CANARY WHARF
GROUP PLC

CANARY WHARF FINANCE II PLC

Registered number: 03929593

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

CANARY WHARF FINANCE II PLC

CONTENTS

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019, the company had £1,443,512,520 (2018 - £1,472,837,720) 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.

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 £136,586,799 (2018 - £154,332,009) 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	Aa3	AA	A+
B3	Aa3	AA	A+
C2	A3	A	A
D2	Baa3	BBB	A-

KEY PERFORMANCE INDICATORS

Following the adoption of the IFRS 9 measurement option (see note 18), the floating rate securitised notes are measured at fair value and so no hedging relationships are possible. The changes in the fair value of the derivative instruments are recognised in the income statement.

	2019 £	2018 £
Securitised debt	1,443,512,520	1,472,837,720
Financing cost (before adjustment for fair value)	86,643,107	88,467,105
Total comprehensive income	136,956	151,674
Weighted average maturity of debt	12.3 years	13.1 years
Weighted average interest rate	6.1%	6.1%

FUTURE DEVELOPMENTS

Since 31 December 2019 the UK economy has been significantly impacted by the Covid-19 virus which has caused widespread disruption and economic uncertainty. This is considered to be a non-adjusting post balance sheet event and accordingly the valuation of assets and liabilities at the balance sheet date have not been adjusted for the subsequent uncertainty caused by these events.

This does however create uncertainty around the future valuation of investment property held as security and the impact on the company's loan to value covenant. At the date of approval of the financial statements however, the directors do not consider that this is likely to give rise to a breach of covenant within the next twelve months.

The directors have a reasonable expectation that the company will have adequate resources to continue its operation for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

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).

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 Group and allocates specific day to day monitoring and control responsibilities as appropriate. As a member of Canary Wharf Group, the current key risks of the company include the cyclical nature of the property market, Brexit, concentration risk and financing risk.

Cyclical nature of the property market

The valuation of the Company and Group's assets are subject to many external economic and market factors. Following, uncertainty in the Eurozone experienced in recent years, the implications of UK withdrawal from the EU, a General Election and renewed turmoil in the financial markets following the spread of the coronavirus, the London real estate market has had to cope with fluctuations in demand. The full impact of the coronavirus is not yet possible to predict. A sustained global epidemic will however inevitably effect short and medium term economic performance and confidence, with adverse implications for the property market. The real estate market has to date, 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 still viewed as both relatively stable and secure. Although previous Government announcements, in particular the changes to stamp duty in the residential property market, have contributed to a slowing of residential land prices the residential market has been underpinned by continuing demand. Sales in the residential buildings at Wood Wharf and Southbank Place have accordingly remained relatively strong despite continuing uncertainties which are unhelpful to confidence across the wider real estate sector.

Departure from the EU

Since the EU referendum in 2016, considerable uncertainty has been experienced across the whole of the UK economy. Although the UK has now formally withdrawn from the EU the impact of this withdrawal on trade and immigration is currently being negotiated and considerable uncertainty therefore remains. In the real estate and construction sectors issues arising from withdrawal from the EU have been experienced through currency risk, in particular the 20.0% depreciation in the aftermath of the EU referendum which has been followed by continued relatively low levels of sterling against most currencies. Although depreciation has helped to maintain overseas demand for UK real estate, in the construction sector it has also led to increased cost pressures on materials throughout the supply chain. The Company and Group have been relatively sheltered from this risk by the forward placing of contracts in the course of long running construction projects and where feasible the forward purchasing of some supplies. As a result of the depreciation of sterling and also as a result of change in the perceived attraction of the UK as a destination for workers from the EU, staff working in construction trades are increasingly being attracted to work on projects in Euro denominated countries. Although only about 8.0% of the Group's employees hold EU passports, the availability of labour in the construction industry is likely to be adversely affected by uncertainty over the status of EU nationals and recent Government proposals for the introduction of a points based system of immigration. The final terms for the departure of the UK from the EU are not yet known but in the event it leads to a sudden fall in confidence and demand, there could be a drop in residential values and a sustained weakness of demand.

The Board believes the Company is relatively well placed to weather the impact of an EU departure linked economic downturn or change in London's competitive environment. Most tenants at Canary Wharf are on relatively long lease and in the Group's portfolio there is a low vacancy rate particularly in retail. The business has diversified into residential sales and lettings and initial sales in residential buildings at Wood Wharf and Southbank Place have been very strong. There has also been a successful move to attract TMT companies to take space at Canary Wharf and in the new Wood Wharf district which has further diversified the office portfolio away from financial services.

Concentration risk

The majority of the Group's real estate assets are currently located on or adjacent to the Estate. Although a majority of tenants have traditionally been linked to the financial services industry, this proportion has now fallen to around only 50.0% of tenants. Wherever possible steps are still taken to mitigate or avoid material consequences arising from this concentration. Although the focus of the Group has been on and around the Estate, where value can be added the Group will also consider opportunities elsewhere. The Group is involved as construction manager and joint development manager in the joint venture with Qatari Diar to redevelop the Shell Centre in London's South Bank. The Group has also reviewed current consents for development to react to changes in the market. This review has led to an increased focus on residential development as reflected in the revised composition of the proposed master plan for the mixed use development on land immediately east of the Estate known as Wood Wharf.

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 2019 valuations of the properties upon which the company's notes are secured, the LMCTV ratio at the interest payment date in January 2020 was 43.0%. 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.

SECTION 172 (1) STATEMENT COMPANIES ACT 2006

Section 172 (1) of the Companies Act 2006 requires that a director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

(a) the likely consequences of any decision in the long term

The Board meets regularly to discuss and make decisions on matters of strategic importance to the business, to promote the long- term success of the Company and to consider the likely long term impact of any such decisions.

In accordance with the Articles of Association the Company has by ordinary resolution appointed each of the directors. Accordingly, there is an alignment of the interests between shareholders and the Board. The Group Executive Chairman and Group Chief Executive Officer are also members of the Board.

(b) the interests of the Company's employees

The Company has no employees other than the directors, who did not receive remuneration from the Company during the year.

(c) the need to foster the Company's business relationships with suppliers, customers and others

The Group has strong and well established long term relationships with its suppliers, tenants and customers. This is evidenced by the continuation of links across the full value chain, over many years. Further details of our engagement with wider stakeholders is provided in the Directors' Report.

(d) the impact of the Company's operations on the community and the environment

The Group publishes an annual Corporate Responsibility report which is available on the Group website. The Group is committed to having a strong and positive impact and enhancing the lives of those in the communities in which we live and work. The is evidenced through the design concept and build of our buildings.

(e) the desirability of the Company maintaining a reputation for high standards of business conduct

The Group expects the highest standards of conduct from its employees, business partners and suppliers with which it engages. The Group has an established internal risk control and audit process with a range of ethical policies. In addition the Internal Audit process is independently verified and audited by Ernst & Young LLP.

The Group is fully compliant with all current GDPR laws and employment legislation.

(f) the need to act fairly between members of the Company

The Company's articles of association may be amended by special resolution of the Company's shareholder. The Company is a wholly owned subsidiary within the Stork HoldCo LP group of companies and is a single member company under section 123 (1) of the Companies Act 2006.

Throughout 2020 the Board will continue to review how the Group can improve engagement with its employees and stakeholders.

This report was approved by the board on 28 May 2020 and signed on its behalf.

S Z Khan
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £10,094,075 (2018 - loss as restated £11,564,232).

The total comprehensive income for the year, amounted to £136,956 (2018 - as restated £151,674).

No dividends have been paid or proposed in the year (2018 - £NIL).

DIRECTORS

The directors who served during the year were:

K K Al-Thani
A P Anderson II (resigned 31 December 2019)
J R Garwood (alternate director to Sir George Iacobescu CBE)
Sir George Iacobescu CBE
S Z Khan (appointed 1 October 2019)
R J J Lyons (alternate director to A P Anderson II)
Z B Vaughan

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 2019 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.

STATEMENT OF CORPORATE GOVERNANCE ARRANGEMENTS

The Company has obligations to the London Stock Exchange with its securities admitted to trading on the London Stock Exchange's Gilt Edged and Fixed Interest Market, and to the UK Listing Authority with its securities admitted to the Official List. The Board is committed to maintaining the highest standards of corporate governance, where appropriate for a company of its size and accordingly applies the UK Corporate Governance Code where applicable.

Board Composition

There were at least 2 executive directors and 2 non executive directors throughout 2019. The Board meets at least twice during the financial year. The non executive directors bring independent judgement to bear on issues considered by the Board and have the appropriate knowledge, experience and skills to discharge their duties. All Directors are able to take independent advice in the furtherance of their duties, if necessary, at the Company's expense.

Board Leadership

The Chairman of the Board is also the Group Executive Chairman.

Stakeholder dialogue

A quarterly update is available on the Group website.

Committees of the Board

The Company has no formal committees.

The Directors have concluded that, as the sole activity of the Company is to act as an issuer of asset-backed securities, the Company is not sufficiently complex to justify having an Audit Committee.

The functions of an Audit Committee are carried out by the Board.

Board Meetings

Board members are given appropriate documentation in advance of each Board meeting. Senior executives below Board level are invited to attend meetings for the purpose of making presentations on their areas of responsibility. The Board meets at least twice during the year.

Company Secretary

All Directors have access to the advice and services of the Company Secretary, whose appointment and removal is a matter of the Board. The Company Secretary attends all Board and Committee meetings and is responsible for ensuring compliance with the relevant procedures, rules and regulations.

STATEMENT ON BUSINESS RELATIONSHIPS

This section is covered in the Strategic Report under part (c) of the Section 172 (1) statement.

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 28 May 2020 and signed on its behalf.

J R Garwood
Secretary

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

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 judgements 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.

Signed on behalf of the board by:

S Z Khan
Director
Date: 28 May 2020

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 of Canary Wharf Finance II plc:

- **give a true and fair view of the state of the company's affairs as at 31 December 2019 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 statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 20.

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 Financial Reporting Council's (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 £34.6 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.
Significant changes in our approach	There were no significant changes in our approach from the prior year.

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

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.**

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 £349 million (2018 - £317 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 obtained an understanding of and assessed the key controls relating to derivative valuations. Working with our internal financial instrument specialists, we performed 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.

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

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	£34.6 million (2018 - £31.7 million prior to restatement)
Basis of determining materiality	2% of total assets (2018 - 2% of total assets)
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.

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2019 audit (2018: 70%). In determining performance materiality, we considered the following factors:

a) There were no material misstatements identified in the current or previous audits;
b) There were no significant changes in the business during the period; and
c) There was low turnover of management and key accounting personnel.

AN OVERVIEW OF OUR AUDIT

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team. A full scope audit was performed on the Company and no separate components were identified.

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.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud are set out below.

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

EXTENT TO WHICH THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Identifying and assessing potential risks related to irregularities
In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- enquiring of management and the audit committee, including obtaining and reviewing supporting documentation, concerning the company's policies and procedures relating to:
  - Identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged;
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- discussing among the engagement team and involving relevant internal specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud relating to management override of controls; and
- obtaining an understanding of the legal and regulatory framework that the company operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the company. The key laws and regulations we considered in this context included the UK Companies Act and Listing Rules.

Audit response to risks identified
As a result of performing the above, we identified the valuation of derivative financial instruments as a key audit matter. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CANARY WHARF 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 19 years, covering the years ended 30 June 2001 to 31 December 2019.

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).

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.

Simon Letts

Simon Letts (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, UK
28 May 2020

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £	As restated 2018 £
Administrative expenses		(8,952)	(9,949)
OPERATING LOSS		(8,952)	(9,949)
Interest receivable from group companies	6	86,773,071	88,617,570
Bank interest receivable	6	15,944	11,158
Loan interest payable	7	(86,643,107)	(88,467,105)
Hedge reserve recycling	7	(4,689,581)	568,790
Fair value movements	8	14,646,700	(12,284,696)
PROFIT/(LOSS) BEFORE TAX		10,094,075	(11,564,232)
Tax on profit/(loss)	9	-	-
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		10,094,075	(11,564,232)
OTHER COMPREHENSIVE INCOME FOR THE YEAR			
Fair value movement on effective hedging instruments		(14,646,700)	12,284,696
Hedge reserve recycling		4,689,581	(568,790)
OTHER COMPREHENSIVE INCOME FOR THE YEAR		(9,957,119)	11,715,906
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		136,956	151,674

The notes on pages 19 to 33 form part of these financial statements.

CANARY WHARF FINANCE II PLC
REGISTERED NUMBER: 03929593

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	2019 £	As restated 2018 £
CURRENT ASSETS			
Debtors: amounts falling due after more than one year	10	1,680,875,352	1,677,273,086
Debtors: amounts falling due within one year	10	48,215,880	48,763,858
Cash at bank and in hand		3,366,239	3,161,839
		1,732,457,471	1,729,198,783
Creditors: amounts falling due within one year	11	(46,184,654)	(46,665,187)
NET CURRENT ASSETS		1,686,272,817	1,682,533,596
TOTAL ASSETS LESS CURRENT LIABILITIES		1,686,272,817	1,682,533,596
Creditors: amounts falling due after more than one year	12	(1,680,875,352)	(1,677,273,087)
NET ASSETS		5,397,465	5,260,509
CAPITAL AND RESERVES			
Called up share capital	15	50,000	50,000
Hedging reserve		(157,005,324)	(147,048,205)
Retained earnings		162,352,789	152,258,714
		5,397,465	5,260,509

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28 May 2020.

S Z Khan
Director

The notes on pages 19 to 33 form part of these financial statements.

CANARY WHARF FINANCE II PLC

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up share capital	Hedging reserve	Retained earnings	Total equity
	£	£	£	£
At 1 January 2019	50,000	(147,048,205)	152,258,714	5,260,509
Profit for the year	-	-	10,094,075	10,094,075
Fair value movement on effective hedging instruments	-	(14,646,700)	-	(14,646,700)
Hedge reserve recycling	-	4,689,581	-	4,689,581
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	(9,957,119)	10,094,075	136,956
AT 31 DECEMBER 2019	50,000	(157,005,324)	162,352,789	5,397,465

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital	Hedging reserve	Retained earnings	Total equity
	£	£	£	£
At 1 January 2018 (as previously stated)	50,000	(131,774,212)	(149,159,326)	(280,883,538)
Prior year adjustment	-	(26,989,899)	312,982,272	285,992,373
At 1 January 2018 (as restated)	50,000	(158,764,111)	163,822,946	5,108,835
Loss for the year	-	-	(11,564,232)	(11,564,232)
Fair value movement on effective hedging instruments	-	12,284,696	-	12,284,696
Hedge reserve recycling	-	(568,790)	-	(568,790)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	11,715,906	(11,564,232)	151,674
AT 31 DECEMBER 2018	50,000	(147,048,205)	152,258,714	5,260,509

The notes on pages 19 to 33 form part of these financial statements.

1. GENERAL INFORMATION

Canary Wharf Finance II plc is a public company limited by shares incorporated in the UK under the Companies Act 2006 and registered in England and Wales 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).

FRS 102 allows financial instruments to be measured in accordance with IFRS 9 - Financial Instruments. With the exception of the adoption of the IFRS 9 option detailed in Note 18, the principal accounting policies have been applied consistently throughout the year and the preceding year and are summarised below:

2.2 Going concern

At the year end, the company is in a net asset position.

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

The impact of the CoVid-19 virus is disclosed in Note 19.

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.

2.4 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.

2. ACCOUNTING POLICIES (CONTINUED)

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.

Where loans are designated as fair value through profit or loss ('FVTPL') they are recognised at fair value. The fair value is assessed as the present value of most likely cash flows. Any movements are recognised in the income statement.

Trade and other payables

Trade and other creditors are stated at cost.

Borrowings

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

Where loans are designated as fair value through profit or loss ('FVTPL') they are recognised at fair value. The fair value is assessed as the present value of most likely cash flows. Any movements are recognised in the income statement.

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.

Following the adoption of the IFRS 9 measurement option (see note 18), the floating rate securitised notes are measured at fair value and so no hedging relationships are possible. The changes in the fair value of the derivative instruments are recognised in the income statement.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

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 2019, the fair value of derivative financial instruments totalled £349,095,289 (2018 - £317,338,975).

Floating rate securitised notes

The fair values of financial instruments held at fair value are determined by reference to the prices available on the markets on which they are traded.

At 31 December 2019, the fair value of the floating rate securitised notes totalled £566,486,380 (2018 - £563,450,630).

Loan to fellow subsidary undertaking

Part of the loan to a fellow subsidiary undertakings is carried at fair value. The cash flows and risk profile relating to these tranches are almost identical to those under the associated floating rate notes and derivatives. The fair value is therefore calculated to be the sum of the fair value of the associated securitised notes and the fair value of the derivative financial instruments.

At 31 December 2019, the fair value of these tranches of the loan to a fellow subsidiary undertaking totalled £915,581,669 (2018 - £880,657,075).

4. AUDITOR'S REMUNERATION

	2019 £	2018 £
Fees to the auditor for other services	7,460	7,230
	7,460	7,230

Auditors remuneration of £9,500, (2018 - £9,500) 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 (2018 - £NIL).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2019 £	2018 £
Interest receivable from group companies	86,773,071	88,617,570
Bank interest receivable	15,944	11,158
	86,789,015	88,628,728

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2019 £	As restated 2018 £
Interest payable on securitised debt (Note 13)	86,643,107	88,467,105
Fair value adjustments	(14,646,700)	12,284,696
Hedge reserve recycling	4,689,581	(568,790)
	76,685,988	100,183,011

8. FAIR VALUE ADJUSTMENTS

	2019 £	As restated 2018 £
Derivative financial instruments	17,109,613	(14,945,454)
Securitised debt	4,268,326	(30,101,910)
Loan to fellow subsidiary undertaking	(36,024,639)	57,332,060
	(14,646,700)	12,284,696

Unrealised fair value gains or losses on derivative financial instruments which do not qualify for hedge accounting are recognised in the Income Statement (Note 13).

9. TAXATION

	2019 £	As restated 2018 £
Current tax on profits for the year	-	-
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	-	-

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 19.0% (2018 - 19.0%). The differences are explained below:

	2019 £	As restated 2018 £
Profit/(loss) on ordinary activities before tax	10,094,075	(11,564,232)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.0% (2018 - 19.0%)	1,917,874	(2,197,204)
EFFECTS OF:		
Fair value movements not subject to tax	(1,891,852)	2,226,022
Group relief	(26,022)	(28,818)
TOTAL TAX CHARGE FOR THE YEAR	-	-

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

Enacted in the Finance Act (No.2) 2015 is a reduction in the corporation tax rate to 17.0% on 1 April 2020.

Following the year end, in 2020 Budget, HM Treasury have set their intention not to cut corporation tax beyond 19%, on 1 April 2020.

10. DEBTORS

	2019 £	As restated 2018 £
DUE AFTER MORE THAN ONE YEAR		
Loan to fellow subsidiary undertaking due after more than one year	1,680,875,352	1,677,273,086
	1,680,875,352	1,677,273,086

	2019 £	2018 £
DUE WITHIN ONE YEAR		
Other amounts owed by fellow subsidiaries	2,098,450	2,150,221
Loan to fellow subsidiary undertaking due within one year	29,325,200	29,325,200
Accrued interest on loan to fellow subsidiary undertaking	16,792,230	17,288,437
	48,215,880	48,763,858

	2019 £	As restated 2018 £
The loan to a fellow subsidiary undertaking comprises:		
At 1 January	1,706,598,286	1,796,448,722
Repaid in the year	(29,325,200)	(29,325,200)
Amortisation of issue premium	(1,864,598)	(1,959,964)
Movement in accrued financing expenses	(1,232,575)	(1,233,212)
Fair value adjustment	36,024,639	(57,332,060)
At 31 December	1,710,200,552	1,706,598,286

Comprising:

	2019 £	As restated 2018 £
Loan to fellow subsidiary undertaking due after more than one year	1,680,875,352	1,677,273,086
Loan to fellow subsidiary undertaking due within one year	29,325,200	29,325,200
	1,710,200,552	1,706,598,286

The fair value of the loans to group undertakings at 31 December 2019 was £1,988,296,841 (2018 - £1,911,950,530), calculated by reference to the fair values of the Company's financial liabilities. In the event that the company were to realise the fair value of the securitised debt and 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. As such, the fair value of the loans to group undertakings is calculated to be the sum of the fair value of the securitised debt and the fair value of the derivative financial instruments.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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

	Interest	Effective interest	Repayment	2019 £m	2018 £m
A1	6.465%	6.161%	By instalment 2009-2033	244.2	266.5
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	134.8	141.7
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
				1,443.6	1,472.8
Unamortised premium				15.7	17.5
Accrued financing costs				18.6	19.8
				1,477.9	1,510.1

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 A7, B3 and C2 tranches of the intercompany loan are carried at fair value. The A1, A3, B and D2 tranches are carried at amortised cost. The total fair value of the intercompany loan was £1,710,200,552.

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:

	2019 £	2018 £
Within one year	117,551,720	119,581,394
In one to two years	115,741,960	117,661,677
In two to five years	335,707,881	341,576,988
In five to ten years	494,901,669	509,670,777
In ten to twenty years	1,484,484,940	1,579,588,685
At 31 December	2,548,388,170	2,668,079,521

	2019 £	2018 £
Comprising:		
Principal repayments	1,443,512,520	1,472,837,720
Interest repayments	1,104,875,650	1,195,241,801
At 31 December	2,548,388,170	2,668,079,521

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 the group undertakings are interest free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

11. CREDITORS: Amounts falling due within one year

	2019	2018
	£	£
Securitised debt (Note 13)	29,325,200	29,325,200
Accruals and deferred income	16,859,454	17,339,987
	46,184,654	46,665,187

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

	2019	As restated 2018
	£	£
Securitised debt (Note 13)	1,331,780,063	1,359,934,112
Derivative financial instruments (Note 14)	349,095,289	317,338,975
	1,680,875,352	1,677,273,087

13. SECURITISED DEBT

The amounts at which borrowings are stated comprise:

	2019 £	As restated 2018 £
At 1 January	1,389,259,312	1,451,879,599
Repaid in the year	(29,325,200)	(29,325,200)
Amortisation of issue premium	(1,864,598)	(1,959,965)
Movement in accrued financing expenses	(1,232,577)	(1,233,212)
Fair value adjustment	4,268,326	(30,101,910)
At 31 December	1,361,105,263	1,389,259,312

	2019 £	As restated 2018 £
Payable within one year or on demand	29,325,200	29,325,200
Payable after more than one year	1,331,780,063	1,359,934,112
	1,361,105,263	1,389,259,312

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 2019 £15,667,363 (2018 - £17,531,961) remained unamortised.

At 31 December 2019 there were accrued financing costs of £18,578,262 (2018 - £19,810,837) relating to previous contractual increases in margins.

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 2018, AIG had posted £136,586,799 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.

At 31 December 2019 the securitised debt comprised the following:

Tranche	Principal £m	Market value £m	Interest	Effective interest	Repayment
A1	244.2	308.1	6.455%	6.151%	By instalment 2009-2033
A3	400.0	590.3	5.952%	5.814%	By instalment 2032-2037
A7	222.0	192.0	Floating	5.298%	January 2035
B	134.8	174.4	6.800%	6.410%	By instalment 2005-2030
B3	77.9	66.6	Floating	5.435%	January 2035
C2	239.7	201.9	Floating	6.058%	January 2035
D2	125.0	105.9	Floating	6.743%	January 2035
	1,443.6	1,639.2			

At 31 December 2018 the securitised debt comprised the following:

Tranche	Principal £m	Market value £m	Interest	Effective interest	Repayment
A1	266.5	326.2	6.455%	6.151%	By instalment 2009-2033
A3	400.0	531.2	5.952%	5.814%	By instalment 2032-2037
A7	222.0	194.3	Floating	5.298%	January 2035
B	141.7	173.7	6.800%	6.410%	By instalment 2005-2030
B3	77.9	64.7	Floating	5.435%	January 2035
C2	239.7	198.9	Floating	6.058%	January 2035
D2	125.0	105.6	Floating	6.743%	January 2035
	1,472.8	1,594.6			

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; B3 notes - 0.7% per annum; 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%; B3 notes - 5.5825%; C2 notes - 6.2666%; and D2 notes - 7.0605%.

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

The floating rate notes are carried at FVTPL. The fixed rate notes are carried at amortised cost. The total fair value of the debt is £1,639,201,552.

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:

	2019 £	2018 £
Within one year	89,809,309	93,229,006
In one to two years	87,713,767	92,364,070
In two to five years	254,209,302	269,150,550
In five to ten years	365,735,335	394,812,770
In ten to twenty years	1,350,476,115	1,439,235,049
At 31 December	2,147,943,828	2,288,791,445

	2019 £	2018 £
Comprising:		
Principal repayments	1,443,512,520	1,472,837,720
Interest repayments	704,431,308	815,953,725
At 31 December	2,147,943,828	2,288,791,445

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 2019 was 12.4 years (2018 - 13.1 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 2019 was 6.1% (2018 - 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 2019 the fair value of these derivatives resulted in the recognition of a net liability of £349,095,289 (2018 - £317,338,975).

At 31 December 2019, the company held the following interest rate swaps:

Hedge type	Swap rate	2019 Fair value £	2018 Fair value £
B3 interest rate swap	4.883%	41,481,707	37,670,113
C2 interest rate swap	4.892%	123,106,320	112,846,199
A7 interest rate swap	4.924%	122,828,674	110,949,857
D2 interest rate swap	4.961%	61,678,588	55,872,806
		349,095,289	317,338,975

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.

	2019 £	2018 £
Within one year	27,673,772	26,207,026
In one to two years	27,888,557	25,222,035
In two to five years	81,167,584	72,014,155
In five to ten years	128,616,027	114,353,283
In ten to twenty years	133,573,293	139,788,086
	398,919,233	377,584,585

Changes in interest rates would primarily affect the market value of derivative financial instruments. As the fair value of the loans to group undertakings is calculated to be the sum of the fair value of the securitised debt and the fair value of the derivative financial instruments, any movement in the fair value of the derivatives would be offset by a corresponding movement in the fair value of the loans from fellow subsidiary undertakings in the Statement of Comprehensive Income.

15. SHARE CAPITAL

	2019 £	2018 £
Allotted, called up and fully paid		
50,000 (2018 - 50,000) Ordinary shares of £1.00 each	50,000	50,000

16. RESERVES

The distributable reserves of the company differ from its retained earnings as follows:

	2019 £	As restated 2018 £
Retained earnings	162,352,789	152,258,714
Hedging reserve	(157,005,324)	(147,048,205)
Distributable reserves	5,347,465	5,210,509

17. OTHER FINANCIAL COMMITMENTS

As at 31 December 2019 and 31 December 2018 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.

18. PRIOR YEAR ADJUSTMENT

In previous years the company has noted within its Strategic Report a mismatch in the accounting treatment applied to its financial instruments, whereby derivatives were measured at fair value with securitised debt and intercompany loans measured at amortised cost.

FRS 102 allows financial instruments to be measured in accordance with IFRS 9 - Financial Instruments. Following the adoption of IFRS 9 in the EU, the company has, on 1 July 2019, changed its accounting policy for financial instruments to that of the measurement criteria of IFRS 9.

The interest swaps, associated floating rate securitised debt and associated tranches of the loan to a fellow subsidiary undertaking have been designated as Fair Value through Profit or Loss ('FVTPL'), eliminating the accounting mismatch and providing more reliable and relevant information.

The fixed rate securitised debt and the associated tranches of the loan to a fellow subsidiary undertaking continue to be carried at amortised cost as this does not cause an accounting mismatch. IFRS 9 does not permit a designation as FVTPL under these circumstances.

Prior to 1 July 2019, financial instruments were carried under the measurement criteria of IAS 39. The A7 and D2 derivative financial instruments were carried at FVTPL. The B3 and C2 derivatives financial instruments were designated as effective hedges of the corresponding notes and carried at Fair Value through Other Comprehensive Income. All other financial instruments were carried at amortised cost. The hedging relationships were terminated on 1 July 2019 with the adoption of fair value accounting for the floating rate securitised debt. The balance in the hedging reserve will be amortised to the income statement over the remaining life of the corresponding notes.

Under the previous accouting policy, the fair value adjustment resulted in the recognition of a deferred tax asset. Under the new accounting policy, the deferred tax on the fair value movements nets to nil.

This change in accounting policy has been applied retrospectively and the following line items of the accounts have been restated accordingly:

	Previously reported 2018 £	Adjustment 2018 £	As restated 2018 £
Fair value adjustments	14,945,453	(27,230,149)	(12,284,696)
Other profits and losses	720,464	-	720,464
Profit before tax	15,665,917	(27,230,149)	(11,564,232)
Tax on profit	(2,637,422)	2,637,422	-
Profit for the financial year	13,028,495	(24,592,727)	(11,564,232)
Debtors: amounts falling due after more than one year	1,534,802,943	142,470,143	1,677,273,086
Creditors: amounts falling due after more than one year	(1,798,194,294)	120,921,207	(1,677,273,087)
Other assets and liabilities	5,260,510	-	5,260,510
NET ASSETS/(LIABILITIES)	(258,130,841)	263,391,350	5,260,509

	Previously reported 2018 £	Adjustment 2018 £	As adjusted 2018 £
CAPITAL AND RESERVES			
Retained earnings	(136,130,831)	288,389,545	152,258,714
Other reserves	(122,000,010)	(24,998,195)	(146,998,205)
	(258,130,841)	263,391,350	5,260,509

19. POST BALANCE SHEET EVENTS

Since 31 December 2019 the UK economy has been significantly impacted by the Covid-19 virus which has caused widespread disruption and economic uncertainty. This is considered to be a non-adjusting post balance sheet event and accordingly the valuation of assets and liabilities at the balance sheet date have not been adjusted for the subsequent uncertainty caused by these events.

This does however create uncertainty around the future valuation of investment property held as security and the impact on the company's loan to value covenant. At the date of approval of the financial statements however, the directors do not consider that this is likely to give rise to a breach of covenant within the next twelve months.

20. CONTROLLING PARTY

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

As at 31 December 2019, 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.