CANARY WHARF
GROUP PLC

CANARY WHARF FINANCE II PLC

Registered number: 03929593

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

CANARY WHARF FINANCE II PLC

CONTENTS

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

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 Stork HoldCo L.P.

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.

BUSINESS REVIEW

At 31 December 2017, the company had £1,502,162,920 (2016 - £1,531,488,120) 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. On 14 June 2017, the premium payable to the holders of the class A1 notes following the sale of 10 Upper Bank Street in June 2014 was agreed and settled as explained in Note 16. The court proceedings relating to this matter have been withdrawn.

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 £175,318,692 (2016 - £195,909,493) as cash collateral in respect of this obligation.

The company also has the benefit of a £300m 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	BBB	A-

As shown in the company's income statement, the company's profit before tax for the year was £9,341,176 (2016 - loss of £40,517,294). This gain included an unrealised fair value gain on derivative financial instruments and hedge reserve recycling of £9,199,671 (2016 - loss of £40,564,774). Excluding the fair value gain on derivative financial instruments and hedge reserve recycling, the profit before tax for the year was £141,505 (2016 - £47,480).

The Statement of Financial Position indicates that net liabilities were £280,883,538 (2016 - £289,640,708).

The movement in the financial position of the company is primarily due to the impact of the fair value of derivative financial instruments, derived by reference to the market values provided by the relevant counter parties. The corresponding adjustment to fair value of other held to maturity financial instruments are not reflected in the financial statements.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

Adjusting for the effects of the underlying fair value of financial instruments, the net asset value of the company at 31 December 2017 was as follows:

	2017 £	2016 £
Net liabilities per Statement of Financial Position	(280,883,538)	(289,640,708)
Add back: Effects of fair value of derivative financial instruments	344,569,124	354,949,444
Less: Deferred tax thereon	(58,576,751)	(60,341,406)
	5,108,835	4,967,330

KEY PERFORMANCE INDICATORS

	2017 £	2016 £
Securitised debt	1,502,162,920	1,531,488,120
Financing cost (before adjustment for fair value)	90,292,678	92,194,410
Adjusted profit before tax and fair value adjustment	141,505	47,480
Weighted average maturity of debt	13.8 years	14.6 years
Weighted average interest rate	6.1%	6.1%

The adjusted profit before tax comprises the profit on ordinary activities before tax of £9,341,176 (2016 - loss of £40,517,294) adjusted for the fair value gain on financial instruments shown in Note 7, totalling £9,199,671 (2016 - loss of £40,564,774).

FUTURE DEVELOPMENTS

On 29 March 2018, Stork Holdings Limited, a direct subsidiary of Stork HoldCo L.P., listed its shares on The International Stock Exchange in Jersey and the group headed by Stork Holdings Limited, which includes the company, converted to a REIT. As a consequence of the conversion, it is anticipated that the deferred tax asset will be released.

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

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

Transaction Accounting

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 income statement 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 Chief Financial Officer.

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 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 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. Although the residential market has also been underpinned by continuing demand for sites capable of incorporating residential development, there have recently been signs that demand at the top of the residential market has cooled. Government announcements, in particular the changes to stamp duty on the residential property market have also contributed to a slowing of residential land prices. The full implications of the EU referendum held in June 2016 are not yet clear. In the meantime, there is uncertainty which is unhelpful to 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.

Concentration risk

The majority of the Canary Wharf Group's real estate assets and all of the company's notes are secured on real estate assets which are currently located on or adjacent to the Canary Wharf Estate. Although a majority of tenants are linked to the financial services industry this proportion has now fallen to around 55% of tenants. Wherever possible steps are still taken to mitigate or avoid material consequences arising from this concentration.

Financing risk

The broader economic cycle inevitably leads to movement 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 31 December 2017 valuations of the properties upon which the company's notes are secured, the LMCTV ratio at the interest payment date in January 2018 was 45.7%. 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).

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 the requisite enquiries, the directors have a reasonable expectation that the company has adequate resources to continue its operations for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

The company's profit for the year ended 31 December 2017 was £7,777,233 (2016 - loss of £35,165,681) and at 31 December 2017 the company had a deficit of £280,883,538 (2016 - £289,640,708) 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 Statement of Financial Position. 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.

This report was approved by the board on 23 April 2018 and signed on its behalf.

A.P Anderson II
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their report and the financial statements for the year ended 31 December 2017.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £7,777,233 (2016 - loss £35,165,681).

No dividends have been paid or proposed in the year (2016 - £NIL).

DIRECTORS

The directors who served during the year were:

A Aluthman Fakhroo
A P Anderson II
Ben Brown
J R Garwood (alternate director to Sir George Iacobescu CBE)
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 a 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 2017 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.

FUTURE DEVELOPMENTS

Details of the company's future developments are set out in the Strategic Report.

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 the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the 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 23 April 2018 and signed on its behalf.

J R Garwood
Secretary

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

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's 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 to 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 Aluthman Fakhroo, A P Anderson II, B Brown, J R Garwood, Sir George Iacobescu CBE and R J J Lyons, confirms to the best of its knowledge that:

- the financial statements, prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", give a true and fair view of the assets, liabilities, financial position and loss of the company;

- 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; and

- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to access the company's performance, business model and strategy.

Signed on behalf of the board by:

A P Anderson II
Director
Date: 23 April 2018

CANARY WHARF FINANCE II PLC

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Canary Wharf Finance II plc (the 'company') which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

BASIS OF OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matter	The key audit matter that we identified in the current year was: Financial instruments: derivative valuations
Materiality	The materiality that we used in the current year was £32.5 million which was determined on the basis of 2% of total assets.
Scoping	A full scope audit was performed on the company and no separate components were identified.

CONCLUSIONS RELATING TO GOING CONCERN

We are required by ISAs (UK) to report in respect of the following matters where: -the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or -the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.	We have nothing to report in respect of these matters.

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

KEY AUDIT MATTERS

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

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

Financial Instruments: Derivative Valuations	
Key audit matter description	The Company holds interest rate swaps to fix interest amounts payable on various floating rate loans it holds. FRS 102 requires that the derivatives must be held at fair value on the balance sheet, including the assessment of credit risk. The valuation of the Company's derivatives is considered a significant risk due to the complexities and judgements taken in arriving at the valuation. Management uses counterparty bank valuations to obtain their fair values and there is a risk of material misstatement that the calculations performed by the banks are incorrect and if the error is not identified by Management, this could result in a material misstatement. Given the degree of judgement involved, we also determined that there was a potential for fraud through possible manipulation of this account balance. The fair value of the derivatives at the year-end was £345 million (2016 - £355 million). This is included as a key source of estimation uncertainty in note 3 and derivative financial instruments in note 14 to the financial statements.
How the scope of our audit responded to the key audit matter	We evaluated the design and implementation of key controls in the treasury cycle which address the risk of material misstatement for this key audit matter. We engaged our internal financial instrument specialists to perform independent calculations of the fair value of all the Company's interest rate swaps, including credit valuation adjustments using key terms per the original contract documentation.
Key observations	Based on our procedures, we conclude that valuation of financial instruments is reasonable.

OUR APPLICATION OF MATERIALITY

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

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

Materiality	£32.5 million
Basis of determining materiality	2% of total assets (£1,624.0m).
Rationale for the benchmark applied	This reflects the key balance in the financial statements given the Company's primary purpose is to provide funding to the Group by way of the securitisation structure. The entity is a finance vehicle that has issued securities which are backed by commercial mortgages over properties within the Canary Wharf Group estate.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.6 million as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

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

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report including the Strategic Report and Directors' Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.	We have nothing to report in respect of these matters.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: . This description forms part of our auditor's report.

USE OF OUR REPORT

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of explanations received and accounting records Under the Companies Act 2006 we are required to report to you if, in our opinion: -we have not received all the information and explanations we require for our audit; or -adequate accounting records have not been kept, 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.	We have nothing to report in respect of these matters.
Directors' remuneration Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.	We have nothing to report in respect of this matter.

OTHER MATTERS

Auditor tenure
Following the recommendation of the audit committee, we were appointed by board of directors on its incorporation on 16 February 2000 to audit the financial statements for the year ending 30 June 2001 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 17 years, covering the years ended 30 June 2001 to 31 December 2017.

Consistency of the audit report with the additional report to the audit committee
Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

James Wright FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, UK
23 April 2018

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £	2016 £
Administrative expenses		(8,244)	(7,980)
OPERATING LOSS		(8,244)	(7,980)
Interest receivable from group companies	6	90,441,919	92,285,542
Bank interest receivable	6	508	39,575
Accrued premium on repayment of loan by fellow subsidiary undertaking	6	4,930,426	10,892,606
Release of accrued premium on repayment of loan by fellow subsidiary undertaking	6	(50,064,388)	-
Loan interest payable	7	(81,093,007)	(132,759,184)
Other interest payable	7	-	(75,247)
Provision for premium on repayment of class A1 notes	7	(4,930,426)	(10,892,606)
Release of provision for premium on repayment of class A1 notes	7	50,064,388	-
PROFIT/(LOSS) BEFORE TAX		9,341,176	(40,517,294)
Tax on profit/(loss)	8	(1,563,943)	5,351,613
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		7,777,233	(35,165,681)

The notes on pages 17 to 33 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £	2016 £
Profit/(loss) for the financial year		7,777,233	(35,165,681)
OTHER COMPREHENSIVE INCOME			
Fair value movement on effective hedging instruments		1,784,043	(31,784,530)
Hedge reserve recycling		(603,394)	(637,718)
Tax relating to components of other comprehensive items		(200,712)	4,236,557
OTHER COMPREHENSIVE INCOME FOR THE YEAR		979,937	(28,185,691)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		8,757,170	(63,351,372)

The notes on pages 17 to 33 form part of these financial statements.

CANARY WHARF FINANCE II PLC
REGISTERED NUMBER: 03929593

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	2017 £	2016 £
CURRENT ASSETS			
Debtors: amounts falling due after more than one year	9	1,571,950,445	1,606,268,360
Debtors: amounts falling due within one year	9	49,008,215	244,205,832
Cash at bank and in hand	10	3,021,073	25,109,170
		1,623,979,733	1,875,583,362
Creditors: amounts falling due within one year	11	(46,920,451)	(69,020,544)
NET CURRENT ASSETS		1,577,059,282	1,806,562,818
TOTAL ASSETS LESS CURRENT LIABILITIES		1,577,059,282	1,806,562,818
Creditors: amounts falling due after more than one year	12	(1,857,942,820)	(1,900,876,400)
PROVISIONS FOR LIABILITIES			
Other provisions	16	-	(195,327,126)
NET LIABILITIES		(280,883,538)	(289,640,708)
CAPITAL AND RESERVES			
Called up share capital	17	50,000	50,000
Hedging reserve	18	(131,774,212)	(132,754,149)
Retained earnings	18	(149,159,326)	(156,936,559)
		(280,883,538)	(289,640,708)

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 23 April 2018.

A P Anderson II
Director

The notes on pages 17 to 33 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital	Hedging reserve	Retained earnings	Total equity
	£	£	£	£
At 1 January 2017	50,000	(132,754,149)	(156,936,559)	(289,640,708)
Profit for the year	-	-	7,777,233	7,777,233
Movement in deferred tax asset on derivatives	-	(200,712)	-	(200,712)
Fair value movement on effective hedging instruments	-	1,784,043	-	1,784,043
Hedge reserve recycling	-	(603,394)	-	(603,394)
OTHER COMPREHENSIVE INCOME FOR THE YEAR	-	979,937	-	979,937
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	979,937	7,777,233	8,757,170
AT 31 DECEMBER 2017	50,000	(131,774,212)	(149,159,326)	(280,883,538)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital	Hedging reserve	Retained earnings	Total equity
	£	£	£	£
At 1 January 2016	50,000	(104,568,458)	(121,770,878)	(226,289,336)
Loss for the year	-	-	(35,165,681)	(35,165,681)
Movement in deferred tax asset on derivatives	-	4,236,557	-	4,236,557
Fair value movement on effective hedging instruments	-	(31,784,530)	-	(31,784,530)
Hedge reserve recycling	-	(637,718)	-	(637,718)
OTHER COMPREHENSIVE INCOME FOR THE YEAR	-	(28,185,691)	-	(28,185,691)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	(28,185,691)	(35,165,681)	(63,351,372)
AT 31 DECEMBER 2016	50,000	(132,754,149)	(156,936,559)	(289,640,708)

The notes on pages 17 to 33 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1. GENERAL INFORMATION

Canary Wharf Finance II plc 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").

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 have been applied consistently throughout the year and the preceding year and are summarised below:

2.2 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 the requisite enquiries, the directors have a reasonable expectation that the company has adequate resources to continue its operations for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

The company's profit for the year ended 31 December 2017 was £7,777,233 (2016 - £35,165,681) and at 31 December 2017 the company had a deficit of £280,883,538 (2016 - £289,640,708) 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 Statement of Financial Position. 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.

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 financial statements which are intended to give a true and fair view.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Financial instruments

The directors have taken advantage of the exemption in paragraph 1.12c of FRS 102 allowing the company not to disclose the summary of financial instruments by the categories specified in paragraph 11.41.

Trade and other receivables

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

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

2. ACCOUNTING POLICIES (CONTINUED)

Derivative instruments

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

In order for a derivative to qualify for hedge accounting, the company is required to document the relationship between the item being hedged and the hedging instrument. The company is also required to demonstrate an assessment of the relationship between the hedged item and the hedging instrument which shows that the hedge will be effective on an on-going basis. The effectiveness testing is re-performed at each balance sheet date to ensure that the hedge remains highly effective.

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

If a 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 over the same period in which the hedged item affects net profit or loss.

Hedge accounting is discontinued when the company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument is retained in equity and recycled to the Income Statement when the forecast transaction occurs. If the hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period.

2.5 Provisions

A provision is recognised in the Statement of Financial Position when the company has a present obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

2. ACCOUNTING POLICIES (CONTINUED)

2.6 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.

3. CRITICAL ACCOUNTING JUDGMENTS 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.

Derivative financial instruments

The fair values of derivative financial instruments are provided by counter party financial institutions. Consistent with International Accounting Standards, the value provided is then reduced for the company's own credit risk, in the case of credit balances, and for the counterparty's credit risk, in the case of debit balances. These adjustments are calculated by using a calculation tool provided by Bloomberg.

At 31 December 2017 the fair value of derivative financial instruments totalled £344,569,124 (2016 - £354,949,444).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

4. AUDITOR'S REMUNERATION

	2017 £	2016 £
Fees to the auditor for other services	6,870	6,650
	6,870	6,650

Auditor's remuneration of £9,000 (2016 - £9,000) for the audit of the company has been borne by another group undertaking.

5. EMPLOYEES

The Company has no employees other than the directors, who did not receive any remuneration (2016 - £NIL).

6. INTEREST RECEIVABLE

	2017 £	2016 £
Interest receivable from group companies	90,441,919	92,285,542
Bank interest receivable	508	39,575
Accrued premium on repayment of loan by fellow subsidiary undertaking	4,930,426	10,892,606
Release of accrued premium on repayment of loan by fellow subsidiary undertaking	(50,064,388)	-
	45,308,465	103,217,723

On 20 June 2014, the loan to a fellow subsidiary undertaking was part repaid to fund the cancellation of certain floating rate notes. An amount for the period of £4,930,426 (31 December 2016 - £10,892,606) has been accrued as recoverable from the fellow subsidiary undertaking to cover the potential premium payable to the holders of the class A1 notes which were redeemed in part on 22 July 2014. As explained in Note 16, on 14 June 2017, the premium payable to the holders of the class A1 notes was agreed and settled and an amount of £50,064,388 of previously accrued premium was released to the Income Statement in the year.

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2017 £	2016 £
Loan interest payable	81,093,007	132,759,184
Other interest payable	-	75,247
Provision for premium on repayment of class A1 notes	4,930,426	10,892,606
Release of provision for premium on repayment of class A1 notes	(50,064,388)	-
	35,959,045	143,727,037

Loan interest payable consists of the following:

	2017 £	2016 £
Interest payable on securitised debt (Note 13)	90,292,678	92,194,410
Fair value adjustments on derivative financial instruments	(8,596,277)	41,202,492
Hedge reserve recycling	(603,394)	(637,718)
	81,093,007	132,759,184

As explained in Note 16, at 14 June 2017, the company had provided for £200,257,552 in respect of the potential premium payable to the holders of the class A1 notes following the partial redemption on 22 July 2014, being an amount of £168,746,800, plus interest at 6.455% per annum. An amount of £150,193,164 was agreed and settled to the holders of the Class A1 notes, representing 75% of the balance held in escrow. The remaining provision balance of £50,064,388 was released to the Income Statement in the period.

8. TAXATION

	2017 £	2016 £
Current tax on profits for the year	-	-
TOTAL CURRENT TAX	-	-
DEFERRED TAX		
Revaluation of derivatives	1,563,943	(5,351,613)
TOTAL DEFERRED TAX	1,563,943	(5,351,613)
TAXATION ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES	1,563,943	(5,351,613)

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 19.25% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
Profit/(loss) on ordinary activities before tax	9,341,176	(40,517,294)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	1,798,176	(8,103,459)
EFFECTS OF:		
Changes in tax rate	(206,993)	2,761,342
Group relief	(27,240)	(9,496)
TOTAL TAX CHARGE/(CREDIT) FOR THE YEAR	1,563,943	(5,351,613)

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The tax rate of 19.25% has been calculated by reference to the current corporation tax rate of 19% which was in effect for the final three quarters of the year and the previous rate of 20% which was in effect for the first quarter of the year.

Enacted in the Finance Act (No.2) 2015 is a reduction in the corporation tax rate to 17.0% on 1 April 2020. Deferred tax has been provided by reference to this enacted corporation tax rate.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

9. DEBTORS

	2017	2016
	£	£
DUE AFTER MORE THAN ONE YEAR		
Amounts owed by group undertakings	1,513,373,694	1,545,926,954
Deferred tax asset (Note 15)	58,576,751	60,341,406
	1,571,950,445	1,606,268,360

	2017	2016
	£	£
DUE WITHIN ONE YEAR		
Amounts owed by group undertakings	49,008,215	48,221,592
Other debtors	-	195,984,240
	49,008,215	244,205,832

Amounts owed by group undertakings comprise:

	2017	2016
	£	£
Loan to fellow subsidiary undertaking due after more than one year	1,513,373,694	1,545,926,954
Loan to fellow subsidiary undertaking due within one year	29,325,200	29,325,200
	1,542,698,894	1,575,252,154
Accrued interest on loan to fellow subsidiary undertaking	17,543,343	17,404,166
Other amounts owed by fellow subsidiaries	2,139,672	1,492,226
	1,562,381,909	1,594,148,546

	2017	2016
	£	£
At 1 January	1,575,252,154	1,607,001,524
Amortisation of issue premium	(2,055,333)	(2,150,700)
Accrued financing expenses	(1,172,727)	(273,470)
Repaid in the year	(29,325,200)	(29,325,200)
	1,542,698,894	1,575,252,154

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

	Interest	Effective interest	Repayment	2017 £m	2016 £m
A1	6.465%	6.161%	By instalment 2009-2033	289.0	311.4
A3	5.962%	5.824%	By instalment 2032-2037	400.0	400.0
A7	5.409%	5.308%	January 2035	222.0	222.0
B	6.810%	6.420%	By instalment 2005-203	148.6	155.5
B3	5.593%	5.445%	January 2035	77.9	77.9
C2	6.276%	6.068%	January 2035	239.7	239.7
D2	7.071%	6.753%	January 2035	125.0	125.0
				1,502.2	1,531.5
Unamortised premium				19.5	21.6
Accrued financing costs				21.0	22.2
				1,542.7	1,575.3

In January 2017, interest on the tranche A7 loan increased to 5.409% from 5.124% and interest on the tranche B3 loan increased to 5.593% from 5.173%.

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 2017 was £2,091,683,237 (2016 - £2,005,031,244), 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:

	2017 £	2016 £
Within one year	121,390,852	122,856,002
In one to two years	119,581,394	121,390,852
In two to five years	347,446,396	352,985,031
In five to ten years	525,655,442	544,606,733
In ten to twenty years	1,203,852,718	1,298,944,186
	2,317,926,802	2,440,782,804
Comprising:		
Principal repayments	1,502,162,920	1,531,488,120
Interest repayments	815,763,882	909,294,684
	2,317,926,802	2,440,782,804

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.

Other amounts owed by group undertakings are interest free and repayable on demand.

10. CASH AND CASH EQUIVALENTS

	2017 £	2016 £
Unrestricted cash balances	3,021,073	2,869,170
Held as collateral for derivatives (Note 11)	-	22,240,000
	3,021,073	25,109,170

The cash at bank held as cash collateral for the company's borrowings earned interest at floating rates linked to bank deposit rates. The amount held as cash collateral was released in the year following novation of the B3 and C2 interest rate swaps from Barclays to HSBC.

11. CREDITORS: Amounts falling due within one year

	2017 £	2016 £
Securitised debt (Note 13)	46,920,451	46,780,544
Other creditors	-	22,240,000
	46,920,451	69,020,544

The amount of the securitised debt due within one year comprises £17,595,251 (2016 - £17,455,344) of interest and £29,325,200 (2016 - £29,325,200) of capital.

On 23 June 2015, the Company received £22,240,000 from Barclays Capital as cash collateral for its obligations as swap provider under the B3 and C2 interest rate swaps, following the downgrade of the bank's credit rating from A to A-. In 2017, following Barclays Capital's novation of the B3 and C2 interest rate swaps to HSBC, the Company released the cash collateral of £22,240,000 to Barclays Capital.

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

	2017 £	2016 £
Securitised debt (Note 13)	1,513,373,696	1,545,926,956
Derivative financial instruments (Note 14)	344,569,124	354,949,444
	1,857,942,820	1,900,876,400

13. SECURITISED DEBT

The amounts at which borrowings are stated comprise:

	2017 £	2016 £
Brought forward	1,575,252,156	1,607,001,527
Repaid in the year	(29,325,200)	(29,325,200)
Amortisation of issue premium	(2,055,333)	(2,150,700)
Accrued financing expenses	(1,172,727)	(273,471)
	1,542,698,896	1,575,252,156

	2017 £	2016 £
Payable within one year or on demand	29,325,200	29,325,200
Payable after more than one year	1,513,373,696	1,545,926,956
	1,542,698,896	1,575,252,156

The company's securitised debt was issued in tranches, with notes of classes A1, A3, A7, B, B3, C2 and D2 remaining outstanding. The A1, A3 and B notes were issued at a premium which is being amortised to the income statement over the life of the relevant notes. At 31 December 2017 £19,491,926 (2016 - £21,547,259) remained unamortised.

At 31 December 2017 there were accrued financing costs of £21,044,048 (2016 - £22,216,775) relating to future 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 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 31 December 2017, AIG had posted £175,318,692 as cash collateral in respect of this obligation.

The company also has the benefit of a £300m liquidity facility provided by Lloyds Bank plc, under which drawings may be made in the event of a cash flow shortage under the securitisation.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

At 31 December 2017 the securitised debt comprised the following:

Tranche	Principal £m	Market value £m	Interest	Effective interest	Repayment
A1	289.0	374.2	6.455%	6.151%	By instalment 2009-2033
A3	400.0	578.1	5.952%	5.814%	By instalment 2032-2037
A7	222.0	204.8	Floating	5.298%	January 2035
B	148.6	200.0	6.800%	6.410%	By instalment 2005-2030
B3	77.9	67.6	Floating	5.435%	January 2035
C2	239.7	212.1	Floating	6.058%	January 2035
D2	125.0	110.3	Floating	6.743%	January 2035
	1,502.2	1,747.1			

At 31 December 2016 the securitised debt comprised the following:

Tranche	Principal £m	Market value £m	Interest	Effective interest	Repayment
A1	311.4	383.2	6.455%	6.151%	By instalment 2009-2033
A3	400.0	479.8	5.952%	5.814%	By instalment 2032-2037
A7	222.0	194.3	Floating	5.311%	January 2035
B	155.5	194.8	6.800%	6.409%	By instalment 2005-2030
B3	77.9	68.9	Floating	5.447%	January 2035
C2	239.7	215.7	Floating	6.071%	January 2035
D2	125.0	113.4	Floating	6.756%	January 2035
	1,531.5	1,650.1			

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 - 0.475% per annum (increased from 0.19% per annum in January 2017); B3 notes - 0.7% per annum (increased from 0.28% per annum in January 2017); C2 notes - 1.375% per annum; and D2 notes - 2.1% per annum.

All of the notes are hedged by means of interest rate swaps and the hedged rates plus the margins are: A7 notes - 5.3985% (increased from 5.1135% in January 2017); B3 notes - 5.5825% (increased from 5.1625% in January 2017); C2 notes - 6.2666%; and D2 notes - 7.0605%.

The effective interest rates include adjustments for the hedges and the issue premium.

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:

	2017 £	2016 £
Within one year	92,446,416	92,988,950
In one to two years	92,206,430	92,074,898
In two to five years	270,953,547	272,388,208
In five to ten years	409,877,130	431,455,357
In ten to twenty years	1,041,362,162	1,120,434,234
	1,906,845,685	2,009,341,647
Comprising		
Principal repayments	1,502,162,920	1,531,488,120
Interest repayments	404,682,765	477,853,527
	1,906,845,685	2,009,341,647

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 2017 was 13.8 years (2016 - 14.6 years). The debentures may be redeemed at the option of the company in an aggregate amount of not less than £1m 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 2017 was 6.1% (2016 - 6.1%).

Details of the derivative financial instruments are set out in Note 14.

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

14. 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 2017 the fair value of these derivatives resulted in the recognition of a net liability of £344,569,124 (2016 - £354,949,444). Of this net liability £162,801,010 (2016 - £164,585,053) was in respect of interest rate swaps which qualify for hedge accounting and £181,768,114 (2016 - £190,364,391) was in respect of interest rate swaps which do not qualify for hedge accounting.

At 31 December 2017, there were hedges on certain of the notes as follows:

Hedge type	Swap rate	2017 Fair value £	2016 Fair value £
Highly effective hedges			
B3 interest rate swap	4.883%	41,284,861	41,408,624
C2 interest rate swap	4.892%	121,516,149	123,176,429
		162,801,010	164,585,053
Hedges not designated highly effective			
A7 interest rate swap	4.924%	121,126,293	124,752,056
D2 interest rate swap	4.961%	60,641,821	65,612,335
		181,768,114	190,364,391

The fair values of derivative financial instruments have been determined by reference to market values provided by the relevant counter party.

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 outflows in relation to the company's derivative financial instruments based on the company's prediction of future movements in interest rates.

	2017 £	2016 £
Within one year	28,794,376	29,717,178
In one to two years	27,229,476	29,165,803
In two to five years	76,141,077	80,240,583
In five to ten years	115,198,377	112,554,607
In ten to twenty years	161,987,635	177,879,130
In twenty to thirty years	-	-
	409,350,941	429,557,301

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

Changes in interest rates would primarily affect the market value of derivative financial instruments. These changes would impact on the income statement 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:

	2017 £	2016 £
0.5% decrease in interest rates		
Impact on Income Statement	(35,741,275)	(38,382,742)
Impact on hedging reserve	(32,609,969)	(35,015,133)
Impact on net assets	(68,351,244)	(73,397,875)

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 Statement of Financial Position and all of its loans to fellow subsidiary undertakings are at fixed rate, and carried at amortised cost.

15. DEFERRED TAXATION

	2017 £
At 1 January	60,341,406
Charged to the profit or loss	(1,563,943)
Charged to other comprehensive income	(200,712)
AT 31 DECEMBER	58,576,751

The deferred tax asset is made up as follows:

	2017 £	2016 £
Derivative financial instruments	58,576,751	60,341,406
	58,576,751	60,341,406

16. PROVISIONS

	Redemption premium £
At 1 January 2017	195,327,126
Charged to profit or loss	4,930,426
Released to profit or loss	(50,064,388)
Utilised in year	(150,193,164)
AT 31 DECEMBER 2017	-

Following the disposal of 10 Upper Bank Street and related partial redemption of the A1 Notes in June 2014, a dispute arose as to whether the company as issuer was entitled to redeem the notes without payment of any premium ('SPENS'). The Trustee dealt with this by requiring the issuer to lodge an amount equivalent to SPENS of £168,746,800 in an escrow account pending resolution of the issue by a court declaration. In the meantime interest of 6.455% per annum accrued on the escrow account. Following an initial hearing in July 2015, judgment at first instance was eventually delivered in favour of the noteholders in January 2016. The company successfully applied for leave to appeal this decision and a hearing date in the Court of Appeal was set for 13/14 June 2017.

Contact was however maintained with noteholder representatives and in June 2017 settlement was approved, comprising:

1. a principal and interest split of 25% for the company and 75% for the noteholders; and
2. payment of a premium on future redemptions at a rate of gilts plus 20bps (or gilts flat in relation to voluntary redemptions of bonds not associated with the sale and release of properties)

As at 14 June 2017, the company had provided for £200,257,552 in respect of the potential premium payable to the holders of the class A1 notes, being an amount of £168,746,800, plus interest at 6.455% per annum. On settlement, 75% of the total provision was utilised in settling the amount payable to the noteholders and the remaining provision balance of £50,064,388 was released to the Income Statement in the year. The court proceedings were withdrawn.

17. SHARE CAPITAL

	2017 £	2016 £
Allotted, called up and fully paid		
50,000 Ordinary shares of £1 each	50,000	50,000

18. RESERVES

The hedging reserve contains the accumulated fair value movements of derivative financial instruments while they are part of an effective cashflow hedge.

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.

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FOR THE YEAR ENDED 31 DECEMBER 2017

19. OTHER FINANCIAL COMMITMENTS

As at 31 December 2017 and 31 December 2016 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 13.

20. POST BALANCE SHEET EVENTS

On 29 March 2018, Stork Holdings Limited, a direct subsidiary of Stork HoldCo L.P., listed its shares on The International Stock Exchange in Jersey and the group headed by Stork Holdings Limited, which includes the company, converted to a REIT. As a consequence of the conversion, it is anticipated that the deferred tax asset will be released.

21. CONTROLLING PARTY

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

As at 31 December 2017, 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 registered at 73 Front Street, 5th Floor, Hamilton, HM12, Bermuda.

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 33.1A of FRS 102 allowing the Company not to disclose related party transactions with respect to other wholly-owned group companies.