

CANARY WHARF GROUP INVESTMENT HOLDINGS PLC

Registered number: 05043352

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

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HIGHLIGHTS

Summary Performance

Income statement	2022	2021*	Change
Underlying operating profit ⁽¹⁾	£238.1m	£225.7m	5.5%
Underlying profit before tax ⁽¹⁾	£39.9m	£51.9m	(23.1)%
Capital and other items (loss)/profit ⁽²⁾	£(234.3)m	£53.3m	(539.6)%
(Loss)/profit after tax	£(179.4)m	£93.7m	(291.5)%
Basic earnings per share	(24.2)p	12.7p	(290.6)%
Balance Sheet	2022	2021	Change
Carrying value of property portfolio ⁽³⁾	£8,069.0m	£8,400.7m	(3.9)%
Market value of property portfolio ⁽³⁾	£8,008.3m	£8,337.8m	(4.0)%
Net assets	£3,628.3m	£3,792.6m	(4.3)%
Adjusted NAV per share ⁽⁴⁾	£4.85	£5.62	(13.7)%
Net loan to value ratio ⁽⁵⁾	50.8%	48.7%	
Moody's corporate rating	Ba1	Baa3	

Operational statistics

	2022	2021
Occupancy:		
– Office – multi let/total	81.2% / 92.5%	81.3% / 93.5%
– Retail	97.9%	97.4%
– PRS (excluding affordable)	96.0%	47.0%
Lettings:		
– Office	417,000	223,000
– Retail	177,000	287,000
PRS average rental growth achieved	6.8%	–%

Notes

- Underlying operating profit and underlying profit before tax is defined in Note 1 and excludes 'capital and other items'.
- Capital and other items include movement on property revaluations and the fair value of hedging instruments.
- The market value of the property portfolio is determined by independent external valuers'. The IFRS carrying value of the property portfolio includes adjustments for tenant incentives, deferred negotiation costs and obligations under lease liabilities. See reconciliation of carrying value to market value in Note 11.
- Adjusted NAV is reconciled in Note 4.
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. See Note 1(y) and Note 4 and the Consolidated Balance Sheet and key performance indicators section of the Strategic Report for further information.
- The net loan to value ('LTV') ratio compares the aggregate of the market value of the property portfolio (£8,008.3m) and the fair value of JVs and investments (£123.3m) against net debt excluding derivatives (£4,134.1m).

*Restated – The Group's share of interest payable by joint ventures and associates of £4.1m has been transferred from net financing costs to share of profit/(loss) of joint ventures and associates for the year ended 31 December 2021. There was no impact on profit before tax or net assets, further detail is included in note 1 to the financial statements.

Financial performance

- Underlying profit before tax for the year ended 31 December 2022 was £39.9m (2021 – £51.9m), a decrease of £12.0m or 23.1%, this included an increase in underlying operating profit of £12.4m and an increase in net financing costs of £25.4m.
- Capital and other items recognised in the Consolidated Income Statement for the year comprised the movements in the fair value of properties and derivative financial instruments and resulted in a loss before tax of £(234.3)m (2021 – gain of £53.3m), driven by property valuation reductions of £566.8m (2021 – £93.5m), offset by favourable swap fair value movements of £357.2m (2021 – £149.0m).
- The loss after tax was £(179.4)m (2021 – profit of £93.7m) due to the above factors.
- Net assets decreased £164.3m (4.3%) to £3,628.3m at 31 December 2022 driven by property valuation reductions, partially offset by favourable swap fair value movements as well as underlying profit in the year.
- Adjusted NAV per share decreased 77p to 485p at 31 December 2022.

HIGHLIGHTS (Continued)

Portfolio valuation

- The market value of the entire portfolio as valued by the external valuers was £8,008.3m, a decrease of £329.5m (4.0%) from 31 December 2021.
- The carrying value at 31 December 2022 was £8,069.0m in comparison with £8,400.7m at 31 December 2021. Excluding the impact of capital expenditure, capitalised interest and tenant incentives, the valuation decrease was £566.8m (6.7%).
- The market value of the office portfolio reduced by £328.0m (5.9%) to £5,261.4m at 31 December 2022. This consists predominantly of a revaluation deficit of £532.8m, a transfer in of £165.0m for 20 Water Street which completed in the year, £24.0m of capital expenditure and £16.6m of tenant incentives and negotiation costs movements.
- The retail portfolio valuation increased by £290.1m or 34.1% to £1,142.0m. This predominantly consists of a revaluation uplift of £114.5m, transfers of £133.0m for 15 Water Street which completed in the year and £3.4m for 75 Harbord Square (previously classified under PRS), £2.2m of capital expenditure and £36.0m of tenant incentives and negotiation costs movement.
- The PRS, affordable and community portfolio valuation decreased by £17.3m or 2.5% to £665.0m. This consists of a revaluation deficit of £9.8m, £3.4m of capital expenditure, a £10.0m accrual release, £2.5m of tenant incentives movement offset by a £3.4m reclassification due to transfer of 75 Harbord Square.
- After allowing for capital expenditure, the transfer to investment properties of 15 Water Street and 20 Water Street and the transfers from properties held for development on commencement of construction, the valuation of active developments decreased by £26.8m.
- The valuation of properties held for development reduced by £271.9m in the year after, the disposal of car parking spaces at Wood Wharf to CWGRL and the reclassifications to active developments referred to in the future developments section below.

Estate exceeds pre-covid levels of activity during the year

- 54.0m visitors to the Estate in the year, the highest annual total in Canary Wharf's history with November and December 2022 midweek visitors matching or exceeding weekend visitors. Evening/weekend visitors are 50.0% higher when compared to pre pandemic levels.
- Residential community continues to grow with over 3,500 people now living on the Estate.
- The Elizabeth Line opened in May 2022 providing significant connectivity boost, with travel from the Estate to the City in under 10 minutes and to Heathrow in 45 minutes.

Strong leasing activity and occupancy levels

- Office lettings of 417,000 sq ft and retail lettings of 177,000 sq ft achieved in the year.
- Office portfolio occupancy has remained resilient at 92.5% (2021 – 93.5%).
- MadeFor launched in February 2022, a premium fully fitted and managed office space designed to meet the demands of flexible workforces. Citigroup was MadeFor's first customer taking 189,000 sq ft (10 floors) of space at 40 Bank Street.
- 42 new retail and leisure outlets opened in the year, continuing to expand the Estate's diverse amenities to suit the needs of office customers, residents, and visitors.
- Retail rent collection stable during the year at around 93.0%, ahead of pre pandemic levels.
- Newfoundland now fully stabilised with 96.0% occupancy at 31 December 2022 (2021 – 47.0%) with average rental growth achieved in the year of 6.8%.
- Tribe Hotel at 15 Water Street opened on 1 August 2022 with average occupancy of 60.0% performing ahead of expectations.

Busy year for funding in a very challenging debt market

- An industry leading sustainable finance framework put in place alongside a new sustainability linked £100.0m RCF. Undrawn at year end.
- Completed new secured debt and refinancings in the year comprising a new £49.2m development facility for 8 Harbord Square, a new £59.3m investment facility secured on our Wood Wharf Affordable properties and restructured our Wood Wharf infrastructure facility with Homes England, unlocking a further £186.0m and extending the maturity.
- Refinanced a development facility to an £82.0m investment facility for the 8 Water Street joint venture.
- 50.8% net LTV at 31 December 2022 with 87.1% of total debt with fixed interest rates or hedged interest.
- Unrestricted cash of £90.3m and £130.0m of undrawn RCF at 31 December 2022.

HIGHLIGHTS (Continued)

Development programme pipeline progress

- Wood Wharf Phase 3 (c1,300 PRS units and 300 affordable units) construction works continue in line with budget and programme, with ground works completed and construction of the frame progressing on 2 of the 4 buildings.
- 8 Harbord Square (82 PFS units) as well as 45 Charter Street and 10 Brannan Street (378 serviced apartments) construction works continue in line with budget and programme, with the buildings now topped out and fit out works now commenced.
- Joint venture formed with Kadans Science Partner to develop a 535,000 sq ft commercial laboratory building at North Quay, further diversifying the tenant mix on the Estate. First phase of the North Quay development site enabling works have begun and continue to budget and programme.
- Practical completion was achieved at 20 Water Street (office property) and 15 Water Street (retail property) which were transferred to investment property in the year.
- 5.6m sq ft of future development pipeline on the Estate.

Progress made against sustainability objectives

- Partnership formed with Eden Project on the greening of public spaces and enhancements to waterways and public realm.

Notes:

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

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 Companies Act 2006.

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.

Presentation of information

Information within the strategic report is presented excluding the Group's share of joint ventures and associates unless stated.

Principal activities

The principal activity of the Group is the ownership, management and development of the Canary Wharf Estate (the 'Estate') in East London.

Portfolio overview

The Group's operations as well as its property portfolio are located on the Estate. The property portfolio is split into four categories: office, retail, PRS and development.

Unless otherwise specified, references to PRS include affordable and intermediate housing and exclude properties held in joint ventures. The Vertus platform covers Newfoundland (within PRS) and the Vertus JVs ((8 Water Street and 10 George Street) but does not cover the affordable and intermediate housing.

At 31 December 2022, there were 56 properties totalling 18.9m sq ft constructed on the Estate. The Group wholly owned 35 of these properties comprising 6.9m sq ft of office space, 1.3m sq ft of retail space and 0.8m sq ft of PRS space. The Group also held a 50.0% joint venture interest in 2 PRS properties (8 Water Street and 10 George Street) comprising 0.3m sq ft and a 10.0% interest in a 1.0m sq ft office property (10 Upper Bank Street).

The Group generated rental income from its office, retail and PRS property interests as well as income from managing the Estate. This income includes the properties owned by the Group listed above as well as 18 properties totalling 8.6m sq ft not owned by the Group.

There is also 7.9m sq ft of developments on the Estate, of which the Group either wholly owned or holds a joint venture interest in. These developments comprise 2.3m sq ft under construction and 5.6m sq ft held for future development.

	Share	Number of properties	NIA m sq ft
Total Estate	–	56	18.9
Wholly owned:			
– Office	100%	12	6.9
– Retail	100%	19	1.3
– PRS	100%	4	0.8
Other:			
– PRS joint ventures	50%	2	0.3
– 10 Upper Bank Street	10%	1	1.0
Managed	–	18	8.6
Development	50–100%		7.9

STRATEGIC REPORT (Continued)

Estate overview

Following an exceptionally challenging period, with the COVID-19 pandemic significantly disrupting operations on the Estate between March 2020 and February 2022, activity on the Estate has flourished during the year.

There were 54.0m visitors to the Estate in the year – the highest annual total in Canary Wharf's history. Data from Transport for London (TfL) showed record numbers of people traveling to the Estate in November and December 2022 and when compared to pre pandemic levels, midweek visitors matched or exceeded, and evening/weekend visitors were 50.0% higher.

The Estate's residential community also continues to grow with over 3,500 people now living on the Estate.

Transportation is critical to the Estate and the opening of the Elizabeth Line in May 2022 was a huge connectivity boost, with travel from the Estate to the City in under 10 minutes and to Heathrow in 45 minutes.

Taking advantage of the Estate's 20 acres of green space and 5km of waterside boardwalk has been a primary focus during the year. Greening plans are under way for a green spine through the centre of the Estate which includes the construction outside the Jubilee underground station of a new podium into a waterfront boardwalk and access for sports such as open water swimming (which commenced in the heatwave this past summer), kayaking and paddle boarding. In tandem, new waterside cafés, restaurants, boardwalks, parks and art spaces will complement the Estate's collection of more than 100 works of public art – the largest free collection in the UK. Works have been procured and early construction work has begun with the first phase due for completion in September 2023.

As part of this, in April 2022 the Group entered into a partnership with Eden Project. The Group is committed to working with Eden Project not just to make Canary Wharf a greener place, rich in biodiversity, but also to share what we learn in order to bring nature back to urban developments in the UK and across the globe. This includes creative planting of native species that help wildlife to connect people to the docks around the Estate so they can experience the marine species we've encouraged back to the dockside.

In addition, the Group received a 5 star rating with this year's GRESB submission (number 1 in our category).

The Tribe hotel opened in August 2022, providing 312 rooms of accommodation and introducing a hospitality offer directly on the Estate. Initial trading activity has been positive with average occupancy reaching 60.0%, ahead of expectations.

Office

	2022	2021
Number of properties	12	11
Total NIA (m sq ft) ⁽¹⁾	6.9	6.7
Market value ⁽¹⁾	£5,261.4m	£5,589.4m
Rental income ⁽²⁾	£237.0m	£240.7m
Lettings achieved (including renewals): ⁽²⁾		
– Number	20	13
– Sq ft	417,000	223,000
– Average headline rent (£/psf)	£59.69	£46.65
– Average lease term (to expiry)	6.4 years	6.0 years
Occupancy (all buildings)	92.5%	93.5%
Occupancy (multi-let buildings) ⁽³⁾	81.2%	81.3%
WAULT (to expiry)	10.6 years	11.5 years
WAULT (to break)	8.7 years	9.5 years

Notes:

- 1 Market value and NIA reflects total building, including non office elements.
- 2 For the year ended 31 December 2022 and 2021 respectively.
- 3 Multi let buildings include One Canada Square, 40 Bank Street, 20 Water Street, and 7 Westferry Circus.

The Central London office market is experiencing a flight to quality as office occupiers seek best in class buildings with strong ESG credentials, a rich mix of amenities such as on-site cafes, bookable meeting rooms and outside spaces such as terraces – a trend that can be seen within the Group's portfolio as well as across the Estate.

STRATEGIC REPORT (Continued)

Whilst there have been encouraging signs of recovery in the office occupier market in 2022, there are numerous challenges facing office occupiers at present, including:

- geo political and economic uncertainty caused by the Ukraine/Russia conflict.
- the high inflationary environment.
- the cost of materials and labour resulting in occupiers delaying relocation strategies.
- flexible working with office occupiers still finding the balance between office based work and remote working in an attempt to better understand their future space needs.

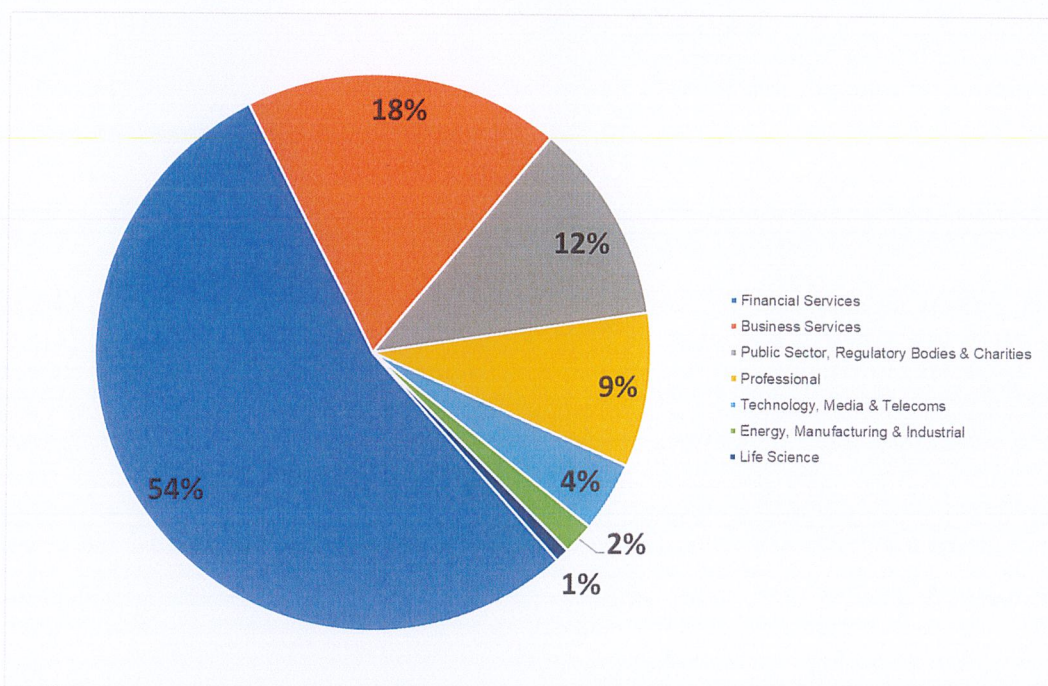
Some occupiers are delaying decision making and signing short term lease extensions until such a time that a decision can be made with greater certainty.

Notwithstanding the above, the Group's office business performed positively in the year.

The Group signed 20 office lettings including renewals in the year (417,000 sq ft), generating £25.0m of rent per annum for an average term to expiry of 6.4 years at an average rent of £46.68 (NER to break, £53.57 NER to expiry) per sq ft. A further 2 lettings (30,000 sq ft) are under offer at 31 December 2022, with a potential to generate a further £1.5m of rent per annum.

Lettings signed were across multiple sectors including healthcare, global consulting and finance. Five customers recommitted to 40 Bank Street while a further 4 customers, agreed to increased office space with the Group as their businesses grew.

Office Customers by Sector



In February 2022, the Group launched MadeFor, a premium fully fitted and managed office space designed to meet the demands of flexible workforces. Five of the lettings signed in the year were for MadeFor space including Citigroup, who is MadeFor's first customer with 189,000 sq ft (10 floors) of space at 40 Bank Street, as it completes Europe's largest refurbishment of its UK and EMEA headquarters at 25 Canada Square, part of its long term commitment to the Estate.

2022 saw further commitments to the Estate from our customers in the financial sector as Barclays announced the refurbishment of their headquarters at 1 Churchill Place and EBRD relocated their headquarters from the City to 5 Bank Street in October.

As part of the drive to develop a major life sciences cluster on the Estate, the Group announced in March 2022 the formation of a joint venture with Kadans Science Partner to develop a 535,000 sq ft commercial laboratory building at North Quay, the largest in Europe (see developments below). In the meantime, Kadans have taken 38,000 sq ft at 20 Water Street and will deliver a life science incubator here with state of the art, flexible and fully serviced labs and office space. Furthermore, Genomics England has moved its headquarters to the Estate with 18,000 sq ft of space at One Canada Square.

STRATEGIC REPORT (Continued)

Office portfolio occupancy has remained resilient at 92.5%, compared to 93.5% at 31 December 2021. Occupancy of the multi let buildings improved to 81.2%, compared to 75.0% at 31 December 2021 driven by the Citigroup MadeFor letting.

WAULT has reduced 0.9 years in the year to 10.6 years, reflecting the shortening of existing leases and with new leases having an average term of 6.4 years.

Retail

	<u>2022</u>	<u>2021</u>
Number of properties	19	19
Total NIA (m sq ft) ⁽¹⁾	1.3	1.1
Market value ⁽¹⁾	£1,142.0m	£851.9m
Rental income ⁽²⁾	£56.8m	£55.2m
Lettings achieved (including renewals): ⁽²⁾		
– Number	59	48
– Sq ft	177,000	287,000
– Average headline rent (£/psf)	£36.53	£28.07
– Average lease term (to expiry)	11.6 years	13.5 years
Occupancy (retail malls)	97.9%	97.4%
WAULT (to expiry)	6.0 years	6.6 years
WAULT (to break)	5.6 years	5.2 years

Notes:

- 1 Market value and NIA reflects total building, including storage elements.
- 2 For the year ended 31 December 2022 and 2021 respectively.

Despite the wider economic uncertainty including inflation and associated pressures on consumer spending the retail business performed strongly in the period.

The Group exchanged 59 retail lettings including renewals in the year (177,000 sq ft). New lettings generated £6.7m of rent per annum and renewals secured £4.1m. A further 27 lettings (80,000 sq ft) were with solicitors at 31 December 2022, with a potential to generate a further £3.0m of rent per annum. These figures include 10 lettings (71,000 sq ft) for the new Wood Wharf retail units – 7 have exchanged (16,000 sq ft) and 3 are with solicitors (55,000 sq ft).

Lettings achieved in the year have continued to expand the Estate's diverse amenities, opening 42 new retail and leisure outlets to suit the needs of office customers, residents, and visitors. These include Dishoom and Mercato, who opened new restaurants on Wood Wharf, Fair Game, an interactive bar opened off Cabot Square, and Asian supermarket Tian Tian opened in Canada Square mall.

As the Estate evolves, repurposing space is also at the forefront. In the year the Group repurposed a part of the Cabot Car Park to the UK's fastest electric go kart track operated by Capital Karts and is also in the process of introducing padel tennis courts and a basketball half court playground at 10 Bank Street Park.

The impact of tenant CVA's and administrations in the year have been negligible with one CVA. The unit has already been relet ahead of the independent external valuers ERV.

Rent collection has been stable during the year at around 93.0%. Rent concessions have reduced significantly with £0.4m concessions granted (1.0% of total rent) in the year compared to £7.4m (16.4% of total rent) in 2021. Negligible rent concessions have been granted from Q2 2022. Despite the recent high collection rates, the Group has written off £1.3m of debt due to tenants entering liquidation in previous years and are holding a provision of £1.5m against uncollected rents where there is doubt over the recoverability.

At 31 December 2022, occupancy across the retail malls is 97.9%, with there being only 9 empty units, 2 of which are under offer and 2 had exchanged.

STRATEGIC REPORT (Continued)

Private rental sector

	2022	2021
Number of properties ⁽¹⁾	4	5
Total NIA (m sq ft) ⁽¹⁾	0.8	0.8
Market value ^{(1) (2)}	£665.0m	£682.3m
Rental income ^{(1) (3)}	£21.3m	£3.4m
Average rental growth achieved ^{(3) (4) (5)}	6.8%	–%
Retention rate achieved ^{(3) (4) (5)}	46.0%	–%
Occupancy ⁽⁴⁾	96.0%	47.0%

Notes:

- 1 Excludes the Group's share in 8 Water Street and 10 George Street (50.0% joint ventures).
- 2 Market value reflects total building, including non PRS elements.
- 3 For the year ended 31 December 2022 and 2021 respectively.
- 4 Figures for Newfoundland; excluding the affordable and intermediate housing.
- 5 As Newfoundland was launched in 2021, the volume of renewals and reletting was not relevant.

The residential leasing market across London remains strong with low stock levels driven by consistent applicant demand, buy to let landlords continuing to exit the market and minimal new housing delivery.

The lease up of Newfoundland was completed in the year ahead of target, with occupancy of 96.0% at 31 December 2022.

Rental growth also reflects strong demand, with rents achieved in the year on average 6.8% ahead previous rent.

Active developments

The below table summarises the active development on the Estate:

	Expected completion	Residential units	NIA m sq ft
Wood Wharf Phase 3	2026 and 2027	1,603	1.3
8 Harbord Square	2023	82	0.1
45 Charter Street and 10 Brannan Street	2024	378	0.1
One Charter Street	2024	279	0.1
One North Quay	2027	–	0.5
Seven, Southbank	2025	92	0.2
		2,434	2.3

Wood Wharf Phase 3 (40 Charter St, 50–60 Charter St, 70–80 Charter St, 13 Brannan Street)

Occupying prominent waterside positions, the 4 new buildings will deliver c1,300 PRS units and 300 affordable housing units, together with amenities, public realm and supporting retail space. Construction works during the year have continued in line with budget and programme, with ground works completed on the private buildings and construction of the frame now well progressed. The Group remains on target to complete the project in phases through 2026 and 2027.

8 Harbord Square

A PFS building comprising 82 loft style apartments. Construction works during the year have continued in line with budget and programme, with the building now topped out and fit out works commenced. The Group anticipates completing the show flat by Spring 2023 and remains on target to complete the development by the end of 2023.

45 Charter St and 10 Brannan Street

378 serviced apartments across 2 new buildings to be operated by the Group's Vertus platform. Construction works during the year have continued in line with budget and programme, with the buildings now topped out and fit out works commenced. The development remains on target to complete by the end of 2024.

One Charter Street (50.0% joint venture with Edyn)

An aparthotel comprising 279 Edyn branded serviced residential apartments, a rooftop restaurant, ground floor retail and amenity space.

Caledonian Modular Limited, a key supplier on this development entered administration in March 2022. Settlement agreements have been negotiated with the administrators and the new owners of Caledonian's facilities (JRL) in order to secure the release of 253 modular units in production. The joint venture has appointed M-AR to complete the modular units to a white box specification with the fit out of the units to be completed using a traditional approach. Construction works have resumed with installation of modules under-way.

STRATEGIC REPORT (Continued)

The administration of Caledonian has resulted in the development being delayed, however, the joint venture continues to work through the related budget pressures and anticipates completing the project by the end of 2024.

One North Quay (50.0% joint venture with Kadans)

The first phase of the North Quay development comprises a single building extending to 535,000 sq ft NIA across 23 floors.

Site enabling works have begun and continue to budget and programme. A reserve matters planning application was submitted to London Borough of Tower Hamlets in December 2022 for One North Quay with a resolution to grant consent expected in April 2023. Negotiations for the securing of Rights to Light are progressing as required to satisfy joint venture conditionality. Subject to approvals, the development is expected to be completed in 2027.

Seven Southbank Place (50.0% joint venture with Qatari Diar)

A PFS building comprising 92 units and is the final plot to be developed at Southbank Place.

Pre construction works have begun in the year, with the design and build contractor now in place and 13 units have been sold since an initial soft launch took place in Q4 of this year.

The joint venture anticipates completing the development by the end of 2025.

Future developments

The below table summarises the future development pipeline on the Estate based on existing and/or proposed consents:

	Residential units	NIA m sq ft
North Quay (excluding One North Quay)	1,264	2.1
Park Place	–	0.7
10 Bank Street	–	0.8
7 Brannan Street	912	0.2
Wood Wharf offices ⁽¹⁾	–	1.8
	2,176	5.6

Note:

1 Comprises 1 Brannan Street, 7 Charter Street, 8 Union Square and 4 Charter Street.

North Quay

Outline planning consent is in place for a c2.5m sq ft masterplan (including 0.5m for One North Quay noted above) with flexibility across a range of uses including office, residential, hotel or serviced apartments, co living space and retail. A reserved matters planning application has been submitted the first phase (One North Quay) and enabling works are underway. Delivery of later phases is under review pending market demand.

Park Place

A detailed planning consent was achieved and implemented for a headquarters office building. A planning application was made for a 634 unit PRS scheme and subsequently withdrawn due to a lack of Local Planning Authority support.

A new planning brief for Park Place and the adjacent 15 Westferry is under consideration.

10 Bank Street

Basement works have been completed for a new 832,000 sq ft office building.

Planning consent has been achieved for the construction of 7 Padel Courts on the 10 Bank Street Site. CWG site works are well progressed ahead of commencement of tenant works with operation planned for June 2023.

7 Brannan Street

A 912 bed Purpose Build Student Accommodation (PBSA) scheme has been designed and a planning application prepared for submission in May 2023.

Site enabling works are under way.

Wood Wharf Offices

The outline planning consent for Wood Wharf allows for a further 1.8m sq ft of commercial office space across 4 buildings. Site enabling works have been undertaken and the pre let opportunities are being marketed.

There are currently no plans for deliver ahead of securing a significant pre let.

STRATEGIC REPORT (Continued)

Valuations

	31 December 2022				31 December 2021			
	Market Value ⁽¹⁾ £m	Share of total portfolio %	Weighted average initial yield ⁽¹⁾ %	Weighted average equivalent yield ⁽¹⁾ %	Market value ⁽¹⁾ £m	Share of total portfolio %	Weighted average initial yield ⁽¹⁾ %	Weighted average equivalent yield ⁽¹⁾ %
Investment properties								
Office	5,261.4	65.7	4.0	5.3	5,589.4	67.0	3.6	4.8
Retail	1,142.0	14.3	4.2	5.7	851.9	10.2	5.4	6.1
PRS, including affordable	665.0	8.3	4.3	–	682.3	8.2	3.2	–
	7,068.4	88.3			7,123.6	85.4		
Active developments								
Wood Wharf Phase 1	–	–			264.2	3.2		
Wood Wharf Phase 2	22.4	0			–	–		
Wood Wharf Phase 3	215.0	3.0			–	–		
	237.4	3.0			264.2	3.2		
Development pipeline								
Wood Wharf later phases	208.0	2.6			461.8	5.5		
North Quay	285.0	3.6			275.0	3.3		
Park Place	33.0	0.4			40.0	0.5		
10 Bank Street	121.5	1.5			142.6	1.7		
	647.5	8.1			919.4	11.0		
Properties held as current assets								
Residential – 8 Harbord Square	55.0	0.7			30.6	0.4		
	8,008.3	100.0			8,337.8	100.0		

Notes:

1 As determined by independent external valuers'. A reconciliation of market value to IFRS carrying value as included in the balance sheet is detailed in Note 11.

The Group's overall property portfolio valuation was £8,008.3m at 31 December, a reduction of £329.5m. Net of capital expenditure and the accounting adjustments required for tenant incentives and deferred negotiations costs, there was a valuation loss of £566.8m in the year.

The investment property (completed property) portfolio decrease of £55.2m during the year to £7,068.4m primarily relates to a £428.1m valuation loss offset by £307.3m of transfers of completed properties from active developments. The valuation decline was driven primarily by the outward movement of yields reflecting the current negative economic sentiment partially offset by strong operating performance and rents achieved.

Office properties have decreased £328.0m during the year to £5,261.4m. This is being driven by outward movement of yields as noted above with the weighted average initial yield increasing 40bps to 4.0% and those office properties with shorter lease maturities and/or vacancy. This is partially offset by the transfer of 20 Water Street (£165.0m), which reached practical completion in the year.

Retail properties have increased £290.1m during the year to £1,142.0m, driven by positive sentiment in the retail space post COVID-19, low vacancy and increasing rents achieved as well as the transfer of 15 Water Street (£133.0m), which reached practical completion in the year.

PRS properties have decreased £17.3m during the year to £665.0m, being the net impact of an outward movement of yields offset by the increased rental income from Newfoundland which was fully stabilised at 31 December 2022.

Active developments include 10 Brannan Street, 13 Brannan Street, 40 Charter Street, 45 Charter Street, 50–60 Charter Street and 70–80 Charter Street. The decrease in the year is largely due to the transfer of 15 and 20 Water Street from active developments to investment properties as noted above. This is offset by the transfers of 40 Charter Street (£80.8m) and 50–60 Charter Street (£135.0m) to active developments from the development pipeline.

STRATEGIC REPORT (Continued)

The development pipeline includes North Quay, Park Place, 10 Bank Street, and remaining Wood Wharf office land. The decrease of £271.9m in the year is due to a reduction in land values reflecting the current negative market sentiment as well as the transfer of 1 and 8 Union Square £103.5m to active developments and the disposal of car parking spaces at Wood Wharf to CWGRL with an allocated cost of £4.1m.

Operating results

Overview

	2022 £m	2021* £m
Gross development, rental and rental related income	470.2	426.2
Cost of sales	(176.2)	(151.3)
Net development, rental and related income	294.0	274.9
Share of profit of joint ventures	2.9	(3.8)
Administrative expenses	(66.9)	(53.8)
Other income	8.1	8.4
Net financing costs	(198.2)	(173.8)
Underlying profit	39.9	51.9

Notes

* Restated as set out on page 3.

The following review of the Group's operating results relates to the year ended 31 December 2022. The comparatives relate to the year ended 31 December 2021.

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. Net development, rental and related income for 2022 was £294.0m, an increase of £19.1m compared with 2021.

Total revenue for 2022 was £470.2m, compared with £426.2m for 2021, of which office and retail rental income (after adjustments required to spread lease incentives and committed rent increases) decreased from £295.9m to £293.8m. Office rental income reduced by £3.7m to £237.0m in 2022, with occupancy falling by 1.0%. Retail rental income increased by £1.6m from £55.2m in 2021 to £56.8m in 2022, due to the increase in occupancy to 97.9%. Rental income for both years is stated net of adjustments for concessions granted to tenants.

Residential rental income of £21.3m (2021 – £3.4m) was recognised in 2022 from Newfoundland and the intermediate and affordable buildings, which completed during 2021.

Service charge income increased from £95.6m for 2021 to £111.4m for 2022 reflecting the increase in utility costs. Other tenant recoveries increased from £19.7m for 2021 to £27.1m for 2022, due to increasing activity on the Estate, with 2021 being suppressed by Covid. Other tenant recoveries include the provision of tenant specific services outside the standard service charge, energy services, insurance rents and income from Level39. The Group recognised £4.7m (2021 – £8.4m) of fees on the provision of development and construction management services. In 2022, the Group also received £11.9m (2021 – £3.2m) 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. Cost of sales also includes operating expenditure on the residential rental buildings, amortisation of negotiation costs, vacant space costs and bad debt expense.

In the year ended 31 December 2021, £1.1m of vacant space costs and £0.7m bad debt expense were included within administrative expenses. These have been reclassified into costs of sales in these financial statements.

Property management costs, other direct property costs and rates and insurance costs on vacant space totalled £146.1m for 2022 in comparison with £136.0m for 2021. Taking into account service charge and other tenant recoveries totalling £138.5m for 2022 (2021 – £115.3m), a deficit was recorded on property management of £7.6m (2021 – £20.7m). The deficit was attributable in part to property management costs associated with 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 2022 also included a charge of £9.0m for refurbishment costs on space becoming vacant compared with £1.3m in 2021, costs associated with residential lettings of £9.5m (2021 – £5.6m), amortisation of negotiation costs of £4.8m, £2.1m costs associated with the management fees charged in the year and a bad debt expense of £4.7m.

STRATEGIC REPORT (Continued)

Underlying administrative expenses for 2022 were £66.9m in comparison with £53.8m for 2021, an increase of £13.1m. This was primarily attributable to the £9.0m LTIP charge for the year compared to £2.4m in the prior year and higher corporate overheads including £2.0m of abortive project costs and JV set-up fees of £1.1m.

Other income of £8.1m was recorded in 2022 in comparison with £8.4m in the previous year. Included in 2022, is a profit of £0.9m on the sale of car parking spaces at Wood Wharf to the CWGRL group. A distribution of £0.8m was received by the Group from its investment in 10 Upper Bank Street in 2022 (2021 – £3.2m).

Underlying operating profit for 2022 was £238.1m in comparison with £225.7m for 2021. The increase of £12.4m was mainly attributable to the increase in net development, rental and related income.

A net property revaluation deficit of £566.8m (Note 6) was recognised in the Consolidated Income Statement in the year compared with a deficit of £93.5m in 2021. The changes in the valuation of the property portfolio are explained in more detail in Strategic Report – Valuations.

The share of losses from joint ventures and associates after interest was £4.4m in 2022 in comparison with profits of £4.4m in 2021. The loss in 2022 was primarily attributable to the Group's 50.0% share of the revaluation deficit in the One Charter Street joint venture of £16.9m, driven by the replacement of the main modular contractor. This was offset by the share of profits of £2.8m (2021 – loss of £3.8m) and the share of the revaluation increase of £9.6m (2021 – £8.2m) in the Vertus joint ventures, comprising the PRS buildings at 10 George Street and 8 Water Street on Wood Wharf, resulting from successful leasing activity. Revaluation movements are classified as capital and other items.

The revaluation of investments of £7.6m (2021 – £2.2m) relates to the Group's share of the revaluation deficit on 10 Upper Bank Street.

Total operating losses for 2022 were £343.6m, compared with profits of £138.2m in 2021. The change was driven by the significant property revaluation deficits in the period.

	2022 £m	2021* £m
Underlying		
Financing income		
Deposits, other loans and securities	4.6	3.6
Financing charges		
Securitised debt	(80.9)	(82.7)
Green Bonds	(30.5)	(22.5)
Other secured loan interest	(63.9)	(59.4)
Construction loan interest	(28.5)	(22.1)
Financing fees and other interest payable	(9.4)	(6.7)
Obligations under long term property lease	(6.0)	(6.1)
Accelerated amortisation of deferred financing costs	–	(4.3)
	(219.2)	(203.8)
Interest transferred to active developments		
– General interest	10.9	13.4
– Construction loan finance costs	5.5	13.0
	(202.8)	(177.4)
Underlying – net financing charges	(198.2)	(173.8)
Capital and other		
Financing income		
Valuation movements on fair value of derivatives	357.2	149.0
Financing charges		
Swap break costs	(1.4)	(3.2)
Hedging reserve recycling	(8.4)	(5.0)
	(9.8)	(8.2)
Capital and other – net financing income	347.4	140.8

Notes

* Restated as set out on page 3.

STRATEGIC REPORT (Continued)

Underlying net financing costs (Note 7) for 2022 were £198.2m compared with £173.8m for 2021. Underlying net financing costs are stated net of £16.4m (2021 – £26.4m) of interest which has been capitalised and transferred to the development pipeline. 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 in the year as referred to in the Strategic Report – Valuations. Excluding interest capitalised, the Group's interest payable was £219.2m for 2022, in comparison with £203.8m for the previous year. The increase arises in part from the inclusion of a full years charge for the Green Bonds, which were drawn in April 2021, and in part from the impact of the interest rate rises in the year on unhedged or capped portions of loans. 2021 included the accelerated amortisation of deferred finance costs totalling £4.3m following the refinancing of the loans secured against 7 and 15 Westferry Circus.

Fair value gains on derivative financial instruments of £357.2m was offset by the £1.4m cost of breaking currency swaps and hedging reserve recycling of £8.4m resulting in a net gain of £347.4m being recognised in the Consolidated Income Statement under capital and other items in 2021 compared with a net gain of £140.8m in 2021 due to the growth in interest rates in the period.

The tax credit for the year of £15.0m (2021 – £11.5m charge) comprised a corporation tax credit of £13.5m (2021 – £22.6m charge) and a deferred tax credit of £1.5m (2021 – credit of £11.1m). Tax payments of £46.5m were made in the year such that the position at the end of 2021 is now an asset of £13.4m at 31 December 2022.

The loss for the year before tax for 2022 was £194.4m in comparison with a profit of £105.2m for 2021. The results for both 2022 and 2021 included certain capital and other profits and losses as described above. Underlying profit before tax for 2022 was £39.9m in comparison with £51.9m for 2021. This included an increase in underlying operating profit of £12.4m referred to above and an increase in net financing costs of £25.4m.

Including capital and other items, the loss for the year after tax for 2022 was £179.4m in comparison with a profit of £93.7m for 2021.

The basic and diluted losses per share (Note 4) for 2022 was 24.2p (2021 – earnings of 12.7p). There were no adjustments required in respect of dilutive instruments at either 31 December 2022 or 31 December 2021.

Consolidated balance sheet and key performance indicators

Net assets in the Group's Consolidated Balance Sheet were £3,628.3m at 31 December 2022 in comparison with £3,792.6m at 31 December 2021. The decrease in net assets over the year of £164.3m was primarily attributable to the loss after tax for the year of £179.4m which includes valuation movements on the property portfolio and on derivative financial instruments and a reduction in the deficit on the hedging reserve of £15.1m.

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 £24.3m, adjusted NAV at 31 December 2022 was £3,593.5m or £4.85 per share in comparison with £4,162.6m or £5.62 per share at 31 December 2021, a reduction of 76.9p per share or 13.7%.

The calculation of adjusted NAV per share is set out in Note 4. The Group also calculates adjusted NNNAV as this provides information on the performance of the Group in the context of having a significant development pipeline. Adjusted NNNAV per share is set out in the following table which indicates that at 31 December 2022, adjusted NNNAV was £3,508.9m or £4.74 per share in comparison with £3,447.2m or £4.66 per share at 31 December 2021, an increase of £61.7m or 1.8%.

STRATEGIC REPORT (Continued)

	Note	2022 £m	2021 £m
Adjusted net assets	(i)	3,593.5	4,162.6
Fair value adjustment in respect of financial assets and liabilities net of tax thereon	(ii)	(78.7)	(708.0)
Deferred tax	(iii)	(5.9)	(7.4)
Adjusted NNNAV		3,508.9	3,447.2
Adjusted NAV per share	(i)	£4.85	£5.62
Adjusted NNNAV per share	(iv)	£4.74	£4.66

Note:

- (i) Refer to Note 4.
(ii) Comprises the mark to market of derivatives in Note 4 of £88.0m (31 December 2021 – £491.3m) and the difference between the fair value and carrying value of debt of £9.3m (31 December 2021 – £216.7m) disclosed in Note 20.
(iii) Refer to Note 8.
(iv) Calculation based on 740.4m Ordinary Shares in issue at each balance sheet date.

Financing

	2022	2021
Securitised debt	£1,465.6m	£1,733.1m
Green bonds	£902.4m	£898.6m
Other secured loans	£1,554.8m	£1,657.6m
Construction loans	£650.0m	£574.3m
Gross debt	£4,572.8m	£4,863.2m
Net debt (see Note 20)	£4,222.1m	£4,619.8m
Net LTV	50.8%	48.8%
Secured debt as % of total debt	79.7%	81.5%
Weighted average maturity	5.4 years	6.3 years
Weighted average cost of debt	4.6%	4.1%
Fixed and capped debt	87.1%	82.0%

At 31 December 2022, net debt (including derivative financial instruments at fair value, net of monetary deposits and cash and cash equivalents) stood at £4,222.1m, a decrease of £397.7m from £4,619.8m at 31 December 2021. The reduction was predominantly due to the net impact of £134.1m drawdowns on new construction loans to fund development expenditure offset by £53.0m of loan repayments and a fair value gain on derivatives of £357.2m.

The Group signed £290.5m of new and refinanced debt during 2022 and £82.0m of refinanced debt within joint ventures, comprising:

- 8 Harbord Square (April 2022) – New £49.2m secured development loan maturing in July 2025. £19.5m had been drawn on this facility at 31 December 2022.
- HCA Infrastructure Loan (May 2022) – Restructured the repayment term on the infrastructure loan, extending the repayment date from September 2023 to March 2028.
- 8 Water Street (50.0% joint venture) – In May 2022, a new £82.0m 5 year secured investment loan facility replacing £51.3m development loan which matured in May 2022.
- Wood Wharf Affordable (June 2022) – New £59.3m 5 year secured investment loan.

In addition to the above the Group extended the Newfoundland construction loans from December 2022 to March 2023 and the Group secured a new £100.0m revolving credit facility which expires in 2027. The new RCF is in addition to the Group's existing £30.0m RCF. No amounts had been drawn on these RCFs at the year end.

Overall, 87.1% of the Group's loan facilities were at fixed or hedged rates at 31 December 2022 (Note 20 – Interest rate profile).

Total borrowings, excluding derivatives at fair value, increased from £4,371.9m at 31 December 2021 to £4,484.8m at 31 December 2022 reflecting the drawdowns against the Group's loan facilities noted above. There was a favourable movement in the fair value of derivatives of £377.6m reducing the net liability recognised at 31 December 2022 to £88.0m.

Cash and cash equivalents increased from £241.1m at 31 December 2021 to £350.7m primarily as a result of the movement on the intercompany position with CWGRL from a receivable of £94.3m at 31 December 2021 to a payable of £114.1m at 31 December 2022.

STRATEGIC REPORT (Continued)

Excluding the fair value of derivative financial instruments, the look through LTV at 31 December 2022 was 50.8% in comparison with 48.7% at 31 December 2021. The look through LTV was calculated by reference to net debt excluding derivative financial instruments of £4,134.5m at 31 December 2022 (31 December 2021 – £4,129.5m) as a proportion of the market value of the property portfolio of £8,008.3m (31 December 2021 – £8,337.8m) and investments of £123.3m (31 December 2021 – £131.9m). The Group's look through LTV at 31 December 2022 including the fair value of financial instruments was 51.9%, down from 54.5% at 31 December 2021, calculated by reference to the net debt including the fair value of financial instruments of £4,222.1m at 31 December 2022 and £4,619.8m at 31 December 2021.

Cash flow

The net cash outflow from operating activities for 2022 was £16.7m in comparison with £63.3m outflow for 2021. The outflow for 2022 was stated after movements in working capital of £6.1m (2021 – £65.3m). In 2022, corporation tax payments of £46.5m were made compared with £11.2m in 2021.

Cash flows from investing activities resulted in a cash outflow of £109.7m for 2022 compared with £136.5m for 2021. In 2022, the cash outflow included £110.9m of development expenditure (2021 – £122.4m) offset by £5.0m from the disposal car parking space to CWGRL (2021 – £nil).

The net cash inflow from financing activities for 2022 was £236.0m, compared with £37.4m for 2021. The net cash inflow for 2022 included a net £74.8m drawn down under the Group's construction loan facilities (2021 – £70.4m), £59.3m drawn down under the Group's Wood Wharf Affordable loan facility (2021 – £nil), and £134.3m short term interest free loans from related parties (2021 – £nil), partially offset by redemption of securitised debt and loans £50.6m (2021 – £873.8).

No cash distribution was paid during the year (2021 – £3.7m).

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 current geo political climate and its potential impact on the economy, the financing risk, the cyclical nature of the property market, concentration risk, interest rate risk, climate risk and policy and planning risks.

Geopolitical climate

The backdrop over the past few years has been exceptionally turbulent in the UK and internationally. The COVID-19 pandemic led to numerous lockdowns and other related restrictions between March 2020 and February 2022, disrupting global supply chains and significantly impacting UK GDP. COVID-19 also brought about significant changes in the behaviour of office workers, with the majority of UK based companies now working on a hybrid basis.

We have also seen a marked increase in Industrial Action, in part due to falling real wages, resulting in numerous days of tube and train strikes impacting the Estate. Russia's invasion of Ukraine in February 2022 has driven significant security, economic, and energy policy shifts within Europe, with implications for UK businesses and consumers.

The Group has no contractual relationships with any entity or individuals based in Russia, Belarus or Ukraine. However, the impact of a war in Europe and sanctions targeted at Russia and certain individuals may impact on the UK and world economy, particularly on energy prices. The long term impacts of these issues remain difficult to predict however the increased energy costs of over 20.0% have acted to increase void costs in the period. The consequential impact of the instability on debt markets and interest rates is discussed below.

Financing risk

The current geo political and economic backdrop remains uncertain with several macroeconomic headwinds despite the risks associated with Covid falling away. Cost of living and inflation pressures are a significant concern, exacerbated by the change of UK government in September 2022 and the mini budget which temporarily destabilised UK financial markets. The UK's inflation rate is currently close to 10.0%, with the UK Government pledging to halve this by the end of 2023. Sterling has devalued, down approximately 10.6% against the US dollar during 2022.

With this back drop and the recent increases in the BoE base rate (see Interest rate risk below), debt markets have experienced a reduction in supply and an increase in the cost of debt which may impact the Group's ability to refinance existing debt and raise new debt. Property values have also been negatively affected which increases pressure on LTV covenants. Taking into account the loan waivers and extensions agreed during the year, the Group was in compliance with its lending covenants at 31 December 2022 and throughout the year then ended.

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.

STRATEGIC REPORT (Continued)

At the year end the Group had £453.8m drawn on loans expiring within one year being Newfoundland £313.7m, 15/20 Water Street (office construction) £119.9m and Quay club £20.2m. Subsequent to the year end the 15/20 Water Street loan was extended until March 2024 and the Newfoundland facility was refinanced to a 5 year facility. In respect of the Quay Club loan of £20.2m the Group is in discussions with the lenders to extend this facility. The Board is of the view that there is sufficient time frame to refinance the 15/20 Water Street loan prior to maturity in March 2024.

The Group is continuing to develop Wood Wharf Phase 3 and had committed to future expenditure in relation to certain aspects of this development of £205.4m. The Group does not currently have construction facilities for this development other than for the infrastructure works. Discussions are ongoing with potential lenders over the terms of a facility to fund the development and in respect of determining the funding structure including any additional equity that may be required from the shareholders.

The Group has access to considerable financial resources and at 31 December 2022 the Group had cash and cash equivalents totalling £350.7m of which £90.3m was unrestricted. In addition, £130.0m is available to be drawn under the Group's revolving credit facilities – £30.0m of which expires in April 2024 and £100.0m in September 2027. In addition, the Group benefits from the financial support of its ultimate shareholders, Brookfield and QIA. Further detail is included in Note 1.

The Group also benefits from an office portfolio which at 31 December 2022 was 92.5% let. The weighted average unexpired lease term for the office portfolio at 31 December 2022 was approximately 10.6 years or 8.7 years assuming the exercise of outstanding break options (31 December 2021 – 11.5 years or 9.5 years respectively). 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. In addition, the Group's retail portfolio is 97.9% let and the PRS portfolio 96.0% let. The Group is therefore well placed to withstand the economic uncertainty.

Cyclical nature of the property market

The valuation of the 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, implications of the UK's withdrawal from the EU and the Russian invasion of Ukraine and sanctions imposed on Russia as a consequence. In 2022 the rapid rise in interest rates has brought significant turmoil to the debt and capital markets with consequential impact on investor confidence whilst the longer term impact of Covid-19 on flexible working has led to occupiers reviewing their requirements for office space. These factors have had adverse implications for the property market and particularly negative market sentiment towards office assets at the year end which has impacted valuations.

The real estate market has to date, however, been assisted by the depreciation of sterling since the UK's exit from the EU 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.

The Board believes the Company is relatively well placed to weather the impact of a change in London's competitive environment. Most tenants at Canary Wharf are on relatively long leases with the office portfolio having a WAULT of 10.6 years (to expiry) and the retail portfolio a WAULT of 6.0 years (to expiry). Occupancy levels remain high with the Group's office portfolio at 92.5% and retail portfolio at 97.9%. The business has diversified into residential lettings (now at stabilised occupancy) and there has also been a successful move to attract tenants from outside the financial sector, such as public sector, TMT and life sciences tenants, to take space at Canary Wharf and in the new Wood Wharf district. This has diversified the office portfolio away from financial services.

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 54.0% 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 has been involved as construction manager and joint development manager in the joint venture with Qatari Diar to redevelop a portfolio of assets at London's South Bank with one remaining plot yet to be developed. 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 and the joint venture with Kadans to develop a commercial laboratory building at North Quay.

Interest rate 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 20 which includes a summary of the key financial covenants applicable to each of the Group's facilities.

During 2022, there has been significant volatility in interest rates. The UK base rate has increased from 0.1% in November 2021 to 3.0% in November 2022 and then to 4.0% in February 2023. The Group enters derivative transactions to manage the risk arising from the Group's variable rate borrowings and at 31 December 2022 had 87.1% of total debt with fixed or hedged interest rates.

STRATEGIC REPORT (Continued)

When interest rates increase the value of the Group's real estate assets could be adversely affected.

Climate risk

The Group considers sustainability to be at the forefront of our business, and as an organisation we have a vision to transform urban spaces into extraordinary environments. In 2020, the Group published its Net Zero Carbon Pathway, a roadmap for reaching net zero carbon by 2030. The Group also published ambitious Science Based Targets (SBTs) ratified by the Science Based Targets Initiative (SBTi).

Failure to meet these commitments could result in reputational damage for the Group and subsequent damage to our relationship with customers, suppliers and other stakeholders. Similarly, inaccurate claims around sustainable practices could result in the Group being subject to fines under the Green code leading to both financial and reputational harm.

Being an integrated developer, contractor and property manager, we are in a unique position to embed sustainable principles right from the initial design of our buildings. However, there are increasing legal and regulatory requirements for building performance for which the Group is required to remain compliant. Failing to meet these requirements could lead to significant reputational damage and adversely impact asset values.

Whilst we are aware of these risks, we do not consider the Group to be at considerable risk of non-compliance. We are actively engaging with many industry groups including the UK Green Building Council (UKGBC), the Better Building Partnership (BBP) and Concrete Zero to ensure we remain up to date with all regulations. We also actively monitor the operational performance of our buildings, and retrofit older buildings where possible, to ensure compliance. Our dedicated sustainability team produce an annual sustainability report to drive sustainable initiatives and communicate performance to our stakeholders. We obtain external assurance over this report to provide confidence to our stakeholders. The Group actively engages in sustainable practices and is working in partnership with the Eden Project to transform the Canary Wharf Estate into a biodiverse environment. Further details are provided in our corporate responsibility section below.

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.

The Group enters into derivative transactions (principally interest rate swaps and caps) in order to manage the interest rate risk arising from the Group's variable rate borrowings and foreign exchange risk on the Group's Euro denominated debt. Details of the financial risks facing the Group are disclosed in Note 19. The fair value of the Group's debt and the position under its lending covenants can also be found in Note 19 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 19, the hedged items included issued sterling GBP LIBOR floating rate debt.

Due to the changes made by LIBOR regulators including the Financial Conduct Authority (FCA) the Group was required to transition away from GBP LIBOR to the Sterling Overnight Index Average Rate (SONIA) by the end of 2021. In response to the requirement, the Group established an IBOR transition programme comprising the following work streams: risk management, tax, treasury, legal, accounting and systems under the governance of the Group Treasurer. The programme successfully enabled a smooth transition from GBP LIBOR to SONIA for all facilities as per the requirement.

The nominal amount of the hedging instruments in those hedging relationships is £2,621m.

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.

STRATEGIC REPORT (Continued)

Corporate Responsibility

The Company has not adopted its own sustainability, environmental and social policies. However, the directors are conscious of sustainability, environmental and social issues and adhere, where applicable, to the policies of Canary Wharf Group plc.

Sustainability is front and centre for Canary Wharf Group. The Group are aware of the increasing sustainability requirements of current and prospective customers. To deliver sustainability, the Group integrates actions and targets into every phase of project delivery and are 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. Since 1997, over £3.0bn of business has been generated for local businesses in East London through initiatives supported by the Group. The Group has maintained ISO 14001 accreditation since early 2005 and environmental management has been an inherent part of construction since 2002.

The Group is an active member of many industry groups including the UK Green Building Council (UKGBC), the Better Building Partnership (BBP) and Concrete Zero. 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. The Group targets the reduction of energy, water and resource use, and the reuse and the recycling of waste where possible during the design, construction, and management of properties. The minimisation of disruption and disturbance to the environment and local community is targeted during the construction and management of buildings. The Group is also committed to preventing and monitoring pollution and to reducing any emissions which may have an adverse impact on the environment and/or local community.

The Group endeavours to raise awareness and promote effective management of sustainability, environmental and social issues with staff, designers, suppliers, and contractors and also works closely 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). Progress against both the Net Zero Carbon Pathway and SBTs are published in the annual Sustainability Report which can be found on www.group.canarywharf.com.

In 2022, the Group participated in GRESB and CDP Sustainability Benchmarking schemes, receiving a GRESB 5 star rating, ranked first in our peer group and a CDP score of B.

In 2022, the Group had the following operational UK energy use and carbon emissions:

UK Local Emissions – figures based on net building at 31 December 2022

At 31 December 2022	Total consumption (kWh)	Total emissions (tCO ₂ e)
Scope 1 (direct emissions):		
Natural gas	51,390,264	9,381
Diesel oil	235,770	401
White diesel	1,375,314	410
Petrol (on site)	–	–
HVO (on site)	234,431	9
Diesel (transport)	156,706	43
Scope 1 total	<u>53,392,485</u>	<u>10,244</u>
Scope 2 (indirect emissions):		
Electricity	73,051,453	14,127
PV	54,986	–
District heating and cooling	44,304,489	7,564
Scope 2 total	<u>117,410,928</u>	<u>21,691</u>
Total Emissions	<u>170,803,413</u>	<u>31,935</u>

Notes:

Methodology – emissions have been calculated in line with the GHG Protocol

STRATEGIC REPORT (Continued)

At 31 December 2022	Turnover £m	Energy usage kWh/£100k
Intensity Metrics:	470.2	36,326

UK Local Emissions – figures based on net building at 31 December 2021

At 31 December 2021	Total consumption (kWh)	Total emissions (tCO ₂ e)
Scope 1 (direct emissions):		
Natural gas	64,775,964	11,861
Diesel oil	898,150	213
White diesel	–	–
Petrol (on site)	5,699	1
HVO (on site)	167,977	0.6
Transport	90,418	23
Scope 1 total	<u>65,938,208</u>	<u>12,099</u>
Scope 2 (indirect emissions):		
Electricity	64,870,554	13,770
PV	58,416	–
District heating and cooling	–	–
Scope 2 total	<u>64,928,970</u>	<u>13,770</u>
Total Emissions	<u>130,867,178</u>	<u>25,869</u>

Notes:

Methodology – emissions have been calculated in line with the GHG Protocol

Year ended 31 December 2021	Turnover £m	Energy usage kWh/£100k
Intensity Metrics:	426.2	30,706

The Group has purchased 100.0% renewable electricity for all operations since 2012, which has reduced our Scope 2 emissions (using a market based approach) from electricity to zero during this reporting year. The above table reports the Group's emissions using the location based approach and therefore includes electricity figures. This electricity supply is backed by Renewable Energy Guarantee of Origin (REGO) certificates. The Group are also investigating Power Purchase Agreements (PPAs) to further reduce tenant Scope 2 emissions.

In the last financial year, the Group completed a number of energy reduction initiatives, including:

- Ongoing 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;
- Ongoing replacement of door curtains in retail buildings with air source heat pumps; and
- Reducing Low Temperature Hot Water (LTHW) setpoints to reduce energy demand.

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.group.canarywharf.com.

People

Employee consultation

The Group has implemented a continuing programme of action with the aim of providing an inclusive 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 and quarterly employee town hall meetings. The Group's employment strategy and policies are regularly reviewed to incorporate changes to legislation and ensure best practice is maintained.

STRATEGIC REPORT (Continued)

A company wide engagement survey took place in 2022 to obtain feedback from employees on a variety of themes. Over 800 employees completed the survey across full time, part time and shift working patterns. The survey was administered and analysed by the EW Group to ensure employee anonymity and enabling Canary Wharf Group to externally benchmark employee engagement and take appropriate action to address the issues highlighted by the survey. The overall employee Net Promoter Score (eNPS) was +61 which is considered excellent and above the UK average of +50 and global average of +32.

A 24/7 employee voice portal is in place which allows staff to give feedback on any topic on either an anonymised or named basis. The Group also has a whistleblowing policy in place since 2008 and in 2017 introduced an ethics reporting line to enable employees and agency workers/contractors to anonymously report issues to the Group for review and where appropriate resolution.

Diversity and inclusion

The Group strives to create a working environment which is open, supportive and inclusive at every level and believes that equality of opportunity and a diverse workforce is fundamental to the future of the Group. The Group now has 5 networks which cover Gender Balance, Ethnicity Equality, LGBTQ+, Disability Equality and Social Mobility. Each year, the networks agree a set of 3 clear objectives that align to our wider people strategy in order to work towards continually evolving and building a diverse and inclusive culture. In 2022, the Group launched the 'Prefer to Say' Campaign encouraging employees to share their diverse characteristics with the business for the purpose of identifying areas of under-representation and possible bias. 48.2% of the workforce shared this data. A target of 80.0% has been set for 2025. The Group voluntarily published an Ethnicity Pay Gap Report in 2022 alongside the Gender Pay Gap Report. The Group's gender pay gap reduced from 14.0% to 7.0% in 2021 (against a UK average of 15.5%). The Group's ethnicity pay gap reduced from 28.0% to 27.0%. Within the reporting period, females made up 26.0% of the workforce and persons of ethnic backgrounds, 24.0% of the workforce. In response to the ethnicity pay gap, the Group partnered with McKinsey & Co, enrolling high potential employees identifying as Asian, Black or Hispanic onto a bespoke leadership and management skills programme.

In recognition of the value that the next generation brings to the inclusivity agenda, in 2021 the Group launched a Junior Board. Following a transparent competitive process, 13 employees of less than 10 years' experience in the sector were appointed. Acting as a sounding board to the Group Executive, they were set projects to support the strategic objectives of the Group as well as undertake a reverse mentoring programme with the Group's Management Board. The Junior Board members served for 12 months before handing over to a new cohort, taking over in 2023.

The Group launched a group wide ED&I training programme in 2022, that included within its module specific executive training for the leadership team together with a mandatory programme of sessions for every employee and contractor within the Group. 77.0% of employees and contractors attended the training.

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 and support is offered. 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 believes that the health, safety and wellbeing of its employees, contractors, customers and residents is of the utmost importance and seeks to continually improve and develop its health and safety performance across all areas of its operations. The Group operates a health and safety management system which has been certified to the internationally recognised ISO 18001 standard. This ensures that a process of continual improvement is embedded into all areas of work and strives to deliver to best practice as a minimum standard.

The Group's commitment to deliver a proactive safety culture and to continuous improvement ensures that a safe and healthy environment is maintained and that adequate resources are made available for these purposes. The Group's accreditation to ISO 45001 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 department is committed to supporting all employees and contractors in understanding their health and safety responsibilities and a system of processes and procedures have been developed and implemented to support in the delivery of the safest standards within the built and managed environment.

Anti Bribery and Corruption

The Board continues to demonstrate commitment to the prevention of corruption and understands the importance of maintaining a culture in which it is not acceptable at any level. An updated online bribery and corruption awareness training module was issued in Spring 2020. This is undertaken by all new employees and has been completed by 98.0% of the Group's existing employees. A refreshed module is being issued which will be mandatory for all employees and will also be undertaken by agency workers. The Group has adopted a Code of Business Practices and 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 policies are achieved. The Group has a strict approach to maintaining high standards of finance, business principles and ethics.

STRATEGIC REPORT (Continued)

Criminal Finances Act 2017

The Criminal Finances Act 2017 established the corporate criminal offence of failing to prevent the criminal facilitation of UK and foreign tax evasion. The Group's Ethics Code and Anti Bribery policies referred to above protect the Group from some aspects of these types of activities. To supplement these policies, the Group also has an Anti Facilitation of Tax Evasion policy and rolled out a mandatory training course to all employees which has been completed by 98.0% of staff. There will be a refresher course issued in 2023.

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. This has been updated and will be reissued in 2023 as will mandatory training for all employees and agency workers.

General Data Protection Regulation (GDPR)

The DPO and management continue to take a risk based approach to address GDPR compliance. A GDPR committee with representation from key senior personnel across the business meets periodically to discuss and communicate data protection issues. Privacy policies are published on CWG's public facing websites. Data protection policies and procedures are in place and appropriate registers are maintained. A new online mandatory GDPR refresher training was rolled out in February 2022 and was completed by 96.0% of employees. The Company has also issued Cyber Security training which was completed by 96.0% of employees.

Executive Risk Committee

The Group has strengthened its risk management programme through the establishment of an Executive Risk Committee. The committee is made up of senior leadership and subject matter experts and, meets quarterly to review key risks and risk trends across the Group. The committee is a result of a wider review of the risk management programme at the Group and, provides an opportunity to develop strategic responses to key risks and trends before these are presented to the Audit Committee and Investment Board.

Companies Act 2006 Section 172 (1) Statement

The Company is a wholly owned subsidiary of Stork Holdco LP. Stork Holdco LP is a large privately owned joint venture, owned equally by 2 shareholders, which each nominate 4 directors directly to the Company's Board. Accordingly, there is full alignment of the interests between shareholders and the Board. The 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 they consider, 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 27 and earlier in the Strategic Report on page 20.

(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 page 18 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 works collaboratively with the London Boroughs of Tower Hamlets and of Lambeth. The Group is also engaged politically and has a team responsible for the Group's long term strategy, planning, community and sports events, links with local educational establishments and promotional arts events.

STRATEGIC REPORT (Continued)

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 People and Development Department has well established links with local schools, colleges, universities and with the local job centre. Further details are provided in the Directors' Report.

(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 2023 the Board will continue to review how the Group can improve engagement with its employees and stakeholders.

Going concern

The financial statements are prepared on a going concern basis. The balance sheet shows the Group is in a net current liability position of £389.2m, including £350.7m of cash of which £260.4m of cash that is held as collateral for borrowings or security against other obligations. There are a number of uncertainties during the going concern forecast period including refinancing of certain debt facilities that expire within that period and the financing of development activity on Wood Wharf Phase 3.

Given the refinancing of these loans is not yet committed and the committed future expenditure at Wood Wharf Phase 3, 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 these financial statements.

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

For more information see Note 1.

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

18 April 2023

DIRECTORS' REPORT

for the year ended 31 December 2022

The directors present their report with the audited consolidated financial statements for 2022. The Company is incorporated as a public limited company in England and Wales and registered in Great Britain. The registered address is: 30th Floor, One Canada Square, Canary Wharf, London E14 5AB.

Results

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

Financial instruments

The Group's use of financial instruments is set out in the Strategic Report. The Green Bonds referred to therein are listed on the Official List of the International Stock Exchange.

Related parties

Transactions with related parties are disclosed in Note 26.

Group emissions

The Group's emissions disclosures are set out in the Strategic Report.

Dividends and reserves

The loss of £179.4m (2021 – profit of £93.7m) attributable to the members of the Company has been transferred from reserves. No distributions were recorded during the year ended 31 December 2022 (2021 – £3.7m).

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 – Non Executive Chairman
Shoab Z Khan – Chief Executive Officer
Mohamed Abdulrazzaq Al-Hashmi
Sheikh Jassim Abdulla Al-Thani
Sheikh Khalifa Khalid Al-Thani
Navid Chamdia
Brian Kingston
Theodor Berklayd
Thomas Jan Sucharda
Connor Teskey

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 elected to prepare 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 2022 (Continued)

In preparing the 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 2022 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.

Political donations

Political donations (as defined by the Companies Act 2006 and which include donations in kind) made by the Group during 2022 comprised £17,489 to the Labour Party (2021 – £20,000), £nil to the Conservative Party (2021 – £25,000), and £nil to the Liberal Democrats (2021 – £4,716). In 2022, £5,000 was donated to the Labour Friends of Bangladesh (2021 – £5,000). In 2022, £540 political expenditure was incurred (2021 – £nil).

At the 2022 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 2023 AGM.

DIRECTORS' REPORT

for the year ended 31 December 2022 (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 2022, 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 was at least one executive director and 8 non executive directors throughout 2022. The Board met 4 times during the financial year and there were 2 meetings of committees of the Board to consider specific issues. 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.

On 1 July 2021, Sir George Iacobescu moved from the role of Executive Chairman to Non Executive Chairman. The Non Executive Chairman acts as an ambassador of the Company in interactions with business, government and international contacts. He also advances the Company's business development initiatives and where required provides strategic guidance and specialist advice. 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 Audit Committee comprise 2 non executive directors, each representing a shareholder. The external and internal auditors also attend committee meetings. The Audit 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 Audit Committee met 7 times during 2022.

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 Remuneration 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 2 non executive directors each representing the ultimate beneficial owners and the Chairman and Chief Executive Officer. The Investment Committee met twice during the year.

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. Four main board meetings and 2 meetings of a committee of the board, formed in relation to the approval of the 2021 Year End Financial Statements and the approval of the 2022 Interim Financial Statements, were held during the year.

DIRECTORS' REPORT

for the year ended 31 December 2022 (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 supporting employees in reaching their maximum potential at work and offers comprehensive training and development opportunities. All employees participate in bi annual appraisals which allow a positive two way conversation about performance and setting objectives. All staff were included in the 2022 appraisals and 99.9% of appraisals were successfully completed via the online human capital management system. The Group undertakes an annual training needs analysis and incorporates structured staff development into its strategic plans. In 2023, the Group will be implementing a 360 degree feedback process as part of the annual appraisal.

Mentoring

The Group provides a mentoring scheme to improve diversity within management levels, support personal and professional development, promote knowledge sharing across the business as well as assisting in building relationships with colleagues. In 2022, there were 60 trained mentors and 37 mentees. A Mentoring Workshop took place on 22 March 2023 to train our new mentors and provide a refresher for any mentors who have previously been trained.

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.

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.

CWG Customer App

The Group has developed, in partnership with Equiem, its first estate wide App and web platform. Phase 1 was rolled out in September and is available to all visitors, workers, retailers and residents of the Estate. The App showcases the full extent of our retail, arts and events and leisure offer at Canary Wharf and connects us directly with all users of our spaces. Of the 14,000 users, 50.0% are office customers. Phase 2 will include visitor management, access control and further wellbeing offers and will be focused exclusively on our office customers.

Insights

Customer insights are carried out across the Group, capturing feedback from residents and office workers. A review is underway by the Customer Experience team to implement further insights in 2023. Results from the 2022 office workers survey showed that 84.0% of our operation level relationships are satisfied with their relationship with the Group, which is 6.5% above the Institute of Customer Experience benchmark. The business has also been monitoring and improving the Mystery Shopper process to focus on customer facing teams and roles. This has led to an overall score of 90.8%, the highest since pre covid.

Customer Data

The Group understands the importance of customer data. This year the Group have made good progress bringing together manual customer data into a single view and ensuring the quality of the data is reviewed and enhanced. During 2023, the Group will look at ways to systematise and automate its customer data into a centralised system.

DIRECTORS' REPORT

for the year ended 31 December 2022 (Continued)

Customer Accessibility

Canary Wharf Group is committed to creating truly accessible and inclusive experiences for all visitors. The Disability Equality Network have been reviewing all of our digital assets, to improve accessibility to our websites, digital tools and technologies. As part of the Canary Wharf App, we have implemented an interactive map, which includes mapping step free access.

Suppliers

The Group is conscious of the impact it has on external stakeholders, including suppliers and takes a commercial risk based approach to all its investment decisions. As such our procurement process is a reflection of our wider business principles.

Any purchases made by the Group must adhere to our criteria for ethics, environmental responsibility and social sustainability so we may continue transforming urban spaces into extraordinary environments.

To assure the best value, we continuously develop a consistent group wide procurement strategy. Business efficiencies are maximised while maintaining quality, lifetime costs, reliability and timeliness of delivery.

The Group has implemented a new Responsible Group Procurement Policy to outline the procurement standards that all workers are expected to follow.

In addition, to ensure that we jointly develop and future proof long term partnerships with our supply chain, the Group has established a Supplier Code of Conduct that outlines the responsibilities of our suppliers and encourages and secures equitable working conditions as well as responsible handling of social, ethical and environmental concerns throughout the supply chain.

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.

AGM

The AGM will be held at 4.00 pm on the conclusion of the preceding board meeting on 14 June 2023 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

18 April 2023

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

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Canary Wharf Group Investment Holdings plc (the 'parent 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 2022 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards 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 Statement of Changes in Equity;
- the Consolidated Balance Sheet;
- the Consolidated Cash Flow Statement;
- the related Notes 1 to 27 to the Consolidated Financial Statements;
- the Company Balance Sheet;
- the Company Statement of Changes in Equity; and
- the related Notes (a) to (f) to the company financial statements.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law, United Kingdom adopted international accounting standards 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

2. 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 as applied to listed entities, 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.

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

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: <ul style="list-style-type: none"> Valuation of the investment and development property portfolio; and the appropriateness of the going concern assumption.
Materiality	The materiality that we used for the group financial statements was £72.8m which was determined on the basis of 2.0% of net assets.
Scoping	A full scope audit was performed by the group engagement team.
Significant changes in our approach	We identified going concern as a new key audit matter in the current year due to a number of events expected to take place during the going concern forecast period including refinancing of certain debt facilities that expire and the financing of development activity on Wood Wharf Phase 3.

4. 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.

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting is discussed in section 5.2.

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 parent 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.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Valuation of the investment and development property portfolio

Key audit matter description	<p>The valuation of the investment and development property portfolio is the most significant estimate in the financial statements. The portfolio has a carrying value of £8,015.4m (2021 – £8,369.4m), with the decrease in the period being principally due to a revaluation deficit, partly offset by capital additions.</p> <p>The valuation of the portfolio is inherently subjective due to the key unobservable inputs in the valuation requiring a significant level of estimation. These include property yields and estimated rental values for investment properties, and forecast costs to complete and developers' profit for development properties. In addition, we identified a fraud risk in the data provided to the valuers by management, such as lease schedules and construction costs, as any changes in this input data will affect the valuation of the property portfolio.</p> <p>The property valuation was carried out by independent external valuers and reviewed by the directors. The external valuers were engaged by the directors and were instructed to perform their work in accordance with International Valuation Standards. A key source of estimation uncertainty has been identified in respect of the valuation of the investment and development properties as explained in Note 2 and Note 11 to the financial statements.</p>
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CANARY WHARF GROUP INVESTMENT HOLDINGS PLC (Continued)

How the scope of our audit responded to the key audit matter	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> obtaining an understanding of the relevant controls in the investment and development properties' valuation; assessing the competence, capability and objectivity of the external valuers; meeting with the external valuers, together with our valuation specialists, to discuss and challenge their valuation methodology, key estimates and assumptions, including the rationale for significant movements with reference to current external market trends; for our challenges of property yields and estimated rental values of the investment properties, benchmarking these key assumptions, along with our valuation specialists, to external industry data and comparable market transaction evidence, and assessing the rationale for key movements in these estimates against that transactional market evidence; in respect of investment properties, validating the tenancy data sent to the valuers for completeness and accuracy by agreeing a sample of data through to underlying lease agreements; working with our valuation specialists to test the mathematical accuracy of one of the valuation models from each of the valuers; and in relation to development properties, validating the costs to complete by agreeing approved development cost expenditure to signed contracts, appraisals and approved budgets. Together with our valuation specialists we researched, benchmarked and evaluated the developers' profit against wider market practice. In addition, we assessed management's historical accuracy for forecasting development costs.
Key observations	<p>On the basis of our testing, we are satisfied that the valuation of the investment and development property portfolio is appropriate.</p>

5.2. The appropriateness of the going concern assumption

Key audit matter description	<p>The directors are responsible for assessing the group's and the parent company's ability to continue as a going concern and disclosing, as applicable, matters related to going concern, considering a period of at least 12 months from the balance sheet date. The directors' assessment includes consideration of the group's and parent company's position, and forecast earnings, including income from property rentals and sales.</p> <p>At 31 December 2022, the group was in a net current liability position of £386.2m, which includes 3 loans that mature within 12 months of the balance sheet date (£313.7m of a £348.0m Newfoundland construction loan, £119.9m of a £186.0m office construction loan, and £20.3m Quay Club loan), and had committed costs of £205.4m in relation to the Wood Wharf development. Subsequent to the year end the Newfoundland construction loan was refinanced on a 5 year term, the office construction loan was extended by 12 months and the waiver on the Quay Club loan was extended by 9 months.</p> <p>We therefore identified going concern as a key audit matter due to uncertainty over the outcome of the refinancing of the debt facilities that expire within that period, and the financing of development activity on Wood Wharf. Further detail is set out in Note 1 to the financial statements.</p>
How the scope of our audit responded to the key audit matter	<p>Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:</p> <ul style="list-style-type: none"> obtaining an understanding of the relevant controls over the going concern assessment; obtaining management's business plan and going concern assessment, which had been approved by the Board, and assessing financial and other indicators, and potential sources of funding available to the group to identify if there are any other events or conditions which may cast doubt over the group's ability to continue as a going concern; assessing management's historical forecasting accuracy by comparing the prior year forecasts to the current year's actual results; assessing the forecast cash flows and appropriateness of management's reasonable worst case downside sensitivities over the going concern period with reference to supporting documentation and external market factors; assessing the forecast covenant compliance over the going concern period, including evaluating the sensitivity of covenants to market changes and cash flows; in conjunction with our debt advisory specialists, assessing the reasonableness of the directors' assumptions regarding refinancing over the going concern period;

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

- reviewing evidence of the post balance sheet refinancing of the £348.0m Newfoundland construction loan and extension of the £186.0m office construction loan and £20.3m Quay Club loan, as disclosed in Notes 1 and 27;
- reviewing the confirmation from the group's ultimate shareholders 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, and assessing the ability and commercial rationale of the shareholders to provide that support; and
- reviewing the appropriateness of the disclosures in relation to going concern within the financial statements.

Key observations

Based on the work we have performed, including assessment of post year end financing and the commitment of financial support from the group's ultimate shareholders, we concur with the directors' assessment that the group is a going concern and consider that the disclosures in Note 1 are appropriate.

6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£72.8m (2021 – £75.7m)	£39.2m (2021 – £39.3m)
Basis for determining materiality	2.0% of net assets	2.0% of net assets
Rationale for the benchmark applied	Net assets represent the key driver of business value and this metric is the primary focus for users of the financial statements.	

A lower materiality threshold of £4.3m (2021 – £5.2m) has been applied to balances which affect underlying earnings (including rental income, cost of sales, administrative expenses and net interest payable). This lower level of materiality was determined on the basis of 10.0% of underlying profit before tax, which excludes certain items as disclosed in Note 1. We consider that this metric better reflects the expectations of users of the financial statements and, whilst the primary focus is net assets, the secondary focus is underlying earnings, which are significantly smaller.

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	70.0% (2021 – 70.0%) of group materiality	70.0% (2021 – 70.0%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the quality of the control environment, and the nature, volume and size of misstatements identified in the previous audit.	

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

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £3.6m (2021 – £3.7m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

A full scope audit of Canary Wharf Group Investments Holdings plc and its consolidated subsidiaries was performed by the group engagement team. We audited the group as a single component because it is managed by one central executive and finance team. All individual subsidiaries which require separate audit opinions are audited by the group engagement team subsequent to the completion of the consolidated audit.

7.2. Our consideration of climate-related risks

As set out in the Corporate Responsibility section of the Strategic Report, the group has undertaken a number of sustainability initiatives in order to mitigate climate-related risks.

As part of our audit we have obtained an understanding of management's process and controls in considering the impact of climate risks and assessed whether the risks identified by management are complete and consistent with our understanding of the group.

8. 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 contained 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

9. 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.

10. 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. This description forms part of our auditor's report.

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

11. 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.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, the directors and the audit committee about their own identification and assessment of the risks of irregularities, including those that are specific to the group's sector;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks of fraud or non compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, valuations, IT and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the valuation of the investment and development property portfolio. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act and tax legislation.

In addition, we considered provisions of other laws and regulations that 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.

11.2. Audit response to risks identified

As a result of performing the above, we identified the valuation of the investment and development property portfolio as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and in-house and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

Report on other legal and regulatory requirements

12. 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 the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have nothing to report in respect of these matters.

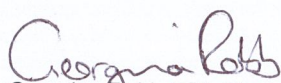
13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

14. 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.



Georgina Robb FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
18 April 2023

CANARY WHARF GROUP INVESTMENT HOLDINGS PLC

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2022

	Note	Underlying* £m	2022 Capital and other £m	Total £m	(Restated) Underlying* £m	2021 Capital and other £m	(Restated) Total £m
Gross development, rental and related income	5	470.2	–	470.2	426.2	–	426.2
Cost of sales		(176.2)	–	(176.2)	(151.3)	–	(151.3)
Net development, rental and related income	5	294.0	–	294.0	274.9	–	274.9
Share of profit/(loss) of joint ventures and associates	12	2.9	(7.3)	(4.4)	(3.8)	8.2	4.4
Revaluation of investments	13	–	(7.6)	(7.6)	–	(2.2)	(2.2)
Administrative expenses		(66.9)	–	(66.9)	(53.8)	–	(53.8)
Other income		8.1	–	8.1	8.4	–	8.4
Property revaluation movements	6	–	(566.8)	(566.8)	–	(93.5)	(93.5)
Operating profit/(loss)	3	238.1	(581.7)	(343.6)	225.7	(87.5)	138.2
Net financing costs:							
– financing income	7	4.6	357.2	361.8	3.6	149.0	152.6
– financing charges	7	(202.8)	(9.8)	(212.6)	(177.4)	(8.2)	(185.6)
		(198.2)	347.4	149.2	(173.8)	140.8	(33.0)
Profit/(loss) before tax		39.9	(234.3)	(194.4)	51.9	53.3	105.2
Current tax	8			13.5			(22.6)
Deferred tax				1.5			11.1
(Loss)/profit after tax	4			(179.4)			93.7
(Loss)/earnings per share				(24.2)p			12.7p

*As defined in Notes 1(y).

Restated – The Group's share of interest payable by joint ventures and associates of £4.1m has been reclassified from net financing costs to share of profit/(loss) of joint ventures and associates for the year ended 31 December 2021. In addition, £1.1m of vacant space costs and £0.7m bad debt expense have been reclassified from administrative expenses into costs of sales for 2021 to more appropriately reflect the nature of the costs. The split of net financing costs between financing income and financing charges for 2021 has been adjusted to reflect interest receivable from loans to CWGRL and positive movements in the fair value of derivatives as financing income. There was no impact on profit before tax or net assets.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2022

	2022	2021
	£m	£m
(Loss)/profit for the year after tax	(179.4)	93.7
Items that may be reclassified subsequently to profit or loss:		
Cash flow hedges:		
Gains arising on effective hedges	20.4	2.3
Foreign exchange (losses)/gains on hedged instruments	(13.7)	4.3
Transferred from equity	8.4	5.0
Other comprehensive income for the year	15.1	11.6
Total comprehensive (expense)/income for the year	(164.3)	105.3

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2022

	Share Premium £m	Capital redemption reserve £m	Cancelled share reserve £m	Total other reserves £m	Hedging reserve £m	Retained earnings £m	Share capital £m	Total £m
1 January 2021	1,195.1	2.5	59.5	1,257.1	(53.2)	2,413.1	74.0	3,691.0
Profit for the year after tax	–	–	–	–	–	93.7	–	93.7
Net income recognised	–	–	–	–	–	93.7	–	93.7
Cash flow hedges: Gains arising on effective hedges	–	–	–	–	2.3	–	–	2.3
Foreign exchange gains on hedged instruments	–	–	–	–	4.3	–	–	4.3
Transferred to income	–	–	–	–	5.0	–	–	5.0
Total comprehensive income for the year	–	–	–	–	11.6	93.7	–	105.3
Distribution	–	–	–	–	–	(3.7)	–	(3.7)
1 January 2022	1,195.1	2.5	59.5	1,257.1	(41.6)	2,503.1	74.0	3,792.6
Loss for the year after tax	–	–	–	–	–	(179.4)	–	(179.4)
Net (expense)/income recognised	–	–	–	–	–	(179.4)	–	(179.4)
Cash flow hedges: Gains arising on effective hedges	–	–	–	–	20.4	–	–	20.4
Foreign exchange losses on hedged instruments	–	–	–	–	(13.7)	–	–	(13.7)
Transferred to income	–	–	–	–	8.4	–	–	8.4
Total comprehensive (expense)/income for the year	–	–	–	–	15.1	(179.4)	–	(164.3)
31 December 2022	1,195.1	2.5	59.5	1,257.1	(26.5)	2,323.7	74.0	3,628.3

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.

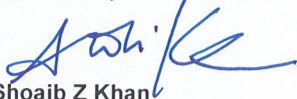
Retained earnings include, inter alia, revaluation surpluses in respect of the Group's properties that are recognised in the Consolidated Income Statement.

CONSOLIDATED BALANCE SHEET

at 31 December 2022

	Note	2022 £m	2021 £m
Assets:			
Non current assets			
Investment properties	11	7,077.7	7,123.6
Properties under construction	11	238.3	264.2
Development properties	11	699.4	981.6
Plant and equipment	11	7.1	8.9
		8,022.5	8,378.3
Other non current assets			
Investments in joint ventures	12	95.7	96.7
Other investments	13	27.6	35.2
Derivative financial instruments	19	13.1	–
		8,158.9	8,510.2
Current assets			
Properties held for sale at cost	11	53.6	31.3
Derivative financial instruments	19	21.2	–
Corporation tax debtor		13.4	–
Trade and other receivables	14	135.3	230.0
Monetary deposits		–	2.3
Cash and cash equivalents	15	350.7	241.1
		574.2	504.7
Total assets		8,733.1	9,014.9
Liabilities:			
Current liabilities			
Current portion of long term borrowings	17	(535.6)	(387.4)
Corporation tax		–	(46.6)
Trade and other payables	16	(427.8)	(241.0)
		(963.4)	(675.0)
Non current liabilities			
Borrowings	18	(3,949.2)	(3,984.5)
Derivative financial instruments	19	(122.3)	(491.3)
Lease liability	21	(62.2)	(62.2)
Deferred tax	8	(5.9)	(7.4)
Provisions	22	(1.8)	(1.9)
		(4,141.4)	(4,547.3)
Total liabilities		(5,104.8)	(5,222.3)
Net assets		3,628.3	3,792.6
Equity			
Share capital	23	74.0	74.0
Hedging reserve		(26.5)	(41.6)
Other reserves		1,257.1	1,257.1
Retained earnings		2,323.7	2,503.1
Total equity attributable to members of the Company		3,628.3	3,792.6

Approved by the Board and authorised for issue on 18 April 2023 and signed on its behalf by:



Shoaib Z Khan
Chief Executive Officer

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2022

	Note	2022 £m	2021 £m
Cash from operating activities (before interest)	24	178.6	130.5
Interest paid		(199.9)	(197.4)
Interest received		4.6	3.6
Net cash inflow/(outflow) from operating activities		(16.7)	(63.3)
Cash flows from investing activities			
Development expenditure		(110.9)	(122.4)
Disposal of development property		5.0	–
Receipts from investments		0.8	3.2
Purchase of property, plant and equipment		(3.5)	(5.1)
Investment in joint ventures and associated undertakings		(3.4)	(12.2)
Release of monetary deposit		2.3	–
Net cash outflow from investing activities		(109.7)	(136.5)
Cash flows from financing activities			
Redemption of securitised debt		(29.3)	(29.3)
Repayment of secured loans		(21.3)	(844.5)
Repayment of loan notes		–	(26.1)
Draw down of secured loans		59.3	–
Draw down of construction loans		74.8	70.4
Draw down of Green Bonds		–	906.3
Payment of lease liabilities		(6.0)	(6.1)
Repayment of construction loans		(2.4)	(12.6)
Payments for derivative financial instruments		(17.6)	–
Swap break costs		(1.4)	(3.2)
New loan fees		(3.3)	(13.8)
Dividends paid		–	(3.7)
Loans received from related parties		134.3	–
Loan repayments received from related parties		48.9	–
Net cash inflow from financing activities		236.0	37.4
Net movement in cash and cash equivalents		109.6	(162.4)
Cash and cash equivalents at start of year		241.1	403.5
Cash and cash equivalents at end of year	15	350.7	241.1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) in conformity with the requirements of the Companies Act 2006.

The following new and revised accounting standards and interpretations have been adopted by the Group in 2022. 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 IAS 16: Property, Plant and Equipment — Proceeds before Intended Use
- Annual Improvements 2018-2020 Cycle
- Amendments to IFRS 3: References to the Conceptual Framework in IFRS Standards
- Amendments to IAS 37: Costs of fulfilling an onerous contract

At 31 December 2022, a number of standards, amendments to standards and interpretations have been issued by the IASB but are not effective for these financial statements, comprising:

- IFRS 17: Insurance Contracts
- Amendment to IFRS 3: Business Combinations
- Amendments to IAS 1: Classification of liabilities as Current or Non-Current
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies
- Amendments to IAS 8: Definition of Accounting Estimates
- Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IFRS 16: Lease Liability in a Sale and Leaseback
- Amendments to IAS 1: Non-current Liabilities with Covenants

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 qualifying partners have taken exemptions from these requirements as these have been dealt with on a consolidated basis in the financial statements.

In preparing the financial statements for the year ended 31 December 2022 the Directors have made certain restatements and reclassifications to the comparative figures for the year ended 31 December 2021 as follows:

- Joint venture interest – The Group's share of interest payable by joint ventures of £4.1m was previously included within financing costs in the Consolidated Income Statement, whereas IAS 1 requires that the total share of profit/(loss) of joint ventures and associates be shown as a single line. Accordingly, the Group's share of profit/(loss) of joint ventures and associates has been restated from £8.5m to £4.4m for 2021 and financing costs have been restated from £178.0m to £173.9m (before the change to interest receivable below). The correction impacted the underlying share of profit/(loss) of joint ventures and associates and underlying finance charges, with no overall impact on the profit/(loss) for the year.
- Interest receivable – Interest receivable from CWGRL of £3.5m was incorrectly netted against finance charges (other bank loans, overdraft, and other interest payable). Accordingly, underlying finance income has been restated from £0.1m to £3.6m and underlying finance costs have been restated from £173.9m above to £177.4m. There was no net impact on net financing costs of this change.
- Reclassification of costs – The Group has reclassified £1.8m of costs from administrative expenses to cost of sales, comprising £0.7m bad debt expense and £1.1m of vacant space costs, to reflect the nature of the costs more appropriately.
- Tenant incentives and investment properties – Tenant incentives and unamortised negotiation costs of £258.4m have been included within the carrying value of the property asset as opposed to a separate line item on the Consolidated Balance Sheet. There was no impact on total assets.

The net impact of the above on the 2021 results was a decrease of £1.8m from £276.7m to £274.9m to 'net development, rental and related income', a decrease of £4.1m from £142.3m to £138.2m to operating profit and a decrease in net financing costs from £37.1m to £33.0m. All items affected the underlying results with no impact on capital and other items. There was no impact on profit before tax or net assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022 (Continued)

Going concern

The Directors have adopted the going concern basis in preparing the financial statements and have concluded that there are no material uncertainties in relation to the Group going concern status. The going concern review period covers the period of 12 months from the date of approval of these financial statements.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report including detail relating to the finances of the Group, its liquidity position and borrowing facilities. Further details in relation to the Group's borrowing facilities are set out in Note 20. The Strategic Report also sets out the Group's principal risks and uncertainties and the Directors have reached their conclusion on going concern after considering these principal risks.

The Group has an annual business plan process which entails production of a 5 year business plan which was approved in the October 2022 Board meeting with an update conducted and approved at the March 2023 Board meeting. 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 Group enjoys the benefit of leases with a weighted average unexpired lease term of 9.8 years or 8.1 years, assuming the exercise of all break options and, at 31 December 2022, the occupancy level in the Group's office portfolio was 92.5% and retail portfolio was 97.9%.

In addition, at 31 December 2022, the Group had cash totalling £350.7m of which £90.3m was unrestricted. In addition, £130.0m is available to be drawn under the Group's revolving credit facilities – £30.0m of which expires in April 2024 and £100.0m in September 2027. At 31 December 2022 the average maturity of the Group's loans was 5.4 years. These leases support the income cash flow forecasts over the going concern period. The base case assumption also includes certain asset disposals.

At 31 December 2022, the Group is in a net current liability position of £389.2m. Included in current liabilities at the year end were 3 loans that mature within 12 months of the Balance sheet date – £348.0m (£313.7m drawn) Newfoundland construction loan, £186.0m (£119.9m drawn) office construction loan and £20.3m (fully drawn) Quay Club loan. Subsequent to the year end 2 of these loans were extended and one was refinanced, details of which are:

- The £348.0m Newfoundland construction loan of which £313.7m had been drawn at 31 December 2022 was refinanced in March 2023. The loan proceeds have been used to repay the existing facilities that were initially due for repayment in December 2022 and had been extended to 23 March 2023 prior to the year end. The new facility is a 5 year term.
- The £186.0m office construction loan which part funded the buildings at 15 Water Street and 20 Water Street of which £119.9m had been drawn at 31 December 2022 was extended to March 2024. In accordance with the terms of the extension the undrawn commitment was cancelled.
- The waiver received from the lender in respect of the Quay Club loan expired on 31 March 2023 and therefore the loan would have become due for repayment on that date. On the 30 March 2023, the covenant waiver was extended to 8 January 2024 with the quarterly interest rate payable increasing to UK Base Rate + 3.5% (previously UK Base Rate + 2.5%).

The Board is of the view that the construction loan on 15 and 20 Water Street and the Quay Club loan, both of which expire within the going concern period, will either be refinanced or be able to be repaid within the going concern period. In addition, the loans are secured on the relevant property assets and have no recourse to the Group.

At the date of this report the Group is continuing to develop Wood Wharf Phase 3 and had committed to future expenditure in relation to certain aspects of this development of £205.4m. The Group does not currently have construction facilities for this development other than for the infrastructure works. At the date of these financial statements the Group is in discussions with potential lenders over the terms of a facility to fund the development and in determining the funding structure including any additional equity that may be required from the shareholders.

Given the 15/20 Water Street and Quay Club loans are due for repayment within 12 months of the signing of the financial statements and the refinancing of these loans is not yet committed, together with the committed future expenditure at Wood Wharf Phase 3, the Group's ultimate shareholders, Brookfield and QIA, have confirmed in writing 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 these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022 (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 Group have adequate resources to continue their operations for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

Accounting policies

These financial statements have been prepared under the historical cost convention as modified by the revaluation of investment, development and construction properties 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.

(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, on a separate line, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022 (Continued)

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 and properties held for sale at cost

The development pipeline comprises sites held with the intention to develop for future use as investment properties. When construction commences on such properties, they are reclassified at fair value as an active development. On completion, the property is transferred to investment properties. 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.

Finance costs associated with direct expenditure on active developments 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 held for sale at cost are being constructed with a view to sale and are held within current assets at the lower of cost 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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022 (Continued)

- (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) **Long term incentive plan**
The Group and its employees participate in the Stork Holdco LP Group's long term incentive plan (LTIP) with awards made at the discretion of the Remuneration Committee. The LTIP awards are subject to performance conditions and vest in 2 tranches over a 3 year award period giving participants the right to receive a cash payment at the end of each tranche's vesting period. The LTIP is a cash settled share based payment, therefore, IFRS 2 Share Based Payments ('IFRS 2') has been applied in determining the accounting treatment of the awards. The LTIP charge is recognised alongside other employment costs in the employing company, using straight line attribution over the vesting period as this best represents services rendered by participants over the life of the award. Until the liability is settled, the fair value is remeasured at each reporting date. Remeasurements during the vesting period are recognised immediately to the extent that they relate to past services, and recognised over the remaining vesting period to the extent that they relate to future services. Remeasurements at vesting are recognised immediately to ensure the ultimate liability equals the cash payment on settlement date. If a participant ceases to be employed by the Group, the award will lapse, unless the participant is deemed to be a 'good leaver', in which case the award will be reduced pro rata on length of employment in relation to the award date, however, this is at the discretion of the Remuneration Committee.
- (p) **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.
- (q) **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 2022 (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.

(r) 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.

(s) Impairment of tangible assets

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

(t) 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 2022 (Continued)

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs at which time the gain or loss is recycled to the income statement. 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.

(u) 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.

(v) 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 right 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022 (Continued)

- (w) **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.
- (x) **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.
- (y) **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, included under Capital and other items, 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 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 active developments and the development pipeline, the estimated costs to completion. The valuers also make reference to market evidence of transaction prices for similar properties.
- 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 19. 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 2022 (Continued)

3. OPERATING PROFIT/(LOSS)

Operating profit represents the consolidated profit of the Group, including the Group's share of results of joint ventures and associates.

	2022	2021
	£m	£m
The operating profit is stated after charging:		
- depreciation (Note 11)	5.3	4.6
- directors' emoluments (Note 10)	3.2	7.8

Auditor's Remuneration

	2022	2021
	£'000	£'000
Audit of Company	123	137
Audit of subsidiaries	1,236	943
Total audit	1,359	1,080
Audit related assurance services (interim reviews)	72	62
Other assurance services (service charge assurance work)	63	57
Audit and related assurance services	135	119
Total fees	1,494	1,199

4. PERFORMANCE MEASURES, INCLUDING ADJUSTED PERFORMANCE MEASURES

Basic earnings and losses per share:

	2022		2021	
	Earnings £m	Per share p	Earnings £m	Per share p
Underlying profit for the year before tax	39.9	5.4	51.9	7.0
Capital and other items	(234.3)	(31.6)	53.3	7.2
Tax	15.0	2.0	(11.5)	(1.5)
(Loss)/profit after tax attributable to members of the Company	(179.4)	(24.2)	93.7	12.7

Underlying earnings is defined and its purpose explained in Note 1(y).

Earnings per share for 2022 has been calculated by reference to the loss attributable to equity shareholders of £179.4m for 2022 (2021 – profit of £93.7m) and on the weighted average of 740.4m Ordinary Shares in issue (2021 – 740.4m).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022 (Continued)

Adjusted net assets per share:

	2022 £m	2021 £m
Balance sheet net assets	3,628.3	3,792.6
Adjustment for: deferred tax liability	5.9	7.4
Mark to market of derivatives liabilities/(assets)	88.0	491.3
	<u>3,722.2</u>	<u>4,291.3</u>
Less: capital contributions	(153.0)	(153.0)
Add: dividends	24.3	24.3
Adjusted net assets	<u>3,593.5</u>	<u>4,162.6</u>
Net assets per share	490p	512p
Adjusted NAV per share	485p	562p

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 totalling £24.3m (2021 – £24.3m). The underlying reduction in adjusted NAV per share for the year was 77p (2021 – 8p).

Capital contributions and dividends have been added back so that adjusted net assets can be better compared over time.

5. REVENUE

	2022 £m	2021 £m
Rent receivable	282.7	271.7
Recognised incentives and committed rent increases	11.1	24.2
	<u>293.8</u>	<u>295.9</u>
Residential rent	21.3	3.4
Service charge income	111.4	95.6
Other recoveries from tenants	27.1	19.7
Termination of leases	11.9	3.2
Management fees*	4.7	8.4
Gross development, rental and related income	<u>470.2</u>	<u>426.2</u>
Service charge	(115.6)	(108.9)
Other direct property expenses	(25.1)	(19.1)
Residential cost of sales	(9.5)	(5.6)
Costs associated with termination of leases	(9.0)	(1.3)
Costs associated with management fees	(2.1)	(6.5)
Amortisation of negotiation costs	(4.8)	(1.2)
Vacant space costs [†]	(5.4)	(8.0)
Bad debt expense [†]	(4.7)	(0.7)
Cost of sales	<u>(176.2)</u>	<u>(151.3)</u>
Net development, rental and related income	<u>294.0</u>	<u>274.9</u>

*Management fees include construction, development and other asset management fees.

[†]As stated in Note 1, in the 2021 financial statements, £0.7m bad debt expense and £1.1m of vacant space costs were included within administrative expenses. These have been reclassified into costs of sales for 2022 to more appropriately reflect the nature of the costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022 (Continued)

In 2022, the Group had one major customer, contributing £75.9m of Group revenue (2021 – one major customer contributing £73.4m).

Rent receivable included contingent rents of £4.4m (2021 – £3.1m).

6. PROPERTY VALUATION MOVEMENTS

	2022 £m	2021 £m
Revaluation of:		
– investment properties	(428.1)	(123.1)
– properties under construction	26.3	18.8
– development properties	(165.0)	10.8
	<u>(566.8)</u>	<u>(93.5)</u>

7. NET FINANCING COSTS

	2022 £m	(Restated) 2021 £m
Underlying		
Financing income		
Deposits, other loans and securities	<u>4.6</u>	<u>3.6</u>
Financing charges		
Securitised debt	(80.9)	(82.7)
Green Bonds	(30.5)	(22.5)
Other secured loan interest	(63.9)	(59.4)
Construction loan interest	(28.5)	(22.1)
Other bank loans, overdrafts and other interest payable	(9.4)	(6.7)
Obligations under long term property lease	(6.0)	(6.1)
Accelerated amortisation of deferred financing costs	–	(4.3)
	<u>(219.2)</u>	<u>(203.8)</u>
Interest transferred to active developments		
– General interest	10.9	13.4
– Construction loan finance costs	5.5	13.0
	<u>(202.8)</u>	<u>(177.4)</u>
Underlying – net financing charges	<u>(198.2)</u>	<u>(173.8)</u>
Capital and other		
Financing income		
Valuation movements on fair value of derivatives	357.2	149.0
Financing charges		
Swap break costs	(1.4)	(3.2)
Hedging reserve recycling	(8.4)	(5.0)
	<u>(9.8)</u>	<u>(8.2)</u>
Capital and other – net financing income	<u>347.4</u>	<u>140.8</u>
Net financing income/(charges)		
Total financing income	361.8	152.6
Total financing charges	(212.6)	(185.6)
Net financing income/(charges)	<u>149.2</u>	<u>(33.0)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022 (Continued)

The Group's share of interest payable by joint ventures and associates for 2021 of £4.1m has been reclassified from net financing costs to share of profit/(loss) of joint ventures and associates. There was no impact on profit before tax or net assets. (Note 12).

Financing fees included in interest payable totalled £16.9m in 2022 (2021 – £15.6m).

The amount transferred to active developments and held for development comprised £10.9m attributable to the cost of funds of the Group's general borrowings (2021 – £13.4m) and £5.5m of finance costs recognised on the construction loan facilities which are being utilised to finance certain of the development expenditure on the Estate (2021 – £13.0m). 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 4.0% (2021 – 3.7%).

In 2022, £8.4m (2021 – £5.0m) was recycled to the Consolidated Income Statement from the hedging reserve as the corresponding hedged cash flows occurred in the year.

In 2022, £20.4m of fair value gains (2021 – £2.3m of gains) on interest rate hedges were taken to the hedging reserve. At 31 December 2022, these hedging instruments were entered into in connection with the secured loans against 25 Churchill Place and 1 Bank Street, the Green Bonds and certain of the Group's construction facilities. At 31 December 2021, the hedging instruments related to the Green Bonds and certain of the Group's construction facilities.

8. TAX

	2022 £m	2021 £m
Tax credit/(charge)		
Current tax		
Current tax charge to income	(2.4)	(22.6)
Tax credit in respect of prior years	15.9	–
Total current tax	13.5	(22.6)
Deferred tax credit/(charge)	1.5	11.1
Total deferred tax	1.5	11.1
Group total tax – credit/(charge)	15.0	(11.5)
Tax reconciliation		
Group (loss)/profit on ordinary activities before tax	(194.4)	105.2
Tax on (loss)/profit on ordinary activities at UK corporation tax rate of 19.0% (2021 – 19.0%)	36.9	(20.0)
Effects of:		
Change in tax rate	0.3	(1.7)
Adjustments in respect of prior years	16.3	1.3
Profits and losses non taxable under the REIT regime	(34.0)	12.5
Movement in tax losses not recognised as deferred tax assets	(1.9)	(4.6)
Tax charge on internal restructuring	–	2.9
Expenses not deductible for tax purposes	(2.3)	(1.7)
Other differences	(0.3)	(0.2)
Group total tax	15.0	(11.5)

Taking into account the availability of brought forward tax losses and other reliefs, and including adjustments to liabilities of prior years, a corporation tax credit of £13.5m has been recognised in the year (2021 – charge of £22.6m). The corporation tax asset was £13.4m at 31 December 2022, in comparison with a payable of £46.6m at 31 December 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022 (Continued)

	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
(Charge)/credit to income	(0.1)	(0.1)	0.1	(0.1)
31 December 2021	–	–	0.7	0.7
Credit to income	–	–	0.7	0.7
31 December 2022	–	–	1.4	1.4

	Revaluation surpluses £m	Other £m	Total £m
Deferred tax liabilities			
1 January 2021	(19.1)	(0.2)	(19.3)
Credit/(charge) to income	11.7	(0.5)	11.2
31 December 2021	(7.4)	(0.7)	(8.1)
Credit to income	0.1	0.7	0.8
31 December 2022	(7.3)	–	(7.3)

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)
Credit to income	11.1
Net liability at 31 December 2021	(7.4)
Credit to income	1.5
Net liability at 31 December 2022	(5.9)

At 31 December 2022, the net deferred tax liability relates primarily to the upward revaluation of owner occupied space, which is not anticipated to crystallise within one year.

The standard rate of corporation tax payable by the Group is 19.0%. The Finance Act 2021 increases the rate to 25.0% in 2023 and accordingly deferred tax is provided by reference to this increased enacted corporation tax rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022 (Continued)

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 2022, the weighted average unexpired lease term under non cancellable operating leases for the entire investment property portfolio, including retail, was 8.3 years (2021 – 8.8 years).

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

	2022	2021
	£m	£m
Within one year	295.5	279.7
Between 2 and 5 years	1,091.7	1,041.8
After 5 years	1,569.5	1,629.0
	<u>2,956.7</u>	<u>2,950.5</u>

10. DIRECTORS AND EMPLOYEES

Staff costs – all employees of the Group, including executive and non-executive directors:

	2022	2021
	£m	£m
Wages and salaries	87.9	88.0
Social security costs	10.3	10.1
Other pension costs	7.1	6.7
Long term incentive	10.5	2.4
	<u>115.8</u>	<u>107.2</u>

Included in the staff costs shown above is £32.2m (2021 – £31.9m) of costs that were capitalised during the year including £1.5m relating to long term incentives.

The Group made no payments in respect of LTIP schemes during the year (2021 – £10.1m).

The average monthly number of employees during 2022 was 1,232 (2021 – 1,217) as set out below:

	2022	2021
Construction	216	230
Property management	769	758
Corporate and administration	247	229
	<u>1,232</u>	<u>1,217</u>

Directors' remuneration

	2022	2021
	£'000	£'000
Emoluments paid or payable (including pension contributions)	3,219	7,790
Long term incentive schemes	–	3,195

Highest paid director

	2022	2021
	£'000	£'000
Highest paid director (including pension contributions)	<u>2,145</u>	<u>4,758</u>

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 £2,779.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022 (Continued)

Other directors

No travel and other subsistence expenses were reimbursed to non executive directors in either 2022 or 2021.

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 £7.1m (2021 – £6.7m), represents contributions payable by the Group during the year.

Directors' share allocations/long term benefits

At 31 December 2020 £5,973,440 awards were made under the 2021 scheme and at 31 December 2021 £3,260,000 awards were made under the 2022 scheme.

11. INVESTMENT, DEVELOPMENT AND CONSTRUCTION PROPERTIES, WORK IN PROGRESS AND PLANT AND EQUIPMENT

Non current and current property assets at 31 December 2022 comprised:

	Investment properties £m	Properties under construction £m	Development properties £m	Total non current assets £m	Properties held for sale at cost £m	Property portfolio total £m
Carrying value at 1 January 2022	7,123.6	264.2	981.6	8,369.4	31.3	8,400.7
Additions	19.7	10.6	123.0	153.3	20.0	173.3
Capitalised interest	–	2.5	11.6	14.1	2.3	16.4
Transfers	307.3	(59.6)	(247.7)	–	–	–
Disposals	–	–	(4.1)	(4.1)	–	(4.1)
Revaluation movement	(428.1)	26.3	(165.0)	(566.8)	–	(566.8)
Movements in tenant incentives and negotiation costs	55.2	(5.7)	–	49.5	–	49.5
Carrying value at 31 December 2022*	7,077.7	238.3	699.4	8,015.4	53.6	8,069.0
Adjust for:						
– obligations under long term property lease (Note 21)	(9.3)	(0.9)	(51.9)	(62.1)	–	(62.1)
– unrealised fair value movement	–	–	–	–	1.4	1.4
Fair value at 31 December 2022	7,068.4	237.4	647.5	7,953.3	55.0	8,008.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2022 (Continued)

The carrying value of the entire portfolio at 31 December 2022 comprises:

	Investment properties £m	Properties under construction £m	Development properties £m	Total non current assets £m	Properties held for sale at cost £m	Property portfolio total £m
Wholly owned	7,077.7	238.3	699.4	8,015.4	53.6	8,069.0
Joint ventures (Group share):						
– Vertus	386.4	–	–	386.4	–	386.4
– One Charter Street	–	39.5	–	39.5	–	39.5
Total property portfolio	7,464.1	277.8	699.4	8,441.3	53.6	8,494.9

Non current and current property assets at 31 December 2021 comprised:

	Investment properties £m	Properties under construction £m	Development properties £m	Total non current assets £m	Properties held for sale at cost £m	Property portfolio total £m
Carrying value at 1 January 2021	6,547.6	745.9	1,025.6	8,319.1	–	8,319.1
Additions	20.8	68.2	28.4	117.4	5.0	122.4
Capitalised interest	–	16.7	9.2	25.9	0.5	26.4
Transfers/disposals	655.7	(589.1)	(92.4)	(25.8)	25.8	–
Revaluation movement	(123.1)	18.8	10.8	(93.5)	–	(93.5)
Movements in tenant incentives and negotiation costs	22.6	3.7	–	26.3	–	26.3
Carrying value at 31 December 2021*	7,123.6	264.2	981.6	8,369.4	31.3	8,400.7
Adjust for:						
– obligations under long term property lease (Note 21)	–	–	(62.2)	(62.2)	–	(62.2)
– unrealised fair value movement	–	–	–	–	(0.7)	(0.7)
Fair value at 31 December 2021	7,123.6	264.2	919.4	8,307.2	30.6	8,337.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022 (Continued)

Carrying value at 31 December 2021	Investment properties £m	Properties under construction £m	Development properties £m	Total non current assets £m	Properties held for sale at cost £m	Property portfolio total £m
Wholly owned	7,123.6	264.2	981.6	8,369.4	31.3	8,400.7
Joint ventures (Group Share):						
– Vertus	189.4	–	–	189.4	–	189.4
– One Charter Street	–	26.2	–	26.2	–	26.2
Total property portfolio	7,313.0	290.4	981.6	8,585.0	31.3	8,616.3

*Note:

Tenant incentives and negotiation costs have been re presented during the current year to form part of the carrying value of the property assets as opposed to separate lines items on the Balance sheet.

Property transactions and transfers

Properties held for sale currently comprises the building being developed at 8 Harbord Square which is being developed for the purpose of sale and consequently is disclosed as a current asset in the Consolidated Balance Sheet.

Construction of Phase 3 of Wood Wharf came above grade in Q4 2022, with 4 residential buildings at 13 Brannan Street, 40 Charter Street, 50–60 Charter Street and 70–80 Charter Street, together with 45 Charter Street and 10 Brannan Street from Phase 2 of Wood Wharf, being transferred to under construction to be retained at a combined value of £237.4m.

Transfers to completed investment properties comprise 20 Water Street, a 234,000 sq ft office and retail building at a value of £165.0m and 15 Water Street, a 187,000 sq ft mixed use building with office, retail, a hotel and a gym, at a value of £133.0m.

Disposals comprises the sale of car park spaces at Wood Wharf to CWGRL for £5.0m, which resulted in a profit of £0.9m. This is recognised in other income within the consolidated income statement.

£9.3m of the ground rent obligation (Note 21) has been allocated to completed investment properties and £1.0m to under construction to be retained from development properties.

Included in investment properties is an amount of approximately £37.7m (31 December 2021 – £55.0m) 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 2022 was £5,658.5m (31 December 2021 – £5,493.9m).

Direct operating expenses arising from investment properties that did not generate rental income in the year totalled £7.6m (2021 – £21.5m).

Property valuation

The fair value of the Group's property portfolio, excluding joint ventures at 31 December 2022 was £8,008.3m (31 December 2021 – £8,337.8m).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022 (Continued)

Fair value of the Group's properties at 31 December 2022 analysed by valuer:

	2022			2021		
	Group £m	Joint ventures £m	Total £m	Group £m	Joint ventures £m	Total £m
CBRE	4,761.3	425.9	5,187.2	4,701.8	215.6	4917.4
Savills	3,243.0	–	3,243.0	2,870.0	–	2,870.0
Cushman and Wakefield	–	–	–	762.0	–	762.0
Internal valuation	4.0	–	4.0	4.0	–	4.0
Total property	8,008.3	425.9	8,434.2	8,337.8	215.6	8,553.4

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 senior management and certain executive directors. When the valuation reports are considered appropriate, they are recommended for adoption by the Audit Committee which considers the valuation reports as part of its overall responsibilities.

Valuation techniques used for Level 3

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

- Discounted cash flow using the following inputs: net current rent, estimated rental value (annual rent), terminal value, discount rate.
- Yield methodology using net current rent or estimated market rental value, capitalised with a market capitalisation rate.
- Residual method – for active developments, 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 and an allowance for developers profit.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022 (Continued)

Information about fair value measurements using unobservable inputs (Level 3) for the year ended 31 December 2022:

Investment	Fair value at 31 December 2022 £m	DCF/RM	ERV psf			Discount Rate (DR)			Terminal Cap Rate (TCR)		
			Min £	Max £	Wgt Avg £	Min %	Max %	Wgt Avg %	Min %	Max %	Wgt Avg %
Offices	5,261	DCF	37.2	58.5	49.4	3.6	7.9	5.6	4.5	5.8	5.0
Retail	1,142	DCF	3.5	1,375.0	52.0	5.5	6.0	5.9	5.4	5.9	5.4
PRS	665	DCF	50.7	50.7	50.7	5.9	5.9	5.9	3.5	3.5	3.5
			Cost to GDV Complete								
Developments	885	RM	7,306	4,611							

Note:

DCF Discounted cash flow

RM Residual method

PRS Includes Newfoundland and Affordable, Affordable properties valued at external market value so not impacted by sensitivity analysis.

Information about the impact of changes in unobservable inputs (Level 3) on the fair value of the Group's property portfolio for the year ended 31 December 2022

Investment	Fair value at 31 December 2022 £m	DCF/RM	Impact on valuations		Impact on valuations		Impact on valuations	
			-5.0% ERV £m	+5.0% ERV £m	-25 bps DR £m	+25 bps DR £m	-25 bps TCR £m	+25 bps TCR £m
Offices	5,261	DCF	(139)	150	97	(99)	189	(176)
Retail	1,142	DCF	(42)	44	22	(22)	36	(32)
PRS	665	DCF	(27)	28	9	(8)	42	(37)
			Impact on valuations		Impact on valuations			
			-5.0% GDV £m	+5.0% GDV £m	+5.0% costs £m	-5.0% costs £m		
Developments	885	RM	(193)	285	(137)	250		

All other factors being equal:

- An increase in the current or estimated future rental streams would have the effect of increasing 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 active developments 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.

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 2 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2022 (Continued)

Tenant incentives and deferred negotiation costs

	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
Transferred from investment property	–	2.4	2.4	–	2.4
Recognition of rent during rent free periods	43.5	–	43.5	–	43.5
Amortisation	(13.0)	(6.3)	(19.3)	(1.2)	(20.5)
Deferred lease negotiation costs	–	–	–	0.9	0.9
31 December 2021	134.6	105.8	240.4	18.0	258.4
Incentives granted	–	41.1	41.1	–	41.1
Recognition of rent during rent free periods	37.8	–	37.8	–	37.8
Amortisation	(17.8)	(8.9)	(26.7)	(4.8)	(31.5)
Deferred lease negotiation costs	–	–	–	2.1	2.1
31 December 2022	154.6	138.0	292.6	15.3	307.9

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.

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).

	2022 £m	2021 £m
Opening balance	8.9	8.4
Additions	3.5	5.1
Depreciation	(5.3)	(4.6)
Closing balance	7.1	8.9

12. JOINT VENTURES AND ASSOCIATES

	2022 £m	2021 £m
Joint ventures and associates	95.7	96.7
	95.7	96.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022 (Continued)

The carrying value of the investments in associates and joint ventures comprise:

	Vertus £m	One Charter Street £m	20 Fenchurch Street £m	North Quay £m	Total £m
Initial investment	70.2	25.6	0.1	–	95.9
Fees	2.0	–	–	–	2.0
Recognised share of (losses)/profits	(7.3)	0.2	0.1	(0.1)	(7.1)
Revaluation surplus/(deficit)	21.8	(16.9)	–	–	4.9
	86.7	8.9	0.2	(0.1)	95.7

Summary movement for the year of the investments in joint ventures and associates

	Vertus £m	One Charter Street £m	20 Fenchurch Street £m	North Quay £m	Total £m
At 31 December 2021	74.3	22.2	0.2	–	96.7
Investment	–	3.4	–	–	3.4
Share of profits/(losses)	2.8	0.2	–	(0.1)	2.9
Revaluation surplus/(deficit)	9.6	(16.9)	–	–	(7.3)
At 31 December 2022	86.7	8.9	0.2	(0.1)	95.7

Details of the Group's joint ventures at 31 December 2022 are as follows:

	Partners	Property sector	Date of acquisition	Country of incorporation	Ownership interest %
Vertus:					
8 Water Street and 10 George Street	QIA 25.0% Brookfield 25.0%	Build to Rent	March 2017	UK/Jersey	50.0
One Charter Street	Edyn	Hospitality	December 2020	UK/Jersey	50.0
20 Fenchurch Street	Land Sec	Office – sold	October 2010	UK/Jersey	30.0
North Quay	Kadans	Office	March 2022	UK/Jersey	50.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022 (Continued)

Vertus – 8 Water Street and 10 George Street

On 30 March 2017, the Group transferred 2 properties with a combined carrying value of £79.8m into 2 joint ventures 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 ventures subsequently settled certain liabilities with the Group and as a result the initial carrying value of the investment was £70.2m. In 2022, the construction loan facility utilised to fund the construction of the property at 8 Water Street was refinanced with a £82.0m investment loan and £6.0m of the loan from the Group was repaid.

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.

North Quay

On 25 March 2022, the Group entered into a joint venture with Kadans Science Partner for the development and operation of a proposed life science building at Plot NQ6, North Quay. Under the terms of this agreement the Group company will have a 50.0% interest in the development and a Group subsidiary will act as construction manager. At 31 December 2022, the partnership had incurred contracted construction costs, but the lease for the land is expected to be drawn by the JV in Q2 2023, subject to certain start up criteria being met.

Financial Information

The Vertus, One Charter Street and North Quay 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 2022	Vertus £m	Charter Street £m	20 Fenchurch Street £m	North Quay £m	Total £m	Group share £m
Net operating income	7.0	(0.2)	–	(0.2)	6.6	3.3
Revaluation movement	19.2	(33.8)	–	–	(14.6)	(7.3)
Net interest payable	(9.2)	–	–	–	(9.2)	(4.6)
Tax	7.8	0.6	–	–	8.4	4.2
Profit after tax	24.8	(33.4)	–	(0.2)	(8.8)	(4.4)

Summarised profit and loss accounts for 2021	Vertus £m	Charter Street £m	20 Fenchurch Street £m	North Quay £m	Total £m	Group share £m
Net operating income	0.6	(0.1)	–	–	0.5	0.3
Revaluation movement	16.4	–	–	–	16.4	8.2
Net interest payable	(8.2)	–	–	–	(8.2)	(4.1)
Profit before and after tax	8.8	(0.1)	–	–	8.7	4.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2022 (Continued)

Summarised balance sheets at 31 December 2022	Vertus	Charter	20 Fenchurch	North Quay	Total	Group share
	£m	£m	Street £m	£m		
Total assets	520.6	47.6	0.4	6.4	575.0	287.5
Total liabilities	(347.2)	(29.9)	–	(6.6)	(383.7)	(191.8)
Net assets*	173.4	17.7	0.4	(0.2)	191.3	95.7

Summarised balance sheets at 31 December 2021	Vertus	Charter	20 Fenchurch	North Quay	Total	Group share
	£m	£m	Street £m	£m		
Total assets	485.0	71.2	0.4	–	556.6	278.3
Total liabilities	(336.4)	(26.8)	–	–	(363.2)	(181.6)
Net assets	148.6	44.4	0.4	–	193.4	96.7

*Note:

The Group share of the net assets of 20 Fenchurch Street is calculated by reference to the Group's remaining interest in the syndicate of 30.0%.

13. OTHER INVESTMENTS

	2022 £m	2021 £m
Other investments	27.6	35.2
	27.6	35.2

In June 2015, the Group acquired a 10.0% interest in an SLP established to acquire 10 Upper Bank Street. At 31 December 2022, the carrying value of the investment was £27.4m (2021 – £35.0m) comprising the initial investment of £36.1m less the Group's share of the movement in the net assets of the SLP, which comprise the revaluation deficit recognised on the building of £14.9m (2021 – £3.4m), undistributed profits since acquisition of £4.9m (2021 – £2.6m) and the recognition of an in the money interest rate swap valuation of £1.3m (2021 – £(0.3)m). The movement in net assets of £(7.6)m (2021 – £(2.2)m) has been taken to the Capital and Other column of the income statement.

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 2022 was £0.2m (2021 – £0.2m).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022 (Continued)

14. TRADE AND OTHER RECEIVABLES

	2022 £m	2021 £m
Trade receivables	51.7	42.7
Other receivables	17.6	37.0
Prepayments and accrued income	41.9	28.4
Deferred financing expenses	0.3	0.2
Amounts owed by JVs and other investments	13.7	32.7
Amounts owed by other members of the Stork Group	10.1	89.0
Total trade and other receivables	135.3	230.0
Amounts owed by JVs and other investments:		
Vertus undertakings	6.2	33.0
One Charter Street (Edyn group)	1.6	(0.1)
10 Upper Bank Street SLP	0.9	(0.2)
North Quay	5.0	–
	13.7	32.7
Amounts owed by other members of the Stork Group:		
Parent companies	2.1	–
CWGRL	–	94.3
Braeburn	8.0	(5.3)
	10.1	89.0

Trade receivables and other receivables more than 61 days past due at 31 December 2022 totalled £10.4m (31 December 2021 – £13.0m). As a result of the support provided by the Group to retail tenants in the year, an expected credit loss provision of £6.6m was recognised at the year end (31 December 2021 – £3.0m). The bad debt expense for the year was £4.7m (2021 – £0.7m). In calculating the 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.

Bad debt provision movement

	Total £m
1 January 2021	3.0
Write off in the year	(1.1)
Charge for the year	4.7
31 December 2022	6.6

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. 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 2022 is £0.5m.

Prepayments and accrued income exclude the cumulative adjustment in respect of lease incentives (Note 11).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022 (Continued)

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. One of the Group's largest financial assets are its cash balances which are monitored on a daily basis, together with the credit risk of our relationship banks to ensure appropriate counterparty risk management.

15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	2022	2021
	£m	£m
Unrestricted cash	90.3	98.7
Collateral for borrowings	252.6	132.3
Security for obligations	7.8	10.1
	350.7	241.1

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 2022 was 0.1% (31 December 2021 – 0.1%) and the deposits had an average maturity of one day (31 December 2021 – one day).

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

	2022	2021
	£m	£m
Securitised debt	61.2	68.6
Secured loans	161.6	43.6
Loan notes	29.8	20.1
	252.6	132.3

Of the cash collateral disclosed above, £63.0m of the secured loan balance (31 December 2021 - £43.6m) and £31.8m of the securitised debt balance (31 December 2021 – £25.1m) represents rental payments received from tenants.

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.

16. TRADE AND OTHER PAYABLES

	2022	2021
	£m	£m
Trade payables	14.9	27.0
Tax and social security costs	10.7	9.6
VAT	17.8	31.1
Other payables	14.8	15.7
Accruals	138.9	86.0
Deferred income	116.6	71.6
Amounts due to CWGRL	114.1	–
Total trade and other payables	427.8	241.0

Trade and other payables includes £168.6m of financial liabilities at 31 December 2022 (31 December 2021 – £128.7m). These amounts are all payable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022 (Continued)

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and construction costs. The average credit period taken for trade purchases is 13 days (31 December 2021 – 33 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 time frame. The directors consider that the carrying amount of trade payables approximates their fair value.

17. CURRENT PORTION OF LONG TERM BORROWINGS

The current portion of long term borrowings comprises:

	2022	2021
	£m	£m
Accrued interest payable	30.8	18.9
Repayable within one year:		
– securitised debt	29.3	29.3
– secured loans	37.3	16.2
– construction loans	438.2	233.0
	535.6	387.4

The terms of the Group's loan facilities are summarised in Note 20. Refer to Note 20 for details of refinancings of loans post year end.

Construction loans balance includes accrued interest of £6.5m (31 December 2021 – £3.5m).

18. BORROWINGS

Non current liability borrowings comprise:

	2022	2021
	£m	£m
Securitised debt	1,350.0	1,382.4
Green Bonds	905.1	888.1
Secured loans	1,481.9	1,462.9
Construction loans	212.2	251.1
	3,949.2	3,984.5

The terms of the Group's loan facilities are summarised in Note 20.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022 (Continued)

19. 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 2022, the fair value of these derivatives resulted in the recognition of a liability of £122.3m (2021 – £491.3m) and an asset of £34.3m (31 December 2021 – £nil) of which £33.9m net asset (2021 – £5.8m net liability) was recognised in respect of cash flow hedges which qualify for hedge accounting.

	2022		2021	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Securitisation	–	(73.1)	–	(311.1)
Green Bonds	7.4	–	–	(5.8)
Secured loans	26.5	(49.2)	–	(174.2)
Construction loans	0.4	–	–	(0.2)
	34.3	(122.3)	–	(491.3)
Due within one year	21.2	–	–	–
Due after more than one year	13.1	(122.3)	–	(491.3)
	34.3	(122.3)	–	(491.3)

The fair value of the derivatives are stated net of a credit value/debit value adjustment reflecting the credit worthiness of the parties to the derivatives. This served to reduce the net liability of the derivatives by £5.5m from £93.5m (31 December 2021 – £10.0m from £501.3m).

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.

At 31 December 2022	Securitised	Green	Other	Construction	Total
	Debt £m	Bonds £m	Secured Loans £m	loans £m	derivative liabilities £m
Within one year	4.2	3.6	(15.2)	0.3	(7.1)
In one to 2 years	2.7	3.4	3.1	–	9.2
In 2 to 5 years	20.6	(7.5)	15.9	–	29.0
In 5 to 10 years	49.9	–	29.9	–	79.8
In 10 to 20 years	21.2	–	6.6	–	27.8
	98.6	(0.5)	40.3	0.3	138.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022 (Continued)

At 31 December 2021	Securitised debt £m	Green Bonds £m	Other secured loans £m	Construction loans £m	Total derivative liabilities £m
Within one year	29.1	3.5	21.4	–	54.0
In one to 2 years	23.9	3.5	18.0	–	45.4
In 2 to 5 years	74.1	(7.6)	50.6	–	117.1
In 5 to 10 years	131.1	–	68.8	–	199.9
In 10 to 20 years	85.3	–	24.7	–	110.0
31 December 2021	343.5	(0.6)	183.5	–	526.4

The impact of changes in interest rates would be primarily on interest payable on the £20.3m loan secured against HQW Pavilion (Quay Club) 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 1.0% increase/(decrease) in interest rates would result in an additional (charge)/credit of £(3.7)m/£3.7m (2021 – £(6.3)m/£6.3m) 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 1.0% (lower)/higher 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 2022 by £(111.2)m/£100.6m (2021 – £(155.2)m/£137.5m). The movement on ineffective hedges of £(102.3)m/£91.8m would be charged to the profit or loss for the year and the movement on effective hedges of £(8.9)m/£8.8m would be taken to the hedging reserve. The 1.0% sensitivity has been selected based on the directors' view of a reasonable interest rate curve movement assumption.

20. NET DEBT

31 December 2022	Accrued interest £m	Borrowings £m	Derivatives £m	Gross £m
Securitised debt	13.2	1,379.3	73.1	1,465.6
Green Bonds	4.7	905.1	(7.4)	902.4
Secured loans	12.9	1,519.2	22.7	1,554.8
Construction loans	–	650.4	(0.4)	650.0
Gross debt	30.8	4,454.0	88.0	4,572.8
Current	30.8	504.8	(21.2)	514.4
Non current	–	3,949.2	109.2	4,058.4
Gross debt	30.8	4,454.0	88.0	4,572.8
Cash and cash equivalents				(350.7)
Net debt				4,222.1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 for the year ended 31 December 2022 (Continued)

31 December 2021	Accrued interest £m	Borrowings £m	Derivatives £m	Gross £m
Securitised debt	10.3	1,411.7	311.1	1,733.1
Green Bonds	4.3	888.1	5.8	898.2
Secured loans	4.3	1,479.1	174.2	1,657.6
Construction loans	–	574.1	0.2	574.3
Gross debt	18.9	4,353.0	491.3	4,863.2
Current	18.9	368.5	–	387.4
Non current	–	3,984.5	491.3	4,475.8
Gross debt	18.9	4,353.0	491.3	4,863.2
Cash and cash equivalents				(241.1)
Monetary deposits				(2.3)
Net debt				4,619.8

The amounts at which borrowings are stated comprise:

	Securitised debt £m	Green Bonds £m	Other secured loans £m	Construction loan £m	Total £m
1 January 2022	1,733.1	898.6	1,657.2	574.3	4,863.2
Drawn down	–	–	59.3	74.8	134.1
Effective interest rate adjustment	(2.0)	3.2	3.0	0.8	5.0
Accrued finance charges	(1.8)	0.1	3.7	3.0	5.0
Foreign exchange loss/(gain)	–	13.7	–	–	13.7
Repaid in year	(29.3)	–	(21.3)	(2.4)	(53.0)
Payments for derivatives	–	–	(17.6)	–	(17.6)
Movements in fair value of derivatives	(234.4)	(13.2)	(129.5)	(0.5)	(377.6)
31 December 2022	1,465.6	902.4	1,554.8	650.0	4,572.8
Payable within one year or on demand	42.5	4.7	50.2	438.2	535.6
Payable in more than one year	1,350.0	905.1	1,481.9	212.2	3,949.2
Derivative assets	–	(7.4)	(26.6)	(0.4)	(34.4)
Derivative liabilities	73.1	–	49.3	–	122.4
	1,465.6	902.4	1,554.8	650.0	4,572.8

Loan to Value (LTV)

Look through LTV is the ratio of principal value of Gross debt less cash and cash equivalents and fair value of derivatives to the aggregate of properties:

	2022 £m	2021 £m
Group look through LTV	50.8%	48.7%
Gross debt	4,572.8	4,863.2
Less cash and cash equivalents	(350.7)	(241.1)
Less fair value of derivatives	(88.0)	(491.0)
Net debt for LTV calculation	4,134.1	4,131.1
Group property portfolio (note 11)	8,008.3	8,337.8
Fair value of joint ventures, associates and other investments (note 12 and 13)	123.3	131.9
Total valuation for look through LTV	8,131.6	8,469.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022 (Continued)

The principal terms of the Groups borrowings are:

Instrument	Commitment £m	Drawn £m	Interest rate	Hedged rate	Repayment
Securitised debt:					
Securitised debt – A1	176.9	176.9	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	SONIA plus 0.5943%	5.3985%	In 2035
Securitised debt – B	114.1	114.1	6.800%	–	By instalment to 2030
Securitised debt – B3	77.9	77.9	SONIA plus 0.8193%	5.5825%	In 2035
Securitised debt – C2	239.7	239.7	SONIA plus 1.4943%	6.2666%	In 2035
Securitised debt – D2	125.0	125.0	SONIA plus 2.2193%	7.0605%	In 2035
Green Bonds:					
Green Bonds	350.0	350.0	2.625%	–	April 2025
Green Bonds	€300.0	€300.0	1.75%	–	April 2026
Green Bonds	300.0	300.0	3.375%	–	April 2028
Other secured loans:					
1 Bank Street	500.0	500.0	SONIA plus 1.8193%	Capped at 1.5%	November 2024
1 Bank Street	78.0	78.0	SONIA plus 5.3693%	Capped at 1.5%	November 2024
25 Churchill Place	384.0	384.0	SONIA plus 1.8193%	Capped at 2.00%	July 2025
25 Churchill Place	60.0	60.0	SONIA plus 5.0193%	–	July 2025
Wood Wharf Affordable	59.3	59.3	SONIA plus 1.95%	2.00%	June 2029
One Churchill Place	425.3	425.3	SONIA plus 0.3193%	5.605%	By instalment to July 2034
Quay Club	20.3	20.3	Base rate plus 2.25%	–	March 2023
Construction loans:					
NFL construction	236.4	236.4	SONIA plus 3.3693%	–	March 2023
NFL construction	77.3	77.3	EC reference rate plus 2.7%	–	March 2023
Office construction loan	186.0	119.9	SONIA plus 2.8693%	75.0% of the loan at 2.5%	March 2023
8 Harbord Square	49.2	19.5	SONIA plus 4.25%	–	July 2025
HCA infrastructure	194.6	192.5	EC reference rate plus 2.2%	–	March 2028
Revolving credit facility:					
Revolving credit facility	30.0	0.0	SONIA plus 2.495%	–	April 2024
Revolving credit facility	100.0	0.0	SONIA plus 1.35%	–	September 2027

The Green Bonds and the revolving credit facilities are secured against the shares of the Company. The other borrowings of the Group are secured against designated property interests. Taking into account the loan waivers and extensions agreed during the year, the Group was in compliance with its lending covenants at 31 December 2022 and throughout the year then ended.

Transactions in the year and subsequent to the year end

During the period the Group secured 3 new loans:

- a £59.3m investment loan secured against the completed affordable properties in Wood Wharf;
- a £49.2m construction facility for 8 Harbord Square; and
- a £100.0m revolving credit facility which expires in 2027.

In May 2022, the Group agreed the extension of the HCA infrastructure loan from September 2023 to March 2028. The margin on the loan increases from 2.2% to 3.45% in March 2026 and to 4.2% in March 2027.

During the year, the Group entered into 6 new caps to hedge the interest rate exposure of the 25 Churchill Place loan, the 1 Bank Street loan, the 15 and 20 Water Street loans and the Wood Wharf Affordable loan (Note 19).

Subsequent to the year end, the group entered into a 12 month extension on its office construction loan in relation to 15 and 20 Water Street. The loan facility was for a total of £186.0m of which £119.9m was drawn.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022 (Continued)

On 17 March 2023, the Group also entered into a £309.4m loan facility in relation to the Newfoundland building. The loan proceeds have been used to repay the existing facilities that were initially due for repayment in December 2022 and were extended to 23 March 2023 prior to the year end. The new facility is a 5 year term with interest payable at 2.35% over SONIA and a requirement to hedge 100% with either a swap or cap.

On 30 March 2023, the covenant waiver for the Quay Club loan was extended until the 8 January 2023. Please refer to Note 27: Events after the balance sheet date for further details regarding these loans.

Securitised debt

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 £70.8m as cash collateral in respect of this obligation. The annual fee payable during the year ended 31 December 2022 in respect of the arrangement was £0.8m.

CWF II also has the benefit of a £300.0m liquidity facility provided by Lloyds Banking Group, under which drawings may be made in the event of a cash flow shortage under the securitisation. This facility is renewable annually at the company's discretion. 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 2022 was 10.1 years (31 December 2021 – 10.8 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.

HCA Infrastructure loan

In March 2015, a £200.0m infrastructure loan facility (now £194.6m) was agreed with the HCA to part fund infrastructure spending on the Wood Wharf site. Of the amount borrowed, £46.4m (2021 – £87.3m) 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 £48.0m (2021 – £52.3m) was lent to the Vertus joint venture entities, also to fund infrastructure costs on Wood Wharf. Following the refinancing of 8 Water Street, this component of the loan is repayable on demand. An additional margin of 0.1% is charged by the borrower entity. The amounts lent to the CWGRL subsidiaries and Vertus joint venture entities are included in the balances shown in Note 14.

Maturity profile of borrowings

	Securitised debt £m	Green bonds £m	Other secured loans £m	Construction loans £m	Total £m
Contractual undiscounted cash flows at 31 December 2022:					
Within one year	107.5	24.6	123.2	318.3	573.6
In one to 2 years	107.0	24.6	690.5	–	822.1
In 2 to 5 years	283.0	649.2	580.6	–	1,512.8
In 5 to 10 years	572.2	305.1	241.4	279.8	1,398.5
In 10 to 20 years	1,031.4	–	213.4	–	1,244.8
	2,101.1	1,003.5	1,849.1	598.1	5,551.8
Comprising:					
Principal repayments	1,355.5	906.4	1,526.9	598.1	4,386.9
Interest payments	745.6	97.1	322.2	–	1,164.9
	2,101.1	1,003.5	1,849.1	598.1	5,551.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2022 (Continued)

	Securitised debt £m	Green bonds £m	Other secured loans £m	Construction loans £m	Total £m
Contractual undiscounted cash flows at 31 December 2021:					
Within one year	84.8	24.6	48.3	439.0	596.7
In one to 2 years	87.8	24.6	58.8	160.0	331.2
In 2 to 5 years	244.4	663.6	1,167.1	–	2,075.1
In 5 to 10 years	401.7	315.2	137.9	–	854.8
In 10 to 20 years	1,151.7	–	236.7	–	1,388.4
	1,970.4	1,028.0	1,648.8	599.0	5,246.2
Comprising:					
Principal repayments	1,384.9	906.3	1,464.8	599.0	4,355.0
Interest payments	585.5	121.7	184.0	–	891.2
	1,970.4	1,028.0	1,648.8	599.0	5,246.2

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.

Debt service

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

	2022 %	2021 %
Securitisation	6.1	6.1
Green Bonds	2.6	2.6
Other secured loans	4.5	3.7
Construction loan	4.6	3.2

Comparison of fair values and carrying amount

	Fair value £m	2022 Carrying amount £m	Difference £m	Fair value £m	2021 Carrying amount £m	Difference £m
Securitisation	1,255.0	1,392.5	(137.5)	1,526.1	1,422.0	104.1
Green Bonds	711.9	909.8	(197.9)	910.5	892.8	17.7
Secured loans	1,532.1	1,532.1	–	1,483.0	1,483.0	–
Construction	650.4	650.4	–	574.1	574.1	–
	4,149.4	4,484.8	(335.4)	(4,493.7)	(4,371.9)	121.8
Other financial liabilities:						
Interest rate derivatives	88.0	88.0	–	491.3	491.3	–
Cash and monetary deposits	(350.7)	(350.7)	–	(243.4)	(243.4)	–
Total	3,886.7	4,222.1	(335.4)	4,741.6	4,619.8	121.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022 (Continued)

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 SONIA 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:

	Floating	2022 Fixed	Total	Floating	2021 Fixed	Total
	£m	£m	£m	£m	£m	£m
Securitisation	–	(1,392.5)	(1,392.5)	–	(1,422.0)	(1,422.0)
Green Bonds	–	(909.8)	(909.8)	–	(892.8)	(892.8)
Secured loans	(20.3)	(1,511.8)	(1,532.1)	(258.8)	(1,224.2)	(1,483.0)
Construction loans	(559.6)	(90.8)	(650.4)	(497.8)	(76.3)	(574.1)
	(579.9)	(3,904.9)	(4,484.8)	(756.6)	(3,615.3)	(4,371.9)
Less: Cash collateral for borrowings (Note 15)	98.5	154.1	252.6	9.5	122.8	132.3
Total	(481.4)	(3,750.8)	(4,232.2)	(747.1)	(3,492.5)	(4,239.6)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2022 (Continued)

Carrying value of categories of financial instruments

	2022 £m	2021 £m
Financial assets		
Amortised cost		
– Cash and cash equivalents (see Note 15)	350.7	243.4
– Trade and other debtors (see Note 14)	75.6	164.6
FVTLP		
– Other investments (see Note 13)	27.6	35.2
– Derivatives in designated fair value hedge relationships	0.4	–
– Derivatives not in designated hedge accounting relationships	33.9	–
	<u>488.2</u>	<u>443.2</u>
Assets not classified as financial assets	8,244.7	8,571.7
Total assets	<u>8,732.9</u>	<u>9,014.9</u>
Financial liabilities		
Amortised cost		
– Gross debt	(4,454.0)	(4,371.9)
– Lease liabilities (see Note 21)	(62.2)	(62.2)
– Trade and other creditors (see Note 16)	(168.6)	(128.7)
FVTPL		
– Derivatives in designated fair value hedge relationships	–	(5.8)
– Derivatives not in designated hedge accounting relationships	(122.3)	(485.5)
	<u>(4,807.1)</u>	<u>(5,054.1)</u>
Liabilities not classified as financial liabilities	(297.5)	(168.2)
Total liabilities	<u>(5,104.6)</u>	<u>(5,222.3)</u>
Net assets	<u>3,628.3</u>	<u>3,792.6</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022 (Continued)

Financial risks

Interest rate risk management

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 50.0% 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 the £20.3m loan secured against the Quay Club, the HCA infrastructure loan and certain construction loans (see above). The RCF is a floating rate loan although no amounts were drawn under this facility at 31 December 2022.

Liquidity risk management

The Group's policy is to ensure continuity of funding and at 31 December 2022 the average maturity of the Group's debt was 5.4 years (31 December 2021 – 6.2 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.

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:

Securitised debt

Maximum LMCTV ratio of 100.0% and cash trap covenant of 50.0%. 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.

Other secured loans

25 Churchill Place loans:

- Cash trap LTV ratio of 75.0% for the senior loan and 86.5% for the mezzanine loan.
- Minimum cash trap ICR covenant of 175.0% on the senior loan and 135.0% on the mezzanine loan.

1 Bank Street loans:

- 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.
- 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.

Quay Club loan:

- Maximum LTC of 70.0% and maximum LTV of 65.0%.

Wood Wharf Affordable loan:

- Maximum ICR of 120.0% and maximum LTV of 65.0%.

Construction loans

Newfoundland construction loan:

- Maximum LTC of 60.0% and maximum LTV of 60.0%.

WW commercial construction loan:

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

HCA infrastructure loan:

- Maximum LTV ratio of 60.0%. This facility is not subject to any ICR covenant.

8 Harbord Square loan:

- Maximum LTC of 65% and maximum LTV of 65%.

All of these requirements were satisfied throughout the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022 (Continued)

Exchange rate risk management

The Group's policy is to maximise all financing in Sterling and hedge any foreign currency transactions appropriately. The Group currently has a €300.0m Green Bond which is fully hedged in line with the above. The gain or loss on this hedge relationship is recognised directly in equity.

Capital risk management

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 23 and the Consolidated Statement of Changes in Equity.

Credit risk management

Credit risk associated with trade receivables is disclosed in Note 14.

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.

21. LEASE LIABILITIES

	Ground rent obligation £m
1 January 2021	62.2
Accrued finance charges	6.0
Paid in period	(6.0)
1 January 2022	62.2
Accrued finance charges	6.0
Paid in period	(6.0)
31 December 2022	62.2

In January 2012, Canary Wharf Group acquired the remaining 50.0% effective interest in Wood 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 receivable from the completed residential apartments. 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:

	2022 £m	2021 £m
Within one year	6.1	6.1
Between 2 and 5 years	24.2	24.2
After 5 years	1,415.7	1,421.7
	1,446.0	1,452.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022 (Continued)

22. PROVISIONS

Provisions have been made in respect of the following liabilities:

	Lease commitments £m
1 January 2021	1.9
Utilisation of provision	–
31 December 2021	1.9
Utilisation of provision	(0.1)
31 December 2022	1.8

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 to 2028 and recognised a provision in respect of these commitments at the date of disposal.

23. SHARE CAPITAL

Issued share capital comprises:

	2022 £m	2021 £m
Ordinary Shares	74.0	74.0
Total	74.0	74.0

As at 31 December 2022 and 31 December 2021, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022 (Continued)

24. NOTES TO THE CASH FLOW STATEMENT

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

	2022 £m	(Restated) 2021 £m
(Loss)/profit on ordinary activities before tax	(194.4)	105.2
Non cash movements		
Net valuation movements on properties	566.8	93.5
Share of loss/(profit) of joint ventures and associates	4.4	(4.4)
Profit on sale of car park	(0.9)	–
Revaluation of investments	7.6	2.2
Spreading of tenant incentives, committed rent increases and letting fees	(8.4)	(23.9)
Depreciation	5.3	4.6
Net financing (income)/costs	(149.2)	33.0
	425.6	105.0
Changes to working capital and other cash movements		
Decrease/(increase) in receivables	45.8	(51.3)
Increase/(decrease) in payables	(51.0)	(14.8)
Income from investments	(0.8)	(3.2)
Utilisation of and other movements in provisions	(0.1)	–
Cash generated from operations	225.1	141.7
Income tax	(46.5)	(11.2)
Cash from operating activities	178.6	130.5

25. CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS

At 31 December 2022, 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 20. In particular, various members of the Group had at 31 December 2022, given fixed first ranking charges over cash deposits totalling £252.6m (31 December 2021 – £132.3m).

As security for the issue of up to £1,384.9m of securitised debt (Note 20), 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 1 Bank Street refinancing (Note 20), 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.

In connection with the construction facility secured against the Newfoundland development, the company's subsidiary, CWG has entered into a forward purchase agreement with the lenders. This agreement requires 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 expired upon refinancing on 17 March 2023.

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.

During the year, HMRC opened an enquiry into the deductibility of £30.4m of interest paid by a parent undertaking and utilised against the Group's tax charge in prior periods. The directors do not consider it probable that this enquiry will result in an economic outflow to the Group and therefore no provision has been made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022 (Continued)

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

	2022	2021
	£m	£m
Joint ventures	124.4	1.6
Other construction projects	373.9	226.0
	498.3	227.6

Of this commitment for future expenditure, £41.3m related to investment properties (31 December 2021 – £18.8m).

The commitments for future expenditure relate to the completion of construction works where construction was committed at 31 December 2022, including funding commitments to associates and joint venture undertakings. Any costs accrued or provided for in the Balance Sheet at 31 December 2022 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 pre let or other agreement. Offsetting this potential liability the Group benefits from warranties from the trade contractors and suppliers who worked on such buildings.

26. ULTIMATE PARENT UNDERTAKING AND RELATED PARTY TRANSACTIONS

At 31 December 2022, the smallest group into which the financial statements of the Company are consolidated are the Company's consolidated financial statements embodied herein. The largest group of which the group is a member and for which consolidated 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.

Transactions with joint ventures and associates

During 2022, the Group billed £43,500 (2021 – £51,478) 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 2022, £28,215,093 (2021 – £28,272,932) was outstanding.

During 2022, the Group billed £81,750 (2021 – £137,562) 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 2022, £23,101,527 (2021 – £23,169,897) was outstanding.

The total invoices outstanding, owed by the Vertus entities to the Group, at 31 December 2022 was £51,316,620 (2021 – £51,442,830). Together with the £72,700,000 (2021 – £72,700,000) payable to the Vertus entities under the contribution agreement (covering the site wide infrastructure and the affordable and intermediate offering at Wood Wharf), the loan by the Group of £48,000,560 (2021 – £52,304,416) to partly fund infrastructure costs, and other net amounts received by the Group from the Vertus entities of £20,451,826 (2021 – £1,912,238) the net amount recoverable from the Vertus entities was £6,165,353 (2021 – £32,959,484).

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. At 31 December 2022, the Edyn joint venture owed to the group £1,559,905. At 31 December 2022, £6.0m had been loaned by the Edyn joint venture to the Group to fund future enabling works.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022 (Continued)

On 25 March 2022, the Group entered into a joint venture with Kadans Science Partner for the development and operation of a proposed life science building at Plot NQ6, North Quay. Under the terms of this agreement the Group company will have a 50.0% interest in the development and a Group subsidiary will act as construction manager (Note 12). At 31 December 2022, the joint venture owed the Group £5.0m relating to the initial costs of development.

Transactions with investments

During 2022, the Group billed HsO, a company in which it holds an equity investment equivalent to approximately 13.0% of the issued share capital, £32,033 (2021 – £30,737) plus VAT for access to the Estate's telecommunications infrastructure all of which was received before the year end.

In June 2014, the Group acquired a 10.0% interest in an SLP established to acquire 10 Upper Bank Street. During 2022, the Group billed £1,788,760 (2021 – £1,788,760) plus VAT in respect of asset management services. At 31 December 2022, £1,609,875 (2021 – £nil) was outstanding. During 2022, the Group received £0.8m worth of dividends from the company (2021 – £3.4m).

Transactions with other members of Stork Holdco Group

During 2022, the Group billed £6,848,462 (2021 – £2,315,104) 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 2022, £1,008,833 (2021 – £15,359,294) remained outstanding.

During 2022, the Group billed £1,051,975 (2021 – £840,365) 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 2022, £554,517 (2021 – £29,335,440) remained outstanding.

The total invoices outstanding, owed by the CWGRL Group at 31 December 2022 was £1,563,350 (2021 – £44,694,734). During the year the Group received short term interest free advances from CWGRL of £134,287,579. Together with the Group's loan of £46,365,619 (2021 – £87,329,940) to part fund the infrastructure costs and other net trading amounts payable by CWGIH to CWGRL of £27,745,020 (2021 – £49,492,970), the net amount owed to CWGRL was £114,103,631 (2021 – £94,187,704) at 31 December 2022. During 2022, the Group repaid £37,400,000 in relation to the contribution to site wide infrastructure costs paid by CWGRL.

During the year, the Group also granted a lease over 85,000 sq ft of 15 Water Street to a subsidiary of CWGRL, for use as a hotel. A £34.2m lease incentive comprising the fit out for the hotel was incurred at inception. Included within turnover for the year was £0.6m amortisation, with £33.6m remaining at 31 December 2022.

Transactions with Stork Holdco Group joint ventures

In July 2011, the Group entered into a 50:50 joint venture, Braeburn, 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 2022, the Group billed £6,092,545 (2021 – £7,513,260) plus VAT primarily for development management, administrative services, reimbursable costs and construction management services. At 31 December 2022, the amount outstanding £5,321,387 (2021 – £9,020,412) including VAT including amounts billed in previous years.

Transactions with other related parties

Brookfield Global Asset Management Limited has leased the 25th floor in One Canada Square on a 15 year lease. Rent, service charges and other occupational costs totalling £2,157,547 (2021 – £2,075,062) plus VAT where applicable were invoiced in the year. Brookfield Properties (UK RE) has leased part 26th floor north in One Canada Square for a term of 143 months expiring 31 December 2032 with the remaining part of 26th floor being leased to Brookfield Global Asset Management Limited. Rent is due to commence in August 2024 and service charges and other occupational costs billed for the year totalling £426,194 (2021 – £157,788) plus VAT. Construction management fees totalling £632,724 (2021 – £1,054,542) plus VAT were invoiced to Brookfield Developments Europe Limited. At 31 December 2022, there was £329,140 (2021 – £581,113) outstanding.

During 2022, the Group billed £249,554 (2021 – £152,692) plus VAT to Open Network Systems Limited, a Brookfield subsidiary of which £104,355 (2021 – £82,711) was outstanding at 31 December 2022. Open Network Systems Limited billed the Group £41,275 (2021 – £46,020) plus VAT.

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.. No amounts were outstanding at 31 December 2022 or 31 December 2021.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022 (Continued)

27. EVENTS AFTER THE BALANCE SHEET DATE

On 3 March 2023 the Group secured a 12 month extension on its Office construction loan that is secured on the 15 and 20 Water Street property assets. The loan facility was for a total of £186.0m of which £119.9m was drawn at the year end and was repayable by 7 March 2023. In accordance with the terms of the extension the undrawn commitment was cancelled. Interest continues to be payable at SONIA plus 2.8693% and 75.0% of the loan is hedged at 4.12% – 4.21%.

On 17 March 2023, the Group entered into a new £309.4m loan facility secured against the Newfoundland property. The loan proceeds have been used to repay the existing facilities that were initially due for repayment in December 2022 and had been extended to 23 March 2023 prior to the year end. The new facility is a 5 year term with interest is payable at 2.35% over SONIA and a requirement to hedge 100.0% with either a swap or cap. The loan is subject to soft covenants based on LTV, interest cover and debt yield. The Group has provided certain guarantees in respect of the loan facility.

The waiver received from the lender in respect of the Quay Club loan expired on 31 March 2023 and therefore the loan would have become due for repayment on that date. On the 30 March 2023, the covenant waiver was extended to 8 January 2024 with the quarterly interest rate payable increasing to UK Base Rate + 3.5% (previously UK Base Rate + 2.5%).

COMPANY BALANCE SHEET
Registered number: 05043352
at 31 December 2022

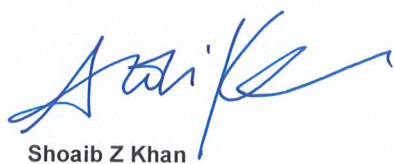
	Note	2022 £m	2021 £m
FIXED ASSETS			
Investments	(c)	<u>2,361.2</u>	<u>2,361.2</u>
CURRENT ASSETS			
Debtors due after more than one year	(d)	903.2	892.5
Debtors due in less than one year	(d)	8.5	8.2
Cash at bank and in hand		–	0.1
		<u>911.7</u>	<u>900.8</u>
CREDITORS: Amounts falling due within one year	(e)	<u>(402.9)</u>	<u>(400.6)</u>
NET CURRENT ASSETS		<u>508.8</u>	<u>500.2</u>
TOTAL ASSETS LESS CURRENT ASSETS/(LIABILITIES)		<u>2,870.0</u>	<u>2,861.4</u>
CREDITORS: Amounts falling due after more than one year	(f)	<u>(905.1)</u>	<u>(893.1)</u>
NET ASSETS		<u>1,964.9</u>	<u>1,968.3</u>
CAPITAL AND RESERVES			
Called up share capital		74.0	74.0
Reserves:			
– share premium		1,195.1	1,195.1
– hedging reserve		(1.2)	(0.7)
– retained earnings		269.9	272.8
– other reserves		427.1	427.1
SHAREHOLDERS' FUNDS		<u>1,964.9</u>	<u>1,968.3</u>

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

The loss for 2022 was £2.9m (2021 – profit of £3.6m).

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

Approved by the Board on 18 April 2023 and signed on its behalf by:



Shoaib Z Khan
Chief Executive Officer

CANARY WHARF GROUP INVESTMENT HOLDINGS PLC

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2022

	Share capital £m	Share premium account £m	Cancelled share reserve £m	Capital redemption reserve £m	Other reserve £m	Hedging reserve £m	Retained earnings £m	Total £m
1 January 2021	74.0	1,195.1	59.5	2.5	365.1	–	272.9	1,969.1
Movement in fair value of derivative financial instrument	–	–	–	–	–	(4.9)	–	(4.9)
Foreign exchange movements	–	–	–	–	–	4.2	–	4.2
Profit for the year	–	–	–	–	–	–	3.6	3.6
Total comprehensive income for the year	–	–	–	–	–	(0.7)	3.6	2.9
Dividend paid	–	–	–	–	–	–	(3.7)	(3.7)
1 January 2022	74.0	1,195.1	59.5	2.5	365.1	(0.7)	272.8	1,968.3
Movement in fair value of derivative financial instrument	–	–	–	–	–	13.2	–	13.2
Foreign exchange movements	–	–	–	–	–	(13.7)	–	(13.7)
Loss for the year	–	–	–	–	–	–	(2.9)	(2.9)
Total comprehensive expense for the year	–	–	–	–	–	(0.5)	(2.9)	(3.4)
31 December 2022	74.0	1,195.1	59.5	2.5	365.1	(1.2)	269.9	1,964.9

At 31 December 2022 and 31 December 2021, 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).

At 31 December 2022, the smallest group of which the Company is a member and for which financial statements are drawn up is the consolidated financial statements of the Company. The largest group of which the group is a member and for which consolidated 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 2022

(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 of the Group financial statements.

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.

Loans receivable

Loans receivable are recognised initially at the transaction price including transaction costs. Subsequent to initial recognition, loans receivable are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the Income Statement over the period of the loan, using the effective interest method.

Borrowings

Loans payable are recognised initially at transaction price including transaction costs. Subsequent to initial recognition, loans payable are stated at amortised cost with any difference between the amount initially recognised and the redemption value being recognised in the Income Statement over the period of the loan, 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.

Derivative instruments

The company uses interest rate derivatives to help manage its risks of changes in interest rates. The company does not hold or issue derivatives for trading purposes.

In order for a derivative to qualify for hedge accounting, the company is required to document the relationship between the item being hedged and the hedging instrument. The company is also required to demonstrate an assessment of the relationship between the hedged item and the hedging instrument for its economic relationship, effects of credit risk and hedge ratio. This shows that the hedge will be effective on an on going basis. The effectiveness testing is reperformed at each balance sheet date to ensure that the hedge remains effective.

The changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in other comprehensive income. The changes in the fair value of any ineffective portions of hedges or undesignated financial instruments are recognised in the profit and loss account.

Hedge accounting is discontinued when the company revokes the hedging relationship, 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 until the forecast transaction occurs. If the 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.

(b) PROFIT FOR THE FINANCIAL YEAR

The loss recorded by the Company in 2022 was £2.9m (2021 – £3.6m profit, including dividends received from subsidiaries £3.7m). 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 2022 (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 Limited	Property investment	Jersey
Cabot Place (Retail) Unit Trust GP Limited	General partner	Scotland
Cabot Place (Retail) Unit Trust LP Limited	Investment holding	Scotland
Cabot Place (Retail) Unit Trust SLP	Investment holding	Scotland
Cabot Place (RT2) Limited	Property investment	England & Wales
Cabot Place Holdings Limited	Property investment	England & Wales
Cabot Place Limited	Property investment	England & Wales
Canada Place (Retail) Unit Trust GP Limited	General partner	Scotland
Canada Place (Retail) Unit Trust LP Limited	Investment holding	Scotland
Canada Place (Retail) Unit Trust SLP	Investment holding	Scotland
Canada Place Limited	Property investment	England & Wales
Canada Place Mall (Retail) Unit Trust GP Limited	General partner	Scotland
Canada Place Mall (Retail) Unit Trust LP Limited	Investment holding	Scotland
Canada Place Mall (Retail) Unit Trust SLP	Investment holding	Scotland
Canada Square (Pavilion) Limited	Property investment	England & Wales
Canary Wharf (B4) Limited	Investment holding	England & Wales
Canary Wharf (B5) Limited	Property investment	England & Wales
Canary Wharf (B5) T1 Limited	Trustee landlord	England & Wales
Canary Wharf (B5) T2 Limited	Trustee landlord	England & Wales
Canary Wharf (BP1) Limited	Investment holding	England & Wales
Canary Wharf (BP1) T1 Limited	Trustee landlord	England & Wales
Canary Wharf (BP1) T2 Limited	Trustee landlord	England & Wales
Canary Wharf (BP2) Limited	Investment holding	England & Wales
Canary Wharf (BP3) Limited	Investment holding	England & Wales

CANARY WHARF GROUP INVESTMENT HOLDINGS PLC

NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

for the year ended 31 December 2022 (Continued)

Name	Principal Activity	Registered Office
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 (DS1) Limited	Investment holding	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 (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
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 1BS Finance Limited	Finance company	Jersey
Canary Wharf 1BS Lending Limited	Finance company	Jersey
Canary Wharf 1BS 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	Property investment	England & Wales
Canary Wharf Communities Two Limited	Property investment	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 (BP1) Limited	Property contractor	England & Wales
Canary Wharf Contractors (BP2) Limited	Property contractor	England & Wales
Canary Wharf Contractors (BP3) Limited	Property contractor	England & Wales

NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

for the year ended 31 December 2022 (Continued)

Name	Principal Activity	Registered Office
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 (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 Limited	Property contractor	England & Wales
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

NOTES TO THE COMPANY'S FINANCIAL STATEMENTS
for the year ended 31 December 2022 (Continued)

Name	Principal Activity	Registered Office
Canary Wharf Investments (BP1) Limited	Property investment	England & Wales
Canary Wharf Investments (BP2) Limited	Property investment	England & Wales
Canary Wharf Investments (BP4) Limited	Property investment	England & Wales
Canary Wharf Investments (Crossrail) Limited	Property investment	England & Wales
Canary Wharf Investments (DS8) Limited	Property investment	England & Wales
Canary Wharf Investments (FC2) Limited	Property investment	England & Wales
Canary Wharf Investments (FC4) Limited	Property investment	England & Wales
Canary Wharf Investments (Four) Limited	Property investment	England & Wales
Canary Wharf Investments (RSNQ) Limited	Investment holding	England & Wales
Canary Wharf Investments (RT5) Limited	Property investment	England & Wales
Canary Wharf Investments (Three)	Property investment	England & Wales
Canary Wharf Investments (Two) Limited	Investment holding	England & Wales
Canary Wharf Investments Limited	Investment holding	England & Wales
Canary Wharf Leasing (FC4) Limited	Property investment	England & Wales
Canary Wharf Leasing (FC4) No.2 Limited	Property investment	England & Wales
Canary Wharf Limited	Property development	England & Wales
Canary Wharf Management (B1/B2) Limited	Investment holding	England & Wales
Canary Wharf Management (DS7) Limited	Property management	England & Wales
Canary Wharf Management (FC2/FC4) Limited	Property management	England & Wales
Canary Wharf Management (HQ3/HQ4) Limited	Property management	England & Wales
Canary Wharf Management Limited	Property management	England & Wales
Canary Wharf NFLA Limited	Investment holding	England & Wales
Canary Wharf NQO GP Limited	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 (BP4) Limited	Property investment	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
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 Retail Limited	Property investment	England & Wales
Canary Wharf Telecoms Limited	Telecommunication services	England & Wales

NOTES TO THE COMPANY'S FINANCIAL STATEMENTS
for the year ended 31 December 2022 (Continued)

Name	Principal Activity	Registered Office
Canary.co.uk Limited	Dormant	England & Wales
CW 8 Harbord Square Limited	Property investment	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 NQ6 Holdings Limited	Property investment	England & Wales
CW NQ6 Limited	Property investment	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 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
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 E3/4 Development Company Limited	Property development	England & Wales
CW Wood Wharf F1 (Jersey) Limited	Property investment	Jersey
CW Wood Wharf F2 Development Company Limited	Property development	England & Wales
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 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

NOTES TO THE COMPANY'S FINANCIAL STATEMENTS
for the year ended 31 December 2022 (Continued)

Name	Principal Activity	Registered Office
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 J1-J3 Development Company Limited	Property development	England & Wales
CW Wood Wharf J3 (Jersey) Limited	Property investment	Jersey
CW Wood Wharf J4 Limited	Property development	England & Wales
CW Wood Wharf J4/5 (Jersey) Limited (Formerly CW Wood Wharf C1 (Jersey) Limited)	Property development	Jersey
CW Wood Wharf J4/J5 Development Company 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
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
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

NOTES TO THE COMPANY'S FINANCIAL STATEMENTS
for the year ended 31 December 2022 (Continued)

Name	Principal Activity	Registered Office
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 FC4 Finance Limited	Property investment	England & Wales
CWG FC4 Holdings Limited	Investment holding	England & Wales
CWG FC4 Properties Limited	Property investment	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
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
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 (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 Limited Partnership	Property investment	England & Wales

NOTES TO THE COMPANY'S FINANCIAL STATEMENTS
for the year ended 31 December 2022 (Continued)

Name	Principal Activity	Registered Office
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
Highplan Limited	Property investment	England & Wales
HQCB Investments Limited	Property investment	England & Wales
HQCB Properties (HQ1) Limited	Property investment	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
North Quay Infrastructure Developments Limited	Property development	England & Wales
NQ6 Developments Limited	Property development	England & Wales
NQ6 GP Limited	Property development	England & Wales
NQ6 Holdings Limited	Property development	England & Wales
NQ6 Limited Partnership	Property development	England & Wales
NQ6 Property Limited	Property development	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 Properties Limited	Property development	England & Wales
Southbank Place Management Limited	Property management	England & Wales
Vertus A2 Development Company Limited	Property contractor	England & Wales
Vertus E1/2 Development Company Limited	Property contractor	England & Wales
Vertus E3/4 Limited	Property investment	England & Wales
Vertus E3/4 Staffco Limited	Property investment	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 J1-J3 Limited	Property investment	England & Wales
Vertus J1-J3 Staffco Limited	Property investment	England & Wales
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

NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

for the year ended 31 December 2022 (Continued)

Name	Principal Activity	Registered Office
Vertus Residential Management Limited	Property management	England & Wales
Vertus Residential plc	Investment holding	England & Wales
Vertus WW Properties Limited	Investment holding	England & Wales
Wood Wharf (General Partner) Limited	General partner	England & Wales
Wood Wharf (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 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
Wood Wharf Residential GP Limited	Property investment	England & Wales
Wood Wharf Residential Limited	Property investment	England & Wales
Wood Wharf Student Propco Holdco Limited	Property investment	England & Wales
Wood Wharf Student Propco Limited	Property investment	England & Wales
WW F1 Student Development Company Limited	Property development	England & Wales
WW Residential Devco Holdco Limited	Property investment	England & Wales
WW Residential Limited Partnership	Property development	England & Wales
WW Residential Propco Holdco Limited	Property investment	Jersey

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

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

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

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

	2022	2021
	£m	£m
Cost and net book value of investments	<u>2,361.2</u>	<u>2,361.2</u>

NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

for the year ended 31 December 2022 (Continued)

(d) DEBTORS

	2022 £m	2021 £m
Due after more than one year:		
Loans to subsidiary undertakings	894.9	892.5
Derivative financial assets	8.3	–
	903.2	892.5
Due within one year:		
Amounts owed by subsidiary undertakings	2.8	2.8
Accrued interest on loans to subsidiary undertakings	5.7	5.4
	8.5	8.2

The loans to subsidiary undertakings comprise £349.3m at 2.631% maturing on 23 April 2025, £298.3m at 3.381% maturing on 23 April 2028 and £256.3m at 3.151% maturing on 7 April 2026. At 31 December 2022, there were £9.1m (2021 – £11.8m) of unamortised issue fees.

(e) CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022 £m	2021 £m
Amounts owed to subsidiary undertakings	397.2	395.1
Accruals	5.7	5.5
	402.9	400.6

(f) CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2022 £m	2021 £m
Green Bonds	905.1	888.2
Derivative financial instruments	–	4.9
	905.1	893.1

The Green Bonds are secured against the shares of the Company.

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 Euro denominated bond 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 lent to subsidiary undertakings in GBP with a margin of 0.1%.

DEFINITIONS

20 Fenchurch Street	A 690,000 sq ft building in the City of London
ADR	Average Daily Rate
AGM	Annual General Meeting
AIG	American International Group, Inc.
Audit Committee	A board committee described in the Directors Report
BBVA	Banco Bilbao Vizcaya Argentaria SA
bn	Billion
Board	Board of directors of the Company
BoE	Bank of England
Braeburn	A joint venture investment of CWGRL
Brookfield	Brookfield Property Partners LP
BS OHSAS 18001	British Standard Occupational Health & Safety Accredited System
BTR	Build to Rent
Canary Wharf Group	CWG and its subsidiaries
CAS	Credit Adjustment Spread
CDP	Customer Data Platform
CEBR	Centre for Economics and Business Research
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
DCF	Discounted Cash Flow
DPO	Data Protection Officer
DR	Discount Rate
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ED&I	Equality, Diversity & Inclusion
EPRA	European Public Real Estate Association
ERV	Estimated Rental Value
ESG	Environmental, Social and Governance
Estate	The Canary Wharf Estate in the Docklands area of east London including Wood Wharf, Heron Quays West, Park Place and North Quay
EU	European Union
FRC	Financial Reporting Council
FRS	Financial Reporting Standard
FVTPL	Fair Value Through Profit and Loss
GDPR	General Data Protection Regulation
GDV	Gross Development Value
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 39	International Accounting Standard 39 Financial Instruments: Recognition and Measurement
IAS 40	International Accounting Standard 40 Investment Property
IBOR	Interbank offer rates
ICR	Interest Cover Ratio
IFRS	International Financial Reporting Standards
IFRS 3	International Financial Reporting Standard 3 Business Combinations
IFRS 4	International Financial Reporting Standard 4 Insurance Contracts
IFRS 7	International Financial Reporting Standard 7 Financial Instruments: Disclosures
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
Investment Committee	A board committee described in the Directors Report
ISAE 3000	International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information
ISO	International Organisation for Standardisation
ISO 14001	ISO 14001 – Environmental Management Systems
ISO 45001	ISO 45001 – Occupational Health & Safety
ISO 50001	ISO 50001 – Energy Management
ISO 9001	ISO 9001 – Quality Management System

DEFINITIONS (Continued)

LBHI	Lehman Brothers Holdings Inc.
LBL	Lehman Brothers Limited
LIBOR	London Interbank Offered Rate
LMCTV	Loan Minus Cash to Value
LTC	Loan to Cost
LTIP	Long Term Incentive Plan
LTV	Loan to Value
NAV	Net Asset Value
NER	Net Effective Rent
Net Debt	Total cash and cash equivalents less total short-term and long-term debt.
NIA (m sq ft)	Net Internal Area
NNNAV	Triple Net Asset Value
Notes	CMBS notes of Canary Wharf Group's securitisation
Ordinary Shares	Ordinary shares of 10p each
PBSA	Purpose Build Student Accommodation
PFS	Private For Sale
PRS	Private Rental Sector, including affordable and intermediate rental.
psf	Per square foot
QIA	Qatar Investment Authority
RCF	Revolving Credit Facility
REIT	Real Estate Investment Trust
Remuneration Committee	A board committee described in the Directors Report
RM	Residual Method
s106	Section 106 of the Town and Country Planning Act 1990
SBTs	Science Based Targets
SBTi	Science Based Target initiative
Scope 2 emissions	Indirect emissions from purchased electricity
SHL	Stork Holdings Limited
SHL Group	SHL and its subsidiaries
SLP	Separate Limited Partnership
Southbank Place	5.25 acre development site in Waterloo, London
SONIA	Sterling Overnight Interbank Average Rate
sq ft	Square foot/square feet
Stork	Stork Holdco LP, a Bermuda entity jointly owned by Brookfield and QIA
tCO ₂ e	Tonnes of carbon dioxide equivalent
TCR	Terminal Cap Rate
TfL	Transport for London
TMT	Technology, Media and Telecommunications
Underlying	Elements of the Income Statement defined in Note 1(y)
VAT	Value Added Tax
Vertus	Joint venture entities established with the ultimate parent undertakings to invest in 8 Water Street and 10 George Street at Wood Wharf
WAULT	Weighted Average Unexpired Lease Term
Wood Wharf	A site on the east side of the Estate with consent for 5.3m sq ft of development
Wood Wharf Phase 1	15 Water Street, 20 Water Street, 40–50 Harbord Square, 65 Harbord Square, 75 Harbord Square, 20 Brannan Street, 25–30 Harbord Square
Wood Wharf Phase 2	45 Charter Street, 10 Brannan Street, 7 Charter Street, 8 Union Square, 8 Harbord Square, 1 Bellevue Square
Wood Wharf Phase 3	40 Charter St, 50–60 Charter St, 70–80 Charter St, 13 Brannan Street