**CANARY WHARF FINANCE II PLC**
16 SEPTEMBER 2019

**PUBLICATION OF THE HALF YEARLY FINANCIAL REPORT FOR THE 6 MONTHS ENDED 30 JUNE 2019**

Pursuant to sections 4.1 and 6.3.5 of the Disclosure and Transparency Rules, the board of Canary Wharf Finance II plc is pleased to announce the publication of its half yearly financial report for the 6 months ended 30 June 2019, which will shortly be available from https://group.canarywharf.com/investors/canary-wharf-finance-ii-plc/.

The information contained within this announcement, which was approved by the board of directors on 16 September 2019, does not comprise statutory accounts within the meaning of the Companies Act 2006 and is provided in accordance with section 6.3.5(2)(b) of the Disclosure and Transparency Rules.

In compliance with the Listing Rule 9.6.1, a copy of the 30 June 2019 half yearly financial report will be submitted to the UK Listing Authority via the National Storage Mechanism and will shortly be available to the public for inspection at www.hemscott.com/nsm.do.

Dated: 16 September 2019

**Contact for queries:**

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## INTERIM MANAGEMENT STATEMENT

This interim management statement relates to the 6 months ended 30 June 2019 and contains information that covers the period from 1 January 2019 to 16 September 2019, the date of publication of this interim management statement.

## BUSINESS REVIEW

The company is a subsidiary of Canary Wharf Group plc and its ultimate parent undertaking is Stork HoldCo LP, an entity registered in Bermuda.

The company is a finance vehicle that issues securities which are backed by commercial mortgages over properties within the Canary Wharf estate. The company is engaged in the provision of finance to the Canary Wharf group, comprising Canary Wharf Group plc and its subsidiaries ('the group'). All activities take place within the United Kingdom.

At 30 June 2019, the company had £1,458,175,120 (31 December 2018 – £1,472,837,720) of notes listed on the London Stock Exchange and had lent the proceeds to a fellow subsidiary undertaking, CW Lending II Limited ('the Borrower') under a loan agreement ('the Intercompany Loan Agreement'). The notes are secured on a pool of properties at Canary Wharf, owned by fellow subsidiary undertakings, and the rental income therefrom.

### Results for the period

As shown in the company's Income Statement, the company's loss after tax for the 6 month period was £14,236,411 (period ended 30 June 2018 – profit of £15,932,230).

This loss included an unrealised fair value loss on derivative financial instruments and hedge reserve recycling of £17,237,858 (period ended 30 June 2018 – profit of £15,860,835). Excluding the fair value gain movement on derivative financial instruments and hedge reserve recycling, the profit for the period was £71,011 (period ended 30 June 2018 – £71,395).

The balance sheet shows the company's financial position at the period end and indicates that net liabilities were £284,749,209 (31 December 2018 – £258,130,841).

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.

In adopting FRS 102, the company elected to apply IAS 39 (Financial Instruments: Recognition and Measurement).

IAS 39 requires recognition of the mark to market of derivative financial instruments, which hedge the company's exposure to interest rate fluctuations. However, the mark to market of the company's debtor loan and securities debt has not been recognised.

**INTERIM MANAGEMENT STATEMENT (Continued)**

Adjusting for the effects of IAS 39 and the deferred tax arising, the underlying net asset value of the company at 30 June 2019 was as follows:

| Audited 31 December 2018 £ | | **Unaudited 30 June 2019 £** | Unaudited 30 June 2018 £ |
|---|---|---|---|
| (258,130,841) | Net liabilities per balance sheet | **(284,749,209)** | (252,078,810) |
| 317,338,975 | Add back: Effects of IAS 39 (Note 8) | **349,494,853** | 309,950,654 |
| (53,947,625) | Less: Deferred tax thereon (Note 4) | **(59,414,124)** | (52,691,613) |
| 5,260,509 | Adjusted net assets | **5,331,520** | 5,180,231 |

| Audited 31 December 2018 £ | | **Unaudited 30 June 2019 £** | Unaudited 30 June 2018 £ |
|---|---|---|---|
| 1,472,837,720 | Securitised debt | **1,458,175,120** | 1,487,500,320 |
| 88,467,105 | Financing cost (before adjustments for IAS 39) | **43,360,243** | 44,268,319 |
| 151,674 | Adjusted profit before tax and IAS 39 | **71,011** | 71,395 |
| 13.1 years | Weighted average maturity of debt | **12.7 years** | 13.5 years |
| 6.1% | Weighted average interest rate | **6.1%** | 6.1% |

The adjusted profit before tax comprises the loss on ordinary activities before tax of £17,166,847 (30 June 2018 – £19,180,834) adjusted for the IAS 39 items listed in Note 3 totalling a gain of £17,237,858 (30 June 2018 – £19,109,439).

There have been no significant events since the balance sheet date.

**GOING CONCERN**

The directors are required to prepare the financial statements for each financial period 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 30 June 2019 the company had a deficit of £284,749,209 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.

**INTERIM MANAGEMENT STATEMENT (Continued)**

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.

**PRINCIPAL RISKS AND UNCERTAINTIES**

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

**Cyclical nature of the property market**

The valuation of the 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 depreciation of sterling since the EU referendum and the continuing presence of overseas investors attracted by the relative transparency of the real estate market in London which is 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, in particular the changes to stamp duty on residential property market 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 held on 23 June 2016 are also not yet clear. In the meantime, 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 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 is reflected in movements in inflation, interest rates and bond yields.

**INTERIM MANAGEMENT STATEMENT (Continued)**

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') ration covenant.

The maximum LMCTV ratio is 100.0%. Based on the 30 June 2019 valuations of the properties upon which the company's notes are secured, the LMCTV ratio at the interest payment date in July 2019 was 44.4%. 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).

**DIRECTOR'S RESPONSIBILITY STATEMENT**

The board of directors, comprising A P Anderson II, Sir George Iacobescu CBE, J R Garwood (alternate director to Sir George Iacobescu CBE), Sheikh Khalifa Al–Thani who replaced A A Aluthman Fakhroo as a director of the company on 9 August 2018, R J J Lyons (alternate director to A P Anderson II) and Z B Vaughan who replaced B Brown as a director of the company on 26 June 2018, confirms to the best of its knowledge that:

- the condensed set of financial statements which has been prepared in accordance with the applicable set of accounting standards give a true and fair view of the assets, liabilities, financial position and profit or loss of the company as required by Rule 4.2.4 of the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority (the 'DTRs'); and

- the interim management statement includes a fair review of the information required by Rule 4.2.7 of the DTRs (indication of important events during the first 6 months and description of principal risks and uncertainties for the remaining 6 months of the year).

**INCOME STATEMENT**
**for the 6 months ended 30 June 2019**

| Audited year ended 31 December 2018 £ | | Note | **Unaudited 6 months ended 30 June 2019 £** | Unaudited 6 months ended 30 June 2018 £ |
|---|---|---|---|---|
| (9,949) | Administrative expenses | | **(8,952)** | (8,244) |
| (9,949) | **OPERATING LOSS** | | **(8,952)** | (8,244) |
| 88,628,728 | Interest receivable | 2 | **43,440,206** | 44,347,958 |
| (72,952,862) | Interest payable | 3 | **(60,598,101)** | (25,158,880) |
| 15,665,917 | **(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION** | | **(17,166,847)** | 19,180,834 |
| (2,637,422) | Tax on (loss)/profit on ordinary activities | 4 | **2,930,436** | (3,248,604) |
| 13,028,495 | **LOSS ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE PERIOD/YEAR** | | **(14,236,411)** | 15,932,230 |

All amounts relate to continuing activities in the United Kingdom.

The Notes numbered 1 – 9 form an integral part of this Half Yearly Financial Report.

The Half Yearly Financial Report for the 6 month ended 30 June 2019 was approved by the Board of Directors on 16 September 2019.

**STATEMENT OF COMPREHENSIVE INCOME**
**for the 6 months ended 30 June 2019**

| Audited year ended 31 December 2018 £ | | **Unaudited 6 months ended 30 June 2019 £** | Unaudited 6 months ended 30 June 2018 £ |
|---|---|---|---|
| 13,028,495 | Loss for the financial period/year | **(14,236,411)** | 15,932,230 |
| (1,261,159) | Fair value movement on effective hedging instruments | **(21,055,135)** | 8,786,205 |
| 13,545,855 | Interest paid on effective hedging instruments | **6,408,434** | 7,011,567 |
| (568,790) | Hedge reserve recycling | **(271,319)** | (288,740) |
| (1,991,704) | Tax relating to components of other comprehensive income | **2,536,063** | (2,636,534) |
| 9,724,202 | Other comprehensive income for the period/year | **(12,381,957)** | 12,872,498 |
| 22,752,697 | Total comprehensive income for the period/year | **(26,618,368)** | 28,804,728 |

The Notes numbered 1 – 9 form an integral part of this Half Yearly Financial Report.

**STATEMENT OF FINANCIAL POSITION**
**as at 30 June 2019**

| Audited 31 December 2018 £ | | Note | **Unaudited 30 June 2019 £** | Unaudited 30 June 2018 £ |
|---|---|---|---|---|
| | **CURRENT ASSETS** | | | |
| | Debtors | 5 | | |
| 1,534,802,943 | Amounts falling due after one year | | **1,524,052,313** | 1,549,800,559 |
| 48,763,858 | Amounts falling due within one year | | **48,352,235** | 48,681,414 |
| 3,161,839 | Cash at bank | 6 | **3,218,677** | 3,100,111 |
| 1,586,728,640 | | | **1,575,623,225** | 1,601,582,084 |
| (46,665,187) | **CREDITORS: Amounts falling due within one year** | 7 | **(46,239,391)** | (46,601,294) |
| 1,540,063,453 | **NET CURRENT ASSETS** | | **1,529,383,834** | 1,554,980,790 |
| 1,540,063,453 | **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **1,529,383,834** | 1,554,980,790 |
| (1,798,194,294) | **CREDITORS: Amounts falling due after more than one year** | 8 | **(1,814,133,043)** | (1,807,059,600) |
| (258,130,841) | **NET LIABILITIES** | | **(284,749,209)** | (252,078,810) |
| | **CAPITAL AND RESERVES** | | | |
| 50,000 | Called up share capital | | **50,000** | 50,000 |
| (122,050,010) | Hedging reserve | | **(134,431,967)** | (118,901,714) |
| (136,130,831) | Retained earnings | | **(150,367,242)** | (133,227,096) |
| (258,130,841) | **SHAREHOLDER'S DEFICIT** | | **(284,749,209)** | (252,078,810) |

The Notes numbered 1 – 9 form an integral part of this Half Yearly Financial Report.

**STATEMENT OF CHANGES IN EQUITY**
**for the 6 months ended 30 June 2019**

| | Called up share capital £ | Hedging reserve £ | Retained earnings £ | Total £ |
|---|---|---|---|---|
| At 1 January 2018 | 50,000 | (131,774,212) | (149,159,326) | (280,883,538) |
| Profit for the period | – | – | 15,932,230 | 15,932,230 |
| Other comprehensive income | – | 12,872,498 | – | 12,872,498 |
| Total comprehensive income | – | 12,872,498 | 15,932,230 | 28,804,728 |
| At 30 June 2018 | 50,000 | (118,901,714) | (133,227,096) | (252,078,810) |
| Loss for the period | – | – | (2,903,735) | (2,903,735) |
| Other comprehensive loss | – | (3,148,296) | – | (3,148,296) |
| Total comprehensive loss | – | (3,148,296) | (2,903,735) | (6,052,031) |
| At 31 December 2018 | 50,000 | (122,050,010) | (136,130,831) | (258,130,841) |
| Loss for the period | – | – | (14,236,411) | (14,236,411) |
| Other comprehensive income | – | (12,381,957) | – | (12,381,957) |
| Total comprehensive income | – | (12,381,957) | (14,236,411) | (26,618,368) |
| At 30 June 2019 | 50,000 | (134,431,967) | (150,367,242) | (284,749,209) |

The Notes numbered 1 – 9 form an integral part of this Half Yearly Financial Report.

**NOTES TO THE INTERIM REPORT**
**for the 6 months ended 30 June 2019**

## 1. ACCOUNTING POLICIES

The statutory accounts have been prepared in accordance with Financial Reporting Standard (FRS) 102 “The Financial Report Standard applicable in the UK and Republic of Ireland”. Accordingly, this condensed set of financial statements has been prepared in accordance with FRS 104 “Interim Financial Reporting”.

The accounting policies applied in the preparation of this Interim Report are consistent with those that will be adopted in the statutory accounts for the year ending 31 December 2019. The full accounting policies of the company, set out in the 2018 statutory accounts, have been applied in preparing this Interim Report.

The financial information relating to the 6 months ended 30 June 2019 and 30 June 2018 is unaudited.

The results for the year ended 31 December 2018 are not the company’s statutory accounts. A copy of the statutory accounts for the year has been delivered to the Registrar of Companies. The auditor’s report on those accounts was not qualified, did not contain any reference to any matters which the auditor drew attention by way of emphasis without qualifying the report and did not contain statements under Section 498(2) or (3) of the Companies Act 2006.

In accordance with FRS 102, the company will be exempt from presentation of cash flow statement in its next annual financial statements as it will be included in the consolidated financial statements of Canary Wharf Group Investing Holdings plc, and accordingly the company has taken an equivalent exemption in preparing these condensed interim financial statements.

**NOTES TO THE INTERIM REPORT**
**for the 6 months ended 30 June 2019 (Continued)**

## 2. INTEREST RECEIVABLE AND SIMILAR INCOME

| Audited year ended 31 December 2018 £ | | **Unaudited 6 months ended 30 June 2019 £** | Unaudited 6 months ended 30 June 2018 £ |
|---|---|---|---|
| 11,158 | Bank interest receivable | **7,340** | 4,116 |
| 88,617,570 | Interest receivable from group undertakings | **43,432,866** | 44,343,842 |
| 88,628,728 | | **43,440,206** | 44,347,958 |

## 3. INTEREST PAYABLE AND SIMILAR CHARGES

| Audited year ended 31 December 2018 £ | | **Unaudited 6 months ended 30 June 2019 £** | Unaudited 6 months ended 30 June 2018 £ |
|---|---|---|---|
| 88,467,105 | Interest payable on securitised debt (Note 8) | **43,360,243** | 44,268,319 |
| (14,945,453) | Fair value adjustments on derivative financial instruments | **17,509,177** | (18,820,699) |
| (568,790) | Hedge reserve recycling | **(271,319)** | (288,740) |
| 72,952,862 | | **60,598,101** | 25,158,880 |

Unrealised fair value gains or losses on derivative financial instruments which do not qualify for hedge accounting are recognised in the Income Statement (Note 8).

**NOTES TO THE INTERIM REPORT**
**for the 6 months ended 30 June 2019 (Continued)**

## 4. TAXATION

| Audited year ended 31 December 2018 £ | | **Unaudited 6 months ended 30 June 2019 £** | Unaudited 6 months ended 30 June 2018 £ |
|---|---|---|---|
| | **Tax charge** | | |
| – | Current tax chargeable to income | **–** | – |
| (2,637,422) | Deferred tax | **2,930,436** | (3,248,604) |
| (2,637,422) | | **2,930,436** | (3,248,604) |
| | **Tax reconciliation** | | |
| 15,665,917 | (Loss)/profit on ordinary activities before taxation | **(17,166,847)** | 19,180,834 |
| (2,976,524) | Tax on (loss)/profit at UK corporation tax rate | **3,261,701** | (3,644,358) |
| | Effects of: | | |
| 310,284 | Changes in tax rates | **(344,757)** | 382,188 |
| 28,818 | Group relief | **13,492** | 13,565 |
| (2,637,422) | | **2,930,436** | (3,248,604) |

**Deferred tax**

| Audited year ended 31 December 2018 £ | | **Unaudited 6 months ended 30 June 2019 £** | Unaudited 6 months ended 30 June 2018 £ |
|---|---|---|---|
| 58,576,751 | Brought forward | **53,947,625** | 58,576,751 |
| (2,637,422) | (Charge)/credit to profit and loss account | **2,930,436** | (3,248,604) |
| (1,991,704) | (Charge)/credit to other comprehensive income | **2,536,063** | (2,636,534) |
| 53,947,625 | | **59,414,124** | 52,691,613 |

**NOTES TO THE INTERIM REPORT**
**for the 6 months ended 30 June 2019 (Continued)**

## 5. DEBTORS

| Audited 31 December 2018 £ | | **Unaudited 30 June 2019 £** | Unaudited 30 June 2018 £ |
|---|---|---|---|
| | Due within one year: | | |
| 46,613,637 | Loan to fellow subsidiary undertaking | **46,177,842** | 46,541,742 |
| 2,150,221 | Amounts owed by fellow subsidiary undertakings | **2,174,393** | 2,139,672 |
| 48,763,858 | | **48,352,235** | 48,681,414 |
| | Due after more than one year: | | |
| 53,947,625 | Deferred tax | **59,414,124** | 52,691,613 |
| 1,480,855,318 | Loan to fellow subsidiary undertaking | **1,464,638,189** | 1,497,108,946 |
| 1,534,802,943 | | **1,524,052,313** | 1,549,800,559 |

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

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

The amount of the loan due within one year comprises £16,852,642 (31 December 2018 – £17,288,437) of interest and £29,325,200 (31 December 2018 – £29,325,200) of capital.

The carrying values of debtors due within one year also represent their fair values. The fair value of the loans to fellow subsidiary undertakings at 30 June 2019 was £1,977,860,892 (31 December 2018 – £1,911,950,529), 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.

## 6. CASH AT BANK

| Audited 31 December 2018 £ | | **Unaudited 30 June 2019 £** | Unaudited 30 June 2018 £ |
|---|---|---|---|
| 3,161,839 | Unrestricted cash balances | **3,218,677** | 3,100,111 |
| 3,161,839 | Cash at bank | **3,218,677** | 3,100,111 |

**NOTES TO THE INTERIM REPORT**
**for the 6 months ended 30 June 2019 (Continued)**

## 7. CREDITORS: Amounts falling due within one year

| Audited 31 December 2018 £ | | **Unaudited 30 June 2019 £** | Unaudited 30 June 2018 £ |
|---|---|---|---|
| 46,665,187 | Securitised debt (Note 8) | **46,230,439** | 46,593,050 |
| – | Accruals and deferred income | **8,952** | 8,244 |
| 46,665,187 | | **46,239,391** | 46,601,294 |

The amount of the securitised debt due within one year comprises £16,905,239 (31 December 2018 – £17,339,987) of interest and £29,325,200 (31 December 2018 – £29,325,200) of capital.

## 8. CREDITORS: Amounts falling after more than one year

| Audited 31 December 2018 £ | | **Unaudited 30 June 2019 £** | Unaudited 30 June 2018 £ |
|---|---|---|---|
| 1,480,855,319 | Securitised debt | **1,464,638,190** | 1,497,108,946 |
| 317,338,975 | Derivative financial instruments | **349,494,853** | 309,950,654 |
| 1,798,194,294 | | **1,814,133,043** | 1,807,059,600 |

The amounts at which borrowings are stated comprise:

| Audited 31 December 2018 £ | | **Unaudited 30 June 2019 £** | Unaudited 30 June 2018 £ |
|---|---|---|---|
| 1,542,698,896 | Brought forward | **1,510,180,519** | 1,542,698,896 |
| (29,325,200) | Repaid in period | **(14,662,600)** | (14,662,600) |
| (1,959,965) | Amortisation of issue premium | **(942,991)** | (990,612) |
| (1,233,212) | Accrued financing expenses | **(611,538)** | (611,538) |
| 1,510,180,519 | Carried forward | **1,493,963,390** | 1,526,434,146 |
| 29,325,200 | Payable within one year or on demand | **29,325,200** | 29,325,200 |
| 1,480,855,319 | Payable after more than one year | **1,464,638,186** | 1,497,108,946 |
| 1,510,180,519 | | **1,493,963,386** | 1,526,434,146 |

**NOTES TO THE INTERIM REPORT**
**for the 6 months ended 30 June 2019 (Continued)**

The company's securitised debt was issued in tranches, with notes of classes A1, A3, A7, B, B3, C2 and D2 remaining outstanding. The class A1, A3 and B notes were issued at a premium which is being amortised to the income statement on a straight line basis over the life of the relevant notes. At 30 June 2019 £16,588,970 (31 December 2018 – £17,531,961) remained unamortised.

At 30 June 2019, there were accrued financing costs of £19,199,299 (31 December 2018 – £19,810,837) relating to increases in margins as described below.

The notes are secured on 6 properties at Canary Wharf, owned by fellow subsidiary undertakings, and the rental income stream therefrom.

The securitised debt has a face value on 30 June 2019 of £1,458,175,120 (31 December 2018 – £1,472,837,720), of which £793,614,120 (31 December 2018 – £808,276,720 carries fixed rates of interest between 5.95% and 6.8%. The other £664,561,000 (31 December 2018 – £664,561,000) of the securitised debt carries floating rates of interest at LIBOR plus a margin. The company uses interest rate swaps to hedge exposure to the variability in cash flows on floating rate debt caused by movements in market rates of interest. The hedged rates of the floating notes, including the margins, are between 5.30% and 6.74%.

The fair value of the securitised debt at 30 June 2019 was £1,628,366,039 (31 December 2018 – £1,594,611,554). At 30 June 2019, the fair value of the interest rate derivatives resulted in the recognition of a liability of £349,494,853 (31 December 2018 – £317,338,975). Of this liability, £165,163,014 was in respect of interest rate swaps which qualify for hedge accounting (31 December 2018 – £150,516,313) and £184,331,839 was in respect of interest rate swaps which do not qualify for hedge accounting (31 December 2018 – £166,822,662).

The securitisation continues to have the benefit of an arrangement with AIG which covers the rent in the event of a default by the tenant of 33 Canada Square over the entire term of the lease. At 30 June 2019, AIG had posted £146,580,235 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.

## 9. CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS

As at 30 June 2019 and 31 December 2018, 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 8.