

CANARY WHARF FINANCE II PLC
29 APRIL 2016

PUBLICATION OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED
31 DECEMBER 2015

The board of Canary Wharf Finance II plc is pleased to announce the publication of its annual financial report for the year ended 31 December 2015, which will shortly be available from www.canarywharf.com/Investor Relations.

The information contained within this announcement, which was approved by the board of directors on 28 April 2016, does not comprise statutory accounts within the meaning of the Companies Act 2006 and is provided in accordance with the Disclosure and Transparency Rules.

A copy of the 31 December 2015 annual financial report will be submitted to the UK Listing Authority via the National Storage Mechanism and will shortly be available to the public for inspection at www.hemscott.com/nsm.do.

Dated: 29 April 2016

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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-

As shown in the company's income statement, the company's profit 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 statements.

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
	£M	As restated £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	<u>4.9</u>	<u>4.8</u>

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 3, totalling £22.6m (2014 - loss of £76.4m).

FUTURE DEVELOPMENTS

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 12.

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.

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).

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.

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

		Year ended 31 December 2015	Year ended 31 December 2014 As restated
	Note	£M	£M
Interest receivable before exceptional items	2	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	3	(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)	4	(7.6)	15.3
Profit/(loss) for the year		<u>15.2</u>	<u>(60.8)</u>

The notes numbered 1 to 17 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	<u>29.4</u>	<u>(106.9)</u>

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	5	1,628.5	1,674.6
Debtors: amounts falling due within one year	5	234.1	223.6
Cash at bank and in hand	6	25.1	2.7
		<u>1,887.7</u>	<u>1,900.9</u>
Creditors: amounts falling due within one year	7	(69.8)	(48.0)
		<u>1,817.9</u>	<u>1,852.9</u>
Net current assets			
		<u>1,817.9</u>	<u>1,852.9</u>
Total assets less current liabilities			
Creditors: amounts falling due after more than one year	8	(1,859.8)	(1,935.1)
Provisions for liabilities			
Other provisions	12	(184.4)	(173.5)
		<u>(184.4)</u>	<u>(173.5)</u>
Net liabilities			
		<u><u>(226.3)</u></u>	<u><u>(255.7)</u></u>
Capital and reserves			
Called up share capital	14	0.1	0.1
Hedging reserve	13	(104.6)	(118.8)
Profit and loss account		(121.8)	(137.0)
		<u>(226.3)</u>	<u>(255.7)</u>

The notes numbered 1 to 17 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2015

	Share capital £M	Hedging reserve £M	Retained earnings £M	Total equity £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	<u>0.1</u>	<u>(104.6)</u>	<u>(121.8)</u>	<u>(226.3)</u>

STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2014

	Share capital £M	Hedging reserve £M	Retained earnings £M	Total equity £M
At 1 January 2014 (as previously stated)	0.1	(90.8)	(96.3)	(187.1)
Prior year adjustment	-	18.2	20.1	38.3
At 1 January 2014 (as restated)	<u>0.1</u>	<u>(72.7)</u>	<u>(76.2)</u>	<u>(148.8)</u>
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	<u>0.1</u>	<u>(118.8)</u>	<u>(137.0)</u>	<u>(255.7)</u>

The notes numbered 1 to 17 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES

1.1 General Information

Canary Wharf Finance II Plc is an 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

This announcement does not constitute the company's statutory accounts for the year ended 31 December 2015 but is derived from those accounts. The statutory accounts for the year ended 31 December 2015 will be delivered to the Registrar of Companies following the company's annual general meeting. The auditors have reported on those accounts and their report was unqualified, did not contain a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain statements under sections 498(2) or (3) of the Companies Act 2006.

This announcement has been prepared on the basis of the accounting policies set out in the company's financial statements for the year ended 31 December 2015 which are prepared 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 17.

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.

2. INTEREST RECEIVABLE

	2015 £M	2014 £M
Interest receivable from group companies	94.1	115.7
Exceptional interest receivable	10.9	166.3
	<u>105.0</u>	<u>282.0</u>
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 premium amortisation	-	(15.6)
	<u>10.9</u>	<u>166.3</u>

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.

3. INTEREST PAYABLE AND SIMILAR CHARGES

	2015 £M	2014 £M
Other loan interest payable	71.3	193.1
Exceptional interest payable	10.9	165.0
	<u>82.2</u>	<u>358.1</u>
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
	<u>10.9</u>	<u>165.0</u>
Other loan interest payable consists of the following:		
	2015 £M	2014 £M
Interest payable on securitised debt	93.9	115.4
Fair value adjustments on derivative financial instruments	(21.9)	78.5
Hedge reserve recycling	(0.7)	(0.8)
	<u>71.3</u>	<u>193.1</u>

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.

4. TAXATION

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

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	<u>22.8</u>	<u>(76.1)</u>
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	<u>7.6</u>	<u>(15.3)</u>

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.

5. DEBTORS

	2015 £M	2014 £M
Due after more than one year		
Amounts owed by group undertakings	1,577.8	1,609.5
Deferred tax asset	50.8	65.1
	<u>1,628.6</u>	<u>1,674.6</u>

	2015 £M	As restated 2014 £M
Due within one year		
Amounts owed by group undertakings	48.8	49.3
Other debtors	185.2	174.3
	<u>234.0</u>	<u>223.6</u>

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)
	<u>1,607.1</u>	<u>1,638.8</u>

	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
	<u>1,607.1</u>	<u>1,638.8</u>
Accrued interest on loan to fellow subsidiary undertaking	18.1	18.5
Other amounts owed by fellow subsidiaries	1.4	1.5
	<u>1,626.6</u>	<u>1,658.8</u>

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
				<u>1,560.8</u>	<u>1,590.1</u>
Unamortised premium				23.8	25.9
Accrued financing costs				22.5	22.8
				<u>1,607.1</u>	<u>1,638.8</u>

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 9. 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
	<u>2,565.6</u>	<u>2,692.3</u>
	2015 £M	2014 £M
Comprising:		
Principal repayments	1,560.8	1,590.1
Interest repayments	1,004.8	1,102.2
	<u>2,565.6</u>	<u>2,692.3</u>

6. CASH AND CASH EQUIVALENTS

	2015 £M	2014 £M
Unrestricted cash balances	2.9	2.7
Held as collateral for derivatives	22.2	-
	<u>25.1</u>	<u>2.7</u>

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.

7. CREDITORS: Amounts falling due within one year

	2015 £M	2014 £M
Securitised debt	47.6	48.0
Other creditors	22.2	-
	<u>69.8</u>	<u>48.0</u>

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-.

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

	2015 £M	2014 £M
Securitised debt	1,577.8	1,609.5
Derivative financial instruments	282.0	325.6
	<u>1,859.8</u>	<u>1,935.1</u>

9. 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)
	<u>1,607.1</u>	<u>1,638.8</u>

	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
	<u>1,607.1</u>	<u>1,638.8</u>

The company's securitised debt was issued in tranches, with notes of classes A1, A3, A7, B, B3, C2 and D2 remaining outstanding. The 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 12.

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
	<u>1,560.8</u>	<u>1,679.4</u>			

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	105.0	Floating	6.741%	January 2035
	<u>1,590.1</u>	<u>1,751.0</u>			

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

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 10.

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

10. DERIVATIVE FINANCIAL INSTRUMENTS

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.

The fair values 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.

11. 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	<u><u>50.8</u></u>

The deferred tax asset is made up as follows:

	2015	As restated 2014
	£M	£M
Derivative financial instruments	50.8	65.1
	<u><u>50.8</u></u>	<u><u>65.1</u></u>

12. PROVISIONS

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

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.

13. RESERVES

The hedging reserve contains the accumulated fair value movements of derivative 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.

14. SHARE CAPITAL

	2015 £	2014 £
Allotted, called up and fully paid		
50,000- Ordinary shares shares of £1 each	<u>50,000</u>	<u>50,000</u>

15. 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 9.

16. 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 12.

17. 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		<u>2,293.7</u>	<u>38.3</u>	<u>2,332.0</u>	<u>1,787.8</u>	<u>65.1</u>	<u>1,852.9</u>
Total assets less current liabilities		<u>2,293.7</u>	<u>38.3</u>	<u>2,332.0</u>	<u>1,787.8</u>	<u>65.1</u>	<u>1,852.9</u>
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		<u>(187.1)</u>	<u>38.3</u>	<u>(148.8)</u>	<u>(320.8)</u>	<u>65.1</u>	<u>(255.7)</u>
Capital and reserves		<u>(187.1)</u>	<u>38.3</u>	<u>(148.8)</u>	<u>(320.8)</u>	<u>65.1</u>	<u>(255.7)</u>

	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		<u>(76.1)</u>	<u>15.3</u>	<u>(60.8)</u>

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.