CANARY WHARF
GROUP PLC

CANARY WHARF LIMITED

Registered number: 1971312

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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CANARY WHARF LIMITED

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

The directors, in preparing this Strategic Report, have complied with section 414C of the Companies Act 2006.

This Strategic Report has been prepared for the company and not for the group of which it is a member and therefore focuses only on matters which are significant to the company.

BUSINESS MODEL

The company is a wholly owned subsidiary of Canary Wharf Group plc and until 5 February 2015 its ultimate parent undertaking was Canary Wharf Group Investment Holdings plc (formerly Songbird Estates plc).

On 4 December 2014, Stork Holdings Limited, an entity jointly owned by Qatar Investment Authority and Brookfield Property Partners LP announced the terms of a final cash offer for the acquisition of the entire issued and to be issued ordinary share capital of Songbird Estates plc at £3.50 per ordinary share. The offer became wholly unconditional on 5 February 2015. Having obtained more than 90.0% of the issued share capital, Stork Holdings Limited then announced a compulsory acquisition of the remaining Canary Wharf Group Investment Holdings plc shares in respect of which acceptances of the offer had not been received.

The offer becoming unconditional triggered a mandatory cash offer for the issued and to be issued ordinary share capital of Canary Wharf Group plc at a price of £6.45 per share and the subsequent compulsory acquisition process of the Canary Wharf Group plc shares in respect of which acceptances of the offer had not been received.

The compulsory purchase periods lasted until 17 April 2015, at which time the shares were compulsorily purchased on the same terms as the original offers.

The principal activity of the company continues to be property development for the purposes of sale either to fellow subsidiary undertakings or external to the group.

BUSINESS REVIEW

At 25 Churchill Place, Ernst and Young LLP ("EY") entered into an agreement for the lease of 56,692 sq ft on the last 2 floors in that building. The lease of floor 13 is for a term of 24 years, while the lease of floor 11 is for a term of 8 years to allow for the existing tenant's call option on this floor. If the tenant does not exercise, EY have a call option to extend their lease of the floor. The rent on both floors is £50.00 per sq ft.

The lease to EY was in addition to the lease of 207,000 sq ft in 25 Churchill Place agreed in 2014.

As shown in the company's profit and loss account, the company's profit after tax for the year was £53,316,625 (2014 - as restated £22,542,681).

The balance sheet shows the company's financial position at the year end and indicates that net assets were £1,024,786,743 (2014 - as restated £971,470,118).

STRATEGIC REPORT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015
PRINCIPAL RISKS AND UNCERTAINTIES

The risks and uncertainties facing the business are monitored through continuous assessment, regular formal quarterly reviews and discussion at the Canary Wharf Group Investment Holdings plc audit committee and board. Such discussion focuses on the risks identified as part of the system of internal control which highlights key risks faced by the company and allocates specific day to day monitoring and control responsibilities to management. As a member of the group, the current key risks of the company include the cyclical nature of the property market, concentration risk and financing risk.

Cyclical nature of the property market

The valuation of the group's assets is subject to many external economic and market factors. Following the turmoil in the financial markets and uncertainty in the Eurozone experienced in recent years, the London real estate market has had to cope with fluctuations in demand. The market has, however, previously been assisted by the continuing presence of overseas investors attracted by the relative transparency of the real estate market in London which has been viewed as both stable and secure. The market has also been underpinned by demand for sites capable of incorporating residential development. Recent Government announcements have, however, contributed to a slowing of residential land prices and there is uncertainty over the full impact of the changes to stamp duty on the residential property market. Most significantly of all, the full implications of the results of the EU referendum held on 23 June 2016, which resulted in a vote to leave the EU, are also not yet clear. In the meantime, there is likely to be significant uncertainty which will undermine confidence across the whole real estate sector.

Changes in financial and property markets are kept under constant review so that the group can react appropriately and tailor the business plans of the group accordingly.

Financing risk

The broader economic cycle inevitably leads to movements in inflation, interest rates and bond yields. The company finances its operations largely through surplus cash and intercompany finance.

Concentration risk

The majority of the group's real estate assets are currently located on or adjacent to the Canary Wharf Estate with a majority of tenants linked to the financial services industry. Wherever possible steps are taken to mitigate or avoid material consequences arising from this concentration and to diversify the tenant base.

The principal risks facing the Canary Wharf Group are discussed in the Annual Report of Canary Wharf Group plc, which does not form part of this report.

KEY PERFORMANCE INDICATORS

The Canary Wharf Group (comprising Canary Wharf Group plc and its subsidiaries) manages its operations on a unified basis. For this reason, the company's directors believe that key performance indicators specific to the company are not necessary or appropriate for an understanding of the development, performance or position of its business. The performance of the Canary Wharf Group, which includes the company, is discussed in the Annual Report of Canary Wharf Group plc, which does not form part of this report.

STRATEGIC REPORT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015
CORPORATE & SOCIAL RESPONSIBILITY

The Canary Wharf Group board retains overall responsibility for the monitoring and implementation of the group's environmental policy and is assisted by the group's Corporate Responsibility Group which comprises senior executives of the group. A clear governance process has been developed and implemented to enable the Corporate Responsibility Group, and ultimately the board, to identify, manage and respond to the environmental and social risks and opportunities that may affect the group's operations.

The Corporate Responsibility Group is responsible for the development and establishment of environmental management systems throughout the group which has been developed to focus attention on those objectives and targets where improvements and actions are necessary to meet the monitoring and reporting process formally adopted by the group. Identified environmental system managers have responsibility for the implementation of the environmental management system throughout their respective business areas. Employee environmental awareness is key to the success of the environmental management systems and as a result is incorporated into the staff induction programme with regular updates via in-house newsletters and presentations.

Sustainability pressures are coming from tenants and occupiers, who understandably seek more sustainable operations. These expectations are met by the group in the design and construction of more sustainable buildings and by improving the environmental performance of existing facilities through effective retrofitting and facilities management.

The group aims to design, build and manage central London's highest quality, best value and most sustainable office, retail and residential buildings and districts. In doing this, the group works with all its stakeholders to create and nurture vibrant, inclusive communities that meet today's economic, environmental and social needs while anticipating those of tomorrow.

As a member of the Canary Wharf Group the company has maintained ISO 14001 accreditation since early 2005 with environmental management being an inherent part of construction since 2002. During 2015, the company did not incur any fines or non monetary sanctions for non compliance with any regulation or legislation related to sustainability issues. The company is a member of the UK Green Building Council and the Better Building Partnership.

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 works with suppliers and contractors to establish effective environmental supply chain management and to promote the procurement of sustainable products and materials.

During 2015 the group submitted the Group Sustainability Report to the GRI which promotes sustainability reporting and also participated in the EPRA Sustainability Benchmarking scheme.

The annual Group Sustainability Report provides details of performance against a range of specified targets and objectives with third party verification. This report, together with additional supporting information and group publications related to this area can be downloaded from the company's website, www.canarywharf.com.

STRATEGIC REPORT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015
ENVIRONMENT

The company is committed to applying environmental best practice wherever practical in the design, construction and management of the Canary Wharf Estate and to properties situated elsewhere for the benefit of tenants, employees, the community and stakeholders.

The company targets the reduction of energy, water and resource use and the re-use 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 also targeted during the construction and management of buildings. The company is also committed to preventing pollution, monitoring and reducing any emissions which may have an adverse impact on the environment and/or local community. The company endeavours to raise awareness and promote effective management of environmental and social issues with staff, designers, suppliers and contractors.

Information on the Canary Wharf Group's environmental and corporate performance is published annually with third party verification.

This report was approved by the board on 29 June 2016 and signed on its behalf.

R J J Lyons
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present their report and the financial statements for the year ended 31 December 2015.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £53,316,625 (2014 - £22,542,681).

No dividends have been paid or proposed for the year (2014 - £NIL).

DIRECTORS

The directors who served during the year were:

A P Anderson II
Sir George Iacobescu CBE
R J J Lyons
G A Pagano (resigned 27 November 2015)

The company provides an indemnity to all directors (to the extent permitted by law) in respect of liabilities incurred as a result of their office. The company also has in place liability insurance covering the directors and officers of the company. Both the indemnity and insurance were in force during the year ended 31 December 2015 and at the time of the approval of this Directors' Report. Neither the indemnity nor the insurance provide cover in the event that the director is proven to have acted dishonestly or fraudulently.

EMPLOYMENT POLICIES

The company has adopted the terms of the Code of Practice for the elimination of discrimination, on all grounds, including disability discrimination. To effect this policy the company has implemented a continuing programme of action with the aim of providing an equal opportunity working environment where all employees are treated with respect and dignity. The company continues to keep employees informed of events relevant to their employment via 'all staff' communications and an intranet. A staff consultative committee, at which matters raised by employees are considered by management and staff representatives, has been established and meets every two months. The company's employment policy is regularly reviewed to incorporate changes to legislation and ensure best practice is maintained.

Diversity

The company values the benefits a diverse workforce can bring and embraces diversity as a practical contribution to its business success and in providing the highest standard of customer service to our tenants and to visitors alike.

The company strives to create a working environment which is open, supportive and inclusive at every level and believes that equality of opportunity for all is fundamental to the future of the company. All staff attend diversity training which emphasises the value of appreciating individual differences.

Health and Safety

The company seeks to continually improve and develop its health and safety performance and places the overall wellbeing of its employees, tenants and visitors in the highest regard. The company operates a health and safety management system to the internationally recognised ISO 18001 standard. This ensures that best practice is followed as a minimum threshold.

The company strives for continuous improvement to ensure a safe and healthy environment is maintained and adequate resources are made available for these purposes. The group's accreditation to ISO 18001 is externally verified on an ongoing basis allowing opportunities for continuous improvement to be identified and enacted where feasible. The group's health and safety departments are committed to supporting all employees in understanding their health and safety responsibilities through a system of processes and procedures in order to deliver the safest standards within the built environment.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015
Anti bribery and corruption

The directors continue to demonstrate commitment to the prevention of corruption and understands the importance of maintaining a culture in which it is not acceptable at any level. A mandatory online bribery and corruption awareness training module has been completed by over 90.0% of the work force. The company has adopted a formal anti bribery and corruption policy which requires all directors and employees to behave with integrity and in a manner that ensures the objectives of the policy are achieved. The company has a strict approach to maintaining high standards of finance, business principles and ethics.

Communities

The company's Community, Social and Economic Development strategy aims to maintain and enhance the company's relationship with the community by supporting employment opportunities, skills enhancement, investment in young people and commitment to the local business community while also confirming the company's vision for the future.

Improving the transition from education to employment; securing opportunities for local job seekers; maximising supply chains and community led development is a priority for the company, especially as it diversifies and evolves.

FUTURE DEVELOPMENTS

There have been no significant events since the balance sheet date.

FINANCIAL INSTRUMENTS

The financial risk management objectives and policies together with the principal risks and uncertainties of the company are contained within the Strategic Report.

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This report was approved by the board on 29 June 2016 and signed on its behalf.

J R Garwood
Secretary

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the company financial statements 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that 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. They 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CANARY WHARF LIMITED

We have audited the financial statements of Canary Wharf Limited for the year ended 31 December 2015, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion 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 directors' report has been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CANARY WHARF LIMITED

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Mark Beddy (Senior Statutory Auditor)
for and on behalf of
Deloitte LLP
Chartered Accountant and Statutory Auditor
London, UK

29 June 2016

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 £	As restated 2014 £
Turnover	4	27,507,956	2,100,893
Cost of sales		(17,173,542)	(9,601,309)
GROSS PROFIT/(LOSS)		10,334,414	(7,500,416)
Administrative expenses		(38,032,646)	(31,561,959)
Movement in provision against intercompany debtors	16	(50,993,243)	(77,059,365)
Other operating income		11,078,271	4,957,417
Release of onerous lease provision	21	13,667,076	-
Movement in fair value of investment properties	14	4,585,000	-
OPERATING LOSS	5	(49,361,128)	(111,164,323)
Income from shares in group companies	13	3,560,000	3,580,000
Interest receivable and similar income	9	126,887,616	164,071,983
Interest payable and expenses	10	(32,017,448)	(31,862,833)
PROFIT BEFORE TAX		49,069,040	24,624,827
Tax on profit	11	4,247,585	(2,082,146)
PROFIT FOR THE YEAR		53,316,625	22,542,681
OTHER COMPREHENSIVE INCOME NET OF TAX		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		53,316,625	22,542,681

The notes on pages 13 to 31 form part of these financial statements.

CANARY WHARF LIMITED
REGISTERED NUMBER: 1971312

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Note	2015 £	As restated 2014 £
FIXED ASSETS			
Tangible assets	12	575,666	777,493
Investments	13	8	8
Investment property	14	5,850,000	-
		6,425,674	777,501
CURRENT ASSETS			
Work in progress	15	253,328,486	248,201,790
Debtors	16	4,097,066,199	3,879,216,942
Cash at bank and in hand	17	72,084,927	243,491,995
		4,422,479,612	4,370,910,727
Creditors: amounts falling due within one year	18	(2,827,119,477)	(2,837,265,450)
NET CURRENT ASSETS		1,595,360,135	1,533,645,277
TOTAL ASSETS LESS CURRENT LIABILITIES		1,601,785,809	1,534,422,778
Creditors: amounts falling due after more than one year	19	(572,768,398)	(524,128,781)
Provisions	21	(4,230,668)	(38,823,879)
NET ASSETS		1,024,786,743	971,470,118
CAPITAL AND RESERVES			
Called up share capital	22	662,516,350	662,516,350
Retained earnings		362,270,393	308,953,768
		1,024,786,743	971,470,118

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 June 2016.

R J J Lyons
Director

The notes on pages 13 to 31 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Share capital	Retained earnings	Total equity
	£	£	£
At 1 January 2015	662,516,350	308,953,768	971,470,118
COMPREHENSIVE INCOME FOR THE YEAR			
Profit for the year	-	53,316,625	53,316,625
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	53,316,625	53,316,625
AT 31 DECEMBER 2015	662,516,350	362,270,393	1,024,786,743

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

	Share capital	Retained earnings	Total equity
	£	£	£
At 1 January 2014 (as previously stated)	662,516,350	280,715,702	943,232,052
Prior year adjustment	-	5,695,385	5,695,385
At 1 January 2014 (as restated)	662,516,350	286,411,087	948,927,437
COMPREHENSIVE INCOME FOR THE YEAR			
Profit for the year	-	22,542,681	22,542,681
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	22,542,681	22,542,681
AT 31 DECEMBER 2014	662,516,350	308,953,768	971,470,118

The notes on pages 13 to 31 form part of these financial statements.

1. GENERAL INFORMATION

Canary Wharf Limited is an English Limited Company registered at One Canada Square, Canary Wharf, London, E14 5AB.

The nature of the company's operations and its principal activities are set out in the Strategic Report.

2. ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value and in accordance with 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").

Information on the impact of first-time adoption of FRS 102 is given in Note 26.

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 (see Note 3).

The principal accounting policies are summarised below.

2.2 Going concern

At the year end, the company is in a net asset position. In addition, as a member of the Canary Wharf Group, the company has access to considerable resources.

Having made the requisite enquiries and assessed the resources at the disposal of the company, the directors have a reasonable expectation that the company will have adequate resources to continue its operation for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

2.3 Cash flow statement

The company has taken the exemption from preparing the cash flow statement under Section 1.12(b) as it is a member of a group where the parent of the group prepares publicly available consolidated accounts which are intended to give a true and fair view.

2.4 Revenue

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

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

2. ACCOUNTING POLICIES (continued)

2.5 Investment properties

Investment properties, including land and buildings held for development and investment properties under construction, are measured initially at cost including related transaction costs. The finance costs associated with direct expenditure on properties under construction or undergoing refurbishment are capitalised.

Where a property interest is acquired under a lease the investment property and the associated lease liability are initially recognised at the lower of the fair value and the present value of the minimum lease payments including any initial premium. Lease payments are apportioned between the finance charge and a reduction in the outstanding obligation for future amounts payable. The total finance charge is allocated to accounting periods over the lease term so as to produce a constant periodic charge to the remaining balance of the obligation for each accounting period.

Investment properties are subsequently revalued, at each reporting date, to an amount comprising the fair value of the property interest plus the carrying value of the associated lease liability less any separately identified lease incentive assets. The gain or loss on remeasurement is recognised in the income statement.

2.6 Tangible fixed assets

Tangible fixed assets, other than investment properties, are depreciated so as to write off the cost in equal annual instalments over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Short term leasehold property:	the lease term
Leasehold improvements:	the shorter of the lease term or 4 years
Plant and machinery:	over 4 years
Fixture and fittings:	over 4 years
Computer equipment:	over 3 years

2.7 Finance lease agreements: lessor

Assets held under finance leases which confer rights and obligations similar to those attached to owned assets are capitalised as tangible fixed assets at the value equal to the present value of minimum lease payments over the term of the lease.

The corresponding leasing commitments are shown as amounts payable to the lessor. Lease payments are apportioned between the finance charge and a reduction in the outstanding obligation for future amounts payable. The total finance charge is allocated to accounting periods over the lease term so as to produce a constant periodic charge to the remaining balance of the obligation for each accounting period.

2. ACCOUNTING POLICIES (continued)

2.8 Investments

Investments in subsidiaries are stated at cost less any provision for impairment.

Income from investments is recognised as the company becomes entitled to receive payment. Dividend income from investments in companies is recognised when received or irrevocably declared.

2.9 Financial instruments

Trade and other receivables

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

Loans receivable

Loans receivable are recognised initially at fair value less attributable 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.

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.

Trade and other payables

Trade and other creditors are stated at cost.

Borrowings

Loans payable are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, loans payable 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.

2. ACCOUNTING POLICIES (continued)

2.10 Taxation

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 recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, 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 timing differences can be deducted.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of timing difference. Deferred tax relating to investment property is measured using the tax rates and allowances that apply to the sale of the asset.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expenses or income.

2.11 Pensions

The company operates a defined contribution pension scheme. Contributions in respect of this scheme are expensed as they fall due.

2.12 Share based payments

Shares in Songbird Estates plc which prior to the acquisition were held by the Canary Wharf Employees' Share Ownership Plan Trust were allocated to employees of the group under the terms of share schemes or allocations adopted from time to time by the group. The terms of certain allocations permitted, at the option of the group, the employee to receive a cash settlement in lieu of their share allocation. In this event, the cash amount receivable by an employee was calculated by reference to the market price of the shares at that date.

Where the terms of an allocation permitted the employee to opt for a cash settlement, the allocation was accounted for as a cash settled share based payment. Where the terms of the allocation allowed, but did not require, the group to offer a cash settlement option to the employees, the allocation was accounted for as an equity settled share based payment.

For cash settled share allocations, a liability was recorded based on the market value of the shares at each balance sheet date. The cost of equity settled share allocation was measured at the grant date based on the market value of the shares at that date. The associated cost was charged to the same expense category as the employment cost of the relevant employee, spread on a straight line basis over the relevant vesting period, based on the group's estimate of the shares that would eventually vest.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

3. 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.

Valuation of investment properties

The company uses valuations performed by independent valuers as the fair value of its properties. The valuations are based upon assumptions including future rental income, anticipated void costs and the appropriate discount rate or yield. The valuers also make reference to market evidence of transaction prices for similar properties.

Provisions against group debtors

At each year end the company assesses the recoverability of its group debtors. A provision is made to reduce the carrying value to the net realisable value of the debt, which is calculated by adjusting the net assets of the debtor for any known uplifts to value for assets held at cost.

4. ANALYSIS OF TURNOVER

An analysis of turnover by class of business is as follows:

	2015 £	2014 £
Rental income	16,893,140	1,416,956
Development management fees	10,614,816	683,937
	27,507,956	2,100,893

5. OPERATING LOSS

The operating loss is stated after charging:

		2015 £	2014 £
Directors' emoluments, including bonuses	8	438,847	639,690
Depreciation	12	269,050	255,322
Remuneration of the auditors:			
Audit fees for the audit of the company		-	15,885
Fees for other services		31,365	114,090
Audit fees for the audit of fellow subsidiary undertakings		-	109,150
Operating lease rentals	21	13,134,498	13,638,635

The operating lease rentals are in respect of the leaseback properties referred to in Note 21.

Auditor's remuneration of £15,790 for the audit of the company for the year ended 31 December 2015 has been borne by another group undertaking.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

6. EMPLOYEES

Staff costs, including directors' remuneration, were as follows:

		2015	2014
		£	£
Wages and salaries (including directors)		17,566,272	15,839,930
Social security costs		2,085,812	1,856,204
Other pension costs	23	1,142,672	1,019,171
		20,794,756	18,715,305

The average monthly number of employees, including the directors, during the year was as follows:

	2015	2014
	No.	No.
Administrative	178	168

7. SHARE BASED PAYMENTS

At 31 December 2014, 16,324,309 Ordinary Shares of Canary Wharf Group Investment Holdings plc. (formerly Songbird Estates plc.) were held in the Employee Share Trust, including 1,859,999 shares which were allocated to directors and employees of the company but not released.

In February 2015, all allocated shares were released to the recipients following the offer for the shares of Canary Wharf Group Investment Holdings plc. becoming unconditional in accordance with the terms of the allocation. All recipients were paid a cash equivalent to the value of the shares allocated.

The charge to the income statement in respect of the share allocations was calculated by reference to the market value of the allocated shares at the date the allocation was made. Such charge would previously have been spread over the vesting period. However, the recognition of this cost was accelerated as a result of the release of shares referred to above, giving rise to a charge of £4.3m being recognised in the income statement. This amount included £0.9m of employer's National Insurance Contributions.

The release of shares was funded by the sale of shares held by the Trust.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

8. DIRECTORS' REMUNERATION

	2015	2014
	£	£
Directors' emoluments	438,847	639,696
	438,847	639,696

The above amounts, which was attributable solely to the highest paid director, included bonuses of £350,000 (2014 - £350,000), plus benefits in kind equal to £4,971 (2014 - £4,942).

Benefits are accruing under the company's money purchase pension scheme on behalf of the highest paid director. During the year and prior year no contributions were made to the company's money purchase pension plan.

During 2015, 3 directors received allocations, whilst directors of the company, from a share allocation scheme based on Canary Wharf Group Investment Holdings plc. shares held in a Share Ownership Plan Trust.

The remuneration of the other directors is disclosed in the financial statements of Canary Wharf Group plc.

9. INTEREST RECEIVABLE

			As restated
		2015	2014
		£	£
Interest receivable from group companies		126,460,962	162,516,680
Finance lease income	16	62,946	80,334
Bank interest receivable		363,708	1,474,969
		126,887,616	164,071,983

10. INTEREST PAYABLE AND SIMILAR CHARGES

		2015	2014
		£	£
Bank charges		1,284,323	1,510,373
Interest payable to group undertakings		79,305,626	80,529,388
Less: Increase in contract prepayment		(49,169,548)	(50,609,260)
Unwind of discount on provisions	21	597,047	432,332
		32,017,448	31,862,833

11. TAXATION

	2015 £	2014 £
CORPORATION TAX		
Adjustments in respect of previous periods	(4,114,800)	2,033,318
TOTAL CURRENT TAX	(4,114,800)	2,033,318
DEFERRED TAX		
Origination and reversal of timing differences	(132,785)	48,828
TOTAL DEFERRED TAX	(132,785)	48,828
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	(4,247,585)	2,082,146

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is different to the standard rate of corporation tax in the UK of 20.25% (2014 -21.5%). The differences are explained below:

	2015 £	2014 £
Profit on ordinary activities before tax	49,069,040	24,624,827
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014 -21.5%)	9,936,481	5,294,338
EFFECTS OF:		
Expenses not deductible for tax purposes	10,791,850	1,017,139
Capital allowances	(94,665)	-
Adjustments to tax charge in respect of prior periods	(2,951,855)	17,926,958
Dividends from UK companies	(720,900)	(769,700)
Other differences leading to a decrease in the tax charge	(878,176)	-
Indexation allowance	(1,179,816)	-
Change in tax rates	81,971	-
Group relief	(19,232,475)	(21,386,589)
TOTAL TAX (CREDIT)/CHARGE FOR THE YEAR	(4,247,585)	2,082,146

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The tax rate of 20.25% has been calculated by reference to the current corporation tax rate of 20% which was in effect for the final three quarters of the year and the previous rate of 21% which was in effect for the first quarter of the year.

12. TANGIBLE FIXED ASSETS

	Leasehold Improvements £	Fixtures and fittings £	Equipment £	Total £
COST OR VALUATION				
At 1 January 2015	2,957,429	8,262,753	186,023	11,406,205
Additions	12,505	54,718	-	67,223
At 31 December 2015	2,969,934	8,317,471	186,023	11,473,428
DEPRECIATION				
At 1 January 2015	2,930,287	7,615,932	82,493	10,628,712
Movement for the year	25,550	181,495	62,005	269,050
At 31 December 2015	2,955,837	7,797,427	144,498	10,897,762
NET BOOK VALUE				
At 31 December 2015	14,097	520,044	41,525	575,666
At 31 December 2014	27,142	646,821	103,530	777,493

13. FIXED ASSET INVESTMENTS

	Investments in subsidiary companies £	Investment in partnerships £	Investment in joint venture £	Total £
COST OR VALUATION				
At 1 January 2015	6	1	1	8
Additions	2	-	-	2
At 31 December 2015	8	1	1	10
IMPAIRMENT				
Charge for the period	2	-	-	2
At 31 December 2015	2	-	-	2
NET BOOK VALUE				
At 31 December 2015	6	1	1	8
At 31 December 2014	6	1	1	8

13. FIXED ASSET INVESTMENTS (continued)

SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Canary Wharf Facilities Management Limited	England and Wales	Ordinary £1	100 %	Property management
Canary Wharf Management Limited	England and Wales	Ordinary £1	100 %	Property management
Hazelway Limited	England and Wales	Ordinary £1	100 %	Property investment
L39 Limited	England and Wales	Ordinary £1	100 %	Dormant
Level 39 Limited	England and Wales	Ordinary £1	100 %	Facility provider
Southbank Place Management Limited	England and Wales	Ordinary £1	100 %	Property management

Dividends totalling £3,560,000 (2014 - £3,580,000) were paid by the company's subsidiaries during the year ended 31 December 2015.

In accordance with Section 400 of the Companies Act 2006, financial information is only presented in these financial statements about the company as an individual undertaking and not about its group because the company and its subsidiary undertakings are included in the consolidated financial statements of a larger group (Note 24).

The directors are of the opinion that the value of the company's investments at 31 December 2015 was not less than the amount shown in the company's balance sheet.

The company is the beneficial owner of 1% of a partnership which has undertaken the design and construction of a development in phase I of that part of the Canary Wharf project known as Heron Quays. Heron Quays Properties Limited, another member of the Canary Wharf Group, is the beneficial owner of the other 99%.

During 2011, Canary Wharf Group plc and Qatari Diar Real Estate Investment Company concluded an agreement to redevelop the Shell Centre. The group and Qatari Diar have entered into a 50:50 joint venture and have committed to contributing £150.0m each to the joint venture to secure the 5.25 acre site on a 999 year lease. The group is acting as construction manager for the project and is also a joint development manager with Qatari Diar Real Estate Investment Company. As a part of this arrangement, the company subscribed for 1 ordinary £1 share in Braeburn Estates Development Management Limited at par, which represents 50% of its issued share capital.

14. INVESTMENT PROPERTY

	Long term leasehold investment property £
VALUATION	
Transfer from work in progress	1,265,000
Revaluation	4,585,000
AT 31 DECEMBER 2015	5,850,000

During the year certain property interests in Canada Place have been transferred from work in progress to investment property.

At 31 December 2015, the property was valued externally by Cushman & Wakefield Healey & Baker, Real Estate Consultants, with recent experience in office properties at Canary Wharf. The fair value was determined in accordance with the Appraisal and Valuation Manual published by the Royal Institution of Chartered Surveyors, using:

- Discounted cash flow based on inputs provided by the company (current rents, terms and conditions of lease agreements) and assumptions and valuation models adopted by the valuers (estimated rental values, terminal values and discount rates).

- Yield methodology based on inputs provided by the company (current rents) and assumptions and valuation models adopted by the valuers (estimated rental values and market capitalisation rates).

The resulting valuations are cross checked against the initial yields and the fair market values per square foot derived from actual market transactions. No allowance was made for any expenses of realisation nor for any taxation which might arise in the event of disposal.

If the investment properties had been accounted for under the historic cost accounting rules, the properties would have been measured as follows:

	2015 £	2014 £
Historic cost	1,265,000	-

15. WORK IN PROGRESS

	2015 £	2014 £
Work in progress at cost	253,328,486	248,201,790
	253,328,486	248,201,790

Movement in the carrying value of work in progress during the year:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 £	2014 £
At 1 January	248,201,790	198,213,109
Additions	6,391,696	49,988,681
Transfer to investment properties	(1,265,000)	-
	253,328,486	248,201,790

Work in progress is assessed annually to ensure its carrying value does not exceed its net realisable value. In assessing the estimated net realisable value of development properties as at 31 December 2015 the directors consulted with the company's external property advisors, Savills Commercial Limited, Chartered Surveyors.

16. DEBTORS

		2015 £	As restated 2014 £
DUE AFTER MORE THAN ONE YEAR			
Loan to fellow subsidiary undertaking		903,712,385	882,271,135
Lease incentives		62,625,515	64,095,753
Prepayments and accrued income		795,603,649	722,029,804
Finance lease receivables		1,049,113	1,108,237
		1,762,990,662	1,669,504,929
DUE WITHIN ONE YEAR			
Trade debtors		2,687,246	124,147
Amounts owed by group undertakings		2,327,191,047	2,177,077,461
Other debtors		775,367	160,657
Prepayments and accrued income		2,708,002	31,768,658
Deferred taxation	20	713,875	581,090
		4,097,066,199	3,879,216,942

16. DEBTORS (continued)

Included in the amounts owed by group undertakings a loan to a parent undertaking of £670,208,374 (2014 - £648,771,137) and loans to fellow subsidiary undertakings of £610,184,059 (2014 - £978,654,297).

All loans due within one year carry interest at rates linked to LIBOR or 10%, subject to certain caps, and are repayable on demand.

The loan to a fellow subsidiary undertaking shown as due in more than one year carries interest at 10%, subject to certain caps, and is repayable by 1 December 2034.

At 31 December 2015, the company carried provisions against amounts owed by fellow subsidiary undertakings totaling £229,072,341 (2014 - £194,951,204). These amounts relate to fellow subsidiary undertakings which were in a net liability position at the year end. The net increase in provision of £34,121,137 (2014 - £77,059,365) has been taken to the income statement. In addition, the limited recourse loan to South Quays Properties Limited has been assessed irrecoverable and consequently an amounnt of £16,872,106 was written off to the income statement.

The company has acquired assets for use in the running of its property interest, subject to leases to a fellow subsidiary undertaking under finance lease terms.

The amount at which finance lease debtors are stated comprises:

	2015 £	2014 £
Opening balance	1,108,237	1,431,639
Finance lease rents received	(122,070)	(403,736)
Finance lease interest	62,946	80,334
	1,049,113	1,108,237

17. CASH AND CASH EQUIVALENTS

	2015 £	2014 £
Cash at bank and in hand	72,084,927	243,491,995
	72,084,927	243,491,995

18. CREDITORS: Amounts falling due within one year

	2015 £	2014 £
Trade creditors	11,678,625	433,644
Amounts owed to group undertakings	2,714,273,450	2,731,709,682
Corporation tax	57,988,419	62,103,219
Taxation and social security	3,971,624	3,401,066
Other creditors	100,210	214,533
Accruals and deferred income	39,107,149	39,403,306
	2,827,119,477	2,837,265,450

Included in the amounts owed to group undertakings is a £949,467,631 (2014 - £1,058,912,754) loan from a parent undertaking and £1,004,914,321 (2014 - £1,225,684,644) of loans from fellow subsidiary undertakings.

Loans due to parent and fellow subsidiary undertakings are repayable either on demand or at set dates within one year and carry interest at market rates which are linked either to LIBOR or to the rates payable on an issue of publicly quoted debentures by a fellow subsidiary undertaking.

19. CREDITORS: Amounts falling due after more than one year

	2015 £	2014 £
Loans from fellow subsidiary undertaking	572,768,398	524,128,781
	572,768,398	524,128,781

The loan owed to a fellow subsidiary undertaking carries interest at 9% and is repayable in 2017.

20. DEFERRED TAXATION

	Deferred tax £
At 1 January 2015	581,090
Charged to the profit or loss	132,785
AT 31 DECEMBER 2015	713,875

The deferred tax asset is made up as follows:

	2015 £	2014 £
Capital allowances	718,159	581,090
Revaluation of properties	(4,284)	-
	713,875	581,090

21. PROVISIONS

	Total provision £
At 1 January 2015	38,823,879
Unwind of discount	597,047
Increase/ (decrease) in provision	(18,264,482)
Utilisation of provision	(16,925,776)
AT 31 DECEMBER 2015	4,230,668

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The total provision comprises:

	20 Canada Square £	One Churchill Place £	One Canada Square £	Beckett House £	5 Churchill Place £	Total £
At 1 January 2015	2,430,104	554,892	7,780,209	27,835,947	222,727	38,823,879
Utilisation of provision	(148,500)	(635,629)	(2,190,867)	(14,225,000)	(200,780)	(17,400,776)
Unwind of discount	187,695	31,290	371,332	56,129	(49,399)	597,047
Increase/ (decrease) in provision	(48,836)	503,684	(4,604,706)	-	27,452	(4,122,406)
Release of provision	-	-	-	(13,667,076)	-	(13,667,076)
At 31 December 2015	2,420,463	454,237	1,355,968	-	-	4,230,668

	£	£	£	£	£	£
Total net rents due	3,051,876	494,842	1,374,388	-	-	4,921,106
Discount at 5.1%	(631,413)	(40,605)	(18,420)	-	-	(690,438)
	2,420,463	454,237	1,355,968	-	-	4,230,668

The company has recognised a provision in respect of a lease over 81 car parking spaces at 20 Canada Square at an annual rent of £202,500 until 5 January 2028.

The company has recognised provisions in respect of leases totalling 133,400 sq ft in One Churchill Place, at a rent of £5.6 million per annum until July 2019.

The company has entered into leaseback agreements in respect of floor 24 of One Canada Square at a rent of £1.0 million per annum until June 2018, and in respect of floor 38 at a rent of £1.1 million per annum. Floor 38 of One Canada Square was surrendered in February 2016.

In connection with the letting to EY of 207,000 sq ft in 25 Churchill Place, the company took an assignment of EY's lease at Becket House. The space was immediately let back to EY under an agreement which terminated on the date of EY's draw down of space in 25 Churchill Place. The building comprises 146,000 sq ft of office space on a lease expiring in September 2026 at an average rent of £35.00 psf. At 31 December 2014, the company recognised a provision of £27.8m in respect of the estimated net liability, discounted at 5.7%. In November 2015, the lease was assigned to a third party for a reverse premium of £13.75m. The remaining provision has been released and taken to other income.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

22. SHARE CAPITAL

	2015	2014
	£	£
Allotted, called up and fully paid		
662,516,350 Ordinary shares of £1 each	662,516,350	662,516,350

23. PENSION COMMITMENTS

Canary Wharf Group plc operates a defined contribution pension scheme, within which the company participates. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge, which amounted to £1,142,672 for the company for the year (2014 - £1,019,171), represents contributions payable by the company to the scheme.

24. OTHER FINANCIAL COMMITMENTS

As at 31 December 2015 and 31 December 2014 the company had given fixed and floating charges over substantially all its assets to secure the commitments of certain other group undertakings.

25. CONTROLLING PARTY

The company's immediate parent undertaking is Canary Wharf Holdings Limited.

As at 31 December 2015, the smallest group of which the company is a member and for which group financial statements are drawn up is the consolidated financial statements of Canary Wharf Group Investment Holdings plc. Copies of the financial statements may be obtained from the Company Secretary, One Canada Square, Canary Wharf, London E14 5AB.

The largest group of which the company is a member for which group financial statements are drawn up is the consolidated financial statements of Stork HoldCo LP, an entity registered in Bermuda and the ultimate parent undertaking and controlling party.

Stork HoldCo LP is controlled as to 50% by Brookfield Property Partners LP and as to 50% by Qatar Investment Authority.

The directors have taken advantage of the exemption in paragraph 102.33.1A of FRS 102 allowing the company not to disclose related party transactions with respect to other wholly-owned group companies.

26. FIRST TIME ADOPTION OF FRS 102

	Note	As previously stated 1 January 2014 £	Effect of transition 1 January 2014 £	FRS 102 (as restated) 1 January 2014 £	As previously stated 31 December 2014 £	Effect of transition 31 December 2014 £	FRS 102 (as restated) 31 December 2014 £
Fixed assets		383,008	-	383,008	777,501	-	777,501
Current assets	1,2,3	4,107,738,189	5,695,385	4,113,433,574	4,363,375,517	7,535,210	4,370,910,727
Creditors: amounts falling due within one year		(2,769,381,308)	-	(2,769,381,308)	(2,837,265,450)	-	(2,837,265,450)
NET CURRENT ASSETS		1,338,356,881	5,695,385	1,344,052,266	1,526,110,067	7,535,210	1,533,645,277
TOTAL ASSETS LESS CURRENT LIABILITIES		1,338,739,889	5,695,385	1,344,435,274	1,526,887,568	7,535,210	1,534,422,778
Creditors: amounts falling due after more than one year		(383,746,618)	-	(383,746,618)	(524,128,781)	-	(524,128,781)
Provisions		(11,761,219)	-	(11,761,219)	(38,823,879)	-	(38,823,879)
NET ASSETS		943,232,052	5,695,385	948,927,437	963,934,908	7,535,210	971,470,118
Capital and reserves		943,232,052	5,695,385	948,927,437	963,934,908	7,535,210	971,470,118

26. FIRST TIME ADOPTION OF FRS 102 (continued)

	Note	As previously stated 31 December 2014 £	Effect of transition 31 December 2014 £	FRS 102 (as restated) 31 December 2014 £
Turnover		2,100,893	-	2,100,893
Cost of sales		(9,601,309)	-	(9,601,309)
		(7,500,416)	-	(7,500,416)
Administrative expenses	1	(110,772,004)	2,150,680	(108,621,324)
Other operating income		4,957,417	-	4,957,417
OPERATING PROFIT		(113,315,003)	2,150,680	(111,164,323)
Income from shares in group undertakings		3,580,000	-	3,580,000
Interest receivable and similar income	2	162,860,100	1,211,883	164,071,983
Interest payable and similar charges		(31,862,833)	-	(31,862,833)
Taxation	3	(559,408)	(1,522,738)	(2,082,146)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND FOR THE FINANCIAL YEAR		20,702,856	1,839,825	22,542,681

Explanation of changes to previously reported profit and equity:

1 Direct costs incurred in negotiating and arranging new leases are deferred and amortised on a straight line basis over the term of the lease. Under previous GAAP, the costs were expensed as incurred.

2 Interest receivable and payable on group loans are limited to the net rental income of the properties on which they are secured. Under FRS102, the accruals basis for recognition of lease incentives and negotiation costs for the properties has changed. As a result the interest accruals have been adjusted accordingly.

3 Under previous GAAP, deferred tax was not calculated on provisions for impairment of loans. Under FRS102, these provisions give rise to deferred tax. Under previous GAAP, provisions for deferred tax were shown on the balance sheet discounted to their present value. Under FRS102, discounting is not permitted.