CANARY WHARF FINANCE II PLC
26 APRIL 2023

PUBLICATION OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022, 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 2022 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: 26 April 2023

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STRATEGIC REPORT
for the year ended 31 December 2022

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

At 31 December 2022, the company had £1,355,536,920 (2021 – £1,384,862,120) 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.

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 2022, AIG had posted £70,882,100 (2021 - £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. The liquidity facility matures on 22 October 2037.

The ratings of the notes as of the date of issue of this report are as follows:

Class	Moody's	Fitch	S&P
A1	Aaa	AA	A+
A3	Aaa	AA	A+
A7	Aaa	AA	A+
B	Aa3	AA	A+
B3	Aa3	AA	A+
C2	A3	BBB	A
D2	Baa3	BBB	A-

KEY PERFORMANCE INDICATORS

	2022 **£**	2021 £
Securitised debt	**1,355,563,920**	1,384,862,120
Financing cost (before adjustment for fair value)	**81,181,239**	83,006,297
Total comprehensive income	**112,756**	65,225
Weighted average maturity of debt	**10.1 years**	10.8 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 Company has adopted Canary Wharf Group plc principal risks and uncertainties monitoring and management policies. 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 Canary Wharf Group plc 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 current geopolitical climate and its potential impact on the economy, the financing risk, the cyclical nature of the property market, concentration risk, climate risk and policy and planning risks.

Geopolitical climate

The geopolitical backdrop has been exceptionally turbulent in the UK and internationally over the past few years. The COVID–19 pandemic led to numerous lockdowns and other related restrictions between March 2020 and February 2022, disrupting global supply chains and significantly impacting UK GDP. COVID–19 also brought about significant changes in the behaviour of office workers, with the majority of UK based companies now working on a hybrid basis.

We have also seen a marked increase in Industrial Action, in part due to falling real wages, resulting in numerous days of tube and train strikes impacting the Estate. Russia’s invasion of Ukraine in February 2022 has driven significant security, economic, and energy policy shifts within Europe, with implications for UK businesses and consumers.

The Group has no contractual relationships with any entity or individuals based in Russia, Belarus or Ukraine. However, the impact of a war in Europe and sanctions targeted at Russia and certain individuals may impact on the UK and world economy, particularly on energy prices. The long term impacts of these issues remain difficult to predict.

Cyclical nature of the property market

The valuation of the 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, implications of the UK's withdrawal from the EU, the Russian invasion of Ukraine and sanctions imposed on Russia as a consequence. During the year, the rapid rise in interest rates has brought significant turmoil to the debt and capital markets with consequential impact on investor confidence whilst the longer term impact of Covid–19 on flexible working has lead to occupiers reviewing their requirements for office space. These factors have had adverse implications for the property market and particularly negative market sentiment towards office assets which has impacted valuations at the year end.

The real estate market has to date, however, been assisted by the depreciation of sterling since the UK's exit from the EU 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.

Concentration risk

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 54.0% 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 has been involved as construction manager and joint development manager in the joint venture with Qatari Diar to redevelop a portfolio of assets at London's South Bank with one remaining plot yet to be developed. 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 and the joint venture with Kadans to develop a commercial laboratory building at North Quay.

Financing risk

The broader economic cycle inevitably leads to movements in inflation, interest rates and bond yields.

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

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

The company is not subject to externally imposed capital requirements.

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

The maximum LMCTV ratio is 100.0% but there is also a cash trap covenant of 50.0%. Based on the 31 December 2022 valuations of the properties upon which the company's notes are secured, the LMCTV ratio at the interest payment date in January 2023 was 45.8%. 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).

Climate risk

The Group considers sustainability to be at the forefront of our business, and as an organisation we have a vision to transform urban spaces into extraordinary environments. In 2020, the Group published its Net Zero Carbon Pathway, a roadmap for reaching net zero carbon by 2030. The Group also published ambitious Science Based Targets (SBTs) ratified by the Science Based Targets Initiative (SBTi).

Failure to meet these commitments could result in reputational damage for the Group and subsequent damage to our relationship with customers, suppliers and other stakeholders. Similarly, inaccurate claims around sustainable practices could result in the Group being subject to fines under the Green code leading to both financial and reputational harm.

Being an integrated developer, contractor and property manager, we are in a unique position to embed sustainable principles right from the initial design of our buildings. However, there are increasing legal and regulatory requirements for building performance for which the Group is required to remain compliant. Failing to meet these requirements could lead to significant reputational damage and adversely impact asset values.

Whilst we are aware of these risks, we do not consider the Group to be at considerable risk of non-compliance. We are actively engaging with many industry groups including the UK Green Building Council (UKGBC), the Better Building Partnership (BBP) and Concrete Zero to ensure we remain up to date with all regulations. We also actively monitor the operational performance of our buildings, and retrofit older buildings where possible, to ensure compliance. Our dedicated sustainability team produce an annual sustainability report to drive sustainable initiatives and communicate performance to our stakeholders. We obtain external assurance over this report to provide confidence to our stakeholders. The Group actively engages in sustainable practices and is working in partnership with the Eden Project to transform the Canary Wharf Estate into a biodiverse environment. Further details are provided in our corporate responsibility section below.

Policy and planning risks

All of the Group's assets are currently located within London. Appropriate contact is maintained with local and national Government, but changes in Governmental policy on planning, tax or other regulations could limit the ability of the Group to maximise the long term potential of its assets. These risks are closely monitored.

The principal risks facing the Group are discussed in the Annual Report of Canary Wharf Investment Holdings plc, which does not form part of this report.

CORPORATE POLICIES

Conflicts of interest

A formal process to manage directors' conflicts of interest is observed by the Board. The prescribed process provides a framework within which the directors who are not conflicted can manage potential conflict situations to protect the interests of the Company. An annual review involving self certification by directors is conducted of the conflicts disclosed during the preceding 12 months.

Corporate Responsibility

The Company has not adopted its own sustainability, environmental and social policies. However, the directors are conscious of sustainability, environmental and social issues and adhere, where applicable, to the policies of Canary Wharf Group plc.

Sustainability is front and centre for Canary Wharf Group. Canary Wharf Group are aware of the increasing sustainability requirements of current and prospective customers. To deliver sustainability, the Group integrate actions and targets into every phase of project delivery and are 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. Since 1997, over £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.

Canary Wharf Group is an active member of many industry groups including the UK Green Building Council (UKGBC), the Better Building Partnership (BBP) and Concrete Zero. 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 closely 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 Tased Targets (SBTs) ratified by the Science Based Targets Initiative (SBTi). Progress against both the Net Zero Carbon Pathway and SBTs are published in the annual Sustainability Report.

In 2022, 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.

The Group has purchased 100.0% renewable electricity for all operations since 2012, which has reduced our Scope 2 emissions (using a market based approach) from electricity to zero during this reporting year. This electricity supply is backed by Renewable Energy Guarantee of Origin (REGO) certificates. The Group are also investigating Power Purchase Agreements (PPAs) to further reduce tenant Scope 2 emissions.

The annual Group Sustainability Report, produced in accordance with EPRA guidelines, provides details of performance against a range of specified targets and objectives with third party verification in line with ISAE 3000. This report, together with additional supporting information and Group publications related to this area can be downloaded from the Canary Wharf Group website, www.group.canarywharf.com.

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2022

	Note	**2022 £**	2021 £
Administrative expenses		**(37,602)**	(72,999)
OPERATING LOSS		**(37,602)**	(72,999)
Interest receivable from group companies	3	**81,320,171**	83,144,521
Bank interest receivable	3	**11,426**	–
Loan interest payable	4	**(81,181,239)**	(83,006,297)
Hedge reserve recycling	4	**(10,020,455)**	(9,984,111)
LOSS BEFORE TAX		**(9,907,699)**	(9,918,886)
Tax on loss	6	**–**	–
LOSS FOR THE FINANCIAL YEAR		**(9,907,699)**	(9,918,886)
OTHER COMPREHENSIVE INCOME FOR THE YEAR			
Hedge reserve recycling	13	**10,020,455**	9,984,111
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**10,020,455**	9,984,111
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**112,756**	65,225

STATEMENT OF FINANCIAL POSITION
as at 31 December 2021

	Note	**2022 £**	2021 £
CURRENT ASSETS			
Debtors:			
Amounts falling due after more than one year	7	**1,289,142,436**	1,592,708,302
Amounts falling due within one year	7	**53,811,347**	51,682,572
Cash at bank and in hand		**3,843,290**	3,720,537
		1,346,797,073	1,648,111,411
Creditors:			
Amounts falling due within one year	8	**(52,008,129)**	(49,869,359)
NET CURRENT ASSETS		**1,294,788,944**	1,598,242,052
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,294,788,944**	1,598,242,052
Creditors:			
Amounts falling due after more than one year	9	**(1,289,142,438)**	(1,592,708,302)
NET ASSETS		**5,646,506**	5,533,750
CAPITAL AND RESERVES			
Called up share capital	12	**50,000**	50,000
Hedging reserve	13	**(127,052,421)**	(137,072,876)
Retained earnings	13	**132,648,929**	142,556,626
		5,646,506	5,533,750

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2022

	Called up share capital	Hedging reserve	Retained earnings	**Total equity**

	£	£	£	**£**
At 1 January 2022	50,000	(137,027,876)	142,556,626	**5,533,750**
Loss for the year	–	–	(9,907,699)	**(9,907,699)**
Hedge reserve recycling (Note 13)	–	10,020,455	–	**10,020,455**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	–	10,020,455	(9,907,699)	**112,756**
AT 31 DECEMBER 2021	**50,000**	**(127,052,421)**	**132,648,927**	**5,646,506**

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**

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

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value and in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice, including FRS 102 “the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland”).

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see Note 3).

The principal accounting policies have been applied consistently throughout the year and the preceding year and are summarised below:

2.2 Replacement of LIBOR as an interest rate benchmark

From 24 January 2022, LIBOR has been replaced by SONIA (Sterling Overnight Index Average) as the Risk Free Reference Rate for Sterling Transactions. The group has obtained its lenders approval to adopt SONIA from 24 January 2022 for all LIBOR related loans, plus a Credit Adjustment Spread. This has not resulted in any changes to group’s financial instrument effectiveness.

2.3 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.

The balance sheet shows a net current asset position of £1,294,788,944 and 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.

Accordingly they continue to adopt the going concern basis in preparing the financial statements.

2.4 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.

2.5 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.

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 amortised 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, 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.

Prior to the adoption of IFRS 9 the 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. On adoption, the hedging relationships were terminated and the financial instruments were reclassified as 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.

3. INTEREST RECEIVABLE AND SIMILAR INCOME

	2022	2021
	£	£

	2022	2021
Interest receivable from group companies	**81,320,171**	83,144,521
Bank interest receivable	**11,426**	–
	81,331,597	83,144,521

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2022 £	2021 £
Interest payable on securitised debt (Note 10)	**81,181,239**	83,006,297
Hedge reserve recycling	**10,020,455**	9,984,111
	91,201,694	92,990,408

5. FAIR VALUE ADJUSTMENTS

	2022 £	2021 £
Derivative financial instruments	**(235,963,196)**	(88,290,467)
Securitised debt	**(35,465,761)**	35,880,164
Loan to fellow subsidiary undertaking	**271,428,957**	52,410,303
	–	–

6. TAXATION

	2022 £	2021 £
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% (2021 – 19.0%). The differences are explained below:

	2022 £	2021 £
Loss on ordinary activities before tax	**(9,907,699)**	(9,918,886)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.0% (2021 – 19.0%)	**(1,882,463)**	(1,884,588)
EFFECTS OF:		
Fair value movements not subject to tax	**1,903,886**	1,896,981
Group relief	**(21,423)**	(12,393)
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% (2021 – 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

	2022 £	2021 £
DUE AFTER MORE THAN ONE YEAR		

	2022	2021
Loan to fellow subsidiary undertaking due after more than one year	**1,289,142,436**	1,592,708,302
	1,289,142,436	1,592,708,302

	2022 £	2021 £
DUE WITHIN ONE YEAR		
Other amounts owed to fellow subsidiaries	**8,875,269**	6,164,526
Loan to fellow subsidiary undertaking due within one year	**29,325,200**	29,325,200
Accrued interest on loan to fellow subsidiary undertaking	**15,610,878**	16,192,846
	53,811,347	51,682,572

	2022 £	2021 £
The loan to a fellow subsidiary undertaking comprises:		
At 1 January	**1,622,033,502**	1,706,676,001
Repaid in the year	**(29,325,200)**	(29,325,200)
Amortisation of issue premium	**(1,578,497)**	(1,673,865)
Movement in accrued financing expenses	**(1,233,212)**	(1,233,131)
Fair value adjustment	**(271,428,957)**	(52,410,303)
At 31 December	**1,318,467,636**	1,622,033,502

Comprising:

	2022 £	2021 £
Loan to fellow subsidiary undertaking due after more than one year	**1,289,142,436**	1,592,708,302
Loan to fellow subsidiary undertaking due within one year	**29,325,200**	29,325,200
	1,318,467,636	1,622,033,502

The fair value of the loans to group undertakings at 31 December 2022 was £1,325,641,286 (2021 – £1,832,728,937), 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	2022 £m	2021 £m
A1	6.455%	6.151%	By instalment 2009 – 2033	**176.9**	199.3
A3	5.952%	5.814%	By instalment 2032 – 2037	**400.0**	400.0
A7	5.114%	5.298%	January 2035	**222.0**	222.0
B	6.800%	6.410%	By instalment 2005 – 2030	**114.1**	121.0
B3	5.163%	5.435%	January 2035	**77.9**	77.9
C2	5.442%	6.059%	January 2035	**239.7**	239.7
D2	5.801%	6.743%	January 2035	**125.0**	125.0
				1,355.6	1,384.9
Unamortised premium				**10.6**	12.2
Accrued financing costs				**14.9**	16.1
				1,381.1	1,413.2

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, C2 and D2 tranches of the intercompany loan are carried at fair value. The A1, A3 and B tranches are carried at amortised cost. The total fair value of the intercompany loan was £1,325,641,286.

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:

	2022	2021
	£	£
Within one year	**111,658,658**	113,903,719
In one to 2 years	**109,749,258**	111,658,671
In 2 to 5 years	**303,610,876**	318,450,975
In 5 to 10 years	**622,136,170**	532,805,858
In 10 to 20 years	**1,052,567,138**	1,236,955,793
At 31 December	**2,199,722,100**	2,313,775,016

	2022	2021
	£	£
Comprising:		
Principal repayments	**1,355,536,920**	**1,384,862,120**
Interest repayments	**844,185,180**	**928,912,896**
At 31 December	**2,199,722,100**	**2,313,775,016**

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

	2022	2021
	£	£
Securitised debt (Note 10)	**29,325,200**	29,325,200
Trade creditors	**–**	11,978
Amounts owed to group undertakings	**7,020,468**	4,284,594
Accruals and deferred income	**15,662,461**	16,247,587
	52,008,129	49,869,359

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

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

	2022	2021
	£	£
Securitised debt (Note 10)	**1,218,521,786**	1,286,124,454
Derivative financial instruments (Note 11)	**70,620,652**	306,583,848
	1,289,142,438	1,592,708,302

10. SECURITISED DEBT

The amounts at which borrowings are stated comprise:

	2022	2021
	£	£
At 1 January	**1,315,449,655**	1,311,801,686
Repaid in the year	**(29,325,200)**	(29,325,200)
Amortisation of issue premium	**(1,578,497)**	(1,673,865)
Movement in accrued financing expenses	**(1,233,212)**	(1,233,130)
Fair value adjustment	**(35,465,761)**	35,880,164
At 31 December	**1,247,846,985**	1,315,449,655

	2022	2021
	£	£
Payable within one year or on demand	**29,325,200**	29,325,200
Payable after more than one year	**1,218,521,785**	1,286,124,455
	1,247,846,985	1,315,449,655

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 2022 £10,645,771 (2021 – £12,224,268) remained unamortised.

At 31 December 2022 there were accrued financing costs of £14,878,080 (2021 – £16,111,292) 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 2022, AIG had posted £70,882,100 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 2022 the securitised debt comprised the following:

Tranche	Principal £m	Fair value £m	Interest	Effective interest	Repayment
A1	176.9	180.4	6.455%	6.152%	By instalment 2009 – 2033
A3	400.0	412.0	5.952%	5.814%	By instalment 2032 – 2037
A7	222.0	186.5	Floating	5.298%	January 2035
B	114.1	116.3	6.800%	6.410%	By instalment 2005 – 2030
B3	77.9	65.1	Floating	5.435%	January 2035
C2	239.7	195.3	Floating	6.059%	January 2035
D2	125.0	99.4	Floating	6.743%	January 2035
	1,355.6	**1,255.0**			

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			

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 – 0.19% per annum; B3 notes – 0.28% per annum; C2 notes – 0.55% per annum; and D2 notes – 0.84% per annum.

The floating rate notes are hedged by means of interest rate swaps and the hedged rates plus the margins are: A7 notes – 5.3984%; 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 £1,255.0m. Of the carrying value of £1,247.8m, £701.6m is carried at amortised cost and £546.2m 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:

	2022	2021
	£	£
Within one year	**107,497,343**	84,777,917
In one to 2 years	**107,009,231**	87,806,123
In 2 to 5 years	**282,990,943**	244,386,033
In 5 to 10 years	**572,214,039**	401,696,450
In 10 to 20 years	**1,031,389,360**	1,151,654,368
At 31 December	**2,101,100,916**	1,970,320,891

	2022	2021
	£	£
Comprising:		
Principal repayments	**1,355,536,920**	1,384,862,120
Interest repayments	**745,563,996**	585,458,771
At 31 December	**2,101,100,916**	1,970,320,891

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 2022 was 10.1 years (2021 – 10.8 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 2022 was 6.1% (2021 – 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 2022 the fair value of these derivatives resulted in the recognition of a net liability of £70,620,652 (2021 – £306,583,848).

12. SHARE CAPITAL

	2022	2021
	£	£
Allotted, called up and fully paid		
50,000 (2021 – 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:

	2022	2021

	£	£
Retained earnings	**132,648,927**	142,556,626
Hedging reserve	**(127,052,421)**	(137,072,876)
Distributable reserves	**5,596,506**	5,483,750

14. OTHER FINANCIAL COMMITMENTS

As at 31 December 2022 and 31 December 2021 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.