CANARY WHARF
GROUP PLC

CANARY WHARF FINANCE II PLC
23 SEPTEMBER 2021

PUBLICATION OF THE HALF YEARLY FINANCIAL REPORT FOR THE 6 MONTHS ENDED 30 JUNE 2021

Pursuant to sections 4.2 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 2021, which will shortly be available from https:group.canarywharf.com/about-us/investors/canary-wharf-finance-ii-plc.

The information contained within this announcement, which was approved by the board of directors on 23 September 2021, 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 2021 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.fca.org.uk/markets/primary-markets/regulatory-disclosures/national-storage-mechanism.

Dated: 23 September 2021

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INTERIM MANAGEMENT STATEMENT

This interim management statement relates to the 6 months ended 30 June 2021 and contains information that covers the period from 1 January 2021 to 23 September 2021, 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 2021, the company had £1,399,524,721 (31 December 2020 – £1,414,187,321) of notes listed on the London Stock Exchange and had lent the proceeds to a fellow subsidiary undertaking, CW Lending II Limited ('the Borrower') under a loan agreement ('the Intercompany Loan Agreement'). The notes are secured on a pool of properties at Canary Wharf, owned by fellow subsidiary undertakings, and the rental income therefrom.

Results for the period

As shown in the company's Income Statement, the company's loss after tax for the 6 month period was £4,929,325 (period ended 30 June 2020 – loss of £4,940,024).

This loss included hedge reserve recycling recognised in the Income Statement of £4,987,552 (period ended 30 June 2020 – loss of £4,969,727 including fair value adjustments). Including the hedge reserve recycling recognised in other comprehensive income the profit for the period was £58,227 (period ended 30 June 2020 – £29,703).

The balance sheet shows the company's financial position at the period end and indicates that net assets were £5,526,752 (31 December 2020 – £5,468,525).

The weighted average maturity of the company's securitised debt is 11.2 years (31 December 2020 – 11.6 years). The weighted average interest rate of the securitised debt is 6.1% (31 December 2020 – 6.1%).

In the opinion of the Board, these Financial Statements enable shareholders to make an informed assessment of the results and activities of the company for the period ended 30 June 2021.

PRINCIPAL RISKS AND UNCERTAINTIES

The risks and uncertainties facing the business are monitored through continuous assessment, regular formal 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 Group and allocates specific day to day monitoring and control responsibilities as appropriate. As a member of Canary Wharf Group, the current key risks of the company include the ongoing impact of COVID–19, the cyclical nature of the property market, concentration risk and financing risk.

COVID–19

Since early 2020, the UK economy has been significantly impacted by the COVID–19 virus which has caused widespread disruption and economic uncertainty. The return to lockdown in January 2021 and the extension to the end of lockdown restrictions in July 2021 has continued this uncertainty but the positive news around rollout of vaccines and the recent opening up of the economy has improved the outlook.

While the pandemic has had minimal impact on office rental income where approximately 99.0% of invoiced rent has been collected, retail rental income was 37.9% lower than the equivalent period in 2019 after adjusting for the impact of granting short term concessions to retail tenants to support them through the lockdowns.

The valuation of the charged properties has been resilient notwithstanding the pandemic.
While there remains a risk of future falls in valuation, it is not anticipated that this will lead to covenant breaches of the securitisation secured against its office properties as the rental income stream from these properties is predominantly secured against tenants with strong covenants.

Cyclical nature of the property market

The valuation of the company and Group's assets are subject to many other external economic and market factors. In recent years, the London real estate market has had to cope with fluctuations in demand caused by key events such as the 2008/2009 financial crisis, uncertainty in the Eurozone and the implications of the UK's withdrawal from the EU. The full impact of the coronavirus is not yet possible to predict. Any long-term continuation of the pandemic will however inevitably affect short and medium term economic performance and confidence, with adverse implications for the property market. The real estate market has to date, however, been assisted by the depreciation of sterling since the EU referendum and the continuing presence of overseas investors attracted by the relative transparency of the real estate market in London which is still viewed as both relatively stable and secure. Previous Government announcements, in particular the changes to stamp duty underpinned continuing demand in the residential market and the value of the Group's development sites. Property valuations for office properties let on long leases to good covenants have remained relatively strong despite continuing economic uncertainties which are unhelpful to confidence across the wider real estate sector.

Concentration risk

The Group's real estate assets are currently located on or adjacent to the Estate. Although a majority of tenants have traditionally been linked to the financial services industry, this proportion has now fallen to around only 50.0% of tenants. Wherever possible steps are still taken to mitigate or avoid material consequences arising from this concentration.

Although the focus of the Group has been on and around the Estate, where value can be added the Group will also consider opportunities elsewhere. The Group is involved as construction manager and joint development manager in the joint venture with Qatari Diar to redevelop the Shell Centre in London's South Bank. The Group has also reviewed current consents for development to react to changes in the market. This review has led to an increased focus on the residential build to rent sector as reflected in the composition of the master plan for the mixed use development at Wood Wharf.

Financing risk

The broader economic cycle inevitably leads to movements in inflation, interest rates and bond yields. The company has borrowing at floating and fixed rates of interest. Where required the company uses derivative financial instruments to manage exposure to interest rate fluctuations. No derivatives are entered into for speculative purposes.

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 30 June 2021 valuations of the properties upon which the company's notes are secured, the LMCTV ratio at the interest payment date in July 2021 was 43.7%. The securitisation is not subject to a minimum interest coverage ratio. A breach of certain financial covenants can be remedied by depositing eligible investments (including cash).

DIRECTOR'S RESPONSIBILITY STATEMENT

The board of directors, comprising Sheikh Khalifa Al–Thani, Theodor Berklayd (appointed 7 June 2021), Sir George Iacobescu CBE, Shoaib Z Khan, Katy J Kingston (appointed as an alternate director to Shoaib Z Khan 28 April 2021), Russell J J Lyons (resigned as an alternate director to Shoaib Z Khan 28 April 2021), Justin Turner, Zachary B Vaughan (resigned 7 June 2021) and Rebecca J Worthington (appointed 28 April 2021), 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 2021

Audited year ended 31 December 2020 £		Note	**Unaudited 6 months ended 30 June 2021 £**	Unaudited 6 months ended 30 June 2020 £
(14,007)	Administrative expenses		**(11,460)**	(8,952)
(14,007)	**OPERATING LOSS**		**(11,460)**	(8,952)
84,994,689	Interest receivable	2	**41,610,913**	42,579,800
(94,857,959)	Interest payable	3	**(46,528,778)**	(47,510,872)
(9,877,277)	**LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION**		**(4,929,325)**	(4,940,024)
–	Tax on loss on ordinary activities	4	**–**	–
(9,877,277)	**LOSS ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE PERIOD/YEAR**		**(4,929,325)**	(4,940,024)

OTHER COMPREHENSIVE INCOME

9,948,337	Hedge reserve recycling	**4,987,552**	4,969,727
9,948,337	**OTHER COMPREHENSIVE INCOME FOR THE PERIOD/YEAR**	**4,987,552**	4,969,727
71,060	**TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR**	**58,227**	29,703

All amounts relate to continuing activities in the United Kingdom.

The Notes numbered 1 to 8 form an integral part of this Half Yearly Financial Report.

The Half Yearly Financial Report for the 6 months ended 30 June 2021 was approved by the Board of Directors on 23 September 2021.

STATEMENT OF FINANCIAL POSITION
as at 30 June 2021

Audited 31 December 2020 £		Note	**Unaudited 30 June 2021 £**	Unaudited 30 June 2020 £
	CURRENT ASSETS			
	Debtors:	5		
1,677,350,801	Amounts falling due after one year		**1,615,808,366**	1,684,673,289
49,463,641	Amounts falling due within one year		**50,429,644**	47,858,386
3,601,415	Cash at bank		**3,671,989**	3,548,081
1,730,415,857			**1,669,909,999**	1,736,079,756
	Creditors:			
(47,596,531)	Amounts falling due within one year	6	**(48,574,881)**	(45,979,299)
1,682,819,326	**NET CURRENT ASSETS**		**1,621,335,118**	1,690,100,457
1,682,819,326	**TOTAL ASSETS LESS CURRENT LIABILITIES**		**1,621,335,118**	1,690,100,457
	Creditors:			
(1,677,350,801)	Amounts falling due after more than one year	7	**(1,615,808,366)**	(1,684,673,289)
5,468,525	**NET ASSETS**		**5,526,752**	5,427,168
	CAPITAL AND RESERVES			
50,000	Called up share capital		**50,000**	50,000
(147,056,987)	Hedging reserve		**(142,069,435)**	(152,035,597)
152,475,512	Retained earnings		**147,546,187**	157,412,765
5,468,525	**SHAREHOLDER'S FUNDS**		**5,526,752**	5,427,168

The Notes numbered 1 to 8 form an integral part of this Half Yearly Financial Report.

STATEMENT OF CHANGES IN EQUITY
for the 6 months ended 30 June 2021

	Called up share capital £	Hedging reserve £	Retained earnings £	**Total £**
At 1 January 2020	50,000	(157,005,324)	162,352,789	**5,397,465**
Loss for the period	–	–	(4,940,024)	**(4,940,024)**
Other comprehensive income	–	4,969,727	–	**4,969,727**
Total comprehensive income	–	4,969,727	(4,940,024)	**29,703**
At 30 June 2020	50,000	(152,035,597)	157,412,765	**5,427,168**
Loss for the period	–	–	(4,937,253)	**(4,937,253)**
Other comprehensive income	–	4,978,610	–	**4,978,610**
Total comprehensive income	–	4,978,610	(4,937,253)	**41,357**
At 31 December 2020	50,000	(147,056,987)	152,475,512	**5,468,525**
Loss for the period	–	–	(4,929,325)	**(4,929,325)**
Other comprehensive income	–	4,987,552	–	**4,987,552**
Total comprehensive income	–	4,987,552	(4,929,325)	**58,227**
At 30 June 2021	**50,000**	**(142,069,435)**	**147,546,187**	**5,526,752**

The Notes numbered 1 to 8 form an integral part of this Half Yearly Financial Report.

NOTES TO THE INTERIM REPORT
for the 6 months ended 30 June 2021

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 2021. The full accounting policies of the company, set out in the 2020 statutory accounts, have been applied in preparing this Interim Report.

The financial information relating to the 6 months ended 30 June 2021 and 30 June 2020 is unaudited.

The results for the year ended 31 December 2020 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.

Interest rate benchmark reform

In September 2019, the IASB issued Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the ongoing interest benchmark reforms. The Group will continue to apply the amendments to IFRS 9 and IAS 39 until the uncertainty deriving from the interest rate benchmark reforms with respect to the timing and the amount of the underlying cash flows to which the Group is exposed is resolved. It is assumed that this uncertainty will end when the Group’s contracts that reference Inter Bank Offered Rates, in particular LIBOR, are amended to specify the date on which the interest rate benchmark will be replaced, the cash flows of the alternative benchmark rate and the relevant spread adjustment. This will, in part, be dependent on the introduction of fallback clauses which have yet to be added to the Group’s contracts and the outcome of negotiations with lenders and bondholders.

2. INTEREST RECEIVABLE AND SIMILAR INCOME

Audited year ended 31 December 2020 £		**Unaudited 6 months ended 30 June 2021 £**	Unaudited 6 months ended 30 June 2020 £
5,377	Bank interest receivable	**–**	5,377
84,989,312	Interest receivable from Group undertakings	**41,610,913**	42,574,423
84,994,689		**41,610,913**	42,579,800

3. INTEREST PAYABLE AND SIMILAR CHARGES

Audited year ended 31 December 2020 £		**Unaudited 6 months ended 30 June 2021 £**	Unaudited 6 months ended 30 June 2020 £
84,909,622	Interest payable on securitised debt (Note 7)	**41,541,226**	42,541,145
–	Fair value adjustments	**–**	–
9,948,337	Hedge reserve recycling	**4,987,552**	4,969,727
94,857,959		**46,528,778**	47,510,872

Fair value adjustments

Audited year ended 31 December 2020 £		**Unaudited 6 months ended 30 June 2021 £**	Unaudited 6 months ended 30 June 2020 £
45,779,026	Derivative financial instruments	**(65,561,091)**	59,067,077
(18,209,165)	Securitised debt	**20,140,561**	(39,097,934)
(27,569,861)	Loan to fellow subsidiary undertaking	**45,420,530**	(19,969,143)
–		**–**	–

4. TAXATION

Audited year ended 31 December 2020 £		**Unaudited 6 months ended 30 June 2021 £**	Unaudited 6 months ended 30 June 2020 £
	Tax charge		
–	Current tax chargeable to income	**–**	–
–		**–**	–
	Tax reconciliation		
(9,877,277)	Loss on ordinary activities before taxation	**(4,929,325)**	(4,940,024)
1,876,683	Tax on loss at UK corporation tax rate	**936,572**	938,605
	Effects of:		
(1,890,184)	Fair value movements	**(947,635)**	(944,248)
13,501	Group relief	**11,063**	5,643
–		**–**	–

5. DEBTORS

Audited 31 December 2020 £		**Unaudited 30 June 2021 £**	Unaudited 30 June 2020 £
	Due within one year:		
45,883,288	Loan to fellow subsidiary undertaking	**45,560,290**	45,903,410
3,580,353	Amounts owed by fellow subsidiary undertakings	**4,869,354**	1,954,976
49,463,641		**50,429,644**	47,858,386
	Due after more than one year:		
1,677,350,801	Loan to fellow subsidiary undertaking	**1,615,808,366**	1,684,673,289
1,677,350,801		**1,615,808,366**	1,684,673,289

The loan to a fellow subsidiary undertaking comprises:

Audited 31 December 2020 £		**Unaudited 30 June 2021 £**	Unaudited 30 June 2020 £
1,710,200,552	Brought forward	**1,706,676,001**	1,710,200,552
(29,325,200)	Repaid in period	**(14,662,600)**	(14,662,600)
(1,769,231)	Amortisation of issue premium	**(847,749)**	(895,370)
(1,233,839)	Accrued financing expenses	**(611,556)**	(613,236)
28,803,719	Fair value adjustment	**(45,420,530)**	19,969,143
1,706,676,001	Carried forward	**1,645,133,566**	1,713,998,489
29,325,200	Payable within one year or on demand	**29,325,200**	29,325,200
1,677,350,801	Payable after more than one year	**1,615,808,366**	1,684,673,289
1,706,676,001		**1,645,133,566**	1,713,998,489

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 £16,235,090 (31 December 2020 – £16,558,088) of interest and £29,325,200 (31 December 2020 – £29,325,200) of capital.

The A7, B3 and C2 tranches of the intercompany loan are carried at fair value. The A1, A3, B and D2 tranches are carried at amortised cost. The total fair value of the loans to fellow subsidiary undertakings at 30 June 2021 was £1,879,888,826 (31 December 2020 – £1,969,316,124), calculated by reference to the fair values of the company's financial liabilities. In the event that the company were to realise the fair value of the securitised debt and the derivative financial instruments, it would have the right to recoup its losses as a repayment premium on its loans to CW Lending II Limited. As such, the fair value of the loans to Group undertakings is calculated to be the sum of the fair value of the securitised debt and the fair value of the derivative financial instruments. The carrying value of financial assets represents the company's maximum exposure to credit risk.

6. CREDITORS: Amounts falling due within one year

Audited 31 December 2020 £		**Unaudited 30 June 2021 £**	Unaudited 30 June 2020 £
45,935,937	Securitised debt (Note 7)	**45,613,828**	45,970,347
1,660,594	Amounts owed to Group undertakings	**2,952,593**	–
–	Accruals and deferred income	**8,460**	8,952
47,596,531		**48,574,881**	45,979,299

The amount of the securitised debt due within one year comprises £16,288,628 (31 December 2020 – £16,610,737) of interest and £29,325,200 (31 December 2020 – £29,325,200) of capital.

7. CREDITORS: Amounts falling after more than one year

Audited 31 December 2020 £		**Unaudited 30 June 2021 £**	Unaudited 30 June 2020 £
1,282,476,486	Securitised debt	**1,286,495,142**	1,276,510,923
394,874,315	Derivative financial instruments	**329,313,224**	408,162,366
1,677,350,801		**1,615,808,366**	1,684,673,289

The amounts at which borrowings are stated comprise:

Audited 31 December 2020 £		**Unaudited 30 June 2021 £**	Unaudited 30 June 2020 £
1,361,105,263	Brought forward	**1,311,801,686**	1,361,105,263
(29,325,200)	Repaid in period	**(14,662,600)**	(14,662,600)
(1,769,231)	Amortisation of issue premium	**(847,749)**	(895,370)
(1,233,839)	Accrued financing expenses	**(611,556)**	(613,236)
(16,975,307)	Fair value adjustment	**20,140,561**	(39,097,934)
1,311,801,686	Carried forward	**1,315,820,342**	1,305,836,123
29,325,200	Payable within one year or on demand	**29,325,200**	29,325,200
1,282,476,486	Payable after more than one year	**1,286,495,142**	1,276,510,923
1,311,801,686		**1,315,820,342**	1,305,836,123

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 2021 £13,050,384 (31 December 2020 – £13,896,133) remained unamortised.

At 30 June 2021, there were accrued financing costs of £16,732,866 (31 December 2020 – £17,344,422) 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 2021 of £1,399,524,721 (31 December 2020 – £1,414,187,320), of which £734,963,720 (31 December 2020 – £749,626,320) carries fixed rates of interest between 5.95% and 6.8%. The other £664,561,001 (31 December 2020 – £664,561,000) of the securitised debt carries floating rates of interest at LIBOR plus a margin. The company uses interest rate swaps to hedge exposure to the variability in cash flows on floating rate debt caused by movements in market rates of interest. The hedged rates of the floating notes, including the margins, are between 5.30% and 6.74%.

The floating rate notes are carried at fair value through profit or loss. The fixed rate notes are carried at amortised cost. The total fair value of the securitised debt at 30 June 2021 was £1,550,575,602 (31 December 2020 – £1,574,441,809). The fair values of the sterling denominated notes have been determined by reference to prices available on the market on which they are traded.

At 30 June 2021, the fair value of the interest rate derivatives resulted in the recognition of a liability of £329,313,224 (31 December 2020 – £394,874,315). The fair values of the derivative financial instruments have been determined by reference to the market values provided by a third party valuer.

The securitisation continues to have the benefit of an arrangement with AIG which covers the rent in the event of a default by the tenant of 33 Canada Square over the entire term of the lease. At 30 June 2021, AIG had posted £107,052,226 as cash collateral in respect of this obligation.

The company also has the benefit of a £300 million liquidity facility provided by Lloyds Bank plc, under which drawings may be made in the event of a cash flow shortage under the securitisation.

8. CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS

As at 30 June 2021 and 31 December 2020, the company had given security over all its assets, including security expressed as a first fixed charge over its bank accounts, to secure the notes referred to in Note 7.