CANARY WHARF FINANCE II PLC
Registered Number: 03929593

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

CANARY WHARF FINANCE II PLC

CONTENTS

STRATEGIC REPORT TO THE MEMBERS OF CANARY WHARF FINANCE II PLC

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 until 5 February 2015 its ultimate parent undertaking was Songbird Estates plc.

On 4 December 2014, Stork Holdings Limited, an entity jointly owned by Qatar Investment Authority and Brookfield Properties Partners LP announced the terms of a final cash offer for the acquisition of the entire issued and to be issued ordinary share capital of Songbird Estates plc at £3.50 per ordinary share. The offer became wholly unconditional on 5 February 2015. Having obtained more than 90.0% of the issued share capital Stork Holdings Limited then announced a compulsory acquisition of the remainder Songbird Estates plc shares in respect of which acceptances of the offer had not been received.

The offer becoming unconditional triggered a mandatory cash offer for the issued and to be issued ordinary share capital of Canary Wharf Group plc at a price of £6.45 per share and the subsequent compulsory acquisition process of the Canary Wharf Group plc shares in respect of which acceptances of the offer had not been received.

The compulsory purchase periods lasted until 17 April 2015, at which time the shares were compulsorily purchased on the same terms as the original offers.

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 2014, the company had £1,590,138,521 (2013: £2,285,659,081) 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.

Sale and release of 10 Upper Bank Street

On 20 June 2014, 10 Upper Bank Street ('the Released Property'), which previously formed part of the pool of properties upon which the notes are secured, was sold and, at the request of the Borrower, released from the security granted in respect of the notes in accordance with Clause 17.20(a)(ii)(Substitution, release and addition of new Mortgaged Property) of the Intercompany Loan Agreement.

The Released Property was disposed of for consideration of £795,000,000 on 20 June 2014 and a portion of such consideration (as described below) was used to fund a partial redemption of class A1 notes.

On 22 July 2014 (the 'Redemption Date'), the company redeemed £577,900,000 in aggregate principal amount of the class A1 notes, together with all accrued interest to, but excluding, the Redemption Date (the 'Redemption').

As required by condition 5 (Redemption, Purchase and Cancellation), confirmation was obtained from the Rating Agencies that the then current ratings assigned by them in respect of the notes would not be adversely affected by the Redemption.

As a result of the Redemption, the Amortisation Amounts of the class A1 notes payable on each interest payment date falling after the Redemption Date up to 22 April 2030 were reduced.

The company is of the opinion that it was entitled to partially redeem the class A1 notes in accordance with condition 5(b)(iv) and that, accordingly, the amount payable to the holders of the class A1 notes pursuant to the Redemption was the amount stipulated in condition 5(c)(ii)(A), which was £577,900,000, plus accrued interest.

The note trustee indicated to the company that it was unclear to the note trustee as to whether the Redemption should take place under condition 5(b)(iv) or condition 5(c) of the notes.

If Redemption had taken place under condition 5(c), then the price at which the class A1 notes would have been redeemed would have been 129.20 per cent., so that an additional amount of £168,746,800 (the 'Premium') would have been payable to the holders of the class A1 notes.

The company has made an application to the Court for a declaration as to whether, on a true construction of the terms and conditions of the notes and other relevant contractual documentation, the class A1 notes should have been partially redeemed under condition 5(b)(iv) or condition 5(c). The court hearing is scheduled for July 2015.

The Borrower agreed, without prejudice to its interpretation of the terms and conditions of the notes (including condition 5(b)(iv) and the amount payable pursuant to the Redemption), to place (and has placed) on deposit with Deutsche Bank AG, London Branch (in its capacity as an escrow agent, the "Note Premium Escrow Agent") an amount (the 'Note Premium Escrow Amount') equal to the Premium together with interest at the rate of 6.455 per cent. per annum for the period from (and including) the Redemption Date to (but excluding) the next interest payment date in respect of the notes. The Note Premium Escrow Agent holds the Note Premium Escrow Amount in an account with itself (the 'The Note Premium Escrow Account'). The Note Premium Escrow Agent has agreed to release amounts standing to the credit of the Note Premium Escrow Account if and/or when:

(i) a final order is made that the Redemption should have been made under condition 5(b)(iv) or the company and the note trustee agree that the Redemption should have been made under condition 5(b)(iv), in which case the amount standing to the credit of the Note Premium Escrow Account shall be paid to the Borrower;

(ii) a final order is made that the Redemption should have been under condition 5(c) or the company and the note trustee agree that the Redemption should have been under condition 5(c), in which case an amount equal to the Premium together with accrued interest from (and including) the Redemption Date to (but excluding) the Premium Payment Date (as defined below) shall be paid to the company from the Note Premium Escrow Account for payment to the holders of the class A1 notes. If the balance of the Note Premium Escrow Account is less than any amount payable to the holders of the class A1 notes, the Borrower has agreed to pay to the company an amount equal to the difference, but if the balance of the Note Premium Escrow Account is more than any amount payable to the holders of the class A1 notes, then the surplus amount will be paid to the Borrower; and

(iii) the company and the holders of the class A1 notes (acting by an extraordinary resolution) agree on an amount payable in relation to the Redemption, in which case the amount agreed to be paid to the holders of the class A1 notes will be paid from the Note Premium Escrow Account to the company for payment to the holders of the class A1 notes and the remaining balance will be paid to the Borrower.

A final order shall be deemed to have been made when an order, judgement, award, decision or decree which represents a final adjudication by a court of competent jurisdiction has been made as to whether redemption of the class A1 notes should be under condition 5(b)(iv) or 5(c) and the time for appeal from such order, judgement, award, decision or decree has expired without an appeal having been made.

Upon the occurrence of any of the events specified at paragraphs (i) to (iii) (inclusive) above, the company has agreed, as soon as reasonably practicable after the occurrence of such event, to give notice to holders of the class A1 notes in accordance with the terms and conditions of the notes of the occurrence of such event and, where applicable, of the amount which is payable to the holders of the class A1 notes (the 'Premium Payment Notice'). If an amount is required to be paid to holders of the class A1 notes, as described at paragraphs (ii) or (iii) above, the company has agreed to pay the relevant amount to the holders of the class A1 notes on the later of (i) the Redemption Date; and (ii) the date falling 10 business days after the date of the Premium Payment Notice (the 'Premium Payment Date'), with interest calculated up to, but excluding, the Premium Date (where the latter falls after the Redemption Date).

The release by the note trustee of the security held by it over the Released Property was made on the condition that the Borrower placed the Note Premium Escrow Amount with the Note Premium Escrow Agent on the terms of the Escrow Documents referred to and summarised above.

On 20 June 2014, the company also entered into a transaction with, inter alios, Canary Wharf Finance (Investments) Limited ('CWFIL'). Canary Wharf Holdings Limited ('CWHL') and the Borrower whereby (i) CWFIL released the company from its obligations under the class B3 notes and class C2 notes held by CWFIL immediately prior to the Redemption Date having the principal amount outstanding of £26,101,000 and £35,338,000, respectively (the 'Cancelled Notes'), and (ii) the Cancelled Notes were subsequently cancelled.

In connection with such cancellation, the company: (i) paid consideration for the release (the 'Release Consideration') to CWHL; (ii) effected partial termination of the swap transactions entered into in respect of the Cancelled Notes and made a payment of the associated termination amounts totalling £17,875,000 to Barclays Bank plc in its capacity as the swap counterparty; and (iii) partially released the Borrower from its obligations under the loans corresponding to the Cancelled Notes by reducing the principal amount outstanding thereunder by £26,101,000 and £35,338,000, respectively (the 'Borrower Loan Release'), such partial release being in consideration for the payment by the Borrower of an amount equal to the aggregate of the Release Consideration and the amounts required to be paid by the company to the swap counterparty in connection with the termination of the swap transactions as described in (ii) above. Such payment by the Borrower was financed, ultimately, by a subordinated loan made by Canary Wharf Limited to CWCB Finance II Limited.

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	A1	AA	A
B3	A1	AA	A
C2	Baa1	A	A
D2	Ba1	BBB	BBB

As shown in the company's profit and loss account, the company's loss after tax for the year was £76,101,847 (2013: profit of £47,599,284). This loss included an unrealised fair value loss on derivative financial instruments and hedge reserve recycling of £77,740,455 (2013: gain of £47,367,318) and certain exceptional items relating to the cancellation of £61,439,000 of floating rate notes on 20 June 2014 and the partial redemption of £577,900,000 of class A1 notes on 22 July 2014. Such exceptional items resulted in a net gain of £1,263,188 (2013: £Nil). Excluding the fair value loss on derivative financial instruments, hedge reserve recycling and the exceptional profit, the profit for the period was £375,420 (2013: £231,966).

The balance sheet shows the company's financial position at the year end and indicates that net liabilities were £320,829,752 (2013: £187,070,222). The movement in the financial position of the company is primarily due to the impact of the fair value of financial instruments, derived by reference to the market values provided by the relevant counter parties.

Financial Reporting Standard 26 (Financial Instruments: Recognition and Measurement) ('FRS 26') requires recognition of the mark to market of derivative financial instruments, which hedge the company's exposure to interest rate fluctuations, but the mark to market of the company's debtor loan and securitised debt has not been recognised.

Adjusting for the effects of FRS 26 the underlying net asset value of the company at 31 December 2014 was as follows:

	31 December 2014 £	31 December 2013 £
Net liabilities per balance sheet	(320,829,752)	(187,070,222)
Add back: Effects of FRS 26	325,578,611	191,443,661
Adjusted net assets	4,748,859	4,373,439

KEY PERFORMANCE INDICATORS

	31 December 2014 £	31 December 2013 £
Securitised debt	1,590,138,521	2,285,659,081
Financing cost (before adjustments for FRS26)	115,387,315	139,259,568
Adjusted profit before tax and FRS26	375,420	231,966
Weighted average maturity of debt	16.0 years	14.7 years
Weighted average interest rate	6.2%	6.2%

The adjusted profit before tax comprises the loss on ordinary activities before tax of £76,101,847 (2013: £47,599,284) adjusted for the FRS 26 items listed in Note 4, totalling £76,477,267 (2013: £47,367,318).

FUTURE DEVELOPMENTS

Details of significant events since the balance sheet date are contained in Note 16.

STRATEGY & OBJECTIVES

Exposure Management

The mark-to-market positions of all the company's derivatives are reported to the Group Treasurer on a monthly basis and to the directors on a quarterly basis. The Group Treasurer monitors hedging activity on an ongoing basis, in order to notify the directors of any overhedging that may potentially occur and proposals to deal with such events.

Hedging Instruments and Transaction Authorisation

Instruments that may be used for hedging interest rate exposure include:

- Interest rate swaps
- Interest rate caps, collars and floors
- Gilt locks

Instruments that may be used for managing foreign exchange exposure include:

- Cross currency swaps
- Spot and forward foreign exchange contracts

No hedging activity is undertaken without explicit authority of the board.

Transaction Accounting

Under FRS26, all derivatives are required to be measured on balance sheet at fair value (mark-to-market).

Certain derivatives may be designated as part of a hedge relationship, whereby the derivative and the underlying hedged item (financial instrument) are accounted for in a manner in order to reduce profit and loss account volatility ("hedge accounting").

In order to apply hedge accounting, the company must comply with the following procedures:

- All hedge relationships proposed must be in line with the company's risk management policy stated above.
- All hedge relationships must be documented in advance, stating the purpose, including the nature of the risk being hedged, the type of hedge being undertaken, the item being hedged and the related hedging instrument and the methodology to be adopted to assess and measure the hedge effectiveness.
- Provide supporting documentation to include excerpts from loan or debenture issuance documentation, detailing principal and amortisation schedules and relevant excerpts from hedging derivative documentation.
- Both prospective and retrospective effectiveness testing are undertaken and approved by the Director of Financial Control.

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

Cyclical nature of the property market

The valuation of the Canary Wharf Group's assets is subject to many external economic and market factors. Following the turmoil in the financial markets and uncertainty in the Eurozone of recent years, the London real estate market had to cope with a decline in demand and a potential oversupply of office space. The possible oversupply of available space in the market was, however, mitigated by the difficulty in securing finance for speculative development leading to reduced supply. The market was assisted by the continuing presence of overseas investors attracted by the relative transparency of the real estate market in London which is viewed as both stable and secure. The market has also been underpinned by continuing demand for sites capable of incorporating residential development. During 2014, there was evidence of continuing investor demand for office space and continuing confidence in the office real estate market.

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

Concentration risk

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

Financing risk

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

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

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

The company is not subject to externally imposed capital requirements.

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

The maximum LMCTV ratio is 100.0%. Based on the 31 December 2014 valuations of the properties upon which the company's notes are secured, the LMCTV ratio at the interest payment date in January 2015 was 51.1%. The securitisation is not subject to a minimum interest coverage ratio. A breach of certain financial covenants can be remedied by depositing eligible investments (including cash).

CORPORATE & SOCIAL RESPONSIBILITY

Canary Wharf Group plc has adopted a formal corporate responsibility policy including environmental and social issues which extends to all of its wholly owned subsidiary undertakings, including the company. Full details of this policy together with a copy of the latest Canary Wharf Group plc Corporate Responsibility Report can be obtained from www.canarywharf.com.

GOING CONCERN

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

At 31 December 2014 the company had a deficit of £320,829,752 attributable solely to the adoption of FRS26. Under the requirements of the standard the company recognises the fair value of its derivative financial instruments in the balance sheet. In the event that the company were to realise the fair value of the derivative financial instruments, it would have the right to recoup its losses as a repayment premium on its loans to CW Lending II Limited. The standard does not permit this potential asset to be accounted for in conjunction with the hedges.

Notwithstanding the deficit in net assets resulting from the treatment of derivative financial instruments required by FRS26, the directors have prepared the financial statements on a going concern basis on the grounds that the company will be able to meet its obligations as they fall due for a period of not less than 12 months from the date of the financial statements.

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

APPROVAL

This report was approved by the board on 28 April 2015 and signed on its behalf by:

A P ANDERSON II

The directors present their report with the audited financial statements for the year ended 31 December 2014.

DIVIDENDS AND RESERVES

The profit and loss account for the year ended 31 December 2014 is set out on page 14. No dividends have been paid or proposed (2013: £Nil) and the retained loss of £76,101,847 (2013: profit of £47,599,284) has been transferred to reserves.

DIRECTORS

The directors of the company throughout the year ended 31 December 2014 were:

A P Anderson II	
P Harned	
Sir George Iacobescu CBE	
J R Garwood	(alternate director to Sir George Iacobescu CBE)
R J J Lyons	(alternate director to A P Anderson II)

On 13 February 2015, subsequent to the year end, P Harned resigned as a director of the company. On 13 February 2015, R Clark was appointed in his place. On 18 March 2015, R Clark resigned as a director and was replaced by J Haick. On the same day A Aluthman Fakhroo was appointed as a director.

The directors are fully aware of their statutory duties under the Companies Act 2006, and in particular the core duty to act in good faith and in a way most likely to promote the success of the company for the benefit of its members as whole.

The company provides an indemnity to all directors (to the extent permitted by law) in respect of liabilities incurred as a result of their office. The company also has in place liability insurance covering the directors and officers of the company. Both the indemnity and insurance were in force during the year ended 31 December 2014 and at the time of the approval of this Directors' Report. Neither the indemnity nor the insurance provide cover in the event that the director is proven to have acted dishonestly or fraudulently.

EMPLOYMENT POLICIES

As the company has no employees an employment policy has not been adopted by the company.

FINANCIAL INSTRUMENTS

The financial risk management objectives and policies together with the principal risks and uncertainties of the company are contained within the Strategic Report.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

Each director holding office at the date of this report has taken all the steps that he ought to have taken as a director in order to make himself aware of relevant audit information and to establish that the company's auditor is aware of that information. As far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418(2) of the Companies Act 2006.

AUDITORS

Deloitte LLP were appointed as auditor and have expressed their willingness to continue in office.

BY ORDER OF THE BOARD

……………………………………………Company Secretary 28 April 2015

J R Garwood

Registered office:
30th Floor
One Canada Square
Canary Wharf
London
E14 5AB
Registered Number: 03929593

STATEMENT OF THE DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The board of directors, comprising A Aluthman Fakhroo, A P Anderson II, J Haick, Sir George Iacobescu CBE, J R Garwood and R J J Lyons, confirms to the best of its knowledge that:

- the financial statements, prepared in accordance with the applicable set of accounting standards give a true and fair view of the assets, liabilities, financial position and loss of the company as required by Rule 4.1.12 (3a) of the Disclosure and Transparancy Rules of the United Kingdom's Financial Services Authority (the 'DTRs'); and
- the strategic report includes a fair review of the development and performance of the business and position of the company and the principal risks and uncertainties faced.

Signed on behalf of the board by:

A P ANDERSON II
28 April 2015

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

We have audited the financial statements of Canary Wharf Finance II plc for the year ended 31 December 2014 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related Notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

James Wright FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountant and Statutory Auditor
LONDON, UK

28 April 2015

CANARY WHARF FINANCE II PLC

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	Year Ended 31 December 2014 £	Year Ended 31 December 2013 £
Administrative expenses		(18,626)	(17,760)
OPERATING LOSS	**2**	(18,626)	(17,760)
Interest receivable before exceptional items	**3**	115,781,361	139,509,294
Exceptional items:			
Premium on repayment of loan by fellow subsidiary undertaking	**3**	8,418,815	–
Accrued premium on repayment of loan by fellow subsidiary undertaking	**3**	173,541,915	–
Adjustment to issue premium amortisation	**3**	(15,645,111)	–
Interest payable and similar charges before exceptional items	**4**	(193,127,770)	(91,892,250)
Exceptional items:			
Discount on cancellation of notes	**4**	9,456,185	–
Adjustment to issue premium amortisation	**4**	15,645,111	–
Provision for premium on repayment of class A1 notes	**4**	(173,541,915)	–
Discontinuation of prospective hedge accounting	**4**	1,263,188	–
Swap breakage fees	**4**	(17,875,000)	–
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(76,101,847)	47,599,284
Tax on profit on ordinary activities	**5**	–	–
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE YEAR	**14**	(76,101,847)	47,599,284

Movements in reserves are shown in Note 14 of these financial statements.

All amounts relate to continuing activities in the United Kingdom.

The Notes on pages 17 to 33 form an integral part of these financial statements.

CANARY WHARF FINANCE II PLC

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2014

	Year Ended 31 December 2014 £	Year Ended 31 December 2013 £
(Loss)/profit for the financial year	(76,101,847)	47,599,284
Fair value movement on effective hedging instruments	(88,671,624)	31,905,094
Interest paid on effective hedging instruments	33,062,268	16,582,190
Termination of hedge reserve recycling	(1,263,188)	–
Hedge reserve recycling	(785,139)	(886,423)
Total recognised (losses)/gains relating to the year	(133,759,530)	95,200,145

The Notes on pages 17 to 33 form an integral part of these financial statements.

CANARY WHARF FINANCE II PLC

BALANCE SHEET AS AT 31 DECEMBER 2014

	Note	31 December 2014 £	31 December 2013 £
CURRENT ASSETS			
Debtors	6		
Amounts falling due after one year		1,609,520,784	2,289,333,739
Amounts falling due within one year		223,583,133	93,598,310
Cash at bank	7	2,657,980	2,269,537
		1,835,761,897	2,385,201,586
CREDITORS: Amounts falling due within one year	8	(47,950,336)	(91,494,406)
NET CURRENT ASSETS		1,787,811,561	2,293,707,180
TOTAL ASSETS LESS CURRENT LIABILITIES		1,787,811,561	2,293,707,180
CREDITORS: Amounts falling due after more than one year	9	(1,935,099,398)	(2,480,777,402)
Provision for liabilities	12	(173,541,915)	–
NET LIABILITIES		(320,829,752)	(187,070,222)
CAPITAL AND RESERVES			
Called-up share capital	13	50,000	50,000
Hedging reserve	14	(148,497,844)	(90,840,161)
Profit and loss account	14	(172,381,908)	(96,280,061)
SHAREHOLDER'S DEFICIT	15	(320,829,752)	(187,070,222)

The Notes on pages 17 to 33 form an integral part of these financial statements.

APPROVED BY THE BOARD ON 28 APRIL 2015 AND SIGNED ON ITS BEHALF BY:

A P ANDERSON II

1. PRINCIPAL ACCOUNTING POLICIES

A summary of the principal accounting policies of the company, all of which have been applied consistently throughout the year and the preceding year, is set out below.

Accounting convention

The financial statements have been prepared under the historical cost convention, with the exception of certain financial instruments and in accordance with applicable United Kingdom accounting standards. The financial statements have been prepared on a going concern basis as described in the Strategic Report.

In accordance with the provisions of FRS 1 (Revised) the company is exempt from the requirements to prepare a cash flow statement, as it is a wholly-owned subsidiary of Canary Wharf Group plc, which has prepared a consolidated cash flow statement.

Interest receivable and interest payable

Interest receivable and payable are recognised on an accruals basis in the period in which they fall due.

Trade and other debtors

Debtors are recognised initially at fair value. A provision for impairment is established where there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the debtor concerned.

Interest bearing loans and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively as a component of finance revenues and finance costs.

Derivative instruments

The company uses interest rate derivatives to help manage its risks of changes in interest rates. In accordance with its treasury policy, the company does not hold or issue derivatives for trading purposes.

In order for a derivative to qualify for hedge accounting, the company is required to document the relationship between the item being hedged and the hedging instrument. The company is also required to demonstrate an assessment of the relationship between the hedged item and the hedging instrument which shows that the hedge will be effective on an ongoing basis. The effectiveness testing is re-performed at each balance sheet date to ensure that the hedge remains highly effective.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the profit and loss account. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of a non-financial asset or liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of a non-financial asset or liability, amounts deferred in equity are recognised in the profit and loss account in the same period in which the hedged item affects net profit or loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the profit and loss account as they arise.

Hedge accounting is discontinued when the hedge instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If the hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the profit and loss account.

Provisions for liabilities and charges

A provision is recognised in the Balance Sheet when the Company has a present obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Taxation

Current tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, are not held for trading and have not been designated as either fair value through profit or loss or available for sale. Such assets are carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in income when loans and receivables are derecognised or impaired, as well as through the effective interest method.

2. OPERATING LOSS

Operating loss is stated after charging:

	Year Ended 31 December 2014 £	Year Ended 31 December 2013 £
Remuneration of the auditor:		
Audit fees for the audit of the company	9,000	8,500
Fees to the auditor for other services	6,520	6,300

None of the directors received any emoluments in respect of their services to the company during the year or the prior year.

No staff were employed by the company during the year or the prior year.

3. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year Ended 31 December 2014 £	Year Ended 31 December 2013 £
Before exceptional items:		
Bank interest receivable	197,929	18,901
Interest receivable from group undertakings	115,583,432	139,490,393
	115,781,361	139,509,294
Exceptional items:		
Premium on repayment of loan by fellow subsidiary undertaking	8,418,815	–
Accrued premium on repayment of loan by fellow subsidiary undertaking	173,541,915	–
Adjustment to issue premium amortisation	(15,645,111)	–

On 20 June 2014, the loan to a fellow subsidiary undertaking was part repaid to fund the cancellation of certain floating rate notes as referred in Note 10. A net repayment premium of £8,418,815 was charged to cover the net cost of cancelling the debt.

An additional amount of £173,541,915 has been accrued as recoverable from the fellow subsidiary undertaking to cover the potential premium payable to the holders of the class A1 notes which were redeemed in part on 22 July 2014.

The part repayment of the intercompany loan resulted in an adjustment to the amortisation profile of the premium paid on issue of the loan, resulting in £15,645,111 being taken to the profit and loss account on 20 June 2014. This has been treated as an exceptional item.

4. INTEREST PAYABLE AND SIMILAR CHARGES

	Year Ended 31 December 2014 £	Year Ended 31 December 2013 £
Before exceptional items:		
Interest payable on securitised debt (Note 10)	115,387,315	139,259,568
Fair value adjustments on derivative financial instruments	78,525,594	(46,480,895)
Hedge reserve recycling (Note 14)	(785,139)	(886,423)
	193,127,770	91,892,250
Exceptional items:		
Discount on cancellation of notes	(9,456,185)	–
Adjustment to issue premium amortisation	(15,645,111)	–
Provision for premium on repayment of class A1 notes	173,541,915	–
Discontinuation of prospective hedge accounting	(1,263,188)	–
Swap breakage fees	17,875,000	–

The company has provided for £173,541,915 at 31 December 2014 in respect of the potential premium payable to the holders of the class A1 notes following the partial redemption on 22 July 2014, being an amount of £168,746,800, plus interest at 6.455% per annum.

The partial redemption of the class A1 notes has given rise to an adjustment to the amortisation profile of the premium received on issue of the notes, resulting in £15,645,111 being taken to the profit and loss account on 20 June 2014. This has been treated as an exceptional item.

On 20 June 2014, an intermediate parent undertaking assumed the company's obligations in respect of £26,101,000 of class B3 notes and £35,338,000 of class C2 notes, which were held by a fellow subsidiary undertaking. These notes were then cancelled. The company paid consideration of £51,982,815 together with accrued interest of £142,763. The profit on disposal of the notes of £9,456,185 has been taken to the profit and loss account and treated as an exceptional item.

The interest rate swaps relating to the notes cancelled were terminated on 20 June 2014 at a cost of £17,875,000. This amount has been taken to the profit and loss account and treated as an exceptional item.

Included in the interest payable on securitised debt is £1,635,538 (2013: £1,370,123) payable in respect of notes acquired by a fellow subsidiary undertaking (Note 10).

5. TAXATION

	Year Ended 31 December 2014 £	Year Ended 31 December 2013 £
Tax reconciliation:		
(Loss)/profit on ordinary activities before tax	(76,101,847)	47,599,284
Tax on (loss)/profit on ordinary activities at UK corporation tax rate of 21.5% (2013: 23.25%)	(16,361,897)	11,066,833
Effects of:		
Items not chargeable to tax	14,681,118	(11,012,901)
Unprovided deferred tax movements	1,680,779	–
Group relief	–	(53,932)
Current tax charge for the year	–	–

The tax rate of 21.5% has been calculated by reference to the current corporation tax rate of 21% which was in effect for the final three quarters of the year and the previous rate of 23% which was in effect for the first quarter of the year.

No provision for taxation has been made in view of the tax loss for the year. At 31 December 2014, there was an unprovided deferred tax asset of £1,563,515 (2013: £nil), calculated by reference to losses of £7,817,577 at the future tax rate of 20%.

6. DEBTORS

	31 December 2014 £	31 December 2013 £
Due within one year:		
Loan to fellow subsidiary undertaking	47,890,205	91,448,009
Amounts owed by fellow subsidiary undertakings	1,396,425	2,148,242
Other debtors	174,294,144	–
Accrued interest receivable	2,359	2,059
	223,583,133	93,598,310
Due after more than one year:		
Loan to fellow subsidiary undertaking	1,609,520,784	2,289,333,739

Amounts owed by group undertakings are non-interest bearing.

The amount of the loan due within one year comprises £18,565,005 (2013: £26,314,329) of interest and £29,325,200 (2013: £65,133,680) of capital.

The amounts at which financial assets are stated comprise:

	31 December 2014 £	31 December 2013 £
At 1 January	2,354,467,419	2,416,542,617
Amortisation of issue premium	(18,992,984)	(4,310,025)
Accrued financing expenses	(1,107,891)	3,567,987
Repaid in year	(695,520,560)	(61,333,160)
At 31 December	1,638,845,984	2,354,467,419
Due within one year	29,325,200	65,133,680
Due after more than one year	1,609,520,784	2,289,333,739
	1,638,845,984	2,354,467,419

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

	Interest	Effective Interest	Repayment	31 December 2014	31 December 2013
				£m	£m
A1	6.465%	6.161%	By instalment 2009-2033	356.2	983.4
A3	5.962%	5.824%	By instalment 2032-2037	400.0	400.0
A7	5.124%	5.308%	January 2035	222.0	222.0
B	6.810%	6.419%	By instalment 2005-2033	169.3	176.3
B3	5.173%	5.445%	January 2035	77.9	104.0
C2	6.276%	6.069%	January 2035	239.7	275.0
D2	7.071%	6.753%	January 2035	125.0	125.0
				1,590.1	2,285.7
Unamortised premium				25.9	44.9
Accrued financing costs				22.8	23.9
				1,638.8	2,354.5

On 20 June 2014, the loan to a fellow subsidiary undertaking was part repaid to fund the cancellation of certain floating rate notes as described in Note 10. A net repayment premium of £8,418,815 was charged to cover the net cost of cancelling the debt. An additional amount of £173,541,915 has been accrued as recoverable from the fellow subsidiary undertaking to cover the potential premium which the company may be directed to pay to the holders of the class A1 notes, which were partially redeemed on 22 July 2014.

The carrying values of debtors due within one year also represent their fair values. The fair value of the loans to group undertakings at 31 December 2014 was £2,076,585,611 (2013: £2,646,933,428), calculated by reference to the fair values of the company's financial liabilities. The carrying value of financial assets represents the company's maximum exposure to credit risk.

The maturity profile of the company's contracted undiscounted cash flows is as follows:

	31 December 2014 £	31 December 2013 £
Within one year	126,300,385	203,898,907
In one to two years	124,915,143	201,591,312
In two to five years	364,201,245	581,230,742
In five to ten years	569,111,519	886,382,676
In ten to twenty years	833,248,572	1,561,030,220
In twenty to thirty years	674,594,466	941,474,045
	2,692,371,330	4,375,607,902
Comprising:		
Principal repayments	1,590,138,520	2,285,659,080
Interest repayments	1,102,232,810	2,089,948,822
	2,692,371,330	4,375,607,902

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.

7. FINANCIAL ASSETS

The company's financial assets comprise loans to fellow group undertakings, cash at bank and derivative financial instruments.

Cash at bank totalled £2,657,980 at 31 December 2014 (2013: £2,269,537) which was held as cash collateral for the company's borrowings and has a term of one month or less.

Cash at bank earns interest at floating rates linked to bank deposit rates.

8. CREDITORS: Amounts falling due within one year

	31 December 2014 £	31 December 2013 £
Securitised debt (Note 10)	47,939,536	91,484,206
Accruals and deferred income	10,800	10,200
	47,950,336	91,494,406

The amount of the securitised debt due within one year comprises £18,614,336 (2013: £26,350,526) of interest and £29,325,200 (2013: £65,133,680) of capital.

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

	31 December 2014 £	31 December 2013 £
Securitised debt (Note 10)	1,609,520,787	2,289,333,741
Derivative financial instruments (Note 11)	325,578,611	191,443,661
	1,935,099,398	2,480,777,402

10. SECURITISED DEBT

The amounts at which borrowings are stated comprise:

	31 December 2014 £	31 December 2013 £
Brought forward	2,354,467,421	2,416,542,620
Repaid in year	(695,520,560)	(61,333,160)
Amortisation of issue premium	(18,992,983)	(4,310,026)
Accrued financing expenses	(1,107,891)	3,567,987
Carried forward	1,638,845,987	2,354,467,421
Payable within one year or on demand	29,325,200	65,133,680
Payable after more than one year	1,609,520,787	2,289,333,741
	1,638,845,987	2,354,467,421

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 profit and loss account on a straight-line basis over the life of the relevant notes. At 31 December 2014 £25,944,027 (2013: £44,937,010) remained unamortised.

At 31 December 2014 there were accrued financing costs of £22,763,439 (2013: £23,871,330) relating to future increases in margins as described below.

Until 20 June 2014 the notes were secured on seven properties at Canary Wharf, owned by fellow subsidiary undertakings, and the rental income stream therefrom.

On 20 June 2014, one of these properties, 10 Upper Bank Street, was released from the securitisation and sold. On 22 July 2014, the company redeemed £577,900,000 in respect of class A1 notes. On 20 June 2014, an amount of £587,344,365 being the principal amount of the notes redeemed together with £9,444,365 of interest due on 22 July 2014 was transferred to a bank account designated for this purpose.

Sale and release of 10 Upper Bank Street

On 20 June 2014, 10 Upper Bank Street ('the Released Property'), which previously formed part of the pool of properties upon which the notes are secured, was sold and, at the request of the Borrower, released from the security granted in respect of the notes in accordance with Clause 17.20(a)(ii)(Substitution, release and addition of new Mortgaged Property) of the Intercompany Loan Agreement.

The Released Property was disposed of for consideration of £795,000,000 on 20 June 2014 and a portion of such consideration (as described below) was used to fund a partial redemption of class A1 notes.

On 22 July 2014 (the 'Redemption Date'), the company redeemed £577,900,000 in aggregate principal amount of the class A1 notes, together with all accrued interest to, but excluding, the Redemption Date (the 'Redemption').

As required by condition 5 (Redemption, Purchase and Cancellation), confirmation was obtained from the Rating Agencies that the then current ratings assigned by them in respect of the notes would not be adversely affected by the Redemption.

As a result of the Redemption, the Amortisation Amounts of the class A1 notes payable on each interest payment date falling after the Redemption Date up to 22 April 2030 were reduced.

The company is of the opinion that it was entitled to partially redeem the class A1 notes in accordance with condition 5(b)(iv) and that, accordingly, the amount payable to the holders of the class A1 notes pursuant to the Redemption was the amount stipulated in condition 5(c)(ii)(A), which was £577,900,000, plus accrued interest.

The note trustee indicated to the company that it was unclear to the note trustee as to whether the Redemption should take place under condition 5(b)(iv) or condition 5(c) of the notes.

If Redemption had taken place under condition 5(c), then the price at which the class A1 notes would have been redeemed would have been 129.20 per cent., so that an additional amount of £168,746,800 (the 'Premium') would have been payable to the holders of the class A1 notes.

The company has made an application to the Court for a declaration as to whether, on a true construction of the terms and conditions of the notes and other relevant contractual documentation, the class A1 notes should have been partially redeemed under condition 5(b)(iv) or condition 5(c). The court hearing is scheduled for July 2015.

The Borrower agreed, without prejudice to its interpretation of the terms and conditions of the notes (including condition 5(b)(iv) and the amount payable pursuant to the Redemption), to place (and has placed) on deposit with Deutche Bank AG, London Branch (in its capacity as an escrow agent, the 'Note Premium Escrow Agent') an amount (the 'Note Premium Escrow Amount') equal to the Premium together with interest at the rate of 6.455 per cent. per annum for the period from (and including) the Redemption Date to (but excluding) the next interest payment date in respect of the notes. The Note Premium Escrow Agent holds the Note Premium Escrow Amount in an account with itself (the 'The Note Premium Escrow Account'). The Note Premium Escrow Agent has agreed to release amounts standing to the credit of the Note Premium Escrow Account if and/or when:

(i) a final order is made that the Redemption should have been made under condition 5(b)(iv) or the company and the note trustee agree that the Redemption should have been made under condition 5(b)(iv), in which case the amount standing to the credit of the Note Premium Escrow Account shall be paid to the Borrower;

(ii) a final order is made that the Redemption should have been under condition 5(c) or the company and the note trustee agree that the Redemption should have been under condition 5(c), in which case an amount equal to the Premium together with accrued interest from (and including) the Redemption Date to (but excluding) the Premium Payment Date (as defined below) shall be paid to the company from the Note Premium Escrow Account for payment to the holders of the class A1 notes. If the balance of the Note Premium Escrow Account is less than any amount payable to the holders of the class A1 notes, the Borrower has agreed to pay to the company an amount equal to the difference, but if the balance of the Note Premium Escrow Account is more than any amount payable to the holders of the class A1 notes, then the surplus amount will be paid to the Borrower; and

(iii) the company and the holders of the class A1 notes (acting by an extraordinary resolution) agree on an amount payable in relation to the Redemption, in which case the amount agreed to be paid to the holders of the class A1 notes will be paid from the Note Premium Escrow Account to the company for payment to the holders of the class A1 notes and the remaining balance will be paid to the Borrower.

A final order shall be deemed to have been made when an order, judgement, award, decision or decree which represents a final adjudication by a court of competent jurisdiction has been made as to whether redemption of the class A1 notes should be under condition 5(b)(iv) or 5(c) and the time for appeal from such order, judgement, award, decision or decree has expired without an appeal having been made.

Upon the occurrence of any of the events specified at paragraphs (i) to (iii) (inclusive) above, the company has agreed, as soon as reasonably practicable after the occurrence of such event, to give notice to holders of the class A1 notes in accordance with the terms and conditions of the notes of the occurrence of such event and, where applicable, of the amount which is payable to the holders of the class A1 notes (the "Premium Payment Notice"). If an amount is required to be paid to holders of the class A1 notes, as described at paragraphs (ii) or (iii) above, the company has agreed to pay the relevant amount to the holders of the class A1 notes on the later of (i) the Redemption Date; and (ii) the date falling 10 business days after the date of the Premium Payment Notice (the 'Premium Payment Date'), with interest calculated up to, but excluding, the Premium Date (where the latter falls after the Redemption Date).

The release by the note trustee of the Security held by it over the Released Property was made on the condition that the Borrower placed the Note Premium Escrow Amount with the Note Premium Escrow Agent on the terms of the Escrow Documents referred to and summarised above.

On 20 June 2014, the company also entered into a transaction with, inter alios, Canary Wharf Finance (Investments) Limited ('CWFIL'). Canary Wharf Holdings Limited ('CWHL') and the Borrower whereby (i) CWFIL released the company from its obligations under the class B3 notes and class C2 notes held by CWFIL immediately prior to the Redemption Date having the principal amount outstanding of £26,101,000 and £35,338,000, respectively (the 'Cancelled Notes'), and (ii) the Cancelled Notes were subsequently cancelled.

In connection with such cancellation, the company: (i) paid consideration for the release (the 'Release Consideration') to CWHL; (ii) effected partial termination of the swap transactions entered into in respect of the Cancelled Notes and made a payment of the associated termination amounts totalling £17,875,000 to Barclays Bank plc in its capacity as the swap counterparty; and (iii) partially released the Borrower from its obligations under the loans corresponding to the Cancelled Notes by reducing the principal amount outstanding thereunder by £26,101,000 and £35,338,000, respectively (the 'Borrower Loan Release'), such partial release being in consideration for the payment by the Borrower of an amount equal to the aggregate of the Release Consideration and the amounts required to be paid by the company to the swap counterparty in connection with the termination of the swap transactions as described in (ii) above. Such payment by the Borrower was financed, ultimately, by a subordinated loan made by Canary Wharf Limited to CWCB Finance II Limited.

At 31 December 2014, £58,339,000 of D2 notes were held by a fellow subsidiary undertaking. These notes remain in issue and have not been cancelled.

The securitisation has 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 its lease. AIG has posted £225.2m as cash collateral in respect of this obligation. The annual fee payable in respect of the above arrangement currently totals £1.8m.

The company also has the benefit of a £300.0m liquidity facility provided by Lloyds, under which drawings may be made in the event of a cash flow shortage under the securitisation. This facility is renewable annually.

At 31 December 2014 the securitised debt comprised the following:

Tranche	Principal	Market value	Interest	Effective interest	Repayment
	£m	£m			
A1	356.2	445.8	6.455%	6.151%	By instalment 2009-2033
A3	400.0	510.8	5.952%	5.814%	By instalment 2032-2037
A7	222.0	199.8	Floating	5.298%	January 2035
B	169.3	206.6	6.800%	6.409%	By instalment 2005-2033
B3	77.9	69.7	Floating	5.435%	January 2035
C2	239.7	213.3	Floating	6.059%	January 2035
D2	125.0	105.0	Floating	6.743%	January 2035
	1,590.1	1,751.0			

At 31 December 2013 the securitised debt comprised the following:

Tranche	Principal	Market value	Interest	Effective interest	Repayment
	£m	£m			
A1	983.4	1,178.3	6.455%	6.151%	By instalment 2009-2033
A3	400.0	480.3	5.952%	5.816%	By instalment 2032-2037
A7	222.0	184.3	Floating	5.298%	January 2035
B	176.3	209.6	6.800%	6.415%	By instalment 2005-2033
B3	104.0	84.2	Floating	5.435%	January 2035
C2	275.0	220.0	Floating	6.059%	January 2035
D2	125.0	98.8	Floating	6.743%	January 2035
	2,285.7	2,455.5			

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

Interest on the floating rate notes is at three month LIBOR plus a margin. The margins on the notes are: A7 notes - 0.19% increasing to 0.475% in January 2017; B3 notes - 0.28% per annum, increasing to 0.7% per annum in January 2017; C2 notes - stepped up from 0.55% to 1.375% per annum on 23 April 2014; and D2 notes - stepped up from 0.84% to 2.1% per annum on 23 April 2014.

All of the notes are hedged by means of interest rate swaps and the hedged rates plus the margin are: A7 notes - 5.1135%; B3 notes - 5.1625%; C2 notes - 6.2666%; and D2 notes - 7.0605%.

The effective interest rates include adjustments for the hedges, the issue premium and the step up in rates in 2017.

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:

	31 December 2014	31 December 2013
	£	£
Within one year	97,621,671	172,459,579
In one to two years	98,308,273	173,936,160
In two to five years	298,322,790	531,443,157
In five to ten years	474,640,900	845,101,020
In ten to twenty years	674,485,679	1,492,003,689
In twenty to thirty years	671,088,445	929,624,422
	2,314,467,758	4,144,568,027
Comprising:		
Principal repayments	1,590,138,520	2,285,659,080
Interest repayments	724,329,238	1,858,908,947
	2,314,467,758	4,144,568,027

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 2014 was 16.0 years (2013: 14.7 years). The debentures may be redeemed at the option of the company in an aggregate amount of not less than £1,000,000 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 2014 was 6.2% (2013: 6.2%).

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 2014 the fair value of these derivatives resulted in the recognition of a net liability of £325,578,611 (2013: £191,443,661). Of this net liability £154,447,659 (2013: £98,838,303) was in respect of interest rate swaps which qualify for hedge accounting and £171,130,952 (2013: £92,605,358) was in respect of interest rate swaps which do not qualify for hedge accounting.

At 31 December 2014, there were hedges on certain of the notes as follows:

			Fair Value	
Hedge type		Swap rate	31 December 2014	31 December 2013
		£	£	
Highly effective hedges:				
B3	interest rate swap	4.883%	(37,794,763)	(27,012,409)
C2	interest rate swap	4.892%	(116,652,896)	(71,825,894)
			(154,447,659)	(98,838,303)
Hedges not designated highly effective:				
A7	interest rate swap	4.924%	(108,978,971)	(58,777,514)
D2	interest rate swap	4.960%	(62,151,981)	(33,827,844)
			(171,130,952)	(92,605,358)

The fair values of the derivative financial instruments have been determined by reference to market values provided by the relevant counter party and have been classified as level 2, as defined in accordance with FRS 29 Financial Instruments: Disclosures.

The terms of the derivative financial instruments correlate with the terms of the financial instruments to which they relate. Consequently the cash flows and effect on profit or loss are expected to arise over the term of the financial instrument set out above.

The following table shows the undiscounted cash (inflows) and outflows in relation to the company's derivative financial instruments based on the company's prediction of future movements in interest rates.

	31 December 2014 £	31 December 2013 £
Within one year	28,522,505	31,211,714
In one to two years	26,521,685	27,435,724
In two to five years	65,432,671	49,225,168
In five to ten years	93,885,693	40,398,592
In ten to twenty years	157,859,082	67,757,610
In twenty to thirty years	3,489,368	11,747,164
	375,711,004	227,775,972

Changes in interest rates would primarily affect the market value of derivative financial instruments. These changes would impact on the profit and loss account for those derivatives which are not designated as being in effective hedging relationships and would impact the reserves for those derivatives which are highly effective. A 0.5% parallel shift in the interest rate curve used to value the derivatives, with all other variables held constant, would have the following impact:

	31 December 2014 £	31 December 2013 £
0.5% increase in interest rates		
Impact on profit and loss account	34,854,727	29,107,950
Impact on hedging reserve	31,782,358	31,664,095
Impact on net assets	66,637,085	60,772,045
0.5% decrease in interest rates		
Impact on profit and loss account	(38,215,555)	(31,984,041)
Impact on hedging reserve	(34,849,765)	(34,796,051)
Impact on net assets	(73,065,320)	(66,780,092)

The 0.5% sensitivity has been selected based on the directors' view of a reasonable interest rate curve movement assumption.

The impact on the net assets of the company arises because all of the company's borrowings are subject to interest rate swaps, which are carried at valuation in the balance sheet and all of its loans to fellow subsidiary undertakings are at fixed rate, and carried at amortised cost.

12. PROVISION FOR LIABILITIES

On 22 July 2014, the company partially redeemed class A1 notes in the amount of £577,900,000. On 20 June 2014, an amount of £587,344,365, being the principal amount to be redeemed under the notes together with £9,444,365 of interest due on 22 July 2014, was transferred to a bank account designated for this purpose.

Following the partial redemption of the class A1 notes, the company is preparing an application to court for a declaration as to whether an early redemption premium is payable to the class A1 note holders. The company has made a provision of £173,541,915 at 31 December 2014 in respect of this potential premium, being an amount of £168,746,800 plus interest at 6.455% per annum.

13. CALLED-UP SHARE CAPITAL

Allotted, called up and fully paid:

	31 December 2014	31 December 2013
	£	£
50,000 ordinary shares of £1 each	50,000	50,000

14. RESERVES

	Hedging reserve	**Profit and loss account**	**Total**
	£	£	£
At 1 January 2014	(90,840,161)	(96,280,061)	(187,120,222)
Loss for the year	–	(76,101,847)	(76,101,847)
Fair value movement on effective hedging instruments	(88,671,624)	–	(88,671,624)
Interest paid on effective hedging instruments	33,062,268	–	33,062,268
Hedge reserve recycling	(785,139)	–	(785,139)
Termination of hedge accounting	(1,263,188)	–	(1,263,188)
At 31 December 2014	(148,497,844)	(172,381,908)	(320,879,752)

The hedge reserve recycling relates to the B2 and C1 interest rate swaps, for which the hedging instruments have been novated but the forecast transactions to which they relate are still expected to occur.

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT

	31 December 2014 £	31 December 2013 £
Opening shareholders' deficit	(187,070,222)	(282,270,367)
(Loss)/profit for the year	(76,101,847)	47,599,284
Fair value movement on effective hedging instruments	(88,671,624)	31,905,094
Interest paid on effective hedging instruments	33,062,268	16,582,190
Hedge reserve recycling	(785,139)	(886,423)
Termination of hedge accounting	(1,263,188)	–
Closing shareholders' deficit	(320,829,752)	(187,070,222)

16. POST BALANCE SHEET EVENTS

On 4 December 2014, Stork Holdings Limited, an entity jointly owned by Qatar Investment Authority and Brookfield Properties Partners LP announced the terms of a final cash offer for the acquisition of the entire issued and to be issued ordinary share capital of Songbird Estates plc, the company's ultimate parent undertaking, at £3.50 per ordinary share. The offer became wholly unconditional on 5 February 2015. Having obtained more than 90.0% of the issued share capital Stork Holdings Limited then announced a compulsory acquisition of Songbird Estates plc shares in respect of which acceptances of the offer had not been received.

The offer becoming unconditional triggered a mandatory cash offer for the issued and to be issued ordinary share capital of Canary Wharf Group plc at a price of £6.45 per share and the subsequent compulsory acquisition process of the Canary Wharf Group plc shares in respect of which acceptances of the offer had not been received.

The compulsory purchase periods lasted until 17 April 2015, at which time the shares were compulsorily purchased on the same terms as the original offers.

17. CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS

As at 31 December 2014 and 31 December 2013 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.

18. ULTIMATE PARENT UNDERTAKING AND RELATED PARTY TRANSACTIONS

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

As at 31 December 2014, the smallest group of which the company is a member and for which group financial statements are drawn up is the consolidated financial statements of Canary Wharf Group plc. The largest group of which the company is a member for which group financial statements are drawn up is the consolidated financial statements of Songbird Estates plc, the ultimate parent undertaking and controlling party. Copies of the financial statements of both companies may be obtained from the Company Secretary, One Canada Square, Canary Wharf, London E14 5AB.

The directors have taken advantage of the exemption in paragraph 3(c) of FRS 8 allowing the company not to disclose related party transactions with respect to other wholly-owned group companies.