CANARY WHARF FINANCE II PLC
Registered Number: 03929593

30 JUNE 2018 HALF YEARLY FINANCIAL REPORT

CANARY WHARF FINANCE II PLC

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CANARY WHARF FINANCE II PLC

INTERIM MANAGEMENT STATEMENT

This interim management statement relates to the six months ended 30 June 2018 and contains information that covers the period from 1 January 2018 to 29 August 2018, the date of publication of this interim management statement.

BUSINESS REVIEW

The company is a subsidiary of Canary Wharf Group plc and its ultimate parent undertaking is Stork HoldCo LP, an entity registered in Bermuda.

The company is a finance vehicle that issues securities which are backed by commercial mortgages over 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.

At 30 June 2018, the company had £1,487,500,320 (31 December 2017: £1,502,162,920) of notes listed on the London Stock Exchange and had lent the proceeds to a fellow subsidiary undertaking, CW Lending II Limited ('the Borrower') under a loan agreement ('the Intercompany Loan Agreement'). The notes are secured on a pool of properties at Canary Wharf, owned by fellow subsidiary undertakings, and the rental income therefrom.

Results for the period

As shown in the company's Income Statement, the company's profit after tax for the six month period was £15,932,230 (period ended 30 June 2017: profit of £12,410,736).

This profit included an unrealised fair value gain on derivative financial instruments and hedge reserve recycling, net of deferred tax, of £15,860,835 (period ended 30 June 2017: gain of £12,343,564). Excluding the fair value gain movement on derivative financial instruments, hedge reserve recycling and deferred tax, the profit for the period was £71,395 (period ended 30 June 2017: £67,172).

The balance sheet shows the company's financial position at the period end and indicates that net liabilities were £252,078,810 (31 December 2017: £280,883,538).

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.

In adopting FRS 102, the company elected to apply IAS 39 (Financial Instruments: Recognition and Measurement).

IAS 39 requires recognition of the mark to market of derivative financial instruments, which hedge the company's exposure to interest rate fluctuations. However, the mark to market of the company's debtor loan and securitised debt has not been recognised.

Adjusting for the effects of IAS 39 and the deferred tax arising, the underlying net asset value of the company at 30 June 2018 was as follows:

Audited 31 December 2017 £		Unaudited 30 June 2018 £	Unaudited 30 June 2017 £
(280,883,538)	Net liabilities per balance sheet	(252,078,810)	(269,291,190)
344,569,124	Add back: Effects of IAS 39 (Note 8)	309,950,654	330,512,882
(58,576,751)	Less: Deferred tax thereon (Note 4)	(52,691,613)	(56,187,191)
5,108,835	Adjusted net assets	5,180,231	5,034,501

Audited 31 December 2017 £		Unaudited 30 June 2018 £	Unaudited 30 June 2017 £
1,502,162,920	Securitised debt	1,487,500,320	1,516,825,520
90,292,676	Financing cost (before adjustments for IAS 39)	44,268,319	45,179,667
141,505	Adjusted profit before tax and IAS 39	71,395	67,172
13.8 years	Weighted average maturity of debt	13.5 years	14.2 years
6.1%	Weighted average interest rate	6.1%	6.1%

The adjusted profit before tax comprises the profit on ordinary activities before tax of £19,180,834 (30 June 2017: £14,938,935) adjusted for the IAS 39 items listed in Note 3 totalling a gain of £19,109,439 (30 June 2017: 14,871,763).

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

GOING CONCERN

The directors are required to prepare the financial statements for each financial period on a going concern basis, unless to do so would not be appropriate. Having made the 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 30 June 2018 the company had a deficit of £252,078,810 attributable solely to the fair value of its derivative financial instruments and deferred tax thereon. 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, 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.

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 board level and Canary Wharf Group Investments Holdings 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. 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, been assisted by the depreciation of sterling since the EU referendum and the continuing presence of overseas investors attracted by the relative transparency of the real estate market in London which is viewed as both stable and secure. The market has also been underpinned by continuing demand for sites capable of incorporating residential development. Recent Government announcements, in particular the changes to stamp duty on residential property market, have, however, contributed to a slowing of residential land prices. In particular, there is uncertainty over the full impact of the changes to stamp duty on the residential property market. The full implications of the EU referendum held on 23 June 2016 are also not yet clear. In the meantime, there is likely to be uncertainty which will be unhelpful to confidence across the whole real estate sector.

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 Canary Wharf 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.

Financing risk

The broader economic cycle is reflected in movements in inflation, interest rates and bond yields.

The company has issued 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 30 June 2018 valuations of the properties upon which the company's notes are secured, the LMCTV ratio at the interest payment date in July 2018 was 45.5%. The securitisation is not subject to a minimum interest coverage ratio. A breach of certain financial covenants can be remedied by depositing eligible investments (including cash).

DIRECTORS' RESPONSIBILITY STATEMENT

The board of directors, comprising A P Anderson II, Sir George Iacobescu CBE, J R Garwood (alternate director to Sir George Iacobescu CBE), Sheikh Khalifa Al-Thani who replaced A A Aluthman Fakhroo as a director of the company on 9 August 2018, R J J Lyons (alternate director to A P Anderson II) and Z B Vaughan who replaced B Brown as a director of the company on 26 June 2018, confirms to the best of its knowledge that:

- the condensed set of financial statements on pages 7 to 16 which has been prepared in accordance with the applicable set of accounting standards give a true and fair view of the assets, liabilities, financial position and profit or loss of the company as required by Rule 4.2.4 of the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority (the 'DTRs'); and
- the interim management statement includes a fair review of the information required by Rule 4.2.7 of the DTRs (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year).

Signed on behalf of the board by:

A P ANDERSON II
29 August 2018

INDEPENDENT REVIEW REPORT TO CANARY WHARF FINANCE II PLC

We have been engaged by the company to review the condensed set of financial statements in the Half Yearly Financial Report for the six months ended 30 June 2018 which comprises the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and the related Notes 1 to 9. We have read the other information contained in the Half Yearly Financial Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the Half Yearly Financial Report.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The Half Yearly Financial Report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Half Yearly Financial Report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in Note 1, the annual financial statements of the company are prepared in accordance with United Kingdom Generally Accepted Accounting Practice (including Financial Reporting Standard 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland”). The condensed set of financial statements included in this half-yearly financial report have been prepared in accordance with Financial Reporting Standard 104 “Interim Financial Reporting”.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the Half Yearly Financial Report based on our review.

Scope of review

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

INDEPENDENT REVIEW REPORT TO CANARY WHARF FINANCE II PLC

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed financial statements information in the half-yearly financial report for the six months ended 30 June 2018 is not prepared, in all material respects, in accordance with Financial Reporting Standard 104 and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Statutory Auditor
London, UK

29 August 2018

CANARY WHARF FINANCE II PLC

INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2018

Audited Year ended 31 December 2017 £			Unaudited Six months ended 30 June 2018 £	Unaudited Six months ended 30 June 2017 £
(8,244)	Administrative expenses		(8,244)	(7,980)
(8,244)	**OPERATING LOSS**		(8,244)	(7,980)
90,442,427	Interest receivable	**2**	44,347,958	45,254,819
4,930,426	Accrued premium on repayment of loan by fellow subsidiary undertaking	**2**	–	4,930,426
(50,064,388)	Release of accrued premium on repayment of loan by fellow subsidiary undertaking	**2**	–	(50,064,388)
(81,093,007)	Interest payable	**3**	(25,158,880)	(30,307,904)
(4,930,426)	Provision for premium on repayment of class A1 notes	**3**	–	(4,930,426)
50,064,388	Release of provision for premium on repayment of class A1 notes	**3**	–	50,064,388
9,341,176	**PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**		19,180,834	14,938,935
(1,563,943)	Tax on profit on ordinary activities	**4**	(3,248,604)	(2,528,199)
7,777,233	**PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE PERIOD/YEAR**		15,932,230	12,410,736

All amounts relate to continuing activities in the United Kingdom.

The Notes on pages 11 to 16 form an integral part of this Half Yearly Financial Report.

The Half Yearly Financial Report for the six months ended 30 June 2018 was approved by the Board of Directors on 29 August 2018.

CANARY WHARF FINANCE II PLC

STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2018

Audited Year ended 31 December 2017 £		Unaudited Six months ended 30 June 2018 £	Unaudited Six months ended 30 June 2017 £
7,777,233	Profit for the financial period/year	15,932,230	12,410,736
(12,524,035)	Fair value movement on effective hedging instruments	8,786,205	2,811,325
14,308,078	Interest paid on effective hedging instruments	7,011,567	7,059,477
(603,394)	Hedge reserve recycling	(288,740)	(306,004)
(200,712)	Tax relating to components of other comprehensive income	(2,636,534)	(1,626,016)
8,757,170	Total comprehensive income for the period/year	28,804,728	20,349,518

The Notes on pages 11 to 16 form an integral part of this Half Yearly Financial Report.

CANARY WHARF FINANCE II PLC

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

Audited 31 December 2017 £		Note	Unaudited 30 June 2018 £	Unaudited 30 June 2017 £
	CURRENT ASSETS			
	Debtors	**5**		
1,571,950,445	Amounts falling due after one year		1,549,800,559	1,585,862,259
49,008,215	Amounts falling due within one year		48,681,414	48,850,365
3,021,073	Cash at bank	**6**	3,100,111	25,279,163
1,623,979,733			1,601,582,084	1,659,991,787
(46,920,451)	**CREDITORS: Amounts falling due within one year**	**7**	(46,601,294)	(69,095,027)
1,577,059,282	**NET CURRENT ASSETS**		1,554,980,790	1,590,896,760
1,577,059,282	**TOTAL ASSETS LESS CURRENT LIABILITIES**		1,554,980,790	1,590,896,760
(1,857,942,820)	**CREDITORS: Amounts falling due after more than one year**	**8**	(1,807,059,600)	(1,860,187,950)
(280,883,538)	**NET LIABILITIES**		(252,078,810)	(269,291,190)
	CAPITAL AND RESERVES			
50,000	Called-up share capital		50,000	50,000
(131,774,212)	Hedging reserve		(118,901,714)	(124,815,367)
(149,159,326)	Profit and loss account		(133,227,096)	(144,525,823)
(280,883,538)	**SHAREHOLDER'S DEFICIT**		(252,078,810)	(269,291,190)

The Notes on pages 11 to 16 form an integral part of this Half Yearly Financial Report.

Approved by the board on 29 August 2018 and signed on its behalf by:

A P ANDERSON II

STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Called-up share capital £	Hedging reserve £	Profit and loss account £	Total £
At 1 January 2017	50,000	(132,754,149)	(156,936,559)	(289,640,708)
Profit for the period	–	–	12,410,736	12,410,736
Other comprehensive income	–	7,938,782	–	7,938,782
Total comprehensive income	–	7,938,782	12,410,736	20,349,518
At 30 June 2017	50,000	(124,815,367)	(144,525,823)	(269,291,190)
Loss for the period	–	–	(4,633,503)	(4,633,503)
Other comprehensive loss	–	(6,958,845)	–	(6,958,845)
Total comprehensive loss	–	(6,958,845)	(4,633,503)	(11,592,348)
At 31 December 2017	50,000	(131,774,212)	(149,159,326)	(280,883,538)
Profit for the period	–	–	15,932,230	15,932,230
Other comprehensive income	–	12,872,498	–	12,872,498
Total comprehensive income	–	12,872,498	15,932,230	28,804,728
At 30 June 2018	50,000	(118,901,714)	(133,227,096)	(252,078,810)

The Notes on pages 11 to 16 form an integral part of this Half Yearly Financial Report.

1. ACCOUNTING POLICIES

The statutory accounts have been prepared in accordance with Financial Reporting Standard (FRS) 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Accordingly, this condensed set of financial statements has been prepared in accordance with FRS 104 "Interim Financial Reporting".

The accounting policies applied in the preparation of this Interim Report are consistent with those that will be adopted in the statutory accounts for the year ending 31 December 2018. The full accounting policies of the company, set out in the 2017 statutory accounts, have been applied in preparing this Interim Report.

The financial information relating to the six months ended 30 June 2018 and 30 June 2017 is unaudited.

The results for the year ended 31 December 2017 are not the company's statutory accounts. A copy of the statutory accounts for the year has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified, did not contain any reference to any matters which the auditor drew attention by way of emphasis without qualifying the report and did not contain statements under Section 498(2) or (3) of the Companies Act 2006.

In accordance with FRS 102, the company will be exempt from presentation of a cash flow statement in its next annual financial statements as it will be included in the consolidated financial statements of Canary Wharf Group Investment Holdings plc, and accordingly the company has taken an equivalent exemption in preparing these condensed interim financial statements.

2. INTEREST RECEIVABLE AND SIMILAR INCOME

Audited Year ended 31 December 2017 £		Unaudited Six months ended 30 June 2018 £	Unaudited Six months ended 30 June 2017 £
508	Bank interest receivable	4,116	–
90,441,919	Interest receivable from group undertakings	44,343,842	45,254,819
90,442,427		44,347,958	45,254,819
4,930,426	Accrued premium on repayment of loan by fellow subsidiary undertaking	–	4,930,426
(50,064,388)	Release of accrued premium on repayment of loan by fellow subsidiary undertaking	–	(50,064,388)

3. INTEREST PAYABLE AND SIMILAR CHARGES

Audited Year ended 31 December 2017 £		Unaudited Six months ended 30 June 2018 £	Unaudited Six months ended 30 June 2017 £
–	Bank interest payable	–	–
–	Other interest payable	–	–
90,292,678	Interest payable on securitised debt (Note 8)	44,268,319	45,179,667
(8,596,277)	Fair value adjustments on derivative financial instruments	(18,820,699)	(14,565,759)
(603,394)	Hedge reserve recycling	(288,740)	(306,004)
81,093,007		25,158,880	30,307,904
4,930,426	Provision for premium on repayment of class A1 notes	–	4,930,426
(50,064,338)	Release of provision for premium on repayment of class A1 notes	–	(50,064,388)

Unrealised fair value gains or losses on derivative financial instruments which do not qualify for hedge accounting are recognised in the Income Statement (Note 8).

4. TAXATION

Audited Year ended 31 December 2017 £		Unaudited Six months ended 30 June 2018 £	Unaudited Six months ended 30 June 2017 £
	Tax charge:		
–	Current tax chargeable to income	–	–
1,563,943	Deferred tax	3,248,604	2,528,199
1,563,943		3,248,604	2,528,199
	Tax reconciliation:		
9,341,176	Profit/(loss) on ordinary activities before taxation	19,180,834	14,938,935
1,798,176	Tax on profit at UK corporation tax rate:	3,644,358	2,987,787
	Effects of:		
(206,993)	Changes in tax rates	(382,188)	(446,154)
(27,240)	Group relief	(13,565)	(13,434)
1,563,943		3,248,604	2,528,199

Deferred tax

Audited Year ended 31 December 2017 £		Unaudited Six months ended 30 June 2018 £	Unaudited Six months ended 30 June 2017 £
	Deferred tax assets		
60,341,406	Brought forward	58,576,751	60,341,406
(1,563,943)	(Charge)/credit to profit and loss account	(3,248,604)	(2,528,199)
(200,712)	(Charge)/credit to other comprehensive income	(2,636,534)	(1,626,016)
58,576,751		52,691,613	56,187,191

5. DEBTORS

Audited 31 December 2017 £		Unaudited 30 June 2018 £	Unaudited 30 June 2017 £
	Due within one year:		
46,729,366	Loan to fellow subsidiary undertaking	46,541,742	46,795,388
2,139,672	Amounts owed by fellow subsidiary undertakings	2,139,672	2,054,977
49,008,215		48,681,414	48,850,365
	Due after more than one year:		
58,576,751	Deferred tax	52,691,613	56,187,191
1,513,373,694	Loan to fellow subsidiary undertaking	1,497,108,946	1,529,675,068
1,571,950,445		1,549,800,559	1,585,862,259

The loans to a fellow subsidiary undertaking bear fixed rates of interest between 5.41% and 7.07% and are repayable in instalments between 2005 and 2037.

Other amounts owed by group companies are non-interest bearing and repayable on demand.

The amount of the loan due within one year comprises £17,216,542 (31 December 2017: £17,543,343) of interest and £29,325,200 (31 December 2017: £29,325,200) of capital.

The carrying values of debtors due within one year also represent their fair values. The fair value of the loans to fellow subsidiary undertakings at 30 June 2018 was £2,007,361,148 (31 December 2017: £2,091,683,237), 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.

6. CASH AT BANK

Audited 31 December 2017 £		Unaudited 30 June 2018 £	Unaudited 30 June 2017 £
3,021,073	Unrestricted cash balances	3,100,111	3,039,163
–	Held as collateral for derivatives	–	22,240,000
3,021,073	Cash at bank	3,100,111	25,279,163

7. CREDITORS: Amounts falling due within one year

Audited 31 December 2017 £		Unaudited 30 June 2017 £	Unaudited 30 June 2017 £
46,920,451	Securitised debt (Note 8)	46,593,050	46,847,047
–	Other creditors	–	22,240,000
–	Accruals and deferred income	8,244	7,980
46,920,451		46,601,294	69,095,027

The amount of the securitised debt due within one year comprises £17,267,850 (31 December 2017: £17,595,251) of interest and £29,325,200 (31 December 2017: £29,325,200) of capital.

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

Audited 31 December 2017 £		Unaudited 30 June 2018 £	Unaudited 30 June 2017 £
1,513,373,696	Securitised debt	1,497,108,946	1,529,675,068
344,569,124	Derivative financial instruments	309,950,654	330,512,882
1,857,942,820		1,807,059,600	1,860,187,950

The amounts at which borrowings are stated comprise:

Audited 31 December 2017 £		Unaudited 30 June 2018 £	Unaudited 30 June 2017 £
1,575,252,156	Brought forward	1,542,698,896	1,575,252,156
(29,325,200)	Repaid in period	(14,662,600)	(14,662,600)
(2,055,333)	Amortisation of issue premium	(990,612)	(1,038,233)
(1,172,727)	Accrued financing expenses	(611,538)	(551,055)
1,542,698,896	Carried forward	1,526,434,146	1,559,000,268
29,325,200	Payable within one year or on demand	29,325,200	29,325,200
1,513,373,696	Payable after more than one year	1,497,108,946	1,529,675,068
1,542,698,896		1,526,434,146	1,559,000,268

The company's securitised debt was issued in tranches, with notes of classes A1, A3, A7, B, B3, C2 and D2 remaining outstanding. The class A1, A3 and B notes were issued at a premium which is being amortised to the income statement on a straight-line basis over the life of the relevant notes. At 30 June 2018 £18,501,315 (31 December 2017: £19,491,926) remained unamortised.

At 30 June 2018 there were accrued financing costs of £20,432,511 (31 December 2017: £21,044,048) relating to increases in margins as described below.

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

The securitised debt has a face value on 30 June 2018 of £1,487,500,320 (31 December 2017: £1,502,162,920), of which £822,939,320 (31 December 2017: £837,601,920) carries fixed rates of interest between 5.95% and 6.80%. The other £664,561,000 (31 December 2017: £664,561,000) of the securitised debt carries floating rates of interest at LIBOR plus a margin. 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. The hedged rates of the floating notes, including the margins, are between 5.40% and 7.06%.

The fair value of the securitised debt at 30 June 2018 was £1,697,410,494 (31 December 2017: £1,747,114,113). At 30 June 2018 the fair value of the interest rate derivatives resulted in the recognition of a liability of £309,950,654 (31 December 2017: £344,569,124). Of this liability, £147,003,239 was in respect of interest rate swaps which qualify for hedge accounting (31 December 2017: £162,801,010) and £162,947,415 was in respect of interest rate swaps which do not qualify for hedge accounting (31 December 2017: £181,768,114).

The securitisation continues to have the benefit of an arrangement with AIG which covers the rent in the event of a default by the tenant of 33 Canada Square over the entire term of the lease. At 30 June 2018, AIG had posted £164.1 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.

9. CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS

As at 30 June 2018 and 31 December 2017 the company had given security over all its assets, including security expressed as a first fixed charge over its bank accounts, to secure the notes referred to in Note 8.