

CANARY WHARF GROUP INVESTMENT HOLDINGS PLC

Registered number: 05043352

**UNAUDITED INTERIM ACCOUNTS
FOR THE 6 MONTHS ENDED 30 JUNE 2021**

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HIGHLIGHTS**Results and NAV**

- The underlying profit before tax for the 6 month period to 30 June 2021 was £25.9m (6 months to 30 June 2020 – £39.8m) (Note 2), a reduction of £13.9m or 34.9%. Underlying operating profit reduced by £2.1m and underlying net financing costs increased by £11.8m. Underlying net interest payable included the accelerated amortisation of deferred financing costs totalling £5.2m attributable to the refinancings in the period.
- Capital and other items recognised in the Income Statement for the period comprised the swap break costs incurred in the period and movements in the fair value of properties and derivative financial instruments and resulted in a gain before tax of £78.4m (6 months to 30 June 2020 – loss of £381.7m).
- The profit after tax was £99.5m (6 months to 30 June 2020 – loss of £343.5m).
- Net assets £3,787.3m at 30 June 2021, an increase of £96.3m or 2.6% from £3,691.0m at 31 December 2020 primarily as a result of the gain attributable to capital and other items.
- Adjusted NAV per share at 30 June 2021 was £5.69, a reduction of 1p per share.

Portfolio valuation

- The carrying value of the entire portfolio at 30 June 2021 was £8,149.0m in comparison with £8,087.0m at 31 December 2020, an increase of £62.0m or 0.8%, net of capital expenditure and tenant incentives.
- The carrying value of the office portfolio reduced by £69.9m or 1.3% to £5,424.6m at 30 June 2021.
- The carrying value of the retail portfolio valuation reduced by £23.2m or 2.9% to £803.0m, as result of a reduction in ERVs.
- The remainder of the investment portfolio was carried at a total of £661.6m which included a post completion valuation uplift of £24.0m.
- The carrying value of the properties under construction decreased by £483.8m following the transfer to investment properties on completion of the properties referred to in Development programme pipeline progress below. Excluding transfers there was a revaluation uplift of £23.3m in the period after capital expenditure.
- The carrying value of properties held for development reduced by £51.6m in the period following the reclassification of 5/8 Harbord Square to property under construction held for sale and adjustments on completion of the sites referred to in Development programme pipeline progress below. Excluding transfers there was a revaluation uplift of £21.5m in the period after capital expenditure.

Continued leasing activity and secure income stream

- Weighted average office lease term at 30 June 2021 11.7 years or 9.9 years assuming exercise of all break options.
- Office lettings of 73,213 sq ft achieved in the period.
- Completed investment office portfolio 93.8% let (31 December 2020 – 95.2%).

Secure financial position

- £906.3m Green Bonds issued in April 2021 at a weighted average interest rate of 3.1% in 3 tranches; £350.0m for 4 years, £300.0m for 7 years and £256.3m for 5 years).
- £700.0m retail loan, £89.4m 15 Westferry Circus loan and £40.0m 7 Westferry Circus loan repaid and shareholder loan cancelled.
- £30.0m 3 year RCF agreed in the period, none of which was drawn at 30 June 2021.
- Average loan maturity for investment loans of 7.0 years.
- Committed construction loan financing of £711.5m in place to develop Group properties of which £162.7m remained undrawn at 30 June 2021.

Development programme pipeline progress

- Practical completion achieved on the Newfoundland PRS building.
- Practical completion achieved on 2 affordable and one intermediate housing sites.
- The GP surgery and school on Wood Wharf were handed over and are being fitting out.
- Sites with capacity for a further 7.2m sq ft held for future development.

Notes:

For further information on the above, refer to the Business Review section. A list of defined terms is provided in Definitions.

The Group uses a number of Alternative Performance Measures ("APMs") which are not defined or specified within IFRS. The Directors use these measures in order to assess the underlying operational performance of the Group and allow greater comparability between periods but do not consider them to be a substitute for IFRS measures.

BUSINESS REVIEW

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

The Business Review 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.

This Business Review 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.

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. The return to lockdown in January 2021 and the extension to the end of lockdown restrictions in July 2021 has continued this uncertainty but the positive news around rollout of vaccines and the recent opening up of the economy has improved the outlook.

While the pandemic has had minimal impact on office rental income where approximately 99.0% of invoiced rent has been collected, which was in line with December 2020 collection rate, retail rental income was 37.9% lower than the equivalent period in 2019 after adjusting for the impact of granting short term concessions to retail tenants to support them through the lockdowns.

The valuation of the Group's office properties has been resilient notwithstanding the pandemic. The Group's office portfolio comprised 79.1% of the total investment portfolio at 30 June 2021.

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. The loans secured against 7 Westferry Circus and 15 Westferry Circus were repaid in April 2021 with part of the proceeds of the Green Bond.

A further 11.6% of the investment portfolio comprised the Group's retail malls. Of the retail rents billed on 1 July 2021, the Group collected around 61.0%. Following the recent removal of most restrictions non essential retail has reopened. Nevertheless, it is expected that it will take some months for footfall to recover. The £700.0m retail loan facility was repaid in April 2021 with part of the proceeds from the Green Bond.

The remaining 9.2% of the investment portfolio comprised the recently completed Newfoundland building, the intermediate and affordable PRS buildings together with other buildings providing benefits to the community. The repayment of the Newfoundland construction loan facility has been deferred until December 2022 and it is not anticipated that a covenant breach will occur. The Board is confident that the loan secured against this building will be refinanced before the amended repayment date. There are no loans secured directly against the other buildings.

Insofar as the Group's other construction facilities are concerned, the loan which funded the construction of the Quay Club has been converted to an investment loan and the commercial building and infrastructure loans on Wood Wharf are not payable until 2023. The Board is of the view that these time frames should allow sufficient time for the remaining developments to be completed and the loans refinanced.

At the date of approving this report, there remains uncertainty around 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 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 30 June 2021 the Group had cash and monetary deposits totalling £346.1m of which £200.2m was unrestricted. In addition, undrawn construction loan facilities total £162.7m and £30.0m was available to be drawn under the Group's RCF.

BUSINESS REVIEW (Continued)

The Group also benefits from an office portfolio which at 30 June 2021 was 93.8% let in comparison with 95.2% at the previous year end. The weighted average unexpired lease term for the investment portfolio at 30 June 2021 was approximately 11.7 years or 9.9 assuming the exercise of outstanding break options (31 December 2020 – 12.3 years or 10.4 years respectively). Of the square footage under lease at 30 June 2021, 48.0% 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.

Property portfolio

At 30 June 2021, the Group's investment property portfolio comprised 28 completed properties which are wholly owned, together with interests in 3 other properties through joint ventures (out of the 49 constructed on the Estate). The wholly owned portfolio comprises 6.7m sq ft of office space, and 0.9m sq ft of retail and 0.7m sq ft of PRS. In addition, the Group holds 50.0% interests in 2 PRS buildings, 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 30 June 2021, includes 18 properties totalling 8.5m sq ft in other ownerships.

Office Leasing

Despite the fall in occupancy in the 6 months to 30 June 2021, office lettings in the completed investment portfolio (including lease renewals) were concluded for 162,805 sq ft for an average term of 4.9 years (to expiry) at an average rent of £43.76 per sq ft, within the range of ERVs assumed by the valuers.

In 40 Bank Street, a lease renewal was agreed with WallStreetDocs for 4,540 sq ft for one year commencing November 2021.

In One Canada Square, a Brookfield owned entity took expansion space on part floor 26 comprising 6,135 sq ft for a 12 year term to coincide with their expiry on floor 25. World Fuel Services took 11,267 sq ft on floor 28 on a 10 year term with a 5 year break option.

A lease renewal was agreed with BBVA in One Canada Square comprising 17,246 sq ft for a 10 year term. In addition a restructure of Regus's 10 year lease on 28,435 sq ft was completed with a revised rental structure.

In 7 Westferry Circus, a break was removed from Revolut's lease (79,721 sq ft) which was effective in March 2023 with the term expiring in October 2024. In addition, Digital Shadows (15,509 sq ft) extended their break option from October 2020 to January 2023.

Retail

The UK Retail Market has been dominated in the first 6 months of 2021 by Government regulations in relation to Covid including Lockdown 3 and the subsequent restrictions. Notwithstanding the significant difficulties experienced by the retail and leisure sectors caused by the pandemic, 22 new lettings, 5 lease renewals and 5 temporary lettings were exchanged. At 30 June 2021, 4 new lettings in the existing estate and one lease renewal were in solicitors' hands. In addition, 7 further lettings were under offer or at an advanced stage. 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. These concessions are reducing as the market recovers.

No rent reviews were concluded in the first half of the year, but there is the possibility of achieving small uplifts later in 2021.

In 2021, 2 CVAs and one liquidation were called by retailers and restaurateurs which have been dealt with on an individual basis. This is an improvement on 2020.

There are currently 13 empty retail units out of a total of 370, totalling 19,158 sq ft or 3.0% of retail space. Of these, 4 are under offer.

At Wood Wharf, Amazon Fresh is open and trading and another 4 tenants are onsite fitting out. A further 5 tenant fitouts are due to start shortly and 3 units are under offer or in solicitors' hands.

BUSINESS REVIEW (Continued)

Construction

Heron Quays West

At Heron Quays West, 5 Bank Street, EBRD continued fitting out their space ahead of the anticipated occupation date in July 2022 and the Group commenced fitting out of the EBRD lobby on the ground floor with completion due prior to the EBRD occupation date. The Group's construction obligations at the adjacent Quay Club were completed in 2020, although the tenant has yet to commence its fitting out works.

Wood Wharf

Work has completed on various affordable and community use projects comprising a school, GP surgery, 2 affordable rental buildings and one intermediate affordable rental building to support the initial phase of residential offering at Wood Wharf and the first tenants have now taken up occupation of the rental buildings. The school and surgery have been handed over to the relevant authority for fitting out. The commercial buildings comprising 15 Water Street and 20 Water Street are due to complete in November 2021. Substructure works have commenced on a new PFS building at 5/8 Harbord Square.

Phase 2 of the Wood Wharf district will consist of 6 buildings with a total area of approximately, 606,000 sq ft of which 409,000 sq ft is offices, 80,000 sq ft is serviced apartments and 118,000 sq ft is retail/leisure use. Design of the buildings is being progressed to the tender information stage and construction of the Phase 2 basements and enabling work have been completed ahead of construction commencement.

Work has continued on the Water Street floating pavilions with completion of the Group's works anticipated in October 2021.

Construction of the One Charter Street aparthotel is ongoing with sub and superstructure concrete progressed ahead of the anticipated delivery to the site of the modular hotel units in October 2021. Practical completion for this building remains targeted for Q2 2023. This site is being developed by the Edyn joint venture.

Phase 3 of the Wood Wharf district completes the residential phases of the Master Plan. Occupying prominent waterside positions, the 5 buildings are expected to provide approximately 1.3m sq ft and is anticipated to deliver 1,316 private units and 307 affordable housing units, together with amenities, public realm and supporting retail space. Preliminary work has commenced on piling to some of the buildings. An investment partner is currently being sought for this scheme.

Newfoundland

Practical completion was achieved in the period and the building was launched to the market in Q2 2021 with the first tenants now in occupation.

The offsite affordable housing 115 apartments at Barchester Street has been completed and handed over to London Borough of Tower Hamlets with the first tenants in occupation.

Future development

Park Place has planning consent for approximately 650,000 sq ft of office space although further progression of the office scheme is reliant on achieving a prelet. Design proposals are being developed to bring forward a major PRS scheme on the site, together with other uses, to further animate and diversify the western end of Canary Wharf. Submission of the planning application is targeted for Q3 2021.

The development site at North Quay has an implemented planning consent for almost 2.4m sq ft of office space. The Group has submitted an alternative outline planning application which is currently being determined for a similar development size which includes flexibility to incorporate a variety of commercial and residential uses including life science buildings. The Group believes that this mix and configuration is more appropriate for the site and anticipated market.

The remaining phases of Wood Wharf totalling 1.5 m sq ft comprising a mix of private rental, retail and commercial office uses are being appraised for development.

BUSINESS REVIEW (Continued)

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

	NIA m sq ft
Total development pipeline:	
Canary Wharf, based on existing and/or proposed consents:	
– Heron Quays West	0.85
– North Quay (existing consent)	2.39
– One Park Place (existing consent)	0.68
– Wood Wharf	3.30
	<u>7.22</u>

Valuations

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

		30 June 2021		31 December 2020	
	Note	Carrying value £m	Market value in existing state £m	Carrying value £m	Market value in existing state £m
Investment properties	(i)	6,889.1	7,132.3	6,317.5	6,547.6
Properties under construction	(ii), (iii)	260.1	262.2	743.9	745.9
Properties held for development	(iv)	974.0	911.8	1,025.6	963.4
		<u>8,123.2</u>	<u>8,306.3</u>	<u>8,087.0</u>	<u>8,256.9</u>

Note:

- (i) The carrying value represents market value less an adjustment for lease incentives and deferred lease negotiation costs. The tenant incentives and deferred lease negotiation costs adjustment at 30 June 2021 was £243.2m (31 December 2020 – £230.1m). 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 £2.1m (31 December 2020 – £2.0m).
- (iii) At 30 June 2021, 2 office buildings and 2 retail pavilions at Wood Wharf (31 December 2020 – comprised Newfoundland, 2 office buildings and 2 retail pavilions at Wood Wharf and associated intermediate, affordable and community use buildings).
- (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 30 June 2021 (31 December 2020 – £62.2m) (Note 16). The market value in existing state is shown prior to this amount.

The carrying value is in line with the external valuation of the portfolio subject to the adjustment required to gross up the carrying value of the Wood Wharf site which is held under a 250 year lease from CRT.

At 30 June 2021, the yields derived from the market valuation of the investment properties can be summarised as follows:

	30 June 2021 %	31 December 2020 %
Office portfolio:		
Weighted average initial yield	3.6	3.6
Weighted average equivalent yield	4.8	4.9
Retail portfolio:		
Weighted average initial yield	5.4	5.1
Weighted average equivalent yield	6.2	5.9

After allowing for capital expenditure and adjustments in respect of tenant incentives, the carrying value of the investment portfolio decreased by £69.1m or 1.1% to £6,889.1m. Within this, the carrying value of the retail portfolio reduced by £23.2m or 2.9% to £803.0m, net of capital expenditure and transfers of completed property. This was primarily caused by a reduction in ERVs.

BUSINESS REVIEW (Continued)

The office portfolio reduced in value by £69.9m or 1.3% to £5,424.6m 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.

The remainder of the investment portfolio comprised the PRS building at Newfoundland, the intermediate and affordable residential buildings on Wood Wharf, a new school and GP surgery, all of which completed in the period. These properties were transferred to investment properties at an aggregate carrying value of £637.6m and were valued at the period end at a total of £661.5m.

Following the completion of Newfoundland and the intermediate, affordable and community use buildings, property under construction to be retained at 30 June 2021 comprised 2 office buildings and 2 retail pavilions at Wood Wharf. These properties were valued at £262.2m at the period end.

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 £911.8m at 30 June 2021. This represents a revaluation increase of £21.5m after expenditure in the period. The valuation at 30 June 2021 is equivalent to approximately £126 psf.

The Group has commenced construction on a PFS building at 5/8 Harbord Square which will comprise 82 loft style apartments to be constructed for sale. Construction of this project is anticipated to be completed in early 2024.

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 £24.3m in the period as a result of the valuation movements referred to above.

Operating results

The following review of the Group's operating results relates to the period ended 30 June 2021. The comparatives relate to the period ended 30 June 2020. Unless otherwise stated, references to 2021 are for the 6 months ended 30 June 2021. References to 2020 are for the 6 months ended 30 June 2020.

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 2021 was £204.3m, compared with £214.8m for 2020, of which rental income after adjustments required to spread lease incentives and committed rent increases of £13.5m (2020 – £10.1m) increased from £144.0m to £145.2m. Office rental income was unchanged at £119.8m. Retail rental income increased by £1.1m to £25.4m in 2021.

Service charge income decreased marginally from £47.9m for 2020 to £46.6m for 2021. 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 £11.3m for 2020 to £9.8m for 2021. In 2021, the Group also received £2.7m (2020 – £11.6m) 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. Rents payable and property management costs were £65.2m for 2021 in comparison with £66.7m for 2020. Taking into account service charge and other tenant recoveries totalling £56.4m for 2021 (2020 – £59.2m), a deficit was recorded on property management of £8.8m (2020 – £7.5m). Costs of £0.5m (2020 – £5.0m) were also recognised in connection with lease terminations in the period.

Overall, net development, rental and related income for 2021 was £138.6m, a decrease of £4.5m compared with 2020.

Administrative expenses for 2021 were £26.1m in comparison with £25.7m for 2020, an increase of 1.6%.

Other income for 2021 was £3.0m compared with £3.2m in 2020.

In February 2020 rents commenced at 10 George Street and in November 2020 at 8 Water Street, private rental sector properties developed and owned by the Vertus joint ventures. The Group recorded its share of operating profits in the period of £0.3m (2020 – loss of £2.7m) and its share of revaluation gains of £1.0m (2020 – £2.2m), resulting in an overall profit for the period of £1.3m (2020 – loss of £0.5m).

Underlying operating profit (as defined in Note 2) for 2021 was £115.8m in comparison with £117.9m for 2020. The reduction of £2.1m was attributable to the factors referred to above.

In 2021, the Group recognised a revaluation deficit on its investment in 10 Upper Bank Street of £1.7m (2020 – £3.0m) and its £1.0m share of a revaluation surplus on its investments in Vertus.

BUSINESS REVIEW (Continued)

A net revaluation deficit of £24.3m (Note 4) was recognised in the Consolidated Income Statement in the current period compared with £291.7m in 2020. The changes in the valuation of the property portfolio are explained in more detail in Business Review – Valuations.

Total operating profit for 2021 was £90.8m, compared with a loss of £174.6m in 2020. The change in operating profit was mainly attributable to property revaluation movements.

Underlying net financing costs (Note 5) for 2021 were £89.9m compared with £78.1m for 2020. Underlying net financing costs are stated net of £16.0m of interest which has been capitalised and transferred to certain development properties (2020 – £21.8m). 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. Excluding capitalised and share of associates, interest, the Group's interest payable was £103.7m for 2021, in comparison with £100.6m for the previous period. 2021, included the accelerated amortisation of deferred finance costs totalling £5.2m following the refinancing of the loans secured against 7 and 15 Westferry Circus and the Group's retail loan portfolio together with the cancellation of the shareholder loan. In 2021, net financing costs also included the Group's share of net interest payable incurred by the Vertus entities of £2.2m following the completion of 10 George Street and 8 Water Street.

Movements in the fair value of derivative financial instruments including the £4.4m cost of breaking the retail loan swap and hedging reserve recycling resulted in a net gain of £103.4m being recognised in the Consolidated Income Statement as capital and other items in 2021 compared with a net loss of £89.2m in 2020.

The profit for the period before tax for 2021 was £104.3m in comparison with a loss of £341.9m for 2020. The results for both 2021 and 2020 included certain capital and other profits and losses as described above.

Tax for 2021 comprised a corporation tax charge of £1.4m and a deferred tax charge of £3.4m. Tax for 2020 comprised a corporation tax charge of £1.5m and a deferred tax charge of £0.1m. The tax position of the Group is further disclosed in Note 6.

Including capital and other items, the profit for the period after tax for 2021 was £99.5m in comparison with a loss of £343.5m for 2020.

The basic and diluted earnings per share (Note 2) for 2021 was 13.4p (2020 – losses of 46.4p). There were no adjustments required in respect of dilutive instruments in any of the periods under review.

Consolidated balance sheet and key performance indicators

Net assets in the Group's Consolidated Balance Sheet were £3,787.3m at 30 June 2021 in comparison with £3,691.0m at 31 December 2020. The increase in net assets over the period of £96.3m was primarily attributable to the profit after tax of £99.5m which includes valuation movements on the property portfolio and on derivative financial instruments.

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

Adjusted NAV per share excludes deferred tax, fair value adjustments on derivatives, the capital contributions and dividends paid as set out below.

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 30 June 2021 was £4,214.6m or £5.69 per share in comparison with £4,222.5m or £5.70 per share at 31 December 2020, a reduction of 1p per share or 0.2%.

BUSINESS REVIEW (Continued)

The calculation of adjusted NAV per share is set out in Note 2. Adjusted NNNAV per share is set out in the following table:

	Note	30 June 2021 £m	31 December 2020 £m
Adjusted net assets	(i)	4,214.6	4,222.5
Fair value adjustment in respect of financial assets and liabilities net of tax thereon	(ii)	(760.9)	(889.1)
Deferred tax	(iii)	(21.9)	(18.5)
Adjusted NNNAV		3,431.8	3,314.9
Adjusted NAV per share	(i)	£5.69	£5.70
Adjusted NNNAV per share	(iv)	£4.64	£4.48

Note:

- (i) Refer to Note 2.
- (ii) Comprises the mark to market of derivatives in Note 2 and the difference between the fair value and book value of debt disclosed in Note 15.
- (iii) Refer to Note 6.
- (iv) Calculation based on 740.4m Ordinary Shares in issue at each balance sheet date.

Cash flow

The net cash outflow from operating activities for 2021 was £47.9m in comparison with an inflow of £4.5m for 2020. The outflow for 2021 was stated after movements in working capital of £44.3m (2020 – £7.9m). In 2021, corporation tax payments of £6.8m were made compared with £1.0m in 2020.

Cash flows from investing activities resulted in a cash outflow of £75.2m for 2021 compared with £115.2m for 2020. In 2021, the cash outflow included £86.3m of development expenditure (2020 – £114.2m) and an inflow of £16.0m from the disposal of the Barchester Street affordable housing development.

The net cash inflow from financing activities for 2021 was £63.4m, compared with £128.5m for 2020. The net cash inflow for 2021 included £44.0m drawn down under the Group's construction loan facilities (2020 – £100.2m). In addition, the issue of the Green Bonds, the repayment of the retail loan and the loans secured against 7 and 15 Westferry Circus resulted in a net cash inflow of £56.0m after fees. In 2020, the refinancing of the 25 Churchill Place facility resulted in a net cash inflow of £60.0m. Scheduled loan amortisation totalled £22.2m in 2021 (2020 – £24.1m) and there was a £12.7m part repayment of the infrastructure loan.



Justin Turner
Secretary

Canary Wharf Group Investment Holdings plc
Registered number: 05043352

13 September 2021

CANARY WHARF GROUP INVESTMENT HOLDINGS PLC

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the period ended 30 June 2021

Audited Year ended 31 December 2020 £m		Unaudited Period ended 30 June 2021 £m	Unaudited Period ended 30 June 2020 £m
(511.3)	Profit/(loss) after tax	99.5	(343.5)
	Items that may be reclassified subsequently to profit or loss:		
	Cash flow hedges:		
(4.1)	Losses arising on effective hedges	(4.8)	(4.4)
–	Foreign exchange loss on hedged instruments	(1.0)	–
5.2	Transferred from equity	2.6	2.6
1.1	Other comprehensive income for the period	(3.2)	(1.8)
(510.2)	Total comprehensive income for the period	96.3	(345.3)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period ended 30 June 2021

	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 2021	1,195.1	2.5	59.5	(53.2)	1,203.9	2,413.1	74.0	3,691.0
Profit for the period ended 30 June 2021	–	–	–	–	–	99.5	–	99.5
Net income recognised	–	–	–	–	–	99.5	–	99.5
Cash flow hedges:								
Losses arising on effective hedges	–	–	–	(4.8)	(4.8)	–	–	(4.8)
Foreign exchange loss on hedged instruments	–	–	–	(1.0)	(1.0)	–	–	(1.0)
Transferred to income	–	–	–	2.6	2.6	–	–	2.6
Total comprehensive income for the period	–	–	–	(3.2)	(3.2)	99.5	–	96.3
30 June 2021	1,195.1	2.5	59.5	(56.4)	1,200.7	2,512.6	74.0	3,787.3

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period ended 30 June 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 2020	1,195.1	2.5	59.5	(54.3)	1,202.8	2,930.5	74.0	4,207.3
Loss for the period ended 30 June 2020	--	--	--	--	--	(343.5)	--	(343.5)
Net income/(expense) recognised	--	--	--	--	--	(343.5)	--	(343.5)
Cash flow hedges:								
Losses arising on effective hedges	--	--	--	(4.4)	(4.4)	--	--	(4.4)
Transferred to income	--	--	--	2.6	2.6	--	--	2.6
Total comprehensive income for the period	--	--	--	(1.8)	(1.8)	(343.5)	--	(345.3)
30 June 2020	1,195.1	2.5	59.5	(56.1)	1,201.0	2,587.0	74.0	3,862.0

CANARY WHARF GROUP INVESTMENT HOLDINGS PLC

AUDITED CONDENSED 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 2020	1,195.1	2.5	59.5	(54.3)	1,202.8	2,930.5	74.0	4,207.3
Loss for the year after tax	–	–	–	–	–	(511.3)	–	(511.3)
Net income/(expense) 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 for the year	–	–	–	1.1	1.1	(511.3)	–	(510.2)
Distribution	–	–	–	–	–	(6.1)	–	(6.1)
31 December 2020	1,195.1	2.5	59.5	(53.2)	1,203.9	2,413.1	74.0	3,691.0

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET
 at 30 June 2021

	Note	Unaudited 30 June 2021 £m	Audited 31 December 2020 £m
Assets:			
Non current assets			
Investment properties	7	6,889.1	6,317.5
Properties under construction	7	260.1	743.9
Development properties	7	974.0	1,025.6
Plant and equipment	7	9.4	8.4
		8,132.6	8,095.4
Other non current assets			
Investments	8	117.9	117.5
Lease incentives and deferred negotiation costs	7	245.3	232.1
		8,495.8	8,445.0
Current assets			
Work in progress	7	25.8	–
Trade and other receivables	9	116.6	181.8
Monetary deposits	10	2.3	2.3
Cash and cash equivalents	10	343.8	403.5
		488.5	587.6
Total assets		8,984.3	9,032.6
Liabilities:			
Current liabilities			
Current portion of long term borrowings	12	(96.4)	(1,125.4)
Derivative financial instruments	14	–	(6.9)
Corporation tax	11	(29.8)	(35.2)
Trade and other payables	11	(146.4)	(255.8)
		(272.6)	(1,423.3)
Non current liabilities			
Borrowings	13	(4,300.6)	(3,197.2)
Derivative financial instruments	14	(537.8)	(638.5)
Other non current liabilities	16	(62.2)	(62.2)
Deferred tax liabilities	6	(21.9)	(18.5)
Provisions		(1.9)	(1.9)
		(4,924.4)	(3,918.3)
Total liabilities		(5,197.0)	(5,341.6)
Net assets		3,787.3	3,691.0
Equity			
Share capital		74.0	74.0
Other reserves		1,200.7	1,203.9
Retained earnings		2,512.6	2,413.1
Total equity attributable to members of the Company		3,787.3	3,691.0

Approved by the Board and authorised for issue on 13 September 2021 and signed on its behalf by:



Shoaib Z Khan
Chief Executive Officer

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT
 for the period ended 30 June 2021

Audited Year ended 31 December 2020 £m		Note	Unaudited 6 months ended 30 June 2021 £m	Unaudited 6 months ended 30 June 2020 £m
187.3	Cash inflow from operating activities (before interest)		52.1	102.7
(198.5)	Interest paid	17	(100.0)	(98.9)
0.6	Interest received		–	0.7
(10.6)	Net cash (outflow)/inflow from operating activities		(47.9)	4.5
	Cash flows from investing activities			
(167.1)	Development expenditure		(86.3)	(114.2)
–	Disposal of property		16.0	–
(4.5)	Purchase of plant and equipment		(1.9)	(1.0)
(10.0)	Investment in associated undertakings		(3.0)	–
(181.6)	Net cash outflow from investing activities		(75.2)	(115.2)
	Cash flows from financing activities			
(29.3)	Redemption of securitised debt		(14.7)	(14.7)
(403.0)	Repayment of secured loans		(838.3)	(393.4)
444.0	Draw down of secured loans		–	444.0
158.0	Draw down of construction loans		44.0	100.2
–	Draw down of Green Bonds		906.3	–
(6.0)	Payment of deferred consideration		(3.0)	(3.0)
–	Repayment of construction loans		(12.7)	–
–	Swap break costs		(4.4)	–
(4.3)	New loan fees		(13.8)	(4.6)
(6.1)	Dividends paid		–	–
153.3	Net cash inflow from financing activities		63.4	128.5
(38.9)	Net movement in cash and cash equivalents		(59.7)	17.8
442.4	Cash and cash equivalents at start of period		403.5	442.4
403.5	Cash and cash equivalents at end of period	10	343.8	460.2

NOTES TO THE UNAUDITED INTERIM REPORT
for the period ended 30 June 2021

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 financial information contained in this interim report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The financial information for the year ended 31 December 2020 was derived from the statutory accounts for the year ended 31 December 2020, a copy of which has been delivered to the Registrar of Companies. The auditor's report on those accounts was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis of matter and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

In addition to complying with international accounting standards in conformity with requirements of the Companies Act 2006, the consolidated financial statements also comply with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

On 31 December 2020 EU-adopted IFRS was brought into UK law and became UK adopted international accounting standards, with future changes to IFRS being subject to endorsement by the UK Endorsement Board. The consolidated financial statements have transitioned to UK-adopted international accounting standards for financial periods beginning 1 January 2021.

At 30 June 2021, 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.

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 12 months from approval of this Interim Report.

The Group has an annual business plan process which entails production of a 5 year business plan which was 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 have been reviewed at least quarterly and the 2022 business plan is due to be adopted at the main Board meetings on 15 September 2021.

The Group enjoys the benefit of leases with a weighted average unexpired lease term of 11.7 years, or 9.9 years assuming the exercise of all break options and for the 6 months ended 30 June 2021, the occupancy level in the Group's office portfolio was 95.2%. The average maturity of the Group's loans at the end of the period was 7.0 years. Accordingly, the directors believe that the Group is well placed to manage its business risks successfully.

NOTES TO THE UNAUDITED INTERIM REPORT

for the period ended 30 June 2021 (Continued)

At 30 June 2021, the Group had cash and monetary deposits totalling £346.1m of which £200.2m was unrestricted. In addition, undrawn construction loan facilities totalled £162.7m and at the date of approving these financial statements £30.0m remains available to be drawn under the Group's RCF.

The Board regularly monitors downside sensitivities including the impact of valuation declines/cash collection rates. The Group has considerable headroom over its key financing facilities.

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 12 months from approval of this Interim Report. Accordingly, they continue to adopt the going concern basis in preparing the Interim Report and Financial Statements.

2. PERFORMANCE MEASURES

Basic earnings and losses per share:

Year ended 31 December 2020			Period ended 30 June 2021			Period ended 30 June 2020	
Earnings £m	Per share p		Earnings £m	Per share p		Earnings £m	Per share p
84.3	11.4	Underlying profit for the	25.9	3.5		39.8	5.4
(588.0)	(79.4)	year before tax	78.4	10.5		(381.7)	(51.6)
(7.6)	(1.1)	Capital and other items	(4.8)	(0.6)		(1.6)	(0.2)
		Tax					
		Profit/(loss) after tax					
(511.3)	(69.1)	attributable to members	99.5	13.4		(343.5)	(46.4)
		of the Company					

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

Earnings per share has been calculated by reference to the profits and losses attributable to the weighted average number of shares in the current period and in both of the comparative periods.

Adjusted NAV is calculated as follows:

	30 June 2021 £m	31 December 2020 £m
Balance sheet net assets	3,787.3	3,691.0
Adjustment for: deferred tax	21.9	18.5
Mark to market of derivatives	537.8	645.4
	4,347.0	4,354.9
Less: capital contributions	(153.0)	(153.0)
Add: dividends	20.6	20.6
Adjusted net assets	4,214.6	4,222.5
Adjusted NAV per share	569p	570p

Adjusted NAV excludes deferred tax and fair value adjustments on derivatives at both balance sheet dates. 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 period was 1p. Adjusted NAV per share has been calculated by reference to 740,374,616 Ordinary Shares.

NOTES TO THE UNAUDITED INTERIM REPORT
for the period ended 30 June 2021 (Continued)

3. REVENUE

Year ended 31 December 2020 £m		Period ended 30 June 2021 £m	Period ended 30 June 2020 £m
262.3	Rent receivable	131.8	133.9
25.8	Recognised incentives and committed rent increases	13.4	10.1
<u>288.1</u>		<u>145.2</u>	<u>144.0</u>
95.3	Service charge income	46.6	47.9
25.5	Other recoveries from tenants	9.8	11.3
17.9	Termination of leases	2.7	11.6
<u>426.8</u>	Gross development, rental and related income	<u>204.3</u>	<u>214.8</u>
(127.6)	Service charge and other direct property expenses	(65.2)	(66.7)
(0.1)	Movement in accruals and provisions for leasehold commitments	–	–
(8.2)	Charged on termination of leases	(0.5)	(5.0)
<u>290.9</u>	Net development, rental and related income	<u>138.6</u>	<u>143.1</u>

4. NET REVALUATION MOVEMENTS ON PROPERTY

Year ended 31 December 2020 £m		Period ended 30 June 2021 £m	Period ended 30 June 2020 £m
	Revaluation of:		
(418.0)	– investment properties	(69.1)	(214.4)
(71.8)	– properties under construction	23.3	(41.6)
(24.6)	– development properties	21.5	(35.7)
<u>(514.4)</u>		<u>(24.3)</u>	<u>(291.7)</u>

NOTES TO THE UNAUDITED INTERIM REPORT
for the period ended 30 June 2021 (Continued)

5. NET FINANCING COSTS

Year ended 31 December 2020 £m		Period ended 30 June 2021 £m	Period ended 30 June 2020 £m
	Interest revenue		
0.6	Deposits, other loans and securities	–	0.7
	Interest expense		
(86.4)	Notes and debentures	(41.5)	(43.1)
–	Green Bonds	(7.0)	–
(24.1)	Construction loan interest	(11.2)	(11.5)
(80.7)	Other bank loans, overdrafts and other interest payable	(35.8)	(43.0)
(6.1)	Obligations under long term property lease	(3.0)	(3.0)
(1.2)	Accelerated amortisation of deferred financing costs	(5.2)	–
(198.5)		(103.7)	(100.6)
42.5	Interest transferred to properties under construction	16.0	21.8
(3.6)	Associated undertakings net interest payable	(2.2)	–
(159.6)		(89.9)	(78.8)
(159.0)	Underlying net financing costs	(89.9)	(78.1)
	Other financing (costs)/income		
(65.7)	Valuation movements on fair value of derivatives	110.4	(86.6)
–	Swap break costs	(4.4)	–
(5.2)	Hedging reserve recycling	(2.6)	(2.6)
(70.9)		103.4	(89.2)
(229.9)	Net financing costs	13.5	(167.3)
0.6	Total financing income	–	0.7
(230.5)	Total financing expenses	13.5	(168.0)
(229.9)	Net financing costs	13.5	(167.3)

The amount transferred to properties under construction and held for development comprised £8.7m attributable to the cost of funds of the Group's general borrowings (year ended 31 December 2020 – £19.6m, period ended 30 June 2020 – £10.3m) and £7.3m of finance costs recognised on the construction loan facilities which are being utilised to finance certain of the development expenditure on the Estate (year ended 31 December 2020 – £22.9m, period ended 30 June 2020 – £11.5m). 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 of 3.7% in each period.

In 2021, £2.6m (2020 – £2.6m) was recycled to the Consolidated Income Statement from the hedging reserve as the corresponding hedged cash flows occurred.

In the current period, £4.8m of fair value losses (year ended 31 December 2020 – £4.1m, period ended 30 June 2020 – £4.4m) on interest rate swaps were taken to the hedging reserve. In the current period, these hedging instruments were issued in connection with the Green Bond, whereas in the comparative period, they were entered into in connection with the retail loan refinancing and the loan secured against 7 Westferry Circus and certain of the Group's construction facilities.

The repayment of the loans secured against 7 Westferry Circus, 15 Westferry Circus and the retail portfolio together with the cancellation of the shareholder loan facility resulted in a charge of £5.2m for the accelerated amortisation of deferred financing costs and £4.4m of swap break costs.

NOTES TO THE UNAUDITED INTERIM REPORT
 for the period ended 30 June 2021 (Continued)
6. TAX

Year ended 31 December 2020 £m		Period ended 30 June 2021 £m	Period ended 30 June 2020 £m
	Tax charge		
(5.1)	Current tax charge to income	(1.4)	(1.5)
(2.5)	Deferred tax charge	(3.4)	(0.1)
(7.6)	Group total tax	(4.8)	(1.6)
	Tax reconciliation		
(503.7)	Group profit/(loss) on ordinary activities before tax	104.3	(341.9)
95.7	Tax on profit/(loss) on ordinary activities at UK corporation tax rate of 19.0% (2020 – 19.0%)	(19.8)	65.0
	Effects of:		
(1.4)	Change in tax rate	(5.3)	0.4
0.6	Adjustments in respect of prior years	1.4	3.6
(100.5)	Profits and losses non taxable under the REIT regime	18.5	(69.4)
–	Movement in tax losses not recognised as deferred tax assets	–	(0.8)
(1.4)	Expenses not deductible for tax purposes	(0.3)	–
(0.6)	Other differences	0.7	(0.4)
(7.6)	Group total tax	(4.8)	(1.6)

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 £1.4m has been recognised in the year (2020 – £3.4m). The accrual for corporation tax payable decreased to £29.8m at 30 June 2021, in comparison with £35.2m at 31 December 2020.

	Losses & tax credits £m	Fair value of derivatives £m	Other £m	Total £m
Deferred tax assets				
1 January 2021	0.1	0.1	0.6	0.8
Credit/(charge) to income	3.7	(0.1)	0.3	3.9
30 June 2021	3.8	–	0.9	4.7

	Revaluation surpluses £m	Other £m	Total £m
Deferred tax liabilities			
1 January 2021	(19.1)	(0.2)	(19.3)
Charge to income	(7.1)	(0.2)	(7.3)
30 June 2021	(26.2)	(0.4)	(26.6)

NOTES TO THE UNAUDITED INTERIM REPORT

for the period ended 30 June 2021 (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:

	£m
Net liability at 1 January 2021	(18.5)
Charge to income	(3.4)
Net liability at 30 June 2021	(21.9)

The standard rate of corporation tax payable by the Group is 19.0%. At 31 December 2020, deferred tax was provided at 19.0%. In May, the Finance Act 2021 was substantively enacted increasing the rate of tax to 25.0% from 1 April 2023. Deferred tax at 30 June 2021 has been provided at 25.0%.

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.

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

Property assets at 30 June 2021 comprised:

	Investment properties £m	Under construction to be retained £m	Development properties £m	Total £m	Under construction to be sold £m	Total £m
Fair value at 1 January 2021	6,547.6	745.9	963.4	8,256.9	–	8,256.9
Adjust for brought forward:						
– tenant incentives	(213.8)	–	–	(213.8)	–	(213.8)
– unamortised lease negotiation costs*	(16.3)	(2.0)	–	(18.3)		(18.3)
– obligations under long term property lease (Note 16)	–	–	62.2	62.2	–	62.2
	6,317.5	743.9	1,025.6	8,087.0	–	8,087.0
Carrying value at 1 January 2021						
Additions	3.1	52.4	14.9	70.3	–	70.3
Capitalised interest	–	11.5	4.5	16.0	–	16.0
Transfers/disposals	637.6	(571.0)	(92.4)	(25.8)	25.8	–
Revaluation movement	(69.1)	23.3	21.5	(24.3)	–	(24.3)
Carrying value at 30 June 2021	6,889.1	260.1	974.0	8,123.2	25.8	8,149.0
Adjust for:						
– tenant incentives	227.2	–	–	227.2	–	227.2
– unamortised lease negotiation costs*	16.0	2.1	–	18.1	–	18.1
– obligations under long term property lease (Note 16)	–	–	(62.2)	(62.2)	–	(62.2)
– unrecognised revaluation surplus	–	–	–	–	–	–
Fair value at 30 June 2021	7,132.3	262.2	911.8	8,306.3	25.8	8,332.1

Valuation

The fair value of Canary Wharf Group's properties has been arrived at on the basis of valuations carried out by the external valuers, CBRE, Savills or Cushman & Wakefield at 30 June 2021. The valuations, which conform to International Valuation Standards, were arrived at by reference to market evidence of transaction prices for similar properties.

COVID-19 has caused extensive disruption to businesses and economic activities and the uncertainties created have increased the estimation uncertainty over the fair value of the investment property portfolio at the balance sheet date.

NOTES TO THE UNAUDITED INTERIM REPORT
 for the period ended 30 June 2021 (Continued)

The properties have been valued individually and not as part of a portfolio and no allowance has been made for expenses of realisation or for any tax which might arise other than in respect of purchaser's costs and, in particular, full liability for UK stamp duty as applicable at the valuation date.

Lease incentives and deferred negotiation costs

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

	Rent free periods £m	Other tenant incentives £m	Total tenant incentives £m	Deferred negotiation costs £m	Total £m
1 January 2021	104.1	109.7	213.8	18.3	232.1
Recognition of rent during rent free periods	22.8	–	22.8	–	22.8
Deferred lease negotiation costs	–	–	–	0.9	0.9
Amortisation	(7.0)	(2.4)	(9.4)	(1.3)	(10.7)
30 June 2021	119.9	107.3	227.2	18.1	245.3

Plant and equipment

	30 June 2021 £m	31 December 2020 £m
Opening balance	8.4	6.3
Additions	1.9	4.5
Depreciation	(0.9)	(2.4)
Closing balance	9.4	8.4

8. INVESTMENTS

Investments comprise:

	30 June 2021 £m	31 December 2020 £m
Associates and joint ventures	82.2	80.1
Other investments	35.7	37.4
	117.9	117.5

Vertus

On 30 March 2017, the Group transferred 2 properties with a combined carrying value of £79.8m into a 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. These properties were completed in 2020 and are now trading.

One Charter Street

In 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.

NOTES TO THE UNAUDITED INTERIM REPORT

for the period ended 30 June 2021 (Continued)

Other Investments

In June 2015, the Group acquired a 10.0% interest in an SLP established to acquire 10 Upper Bank Street. At 30 June 2021, 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.

9. TRADE AND OTHER RECEIVABLES

	30 June 2021 £m	31 December 2020 £m
Trade receivables	45.1	39.8
Other receivables	27.8	34.9
Prepayments and accrued income	19.7	26.8
Deferred financing expenses	0.6	4.3
Amounts owed by Vertus undertakings	11.8	45.0
Amounts owed by CWGRL	11.6	31.0
Total trade and other receivables	116.6	181.8

Deferred financing expenses comprised fees incurred on loans entered into by the Group which had not been drawn down at the balance sheet date.

The amounts owned by Vertus and CWGRL are repayable on demand (see year end).

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	30 June 2021 £m	31 December 2020 £m
Unsecured cash	200.2	276.1
Collateral for borrowings	133.9	113.5
Security deposits	9.7	13.9
	343.8	403.5
Monetary deposits held at bank	2.3	2.3

11. TRADE, OTHER PAYABLES AND CORPORATION TAX

	30 June 2021 £m	31 December 2020 £m
Trade payables	32.4	63.8
Tax and social security costs	12.8	12.0
Other payables	15.2	45.3
Accruals and deferred income	86.0	134.7
Total trade and other payables	146.3	255.8
Corporation tax	29.8	35.2

NOTES TO THE UNAUDITED INTERIM REPORT
for the period ended 30 June 2021 (Continued)

12. CURRENT PORTION OF LONG TERM BORROWINGS

The current portion of long term borrowings comprises:

	30 June 2021 £m	31 December 2020 £m
Accrued interest payable	20.2	18.5
Repayable within one year:		
– securitised debt	29.3	29.3
– secured loans	46.9	1,077.6
Long term borrowings repayable within one year	<u>96.4</u>	<u>1,125.4</u>

The terms of the Group's loan facilities are summarised in Note 15.

13. BORROWINGS

Non current liability borrowings comprise:

	30 June 2021 £m	31 December 2020 £m
Securitised debt	1,398.7	1,415.0
Green Bonds	891.8	–
Secured loans	1,444.8	1,538.1
Construction loans	565.3	244.1
	<u>4,300.6</u>	<u>3,197.2</u>

The terms of the Group's loan facilities are summarised in Note 15.

14. 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 30 June 2021, the fair value of these derivatives resulted in the recognition of a liability of £537.8m (31 December 2020 – £645.4m), of which £4.8m (31 December 2020 – £3.9m) was recognised in respect of cash flow hedges which qualify for hedge accounting.

	30 June 2021 £m	31 December 2020 £m
Net liabilities:		
Other secured loans	–	6.9
Due within one year	–	6.9
Securitisation	335.4	401.1
Green Bonds	4.8	–
Other secured loans	197.6	237.4
Due after more than one year	<u>537.8</u>	<u>638.5</u>
	<u>537.8</u>	<u>645.4</u>

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 £10.7m from £548.5m (31 December 2020 – £26.5m from £671.9m).

NOTES TO THE UNAUDITED INTERIM REPORT
for the period ended 30 June 2021 (Continued)

15. NET DEBT

	30 June 2021 £m	31 December 2020 £m
Securitised debt	1,773.6	1,855.8
Green Bonds	902.1	–
Loan notes	24.6	26.1
Other secured loans	2,234.5	3,086.1
Gross debt	4,934.8	4,968.0
Current liabilities	96.4	1,125.4
– derivatives	–	6.9
Non current liabilities:		
– borrowings	4,300.6	3,197.2
– derivatives	537.8	638.5
Gross debt	4,934.8	4,968.0
Cash and cash equivalents	(343.8)	(403.5)
Monetary deposits	(2.3)	(2.3)
Net debt	4,588.7	4,562.2

The amounts at which borrowings are stated comprise:

	Securitised debt £m	Green Bonds £m	Loan notes £m	Other secured loans £m	Construction loans £m	Total £m
1 January 2021	1,855.8	–	26.1	2,544.7	541.4	4,968.0
Drawn down	–	906.3	–	–	44.0	950.3
Effective interest rate adjustment	(1.1)	(15.9)	–	2.8	1.2	(13.0)
Accrued finance charges	(0.8)	5.9	–	(4.8)	(0.5)	(0.2)
Foreign exchange loss	–	1.0	–	–	–	1.0
Repaid in period	(14.7)	–	(1.5)	(836.8)	(12.7)	(865.7)
Movements in fair value of derivatives	(65.6)	4.8	–	(44.0)	(0.8)	(105.6)
30 June 2021	1,773.6	902.1	24.6	1,661.9	572.6	4,934.8
Payable within one year or on demand	39.5	5.5	24.6	20.1	6.7	96.4
Payable in more than one year	1,398.7	891.8	–	1,444.8	565.3	4,300.6
Derivatives	335.4	4.8	–	197.0	0.6	537.8
	1,773.6	902.1	24.6	1,661.9	572.6	4,934.8

The Green Bonds and the revolving credit facility are secured against the shares of the company. The other borrowings of the Group are secured against designated property interests.

NOTES TO THE UNAUDITED INTERIM REPORT
 for the period ended 30 June 2021 (Continued)

The principal terms of the Groups borrowings are:

Instrument	Commitment £m	Drawn £m	Interest rate	Hedged rate	Repayment
Securitised debt – A1	210.5	210.5	6.455%		By instalment to 2030
Securitised debt - A3	400.0	400.0	5.952%		By instalment from 2032 to 2035
Securitised debt - A7	222.0	222.0	LIBOR plus 0.475%	5.3985%	In 2035
Securitised debt - B	124.4	124.4	6.800%		By instalment to 2030
Securitised debt - B3	77.9	77.9	LIBOR plus 0.7%	5.5825%	In 2035
Securitised debt - C2	239.7	239.7	LIBOR plus 1.375%	6.2666%	In 2035
Securitised debt - D2	125.0	125.0	LIBOR plus 2.1%	7.0605%	In 2035
Green Bonds	350.0	350.0	2.625%		April 2025
Green Bonds	300.0	300.0	3.375%		April 2028
Green Bonds	€300.0	€300.0	1.75%		April 2026
Revolving credit facility	30.0	0.0	SONIA plus 2.495%		April 2024
Eurobonds – Series 1	2,176.6	2,176.6	Interest free		On demand
Loan notes	26.1	26.1	LIBOR plus 1.0%		August 2021
Loan: One Churchill Place	449.0	449.0	LIBOR plus 0.2%	5.805%	By instalment to July 2034
Loan: 25 Churchill Place	384.0	384.0	LIBOR plus 1.7%	75% of the loan at 3.2%	July 2025
Loan: 25 Churchill Place	60.0	60.0	LIBOR plus 4.9%		July 2025
Loan: 1 Bank Street	500.0	500.0	LIBOR plus 1.7%		November 2024
Loan: 1 Bank Street	78.0	78.0	LIBOR plus 5.25%		November 2024
HCA infrastructure loan	200.0	166.7	EC reference rate plus 2.2%		September 2023
NFL construction loan	325.5	223.3	LIBOR plus 3.25%		December 2022
		73.8	EC reference rate plus 2.7%		December 2022
Private members club loan	30.0	25.6	Base rate plus 2.25%		June 2025
Office construction loan	186.0	85.0	LIBOR plus 3.0%	75% of the loan at 3.7%	March 2023

The Green Bonds and the revolving credit facility are secured against the shares of the Company. The other borrowings of the Group are secured against designated property interests.

In April 2021 the Group issued £350.0m of corporate bonds with a coupon of 2.625% maturing on 23 April 2025, £300.0m of bonds with a coupon of 3.375% maturing on 23 April 2028 and €300.0m of bonds with a coupon of 1.75% maturing on 7 April 2026. The Eurobond principal and interest amounts were fully converted to GBP and hedged against foreign exchange volatility. The notes were issued as Green Bonds and referenced to climate related or environmental projects.

The proceeds from the Green Bonds were used to repay the £700.0m retail loan and the loans secured against 7 Westferry Circus of £40.0m and 15 Westferry Circus of £88.2m. A £30.0m revolving credit facility was entered into at the same time at a margin of 2.495% over SONIA, which was not drawn at 30 June 2021.

The loan notes are fully cash collateralised. £1.5m of the notes were redeemed on 8 February 2021. The balance of the loan notes were redeemed in August 2021.

NOTES TO THE UNAUDITED INTERIM REPORT
for the period ended 30 June 2021 (Continued)

Comparison of fair values and carrying amount

	30 June 2021			31 December 2020		
	Fair value £m	Carrying amount £m	Difference £m	Fair value £m	Carrying amount £m	Difference £m
Securitisation	(1,666.8)	(1,438.2)	(228.6)	(1,698.4)	(1,454.7)	(243.7)
Green Bonds	(891.8)	(897.3)	5.5	–	–	–
Secured loans	(1,464.9)	(1,464.9)	–	(2,302.4)	(2,302.4)	–
Loan notes	(24.6)	(24.6)	–	(26.1)	(26.1)	–
Construction	(572.0)	(572.0)	–	(539.4)	(539.4)	–
	(4,620.1)	(4,397.0)	(223.1)	(4,566.3)	(4,322.6)	(243.7)
Other financial liabilities:						
Interest rate derivatives	(537.8)	(537.8)	–	(645.4)	(645.4)	–
Cash and monetary deposits	346.1	346.1	–	405.8	405.8	–
Total	(4,811.8)	(4,588.7)	(223.1)	(4,805.9)	(4,562.2)	(243.7)

16. OTHER NON CURRENT LIABILITIES

	Ground rent obligation £m
1 January 2020	62.2
Accrued finance charges	6.0
Paid in year	(6.0)
1 January 2021	62.2
Accrued finance charges	3.0
Paid in period	(3.0)
30 June 2021	62.2

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.

NOTES TO THE UNAUDITED INTERIM REPORT
for the period ended 30 June 2021 (Continued)

17. NOTES TO THE CASH FLOW STATEMENT

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

Year ended 31 December 2020 £m		6 months ended 30 June 2021 £m	6 months ended 30 June 2020 £m
(503.7)	Profit/(loss) on ordinary activities before tax	104.3	(341.9)
	Non cash movements		
514.4	Net valuation movements on properties	24.3	291.7
(1.5)	Share of (loss)/profit before interest of associates and joint ventures	(1.3)	0.5
4.9	Revaluation of investments	1.7	3.0
(25.8)	Spreading of tenant incentives, committed rent increases and letting fees	(13.2)	(10.1)
2.4	Depreciation	0.9	1.1
229.9	Net financing costs	(13.6)	167.3
724.3		(1.1)	453.5
220.6		103.2	111.6
	Changes to working capital and other cash movements		
40.9	Decrease in receivables	65.2	51.7
(73.2)	Decrease in payables	(109.5)	(59.6)
188.3	Cash inflow from operations	58.9	103.7
(1.0)	Income tax	(6.8)	(1.0)
187.3	Cash inflow from operating activities (before interest)	52.1	102.7

18. CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS

In connection with the Group's new Green Bonds issued in April 2021 a charge was granted on the shares of CWGIH.

The Group has provided a guarantee in relation to a loan facility of £159.3m utilised by a related party in construction of a residential property at 10 Park Drive, Wood Wharf. This facility has been repaid in full and was cancelled in July 2021.

The remainder of the Group's financial commitments are unchanged from 31 December 2020.

19. 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.

INDEPENDENT REVIEW REPORT TO CANARY WHARF GROUP INVESTMENT HOLDINGS PLC

We have been engaged by the company to review the condensed set of financial statements in the half yearly financial report for the 6 months ended 30 June 2021 which comprises the unaudited condensed consolidated income statement, the unaudited condensed consolidated statement of comprehensive income, unaudited condensed consolidated statement of changes in equity, unaudited condensed consolidated balance sheet, the unaudited condensed consolidated cash flow statement and related Notes 1 to 19. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half yearly financial report is the responsibility of, and has been approved by, the directors.

As disclosed in Note 1, the annual financial statements of the group will be prepared in accordance with United Kingdom adopted International Financial Reporting Standards. The condensed set of financial statements included in this half yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting".

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half yearly financial report based on our review.

Scope of review

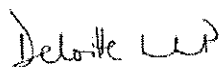
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half yearly financial report for the 6 months ended 30 June 2021 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34.

Use of our report

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review 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, for our review work, for this report, or for the conclusions we have formed.



Deloitte LLP
Statutory Auditor
London, UK

13 September 2021

CANARY WHARF GROUP INVESTMENT HOLDINGS PLC

DEFINITIONS

Board	Board of directors of the Company
bp	Basis points
Brookfield	Brookfield Property Partners LP
Canary Wharf Group	CWG and its subsidiaries
Canary Wharf/Estate	Canary Wharf Estate including Heron Quays West, Wood Wharf, Park Place, and North Quay
Company	Canary Wharf Group Investment Holdings plc
CRT	Canal and River Trust
CVA	Company Voluntary Arrangement
CWF II	Canary Wharf Finance II plc
CWG	Canary Wharf Group plc
CWGRL	Canary Wharf Group Residential Limited
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ERV	Estimated Rental Value
EU	European Union
Green Bonds	£906.3m unsecured bonds issued in April 2021
Group	The Company, its wholly owned subsidiaries and Canary Wharf Group
HCA	Homes England (formerly Homes and Communities Agency)
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IAS 1	International Accounting Standard 1 Presentation of Financial Statements
IAS 8	International Accounting Standard 8 Accounting Policies, Changes in Accounting Estimates and Errors
IAS 39	International Accounting Standard 39 Financial Instruments: Recognition and Measurement
IFRS	International Financial Reporting Standards
IFRS 3	International Financial Reporting Standard 3 Business Combinations
IFRS 7	International Financial Reporting Standard 7 Financial Instruments: Disclosures
IFRS 9	International Financial Reporting Standard 9 Financial Instruments
IFRS 16	International Financial Reporting Standard 16 Leases
LIBOR	London Interbank Offered Rate
LTC	Loan to Cost
m	Million
NAV	Net Asset Value
NNNAV	Triple Net Asset Value
Notes	Commercial Mortgage Backed Securities notes of Canary Wharf Group's securitisation
Ordinary Shares	Ordinary shares of 10p each
PFS	Profit For Sale
PRS	Private Rental Sector
psf	Per square foot
QIA	Qatar Investment Authority
REIT	Real Estate Investment Trust
RCF	Revolving Credit Facility
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
SONIA	Sterling Overnight Index Average
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
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