CANARY WHARF FINANCE II PLC
Registered Number: 03929593

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

CONTENTS

STRATEGIC REPORT TO THE MEMBERS OF CANARY WHARF FINANCE II PLC

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 its ultimate parent undertaking is Songbird Estates plc.

Canary Wharf Finance II plc is a finance vehicle that issues securities which are backed by commercial mortgages over high profile properties within the Canary Wharf estate. The company is engaged in the provision of finance to the Canary Wharf group, comprising Canary Wharf Group plc and its subsidiaries ('the group'). All activities take place within the United Kingdom.

BUSINESS REVIEW

At 31 December 2013, the company had £2,285,659,081 (2012: £2,346,992,241) of notes listed on the London Stock Exchange and had lent the proceeds to a fellow subsidiary undertaking, CW Lending II Limited. The notes are secured on seven properties at Canary Wharf, owned by fellow subsidiary undertakings, and the rental income therefrom.

The securitisation has the benefit of an agreement with AIG which covers the rent in the event of a default by the tenant of 33 Canada Square over the entire term of its lease. AIG has posted £231.4 million as cash collateral in respect of this obligation.

The company also has the benefit of a £300.0 million liquidity facility provided by Lloyds Bank plc, under which drawings may be made in the event of a cash flow shortage under the securitisation.

The ratings of the notes are as follows:

Class	Moody's	Fitch	S&P
A1	Aaa	AAA	A
A3	Aaa	AAA	A
A7	Aaa	AAA	A
B	A1	AA	A
B3	A1	AA	A
C2	Baa1	A	A
D2	Ba1	BB	BBB

As shown in the company's profit and loss account, the company's profit after tax for the year was £47,599,284 (2012: loss of £2,084,496). This included an unrealised fair value gain on derivative financial instruments of £46,480,895 (2012: loss of £3,189,411).

STRATEGIC REPORT TO THE MEMBERS OF CANARY WHARF FINANCE II PLC

The balance sheet shows the company's financial position at the year end and indicates that net liabilities were £187,070,222 (2012: £282,270,367).

The movement in the financial position of the company is primarily due to the impact of the fair value of financial instruments, derived by reference to the market values provided by the relevant counter parties.

Financial Reporting Standard 26 (Financial Instruments: Recognition and Measurement) ('FRS 26') requires recognition of the mark to market of derivative financial instruments, which hedge the company's exposure to interest rate fluctuations, but the mark to market of the company's debtor loan and securitised debt has not been recognised.

Adjusting for the effects of FRS 26 the underlying net asset value of the company at 31 December 2013 was as follows:

	31 December 2013 £	31 December 2012 £
Net liabilities per balance sheet	(187,070,222)	(282,270,367)
Add back: Effects of FRS 26	191,443,661	286,411,840
Adjusted net assets	4,373,439	4,141,473

KEY PERFORMANCE INDICATORS

	31 December 2013 £	31 December 2012 £
Securitised debt	2,285,659,081	2,346,992,241
Financing cost (before adjustments for FRS26)	139,259,568	142,979,111
Adjusted profit before tax and FRS26	231,966	178,215
Weighted average maturity of debt	14.7 years	15.3 years
Weighted average interest rate	6.2%	6.2%

The adjusted profit before tax comprises the profit on ordinary activities before tax of £47,599,284 (2012: loss of £2,084,496) adjusted for the FRS 26 items listed in Note 4, totalling £47,367,318 (2012: £2,262,711).

FUTURE DEVELOPMENTS

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

STRATEGY & OBJECTIVES

Exposure Management

The mark-to-market positions of all the company's derivatives are reported to the Group Treasurer on a monthly basis and to the directors on a quarterly basis. The Group Treasurer monitors hedging activity on an ongoing basis, in order to notify the directors of any overhedging that may potentially occur and proposals to deal with such events.

Hedging Instruments and Transaction Authorisation

Instruments that may be used for hedging interest rate exposure include:

- Interest rate swaps
- Interest rate caps, collars and floors
- Gilt locks

Instruments that may be used for managing foreign exchange exposure include:

- Cross currency swaps
- Spot and forward foreign exchange contracts

No hedging activity is undertaken without explicit authority of the board.

Transaction Accounting

Under FRS26, all derivatives are required to be measured on balance sheet at fair value (mark-to-market).

Certain derivatives may be designated as part of a hedge relationship, whereby the derivative and the underlying hedged item (financial instrument) are accounted for in a manner in order to reduce profit and loss account volatility ("hedge accounting").

In order to apply hedge accounting, the company must comply with the following procedures:

- All hedge relationships proposed must be in line with the company's risk management policy stated above.
- All hedge relationships must be documented in advance, stating the purpose, including the nature of the risk being hedged, the type of hedge being undertaken, the item being hedged and the related hedging instrument and the methodology to be adopted to assess and measure the hedge effectiveness.
- Provide supporting documentation to include excerpts from loan or debenture issuance documentation, detailing principal and amortisation schedules and relevant excerpts from hedging derivative documentation.
- Both prospective and retrospective effectiveness testing are undertaken and approved by the Group Financial Controller.

Credit Risk

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 high credit ratings.

All other debtors are receivable from other group undertakings.

PRINCIPAL RISKS AND UNCERTAINTIES

The risks and uncertainties facing the business are monitored through continuous assessment, regular formal quarterly reviews and discussion at Canary Wharf Group plc audit committee and board level. 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 Canary Wharf 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 Canary Wharf Group's assets is subject to many external economic and market factors. Turmoil in the financial markets and uncertainty in the Eurozone in recent years was initially reflected in the property market by such factors as a decline in tenant demand for space in London, the oversupply of available space in the office market and changing market perceptions of property as an investment resulting in fluctuations in property valuations in general. However, fears of an oversupply of available space in the market have been mitigated by the difficulty in securing finance for speculative development leading to reduced supply. The market has also been assisted by the continuing presence of overseas investors attracted by the relative transparency of the real estate market in London which is still viewed as both stable and secure. Changes in financial and property markets are kept under constant review so that the company can react appropriately and tailor its business accordingly.

Concentration risk

The majority of the group's real estate assets are currently located on or adjacent to the Canary Wharf Estate with tenants that are mainly 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.

Financing risk

The broader economic cycle inevitably leads to movement in inflation, interest rates and bond yields.

The company holds debenture finance in sterling at both fixed and floating rates and uses interest rate swaps to modify its exposure to interest rate fluctuations. All of the company's borrowings are fixed after taking account of interest rate hedges. All borrowings are denominated in sterling and the company has no intention to borrow amounts in currencies other than sterling.

The company enters into derivative financial instruments solely for the purposes of hedging its financial liabilities. No derivatives are entered into for speculative purposes.

The company is not subject to externally imposed capital requirements.

The company's securitisation is subject to a maximum loan minus cash to value ('LMCTV') ratio covenant.

The maximum LMCTV ratio is 100.0%. Based on the 31 December 2013 valuations of the properties upon which the company's notes are secured, the LMCTV ratio at the interest payment date in January 2014 would have been 63.4%. The securitisation is not subject to a minimum interest coverage ratio. A breach of covenant can be remedied by depositing eligible investments (including cash).

CORPORATE & SOCIAL RESPONSIBILITY

Canary Wharf Group plc has adopted a formal corporate responsibility policy including environmental and social issues which extends to all of its wholly owned subsidiary undertakings, including the company. Full details of this policy together with a copy of the latest Canary Wharf Group plc Corporate Responsibility Report can be obtained from www.canarywharf.com.

GOING CONCERN

The directors are required to prepare the financial statements for each financial year on a going concern basis, unless to do so would not be appropriate. Having made requisite enquiries, the directors have a reasonable expectation that the company has adequate resources to continue its operations for the foreseeable future and hence the financial statements have been prepared on that basis.

At 31 December 2013 the company had a deficit of £187,070,222 attributable solely to the adoption of FRS26. Under the requirements of the standard the company recognises the fair value of its derivative financial instruments in the balance sheet. In the event that the company were to realise the fair value of the derivative financial instruments, it would have the right to recoup its losses as a repayment premium on its loans to CW Lending II Limited. The standard does not permit this potential asset to be accounted for in conjunction with the hedges.

Notwithstanding the deficit in net assets resulting from the treatment of derivative financial instruments required by FRS26, the directors have prepared the financial statements on a going concern basis on the grounds that the company will be able to meet its obligations as they fall due for a period of not less than 12 months from the date of the financial statements.

The directors have also reached the view that the value of the company's assets at the balance sheet date was not less than the amount of its liabilities for the purposes of Section 123(2) of the Insolvency Act 1986.

APPROVAL

This report was approved by the board on 28 April 2014 and signed on its behalf by:

A P ANDERSON II

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

The directors present their report with the audited financial statements for the year ended 31 December 2013.

DIVIDENDS AND RESERVES

The profit and loss account for the year ended 31 December 2013 is set out on page 11. No dividends have been paid or proposed (2012: £Nil) and the retained profit of £47,599,284 (2012: loss of £2,084,496) has been transferred from reserves.

DIRECTORS

The directors of the company throughout the year ended 31 December 2013 were:

A P Anderson II	
Sir George Iacobescu CBE	
P Harned	
J R Garwood	(alternate director to Sir George Iacobescu CBE)
R J J Lyons	(alternate director to A P Anderson II)

The directors are fully aware of their statutory duties under the Companies Act 2006, and in particular the core duty to act in good faith and in a way most likely to promote the success of the company for the benefit of its members as whole.

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 2013 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

As the company has no employees an employment policy has not been adopted by the company.

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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

Each director holding office at the date of this report has taken all the steps that he ought to have taken as a director in order to make himself aware of relevant audit information and to establish that the company's auditor is aware of that information. As far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418(2) of the Companies Act 2006.

AUDITORS

Deloitte LLP were appointed as auditor and have expressed their willingness to continue in office.

BY ORDER OF THE BOARD

……………………………………………Company Secretary 28 April 2014

J R Garwood

Registered office:
30th Floor
One Canada Square
Canary Wharf
London
E14 5AB
Registered Number: 03929593

STATEMENT OF THE DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- 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.

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.

The board of directors, comprising A P Anderson II, Sir George Iacobescu CBE, P Harned, J R Garwood and R J J Lyons, confirms to the best of its knowledge that:

- the financial statements, prepared in accordance with the applicable set of accounting standards give a true and fair view of the assets, liabilities, financial position and loss of the company as required by Rule 4.1.12 (3a) of the Disclosure and Transparancy Rules of the United Kingdom's Financial Services Authority (the 'DTRs'); and
- the strategic report includes a fair review of the development and performance of the business and position of the company and the principal risks and uncertainties faced.

Signed on behalf of the board by:

A P ANDERSON II
28 April 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CANARY WHARF FINANCE II PLC

We have audited the financial statements of Canary Wharf Finance II plc for the year ended 31 December 2013 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related Notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 Statement of Directors' Responsibilities, 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 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 2013 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 matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

28 April 2014

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	Year Ended 31 December 2013 £	Year Ended 31 December 2012 £
Administrative expenses		(17,760)	(17,759)
OPERATING LOSS	**2**	(17,760)	(17,759)
Interest receivable and similar income	**3**	139,509,294	143,175,085
Interest payable and similar charges	**4**	(91,892,250)	(145,241,822)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		47,599,284	(2,084,496)
Tax on profit/(loss) on ordinary activities	**5**	–	–
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE YEAR	**13**	47,599,284	(2,084,496)

Movements in reserves are shown in Note 13 of these financial statements.

All amounts relate to continuing activities in the United Kingdom.

The Notes on pages 14 to 26 form an integral part of these financial statements.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2013

	Year Ended 31 December 2013 £	Year Ended 31 December 2012 £
Profit/(loss) for the financial year	47,599,284	(2,084,496)
Fair value movement on effective hedging instruments	31,905,094	(17,906,405)
Interest paid on effective hedging instruments	16,582,190	14,830,772
Hedge reserve recycling	(886,423)	(926,700)
Total recognised gains/(losses) relating to the year	95,200,145	(6,086,829)

The Notes on pages 14 to 26 form an integral part of these financial statements.

CANARY WHARF FINANCE II PLC

BALANCE SHEET AS AT 31 DECEMBER 2013

	Note	31 December 2013 £	31 December 2012 £
CURRENT ASSETS			
Debtors	**6**		
Amounts falling due after one year		2,289,333,739	2,355,209,457
Amounts falling due within one year		93,598,310	90,553,799
Cash at bank	**7**	2,269,537	2,039,303
		2,385,201,586	2,447,802,559
CREDITORS: Amounts falling due within one year	**8**	(91,494,406)	(88,451,626)
NET CURRENT ASSETS		2,293,707,180	2,359,350,933
TOTAL ASSETS LESS CURRENT LIABILITIES		2,293,707,180	2,359,350,933
CREDITORS: Amounts falling due after more than one year	**9**	(2,480,777,402)	(2,641,621,300)
NET LIABILITIES		(187,070,222)	(282,270,367)
CAPITAL AND RESERVES			
Called-up share capital	**12**	50,000	50,000
Hedging reserve	**13**	(90,840,161)	(138,441,022)
Profit and loss account	**13**	(96,280,061)	(143,879,345)
SHAREHOLDER'S DEFICIT	**14**	(187,070,222)	(282,270,367)

The Notes on pages 14 to 26 form an integral part of these financial statements.

APPROVED BY THE BOARD ON 28 APRIL 2014 AND SIGNED ON ITS BEHALF BY:

A P ANDERSON II

1. PRINCIPAL ACCOUNTING POLICIES

A summary of the principal accounting policies of the company, all of which have been applied consistently throughout the year and the preceding year, is set out below.

Accounting convention

The financial statements have been prepared under the historical cost convention, with the exception of certain financial instruments and in accordance with applicable United Kingdom accounting standards. The financial statements have been prepared on a going concern basis as described in the Strategic Report.

In accordance with the provisions of FRS 1 (Revised) the company is exempt from the requirements to prepare a cash flow statement, as it is a wholly-owned subsidiary of Canary Wharf Group plc, which has prepared a consolidated cash flow statement.

Interest receivable and interest payable

Interest receivable and payable are recognised on an accruals basis in the period in which they fall due.

Trade and other debtors

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.

Interest bearing loans and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively as a component of finance revenues and finance costs.

Derivative instruments

The company uses interest rate derivatives to help manage its risks of changes in interest rates. In accordance with its treasury policy, 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 which shows that the hedge will be effective on an ongoing basis. The effectiveness testing is re-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 equity and the ineffective portion is recognised immediately in the profit and loss account. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of a non-financial asset or 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 liability, amounts deferred in equity are recognised in the profit and loss account 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 profit and loss account as they arise.

Hedge accounting is discontinued when the hedge instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If the hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the profit and loss account.

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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, are not held for trading and have not been designated as either fair value through profit or loss or available for sale. Such assets are carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in income when loans and receivables are derecognised or impaired, as well as through the effective interest method.

2. OPERATING LOSS

Operating loss is stated after charging:

	Year Ended 31 December 2013 £	Year Ended 31 December 2012 £
Remuneration of the auditor:		
Audit fees for the audit of the company	8,500	8,500
Fees to the auditor for other services	6,300	6,300

None of the directors received any emoluments in respect of their services to the company during the year or the prior year.

No staff were employed by the company during the year or the prior year.

3. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year Ended 31 December 2013 £	Year Ended 31 December 2012 £
Bank interest receivable	18,901	21,432
Interest receivable from group undertakings	139,490,393	143,153,653
	139,509,294	143,175,085

4. INTEREST PAYABLE AND SIMILAR CHARGES

	Year Ended 31 December 2013 £	Year Ended 31 December 2012 £
Interest payable on securitised debt (Note 10)	139,259,568	142,979,111
Fair value adjustments on derivative financial instruments	(46,480,895)	3,189,411
Hedge reserve recycling (Note 13)	(886,423)	(926,700)
	91,892,250	145,241,822

Included in the interest payable on securitised debt is £1,370,123 (2012: £1,810,783) payable in respect of notes acquired by a fellow subsidiary undertaking (Note 10).

5. TAXATION

	Year Ended 31 December 2013 £	Year Ended 31 December 2012 £
Tax reconciliation:		
Profit/(loss) on ordinary activities before tax	47,599,284	(2,084,496)
Tax on profit/(loss) on ordinary activities at UK corporation tax rate of 23.25% (2012: 24.5%)	11,066,833	(510,702)
Effects of:		
Items not chargeable to tax	(11,012,901)	554,364
Group relief	(53,932)	(43,662)
Current tax charge for the year	–	–

The tax rate of 23.25% has been calculated by reference to the current corporation tax rate of 23% which was in effect for the final three quarters of the year and the previous rate of 24% which was in effect for the first quarter of the year.

No provision for corporation tax has been made since the taxable profit for the year will be covered by the group relief expected to be made available to the company by other companies in the group. No charge will be made by other group companies for the surrender of group relief. There is no unprovided deferred taxation.

6. DEBTORS

	31 December 2013 £	31 December 2012 £
Due within one year:		
Loan to fellow subsidiary undertaking	91,448,009	88,406,271
Amounts owed by fellow subsidiary undertakings	2,148,242	2,145,502
Accrued interest receivable	2,059	2,026
	93,598,310	90,553,799
Due after more than one year:		
Loan to fellow subsidiary undertaking	2,289,333,739	2,355,209,457

Amounts owed by group undertakings are non-interest bearing.

The amount of the loan due within one year comprises £26,314,329 (2012: £27,073,111) of interest and £65,133,680 (2012: £61,333,160) of capital.

The amounts at which financial assets are stated comprise:

	31 December 2013 £	31 December 2012 £
At 1 January	2,416,542,617	2,474,995,252
Amortisation of issue premium	(4,310,025)	(4,489,852)
Accrued financing expenses	3,567,987	3,569,857
Repaid in year	(61,333,160)	(57,532,640)
At 31 December	2,354,467,419	2,416,542,617
Due within one year	65,133,680	61,333,160
Due after more than one year	2,289,333,739	2,355,209,457
	2,354,467,419	2,416,542,617

The loan to the company's fellow subsidiary undertaking was made in tranches, the principal terms of which are:

	Interest	Effective Interest	Repayment	31 December 2013	31 December 2012
				£m	£m
A1	6.465%	6.161%	By instalment 2009-2033	983.4	1,037.8
A3	5.962%	5.826%	By instalment 2032-2037	400.0	400.0
A7	5.308%	5.308%	January 2035	222.0	222.0
B	6.810%	6.425%	By instalment 2005-2033	176.3	183.2
B3	5.445%	5.445%	January 2035	104.0	104.0
C2	6.069%	6.069%	January 2035	275.0	275.0
D2	6.753%	6.753%	January 2035	125.0	125.0
				2,285.7	2,347.0
Unamortised premium				44.9	49.2
Accrued financing costs				23.9	20.3
				2,354.5	2,416.5

The carrying values of debtors due within one year also represent their fair values. The fair value of the loans to group undertakings at 31 December 2013 was £2,646,933,428 (2012: £2,881,562,879), calculated by reference to the fair values of the company's financial liabilities. The carrying value of financial assets represents the company's maximum exposure to credit risk.

The maturity profile of the company's contracted undiscounted cash flows is as follows:

	31 December 2013	31 December 2012
	£	£
Within one year	203,898,907	202,324,373
In one to two years	201,591,312	203,898,907
In two to five years	581,230,742	592,985,780
In five to ten years	868,382,676	907,556,351
In ten to twenty years	1,561,030,220	1,548,693,566
In twenty to thirty years	941,474,045	1,122,473,298
	4,357,607,902	4,577,932,275
Comprising:		
Principal repayments	2,285,659,080	2,346,992,240
Interest repayments	2,089,948,822	2,230,940,035
	4,375,607,902	4,577,932,275

The above table contains undiscounted cash flows (including interest) and therefore results in a higher balance than the carrying values or fair values of the intercompany debt.

7. FINANCIAL ASSETS

The company's financial assets comprise loans to fellow group undertakings, cash at bank and derivative financial instruments.

Cash at bank totalled £2,269,537 at 31 December 2013 (2012: £2,039,303) which was held as cash collateral for the company's borrowings and has a term of one month or less.

Cash at bank earns interest at floating rates linked to bank deposit rates.

8. CREDITORS: Amounts falling due within one year

	31 December 2013 £	31 December 2012 £
Securitised debt (Note 10)	91,484,206	88,441,426
Accruals and deferred income	10,200	10,200
	91,494,406	88,451,626

The amount of the securitised debt due within one year comprises £26,350,526 (2012: £27,108,266) of interest and £65,133,680 (2012: £61,333,160) of capital.

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

	31 December 2013 £	31 December 2012 £
Securitised debt (Note 10)	2,289,333,741	2,355,209,460
Derivative financial instruments (Note 11)	191,443,661	286,411,840
	2,480,777,402	2,641,621,300

10. SECURITISED DEBT

The amounts at which borrowings are stated comprise:

	31 December 2013 £	31 December 2012 £
Brought forward	2,416,542,620	2,474,995,254
Repaid in year	(61,333,160)	(57,532,640)
Amortisation of issue premium	(4,310,026)	(4,489,851)
Accrued financing expenses	3,567,987	3,569,857
Carried forward	2,354,467,421	2,416,542,620
Payable within one year or on demand	65,133,680	61,333,160
Payable after more than one year	2,289,333,741	2,355,209,460
	2,354,467,421	2,416,542,620

Certain of the A1, A3 and B notes were issued at a premium which is being amortised to the profit and loss account on a straight-line basis over the life of the relevant notes. At 31 December 2013 £44,937,010 (2012: £49,247,036) remained unamortised.

At 31 December 2013 there were accrued financing costs of £23,871,330 (2012: £20,303,343) relating to future increases in margins as described below.

£119,778,000 of the notes, comprising £26,101,000 of B3 notes, £35,338,000 of C2 notes and £58,339,000 of D2 notes, were acquired by a fellow subsidiary undertaking in 2009. These notes remain in issue and have not been cancelled.

The notes are secured on seven properties at Canary Wharf, owned by fellow subsidiary undertakings, and the rental income stream therefrom.

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 its lease. AIG has posted £231.4m as cash collateral in respect of this obligation. The annual fee payable in respect of the above arrangement currently totals £2.1m.

The company also has the benefit of a £300.0m liquidity facility provided by Lloyds, under which drawings may be made in the event of a cash flow shortage under the securitisation. This facility is renewable annually.

At 31 December 2013 the securitised debt comprised the following:

Tranche	Principal	Market value	Interest	Effective interest	Repayment
	£m	£m			
A1	983.4	1,178.3	6.455%	6.151%	By instalment 2009-2033
A3	400.0	480.3	5.952%	5.816%	By instalment 2032-2037
A7	222.0	184.3	Floating	5.298%	January 2035
B	176.3	209.6	6.800%	6.415%	By instalment 2005-2033
B3	104.0	84.2	Floating	5.435%	January 2035
C2	275.0	220.0	Floating	6.059%	January 2035
D2	125.0	98.8	Floating	6.743%	January 2035
	2,285.7	2,455.5			

At 31 December 2012 the securitised debt comprised the following:

Tranche	Principal	Market value	Interest	Effective interest	Repayment
	£m	£m			
A1	1,037.8	1,331.5	6.455%	6.151%	By instalment 2009-2033
A3	400.0	499.8	5.952%	5.816%	By instalment 2032-2037
A7	222.0	184.3	Floating	5.298%	January 2035
B	183.2	234.5	6.800%	6.415%	By instalment 2005-2033
B3	104.0	75.9	Floating	5.435%	January 2035
C2	275.0	190.4	Floating	6.059%	January 2035
D2	125.0	78.8	Floating	6.743%	January 2035
	2,347.0	2,595.2			

Interest on the A1 notes, A3 notes and B notes is fixed until maturity. Interest on the floating notes is repriced every three months.

Interest on the floating rate notes is at three month LIBOR plus a margin. The margins on the notes are: A7 notes - 0.19% increasing to 0.475% in January 2017; B3 notes - 0.28% per annum, increasing to 0.7% per annum in January 2017; C2 notes - 0.55% per annum, increasing to 1.375% in April 2014; and D2 notes - 0.84% per annum, increasing to 2.1% in April 2014.

All of the notes are hedged by means of interest rate swaps and the hedged rates plus the margin are: A7 notes - 5.1135%; B3 notes - 5.1625%; C2 notes - 5.4416%; and D2 notes - 5.8005%.

The effective interest rates include adjustments for the hedges, the issue premium and the step up in rates in 2014 and 2017.

The fair values of the sterling denominated notes have been determined by reference to prices available on the markets on which they are traded.

The maturity profile of the company's contracted undiscounted cash flows is as follows:

	31 December 2013 £	31 December 2012 £
Within one year	172,459,579	172,189,660
In one to two years	173,936,160	174,364,603
In two to five years	531,443,157	504,019,065
In five to ten years	845,101,020	758,419,919
In ten to twenty years	1,492,003,689	1,247,703,340
In twenty to thirty years	929,624,422	1,054,175,917
	4,144,568,027	3,910,872,504
Comprising:		
Principal repayments	2,285,659,080	2,346,992,240
Interest repayments	1,858,908,947	1,563,880,263
	4,144,568,027	3,910,872,503

The above table contains undiscounted cash flows (including interest) and therefore results in a higher balance than the carrying values or fair values of the borrowings.

The weighted average maturity of the debentures at 31 December 2013 was 14.7 years (2012: 15.3 years). The debentures may be redeemed at the option of the company in an aggregate amount of not less than £1,000,000 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.

After taking into account the interest rate hedging arrangements, the weighted average interest rate of the company at 31 December 2013 was 6.2% (2012: 6.2%).

Details of the derivative financial instruments are set out in Note 11.

Details of the company's risk management policy are set out in the Strategic Report.

11. DERIVATIVE FINANCIAL INSTRUMENTS

The company uses interest rate swaps to hedge exposure to the variability in cash flows on floating rate debt caused by movements in market rates of interest. At 31 December 2013 the fair value of these derivatives resulted in the recognition of a net liability of £191,443,661 (2012: £286,411,840). Of this net liability £98,838,303 (2012: £147,325,587) was in respect of interest rate swaps which qualify for hedge accounting and £92,605,358 (2012: £139,086,253) was in respect of interest rate swaps which do not qualify for hedge accounting.

At 31 December 2013, there were hedges on certain of the notes as follows:

Hedge type		Swap rate	Fair Value 31 December 2013	Fair Value 31 December 2012
		£	£	
Highly effective hedges:				
B3	interest rate swap	4.883%	(27,012,409)	(40,305,071)
C2	interest rate swap	4.892%	(71,825,894)	(107,020,516)
			(98,838,303)	(147,325,587)
Hedges not designated highly effective:				
A7	interest rate swap	4.924%	(58,777,514)	(88,449,343)
D2	interest rate swap	4.960%	(33,827,844)	(50,636,910)
			(92,605,358)	(139,086,253)

The fair values of the derivative financial instruments have been determined by reference to market values provided by the relevant counter party and have been classified as level 2, as defined in accordance with FRS 29 Financial Instruments: Disclosures.

The terms of the derivative financial instruments correlate with the terms of the financial instruments to which they relate. Consequently the cash flows and effect on profit or loss are expected to arise over the term of the financial instrument set out above.

The following table shows the undiscounted cash (inflows) and outflows in relation to the company's derivative financial instruments based on the company's prediction of future movements in interest rates.

	31 December 2013 £	31 December 2012 £
Within one year	31,211,714	29,902,862
In one to two years	27,435,724	29,306,675
In two to five years	49,225,168	88,408,588
In five to ten years	40,398,592	148,278,541
In ten to twenty years	67,757,610	299,839,402
In twenty to thirty years	11,747,164	68,098,765
	227,775,972	663,834,833

Changes in interest rates would primarily affect the market value of derivative financial instruments. These changes would impact on the profit and loss account for those derivatives which are not designated as being in effective hedging relationships and would impact the reserves for those derivatives which are highly effective. A 0.5% parallel shift in the interest rate curve used to value the derivatives, with all other variables held constant, would have the following impact:

	31 December 2013 £	31 December 2012 £
0.5% increase in interest rates		
Impact on profit and loss account	29,107,950	34,875,746
Impact on hedging reserve	31,664,095	37,935,845
Impact on net assets	60,772,045	72,811,591
0.5% decrease in interest rates		
Impact on profit and loss account	(31,984,041)	(38,559,315)
Impact on hedging reserve	(34,796,051)	(41,946,880)
Impact on net assets	(66,780,092)	(80,506,195)

The 0.5% sensitivity has been selected based on the directors' view of a reasonable interest rate curve movement assumption.

The impact on the net assets of the company arises because all of the company's borrowings are subject to interest rate swaps, which are carried at valuation in the balance sheet and all of its loans to fellow subsidiary undertakings are at fixed rate, and carried at amortised cost.

12. CALLED-UP SHARE CAPITAL

Allotted, called up and fully paid:

	31 December 2013 £	31 December 2012 £
50,000 ordinary shares of £1 each	50,000	50,000

13. RESERVES

	Hedging reserve £	**Profit and loss account** £	**Total** £
At 1 January 2013	(138,441,022)	(143,879,345)	(282,320,367)
Profit for the year	–	47,599,284	47,599,284
Fair value movement on effective hedging instruments	31,905,094	–	31,905,094
Interest paid on effective hedging instruments	16,582,190	–	16,582,190
Hedge reserve recycling	(886,423)	–	(886,423)
At 31 December 2013	(90,840,161)	(96,280,061)	(187,120,222)

The hedge reserve recycling relates to the B2 and C1 interest rate swaps, for which the hedging instruments have been novated but the forecast transactions to which they relate are still expected to occur.

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT

	31 December 2013 £	31 December 2012 £
Opening shareholders' deficit	(282,270,367)	(276,183,538)
Profit/(loss) for the year	47,599,284	(2,084,496)
Fair value movement on effective hedging instruments	31,905,094	(17,906,405)
Interest paid on effective hedging instruments	16,582,190	14,830,772
Hedge reserve recycling	(886,423)	(926,700)
Closing shareholders' deficit	(187,070,222)	(282,270,367)

15. CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS

As at 31 December 2013 and 31 December 2012 the company had given a fixed charge over all its assets, including first fixed charges over its bank accounts, to secure the notes referred to in Note 10.

16. ULTIMATE PARENT UNDERTAKING AND RELATED PARTY TRANSACTIONS

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

As at 31 December 2013, 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 plc. The largest group of which the company is a member for which group financial statements are drawn up is the consolidated financial statements of Songbird Estates plc, the ultimate parent undertaking and controlling party. Copies of the financial statements of both companies may be obtained from the Company Secretary, One Canada Square, Canary Wharf, London E14 5AB.

The directors have taken advantage of the exemption in paragraph 3(c) of FRS 8 allowing the company not to disclose related party transactions with respect to other wholly-owned group companies.