CANARY WHARF
GROUP PLC

CANARY WHARF FINANCE II PLC
29 APRIL 2022

PUBLICATION OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

Pursuant to sections 4.1 and 6.3.5 of the Disclosure and Transparency Rules, the board of Canary Wharf Finance II plc is pleased to announce the publication of its annual financial report for the year ended 31 December 2021, which has been approved by the board and signed on the date of this announcement and will shortly be available from www.canarywharf.com/Investor Relations.

The information contained within this announcement does not comprise statutory accounts within the meaning of the Companies Act 2006 and is provided in accordance with section 6.3.5(2)(b) of the Disclosure and Transparency Rules.

In compliance with the Listing Rule 9.6.1, a copy of the 31 December 2021 annual 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 https://www.fca.org.uk/markets/primary-markets/regulatory-disclosures/national-storage-mechanism.

Dated: 29 April 2022

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STRATEGIC REPORT
for the year ended 31 December 2021

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 LP.

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

Since early 2020, the UK economy has been significantly impacted by the COVID–19 virus which has caused widespread disruption and economic uncertainty. The return to lockdown in January 2021 and the extension to the end of lockdown restrictions in July 2021 continued this uncertainty but the positive news around rollout of vaccines and the recent removal of restrictions have improved the outlook. The crisis had no material impact on the assets, liabilities or performance of the company during the year.

At 31 December 2021, the company had £1,384,862,120 (2020 – £1,414,187,321) 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. At 31 December 2021, AIG had posted £95,279,028 (2020 – £118,730,673) as cash collateral in respect of this obligation.

The company also has the benefit of a £300.0m 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 liquidity facility matures on 22 October 2037.

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

The company has adopted the IFRS 9 measurement option and hence the floating rate securitised notes are measured at fair value. Changes in the fair value of derivative financial instruments are recognised in the income statement.

	2021 **£**	2020 £
Securitised debt	**1,384,862,120**	1,414,187,321
Financing cost (before adjustment for fair value)	**83,006,297**	84,909,622
Total comprehensive income	**65,225**	71,060
Weighted average maturity of debt	**10.8 years**	11.6 years
Weighted average interest rate	**6.1%**	6.1%

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 over hedging 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 ongoing impact of COVID–19, the cyclical nature of the property market, departure from the EU, concentration risk, financing risk, interest rate risk and policy and planning risks.

The COVID-19 pandemic has had a significant impact on the UK economy. Despite this, the Group has demonstrated the resilience of its office rental income and during the year ended 31 December 2021, the Group collected over 99.0% of the office rents billed.

Cyclical nature of the property market

The valuation of the Company and Group's assets are subject to many other external economic and market factors. In recent years, the London real estate market has had to cope with fluctuations in demand caused by key events such as the 2008/2009 financial crisis, uncertainty in the Eurozone and the implications of the UK's withdrawal from the EU. The full impact of the Russian invasion of Ukraine and sanctions imposed on Russia as a consequence and of the coronavirus is not yet possible to predict. Any long term continuation of the pandemic will however inevitably affect 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. Previous Government announcements, in particular the changes to stamp duty underpinned continuing demand in the residential market and the value of the Group's development sites. Property valuations for office properties let on long leases to tenants with good covenants have remained relatively strong despite continuing economic uncertainties which are unhelpful to confidence across the wider real estate sector.

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 the residential build to rent sector as reflected in the composition of the master plan for the mixed use development at 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% but there is also a cash trap covenant of 50.0%. Based on the 31 December 2021 valuations of the properties upon which the company's notes are secured, the LMCTV ratio at the interest payment date in January 2022 was 43.5%. The securitisation is not subject to a minimum interest coverage ratio. A breach of financial covenants can be remedied by depositing eligible investments (including cash).

CORPORATE RESPONSIBILITY

The Canary Wharf Group board retains overall responsibility for the monitoring and implementation of the group's environmental policy and is assisted by the group's Corporate Responsibility Group which comprises senior executives of the group. A clear governance process has been developed and implemented to enable the Corporate Responsibility Group, and ultimately the board, to identify, manage and respond to the environmental and social risks and opportunities that may affect the group's operations.

The Corporate Responsibility Group is responsible for the development and establishment of environmental management systems throughout the group which has been developed to focus attention on those objectives and targets where improvements and actions are necessary to meet the monitoring and reporting process formally adopted by the group. Identified environmental system managers have responsibility for the implementation of the environmental management systems throughout their respective business areas. Employee environmental awareness is key to the success of the environmental management systems and as a result is incorporated into the staff induction programme with regular updates via inhouse newsletters and presentations.

Sustainability pressures are coming from existing and prospective tenants and occupiers, who are seeking more sustainable operations. These expectations are met by the Group in the design and construction of more sustainable buildings and by improving the environmental performance of existing facilities through effective retrofitting and facilities management. The Group aims to design, build and manage central London's highest quality, best value and most sustainable office, retail and residential buildings and districts. In doing this, the Group works with all its stakeholders to create and nurture vibrant, inclusive communities that meet today's economic, environmental and social needs while anticipating those of tomorrow for the benefit of the environment, tenants, employees, the community and stakeholders. A 30 year local impact report by The Centre for Economics and Business Research (CEBR) commissioned by the Group has shown that Canary Wharf supports 54.0% of all jobs in Tower Hamlets, of which around 12,000 people work in Canary Wharf. Since 1997, £3.0bn of business has been generated for local businesses in East London through initiatives supported by the Group.

Canary Wharf Group has maintained ISO 14001 accreditation since early 2005 and environmental management has been an inherent part of construction since 2002. During 2021, no member of the Group incurred any fines or non monetary sanctions for non compliance with any regulation or legislation related to sustainability issues.

Canary Wharf Group is a founder member of the UK Green Building Council (UKGBC), the Better Building Partnership (BBP) and the Business Clean Air Taskforce (B–CAT). The Group has also signed the BBP Climate Change Commitment, as well as The Climate Pledge, joining Amazon and other companies in pledging to achieve net zero carbon at least 10 years ahead of the Paris Agreement. Canary Wharf Group targets the reduction of energy, water and resource use, and the reuse and the recycling of waste where possible during the design, construction and management of properties. The minimisation of disruption and disturbance to the environment and local community is targeted during the construction and management of buildings. Canary Wharf Group is also committed to preventing and monitoring pollution and to reducing any emissions which may have an adverse impact on the environment and/or local community.

Canary Wharf Group endeavours to raise awareness and promote effective management of sustainability, environmental and social issues with staff, designers, suppliers and contractors and also works with suppliers and contractors to establish effective environmental supply chain management and to promote the procurement of sustainable products and materials. In 2020, the Group published its Net Zero Carbon Pathway, a roadmap for reaching net zero carbon by 2030, 20 years ahead of the Paris Agreement. The Group also published ambitious Science Based Targets (SBTs) ratified by the Science Based Targets Initiative (SBTi). Progress against both the Net Zero Carbon Pathway and SBTs will be published in the annual Sustainability Report.

In 2021, the Group participated in GRESB and CDP Sustainability Benchmarking schemes, receiving a GRESB 5 star rating, ranked first in our peer group and a CDP score of B.

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2021

	Note	**2021** **£**	2020 £
Administrative expenses		**(72,999)**	(14,007)
OPERATING LOSS		**(72,999)**	(14,007)
Interest receivable from group companies	3	**83,144,521**	84,989,312
Bank interest receivable	3	**–**	5,377
Loan interest payable	4	**(83,006,297)**	(84,909,622)
Hedge reserve recycling	4	**(9,984,111)**	(9,948,337)
LOSS BEFORE TAX		**(9,918,886)**	(9,877,277)
Tax on loss	6	**–**	–
LOSS FOR THE FINANCIAL YEAR		**(9,918,886)**	(9,877,277)
OTHER COMPREHENSIVE INCOME FOR THE YEAR			
Hedge reserve recycling	13	**9,984,111**	9,948,337
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**9,984,111**	9,948,337
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**65,225**	71,060

The numbered notes 1 to 14 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
as at 31 December 2021

	Note	**2021** £	2020 £
CURRENT ASSETS			
Debtors:			
Amounts falling due after more than one year	7	**1,592,708,302**	1,677,350,801
Amounts falling due within one year	7	**51,682,572**	49,463,641
Cash at bank and in hand		**3,720,537**	3,601,415
		1,648,111,411	1,730,415,857
Creditors:			
Amounts falling due within one year	8	**(49,869,359)**	(47,596,531)
NET CURRENT ASSETS		**1,598,242,052**	1,682,819,326
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,598,242,052**	1,682,819,326
Creditors:			
Amounts falling due after more than one year	9	**(1,592,708,302)**	(1,677,350,801)
NET ASSETS		**5,533,750**	5,468,525
CAPITAL AND RESERVES			
Called up share capital	12	**50,000**	50,000
Hedging reserve	13	**(137,072,876)**	(147,056,987)
Retained earnings	13	**142,556,626**	152,475,512
		5,533,750	5,468,525

The numbered notes 1 to 14 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2021

	Called up share capital £	Hedging reserve £	Retained earnings £	**Total equity £**
At 1 January 2021	50,000	(147,056,987)	152,475,512	**5,468,525**
Loss for the year	–	–	(9,918,886)	**(9,918,886)**
Hedge reserve recycling (Note 13)	–	9,948,111	–	**9,984,111**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	–	9,984,111	(9,918,886)	**65,225**
AT 31 DECEMBER 2021	**50,000**	**(137,072,876)**	**142,556,626**	**5,533,750**

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2020

	Called up share capital £	Hedging reserve £	Retained earnings £	**Total equity £**
At 1 January 2020	50,000	(157,005,324)	162,352,789	**5,397,465**
Loss for the year	–	–	(9,877,277)	**(9,877,277)**
Hedge reserve recycling	–	9,948,337	–	**9,948,337**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	–	9,948,337	(9,877,277)	**71,060**
AT 31 DECEMBER 2020	**50,000**	**(147,056,987)**	**152,475,512**	**5,468,525**

The notes numbered 1 to 14 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2020

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

This announcement does not constitute the company's statutory accounts for the year ended 31 December 2021 but is derived from those accounts. The statutory accounts for the year ended 31 December 2021 will be delivered to the Registrar of Companies following the company's annual general meeting. The auditors have reported on those accounts and their report was unqualified, did not contain a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain statements under sections 498(2) or (3) of the Companies Act 2006.

This announcement has been prepared on the basis of the accounting policies set out in the company's financial statements for the year ended 31 December 2021 which are prepared 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”).

2.2 Going concern

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.

As set out in the Strategic Report, the Company has issued securities which are backed by commercial mortgages over certain properties within the Canary Wharf Estate. These properties are let on long term leases to a diverse range of credit worthy tenants.

The pandemic and resulting lockdown has had a minimal impact on office rental income from existing tenants where approximately 99.0% of invoiced rent has been collected. The Directors do not expect this to change in the foreseeable future.

The impact of the Covid–19 virus is disclosed in the Strategic Report.

3. INTEREST RECEIVABLE AND SIMILAR INCOME

	2021	2020
	£	£
Interest receivable from group companies	**83,144,521**	84,989,312
Bank interest receivable	**–**	5,377
	83,144,521	84,994,689

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2021	2020
	£	£
Interest payable on securitised debt (Note 10)	**83,006,297**	84,909,622
Hedge reserve recycling	**9,984,111**	9,948,337
	92,990,408	94,857,959

5. FAIR VALUE ADJUSTMENTS

	2021 £	2020 £
Derivative financial instruments	**(88,290,467)**	45,779,026
Securitised debt	**35,880,164**	(16,975,307)
Loan to fellow subsidiary undertaking	**52,410,303**	(28,803,719)
	–	–

6. TAXATION

	2021 £	2020 £
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% (2020 – 19.0%). The differences are explained below:

	2021 £	2020 £
(Loss)/profit on ordinary activities before tax	**(9,918,886)**	(9,877,277)
(Loss)profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.0% (2020 – 19.0%)	**(1,884,588)**	(1,876,683)
EFFECTS OF:		
Fair value movements not subject to tax	**1,896,981**	1,890,184
Group relief	**(12,393)**	(13,501)
TOTAL TAX CHARGE FOR THE YEAR	**–**	–

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

There were no factors that affected the tax charge for the year which has been calculated on the profits on ordinary activities before tax at the standard rate of corporation tax in the UK of 19.0% (2020 – 19.0%).

Enacted in the Finance Act 2021 is a provision for the main rate of corporation tax to increase to 25.0% from 1 April 2023. The impact of the new tax rate is not expected to be material to the company.

7. DEBTORS

	2021 £	2020 £
DUE AFTER MORE THAN ONE YEAR		
Loan to fellow subsidiary undertaking due after more than one year	**1,592,708,302**	1,677,350,801
	1,592,708,302	1,677,350,801

	2021 £	2020 £
DUE WITHIN ONE YEAR		
Other amounts owed to fellow subsidiaries	**6,164,526**	3,580,353
Loan to fellow subsidiary undertaking due within one year	**29,325,200**	29,325,200
Accrued interest on loan to fellow subsidiary undertaking	**16,192,846**	16,558,088
	51,682,572	49,463,641

	2021	2020
	£	£
The loan to a fellow subsidiary undertaking comprises:		
At 1 January	**1,706,676,001**	1,710,200,552
Repaid in the year	**(29,325,200)**	(29,325,200)
Amortisation of issue premium	**(1,673,865)**	(1,769,231)
Movement in accrued financing expenses	**(1,233,131)**	(1,233,839)
Fair value adjustment	**(52,410,303)**	28,803,719
At 31 December	**1,622,033,502**	1,706,676,001

Comprising:

	2021	2020
	£	£
Loan to fellow subsidiary undertaking due after more than one year	**1,592,708,302**	1,677,350,801
Loan to fellow subsidiary undertaking due within one year	**29,325,200**	29,325,200
	1,622,033,502	1,706,676,001

The fair value of the loans to group undertakings at 31 December 2021 was £1,832,728,937 (2020 – £1,969,316,124), 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.

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

Class	Interest	Effective interest	Repayment	**2021 £m**	2020 £m
A1	6.465%	6.151%	By instalment 2009 – 2033	**199.3**	221.7
A3	5.962%	5.814%	By instalment 2032 – 2037	**400.0**	400.0
A7	5.409%	5.298%	January 2035	**222.0**	222.0
B	6.810%	6.409%	By instalment 2005 – 2030	**121.0**	127.9
B3	5.593%	5.544%	January 2035	**77.9**	77.9
C2	6.276%	6.059%	January 2035	**239.7**	239.7
D2	7.071%	6.743%	January 2035	**125.0**	125.0
				1,384.9	1,414.2
Unamortised premium				**12.2**	13.9
Accrued financing costs				**16.1**	17.3
				1,413.2	1,445.4

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 £1,832,728,937.

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:

	2021	2020
	£	£
Within one year	**113,903,719**	115,602,313
In one to 2 years	**111,658,671**	113,903,740
In 2 to 5 years	**318,450,975**	329,421,776
In 5 to 10 years	**532,805,858**	569,539,291
In 10 to 20 years	**1,236,955,793**	1,300,950,484
At 31 December	**2,313,775,016**	2,429,417,604

	2021 £	2020 £
Comprising:		
Principal repayments	**1,384,862,120**	1,414,187,320
Interest repayments	**928,912,896**	1,015,230,284
At 31 December	**2,313,775,016**	2,429,417,604

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.

8. CREDITORS: Amounts falling due within one year

	2021 £	2020 £
Securitised debt (Note 10)	**29,325,200**	29,325,200
Trade creditors	**11,978**	–
Amounts owed to group undertakings	**4,284,594**	1,660,594
Accruals and deferred income	**16,247,587**	16,610,737
	49,869,359	47,596,531

Amount owed to the group undertakings are interest free and repayable on demand.

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

	2021 £	2020 £
Securitised debt (Note 10)	**1,286,124,454**	1,282,476,486
Derivative financial instruments (Note 11)	**306,583,848**	394,874,315
	1,592,708,302	1,677,350,801

10. SECURITISED DEBT

The amounts at which borrowings are stated comprise:

	2021 £	2019 £
At 1 January	**1,311,801,686**	1,361,105,263
Repaid in the year	**(29,325,200)**	(29,325,200)
Amortisation of issue premium	**(1,673,865)**	(1,769,231)
Movement in accrued financing expenses	**(1,233,130)**	(1,233,839)
Fair value adjustment	**35,880,164**	(16,975,307)
At 31 December	**1,315,449,655**	1,311,801,686

	2021 £	2020 £
Payable within one year or on demand	**29,325,200**	29,325,200
Payable after more than one year	**1,286,124,455**	1,282,476,486
	1,315,449,655	1,311,801,686

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 2021 £12,224,268 (2020 – £13,898,133) remained unamortised.

At 31 December 2021 there were accrued financing costs of £16,111,292 (2020 – £17,344,422) relating to previous contractual increases in margins.

The notes are secured on 6 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 2021, AIG had posted £95,279,028 as cash collateral in respect of this obligation.

The company also has the benefit of a £300.0m 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 2021 the securitised debt comprised the following:

Tranche	Principal £m	Fair value £m	Interest	Effective interest	Repayment
A1	199.3	239.0	6.455%	6.151%	By instalment 2009 – 2033
A3	400.0	554.5	5.952%	5.814%	By instalment 2032 – 2037
A7	222.0	198.7	Floating	5.298%	January 2035
B	121.0	149.7	6.800%	6.409%	By instalment 2005 – 2030
B3	77.9	67.6	Floating	5.435%	January 2035
C2	239.7	207.9	Floating	6.059%	January 2035
D2	125.0	108.7	Floating	6.743%	January 2035
	1,384.9	**1,526.1**			

At 31 December 2020 the securitised debt comprised the following:

Tranche	Principal £m	Fair value £m	Interest	Effective interest	Repayment
A1	221.7	276.5	6.455%	6.149%	By instalment 2009 – 2033
A3	400.0	586.1	5.952%	5.814%	By instalment 2032 – 2037
A7	222.0	187.6	Floating	5.311%	January 2035
B	127.9	163.5	6.800%	6.410%	By instalment 2005 – 2030
B3	77.9	63.5	Floating	5.435%	January 2035
C2	239.7	195.3	Floating	6.071%	January 2035
D2	125.0	101.9	Floating	6.756%	January 2035
	1,414.2	**1,574.4**			

Interest on the A1 notes, A3 notes and B notes is fixed until maturity. Interest on the floating notes is repriced every 3 months.

Interest on the floating rate notes is at 3 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.

The floating rate 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 £1,526,145,089. Of the carrying value of £1,315.4m, £732.5m is carried at amortised cost and £582.9m is carried at fair value.

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:

	2021 **£**	2020 £
Within one year	**84,777,917**	82,952,422
In one to 2 years	**87,806,123**	81,019,851
In 2 to 5 years	**244,386,033**	234,041,879
In 5 to 10 years	**401,696,450**	420,336,390
In 10 to 20 years	**1,151,654,368**	1,176,109,117
At 31 December	**1,970,320,891**	1,994,459,659

	2021	2020
	£	£
Comprising:		
Principal repayments	**1,384,862,120**	1,414,187,320
Interest repayments	**585,458,771**	580,272,339
At 31 December	**1,970,320,891**	1,994,459,659

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 2021 was 10.8 years (2020 – 11.6 years). The debentures may be redeemed at the option of the company in an aggregate amount of not less than £1.0m 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 2021 was 6.1% (2020 – 6.1%).

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

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

11. DERIVATIVE FINANCIAL INSTRUMENTS

The company uses interest rate swaps to hedge exposure to the variability in cash flows on floating rate debt caused by movements in market rates of interest. At 31 December 2021 the fair value of these derivatives resulted in the recognition of a net liability of £306,583,848 (2020 – £394,874,315).

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.

12. SHARE CAPITAL

	2021	2020
	£	£
Allotted, called up and fully paid		
50,000 (2020 – 50,000) Ordinary shares of £1.00 each	**50,000**	50,000

13. RESERVES

Hedging Reserve

Prior to 1 July 2019, financial instruments were carried under the measurement criteria of IAS 39. The B3 and C2 financial instruments were designated as effective hedges of the corresponding notes and carried at Fair Value through Other Comprehensive Income. 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 is being amortised over the remaining life of the corresponding notes.

Distributable reserves

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

	2021	2020
	£	£
Retained earnings	**142,556,626**	152,475,512
Hedging reserve	**(137,072,876)**	(147,056,987)
Distributable reserves	**5,483,750**	5,418,525

14. OTHER FINANCIAL COMMITMENTS

As at 31 December 2021 and 31 December 2020 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 10.