CANARY WHARF GROUP PLC

CANARY WHARF FINANCE II PLC

Registered number: 03929593

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

CANARY WHARF FINANCE II PLC

CONTENTS

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

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 Canary Wharf Group Investment Holdings plc (formerly Songbird Estates plc).

On 4 December 2014, Stork Holdings Limited, an entity jointly owned by Qatar Investment Authority and Brookfield Property 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 remaining Canary Wharf Group Investment Holdings 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 2015, the company had £1,560.8m (2014 - £1,590.1m) of notes listed on the London Stock Exchange and had lent the proceeds to a fellow subsidiary undertaking, CW Lending II Limited ('the Borrower'), under a loan agreement ('the Intercompany Loan Agreement'). The notes are secured on a pool of properties at Canary Wharf, owned by fellow subsidiary undertakings, and the rental income therefrom.

The securitisation has the benefit of an agreement with AIG which covers the rent in the event of a default by the tenant of 33 Canada Square over the entire term of its lease. AIG has posted £209.4 million as cash collateral in respect of this obligation.

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

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	A-

STRATEGIC REPORT (continued)

As shown in the company's income statement, the company's proft before tax for the year was £22.8m (2014 - loss of £76.1m). This profit included an unrealised fair value gain on derivative financial instruments and hedge reserve recycling, net of deferred tax, of £22.6m (2014 - loss of £77.7m). The 2014 results were impacted by certain exceptional items relating to the cancellation of £61.4m of floating rate notes on 20 June 2014 and the partial redemption of £577.9m of class A1 notes on 22 July 2014. Such exceptional items resulted in a net gain of £1.3m. There were no such items in the current year. Excluding the fair value gain on derivative financial instruments, hedge reserve recycling and the prior year exceptional items, the profit for the year was £0.2m (2014 - £0.3m).

The Statement of Financial Position indicates that net liabilities were £226.3m (2014 - £255.7m).

The movement in the financial position of the company is primarily due to the impact of the fair value of derivative financial instruments, derived by reference to the market values provided by the relevant counter parties. The corresponding adjustment to fair value of other held to maturity financial instruments are not reflected in the financial statments.

Adjusting for the effects of the underlying fair value of financial instruments, the net asset value of the company at 31 December 2015 was as follows:

	2015	2014 As restated
	£M	£M
Net liabilities per Statement of Financial Position	(226.3)	(255.7)
Add back: Effects of fair value of derivative financial instruments	282.0	325.6
Less: Deferred tax thereon	(50.8)	(65.1)
Adjusted NAV	4.9	4.8

KEY PERFORMANCE INDICATORS

	2015	2014
	£M	£M
Securitised debt	1,560.8	1,590.1
Financing cost (before adjustment for fair value)	93.9	115.4
Adjusted profit before tax and fair value adjustment	0.2	0.3
Weighted average maturity of debt	15.3 years	16.0 years
Weighted average interest rate	6.2%	6.2%

The adjusted profit before tax comprises the profit on ordinary activities before tax of £22.8m (2014 - loss of £76.1m) adjusted for the exceptional items and the fair value of financial instruments shown in Note 6, totalling £22.6m (2014 - loss of £76.4m).

FUTURE DEVELOPMENTS

On 28 January 2016, the Ccourt determined that an amount equivalent to spens was payable on the redemption in July 2014 of £577.9m of A1 Notes. Further details are provided in Note 15.

STRATEGIC REPORT (continued)
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

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

Transaction Accounting

All derivatives are required to be measured on balance sheet at fair value (mark-to-market).

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 income statement 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.

STRATEGIC REPORT (continued)
PRINCIPAL RISKS AND UNCERTAINTIES

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

Cyclical nature of the property market

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

Changes in financial and property markets are kept under constant review so that the Group can react appropriately and tailor the business plans of the Group 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 2015 valuations of the properties upon which the company's notes are secured, the LMCTV ratio at the interest payment date in January 2016 was 47.3%. 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).

STRATEGIC REPORT (continued)
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. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

At 31 December 2015 the company had a deficit of £226.3m attributable solely to the fair value of its derivative financial instruments and deferred tax thereon. The company recognises the fair value of its derivative financial instruments in the balance sheet. In the event that the company were to realise the fair value of the derivative financial instruments, it would have the right to recoup its losses as a repayment premium on its loans to CW Lending II Limited. The standard does not permit this potential asset to be accounted for in conjunction with the hedges.

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

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

This report was approved by the board on 28 April 2016 and signed on its behalf.

A P Anderson II
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present their report and the financial statements for the year ended 31 December 2015.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £15.2m (2014 - loss of £ 60.8m).

No dividends have been paid or proposed in the year (2014 - £NIL).

DIRECTORS

The directors who served during the year were:

A Aluthman Fakhroo (appointed 18 March 2015)
A P Anderson II
R Clark (appointed 13 February 2015, resigned 18 March 2015)
J R Garwood (alternative director to Sir George Iacobescu CBE)
J Haick (appointed 18 March 2015)
P Harned (resigned 13 February 2015)
Sir George Iacobescu CBE
R J J Lyons (alternative director to A P Anderson II)

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 2015 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.

FUTURE DEVELOPMENTS

Details of the company's future developments are set out in the Strategic Report.

FINANCIAL INSTRUMENTS

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

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015
DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

POST BALANCE SHEET EVENTS

On 28 January 2016, the Court determined that an amount equivalent to spens was payable on the redemption in July 2014 of £577.9m of A1 Notes. Further details are provided in Note 15.

This report was approved by the board on 28 April 2016 and signed on its behalf.

J R Garwood
Secretary

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

The directors are responsible for preparing the Strategic Report, the Directors' 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", give a true and fair view of the assets, liabilities, financial position and loss of the company;
- 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; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to access the company's performance, business model and strategy.

Signed on behalf of the board by:

A P Anderson II
Director
28 April 2016

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 2015, which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 Directors' Responsibilities Statement, 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 2015 and of its profit 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 MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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

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

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 2016

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	Year ended 31 December 2015 £M	Year ended 31 December 2014 As restated £M
Interest receivable before exceptional items		94.1	115.7
Exceptional items:			
Premium on repayment of loan by fellow subsidiary undertaking		-	8.4
Accrued premium on repayment of loan by fellow subsidiary undertaking		10.9	173.5
Adjustment to issue amortisation		-	(15.6)
Interest payable and similar charges before exceptional items		(71.3)	(193.1)
Exceptional Items:			
Discount on cancellation of notes		-	9.5
Adjustment to issue premium amortisation		-	15.6
Provision for premium on repayment of class A1 notes		(10.9)	(173.5)
Discontinuation of prospective hedge accounting		-	1.3
Swap breakage fees		-	(17.9)
Profit/(Loss) Before Tax		22.8	(76.1)
Tax on profit/(loss)	7	(7.6)	15.3
Profit/(loss) for the year		15.2	(60.8)

The notes on pages 15 to 33 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	Year ended 31 December 2015 £M	Year ended 31 December 2014 As restated £M
Profit/(loss) for the financial year	15.2	(60.8)
Other comprehensive income		
Fair value movement on effective hedging instruments	21.6	(55.6)
Hedge reserve recycling and termination of hedge reserve recycling	(0.7)	(2.0)
Tax relating to components of other comprehensive items	(6.7)	11.5
Other comprehensive income for the year	14.2	(46.1)
Total comprehensive income for the year	29.4	(106.9)

CANARY WHARF FINANCE II PLC
REGISTERED NUMBER:03929593

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Note	2015 £M	As restated 2014 £M
Current assets			
Debtors: amounts falling due after more than one year	8	1,628.5	1,674.6
Debtors: amounts falling due within one year	8	234.1	223.6
Cash at bank and in hand	9	25.1	2.7
		1,887.7	1,900.9
Creditors: amounts falling due within one year	10	(69.8)	(48.0)
Net current assets		1,817.9	1,852.9
Total assets less current liabilities		1,817.9	1,852.9
Creditors: amounts falling due after more than one year	11	(1,859.8)	(1,935.1)
Provisions for liabilities			
Other provisions	15	(184.4)	(173.5)
		(184.4)	(173.5)
Net liabilities		(226.3)	(255.7)
Capital and reserves			
Called up share capital	17	0.1	0.1
Hedging reserve	16	(104.6)	(118.8)
Profit and loss account	16	(121.8)	(137.0)
		(226.3)	(255.7)

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28 April 2016.

A P Anderson II
Director

The notes on pages 15 to 33 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2015

	Share capital	Hedging reserve	Retained earnings	Total equity
	£M	£M	£M	£M
At 1 January 2015	0.1	(118.8)	(137.0)	(255.7)
Profit for the year	-	-	15.2	15.2
Movement in deferred tax asset on derivatives	-	(6.7)	-	(6.7)
Fair value movement on effective hedging instruments	-	21.6	-	21.6
Hedge reserve recycling and termination of hedge recycling	-	(0.7)	-	(0.7)
Other comprehensive income for the year	-	14.2	-	14.2
Total comprehensive income for the year	-	14.2	15.2	29.4
At 31 December 2015	0.1	(104.6)	(121.8)	(226.3)

STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2014

	Share capital	Hedging reserve	Retained earnings	Total equity
	£M	£M	£M	£M
At 1 January 2014 (as previously stated)	0.1	(148.5)	(172.4)	(320.8)
Prior year adjustment	-	75.8	96.2	172.0
At 1 January 2014 (as restated)	0.1	(72.7)	(76.2)	(148.8)
Loss for the year	-	-	(60.8)	(60.8)
Movement in deferred tax asset on derivatives	-	11.5	-	11.5
Fair value movement on effective hedging instruments	-	(55.6)	-	(55.6)
Hedge reserve recycling and termination of hedge recycling	-	(2.0)	-	(2.0)
Other comprehensive income for the year	-	(46.1)	-	(46.1)
Total comprehensive income for the year	-	(46.1)	(60.8)	(106.9)
At 31 December 2014 as restated	0.1	(118.8)	(137.0)	(255.7)

The notes on pages 15 to 33 form part of these financial statements.

1. ACCOUNTING POLICIES

1.1 General Information

Canary Wharf Finance II Plc is a English Limited Company registered at One Canada Square, Canary Wharf, London, E14 5AB.

The nature of the company's operations and its principal activities are set out in the Strategic Report.

1.2 Basis of preparation of financial statements

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

Information on the impact of first-time adoption of FRS 102 is given in Note 21.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 2).

The principal accounting policies are summarised below.

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

At 31 December 2015 the company had a deficit of £226.3m attributable solely to the fair value of its derivative financial instruments and deferred tax thereon. The company recognises the fair value of its derivative financial instruments in the balance sheet. In the event that the company were to realise the fair value of the derivative financial instruments, it would have the right to recoup its losses as a repayment premium on its loans to CW Lending II Limited. The standard does not permit this potential asset to be accounted for in conjunction with the hedges.

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

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

1.4 Cash flow

The company has taken the exemption from preparing the cash flow statement under Section 1.12(b) as it is a member of a group where the parent of the group prepares publicly available consolidated accounts which are intended to give a true and fair view.

1. ACCOUNTING POLICIES (continued)

1.5 Financial Instruments

Trade and other receivables

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.

Loans receivable

Loans receivable are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, loans receivable are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the Income Statement over the period of the loan, using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, deposits held with banks and other short term highly liquid investments with original maturities of 3 months or less, which are held for the purpose of meeting short term cash commitments.

Trade and other payables

Trade and other creditors are stated at cost.

Borrowings

Loans payable are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, loans payable are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the Income Statement over the period of the loan, using the effective interest method.

Derivative instruments

The company uses interest rate derivatives to help manage its risks of changes in interest rates. The Company does not hold or issue derivatives for trading purposes.

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 on-going basis. The effectiveness testing is re-performed at each balance sheet date to ensure that the hedge remains highly effective.

The changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in other comprehensive income. The changes in the fair value of derivative financial instruments that are designated and effective as fair value hedges are recognised against the item being hedged. The changes in the fair value of any ineffective portions of hedges or undesignated financial instruments are recognised in the profit and loss account.

If a 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 over the same period in which the hedged item affects net profit or loss.

1. ACCOUNTING POLICIES (continued)

Hedge accounting is discontinued when the company revokes the hedging relationship, the hedging 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 until the forecast transaction occurs. If the hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period.

1.6 Provisions

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.

Provision is made for the present value of the net commitments in relation to leasehold properties where there is a shortfall in the rental income receivable over the rent and other costs payable.

1.7 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.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of timing difference. Deferred tax relating to investment property is measured using the tax rates and allowances that apply to the sale of the asset.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expenses or income.

2. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Derivative financial instruments

The fair values of derivative financial instruments are provided by counter party financial institutions. Consistent with International Accounting Standards, the value provided is then reduced for the company's own credit risk, in the case of credit balances, and for the counterparty's credit risk, in the case of debit balances. These adjustments are calculated by using a calculation tool provided by Bloomberg.

At 31 December 2015 the fair value of derivative financial instruments totalled £282.0m (2014 - £325.6m).

3. AUDITOR'S REMUNERATION

	2015 £	2014 £
Audit fees for the audit of the company	-	9,000.0
	-	9,000.0
Fees to the auditor for other services	6,585.0	6,520.0
	6,585.0	6,520.0

Auditor's remuneration of £9,000 (2014 - £NIL) for the audit of the company has been borne by another group undertaking.

4. EMPLOYEES

The company has no employees other than the directors, who did not receive any remuneration (2014 - £NIL).

5. INTEREST RECEIVABLE

	2015 £M	2014 £M
Interest receivable from group companies	94.1	115.7
Exceptional interest receivable	10.9	166.3
	105.0	282.0

Exceptional items

	2015 £M	2014 £M
Premium on repayment of loan by fellow subsidiary undertaking	-	8.4
Accrued premium on repayment of loan by fellow subsidiary undertaking	10.9	173.5
Adjustment to issue premium amortisation	-	(15.6)
	10.9	166.3

On 20 June 2014, the loan to a fellow subsidiary undertaking was part repaid to fund the cancellation of certain floating rate notes. A net repayment premium of £8.4m was charged to cover the net cost of cancelling the debt.

An additional amount of £10.9m (2014 - £173.5m) 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 £15.6m being taken to the income statement on 20 June 2014. This was treated as an exceptional item.

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2015 £M	2014 £M
Other loan interest payable	71.3	193.1
Exceptional interest payable	10.9	165.0
	82.2	358.1

Exceptional items		
Discount on cancellation of notes	-	(9.5)
Adjustment to issue premium amortisation	-	(15.6)
Provision for premium on repayment of class A1 notes	10.9	173.5
Discontinuation of prospective hedge accounting	-	(1.3)
Swap breakage fees	-	17.9
	10.9	165.0

Other loan interest payable consists of the following:

	2015 £M	2014 £M
Interest payable on securitised debt (Note 12)	93.9	115.4
Fair value adjustments on derivative financial instruments	(21.9)	78.5
Hedge reserve recycling	(0.7)	(0.8)
	71.3	193.1

The company has provided for £10.9m (2014 - £173.5m) in respect of the potential premium payable to the holders of the class A1 notes following the partial redemption on 22 July 2014.

The partial redemption of the class A1 notes on 20 June 2014 gave rise to an adjustment to the amortisation profile of the premium received on issue of the notes, resulting in £15.6m being taken to the income statement. This was treated as an exceptional item.

On 20 June 2014, an intermediate parent undertaking assumed the company's obligations in respect of £26.1m of class B3 notes and £35.3m of class C2 notes, which were held by a fellow subsidiary undertaking. These notes were then cancelled. The company paid consideration of £51.9m together with accrued interest of £0.1m. The profit on disposal of the notes of £9.5m was taken to the income statement 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 £17.9m. This amount was taken to the income statement and treated as an exceptional item.

Included in the interest payable on securitised debt is £0.5m (2014 - £1.6m) payable in respect of notes held by a fellow subsidiary undertaking. On 27 April 2015, the fellow subsidiary undertaking sold these notes back to the market.

7. TAXATION

	2015 £M	As restated 2014 £M
Deferred tax		
Revaluation of derivatives	7.6	(15.3)
Total deferred tax	7.6	(15.3)
Taxation on profit/(loss) on ordinary activities	7.6	(15.3)

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is different to the standard rate of corporation tax in the UK of 20.25% (2014 - 21.5%). The differences are explained below:

	2015 £M	As restated 2014 £M
Profit/(loss) on ordinary activities before tax	22.8	(76.1)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014 - 21.5%)	4.6	(16.3)
Effects of:		
Utilisation of tax losses	(0.3)	-
Adjustments to tax charge in respect of prior periods	0.2	-
Non-taxable income	-	(2.0)
Unrelieved tax losses carried forward	-	1.6
Other differences leading to an increase (decrease) in the tax charge	0.1	0.3
Changes in tax rate	3.0	1.1
Total tax charge for the year	7.6	(15.3)

At 31 December 2015, there was an unprovided deferred tax asset of £1.1m (2014 - £1.6m), calculated by reference to losses of £6.1m (2014 - £7.8m) at the future tax rate of 18% (2014 - 20%).

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The tax rate of 20.25% has been calculated by reference to the current corporation tax rate of 20% which was in effect for the final three quarters of the year and the previous rate of 21% which was in effect for the first quarter of the year.

8. DEBTORS

	2015 £M	2014 £M
Due after more than one year		
Amounts owed by group undertakings	1,577.7	1,609.5
Deferred tax asset (Note 14)	50.8	65.1
	1,628.5	1,674.6

	2015 £M	As restated 2014 £M
Due within one year		
Amounts owed by group undertakings	48.9	49.3
Other debtors	185.2	174.3
	234.1	223.6

Amounts owed by group undertakings comprise:

	2015 £M	2014 £M
At 1 January	1,638.8	2,354.4
Amortisation of issue premium	(2.1)	(19.0)
Accrued financing expenses	(0.3)	(1.1)
Repaid in the year	(29.3)	(695.5)
	1,607.1	1,638.8

	2015 £M	2014 £M
Loan to fellow subsidiary undertaking due after more than one year	1,577.8	1,609.5
Loan to fellow subsidiary undertaking due within one year	29.3	29.3
	1,607.1	1,638.8
Accrued interest on loan to fellow subsidiary undertaking	18.1	18.5
Other amounts owed by fellow subsidiaries	1.4	1.5
	1,626.6	1,658.8

Other amounts owed by group undertakings are non-interest bearing.

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

	Interest	Effective interest	Repayment	2015 £M	2014 £M
A1	6.465%	6.160%	By instalment 2009-2033	333.8	356.2
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	162.4	169.3
B3	5.173%	6.444%	January 2035	77.9	77.9
C2	6.276%	6.068%	January 2035	239.7	239.7
D2	7.071%	6.751%	January 2035	125.0	125.0
				1,560.8	1,590.1
Unamortised premium				23.7	25.9
Accrued financing costs				22.5	22.8
				1,607.0	1,638.8

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 12. A net repayment premium of £8.4m was charged to cover the net cost of cancelling the debt.

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 2015 was £1,961.4m (2014 - £2,076.6m), 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:

	2015 £M	2014 £M
Within one year	124.6	126.3
In one to two years	123.1	124.9
In two to five years	358.6	364.2
In five to ten years	559.5	569.1
In ten to twenty years	1,399.8	833.2
In twenty to thirty years	-	674.6
	2,565.6	2,692.3

	2015 £M	2014 £M
Comprising:		
Principal repayments	1,560.8	1,590.1
Interest repayments	1,004.8	1,102.2
	2,565.6	2,692.3

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.

9. CASH AND CASH EQUIVALENTS

	2015 £M	2014 £M
Unrestricted cash balances	2.9	2.7
Held as collateral for derivatives (Note 10)	22.2	-
	25.1	2.7

The cash at bank is held as cash collateral for the company's borrowings, earns interest at floating rates linked to bank deposit rates and has a term of one month or less.

10. CREDITORS: Amounts falling due within one year

	2015 £M	2014 £M
Securitised debt (Note 12)	47.6	48.0
Other creditors	22.2	-
	69.8	48.0

The amount of the securitised debt due within one year comprises £18.3m (2014 - £18.7m) of interest and £29.3m (2014 - £29.3m) of capital.

On 23 June 2015, the Company received £22.2m from Barclays Capital as cash collateral for its obligations as swap provider under the B3 and C2 interest rate swaps, following the downgrade of the bank’s credit rating from A to A-.

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

	2015 £M	2014 £M
Securitised debt (Note 12)	1,577.8	1,609.5
Derivative financial instruments (Note 13)	282.0	325.6
	1,859.8	1,935.1

12. SECURITISED DEBT

The amounts at which borrowings are stated comprise:

	2015 £M	2014 £M
Brought forward	1,638.8	2,354.4
Repaid in the year	(29.3)	(695.5)
Amortisation of issue premium	(2.1)	(19.0)
Accrued financing expenses	(0.3)	(1.1)
	1,607.1	1,638.8

	2015 £M	2014 £M
Payable within one year or on demand	29.3	29.3
Payable after more than one year	1,577.8	1,609.5
	1,607.1	1,638.8

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 over the life of the relevant notes. At 31 December 2015 £23.7m (2014 - £25.9m) remained unamortised.

At 31 December 2015 there were accrued financing costs of £22.5m (2014 - £22.8m) relating to future increases in margins as described below.

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

£58.3m of D2 notes were held by a fellow subsidiary undertaking until 23 April 2015 when they were re-sold back to the market.

The securitisation continues to have the benefit of an arrangement with AIG which covers the rent in the event of a default by the tenant of 33 Canada Square over the entire term of the lease. At 31 December 2015, AIG had posted £209.4m as cash collateral in respect of this obligation.

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

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 £577.9m in respect of class A1 notes. Details of the court proceedings engaged in by the company following this disposal and redemption are set out in Note 15.

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At 31 December 2015 the securitised debt comprised the following:

Tranche	Principal £M	Market value £M	Interest	Effective interest	Repayment
A1	333.8	405.6	6.455%	6.151%	By instalment 2009-2033
A3	400.0	479.8	5.952%	5.814%	By instalment 2032-2037
A7	222.0	194.3	Floating	5.298%	January 2035
B	162.4	201.7	6.800%	6.409%	By instalment 2005-2033
B3	77.9	68.9	Floating	5.435%	January 2035
C2	239.7	215.7	Floating	6.059%	January 2035
D2	125.0	113.4	Floating	6.743%	January 2035
	1,560.8	1,679.4			

At 31 December 2014 the securitised debt comprised the following:

Tranche	Principal £M	Market value £M	Interest	Effective interest	Repayment
A1	356.2	445.8	6.455%	6.150%	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	5.434%	January 2035
C2	239.7	213.3	Floating	6.058%	January 2035
D2	125.0	105	Floating	6.741%	January 2035
	1,590.1	1,751.0			

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% per annum increasing to 0.475% per annum in January 2017; B3 notes - 0.28% per annum, increasing to 0.7% per annum in January 2017; C2 notes - 1.375% per annum; and D2 notes - 2.1% per annum.

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:

	2015 £M	2014 £M
Within one year	96.1	97.6
In one to two years	97.9	98.3
In two to five years	294.9	298.3
In five to ten years	472.0	474.6
In ten to twenty years	1,245.6	674.5
In twenty to thirty years	-	671.1
	2,206.5	2,314.4

	2015 £M	2014 £M
Comprising		
Principal repayments	1,560.8	1,590.1
Interest repayments	645.7	724.3
	2,206.5	2,314.4

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 2015 was 15.3 years (2014 - 16.0 years). The debentures may be redeemed at the option of the company in an aggregate amount of not less than £1m 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 2015 was 6.2% (2014 - 6.2%).

Details of the derivative financial instruments are set out in Note 13.

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

13. 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 2015 the fair value of these derivatives resulted in the recognition of a net liability of £282.0m (2014 - £325.6m). Of this net liability £132.8m (2014 - £154.5m) was in respect of interest rate swaps which qualify for hedge accounting and £149.2m (2014 - £171.1m) was in respect of interest rate swaps which do not qualify for hedge accounting.

At 31 December 2015, there were hedges on certain of the notes as follows:

Hedge type	Swap rate	2015 Fair value £M	2014 Fair value £M
Highly effective hedges:			
B3 interest rate swap	4.883%	(31.4)	(37.8)
C2 interest rate swap	4.892%	(101.4)	(116.7)
		(132.8)	(154.5)
Hedges not designated highly effective			
A7 interest rate swap	4.924%	(92.4)	(109.0)
D2 interest rate swap	4.960%	(56.8)	(62.1)
		(149.2)	(171.1)

The fair value of derivative financial instruments have been determined by reference to market values provided by the relevant counter party.

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

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.

	2015 £M	2014 £M
Within one year	28.4	28.5
In one to two years	24.9	26.5
In two to five years	63.3	65.4
In five to ten years	86.9	93.9
In ten to twenty years	153.4	157.9
In twenty to thirty years	-	3.5
	356.9	375.7

Changes in interest rates would primarily affect the market value of derivative financial instruments. These changes would impact on the income statement 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:

	2015 £M	2014 £M
0.5% increase in interest rates		
Impact on Income Statement	32.8	34.9
Impact on hedging reserve	29.8	31.8
Impact on net assets	62.6	66.7

	2015 £M	2014 £M
0.5% decrease in interest rates		
Impact on Income Statement	(35.8)	(38.2)
Impact on hedging reserve	(32.6)	(34.9)
Impact on net assets	(68.4)	(73.1)

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.

14. DEFERRED TAXATION

	Deferred tax £M
At 1 January 2015	65.1
Charged to the profit or loss	(7.6)
Charged to other comprehensive income	(6.7)
At 31 December 2015	50.8

The deferred tax asset is made up as follows:

	2015 £M	As restated 2014 £M
Derivative financial instruments	50.8	65.1
	50.8	65.1

15. PROVISIONS

	Redemption premium £M
At 1 January 2015	173.5
Charged to the profit or loss	10.9
At 31 December 2015	184.4

The company has provided £184.4m at 31 December 2015 for the potential liability to pay a premium to the A1 Noteholders following the redemption of the A1 Notes in July 2014

On 22 July 2014, the company redeemed £577.9m in aggregate principal amount of the class A1 notes. The Securitisation Trustee indicated to the Company that it was unclear to the Securitisation Trustee as to whether or not a premium of £168.7m (being an amount equivalent to any spens which might be payable on redemption under the Note conditions) should have been paid to the holders of the A1 Notes in connection with the redemption. The company as issuer made an application to the Court for a declaration as to whether or not, on a true construction of the Note conditions and other relevant contractual documentation, the premium is payable to the noteholders.

The court hearing was in July 2015. On 28 January 2016 judgement was delivered which held that an amount equivalent to spens was payable on redemption under the Note conditions and should therefore be paid to the holders of the A1 Notes. Following a further decision by the Judge not to allow an appeal against this decision, the company is now applying to the Court of Appeal for leave to appeal against this judgement.

The company agreed to place on deposit with the Escrow Agent an amount equal to the premium. The Escrow Agent will hold the premium in escrow (together with interest thereon) until either:

(i) a final court order is made in relation to whether or not the premium is payable in relation to the redemption;
(ii) the company and the Securitisation Trustee agree on an amount payable in relation to the redemption; or
(iii) the company and the noteholders agree on an amount payable in relation to the redemption.

Depending on which of these conditions is satisfied, the Escrow Agent will release funds back to the company for payment to the A1 noteholders.

A provision for the premium of £168.7m, together with interest of £4.8m up to 31 December 2014, and a further £10.9m in 2015 has been recognised in the Income Statement as an exceptional item.

16. RESERVES

The hedging reserve contains the accumulated fair value movements of derviative financial instruments while they are part of an effective cashflow hedge.

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.

17. SHARE CAPITAL

	2015 £	2014 £
Allotted, called up and fully paid		
50,000 Ordinary shares shares of £1 each	50,000	50,000

18. CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS

As at 31 December 2015 and 31 December 2014 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 12.

19. POST BALANCE SHEET EVENTS

On 28 January 2016, the Court determined that an amount equivalent to spens was payable on the redemption in July 2014 of £577.9m of A1 Notes. Further details are provided in Note 15.

20. CONTROLLING PARTY

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

As at 31 December 2015, 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 Investment Holdings plc. Copies of the financial statements may be obtained from the Company Secretary, One Canada Square, Canary Wharf, London E14 5AB.

The largest group of which the company is a member for which group financial statements are drawn up is the consolidated financial statements of Stork HoldCo LP, an entity registered in Bermuda and the ultimate parent undertaking and controlling party.

Stork HoldCo LP is controlled as to 50% by Brookfield Property Partners LP and as to 50% by Qatar Investment Authority.

The directors have taken advantage of the exemption in paragraph 102.33.1A of FRS 102 allowing the Company not to disclose related party transactions with respect to other wholly-owned group companies.

NOTES TO THE FINANCIAL STATEMENTS
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21. FIRST TIME ADOPTION OF FRS 102

	Note	As previously stated 1 January 2014 £M	Effect of transition 1 January 2014 £M	FRS 102 (as restated) 1 January 2014 £M	As previously stated 31 December 2014 £M	Effect of transition 31 December 2014 £M	FRS 102 (as restated) 31 December 2014 £M
Current assets	1	2,385.2	38.3	2,423.5	1,835.8	65.1	1,900.9
Creditors: amounts falling due within one year		(91.5)	-	(91.5)	(48.0)	-	(48.0)
Net current assets		2,293.7	38.3	2,332.0	1,787.8	65.1	1,852.9
Total assets less current liabilities		2,293.7	38.3	2,332.0	1,787.8	65.1	1,852.9
Creditors: amounts falling due after more than one year		(2,480.8)	-	(2,480.8)	(1,935.1)	-	(1,935.1)
Provisions for liabilities		-	-	-	(173.5)	-	(173.5)
Net liabilities		(187.1)	38.3	(148.8)	(320.8)	65.1	(255.7)
Capital and reserves		(187.1)	38.3	(148.8)	(320.8)	65.1	(255.7)

21. FIRST TIME ADOPTION OF FRS 102 (continued)

	Note	As previously stated 2014 £M	Effect of transition 2014 £M	FRS 102 (as restated) 2014 £M
Interest receivable and similar income		282.0	-	282.0
Interest payable and similar charges		(358.1)	-	(358.1)
Taxation	1	-	15.3	15.3
Loss on ordinary activities after taxation and for the financial year		(76.1)	15.3	(60.8)

Explanation of changes to previously reported profit and equity:

1 Under previous GAAP, deferred tax was not recognised on the timing differences arising as a result of the periodic revaluation of derivative financial instruments. Under FRS 102, these timing differences give rise to deferred tax assets.