

CANARY WHARF FINANCE II PLC

Registered Number: 03929593

30 JUNE 2020 HALF YEARLY FINANCIAL REPORT

CANARY WHARF FINANCE II PLC

CONTENTS

	Page
Interim Management Statement	1
Independent Review Report	5
Income Statement	7
Statement of Financial Position	8
Statement of Changes in Equity	9
Notes to the Interim Report	10

CANARY WHARF FINANCE II PLC

INTERIM MANAGEMENT STATEMENT

This interim management statement relates to the 6 months ended 30 June 2020 and contains information that covers the period from 1 January 2020 to 15 October 2020, 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 2020, the company had £1,428,849,920 (31 December 2019 – £1,443,512,520) 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.

Results for the period

As shown in the company's Income Statement, the company's loss after tax for the 6 month period was £4,940,024 (period ended 30 June 2019 restated – profit of £14,989,032).

This loss included hedge reserve recycling recognised in the Income Statement of £4,969,727 (period ended 30 June 2019 – loss of £14,918,021 including fair value adjustments). Including the hedge reserve recycling recognised in other comprehensive income the profit for the period was £29,703 (period ended 30 June 2019 – £71,012).

The balance sheet shows the company's financial position at the period end and indicates that net assets were £5,427,168 (31 December 2019 – £5,397,465).

The weighted average maturity of the company's securitised debt is 12.0 years (31 December 2019 - 12.3 years). The weighted average interest rate of the securitised debt is 6.1% (31 December 2019 - 6.1%).

CANARY WHARF FINANCE II PLC

INTERIM MANAGEMENT STATEMENT (Continued)

In the opinion of the Board, these Financial Statements enable shareholders to make an informed assessment of the results and activities of the Company for the period ended 30 June 2020.

FUTURE DEVELOPMENTS

Since 31 December 2019 the UK economy has been significantly impacted by the Covid-19 virus which has caused widespread disruption and economic uncertainty. Such disruption and uncertainty has continued beyond 30 June 2020 and is on-going at the date this interim statement was approved. Covid-19 has not however impacted upon the reported results of the company.

This does however create uncertainty around the future valuation of investment property held as security for the company's loan notes and the impact on the company's loan minus cash to value covenant. At the date of approval of the financial statements however, the directors do not consider that this is likely to give rise to a breach of covenant within the next 12 months.

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

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

CANARY WHARF FINANCE II PLC

INTERIM MANAGEMENT STATEMENT (Continued)

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.

The maximum LMCTV ratio is 100.0%. Based on the 30 June 2020 valuations of the properties upon which the company's notes are secured, the LMCTV ratio at the interest payment date in July 2020 was 42.7%. 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).

CANARY WHARF FINANCE II PLC

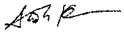
INTERIM MANAGEMENT STATEMENT (Continued)

DIRECTOR'S RESPONSIBILITY STATEMENT

The board of directors, comprising Sheikh Khalifa Al-Thani, Sir George Iacobescu CBE, S Z Khan and Z B Vaughan, confirms to the best of its knowledge that:

- the condensed set of financial statements on pages 7 – 16 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 6 months and description of principal risks and uncertainties for the remaining 6 months of the year).

Signed on behalf of the board by:

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S Z Khan

15 October 2020

CANARY WHARF FINANCE II PLC

INDEPENDENT REVIEW REPORT TO CANARY WHARF FINANCE II PLC

We have been engaged by the company to review the condensed set of financial statements in the Half Yearly Financial Report for the 6 months ended 30 June 2020 which comprises the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and the related Notes 1 – 9. We have read the other information contained in the Half Yearly Financial Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the Half Yearly Financial Report.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board for use in the United Kingdom. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors’ responsibilities

The Half Yearly Financial Report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Half Yearly Financial Report in accordance with the Disclosure and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

As disclosed in Note 1, the annual financial statements of the company are prepared in accordance with United Kingdom Generally Accepted Accounting Practice (Including Financial Reporting Standard 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland”). The condensed set of financial statements included in this half yearly financial report have been prepared in accordance with Financial Reporting Standard 104 “Interim Financial Reporting”.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the Half Yearly Financial Report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CANARY WHARF FINANCE II PLC

INDEPENDENT REVIEW REPORT TO CANARY WHARF FINANCE II PLC (Continued)

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed financial statements information in the half yearly financial report for the 6 months ended 30 June 2020 is not prepared, in all material respects, in accordance with Financial Reporting Standard 104 and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP

**Deloitte LLP
Statutory Auditor
London, UK**

15 October 2020

CANARY WHARF FINANCE II PLC

INCOME STATEMENT for the 6 months ended 30 June 2020

Audited year ended 31 December 2019		Unaudited 6 months ended 30 June 2020	Unaudited 6 months ended 30 June 2019 As restated
£	Note	£	£
(8,952)	Administrative expenses	(8,952)	(8,952)
(8,952)	OPERATING LOSS	(8,952)	(8,952)
86,789,015	Interest receivable	42,579,800	43,440,206
(76,685,988)	Interest payable	(47,510,872)	(28,442,222)
10,094,075	(LOSS)/ PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	(4,940,024)	14,989,032
-	Tax on profit/(loss) on ordinary activities	-	-
10,094,075	(LOSS)/ PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE PERIOD/YEAR	(4,940,024)	14,989,032
OTHER COMPREHENSIVE INCOME			
(14,646,700)	Fair value movement on effective hedging instruments	-	(14,646,701)
4,689,581	Hedge reserve recycling	4,969,727	(271,319)
-	Tax relating to components of other comprehensive income	-	-
(9,957,119)	OTHER COMPREHENSIVE INCOME FOR THE PERIOD/YEAR	4,969,727	(14,918,020)
136,956	TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR	29,703	71,012

The Notes on pages 10 – 17 form an integral part of this Half Yearly Financial Report.

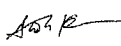
CANARY WHARF FINANCE II PLC

STATEMENT OF FINANCIAL POSITION as at 30 June 2020

Audited 31 December 2019		Unaudited 30 June 2020	Unaudited 30 June 2019 As restated
£	Note	£	£
CURRENT ASSETS			
	5		
1,680,875,352		1,684,673,289	1,696,340,290
48,215,880		47,858,386	48,352,235
3,366,239		3,548,081	3,218,677
<u>1,732,457,471</u>		<u>1,736,079,756</u>	<u>1,747,911,202</u>
(46,184,654)	6	(45,979,299)	(46,239,391)
<u>1,686,272,817</u>		<u>1,690,100,457</u>	<u>1,701,671,811</u>
NET CURRENT ASSETS			
1,686,272,817		1,690,100,457	1,701,671,811
TOTAL ASSETS LESS CURRENT LIABILITIES			
1,686,272,817		1,690,100,457	1,701,671,811
(1,680,875,352)	7	(1,684,673,289)	(1,696,340,290)
<u>5,397,465</u>		<u>5,427,168</u>	<u>5,331,521</u>
NET ASSETS			
50,000		50,000	50,000
(157,005,324)		(152,035,597)	(161,966,225)
162,352,789		157,412,765	167,247,746
SHAREHOLDER'S SURPLUS			
<u>5,397,465</u>		<u>5,427,168</u>	<u>5,331,521</u>

The Notes on pages 10 – 17 form an integral part of this Half Yearly Financial Report.

Approved by the board on 15 October 2020 and signed on its behalf by:

DocuSigned by:

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S Z Khan

CANARY WHARF FINANCE II PLC

STATEMENT OF CHANGES IN EQUITY for the 6 months ended 30 June 2020

	Called up share capital £	Hedging reserve £	Retained earnings £	Total £
At 1 January 2019 as restated	50,000	(147,048,205)	152,258,714	5,260,509
Profit for the period	–	–	14,989,032	14,989,032
Other comprehensive income	–	(14,918,020)	–	(14,918,020)
Total comprehensive income	–	(14,918,020)	14,989,032	71,012
At 30 June 2019	<u>50,000</u>	<u>(161,966,225)</u>	<u>167,247,746</u>	<u>5,331,521</u>
Loss for the period	–	–	(4,894,957)	(4,894,957)
Other comprehensive loss	–	4,960,901	–	4,960,901
Total comprehensive loss	–	4,960,901	(4,894,957)	65,944
At 31 December 2019	<u>50,000</u>	<u>(157,005,324)</u>	<u>162,352,789</u>	<u>5,397,465</u>
Loss for the period	–	–	(4,940,024)	(4,940,024)
Other comprehensive income	–	4,969,727	–	4,969,727
Total comprehensive income	–	4,969,727	(4,940,024)	29,703
At 30 June 2020	<u>50,000</u>	<u>(152,035,597)</u>	<u>157,412,765</u>	<u>5,427,168</u>

The Notes on pages 10 – 17 form an integral part of this Half Yearly Financial Report.

CANARY WHARF FINANCE II PLC

NOTES TO THE INTERIM REPORT for the 6 months ended 30 June 2020

1. ACCOUNTING POLICIES

The statutory accounts have been prepared in accordance with Financial Reporting Standard (FRS) 102 "The Financial Report 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 2020. The full accounting policies of the company, set out in the 2019 statutory accounts, have been applied in preparing this Interim Report.

The financial information relating to the 6 months ended 30 June 2020 and 30 June 2019 is unaudited.

The results for the year ended 31 December 2019 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 cash flow statement in its next annual financial statements as it will be included in the consolidated financial statements of Canary Wharf Group Investing Holdings plc, and accordingly the company has taken an equivalent exemption in preparing these condensed interim financial statements.

CANARY WHARF FINANCE II PLC

NOTES TO THE INTERIM REPORT for the 6 months ended 30 June 2020 (Continued)

2. INTEREST RECEIVABLE AND SIMILAR INCOME

Audited year ended 31 December 2019 £		Unaudited 6 months ended 30 June 2020 £	Unaudited 6 months ended 30 June 2019 £
15,944	Bank interest receivable	5,377	7,340
86,773,071	Interest receivable from group undertakings	42,574,423	43,432,866
<u>86,789,015</u>		<u>42,579,800</u>	<u>43,440,206</u>

3. INTEREST PAYABLE AND SIMILAR CHARGES

Audited year ended 31 December 2019 £		Unaudited 6 months ended 30 June 2020 £	Unaudited 6 months ended 30 June 2019 As restated £
86,643,107	Interest payable on securitised debt (Note 8)	42,541,145	43,360,243
(14,646,700)	Fair value adjustments	-	(14,646,702)
4,689,581	Hedge reserve recycling	4,969,727	(271,319)
<u>76,685,988</u>		<u>47,510,872</u>	<u>28,442,222</u>

Fair value adjustments

Audited year ended 31 December 2019 £		Unaudited 6 months ended 30 June 2020 £	Unaudited 6 months ended 30 June 2019 £
17,109,613	Derivative financial instruments	59,067,077	17,509,177
4,268,326	Securitised debt	(39,097,934)	3,128,454
(36,024,639)	Loan to fellow subsidiary undertaking	(19,969,143)	(35,284,333)
<u>(14,646,700)</u>		<u>-</u>	<u>(14,646,702)</u>

CANARY WHARF FINANCE II PLC

NOTES TO THE INTERIM REPORT for the 6 months ended 30 June 2020 (Continued)

4. TAXATION

Audited year ended 31 December 2019		Unaudited 6 months ended 30 June 2020	Unaudited 6 months ended 30 June 2019 As restated
£		£	£
	Tax charge		
–	Current tax chargeable to income	–	–
–	Deferred tax	–	–
–		–	–
	Tax reconciliation		
10,094,075	(Loss)/profit on ordinary activities before taxation	(4,940,024)	14,989,032
1,917,874	Tax on (loss)/profit at UK corporation tax rate	938,605	(3,644,358)
	Effects of:		
–	Changes in tax rates	–	382,188
(1,891,852)	Fair value movements	(944,248)	3,248,605
(26,022)	Group relief	5,643	13,565
–		–	–

CANARY WHARF FINANCE II PLC

NOTES TO THE INTERIM REPORT for the 6 months ended 30 June 2020 (Continued)

5. DEBTORS

Audited 31 December 2019 £		Unaudited 30 June 2020 £	Unaudited 30 June 2019 As restated £
46,117,430	Due within one year: Loan to fellow subsidiary undertaking	45,903,410	46,177,842
2,098,450	Amounts owed by fellow subsidiary undertakings	1,954,976	2,174,393
<u>48,215,880</u>		<u>47,858,386</u>	<u>48,352,235</u>
1,680,875,352	Due after more than one year: Loan to fellow subsidiary undertaking	1,684,673,289	1,696,340,290
<u>1,680,875,352</u>		<u>1,684,673,289</u>	<u>1,549,800,559</u>

The loan to a fellow subsidiary undertaking comprises:

Audited 31 December 2019 £		Unaudited 30 June 2020 £	Unaudited 30 June 2019 £
1,706,598,286	Brought forward	1,710,200,552	1,706,598,286
(29,325,200)	Repaid in period	(14,662,600)	(14,662,600)
(1,864,598)	Amortisation of issue premium	(895,370)	(942,991)
(1,232,575)	Accrued financing expenses	(613,236)	(611,538)
36,024,639	Fair value adjustment	19,969,143	35,284,333
<u>1,710,200,552</u>	Carried forward	<u>1,713,998,489</u>	<u>1,725,665,490</u>
29,325,200	Payable within one year or on demand	29,325,200	29,325,200
1,680,875,352	Payable after more than one year	1,684,673,289	1,696,340,290
<u>1,710,200,552</u>		<u>1,713,998,489</u>	<u>1,725,665,490</u>

The loans to a fellow subsidiary undertaking bear fixed rates of interest between 5.41% and 7.07% and are repayable in instalments between 2005 and 2037.

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

CANARY WHARF FINANCE II PLC

NOTES TO THE INTERIM REPORT for the 6 months ended 30 June 2020 (Continued)

The amount of the loan due within one year comprises £16,578,210 (31 December 2019 – £16,792,230) of interest and £29,325,200 (31 December 2019 – £29,325,200) of capital.

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 loans to fellow subsidiary undertakings at 30 June 2020 was £1,986,701,158 (31 December 2019 – £1,988,296,841), 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 carrying value of financial assets represents the company's maximum exposure to credit risk.

6. CREDITORS: Amounts falling due within one year

Audited 31 December 2019 £		Unaudited 30 June 2020 £	Unaudited 30 June 2019 £
46,184,654	Securitised debt (Note 8)	45,970,347	46,230,439
–	Accruals and deferred income	8,952	8,952
<u>46,184,654</u>		<u>45,979,299</u>	<u>46,239,391</u>

The amount of the securitised debt due within one year comprises £16,645,147 (31 December 2019 – £16,859,454) of interest and £29,325,200 (31 December 2019 – £29,325,200) of capital.

7. CREDITORS: Amounts falling after more than one year

Audited 31 December 2019 £		Unaudited 30 June 2020 £	Unaudited 30 June 2019 As restated £
1,331,780,063	Securitised debt	1,276,510,923	1,346,845,437
349,095,289	Derivative financial instruments	408,162,366	349,494,853
<u>1,680,875,352</u>		<u>1,684,673,289</u>	<u>1,696,340,290</u>

CANARY WHARF FINANCE II PLC

NOTES TO THE INTERIM REPORT for the 6 months ended 30 June 2020 (Continued)

The amounts at which borrowings are stated comprise:

Audited 31 December 2019 £		Unaudited 30 June 2020 £	Unaudited 30 June 2019 £
1,389,259,312	Brought forward	1,361,105,263	1,389,259,312
(29,325,200)	Repaid in period	(14,662,600)	(14,662,600)
(1,864,598)	Amortisation of issue premium	(895,370)	(942,991)
(1,232,577)	Accrued financing expenses	(613,236)	(611,538)
4,268,326	Fair value adjustment	(39,097,934)	3,128,454
<u>1,361,105,263</u>	Carried forward	<u>1,305,836,123</u>	<u>1,376,170,637</u>
	Payable within one year or on demand	29,325,200	29,325,200
29,325,200			
1,331,780,063	Payable after more than one year	1,276,510,923	1,346,845,437
<u>1,361,105,263</u>		<u>1,305,836,123</u>	<u>1,376,170,637</u>

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 2020 £14,771,993 (31 December 2019 – £15,667,363) remained unamortised.

At 30 June 2020, there were accrued financing costs of £17,965,025 (31 December 2019 – £18,578,262) relating to increases in margins as described below.

The notes are secured on 6 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 2020 of £1,428,849,920 (31 December 2019 – £1,443,512,520), of which £764,288,920 (31 December 2019 – £778,951,520) carries fixed rates of interest between 5.95% and 6.8%. The other £664,561,000 (31 December 2019 – £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 5.30% and 6.74%.

The floating rate notes are carried at fair value through profit or loss. The fixed rate notes are carried at amortised cost. The total fair value of the securitised debt at 30 June 2020 was £1,578,538,792 (31 December 2019 – £1,639,201,552). The fair values of the sterling denominated notes have been determined by reference to prices available on the market on which they are traded.

CANARY WHARF FINANCE II PLC

NOTES TO THE INTERIM REPORT for the 6 months ended 30 June 2020 (Continued)

At 30 June 2020, the fair value of the interest rate derivatives resulted in the recognition of a liability of £408,162,366 (31 December 2019 – £349,095,289). The fair values of the derivative financial instruments have been determined by reference to the market values provided by a third party valuer.

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 2020, AIG had posted £128,993,887 as cash collateral in respect of this obligation.

The company also has the benefit of a £300 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.

8. CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS

As at 30 June 2020 and 31 December 2019, 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 7.

9. PRIOR PERIOD ADJUSTMENT

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

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

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

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

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

CANARY WHARF FINANCE II PLC

NOTES TO THE INTERIM REPORT for the 6 months ended 30 June 2020 (Continued)

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

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

	Previously reported interim 2019 <u>£</u>	Adjustment interim 2019 <u>£</u>	As restated interim 2019 <u>£</u>
Interest payable and similar charges	(60,598,101)	32,155,879	(28,442,222)
Other profits and losses	43,431,254	-	43,431,254
Profit/(loss) before tax	(17,166,847)	32,155,879	14,989,032
Tax on profit	2,930,436	(2,930,436)	-
Profit/(loss) for the financial year	<u>(14,236,411)</u>	<u>29,225,443</u>	<u>14,989,032</u>
Debtors: amounts falling due after more than one year	1,524,052,313	172,287,977	1,696,340,290
Creditors: amounts falling due after more than one year	(1,814,133,043)	117,792,753	(1,696,340,290)
Other assets and liabilities	5,331,521	-	5,331,521
NET ASSETS/(LIABILITIES)	<u>(284,749,209)</u>	<u>290,080,730</u>	<u>5,331,521</u>
CAPITAL AND RESERVES			
Retained earnings	(150,367,242)	317,614,988	167,247,746
Other reserves	(134,381,967)	(27,534,258)	(161,916,225)
	<u>(284,749,209)</u>	<u>290,080,730</u>	<u>5,331,521</u>