption has not had any significant impact on the amounts reported in these financial statements, but may impact the accounting for future transactions and arrangements:

- Amendments to IFRS 3 Business Combinations: Definition of a business
- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to References to the Conceptual Framework in IFRS Standards
- Interest Rate Benchmark Reform (amendments to IFRS 9, IAS 39 and IFRS 7)
- COVID-19 Related Rent Concessions (amendments to IFRS 16).

At 31 December 2020, a number of standards, amendments to standards and interpretations have been issued by the IASB but are not effective for these financial statements.

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.

Within the Group there are qualifying partners who are required to prepare financial statements and a members' or general partners' report in accordance with the requirements of the Companies Act 2006. Such 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.

**Interest rate benchmark reform**

In September 2019, the IASB issued Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the ongoing interest benchmark reforms. The Group will continue to apply the amendments to IFRS 9 and IAS 39 until the uncertainty deriving from the interest rate benchmark reforms with respect to the timing and the amount of the underlying cash flows to which the Group is exposed is resolved. It is assumed that this uncertainty will end when the Group's contracts that reference Inter Bank Offered Rates, in particular LIBOR, are amended to specify the date on which the interest rate benchmark will be replaced, the cash flows of the alternative benchmark rate and the relevant spread adjustment. This will, in part, be dependent on the introduction of fallback clauses which have yet to be added to the Group's contracts and the outcome of negotiations with lenders and bondholders.

**Going concern**

The financial statements have been prepared on a going concern basis which assumes the Group will be able to meet its liabilities as they fall due for the foreseeable future.

The Group has an annual business plan process which entails production of a 5 year business plan which is typically tabled for approval in the December prior to the start of the relevant business plan period. Progress against the plan is monitored on a quarterly basis as the year progresses and the plan is subject to review and updating should circumstances change. The start of the pandemic in Q1 2020 resulted in a significant review of the 2020 business plan as a result of the shortfalls in rental income from the Group's retail properties and delays to completing the Group's construction projects.

The 2021 business plan assumed that social distancing measures will continue through to Q3 2021, with a gradual improvement in footfall through to 2022. The assumptions underlying the 2021 plan will be reviewed at least quarterly as the year progresses and mitigating action taken if the improvement in the general economic environment is slower than anticipated.

The Group enjoys the benefit of leases with a weighted average unexpired lease term of 12.3 years or 10.4 years, assuming the exercise of all break options and, at 31 December 2020, the occupancy level in the Group's office portfolio was 95.2%. The year end average maturity of the Group's loans was 6.6 years. Accordingly, the directors believe that the Group is well placed to manage its business risks successfully.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

for the year ended 31 December 2020

At the year end, the Group is in a net current liabilities position of £835.7m. Included in current liabilities are the following loans which mature during the course of 2021:

- The £700.0m facility secured against the Group's retail properties. This facility is subject to a maximum LTV covenant of 70.0% and a minimum ICR covenant of 175%. As a result of the COVID-19 pandemic on the retail sector, the Group has agreed a waiver of covenant breaches with its lenders caused solely by the pandemic to 30 June 2021. CWG has provided a repayment guarantee on maturity of the loan on 4 November 2021 equivalent to the amount of the loan which exceeds an LTV of 70.0% and an interest guarantee until 30 June 2021. The most recent valuation of the retail properties provided as security for the loan, dating from November 2020, was £767.0m. The amount of the loan subject to the guarantee is therefore £163.1m;
- The £40.0m facility secured against 7 Westferry Circus which matures in August 2021;
- £276.5m drawn against the Newfoundland construction facility. This loan currently has a final maturity date of 23 December 2021 but the Group is seeking to extend the maturity date by one year in light of a delay to completing the project due to the pandemic and to allow more time for letting up this private residential building. In common with the Group's other construction facilities, CWG or its subsidiaries have provided certain guarantees including in relation to cost overruns, completion of infrastructure works, satisfaction of s106 planning obligations and payment of interest. These guarantees will expire on completion of the relevant property and repayment of the facilities. In connection with the Newfoundland construction facility, CWG has also entered into a forward purchase agreement with the lenders which requires CWG to purchase the property at an amount sufficient to repay the construction facility in the event of a failure to reinforce the loan on maturity. The forward purchase agreement will expire upon refinancing;
- £24.3m drawn against the Quay Club development facility. The construction loan includes an option to convert the construction facility into an investment facility and this option has been triggered with the investment in documentation. Once this has been completed the final maturity will extend to June 2025.; and
- £18.6m drawn under the Group's infrastructure facility repayment of which is linked to completion of certain residential projects completed by related parties.

In addition to the above facilities, CWG and its subsidiaries have provided construction guarantees in relation to the construction facilities of certain related parties, including the facilities utilised to fund the development of the residential projects being undertaken by the CWGRL Group and the Vertus JVs (see Note 20). These guarantees expire on repayment or refinancing of the relevant loans. Similar to the Newfoundland construction facility, CWG has entered into forward purchase agreements in connection with the construction facilities utilised in funding the build to rent projects at 10 George Street and 8 Water Street developed by the Group's Vertus JVs. These forward purchase agreements will expire on refinancing.

The board is of the view that all of these facilities will be refinanced or, in the case of the Newfoundland facility, rescheduled during the course of 2021. Notwithstanding, given the refinancing of these loans is not yet committed, the Group's ultimate shareholders, Brookfield and QIA, have confirmed that they intend to provide financial support to enable the Group to meet its liabilities if required for a period of at least 12 months from the date of approving the financial statements.

In addition, at 31 December 2020, the Group had cash and monetary deposits totalling £405.8m of which £276.1m was unrestricted. In addition, undrawn construction loan facilities total £221.3m and at the date of approving these financial statements £170.0m is available to be drawn under the Group's shareholder loan facilities.

The Board regularly monitors downside sensitivities including the impact of valuation declines/cash collection rates. Other than the uncertainties set out above in relation to short term refinancing, the Group has considerable headroom over its key financing facilities as set out in Note 21 – loan covenants.

Having made the requisite enquiries and having considered the financial support from the Group's ultimate shareholders, 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

for the year ended 31 December 2020 (Continued)

**Scheme of reconstruction and REIT conversion**

On 23 March 2018, in accordance with the terms of a demerger agreement between, inter alia, the Company, SHL and Stork (acting by its General Partner) and CWGRL, the Group completed a scheme of reconstruction pursuant to which the following assets were demerged from the Group to CWGRL, a newly formed subsidiary of the Group's ultimate parent, Stork:

- (i) The One Park Drive development via its holding in CW One Park Drive Limited;
- (ii) The 10 Park Drive development via its holding in CW 10 Park Drive Limited;
- (iii) The Group's 50.0% interest in the Southbank Place development via its holding in Canary Wharf Holdings (PB) Limited; and
- (iv) £30.0m in cash.

The demerger was achieved by way of a distribution in specie of the shares in the subsidiaries holding the above assets by the Company.

The demerger of the assets referred to in the scheme of reconstruction was undertaken in anticipation of the admission of SHL's shares to the official list of The International Stock Exchange Authority and the Group headed by SHL converting into a UK REIT. The listing occurred on 29 March 2018 and the SHL Group became a REIT on the same day.

**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 interests are adjusted to reflect the changes in their relative interests in the subsidiary.

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 the Group considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business. Where such acquisitions are not judged to be an acquisition of a business, they are not treated as business combinations. Rather the cost to acquire the corporate entity is allocated between the identifiable assets and liabilities of the entity based on the relative fair values on the acquisition date. Accordingly, no goodwill or additional deferred taxation arises. If it is considered to be a business combination in accordance with IFRS 3, 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

for the year ended 31 December 2020 (Continued)

**(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 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 control passes to the purchaser.

Revenue on construction contracts is recognised over time 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

for the year ended 31 December 2020 (Continued)

**(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. The expected credit losses on these assets are estimated based on the Group's historical credit loss experience, adjusted for general economic conditions. Additional adjustments are made to allow for factors which are specific to each trade debtor. 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 amortised 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 transaction price 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

for the year ended 31 December 2020 (Continued)

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 lease modifications and comprising capital incentives and 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 assessment of the credit risk of each tenant is also undertaken before rental income is recognised. 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.

Short term concessions granted to retail tenants as a result of the pandemic are accounted for as lease modifications and the cost spread over the remaining term of the lease.

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 assets**

The carrying amounts of the Group's non financial assets, other than investment, development and construction property (see (e) 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

for the year ended 31 December 2020 (Continued)

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**

*The Group as lessee*

Properties held under long term 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 having regard to residual value guarantees where applicable. 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.

The asset is depreciated over its anticipated useful life subject to impairment testing for rights of use assets.

*The Group as lessor*

All leases operated by the Group are tested to determine whether they qualify as operating leases or finance leases. Wherever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating 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, including variations to the original terms of the lease, 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.

Where material, service charge income is reported separately for leases where the tenant pays an inclusive rent.

Service charge income is recognised as income in the year in which the services are provided. The actual services provided in a year is determined by reference to the costs incurred.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

for the year ended 31 December 2020 (Continued)

Turnover rent is recognised by reference to the reported sales performances of certain retail tenants and the provisions of the individual leases.

**(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 on properties**

The revaluation movements on 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) Fair value movements on financial instruments**

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, fair value 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. The Directors have made no critical accounting judgements that have a significant impact on the financial statements, apart from those involving estimations. The most critical estimates made by the Directors in these financial statements are:

**(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.

In relation to the valuation of retail properties, the valuers noted a reduced level of comparable investment transactions during 2020 as a result of the impact of the pandemic and the lockdown of much of the retail sector.

The sensitivity of changes in significant inputs to the valuation is summarised in Note 11 – Sensitivity of measurement changes in significant unobservable inputs.

**(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. The sensitivity of changes in interest rates to the fair value of financial instruments is summarised in Note 20. The fair value of derivative financial instruments is classified as level 2 in the fair value hierarchy.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020 (Continued)

## 3. OPERATING PROFIT/LOSS

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.

	2020 £'000	2019 £'000
The operating profit is stated after charging:		
- depreciation (Note 11)	2,391	2,608
- directors' emoluments (Note 10)	11,641	15,938

## Auditor's Remuneration

	2020 £'000	2019 £'000
Audit of Company	90	73
Audit of subsidiaries	671	657
Total audit	761	730
Audit related assurance services (interim reviews)	8	7
Other assurance services (service charge assurance work)	54	65
Audit and related assurance services	823	802
Other non audit services	18	18
Total fees	841	820
Occupational pension scheme audits	17	14

## 4. PERFORMANCE MEASURES

Basic earnings and losses per share:

	2020		2019	
	Earnings/(losses) £m	Per share p	Earnings £m	Per share p
Underlying profit for the year before tax	84.3	11.4	88.0	11.9
Capital and other items	(588.0)	(79.4)	156.9	21.2
Tax	(7.6)	(1.1)	82.0	11.1
(Loss)/profit after tax attributable to members of the Company	(511.3)	(69.1)	326.9	44.2

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 2020 has been calculated by reference to the loss attributable to equity shareholders of £511.3m for 2020 (2019 – profit of £326.9m) and on the weighted average of 740.4m Ordinary Shares in issue (2019 – 740.4m).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 for the year ended 31 December 2020 (Continued)

Adjusted net assets per share:

	2020 £m	2019 £m
Balance sheet net assets	3,691.0	4,207.3
Adjustment for: deferred tax	18.5	16.0
Mark to market of derivatives	645.4	575.6
	<u>4,354.9</u>	<u>4,798.9</u>
Less: capital contributions	(153.0)	(153.0)
Add: dividends	20.6	14.5
<b>Adjusted net assets</b>	<u><b>4,222.5</b></u>	<u><b>4,660.4</b></u>
<b>Adjusted NAV per share</b>	<b>570p</b>	<b>629p</b>

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 and subsequent distributions. The underlying reduction in adjusted NAV per share for the year after adding back total distributions of £20.6m (2019 – £14.5m) was 59p (2019 – increase 39p).

**5. REVENUE**

	2020 £m	2019 £m
Rent receivable	262.3	273.8
Recognised incentives and committed rent increases	25.8	(1.1)
	<u>288.1</u>	<u>272.7</u>
Service charge income	95.3	95.0
Other recoveries from tenants	25.5	30.9
Termination of leases	17.9	2.3
<b>Gross development, rental and related income</b>	<u><b>426.8</b></u>	<u><b>400.9</b></u>
Service charge and other direct property expenses	(127.6)	(117.7)
Movement in accruals and provisions for leasehold commitments	(0.1)	(0.1)
Payments on termination of leases	(8.2)	(0.9)
<b>Net development, rental and related income</b>	<u><b>290.9</b></u>	<u><b>282.2</b></u>

In 2020, the Group had one major customer, contributing £70.7m of Group revenue (2019 – one major customer contributing £66.6m).

Rent receivable included contingent rents of £1.1m (2019 – £2.0m).

**6. NET REVALUATION MOVEMENTS ON PROPERTY AND INVESTMENTS**

	2020 £m	2019 £m
<b>Revaluation of:</b>		
– investment properties	(418.0)	(31.4)
– properties under construction	(71.8)	130.8
– development properties	(24.6)	100.6
	<u><b>(514.4)</b></u>	<u><b>200.0</b></u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020 (Continued)

In accordance with IAS 40 (amended), the revaluation movement on development properties is recognised in the Consolidated Income Statement. At 31 December 2020, a cumulative revaluation surplus on development properties of £611.0m had been recognised (31 December 2019 – £635.6m). There were no development properties where market value was less than historical cost at either 31 December 2020 or 31 December 2019.

## 7. NET FINANCING COSTS

	2020 £m	2019 £m
<b>Interest revenue</b>		
Deposits, other loans and securities	0.6	1.3
<b>Interest expense</b>		
Notes and debentures	(86.4)	(92.6)
Construction loan interest	(24.1)	(37.0)
Other bank loans, overdrafts and other interest payable	(80.7)	(69.0)
Obligations under long term property lease	(6.1)	(6.0)
Accelerated amortisation of deferred financing costs	(1.2)	(5.3)
	(198.5)	(209.9)
Interest transferred to properties under construction	42.5	76.6
Associated undertakings net interest payable	(3.6)	–
	(159.6)	(133.3)
Underlying net financing costs	(159.0)	(132.0)
<b>Other financing (costs)/income</b>		
Valuation movements on fair value of derivatives	(65.7)	(39.5)
Hedging reserve recycling	(5.2)	(5.3)
	(70.9)	(44.8)
<b>Net financing costs</b>	(229.9)	(176.8)
Total financing income	0.6	1.3
Total financing expenses	(230.5)	(178.1)
<b>Net financing costs</b>	(229.9)	(176.8)

Financing fees included in interest payable totalled £10.7m in 2020 (2019 – £9.8m).

The amount transferred to properties under construction and held for development comprised £19.6m attributable to the cost of funds of the Group's general borrowings (2019 – £39.9m) and £22.9m of finance costs recognised on the construction loan facilities which are being utilised to finance certain of the development expenditure on the Estate (2019 – £37.0m). 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 related debt for the year of 3.7% (2019 – 4.5%).

In 2020, £5.2m (2019 – £5.3m) was recycled to the Consolidated Income Statement from the hedging reserve as the corresponding hedged cash flows occurred in the year.

In 2020, £4.1m of fair value losses (2019 – £6.8m of losses) on interest rate swaps were taken to the hedging reserve. These hedging instruments were entered into in connection with the retail loan refinancing. Other facilities treated as effective include the loan secured against 7 Westferry Circus and certain of the Group's construction facilities.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 for the year ended 31 December 2020 (Continued)
**8. TAX**

	2020 £m	2019 £m
<b>Tax charge</b>		
Current tax charge to income	(5.1)	(3.4)
Deferred tax (charge)/credit	(2.5)	85.4
<b>Group total tax</b>	<b>(7.6)</b>	<b>82.0</b>
<b>Tax reconciliation</b>		
Group (loss)/profit on ordinary activities before tax	(503.7)	244.9
Tax on loss/(profit) on ordinary activities at UK corporation tax rate of 19.0% (2019 – 19.0%)	95.7	(46.5)
Effects of:		
Change in tax rate	(1.4)	(10.3)
Adjustments in respect of prior years	0.6	(4.9)
Deferred tax items no longer recognised upon conversion to REIT	–	102.9
Profits and losses non taxable under the REIT regime	(100.5)	43.6
Movement in tax losses not recognised as deferred tax assets	–	–
Indexation allowances and net effect of restriction or reversal of previously restricted capital losses	–	(0.5)
Expenses not deductible for tax purposes	(1.4)	(1.8)
Other differences	(0.6)	(0.5)
<b>Group total tax</b>	<b>(7.6)</b>	<b>82.0</b>

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 £5.1m has been recognised in the year (2019 – £3.4m). The accrual for corporation tax payable increased to £35.2m at 31 December 2020, in comparison with £31.1m at 31 December 2019 (Note 17).

	Losses & tax credits £m	Revaluation deficits £m	Fair value of derivatives £m	Financial instruments £m	Other £m	Total £m
<b>Deferred tax assets</b>						
1 January 2019	28.7	0.5	–	–	0.6	29.8
Charge to income	(28.0)	–	–	–	(0.6)	(28.6)
31 December 2019	0.7	0.5	–	–	–	1.2
(Charge)/credit to income	(0.6)	0.1	0.1	–	–	(0.4)
<b>31 December 2020</b>	<b>0.1</b>	<b>0.6</b>	<b>0.1</b>	<b>–</b>	<b>–</b>	<b>0.8</b>

	Revaluation surpluses £m	Fair value of derivatives £m	Financial instruments £m	Other £m	Total £m
<b>Deferred tax liabilities</b>					
1 January 2019	(129.8)	–	(1.4)	–	(131.2)
Credit/(charge) to income	113.1	–	1.4	(0.5)	114.0
31 December 2019	(16.7)	–	–	(0.5)	(17.2)
(Charge)/credit to income	(2.4)	–	–	0.3	(2.1)
<b>31 December 2020</b>	<b>(19.1)</b>	<b>–</b>	<b>–</b>	<b>(0.2)</b>	<b>(19.3)</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

for the year ended 31 December 2020 (Continued)

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:

	<u>£m</u>
Net liability at 1 January 2019	(101.4)
Credit to income	85.4
Net liability at 31 December 2019	<u>(16.0)</u>
Charge to income	(2.5)
<b>Net liability at 31 December 2020</b>	<b><u>(18.5)</u></b>

The standard rate of corporation tax payable by the Group is 19.0%. The Finance Act (No.2) 2015 reduced the rate to 18.0%, which was subsequently reduced to 17.0% by the Finance Act 2016. At 31 December 2019, deferred tax was provided by reference to this enacted corporation tax rate. In 2020, the Government reversed this reduction and at 31 December 2020, deferred tax was provided at 19.0%. Following the year end, in the 2021 Budget, HM Treasury announced its intention to raise the corporation tax rate to 25.0% in 2023.

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.

The Finance Act 2019 received Royal Assent in February 2019, as a result of which the deferred tax liability reduced from £101.4m at 31 December 2018 to £16.0m at 31 December 2019.

**9. OPERATING LEASES****Leases with the Group as lessor**

The Group leases out its investment properties under operating leases as defined by IFRS 16.

At 31 December 2020, the weighted average unexpired lease term under non cancellable operating leases for the entire investment property portfolio, including retail, was 10.8 years (2019 – 10.3 years).

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

	<u>31 December 2020 £m</u>	<u>31 December 2019 £m</u>
Within one year	264.4	265.9
Between 2 and 5 years	992.2	1,002.2
After 5 years	1,631.3	1,667.4
	<b><u>2,887.9</u></b>	<b><u>2,935.5</u></b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020 (Continued)

## 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:

	2020 £m	2019 £m
Wages and salaries	114.6	117.5
Social security costs	13.7	13.6
Other pension costs	7.2	6.1
	<b>135.5</b>	<b>137.2</b>

The staff cost for 2020 shown in the table above is stated net of £1.4m claimed through the UK government's furlough scheme.

The average monthly number of employees during 2020 was 1,307 (2019 – 1,317) as set out below:

	2020	2019
Construction	313	390
Property management	749	685
Administration	245	242
	<b>1,307</b>	<b>1,317</b>

**Directors' remuneration**

	2020 £'000	2019 £'000
Emoluments paid or payable (including pension contributions)	<b>11,641</b>	15,938

**Highest paid director**

	2020 £'000	2019 £'000
Highest paid director	<b>9,058</b>	9,007

No pension plan is operated by the Company. One of the directors participates in Canary Wharf Group's pension scheme and the Group made contributions to the scheme on behalf of that director of £2,588.

**Other directors**

No travel and other subsistence expenses were reimbursed to non executive directors in either 2020 or 2019.

**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 £7.2m (2019 – £6.1m), 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 operated for certain directors and senior employees of Canary Wharf Group. In accordance with the terms of this deferred payment scheme, during 2020, directors of the company received payments totalling £6,930,000 (2019 – £10,186,869).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020 (Continued)

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

Non current property assets at 31 December 2020 comprised:

	Investment properties £m	Under construction to be retained £m	Development properties £m	Total £m
Fair value at 1 January 2020	6,881.8	669.0	986.7	8,537.5
Adjust for brought forward:				
– tenant incentives*	(184.3)	–	–	(184.3)
– unamortised lease negotiation costs*	(19.4)	(0.5)	–	(19.9)
– obligations under long term property lease (Note 22)	–	–	62.2	62.2
Carrying value at 1 January 2020	6,678.1	668.5	1,048.9	8,395.5
Additions	13.8	125.6	57.2	196.6
Capitalised interest	–	32.9	9.6	42.5
Transfers/disposals	47.3	(11.3)	(65.5)	(29.5)
Revaluation movement	(418.0)	(71.8)	(24.6)	(514.4)
Transfer to tenant incentives	(3.7)	–	–	(3.7)
<b>Carrying value at 31 December 2020</b>	<b>6,317.5</b>	<b>743.9</b>	<b>1,025.6</b>	<b>8,087.0</b>
Adjust for:				
– tenant incentives*	213.8	–	–	213.8
– unamortised lease negotiation costs*	16.3	2.0	–	18.3
– obligations under long term property lease (Note 22)	–	–	(62.2)	(62.2)
<b>Fair value at 31 December 2020</b>	<b>6,547.6</b>	<b>745.9</b>	<b>963.4</b>	<b>8,256.9</b>

\*Refer to Note 14 for further details.

Non current property assets at 31 December 2019 comprised:

	Investment properties £m	Under construction to be retained £m	Development properties £m	Total £m
Fair value at 1 January 2019	6,297.1	839.2	834.9	7,971.2
Adjust for brought forward:				
– tenant incentives*	(185.4)	–	–	(185.4)
– unamortised lease negotiation costs*	(9.8)	(1.8)	–	(11.6)
– obligations under long term property lease (Note 22)	–	–	62.2	62.2
Carrying value at 1 January 2019	6,101.9	837.4	897.1	7,836.4
Additions	4.3	243.1	35.1	282.5
Capitalised interest	–	60.5	16.1	76.6
Transfers	603.3	(603.3)	–	–
Revaluation movement	(31.4)	130.8	100.6	200.0
<b>Carrying value at 31 December 2019</b>	<b>6,678.1</b>	<b>668.5</b>	<b>1,048.9</b>	<b>8,395.5</b>
Adjust for:				
– tenant incentives*	184.3	–	–	184.3
– unamortised lease negotiation costs*	19.4	0.5	–	19.9
– obligations under long term property lease (Note 22)	–	–	(62.2)	(62.2)
<b>Fair value at 31 December 2019</b>	<b>6,881.8</b>	<b>669.0</b>	<b>986.7</b>	<b>8,537.5</b>

\*Refer to Note 14 for further details.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

for the year ended 31 December 2020 (Continued)

**Recurring fair value measurement**

The fair value of the Group's property portfolio at 31 December 2020 was £8,256.9m (31 December 2019 – £8,537.5m).

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.

Substantially 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 fair values of all of the Group's properties are classified as Level 3.

Fair value of the Group's properties at 31 December 2020 analysed by external valuer:

	2020 £m
CBRE	4,576.7
Savills	2,909.5
Cushman and Wakefield	767.0
Internal valuation	3.7
	<b>8,256.9</b>

**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 IFRS 13 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

for the year ended 31 December 2020 (Continued)

**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.

**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, eg 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 1 Bank Street. Construction of this building reached practical completion on 31 October 2019 and the building was transferred from under construction to completed investment properties at its assessed fair value at that date of £603.3m.

Construction commenced in January 2018 on a 64,300 sq ft private members club which reached practical completion in October 2020 and was transferred from under construction to completed investment properties at its assessed fair value of £47.3m.

Construction of the Newfoundland building, a residential building targeted for the private rental sector, is now scheduled to complete in mid 2021.

Construction commenced in 2018 on a 187,000 sq ft mixed use building at Wood Wharf which will be anchored by a 88,500 sq ft hotel. In addition, construction commenced on a 236,000 sq ft office building at Wood Wharf. These 2 properties have been reclassified as properties under construction.

The interests held in the residential for sale developments at One Park Drive and 10 Park Drive, developments under construction and held for sale, were transferred to CWGRL as part of the scheme of reconstruction on 23 March 2018. 50.0% interests in 2 private rental buildings are held through joint venture vehicles (Note 12).

In addition, work is progressing on various affordable and community use projects to support the residential offering at Wood Wharf. These are due to reach practical completion in Q2 2021 and have been reclassified from development properties to properties under construction at 31 December 2020.

At 31 December 2020, properties under construction included £105.4m of capitalised interest compared with £76.5m at 31 December 2019.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

for the year ended 31 December 2020 (Continued)

Included in investment properties is an amount of approximately £59.1m (31 December 2019 – £57.1m) in respect of property occupied by the Group, which in the opinion of the directors is not material for separate classification.

The historical cost of properties held as non current assets at 31 December 2020 was £5,340.5m (31 December 2019 – £5,134.6m).

Direct operating expenses arising from investment properties that did not generate rental income in the year totalled £18.6m (2019 – £9.4m).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended 31 December 2020 (Continued)

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

	Fair value at 31 December 2020 £m	Valuation techniques	Unobservable inputs	Range or (weighted average)
Investment properties:				
– Offices	5,700.1	Discounted cash flow	Annual rent psf (ERV)	£37.50 – £55.00 psf (i)
			Discount rate	4.00% – 7.5% (5.36%)
			Capitalisation rate for terminal value	4.0% – 7.0% (5.05%)
		Yield methodology	Annual rent psf (ERV)	As above (i)
			Capitalisation rate – Initial yield	4.0% – 6.25% (4.1%)
			– Equivalent yield	(4.9%)
– Retail and parking	847.5	Discounted cash flow	Annual rent psf (ERV)	£128 ZA – £340 ZA (ii) (£220 ZA)
			Discount rate	6.50%
			Capitalisation rate for terminal value	5.25%
		Yield methodology	Annual rent psf	As above (ii)
			Capitalisation rate – Initial yield	(5.1%)
			– Equivalent yield	(5.9%)
	<u>6,547.6</u>			
Properties under construction to be retained:				
– Offices	200.7	Capitalised net revenues less costs to complete	Capitalised net revenues Estimated costs to complete	£55.00 – £60.00 psf (iii) (iv)
– PRS	509.6	As above	As above	(iv)
– Retail	9.6	As above	As above	£56.25 psf
– Intermediate, affordable housing and community use	26.0	As above	As above	(iv)
	<u>745.9</u>			
Properties held for development:	963.4	Capitalised net revenues less costs to complete	Capitalised net revenues Estimated costs to complete	(iii) (iv)
<b>Total for entire property portfolio</b>	<u><b>8,256.9</b></u>			

Notes:

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020 (Continued)

**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 2019	5.0
Additions	3.9
Depreciation	(2.6)
31 December 2019	6.3
Additions	4.5
Depreciation	(2.4)
<b>31 December 2020</b>	<b>8.4</b>

**12. INVESTMENTS**

The investments balance comprises:

	2020 £m	2019 £m
Shares	117.0	107.0
Fees on acquisition	2.0	2.0
Share of post acquisition profits	2.0	6.3
Fair value adjustments	122.5	125.2
Impairment of investment	(0.4)	(0.4)
Distributions	(125.6)	(125.6)
	<b>117.5</b>	<b>114.5</b>

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:

	2020 £m	2019 £m
Associates and joint ventures	80.1	72.2
Other investments	37.4	42.3
	<b>117.5</b>	<b>114.5</b>

**Associates and joint ventures**

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

At 31 December 2020	Vertus £m	Charter Street £m	20 Fenchurch Street £m	Total £m
Initial investment	70.2	10.0	0.1	80.3
Fees	2.0	-	-	2.0
Recognised share of (losses)/profits	(6.3)	-	8.3	2.0
Distribution	-	-	(125.6)	(125.6)
Revaluation surplus	4.0	-	117.4	121.4
	<b>69.9</b>	<b>10.0</b>	<b>0.2</b>	<b>80.1</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020 (Continued)

Details of the Group's associates and joint ventures at 31 December 2020 are as follows:

	Date of acquisition	Country of incorporation	Ownership interest %
Vertus	March 2017	UK/Jersey	50.0
One Charter Street	December 2020	UK/Jersey	50.0
20 Fenchurch Street	October 2010	UK/Jersey	30.0

**Vertus**

On 30 March 2017, the Group transferred 2 properties with a combined carrying value of £79.8m 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's share of operating costs, net interest payable and revaluation movements was £2.1m (2019 – gain of £2.5m).

**One Charter Street**

On 17 December 2020, the Group entered into a joint venture with Edyn for the development of One Charter Street, Wood Wharf, as an aparthotel. Under the terms of the agreements entered into on that date, a Group company will fund the development on a 50:50 basis. A Group subsidiary will act as construction manager and Edyn will be appointed as operator of the aparthotel on completion. Edyn is a subsidiary of the Group's ultimate 50.0% shareholder Brookfield.

**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. 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 Group retains an investment of £0.2m 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.

**Financial Information**

The Vertus and One Charter Street entities have 31 December financial year ends. 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 a 31 December year end. The results of the joint venture 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 2020	Vertus £m	Group share £m
Other (costs)/income	(1.4)	(0.7)
Revaluation movement	4.4	2.2
Net interest payable	(7.2)	(3.6)
Loss before and after tax	(4.2)	(2.1)
Summarised profit and loss accounts for 2019	Vertus £m	Group share £m
Other (costs)/income	–	–
Revaluation movement	5.0	2.5
Profit before and after tax	5.0	2.5

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020 (Continued)

Summarised balance sheets at 31 December 2020	Vertus £m	Charter Street £m	20 Fenchurch Street £m
Total assets	452.8	39.5	1.1
Total liabilities	(313.1)	(19.5)	(0.2)
Net assets	139.7	20.0	0.9
Group share	69.9	10.0	0.2

Summarised balance sheets at 31 December 2019	Vertus £m	20 Fenchurch Street £m
Total assets	396.7	1.1
Total liabilities	(252.7)	(0.2)
Net assets	144.0	0.9
Group share	72.0	0.2

## \*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 30.0%.

**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 2020, 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 £22.9m and the recognition of an out of the money interest rate swap valuation of £12.2m of which the Group's share was £1.1m. This resulted in a carrying value of £37.2m, a reduction of £4.9m in the year.

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 2020 was £0.2m (31 December 2019 – £0.2m).

**13. TRADE AND OTHER RECEIVABLES**

	2020 £m	2019 £m
Trade receivables	39.8	38.6
Other receivables	34.9	21.8
Prepayments and accrued income	26.8	26.7
Deferred financing expenses	4.3	6.6
Amounts owed by Vertus undertakings	45.0	44.0
Amounts owed by CWGRL	31.0	79.1
<b>Total trade and other receivables</b>	<b>181.8</b>	<b>216.8</b>

The amount owed by Vertus undertakings comprises the proportion of the Group's infrastructure loan which is attributable to the Vertus properties of £64.1m less £19.1m of costs incurred by Vertus entities on behalf of the Group which remained outstanding at 31 December 2020 (2019 – £54.6m less £10.6m incurred by the Group on behalf of Vertus entities).

The amount owed by CWGRL undertakings at 31 December 2020 comprised the proportion of the Group's infrastructure loan which is attributable to the CWGRL properties of £76.0m (Note 21 (8)) less £45.0m incurred by CWGRL entities on behalf of the Group. In 2019, the amount owed by CWGRL undertakings comprised the proportion of the Group's infrastructure loan attributable to the CWGRL properties of £60.8m plus £18.3m incurred by CWGIH on behalf of CWGRL.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020 (Continued)

At 31 December 2020, trade receivables included 3 trade debtors in excess of £1.0m, with an aggregate amount outstanding of £27.9m representing 70.1% of gross trade receivables at that date. All of these debtors were owed by related parties. Of this amount, £18.3m was received subsequent to the year end.

Trade receivables more than 61 days past due at 31 December 2020 totalled £30.2m (31 December 2019 – £1.1m), of which £27.9m was owed by related parties. As a result of the support provided by the Group to retail tenants in the year, a credit loss adjustment to income of £2.4m was recognised in 2020 and an additional doubtful debt provision of £6.1m was recognised at the year end (31 December 2019 – £0.4m). In addition, the bad debt expense for the year was £0.5m (2019 – £0.5m). In calculating the bad debt provision, the Group has considered the expected credit loss using the simplified approach as specified in IFRS 9. The credit risk of each tenant is assessed on a case by case basis and income is recognised accordingly. The credit risk is mitigated by rent and service charge income being billed quarterly in advance.

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. Recoveries to date total \$95.5m and have been shared 50:50 with JP Morgan net of any further fees and costs. Tax has been provided on the gross amount of the claim. The anticipated net receivable amount included in prepayments and accrued income at 31 December 2020 is £0.8m.

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

**Financial assets and liabilities**

The Group has considered the expected credit risk associated with the other classes of its financial assets and concluded that no impairment provision is required. The Group's largest financial assets are its cash balances. In accordance with the Group's treasury policy, no more than 25.0% of unrestricted cash at bank can be held in any one financial institution, subject to liquidity requirements.

**14. TENANT INCENTIVES AND OTHER NON CURRENT ASSETS**

	Rent free periods £m	Other tenant incentives £m	Total tenant incentives £m	Deferred negotiation costs £m	Total £m
1 January 2019	60.6	124.8	185.4	11.6	197.0
Recognition of rent during rent free periods	19.8	–	19.8	–	19.8
Amortisation	(10.8)	(10.1)	(20.9)	(2.6)	(23.5)
Deferred lease negotiation costs	–	–	–	10.9	10.9
<b>31 December 2019</b>	<b>69.6</b>	<b>114.7</b>	<b>184.3</b>	<b>19.9</b>	<b>204.2</b>
Transferred from investment property	–	3.7	3.7	–	3.7
Recognition of rent during rent free periods	45.1	–	45.1	–	45.1
Amortisation	(10.6)	(8.7)	(19.3)	(1.6)	(20.9)
Deferred lease negotiation costs	–	–	–	–	–
<b>31 December 2020</b>	<b>104.1</b>	<b>109.7</b>	<b>213.8</b>	<b>18.3</b>	<b>232.1</b>

Lease incentives include rent free periods and other incentives given to lessees on entering into lease arrangements. Negotiation costs comprises letting agent and other professional fees incurred in securing lettings.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020 (Continued)

## 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.

	2020 £m	2019 £m
Monetary deposits held at bank	<u>2.3</u>	<u>2.3</u>

The effective interest rate on monetary deposits at 31 December 2020 was nil% (31 December 2019 – 0.4%).

## 16. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	2020 £m	2019 £m
Unrestricted cash	276.1	297.2
Collateral for borrowings	113.5	127.7
Security for obligations	13.9	17.5
	<u>403.5</u>	<u>442.4</u>

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

The effective interest rate on cash and cash equivalents at 31 December 2020 was nil% (31 December 2019 – 0.3%) and the deposits had an average maturity of 1 day (31 December 2019 – 1 day).

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

	2020 £m	2019 £m
Securitised debt	58.4	49.1
Secured loans	27.4	50.9
Loan notes	27.7	27.7
	<u>113.5</u>	<u>127.7</u>

Of the cash collateral disclosed above, all of the secured loans balance and £21.8m of the securitised debt balance (31 December 2019 – £17.0m) represents rental payments from tenants received in advance.

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 terms of the loans.

## 17. TRADE AND OTHER PAYABLES AND CORPORATION TAX

	2020 £m	2019 £m
Trade payables	63.8	28.3
Tax and social security costs	12.0	18.5
Other payables	45.3	50.6
Other accruals	103.1	129.2
Deferred income	31.6	101.3
<b>Total trade and other payables</b>	<u>255.8</u>	<u>327.9</u>
<b>Corporation tax</b>	<u>35.2</u>	<u>31.1</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

for the year ended 31 December 2020 (Continued)

Trade and other payables includes £231.4m of financial liabilities at 31 December 2020 (31 December 2019 – £168.9m). 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 55 days (31 December 2019 – 20 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:

	2020 £m	2019 £m
Accrued interest payable	18.5	20.8
Repayable within one year:		
– securitised debt	29.3	29.3
– secured loans	1,077.6	402.6
Long term borrowings repayable within one year	<u>1,125.4</u>	<u>452.7</u>

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

At 31 December 2020, secured loans included the following loan facilities classified as due in less than one year:

- the £700.0m loan secured against the Group's retail properties (Note 21(2));
- the £40.0m facility secured against 7 Westferry Circus (Note 21(7));
- £18.6m of the infrastructure loan (Note 21(8));
- £276.5m drawn against the Newfoundland construction facility (Note 21(11)), and
- £26.1m loan notes originally issued in connection with the acquisition of parts of Wood Wharf.

**19. BORROWINGS**

Non current liability borrowings comprise:

	2020 £m	2019 £m
Securitised debt	1,415.0	1,447.7
Loan notes	–	26.1
Secured loans	1,538.1	1,852.0
Construction loans	244.1	381.5
	<u>3,197.2</u>	<u>3,707.3</u>

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 and caps 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 2020, the fair value of these derivatives resulted in the recognition of a liability of £645.4m (31 December 2019 – a liability of £575.6m), of which £3.9m (31 December 2019 – £Nil) was recognised in respect of cash flow hedges which qualify for hedge accounting.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 for the year ended 31 December 2020 (Continued)

	2020 £m	2019 £m
Net liabilities:		
Other secured loans	6.9	–
Due within one year	6.9	–
Securitisation	401.1	354.3
Other secured loans	244.3	221.3
Due after more than one year	638.5	575.6
	<b>645.4</b>	<b>575.6</b>

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 £26.5m from £671.9m (31 December 2019 – £19.4m from £595.0m).

**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	32.6	31.5	64.1
In one to 2 years	32.9	24.4	57.3
In 2 to 5 years	95.4	66.1	161.5
In 5 to 10 years	149.2	83.0	232.2
In 10 to 20 years	124.8	39.9	164.7
<b>31 December 2020</b>	<b>434.9</b>	<b>244.9</b>	<b>679.8</b>
	Securitised debt £m	Other secured loans £m	Total derivative liabilities £m
Within one year	27.7	24.1	51.8
In one to 2 years	27.9	23.7	51.6
In 2 to 5 years	81.2	59.8	141.0
In 5 to 10 years	128.6	78.1	206.7
In 10 to 20 years	133.6	47.7	181.3
<b>31 December 2019</b>	<b>399.0</b>	<b>233.4</b>	<b>632.4</b>

The impact of changes in interest rates would be primarily on interest receivable and the interest payable on the £60.0m mezzanine loan secured against 25 Churchill Place, £10.0m of the loan secured against 7 Westferry Circus, £100.0m of the loan secured against the Group's retail properties and £125.0m of the loan secured against 1 Bank Street and certain of the Group's construction facilities since the other borrowings are subject to interest rate swaps or caps. All cash deposits are at floating rates. The impact of a 0.5% increase/(decrease) in interest rates would result in an additional (charge)/credit of £(2.0)m/£2.0m (2019 – £(2.2)m/£2.2m) 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 (decreased)/increased the Group's net assets for 2020 by £(95.6)m/£89.7m (2019 – £(99.0)m/£92.8m) by changing the profit or loss for the year by £(91.9)m/£86.1 and comprehensive income by £(3.7)m/£3.6m. The 0.5% sensitivity has been selected based on the directors' view of a reasonable interest rate curve movement assumption.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended 31 December 2020 (Continued)

**21. NET DEBT**

	2020 £m	2019 £m
Securitised debt	1,855.8	1,843.0
Loan notes	26.1	26.2
Other secured loans	3,086.1	2,866.4
<b>Gross debt</b>	<b>4,968.0</b>	<b>4,735.6</b>
Current liabilities	1,125.4	452.7
– derivatives	6.9	–
Non current liabilities:		
– borrowings	3,197.2	3,707.3
– derivatives	638.5	575.6
<b>Gross debt</b>	<b>4,968.0</b>	<b>4,735.6</b>
Cash and cash equivalents	(403.5)	(442.4)
Monetary deposits	(2.3)	(2.3)
<b>Net debt</b>	<b>4,562.2</b>	<b>4,290.9</b>

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 2020	1,843.0	26.2	2,484.2	382.2	4,735.6
Drawn down	–	–	444.0	158.0	602.0
Effective interest rate adjustment	(15.1)	(0.1)	(11.2)	(0.1)	(26.5)
Accrued finance charges	10.4	–	9.0	–	19.4
Repaid in year	(29.3)	–	(403.0)	–	(432.3)
Movements in fair value of derivatives	46.8	–	21.7	1.3	69.8
<b>31 December 2020</b>	<b>1,855.8</b>	<b>26.1</b>	<b>2,544.7</b>	<b>541.4</b>	<b>4,968.0</b>
Payable within one year or on demand	39.7	26.1	764.3	295.3	1,125.4
Payable in more than one year	1,415.0	–	1,538.1	244.1	3,197.2
Derivatives	401.1	–	242.3	2.0	645.4
	<b>1,855.8</b>	<b>26.1</b>	<b>2,544.7</b>	<b>541.4</b>	<b>4,968.0</b>

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

- (1) At 31 December 2020, the following Notes issued by CWF II, a subsidiary of Canary Wharf Group, were outstanding:

Class	Principal £m	Interest	Repayment
A1	221.7	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	127.9	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
	<u>1,414.2</u>		

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020 (Continued)

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 £118.7m as cash collateral in respect of this obligation. The annual fee payable during the year ended 31 December 2020 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 2020 was 11.6 years (31 December 2019 – 12.4 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. 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. On 4 November 2020, the CWG repayment guarantee in respect of the loan was increased from £100.0m to the amount of the loan which exceeds an LTV of 70.0% (Note 26).
- (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 2020, £14.2m of the loan principal was repaid in accordance with the loan agreement reducing the principal at 31 December 2020 to £456.5m.
- (4) In March 2020, the Group refinanced its £384.0m loan facility secured against 25 Churchill Place with a new 5 year loan which comprised £384.0m of senior debt and £60.0m of mezzanine debt. Interest on the loan is payable at 3 month LIBOR plus 1.7% and the mezzanine facility at LIBOR plus 4.9%. Of the senior loan, £300.0m is hedged with an interest rate cap at a strike rate of 1.5% which runs until 22 July 2022. The mezzanine loan is unhedged.
- (5) Loan notes with an outstanding value at 31 December 2020 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 2020 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 16). £1.5m of the notes were redeemed on 8 February 2021. The balance of the loan notes are scheduled for redemption by 5 August 2021.

- (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. On 26 June 2020 both facilities were extended by one year and are now repayable in April 2022. Interest is payable on the senior facility at a fixed rate 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 2020, £4.8m of the loan principal of the senior facility was repaid in accordance with the terms of the loan reducing the principal at 31 December 2020 to £69.4m. The mezzanine facility is repayable in 2021 with a balloon payment.
- (7) In August 2018, the loan secured against 7 Westferry Circus was refinanced with a new 3 year facility of £40.0m. The loan carries interest at 3 month LIBOR plus 1.75% and £30.0m of the facility is hedged with an interest rate swap at an all in rate of 1.183%. The final maturity of the loan is in August 2021.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020 (Continued)

- (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 0.19% at 31 December 2020) plus 2.2% and the final maturity is 23 March 2023. No hedging is required and at 31 December 2020, £172.1m had been drawn down. Of the amount borrowed, £76.0m has been on lent to subsidiaries of CWGRL to part fund the infrastructure costs on Wood Wharf. This component of the loan is repayable from the proceeds of sale of the apartments being developed by subsidiaries of CWGRL. A further £64.1m was lent to the Vertus entities, also to fund infrastructure costs on Wood Wharf. This component of the loan is repayable on refinancing of the associated construction loans utilised to fund construction of 2 private rental buildings. An additional margin of 0.1% is charged by the borrower entity. The amounts lent to the CWGRL subsidiaries and Vertus entities are included in the balances shown in Note 13.
- (9) In March 2015, the Group completed a £620.0m construction facility, split in to 4 tranches of which 2 tranches totalling £428.7m have been used to fund 2 private sale residential buildings being developed by CWGRL and 2 tranches totalling £191.3m have been used to fund the 2 PRS buildings that now form the Vertus joint venture. Amounts drawn down under the CWGRL tranches and Vertus tranches are disclosed in the audited accounts of those entities. The initial loan term was 5 years for the private sale buildings and 5.5 years for the PRS, but each has been extended during the year. The loans carry a margin of 3 month LIBOR plus 3.0% or 3.25% and require 70.0% minimum hedging. The loans to fund the private sale buildings were transferred to CWGRL in March 2018 as part of the corporate reconstruction. The first of these facilities was substantially repaid during 2020 with the final repayment in January 2021.
- (10) In October 2015, a £140.0m 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 fully 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%. This second facility was drawn in full in 2018 by CWGRL.
- As a result of the scheme of reconstruction, the availability period of the £140.0m facility was extended until 30 March 2022 and CWGRL was granted the right to draw under these facilities to fund its construction obligations. At 31 December 2020, £122.5m remained available to be drawn by either the Group or CWGRL. Subsequent to the year end, the amount drawn by CWGRL was repaid. As a result, the total of £170.0m is now available to be drawn by the Group.
- (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. £276.5m had been drawn down at 31 December 2020. In July 2020, the final maturity date of the loan was varied to be 23 December 2021.
- (12) In November 2019 a new 5 year loan facility secured against 1 Bank Street totalling £578.0m comprising a senior facility of £500.0m and a mezzanine facility of £78.0m was drawn down. The senior loan carries interest at LIBOR plus a margin of 1.7% and the mezzanine carries a margin of 5.25%. Under the terms of a cap arrangement for the first 2 years of the loan, entered into on drawn down, the LIBOR rate on £453.0m of the loan is capped at not more than 1.5%. The margin on the remainder of the loan is uncapped.
- (13) On 29 June 2018, a £30.0m construction loan facility was entered into to fund the private members club development of which £24.3m had been drawn by 31 December 2020. The loan facility was subject to an arrangement fee of 1.0%. The rate payable on the loan is 3 month LIBOR plus 3.25% and no hedging is required. The loan includes an option to convert the construction facility into an investment facility. This option has been exercised as a result of which the final maturity date will be extended to June 2025.
- (14) In 7 June 2019, a £186.0m construction loan was entered into to fund the construction of 2 new office buildings, 15 Water Street and 20 Water Street. The facility was subject to a 1.25% arrangement fee, and a non utilisation fee calculated as 40.0% of the margin. The interest rate payable on the loan is 3 month LIBOR plus 3.00% initially, falling to 2.75% or 2.5% as the buildings let up and reach completion. The loan must be at least 75.0% hedged at all times. At 31 December 2020, a total of £69.8m had been drawn down. The practical completion long stop dates on these loans have been extended to 7 August 2022 and 31 October 2021 respectively. The final maturity is in March 2023.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 for the year ended 31 December 2020 (Continued)

**Maturity profile of borrowings**

	Securitised debt £m	Other secured loans £m	Loan notes £m	Total £m
Contractual undiscounted cash flows at 31 December 2020:				
Within one year	83.0	1,104.5	26.1	1,213.6
In one to 2 years	81.0	219.7	–	300.7
In 2 to 5 years	234.0	1,305.2	–	1,539.2
In 5 to 10 years	420.3	123.7	–	544.0
In 10 to 20 years	1,176.1	262.8	–	1,438.9
	<b>1,994.4</b>	<b>3,015.9</b>	<b>26.1</b>	<b>5,036.4</b>
Comprising:				
Principal repayments	1,414.2	2,850.5	26.1	4,290.8
Interest payments	580.2	165.4	–	745.6
	<b>1,994.4</b>	<b>3,015.9</b>	<b>26.1</b>	<b>5,036.4</b>

	Securitised debt £m	Other secured loans £m	Loan notes £m	Total £m
Contractual undiscounted cash flows at 31 December 2019:				
Within one year	89.8	453.4	0.4	543.6
In one to 2 years	87.7	1,137.5	26.1	1,251.3
In 2 to 5 years	254.2	844.4	–	1,098.6
In 5 to 10 years	365.7	136.4	–	502.1
In 10 to 20 years	1,350.5	296.4	–	1,646.9
	<b>2,147.9</b>	<b>2,868.1</b>	<b>26.5</b>	<b>5,042.5</b>
Comprising:				
Principal repayments	1,443.5	2,651.6	26.1	4,121.2
Interest payments	704.4	216.5	0.4	921.3
	<b>2,147.9</b>	<b>2,868.1</b>	<b>26.5</b>	<b>5,042.5</b>

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:

	2020 %	2019 %
Securitisation	6.1	6.2
Construction loan	3.3	3.8
Other secured loans	3.2	3.4
Loan notes	1.5	1.6

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 for the year ended 31 December 2020 (Continued)

**Comparison of fair values and carrying amount**

	2020			2019		
	Fair value £m	Carrying amount £m	Difference £m	Fair value £m	Carrying amount £m	Difference £m
Securitisation	(1,698.4)	(1,454.7)	(243.7)	(1,639.2)	(1,488.7)	(150.5)
Secured loans	(2,302.4)	(2,302.4)	-	(2,263.6)	(2,263.6)	-
Loan notes	(26.1)	(26.1)	-	(26.2)	(26.2)	-
Construction	(539.4)	(539.4)	-	(381.5)	(381.5)	-
	<b>(4,566.3)</b>	<b>(4,322.6)</b>	<b>(243.7)</b>	<b>(4,310.5)</b>	<b>(4,160.0)</b>	<b>(150.5)</b>
Other financial liabilities:						
Interest rate derivatives	(645.4)	(645.4)	-	(575.6)	(575.6)	-
Cash and monetary deposits	405.8	405.8	-	444.7	444.7	-
Total	<b>(4,805.9)</b>	<b>(4,562.2)</b>	<b>(243.7)</b>	<b>(4,441.4)</b>	<b>(4,290.9)</b>	<b>(150.5)</b>

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:

	2020			2019		
	Floating £m	Fixed £m	Total £m	Floating £m	Fixed £m	Total £m
Securitisation	-	(1,454.7)	(1,454.7)	-	(1,488.7)	(1,488.7)
Secured loans	(1,127.3)	(1,175.1)	(2,302.4)	(1,069.6)	(1,194.0)	(2,263.6)
Loan notes	(26.1)	-	(26.1)	(26.2)	-	(26.2)
Construction loans	(264.6)	(274.8)	(539.4)	(204.1)	(177.4)	(381.5)
	<b>(1,418.0)</b>	<b>(2,904.6)</b>	<b>(4,322.6)</b>	<b>(1,299.9)</b>	<b>(2,860.1)</b>	<b>(4,160)</b>
Less: Cash collateral for borrowings (Note 16)	12.3	101.2	113.5	42.5	85.2	127.7
Total	<b>(1,405.7)</b>	<b>(2,803.4)</b>	<b>(4,209.1)</b>	<b>(1,257.4)</b>	<b>(2,774.9)</b>	<b>(4,032.3)</b>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended 31 December 2020 (Continued)

**Carrying value of categories of financial instruments**

	2020 £m	2019 £m
<b>Financial assets</b>		
Amortised cost	525.9	613.0
Available for sale	37.4	42.3
	<u>563.3</u>	<u>655.3</u>
Assets not classified as financial assets	8,469.3	8,726.7
Total assets	<u>9,032.6</u>	<u>9,382.0</u>
<b>Financial liabilities</b>		
FVTPL	(645.4)	(575.6)
Amortised cost	(4,468.4)	(4,330.8)
	<u>(5,113.8)</u>	<u>(4,906.4)</u>
Liabilities not classified as financial liabilities	(227.8)	(268.3)
Total liabilities	<u>(5,341.6)</u>	<u>(5,174.7)</u>
Net assets	<u>3,691.0</u>	<u>4,207.3</u>

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, caps or collars to generate the desired interest profile and to manage the Group's exposure to interest rate fluctuations. The Group's policy is to keep at least 50% of its borrowings at fixed or capped rates subject to the requirements of specific facilities which may have defined requirements for hedging and which will take precedence. After taking into account interest rate hedging and cash deposits, the borrowings which remain as floating debt comprise £26.2m of loan notes, £10.0m of the loan secured against 7 Westferry Circus, £60.0m of the loan secured against 25 Churchill Place, £100.0m of the loan secured against the Group's retail properties, £125.0m of the loan secured against 1 Bank Street, 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 2020 the average maturity of the Group's debt was 6.6 years (31 December 2019 – 7.1 years). Shorter term flexibility is 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 of which £122.5m remained available to draw at 31 December 2020.

**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 49.2% of the investment property portfolio by value. The principal amount outstanding at 31 December 2020 was £1,414.2m.

Maximum LMCTV ratio of 100.0% and cash trap covenant of 50.0%. Based on the valuations at 31 December 2020, the LMCTV ratio at the interest payment date in January 2021 was 42.9%, resulting in headroom of 7.1%.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

for the year ended 31 December 2020 (Continued)

- (ii) Loan of £456.5m secured against One Churchill Place, representing 14.5% 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 12.2% of the investment property portfolio by value.

Maximum LTV ratio of 70.0% minimum ICR covenant of 175.0%. As a result of the impact of the COVID-19 pandemic on the retail sector, the Group has agreed a waiver of covenant breaches caused solely by the pandemic to June 2021.

The facility repayment date is 4 November 2021.

- (iv) Loan facilities totalling £444.0m including a mezzanine facility of £60.0m secured against 25 Churchill Place, representing 9.5% of the investment portfolio by value.

Cash trap LTV ratio of 75.0% for the senior loan and 86.5% for the mezzanine loan. Based on the valuation at 31 December 2020, the LTV ratio for the senior loan was 61.9% and for the mezzanine loan was 71.6%. The headroom under these covenants was therefore 13.1% and 14.9% respectively.

Minimum cash trap ICR covenant of 175.0% and the senior loan and 135.0% on the mezzanine loan. These covenants were satisfied throughout the year.

The facility repayment date is July 2025.

- (v) Loan of £40.0m secured against 7 Westferry Circus, representing 1.7% of the investment property portfolio by value.

Maximum LTV ratio of 60.0%. Based on the valuation at 31 December 2020, the LTV was 35.6%, resulting in headroom of 24.4%. This facility is not subject to any ICR covenant.

The facility repayment date is 9 August 2021.

- (vi) Senior loan of £69.4m and £20.0m mezzanine facility secured against 15 Westferry Circus, representing 1.9% of the investment property portfolio by value.

Maximum LTV ratio of 75.0% for the senior loan and 82.5% for the mezzanine loan. Based on the valuation at 31 December 2020, the LTV for the senior loan was 55.7% and for the mezzanine loan was 71.8%. The headroom under these covenants was therefore 26.2% and 9.7% respectively.

Minimum ICR covenant on the senior loan of 115.0% and 101.0% on the mezzanine loan which were satisfied throughout the year.

The repayment date of the facilities is 25 April 2022.

- (vii) Infrastructure loan of £172.1m.

Maximum LTV ratio of 60.0%. Based on the valuations at 31 December 2020, the LTV was 24.1%, resulting in headroom of 35.9%. This facility is not subject to any ICR covenant.

The final facility repayment date is 23 March 2023.

- (viii) 1 Bank Street loans totalling £578.0m secured against 1 Bank Street, representing 10.2% of the investment property portfolio by value.

For the senior loan of £500.0m, there is no maximum LTV but if the LTV exceeds 70.0% (as valued on the special assumption that the building is fully let and income producing) then any spare cash is trapped and could be used to part repay the loan if the position remains unremedied for 3 quarters. Based on the valuation at the date the loan was signed and using the special assumption that the building is fully let and income producing, the LTV was 61.4% resulting in headroom of 8.6%.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

for the year ended 31 December 2020 (Continued)

For the mezzanine loan of £78.0m, there is no maximum LTV but if the LTV exceeds 80.75% (as valued on special assumption that the building is fully let and income producing) then any spare cash is trapped and could be used to part repay the loan if the position remains unremedied for 3 quarters. Based on the valuation at the date the loan was signed and using the special assumption that the building is fully let and income producing, the LTV was 70.9% resulting in headroom of 9.8%.

- (ix) Newfoundland construction loan of £276.5m.

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

- (x) Private members club construction loan of £24.3m.

Maximum LTC of 70.0% and maximum LTV of 65.0%. These requirements were satisfied throughout the year.

- (xi) 15 Water Street construction loan of £29.9m and 20 Water Street construction loan of £39.7m.

Maximum LTC of 65.0% and maximum LTV of 65.0% (on a cross collateralised basis). 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.

In March 2019, in the midst of ongoing Euro exchange rate uncertainty during Brexit negotiations, the Group entered into 2 contracts to forward purchase Euros for the potential purchase of construction materials which are typically provided by Euro zone suppliers. The first contract committed to acquire €30.0m in July 2021 at a fixed exchange rate of GBP1 : EUR 1.1228 and the second to acquire €30.0m in July 2022 at a fixed exchange rate of GBP1 : EUR 1.1038.

Following a slowdown of the construction programme during 2020, it was decided in December 2020 to close out the first of these contracts for a profit of £0.7m.

At 31 December 2020, the mark to market on the remaining forward was out of the money by £0.1m.

***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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended 31 December 2020 (Continued)

**22. OTHER NON CURRENT LIABILITIES**

	Ground rent obligation £m
1 January 2019	62.2
Accrued finance charges	6.0
Paid in period	(6.0)
1 January 2020	62.2
Accrued finance charges	6.0
Paid in period	(6.0)
<b>31 December 2020</b>	<b>62.2</b>

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 3 annual payments of £1.7m each. The changes to the ground rent arrangements increased the carrying value of the obligation by £7.2m.

Minimum contracted payments under the ground rent arrangement were as follows:

	2020 £m	2019 £m
Within one year	6.1	6.1
Between 2 and 5 years	24.2	24.2
After 5 years	1,427.8	1,433.8
	<b>1,458.1</b>	<b>1,464.1</b>

**23. PROVISIONS**

Provisions have been made in respect of the following liabilities:

	Lease commitments £m
1 January 2019	2.0
Utilisation of provision	(0.1)
31 December 2019	1.9
Utilisation of provision	-
<b>31 December 2020</b>	<b>1.9</b>

**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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended 31 December 2020 (Continued)

**24. SHARE CAPITAL**

Issued share capital comprises:

	2020 £m	2019 £m
Ordinary Shares	74.0	74.0
<b>Total</b>	<b>74.0</b>	<b>74.0</b>

As at 31 December 2020 and 31 December 2019, 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.

	2020 £m	2019 £m
<b>(Loss)/profit on ordinary activities before tax</b>	<b>(503.7)</b>	244.9
<b>Non cash movements</b>		
Net valuation movements on properties	514.4	(200.0)
Share of profit before interest of associates and joint ventures	(1.5)	(2.5)
Revaluation of investments	4.9	0.8
Spreading of tenant incentives, committed rent increases and letting fees	(25.8)	1.1
Depreciation	2.4	2.6
Net financing costs	229.9	176.8
	<b>724.3</b>	<b>(21.2)</b>
	<b>220.6</b>	<b>223.7</b>
<b>Changes to working capital and other cash movements</b>		
Utilisation of and other movements in provisions	-	(0.1)
Decrease/(increase) in receivables	40.9	(72.4)
(Decrease)/increase in payables	(73.2)	55.1
<b>Cash generated from operations</b>	<b>188.3</b>	<b>206.3</b>
Income tax	(1.0)	-
<b>Cash from operating activities (before interest)</b>	<b>187.3</b>	<b>206.3</b>

**26. CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS**

At 31 December 2020, 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 2020, given fixed first ranking charges over cash deposits totalling £113.5m (31 December 2019 – £127.7m).

As security for the issue of up to £1,414.2m 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 repayment guarantee on maturity of the loan on 4 November 2021 equivalent to the amount of the loan which exceeds an LTV of 70.0% and an interest guarantee until 30 June 2021. The most recent valuation of the retail properties provided as security for the loan, dating from November 2020, was £767.0m. The amount of the loan subject to the guarantee is therefore £163.1m.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020 (Continued)

In connection with the 1 Bank Street refinancing (Note 21 (12)), the Company and CWG have provided guarantees to cover the payment of rent during the building's rent free periods and outstanding capital costs relating to the completion of the building.

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 s106 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. These guarantees apply not only to the Group's wholly owned developments but also the construction facilities of certain related parties comprising:

- 4 loan facilities totalling £505.0m utilised by a related party in the construction of residential property at Southbank Place. Of the 4 loans, 3 have been repaid and the guarantees have therefore fallen away. At 31 December 2020, the balance on the fourth loan had reduced to £48.1m (with £3.8m held in cash collateral).
- A loan facility of £159.3m utilised by a related party in construction of a residential property at 10 Park Drive, Wood Wharf.
- A loan facility of £269.4m utilised by a related party in construction of a residential property at One Park Drive, Wood Wharf. This facility is expected to be repaid by June 2021 from the proceeds of apartment sales. The quantum of committed sales in the building is well in excess of the amount drawn under the facility of £148.0m. Once this facility is repaid, the associated guarantees will fall away.
- A loan facility of £132.8m utilised by an associated undertaking in construction of the residential rental building at 10 George Street, Wood Wharf. Terms have been agreed for a refinancing which it is anticipated will complete in Q2 2021. Upon completion of the refinancing the associated guarantees will fall away.
- A loan facility of £58.5m utilised by an associated undertaking in construction of the residential rental building at 8 Water Street, Wood Wharf. This facility is due to be refinanced by November 2021. Upon completion of the refinancing, the associated guarantees will fall away.

In connection with the construction facilities secured against 10 George Street and 8 Water Street referred to above and also the construction facility secured against the Newfoundland development, the company's subsidiary, CWG has entered into forward purchase agreements with the lenders. These agreements require CWG to purchase the properties at an amount sufficient to repay the related construction facilities in the event of a failure to refinance the loans on maturity. The forward sale agreements will expire upon refinancing.

In relation to a loan of £74.0m to be utilised by an associated undertaking in the construction of an aparthotel at One Charter Street, Wood Wharf, CWG has guaranteed its 50.0% joint venture share of any interest shortfall under the facility between practical completion and maturity of the loan, together with a limited cost overrun guarantee.

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

	2020 £m	2019 £m
Joint ventures	92.0	78.0
Other construction projects	236.4	759.0
	<u>328.4</u>	<u>837.0</u>

Of this commitment for future expenditure, £23.3m related to investment properties (31 December 2019 – £32.0m).

The commitments for future expenditure relate to the completion of construction works where construction was committed at 31 December 2020, including funding commitments to associates and joint venture undertakings. Any costs accrued or provided for in the Balance Sheet at 31 December 2020 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

for the year ended 31 December 2020 (Continued)

**27. ULTIMATE PARENT UNDERTAKING AND RELATED PARTY TRANSACTIONS**

At 31 December 2020, the smallest group of which the Company is a member and for which financial statements are drawn up is the consolidated financial statements of Stork Holdings Limited, an entity registered at 47 Esplanade, St Helier, Jersey, JE1 0BD. The largest group of which the group is a member and for which financial statements are drawn up is Stork HoldCo LP, an entity registered at 73 Front Street, Hamilton, HM12, Bermuda. Stork HoldCo LP is controlled as to 50.0% by Brookfield and as to 50.0% by QIA.

During 2020, the Group billed HsO, a company in which it holds an equity investment equivalent to approximately 13.0% of the issued share capital, £34,569 plus VAT for access to the Estate's telecommunications infrastructure all of which was received before the year end.

In July 2011, the Group entered into a 50:50 joint venture with Qatari Diar to develop Southbank Place. The Group's interest in this development was transferred to CWGRL in March 2018 in connection with the corporate reconstruction. The investment remains in the consolidated accounts of Stork, the Company's ultimate parent undertaking. During 2020, the Group billed £17,298,830 plus VAT primarily for development management, administrative services, reimbursable costs and construction management services. At 31 December 2020, the amount outstanding was £29,341,178 including VAT including amounts billed in previous years. Of this total, £24,812,658 was received in February 2021.

In June 2014, the Group acquired a 10.0% interest in an SLP established to acquire 10 Upper Bank Street. During 2020, the Group billed £1,788,760 plus VAT in respect of asset management services all of which was received.

During 2020, the Group billed £2,316,338 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 2020, £28,215,427 was outstanding.

During 2020, the Group billed £5,578,106 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 2020, £37,725,246 was outstanding.

The total amount owing by the Vertus entities to the Group at 31 December 2020 was £65,940,673. Taking into account the aggregate contribution to site wide infrastructure payable to the Vertus entities of £85.0m and the loan by the Group of £64.1m to partly fund infrastructure costs, the net amount recoverable from the Vertus entities was £45.0m.

During 2020, the Group billed £13,904,832 plus VAT to CW One Park Drive Limited, which was transferred to CWGRL in March 2018 as part of the corporate reconstruction. At 31 December 2020, £14,326,850 remained outstanding.

During 2020, the Group billed £15,523,356 plus VAT to CW 10 Park Drive Limited, which was transferred to CWGRL in March 2018 as part of the corporate reconstruction. At 31 December 2020, £29,204,341 remained outstanding. The total amount owing to the Group at 31 December 2020 was £43,531,191. Taking into account the contribution to site wide infrastructure payable to CWGRL of £43.3m, the funding by CW One Park Drive Limited of the Group's affordable and intermediate offering at Wood Wharf of £45.2m and the Group's loan of £76.0m to part fund the infrastructure costs, the net amount recoverable from CWGRL was £31.0m at 31 December 2020.

As disclosed in Note 21(10), the Group has entered into shareholder loan facilities for a total of £170.0m. Fees of £3,392,500 were paid to BPY CWG1 Sarl during the year and £413,492 was accrued. Fees of £3,392,500 were paid to Qatar Holdings LLC and £413,492 was accrued. 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)) and interest of £601,644 was paid in the year on this facility.

Brookfield Global Asset Management Limited has leased the 25<sup>th</sup> floor in One Canada Square on a 15 year lease. Rent, service charges and other occupational costs totalling £879,963 plus VAT where applicable were invoiced in the year. Construction management fees totalling £600,000 were invoiced to Brookfield Developments Europe Limited. At 31 December 2020, there were no amounts outstanding.

During 2020, the Group billed £223,620 plus VAT to Open Network Systems Limited, a Brookfield subsidiary of which £18,377 was outstanding at 31 December 2020. Open Network Systems Limited billed the Group £16,096 plus VAT which was paid before the year end.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

for the year ended 31 December 2020 (Continued)

In November 2020, the Group entered into a joint venture with Edyn for the development of One Charter Street (Note 12). Edyn is a subsidiary of the Group's ultimate 50.0% shareholder, Brookfield. The joint venture was established by transferring Group entities into the joint venture and outstanding amounts were settled at that time. In the period from inception of the joint venture to 31 December 2020, the Group had incurred £387,772 all of which was outstanding at the year end. At 31 December 2020, £6.0m had been loaned by the Edyn joint venture to the Group to fund future enabling works.

In August 2020, CWG entered into asset management agreements with QIA relating to the management of the QIA buildings at One Cabot Place and 8 Canada Square, Canary Wharf with fees totalling £225,000 p.a.

Transactions with the directors, if any, 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 26 February 2021, a subsidiary of the Group entered into an agreement for the sale of an affordable housing development at 83 Barchester Street, to the London Borough of Tower Hamlets for consideration of £16.0m. This development was constructed to satisfy planning obligations in relation to the Group's Newfoundland private rental development.



**CANARY WHARF GROUP INVESTMENT HOLDINGS PLC**

**COMPANY BALANCE SHEET**

at 31 December 2020

	Note	2020 £m	2019 £m
<b>FIXED ASSETS</b>			
Investments	(c)	<u>2,361.2</u>	<u>2,361.2</u>
<b>CURRENT ASSETS</b>			
Debtors due in less than one year	(d)	6.3	6.1
Cash at bank and in hand		0.8	2.1
		<u>7.1</u>	<u>8.2</u>
<b>CREDITORS: Amounts falling due within one year</b>	(e)	<u>(399.2)</u>	<u>(399.4)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(392.1)</u>	<u>(391.2)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1,969.1</u>	<u>1,970.0</u>
<b>NET ASSETS</b>		<u>1,969.1</u>	<u>1,970.0</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital		74.0	74.0
Reserves:			
– share premium		1,195.1	1,195.1
– retained earnings		272.9	273.8
– other reserves		427.1	427.1
<b>SHAREHOLDERS' FUNDS</b>		<u>1,969.1</u>	<u>1,970.0</u>

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

The profit for 2020 was £5.2m (2019 – profit of £13.9m).

These financial statements are separate financial statements to those of the Group.

Approved by the Board on 16 March 2021 and signed on its behalf by:



**Shoaib Z Khan**  
Chief Executive Officer

**CANARY WHARF GROUP INVESTMENT HOLDINGS PLC**

**STATEMENT OF CHANGES IN EQUITY**

for the year ended 31 December 2020

	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 2019	74.0	1,195.1	59.5	2.5	365.1	274.4	<b>1,970.6</b>
Profit for the year	–	–	–	–	–	13.9	<b>13.9</b>
Dividend paid	–	–	–	–	–	(14.5)	<b>(14.5)</b>
	<b>74.0</b>	<b>1,195.1</b>	<b>59.5</b>	<b>2.5</b>	<b>365.1</b>	<b>273.8</b>	<b>1,970.0</b>
1 January 2020							
Profit for the year	–	–	–	–	–	5.2	<b>5.2</b>
Dividend paid	–	–	–	–	–	(6.1)	<b>(6.1)</b>
<b>31 December 2020</b>	<b>74.0</b>	<b>1,195.1</b>	<b>59.5</b>	<b>2.5</b>	<b>365.1</b>	<b>272.9</b>	<b>1,969.1</b>

At 31 December 2020 and 31 December 2019, 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.

At 31 December 2020, the smallest group of which the Company is a member and for which financial statements are drawn up is the consolidated financial statements of Stork Holdings Limited, an entity registered at 47 Esplanade, St Helier, Jersey, JE1 0BD. The largest group of which the group is a member and for which financial statements and drawn up is Stork HoldCo LP, an entity registered at 73 Front Street, Hamilton, HM12, Bermuda. Stork HoldCo LP is controlled as to 50.0% by Brookfield and as to 50.0% by QIA.

**NOTES TO THE COMPANY'S FINANCIAL STATEMENTS**  
for the year ended 31 December 2020

**(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 profit recorded by the Company in 2020 was £5.2m (2019 – £13.9m) including dividends received from subsidiaries of £6.1m (2019 – £14.5m). As permitted by Section 408 of the Act, no profit and loss account is presented for the Company in respect of either year.

## NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

for the year ended 31 December 2020 (Continued)

## (c) INVESTMENTS

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

Name	Principal Activity	Registered Office
DIRECT SUBSIDIARIES		
Songbird Acquisition Limited	Investment holding	England & Wales
Songbird Finance (Two) Limited	Finance company	England & Wales
Songbird Finance Limited	Dormant	England & Wales
INDIRECT SUBSIDIARIES		
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	Investment holding	England & Wales
Armoric Investments Limited	Dormant	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

**NOTES TO THE COMPANY'S FINANCIAL STATEMENTS**  
for the year ended 31 December 2020 (Continued)

Name	Principal Activity	Registered Office
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
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 (Earl's Court) Limited	Dormant	England & Wales
Canary Wharf (FC2) Limited	Property investment	England & Wales
Canary Wharf (Finance Lessor) Limited	Dormant	England & Wales
Canary Wharf (Former Projects) Limited	Investment holding	England & Wales
Canary Wharf (FS Invest) Limited	Investment holding	England & Wales
Canary Wharf (FSGP) Limited	Investment holding	England & Wales

**NOTES TO THE COMPANY'S FINANCIAL STATEMENTS**  
for the year ended 31 December 2020 (Continued)

Name	Principal Activity	Registered Office
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 (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 1BS Finance Limited (formerly 1 Bank Street Finance Limited)	Finance company	Jersey
Canary Wharf 1BS Lending Limited (formerly 1 Bank Street Lending Limited)	Finance company	Jersey
Canary Wharf 1BS Properties Limited (formerly 1 Bank Street Properties Limited)	Finance company	Jersey
Canary Wharf A2 SPV1 Limited	Investment holding	England & Wales
Canary Wharf A2 SPV2 Limited	Investment holding	England & Wales
Canary Wharf B2 SPV1 Limited	Investment holding	England & Wales
Canary Wharf B2 SPV2 Limited	Investment holding	England & Wales
Canary Wharf Central Limited	Investment holding	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 (B3 Hotel) Limited	Property investment	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
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 GROUP INVESTMENT HOLDINGS PLC**

**NOTES TO THE COMPANY'S FINANCIAL STATEMENTS**  
for the year ended 31 December 2020 (Continued)

<u>Name</u>	<u>Principal Activity</u>	<u>Registered Office</u>
Canary Wharf Developments Limited	Investment holding	England & Wales
Canary Wharf E1/2 SPV1 Limited	Investment holding	England & Wales
Canary Wharf E1/2 SPV2 Limited	Investment holding	England & Wales
Canary Wharf Energy Company Limited	Energy services	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 Leasing (BP1) Limited	Finance company	England & Wales
Canary Wharf Financing Limited	Finance company	England & Wales
Canary Wharf Funding (FC2/FC4) Limited	Investment holding	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 (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 (DS8) Limited	Investment holding	England & Wales
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

**NOTES TO THE COMPANY'S FINANCIAL STATEMENTS**  
for the year ended 31 December 2020 (Continued)

Name	Principal Activity	Registered Office
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	General partner	England & Wales
Canary Wharf NQO Holdco Limited	Property development	England & Wales
Canary Wharf NQO Holdings Limited	Dormant	Jersey
Canary Wharf NQO Investments Limited	Dormant	Jersey
Canary Wharf NQO Limited Partnership	Property investment	England & Wales
Canary Wharf NQO LP Limited	Investment holding	Jersey
Canary Wharf NQO Trustee Limited	Trustee landlord	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	Property investment	England & Wales



## NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

for the year ended 31 December 2020 (Continued)

Name	Principal Activity	Registered Office
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 Residential Limited	Property investment	England & Wales
CW Development Consulting Limited	Dormant	England & Wales
CW DS7F (Finance Lessor) Limited	Finance company	England & Wales
CW Finance Holdings II Limited	Investment holding	England & Wales
CW Holdco (B2) 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 One Park Drive Residential Limited	Dormant	England & Wales
CW Properties (B2) Limited	Property investment	England & Wales
CW Properties DS7B Limited	Property investment	England & Wales
CW Properties DS7F Limited	Property investment	England & Wales
CW Water Square Development Company Limited	Dormant	England & Wales
CW Water Square Limited	Dormant	England & Wales
CW Wood Wharf B3 Development Company Limited	Property contractor	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 C1 (Jersey) Limited	Property investment	Jersey
CW Wood Wharf C2 (Jersey) Limited	Property investment	Jersey
CW Wood Wharf C2 Development Company Limited	Property contractor	England & Wales
CW Wood Wharf C2 Limited	Investment holding	England & Wales
CW Wood Wharf D1/D2 Development Company Limited	Property contractor	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

## NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

for the year ended 31 December 2020 (Continued)

Name	Principal Activity	Registered Office
CW Wood Wharf D3/4 (Jersey) Limited	Property investment	Jersey
CW Wood Wharf D3/D4 Development Company Limited	Property contractor	England & Wales
CW Wood Wharf D3/D4 Limited	Investment holding	England & Wales
CW Wood Wharf E3/4 (Jersey) Limited	Property investment	Jersey
CW Wood Wharf F1 (Jersey) Limited	Property investment	Jersey
CW Wood Wharf F2 Limited	Investment holding	England & Wales
CW Wood Wharf G1/G4 Limited	Property investment	England & Wales
CW Wood Wharf G10 Development Company Limited	Property contractor	England & Wales
CW Wood Wharf G10 Limited	Property investment	England & Wales
CW Wood Wharf G5/G6 Limited	Property investment	England & Wales
CW Wood Wharf G7 Limited	Property investment	England & Wales
CW Wood Wharf H1 Limited	Investment holding	England & Wales
CW Wood Wharf H2 Limited	Investment holding	England & Wales
CW Wood Wharf H3 Development Company Limited	Property contractor	England & Wales
CW Wood Wharf H3 Limited	Property development	England & Wales
CW Wood Wharf H4 Limited	Investment holding	England & Wales
CW Wood Wharf J1 (Jersey) Limited	Property investment	Jersey
CW Wood Wharf J3 (Jersey) Limited	Property investment	Jersey
CW Wood Wharf J4 Limited	Property development	England & Wales
CW Wood Wharf Jersey Limited	Investment holding	Jersey
CW Wood Wharf L1 Development Company Limited	Property contractor	England & Wales
CW Wood Wharf L1 Limited	Property investment	England & Wales
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 SPVc Limited	Dormant	England & Wales
CWC SPVd Limited	Property investment	England & Wales
CWC SPVe Limited	Property investment	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

**NOTES TO THE COMPANY'S FINANCIAL STATEMENTS**  
for the year ended 31 December 2020 (Continued)

Name	Principal Activity	Registered Office
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
CWCB Properties (DS6) Limited	Property investment	England & Wales
CWCB Properties (DS7) Limited	Property investment	England & Wales
CWCB Properties (DS8) Limited	Property investment	England & Wales
CWE SPV Hco Limited	Investment holding	England & Wales
CWE SPV Super Hco Limited	Investment holding	England & Wales
CWE SPVc Limited	Property investment	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) Phase 2 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
Edyn (Wood Wharf) I Limited	Investment holding	Jersey
Edyn (Wood Wharf) II Limited	Investment holding	Jersey
Edyn (Wood Wharf) III Limited	Hotel investment	Jersey
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

## NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

for the year ended 31 December 2020 (Continued)

Name	Principal Activity	Registered Office
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 (HQ5) Limited	Investment holding	England & Wales
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	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 contractor	England & Wales
Heron Quays West Investments (One) SLP	Investment holding	Scotland
Heron Quays West Investments (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 Pavilion Development Company Limited	Property contractor	England & Wales
Heron Quays West Properties Limited	Dormant	England & Wales
Heron Quays West T2 Limited	Dormant	England & Wales

**NOTES TO THE COMPANY'S FINANCIAL STATEMENTS**  
for the year ended 31 December 2020 (Continued)

Name	Principal Activity	Registered Office
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 (HQ5 (2)) Limited	Investment holding	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
Norquill Limited	Property investment	England & Wales
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
South London Procurement Network 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 10 George St Limited	Property investment	England & Wales
Vertus 8 Water St Limited	Property investment	England & Wales
Vertus A2 Development Company Limited	Property contractor	England & Wales
Vertus E1/2 Development Company Limited	Property contractor	England & Wales
Vertus G3 Development Company Limited	Property contractor	England & Wales
Vertus G3 Limited	Property development	England & Wales
Vertus Holdings Jersey Limited	Investment holding	Jersey
Vertus Newfoundland Place Limited	Property investment	England & Wales
Vertus NFL Development Company Limited	Property contractor	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

**NOTES TO THE COMPANY'S FINANCIAL STATEMENTS**  
for the year ended 31 December 2020 (Continued)

Name	Principal Activity	Registered Office
Wood Wharf (General Partner) 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) Limited Partnership	Investment holding	England & Wales
Wood Wharf B2 GP Limited	General partner	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 1 Limited	Infrastructure developer	England & Wales
Wood Wharf Infrastructure Development Company 2 Limited	Infrastructure developer	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 30<sup>th</sup> Floor, One Canada Square, Canary Wharf, London E14 5AB.

The registered address of entities in Scotland is 4<sup>th</sup> 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.

	2020 £m	2019 £m
Cost and net book value of investments	<b>2,361.2</b>	2,361.2
<b>(d) DEBTORS</b>		
	2020 £m	2019 £m
<b>Due within one year:</b>		
Amounts owed by subsidiary undertakings	<b>6.3</b>	6.1
	<b>6.3</b>	6.1
<b>(e) CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>		
	2020 £m	2019 £m
Amounts owed to subsidiary undertakings	<b>398.2</b>	398.5
Accruals	<b>1.0</b>	0.9
	<b>399.2</b>	399.4

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

## CANARY WHARF GROUP INVESTMENT HOLDINGS PLC

### DEFINITIONS

20 Fenchurch Street	A 690,000 sq ft building in the City of London
Act	Companies Act 2006
AGM	Annual General Meeting
AIG	American International Group, Inc.
bn	Billion
Board	Board of directors of the Company
bp	Basis points
Brookfield	Brookfield Property Partners LP
BS OHSAS 18001	British Standard Occupational Health & Safety Accredited System
Canary Wharf Group	CWG and its subsidiaries
Canary Wharf/Estate	Canary Wharf Estate including Heron Quays West, Wood Wharf, Park Place, and North Quay
CEBR	Centre for Economics and Business Research
CMBS	Commercial Mortgage Backed Securities
Company	Canary Wharf Group Investment Holdings plc
CRT	Canal and River Trust
CVA	Company Voluntary Arrangement
CWF II	Canary Wharf Finance II plc
CWG	Canary Wharf Group plc
CWGRL	Canary Wharf Group Residential Limited
DPO	Data Protection Officer
EBRD	European Bank for Reconstruction and Development
EC	European Commission
EPRA	European Public Real Estate Association
ERV	Estimated Rental Value
EU	European Union
FRC	Financial Reporting Council
FRS	Financial Reporting Standard
FVTPL	Fair Value Through Profit and Loss
GDPR	General Data Protection Regulation
GRESB	Global Real Estate Sustainability Benchmark
Group	The Company, its wholly owned subsidiaries and Canary Wharf Group
HCA	Homes England (formerly Homes and Communities Agency)
HsO	HighSpeed Office Limited
IAS	International Accounting Standards
IAS 17	International Accounting Standard 17 Leases
IAS 40	International Accounting Standard 40 Investment Property
ICR	Interest Cover Ratio
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IFRS 3	International Financial Reporting Standard 3 Business Combinations
IFRS 8	International Financial Reporting Standard 8 Operating Segments
IFRS 9	International Financial Reporting Standard 9 Financial Instruments
IFRS 13	International Financial Reporting Standard 13 Fair Value Measurement
IFRS 16	International Financial Reporting Standard 16 Leases
ISO 14001	ISO – Environmental Management Systems
ISO 2400	ISO – Sustainable Procurement
LBHI	Lehman Brothers Holdings Inc.
LBL	Lehman Brothers Limited
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	CMBS 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

**DEFINITIONS (Continued)**

s106	Section 106 of the Town and Country Planning Act 1990
SHL	Stork Holdings Limited
SHL Group	SHL and its subsidiaries
SLP	Separate Limited Partnership
Southbank Place	5.25 acre development site in Waterloo, London
sq ft	Square foot/square feet
Stork	Stork HoldCo LP, a Bermuda entity jointly owned by Brookfield and QIA
TfL	Transport for London
TMT	Technology, Media and Telecommunications
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