CANARY WHARF FINANCE II PLC
31 AUGUST 2017

PUBLICATION OF THE HALF YEARLY FINANCIAL REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2017

The board of Canary Wharf Finance II plc is pleased to announce the publication of its half yearly financial report for the six months ended 30 June 2017, which will shortly be available from www.canarywharf.com/Investor Relations.

The information contained within this announcement, which was approved by the board of directors on 30 August 2017, does not comprise statutory accounts within the meaning of the Companies Act 2006 and is provided in accordance with the Disclosure and Transparency Rules.

A copy of the 30 June 2017 half yearly financial report will be submitted to the UK Listing Authority via the National Storage Mechanism and will shortly be available to the public for inspection at www.hemscott.com/nsm.do.

Dated: 31 August 2017

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CANARY WHARF FINANCE II PLC

INTERIM MANAGEMENT STATEMENT

This interim management statement relates to the six months ended 30 June 2017 and contains information that covers the period from 1 January 2017 to 30 August 2017, the date of publication of this interim management statement.

BUSINESS REVIEW

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

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

At 30 June 2017, the company had £1,516,825,520 (31 December 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 9. The court proceedings relating to this matter have been withdrawn.

Results for the period

As shown in the company's Income Statement, the company's profit after tax for the six month period was £12,410,736 (period ended 30 June 2016: loss of £51,134,024).

This profit included an unrealised fair value gain on derivative financial instruments and hedge reserve recycling, net of deferred tax, of £12,343,564 (period ended 30 June 2016: loss of £51,145,992). Excluding the fair value gain movement on derivative financial instruments, hedge reserve recycling and deferred tax, the profit for the period was £67,172 (period ended 30 June 2016: £11,968).

The balance sheet shows the company's financial position at the period end and indicates that net liabilities were £269,291,190 (31 December 2016: £289,640,708).

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

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

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

INTERIM MANAGEMENT STATEMENT

Adjusting for the effects of IAS 39 and the deferred tax arising, the underlying net asset value of the company at 30 June 2017 was as follows:

Audited 31 December 2016 £		Unaudited 30 June 2017 £	Unaudited 30 June 2016 £
(289,640,708)	Net liabilities per balance sheet	(269,291,190)	(320,450,286)
354,949,444	Add back: Effects of IAS 39 (Note 8)	330,512,882	396,807,442
(60,341,406)	Less: Deferred tax thereon (Note 4)	(56,187,191)	(71,425,339)
4,967,330	Adjusted net assets	5,034,501	4,931,817

Audited 31 December 2016 £		Unaudited 30 June 2017 £	Unaudited 30 June 2016 £
1,531,488,120	Securitised debt	1,516,825,520	1,546,150,720
92,194,410	Financing cost (before adjustments for IAS 39)	45,179,667	46,180,076
47,480	Adjusted profit before tax and IAS 39	67,172	11,968
14.6 years	Weighted average maturity of debt	14.2 years	14.9 years
6.1%	Weighted average interest rate	6.1%	6.1%

The adjusted profit before tax comprises the profit on ordinary activities before tax of £14,938,935 (30 June 2016: loss of £62,361,191) adjusted for the IAS 39 items listed in Note 3 totalling a gain of £14,871,763 (30 June 2016: loss of £62,373,160).

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

GOING CONCERN

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

At 30 June 2017 the company had a deficit of £269,291,190 attributable solely to the fair value of its derivative financial instruments and deferred tax thereon. The company recognises the fair value of its derivative financial instruments in the balance sheet. In the event that the company were to realise the fair value of the derivative financial instruments, it would have the right to recoup its losses as a repayment premium on its loans to CW Lending II Limited. The standard does not permit this potential asset to be accounted for in conjunction with the hedges.

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

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

Cyclical nature of the property market

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

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

Concentration risk

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

Financing risk

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

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

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

The company is not subject to externally imposed capital requirements.

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

CANARY WHARF FINANCE II PLC

INTERIM MANAGEMENT STATEMENT

The maximum LMCTV ratio is 100.0%. Based on the 30 June 2017 valuations of the properties upon which the company's notes are secured, the LMCTV ratio at the interest payment date in July 2017 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).

DIRECTORS' RESPONSIBILITY STATEMENT

The board of directors, comprising A A Aluthman Fakhroo, A P Anderson II, B S Brown, Sir George Iacobescu CBE, J R Garwood (alternate director to Sir George Iacobescu CBE) and R J J Lyons (alternate director to A P Anderson II), confirms to the best of its knowledge that:

- the condensed set of financial statements which has been prepared in accordance with the applicable set of accounting standards give a true and fair view of the assets, liabilities, financial position and profit or loss of the company as required by Rule 4.2.4 of the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority (the 'DTRs'); and

- the interim management statement includes a fair review of the information required by Rule 4.2.7 of the DTRs (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year).

CANARY WHARF FINANCE II PLC

INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2017

Audited Year ended 31 December 2016 £		Note	Unaudited Six months ended 30 June 2017 £	Unaudited Six months ended 30 June 2016 £
(7,980)	Administrative expenses		(7,980)	–
(7,980)	**OPERATING LOSS**		(7,980)	–
92,325,117	Interest receivable	**2**	45,254,819	46,219,527
10,892,606	Accrued premium on repayment of loan by fellow subsidiary undertaking	**2**	4,930,426	5,439,147
–	Release of accrued premium on repayment of loan by fellow subsidiary undertaking	**2**	(50,064,388)	–
(132,834,431)	Interest payable	**3**	(30,307,904)	(108,580,719)
(10,892,606)	Provision for premium on repayment of class A1 notes	**3**	(4,930,426)	(5,439,147)
–	Release of provision for premium on repayment of class A1 notes	**3**	50,064,388	–
(40,517,294)	**PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION**		14,938,935	(62,361,192)
5,351,613	Tax on (profit)/loss on ordinary activities	**4**	(2,528,199)	11,227,168
(35,165,681)	**PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE PERIOD/YEAR**		12,410,736	(51,134,024)

All amounts relate to continuing activities in the United Kingdom.

The Notes numbered 1 to 10 form an integral part of this Half Yearly Financial Report.

The Half Yearly Financial Report for the six months ended 30 June 2017 was approved by the Board of Directors on 30 August 2017.

CANARY WHARF FINANCE II PLC

STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2017

Audited Year ended 31 December 2016 £		Unaudited Six months ended 30 June 2017 £	Unaudited Six months ended 30 June 2016 £
(35,165,681)	Profit/(loss) for the financial period/year	12,410,736	(51,134,024)
(45,687,474)	Fair value movement on effective hedging instruments	2,811,325	(59,000,999)
13,902,944	Interest paid on effective hedging instruments	7,059,477	6,852,273
(637,718)	Hedge reserve recycling	(306,004)	(323,133)
4,236,557	Tax relating to components of other comprehensive income	(1,626,016)	9,444,935
(63,351,372)	Total comprehensive income/(loss) for the period/year	20,349,518	(94,160,948)

The Notes numbered 1 to 10 form an integral part of this Half Yearly Financial Report.

CANARY WHARF FINANCE II PLC

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

Audited 31 December 2016 £		Note	Unaudited 30 June 2017 £	Unaudited 30 June 2016 £
	CURRENT ASSETS			
	Debtors	**5**		
1,606,268,360	Amounts falling due after one year		1,585,862,259	1,633,217,288
244,205,832	Amounts falling due within one year		48,850,365	239,202,180
25,109,170	Cash at bank	**6**	25,279,163	25,109,848
1,875,583,362			1,659,991,787	1,897,529,316
(69,020,544)	**CREDITORS: Amounts falling due within one year**	**7**	(69,095,027)	(69,506,540)
1,806,562,818	**NET CURRENT ASSETS**		1,590,896,760	1,828,022,776
1,806,562,818	**TOTAL ASSETS LESS CURRENT LIABILITIES**		1,590,896,760	1,828,022,776
(1,900,876,400)	**CREDITORS: Amounts falling due after more than one year**	**8**	(1,860,187,950)	(1,958,599,394)
(195,327,126)	Provision for liabilities	**9**	–	(189,873,668)
(289,640,708)	**NET LIABILITIES**		(269,291,190)	(320,450,286)
	CAPITAL AND RESERVES			
50,000	Called-up share capital		50,000	50,000
(132,754,149)	Hedging reserve		(124,815,367)	(147,595,385)
(156,936,559)	Profit and loss account		(144,525,823)	(172,904,901)
(289,640,708)	**SHAREHOLDER'S DEFICIT**		(269,291,190)	(320,450,286)

The Notes numbered 1 to 10 form an integral part of this Half Yearly Financial Report.

CANARY WHARF FINANCE II PLC

STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Called-up share capital £	Hedging reserve £	Profit and loss account £	Total £
At 1 January 2016	50,000	(104,568,461)	(121,770,877)	(226,289,338)
Loss for the period	–	–	(51,134,024)	(51,134,024)
Other comprehensive loss	–	(43,026,924)	–	(43,026,924)
Total comprehensive loss	–	(43,026,924)	(51,134,024)	(94,160,948)
At 30 June 2016	50,000	(147,595,385)	(172,904,901)	(320,450,286)
Profit for the period	–	–	15,968,342	15,968,342
Other comprehensive income	–	14,841,236	–	14,841,236
Total comprehensive income	–	14,841,236	15,968,342	30,809,578
At 31 December 2016	50,000	(132,754,149)	(156,936,559)	(289,640,708)
Profit for the period	–	–	12,410,736	12,410,736
Other comprehensive income	–	7,938,782	–	7,938,782
Total comprehensive income	–	7,938,782	12,410,736	20,349,518
At 30 June 2017	50,000	(124,815,367)	(144,525,823)	(269,291,190)

The Notes numbered 1 to 10 form an integral part of this Half Yearly Financial Report.

1. ACCOUNTING POLICIES

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

The accounting policies applied in the preparation of this Interim Report are consistent with those that will be adopted in the statutory accounts for the year ending 31 December 2017. The full accounting policies of the company, set out in the 2016 statutory accounts, have been applied in preparing this Interim Report.

The financial information relating to the six months ended 30 June 2017 and 30 June 2016 is unaudited.

The results for the year ended 31 December 2016 are not the company’s statutory accounts. A copy of the statutory accounts for the year has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified, did not contain any reference to any matters which the auditor drew attention by way of emphasis without qualifying the report and did not contain statements under Section 498(2) or (3) of the Companies Act 2006.

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

2. INTEREST RECEIVABLE AND SIMILAR INCOME

Audited Year ended 31 December 2016 £		Unaudited Six months ended 30 June 2017 £	Unaudited Six months ended 30 June 2016 £
39,595	Bank interest receivable	–	–
92,285,542	Interest receivable from group undertakings	45,254,819	46,219,527
92,325,117		45,254,819	46,219,527
10,892,606	Accrued premium on repayment of loan by fellow subsidiary undertaking	4,930,426	5,439,147
–	Release of accrued premium on repayment of loan by fellow subsidiary undertaking	(50,064,388)	–

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 9, 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 period.

3. INTEREST PAYABLE AND SIMILAR CHARGES

Audited Year ended 31 December 2016 £		Unaudited Six months ended 30 June 2017 £	Unaudited Six months ended 30 June 2016 £
–	Bank interest payable	–	27,483
75,247	Other interest payable	–	–
92,194,410	Interest payable on securitised debt (Note 8)	45,179,667	46,180,076
41,202,492	Fair value adjustments on derivative financial instruments	(14,565,759)	62,696,293
(637,718)	Hedge reserve recycling	(306,004)	(323,133)
132,834,431		30,307,904	108,580,719
10,892,606	Provision for premium on repayment of class A1 notes	4,930,426	5,439,147
–	Release of provision for premium on repayment of class A1 notes	(50,064,388)	–

As explained in Note 9, at 14 June 2017, the company had provided for £200,257,553 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 £150,193,165 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.

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

4. TAXATION

Audited Year ended 31 December 2016 £		Unaudited Six months ended 30 June 2017 £	Unaudited Six months ended 30 June 2016 £
	Tax charge:		
–	Current tax chargeable to income	–	–
(5,351,613)	Deferred tax	2,528,199	(11,227,168)
(5,351,613)		2,528,199	(11,227,168)
	Tax reconciliation:		
(40,517,294)	Profit/(loss) on ordinary activities before taxation	14,938,935	(62,361,192)
(8,103,459)	Tax on profit at UK corporation tax rate:	2,987,787	(12,472,238)
	Effects of:		
(9,496)	Utilisation of tax losses	(74,635)	(67,020)
–	Other differences leading to an increase in the tax charge	61,201	64,627
2,761,342	Changes in tax rates	(446,154)	1,247,464
(5,351,613)		2,528,199	(11,227,168)

Deferred tax

Audited Year ended 31 December 2016 £		Unaudited Six months ended 30 June 2017 £	Unaudited Six months ended 30 June 2016 £
	Deferred tax assets		
50,753,236	Brought forward	60,341,406	50,753,236
5,351,613	(Charge)/credit to profit and loss account	(2,528,199)	11,227,168
4,236,557	(Charge)/credit to other comprehensive income	(1,626,016)	9,444,935
60,341,406		56,187,191	71,425,339

At 30 June 2017, there was an unprovided deferred tax asset of £815,349 (2016: £1,053,818), calculated by reference to losses of £4,796,171 (2016: £5,854,546) at the future tax rate of 17%.

5. DEBTORS

Audited 31 December 2016 £		Unaudited 30 June 2017 £	Unaudited 30 June 2016 £
	Due within one year:		
46,729,366	Loan to fellow subsidiary undertaking	46,795,388	47,178,060
1,492,226	Amounts owed by fellow subsidiary undertakings	2,054,977	1,367,358
195,984,240	Other debtors	–	190,656,762
244,205,832		48,850,365	239,202,180
	Due after more than one year:		
60,341,406	Deferred tax	56,187,191	71,425,339
1,545,926,954	Loan to fellow subsidiary undertaking	1,529,675,068	1,561,791,949
1,606,268,360		1,585,862,259	1,633,217,288

The loans to a fellow subsidiary undertaking bear fixed rates of interest between 5.12% and 7.07% and are repayable in instalments between 2005 and 2035.

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

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 of £195,984,240 was accrued at 31 December 2016 as recoverable from the fellow subsidiary undertaking to cover the potential premium payable by the company to the holders of the class A1 notes, which were partially redeemed on 22 July 2014. On 14 June 2017, the amount of premium due to be paid to the holders of the notes was settled (Note 9).

The amount of the loan due within one year comprises £17,470,188 (31 December 2016: £17,404,166) of interest and £29,325,200 (31 December 2016: £29,325,200) of capital.

The carrying values of debtors due within one year also represent their fair values. The fair value of the loans to fellow subsidiary undertakings at 30 June 2017 was £2,036,489,432 (31 December 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.

6. CASH AT BANK

Audited 31 December 2016 £		Unaudited 30 June 2017 £	Unaudited 30 June 2016 £
2,869,170	Unrestricted cash balances	3,039,163	2,869,848
22,240,000	Held as collateral for derivatives (Note 7)	22,240,000	22,240,000
25,109,170	Cash at bank	25,279,163	25,109,848

7. CREDITORS: Amounts falling due within one year

Audited 31 December 2016 £		Unaudited 30 June 2017 £	Unaudited 30 June 2016 £
46,780,544	Securitised debt (Note 8)	46,847,047	47,242,952
22,240,000	Other creditors	22,240,000	22,240,000
–	Accruals and deferred income	7,980	23,588
69,020,544		69,095,027	69,506,540

The amount of the securitised debt due within one year comprises £17,521,847 (31 December 2016: £17,455,344) of interest and £29,325,200 (31 December 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 under the B3 and C2 interest rate swaps, following the downgrade of the bank's credit rating from A to A-. This amount was released subsequent to the period end on novation of the swaps to HSBC.

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

Audited 31 December 2016 £		Unaudited 30 June 2017 £	Unaudited 30 June 2016 £
1,545,926,956	Securitised debt	1,529,675,068	1,561,791,952
354,949,444	Derivative financial instruments	330,512,882	396,807,442
1,900,876,400		1,860,187,950	1,958,599,394

The amounts at which borrowings are stated comprise:

Audited 31 December 2016 £		Unaudited 30 June 2017 £	Unaudited 30 June 2016 £
1,607,001,527	Brought forward	1,575,252,156	1,607,001,527
(29,325,200)	Repaid in period	(14,662,600)	(14,662,600)
(2,150,700)	Amortisation of issue premium	(1,038,233)	(1,085,854)
(273,471)	Accrued financing expenses	(551,055)	(135,921)
1,575,252,156	Carried forward	1,559,000,268	1,591,117,152
29,325,200	Payable within one year or on demand	29,325,200	29,325,200
1,545,926,956	Payable after more than one year	1,529,675,068	1,561,791,952
1,575,252,156		1,559,000,268	1,591,117,152

The company's securitised debt was issued in tranches, with notes of classes A1, A3, A7, B, B3, C2 and D2 remaining outstanding. The class A1, A3 and B notes were issued at a premium which is being amortised to the income statement on a straight-line basis over the life of the relevant notes. At 30 June 2017 £20,509,026 (31 December 2016: £21,547,259) remained unamortised.

At 30 June 2017 there were accrued financing costs of £21,665,722 (31 December 2016: £22,216,775) relating to increases in margins as described below.

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

The securitised debt has a face value on 30 June 2017 of £1,516,825,520 (31 December 2016: £1,531,488,120), of which £852,264,520 (31 December 2016: £866,927,120) carries fixed rates of interest between 5.95% and 6.80%. The other £664,561,000 (31 December 2016: £664,561,000) of the securitised debt carries floating rates of interest at LIBOR plus a margin. The company uses interest rate swaps to hedge exposure to the variability in cash flows on floating rate debt caused by movements in market rates of interest. The hedged rates of the floating notes, including the margins, are between 5.11% and 7.06%.

The fair value of the securitised debt at 30 June 2017 was £1,705,976,550 (31 December 2016: £1,650,081,800). At 30 June 2017 the fair value of the interest rate derivatives resulted in the recognition of a liability of £330,512,882 (31 December 2016: £354,949,444). Of this liability, £154,714,250 was in respect of interest rate swaps which qualify for hedge accounting (31 December 2016: £164,585,053) and £175,798,632 was in respect of interest rate swaps which do not qualify for hedge accounting (31 December 2016: £190,364,391).

The securitisation continues to have the benefit of an arrangement with AIG which covers the rent in the event of a default by the tenant of 33 Canada Square over the entire term of the lease. At 30 June 2017, AIG had posted £187.3 million as cash collateral in respect of this obligation.

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

9. PROVISION FOR LIABILITIES

Following the disposal of 10 Upper Bank Street and related partial redemption of the A1 Notes in June 2014, an issue 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 (£168.7m) 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. a premium will be payable 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 £200,257,553 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 period. The court proceedings were withdrawn.

10. CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS

As at 30 June 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 8.