



CANARY WHARF FINANCE II PLC

Registered number: 03929593

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

CANARY WHARF FINANCE II PLC

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CANARY WHARF FINANCE II PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

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 its ultimate parent undertaking is Stork HoldCo LP.

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

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 continued this uncertainty but the positive news around rollout of vaccines and the recent removal of restrictions have improved the outlook. The crisis had no material impact on the assets, liabilities or performance of the company during the year.

At 31 December 2021, the company had £1,384,862,120 (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.

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. At 31 December 2021, AIG had posted £95,279,028 (2020 - £118,730,673) 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. The liquidity facility matures on 22 October 2037.

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	Aa3	AA	A+
B3	Aa3	AA	A+
C2	A3	A	A
D2	Baa3	BBB	A-

Going Concern

Having made the requisite enquiries and assessed the resources at the disposal of the company, the directors have a reasonable expectation that the company will have adequate resources to continue its operation for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

The Company has issued securities which are backed by commercial mortgages over certain properties within the Canary Wharf estate. These properties are let on long term leases to a diverse range of credit worthy tenants.

CANARY WHARF FINANCE II PLC**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

The pandemic and resulting lockdown has had a minimal impact on office rental income from existing tenants where approximately 99% of invoiced rent has been collected. The Directors do not expect this to change in the foreseeable future.

KEY PERFORMANCE INDICATORS

The company has adopted the IFRS 9 measurement option and hence the floating rate securitised notes are measured at fair value. Changes in the fair value of derivative financial instruments are recognised in the income statement.

	2021	2020
	£	£
Securitised debt	1,384,862,120	1,414,187,321
Financing cost (before adjustment for fair value)	83,006,297	84,909,622
Total comprehensive income	65,225	71,060
Weighted average maturity of debt	10.8 years	11.6 years
Weighted average interest rate	6.1%	6.1%

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).

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.

CANARY WHARF FINANCE II PLC

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 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 ongoing impact of COVID-19, the cyclical nature of the property market, departure from the EU, concentration risk, financing risk, interest rate risk and policy and planning risks.

The COVID-19 pandemic has had a significant impact on the UK economy. Despite this, the Group has demonstrated the resilience of its office rental income and during the year ended 31 December 2021, the Group collected over 99.0% of the office rents billed.

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 Russian invasion of Ukraine and sanctions imposed on Russia as a consequence and 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 tenants with good covenants have remained relatively strong despite continuing economic uncertainties which are unhelpful to confidence across the wider real estate sector.

Concentration risk

The majority of 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.

CANARY WHARF FINANCE II PLC

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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% but there is also a cash trap covenant of 50.0%. Based on the 31 December 2021 valuations of the properties upon which the company's notes are secured, the LMCTV ratio at the interest payment date in January 2022 was 43.5%. The securitisation is not subject to a minimum interest coverage ratio. A breach of financial covenants can be remedied by depositing eligible investments (including cash).

CORPORATE RESPONSIBILITY

The Canary Wharf Group board retains overall responsibility for the monitoring and implementation of the group's environmental policy and is assisted by the group's Corporate Responsibility Group which comprises senior executives of the group. A clear governance process has been developed and implemented to enable the Corporate Responsibility Group and ultimately the board, to identify, manage and respond to the environmental and social risks and opportunities that may affect the group's operations.

The Corporate Responsibility Group is responsible for the development and establishment of environmental management systems throughout the group which has been developed to focus attention on those objectives and targets where improvements and actions are necessary to meet the monitoring and reporting process formally adopted by the group. Identified environmental system managers have responsibility for the implementation of the environmental management systems throughout their respective business areas. Employee environmental awareness is key to the success of the environmental management systems and as a result is incorporated into the staff induction programme with regular updates via in-house newsletters and presentations.

Sustainability pressures are coming from existing and prospective tenants and occupiers, who are seeking more sustainable operations. These expectations are met by the Group in the design and construction of more sustainable buildings and by improving the environmental performance of existing facilities through effective retrofitting and facilities management. The Group aims to design, build and manage central London's highest quality, best value and most sustainable office, retail and residential buildings and districts. In doing this, the Group works with all its stakeholders to create and nurture vibrant, inclusive communities that meet today's economic, environmental and social needs while anticipating those of tomorrow for the benefit of the environment, tenants, employees, the community and stakeholders. A 30 year local impact report by The Centre for Economics and Business Research (CEBR) commissioned by the Group has shown that Canary Wharf supports 54.0% of all jobs in Tower Hamlets, of which around 12,000 people work in Canary Wharf. Since 1997, £3.0bn of business has been generated for local businesses in East London through initiatives supported by the Group.

Canary Wharf Group has maintained ISO 14001 accreditation since early 2005 and environmental management has been an inherent part of construction since 2002. During 2021, no member of the Group incurred any fines or non monetary sanctions for non compliance with any regulation or legislation related to sustainability issues.

CANARY WHARF FINANCE II PLC

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

Canary Wharf Group is a founder member of the UK Green Building Council (UKGBC), the Better Building Partnership (BBP) and the Business Clean Air Taskforce (B-CAT). The Group has also signed the BBP Climate Change Commitment, as well as The Climate Pledge, joining Amazon and other companies in pledging to achieve net zero carbon at least 10 years ahead of the Paris Agreement. Canary Wharf Group targets the reduction of energy, water and resource use, and the reuse and the recycling of waste where possible during the design, construction and management of properties. The minimisation of disruption and disturbance to the environment and local community is targeted during the construction and management of buildings. Canary Wharf Group is also committed to preventing and monitoring pollution and to reducing any emissions which may have an adverse impact on the environment and/or local community.

Canary Wharf Group endeavours to raise awareness and promote effective management of sustainability, environmental and social issues with staff, designers, suppliers and contractors and also works with suppliers and contractors to establish effective environmental supply chain management and to promote the procurement of sustainable products and materials. In 2020, the Group published its Net Zero Carbon Pathway, a roadmap for reaching net zero carbon by 2030, 20 years ahead of the Paris Agreement. The Group also published ambitious Science Tased Targets (SBTs) ratified by the Science Based Targets Initiative (SBTi). Progress against both the Net Zero Carbon Pathway and SBTs will be published in the annual Sustainability Report.

In 2021, the Group participated in GRESB and CDP Sustainability Benchmarking schemes, receiving a GRESB 5 star rating, ranked first in our peer group and a CDP score of B.

CANARY WHARF FINANCE II PLC

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

SECTION 172 (1) STATEMENT COMPANIES ACT 2006

Section 172 (1) of the Companies Act 2006 requires that a director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the Company, and as an extension the Group, for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

(a) the likely consequences of any decision in the long term

The Board meets regularly to discuss and make decisions on matters of strategic importance to the business, to promote the long-term success of the Company and to consider the likely long term impact of any such decisions.

In accordance with the Articles of Association the Company has by ordinary resolution appointed each of the directors. Accordingly, there is an alignment of the interests between shareholders and the Board. The Group Chairman and Group Chief Executive Officer are also members of the Board. The Chairman moved into a non-executive role on 1 July 2021.

(b) the interests of the Company's employees

The Company has no employees other than the directors, who did not receive remuneration from the Company during the year.

(c) the need to foster the Company's business relationships with suppliers, customers and others

The Group has strong and well-established long-term relationships with its suppliers, tenants and customers. This is evidenced by the continuation of links across the full value chain, over many years, with the full range of contractors, advisors and suppliers who interact directly with employees of the company without the intervention of sub-contractors. Deutsche bank have been retained as Trustee for the securitisation and act on behalf of the noteholders to ensure their best interests are maintained.

(d) the impact of the Company's operations on the community and the environment

The Group publishes an annual Corporate Responsibility report which is available on the Group website. However, in addition to the above, the Group is committed to fostering positive links within the local communities in which it works. The Group has an appointed Group Strategy Director who manages a team which works collaboratively with the London Boroughs of Tower Hamlets and of Lambeth. The Director is also engaged politically and is responsible for the Group's long-term strategy, planning, community and sports events, links with local educational establishments and promotional arts events.

The Group is an established member of the Tower Hamlets Partnership Executive Group which engages with a range of local business leaders. The Group's Personnel Department has well established links with local schools, colleges, universities and with the local job centre.

(e) the desirability of the Company maintaining a reputation for high standards of business conduct

The Group expects the highest standards of conduct from its employees, business partners and suppliers with which it engages. The Group has an established internal risk control and audit process with a range of official policies. In addition, the Internal Audit process is provided independently by Ernst & Young LLP.

CANARY WHARF FINANCE II PLC

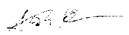
STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

(f) the need to act fairly between members of the Company

The Company's articles of association may be amended by special resolution of the Company's shareholder. The Company is a wholly owned subsidiary within the Stork HoldCo LP group of companies and is a single member company under section 123 (1) of the Companies Act 2006.

Throughout 2022 the Board will continue to review how the Group can improve engagement with its employees and stakeholders.

This report was approved by the board on 29 April 2022 and signed on its behalf.

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S Z Khan
Director

CANARY WHARF FINANCE II PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their report and the financial statements for the year ended 31 December 2021.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £9,918,886 (2020 - loss £9,877,277).

The total comprehensive income for the year, amounted to £65,225 (2020 - £71,060).

No dividends have been paid or proposed in the year (2020 - £NIL).

DIRECTORS

The directors who served during the year were:

K K Al-Thani

T Berklayd (appointed 7 June 2021)

Sir George Iacobescu CBE

S Z Khan

K J Kingston (alternate director to S Z Khan) (appointed 28 April 2021)

R J J Lyons (alternate director to S Khan) (resigned 28 April 2021)

J J Turner (alternate director to Sir George Iacobescu CBE)

Z B Vaughan (resigned 7 June 2021)

R J Worthington (appointed 28 April 2021)

Sir George Iacobescu transitioned from executive chairman to non-executive chairman on 1 July 2021.

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 a 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 2021 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

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

FINANCIAL INSTRUMENTS

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

STATEMENT OF CORPORATE GOVERNANCE ARRANGEMENTS

The Company has obligations to the London Stock Exchange with its securities admitted to trading on the London Stock Exchange's Gilt Edged and Fixed Interest Market, and to the UK Listing Authority with its securities admitted to the Official List.

Board Composition

There were at least 2 executive directors and 2 non executive directors throughout 2021. The Board meets at least twice during the financial year. The non executive directors bring independent judgement to bear on issues considered by the Board and have the appropriate knowledge, experience and skills to discharge their duties. All Directors are able to take independent advice in the furtherance of their duties, if necessary, at the Company's expense.

CANARY WHARF FINANCE II PLC

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

Board Leadership

The Chairman of the Board is also the Group Chairman.

Stakeholder dialogue

A quarterly update is available on the Group website.

Committees of the Board

The Company has no formal committees.

The Directors have concluded that, as the sole activity of the Company is to act as an issuer of asset-backed securities, the Company is not sufficiently complex to justify having an Audit Committee.

The functions of an Audit Committee are carried out by the Board.

Board Meetings

Board members are given appropriate documentation in advance of each Board meeting. Senior executives below Board level are invited to attend meetings for the purpose of making presentations on their areas of responsibility. The Board meets at least twice during the year.

Company Secretary

All Directors have access to the advice and services of the Company Secretary, whose appointment and removal is a matter of the Board. The Company Secretary attends all Board meetings and is responsible for ensuring compliance with the relevant procedures, rules and regulations.

STATEMENT ON BUSINESS RELATIONSHIPS

This section is covered in the Strategic Report under part (c) of the Section 172 (1) statement.

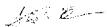
DISCLOSURE OF INFORMATION TO AUDITOR

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

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the 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.

This report was approved by the board on 29 April 2022 and signed on its behalf.

DocuSigned by:



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S Z Khan
Director

CANARY WHARF FINANCE II PLC

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

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 they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the company's financial statements and then apply them consistently;
- make judgements 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

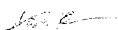
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies 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.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;
 - the strategic report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
 - the strategic report, the director's report and the financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's position and performance, business model and strategy.
- Signed on behalf of the board by:

DocuSigned by:



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S Z Khan

Director

Date: 29 April 2022

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

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Canary Wharf Finance II plc (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 18.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).


2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was: <ul style="list-style-type: none">• Financial instruments: derivative valuations Within this report, the key audit matter has the same level of risk when compared to the prior year as identified by the following symbol 
Materiality	The materiality that we used in the current year was £33.0m which was determined on the basis of 2% of total assets.
Scoping	A full scope audit was performed by the engagement team.

Significant changes in our approach There were no significant changes in our approach from the prior year.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- obtaining an understanding of the relevant controls over the going concern assessment;
- evaluating both management's approved business plan by the Board and the going concern assessment, and assessed financial and other indicators to identify if there are any doubts or material uncertainties in respect of going concern;
- assessing management's historical forecasting accuracy by comparing the prior year forecasts to the current year's actual results; and
- evaluating the company's access to sources of finance, including undrawn committed bank facilities.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Financial instruments: derivative valuations

Key audit matter description

The company holds interest rate swaps to fix interest amounts payable on various floating rate loans it holds. FRS 102 requires that the derivatives must be held at fair value on the balance sheet, including the assessment of credit risk.

The valuation of the company's derivatives is considered a key audit matter due to the complexities and judgements taken in arriving at the valuation. Management uses counterparty bank valuations to obtain their fair values and there is a risk of material misstatement that the calculations performed are incorrect and if the error is not identified. Given the degree of judgement involved, we also determined that there is a potential for fraud through possible manipulation of this account balance.

The fair value of the derivatives at the year-end was £307m (2020: £395m). This is included as a key source of estimation uncertainty in note 3 and derivative financial instruments in note 14 to the financial statements.

How the scope of our audit responded to the key audit matter	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> obtaining an understanding of the relevant controls relating to derivative valuations; and with the involvement of internal financial instrument specialists, performing independent calculations of the fair value of all the company's interest rate swaps using key terms per the original contract documentation.
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Key observations	On the basis of our testing, we are satisfied that the valuation of derivatives is appropriate.
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6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	£33.0m (2020: £34.6m)
Basis for determining materiality	2% of total assets (2020: 2% of total assets)
Rationale for the benchmark applied	This reflects the key balance in the financial statements given the company's primary purpose is to provide funding to the Group by way of the securitisation structure. The company is a finance vehicle that has issued securities which are backed by commercial mortgages over properties within the Canary Wharf Group estate.

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2021 audit (2020: 70%). In determining performance materiality, we considered the following factors:

- our company risk assessment, including our assessment of the company's overall control environment; and
- our past experience of the audit which has indicated a low number of corrected and uncorrected misstatements in prior periods.

6.3. Error reporting threshold

We agreed with the Board of Directors that we would report to the Committee all audit differences in excess of £0.6m (2020: £0.6m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Scoping

Our audit was scoped by obtaining an understanding of the company and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team. A full scope audit was performed on the company.

7.2. Our consideration of the control environment

Given the nature of the company's activities and due to a significant change in accounting software during the year, we did not take a controls reliance approach or rely on controls over the key IT systems; we performed a substantive audit. We did obtain an understanding of controls relevant to the audit, including those in respect of the key audit matter.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the company's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit and the Board of Directors about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, valuations and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in Financial Instruments: Derivative Valuations. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, pensions and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included health and safety legislation and employment legislation.

11.2. Audit response to risks identified

As a result of performing the above, we identified Financial Instruments: Derivative Valuations as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the group Audit Committee and in-house / external legal counsel concerning actual and potential litigation and claims;

- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

14. Other matters which we are required to address

14.1. Auditor tenure

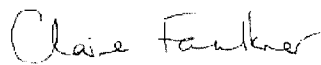
Following the recommendation of the group Audit Committee, we were appointed by the Board of Directors on 1 August 2002 to audit the financial statements for the year ending 31 December 2002 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 21 years, covering the years ending 30 June 2002 to 31 December 2021.

14.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

15. Use of our report

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.



Claire Faulkner FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
London, England

29 April 2022

CANARY WHARF FINANCE II PLC**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 £	2020 £
Administrative expenses		(72,999)	(14,007)
OPERATING LOSS		<u>(72,999)</u>	<u>(14,007)</u>
Interest receivable from group companies	6	83,144,521	84,989,312
Bank interest receivable	6	-	5,377
Loan interest payable	7	(83,006,297)	(84,909,622)
Hedge reserve recycling	7	(9,984,111)	(9,948,337)
LOSS BEFORE TAX		<u>(9,918,886)</u>	<u>(9,877,277)</u>
Tax on loss	9	-	-
LOSS FOR THE FINANCIAL YEAR		<u>(9,918,886)</u>	<u>(9,877,277)</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR			
Hedge reserve recycling	16	9,984,111	9,948,337
OTHER COMPREHENSIVE INCOME FOR THE YEAR		<u>9,984,111</u>	<u>9,948,337</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>65,225</u>	<u>71,060</u>

The notes on pages 21 to 34 form part of these financial statements.

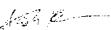
CANARY WHARF FINANCE II PLC
REGISTERED NUMBER: 03929593

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	2021 £	2020 £
Current assets			
Debtors: amounts falling due after more than one year	10	1,592,708,302	1,677,350,801
Debtors: amounts falling due within one year	10	51,682,572	49,463,641
Cash at bank and in hand		3,720,537	3,601,415
		<u>1,648,111,411</u>	<u>1,730,415,857</u>
Creditors: amounts falling due within one year	11	(49,869,359)	(47,596,531)
Net current assets		<u>1,598,242,052</u>	<u>1,682,819,326</u>
Total assets less current liabilities		<u>1,598,242,052</u>	<u>1,682,819,326</u>
Creditors: amounts falling due after more than one year	12	(1,592,708,302)	(1,677,350,801)
Net assets		<u><u>5,533,750</u></u>	<u><u>5,468,525</u></u>
Capital and reserves			
Called up share capital	15	50,000	50,000
Hedging reserve	16	(137,072,876)	(147,056,987)
Retained earnings	16	142,556,626	152,475,512
		<u>5,533,750</u>	<u>5,468,525</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 April 2022.

DocuSigned by:



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S Z Khan
 Director

The notes on pages 21 to 34 form part of these financial statements.

CANARY WHARF FINANCE II PLC**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Called up share capital	Hedging reserve	Retained earnings	Total equity
	£	£	£	£
At 1 January 2021	50,000	(147,056,987)	152,475,512	5,468,525
Loss for the year	-	-	(9,918,886)	(9,918,886)
Hedge reserve recycling (Note 16)	-	9,984,111	-	9,984,111
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	9,984,111	(9,918,886)	65,225
AT 31 DECEMBER 2021	50,000	(137,072,876)	142,556,626	5,533,750

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Called up share capital	Hedging reserve	Retained earnings	Total equity
	£	£	£	£
At 1 January 2020	50,000	(157,005,324)	162,352,789	5,397,465
Loss for the year	-	-	(9,877,277)	(9,877,277)
Hedge reserve recycling	-	9,948,337	-	9,948,337
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	9,948,337	(9,877,277)	71,060
AT 31 DECEMBER 2020	50,000	(147,056,987)	152,475,512	5,468,525

The notes on pages 21 to 34 form part of these financial statements.

CANARY WHARF FINANCE II PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. GENERAL INFORMATION

Canary Wharf Finance II plc is a public company limited by shares incorporated in the UK under the Companies Act 2006 and registered in England and Wales 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.

2. ACCOUNTING POLICIES

2.1 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").

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 3).

The principal accounting policies have been applied consistently throughout the year and the preceding year and are summarised below:

2.2 Replacement of LIBOR as an interest rate benchmark

From 24th January 2022, LIBOR has been replaced by SONIA (Sterling Overnight Index Average) as the Risk-Free Reference Rate for Sterling Transactions. The group has obtained its lenders approval to adopt SONIA from 24 January 2022 for all LIBOR related loans, plus a Credit Adjustment Spread. This has not resulted in any changes to group's financial instrument effectiveness.

2.3 Going concern

Having made the requisite enquiries and assessed the resources at the disposal of the company, the directors have a reasonable expectation that the company will have adequate resources to continue its operation for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

As set out in the Strategic Report, the Company has issued securities which are backed by commercial mortgages over certain properties within the Canary Wharf estate. These properties are let on long term leases to a diverse range of credit worthy tenants.

The pandemic and resulting lockdown has had a minimal impact on office rental income from existing tenants where approximately 99% of invoiced rent has been collected. The Directors do not expect this to change in the foreseeable future.

The impact of the Covid-19 virus is disclosed in the Strategic Report.

2.4 Cash flow statement

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 financial statements which are intended to give a true and fair view.

2.5 Financial Instruments

The directors have taken advantage of the exemption in paragraph 1.12c of FRS 102 allowing the company not to disclose the summary of financial instruments by the categories specified in paragraph 11.41.

CANARY WHARF FINANCE II PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. ACCOUNTING POLICIES (CONTINUED)

2.5 Financial Instruments (continued)

Loans receivable

Loans receivable are recognised initially at the transaction price including 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.

Where loans are designated as fair value through profit or loss ('FVTPL') they are recognised at fair value. The fair value is assessed as the present value of most likely cash flows. Any movements are recognised in the income statement.

Trade and other payables

Trade and other creditors are stated at amortised cost.

Borrowings

Loans payable 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.

Where loans are designated as fair value through profit or loss ('FVTPL') they are recognised at fair value. The fair value is assessed as the present value of most likely cash flows. Any movements are recognised in the income statement.

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.

Following the adoption of the IFRS 9 measurement option, the floating rate securitised notes are measured at fair value and so no hedging relationships are possible. The changes in the fair value of the derivative instruments are recognised in the income statement.

Prior to the adoption of IFRS 9 the financial instruments were carried under the measurement criteria of IAS 39. The B3 and C2 financial instruments were designated as effective hedges of the corresponding notes and carried at Fair Value through Other Comprehensive Income. On adoption, the hedging relationships were terminated and the financial instruments were reclassified as fair value accounting for the floating rate securitised debt. The balance in the hedging reserve is being amortised over the remaining life of the corresponding notes.

CANARY WHARF FINANCE II PLC**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021****3. CRITICAL ACCOUNTING JUDGEMENTS 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.

The preparation of financial statements also requires use of judgements, apart from those involving estimation, that management makes in the process of applying the entity's accounting policies.

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 2021, the fair value of derivative financial instruments totalled £306,583,848 (2020 - £394,874,315).

Floating rate securitised notes

The fair values of financial instruments held at fair value are determined by reference to the prices available on the markets on which they are traded.

At 31 December 2021, the fair value of the floating rate securitised notes totalled £582,924,168 (2020 - £548,277,215).

Loan to fellow subsidiary undertaking

Part of the loan to a fellow subsidiary undertakings is carried at fair value. The cash flows and risk profile relating to these tranches are almost identical to those under the associated floating rate notes and derivatives. The fair value is therefore calculated to be the sum of the fair value of the associated securitised notes and the fair value of the derivative financial instruments.

At 31 December 2021, the fair value of these tranches of the loan to a fellow subsidiary undertaking totalled £ 889,508,016 (2020 - £943,151,530).

For the year ended 31 December 2021, the financial statements of the company did not contain any significant items that required the application of judgements, apart from those involving estimation.

4. AUDITOR'S REMUNERATION

	2021 £	2020 £
Fees to the auditor for audit related assurance services	10,680	8,460

Auditors remuneration of £9,800 (2020 - £9,800) for the audit of the company has been borne by another group undertaking.

CANARY WHARF FINANCE II PLC**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021****5. EMPLOYEES**

The Company has no employees other than the directors, who did not receive any remuneration (2020 - £NIL).

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2021 £	2020 £
Interest receivable from group companies	83,144,521	84,989,312
Bank interest receivable	-	5,377
	<u>83,144,521</u>	<u>84,994,689</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2021 £	2020 £
Interest payable on securitised debt (Note 13)	83,006,297	84,909,622
Hedge reserve recycling	9,984,111	9,948,337
	<u>92,990,408</u>	<u>94,857,959</u>

8. FAIR VALUE ADJUSTMENTS

	2021 £	2020 £
Derivative financial instruments	(88,290,467)	45,779,026
Securitised debt	35,880,164	(16,975,307)
Loan to fellow subsidiary undertaking	52,410,303	(28,803,719)
	<u>-</u>	<u>-</u>

CANARY WHARF FINANCE II PLC**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021****9. TAXATION**

	2021 £	2020 £
TOTAL CURRENT TAX	-	-
DEFERRED TAX		
TOTAL DEFERRED TAX	-	-
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	-	-

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 19.0% (2020 - 19.0%). The differences are explained below:

	2021 £	2020 £
Loss on ordinary activities before tax	(9,918,886)	(9,877,277)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.0% (2020 - 19.0%)	(1,884,588)	(1,876,683)
EFFECTS OF:		
Fair value movements not subject to tax	1,896,981	1,890,184
Group relief	(12,393)	(13,501)
TOTAL TAX CHARGE FOR THE YEAR	-	-

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

There were no factors that affected the tax charge for the year which has been calculated on the profits on ordinary activities before tax at the standard rate of corporation tax in the UK of 19% (2020 – 19%).

Enacted in the Finance Act 2021 is a provision for the main rate of corporation tax to increase to 25% from 1 April 2023. The impact of the new tax rate is not expected to be material to the company.

CANARY WHARF FINANCE II PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

10. DEBTORS

	2021 £	2020 £
DUE AFTER MORE THAN ONE YEAR		
Loan to fellow subsidiary undertaking due after more than one year	1,592,708,302	1,677,350,801
	<u>1,592,708,302</u>	<u>1,677,350,801</u>

	2021 £	2020 £
DUE WITHIN ONE YEAR		
Other amounts owed by fellow subsidiaries	6,164,526	3,580,353
Loan to fellow subsidiary undertaking due within one year	29,325,200	29,325,200
Accrued interest on loan to fellow subsidiary undertaking	16,192,846	16,558,088
	<u>51,682,572</u>	<u>49,463,641</u>

	2021 £	2020 £
The loan to a fellow subsidiary undertaking comprises:		
At 1 January	1,706,676,001	1,710,200,552
Repaid in the year	(29,325,200)	(29,325,200)
Amortisation of issue premium	(1,673,865)	(1,769,231)
Movement in accrued financing expenses	(1,233,131)	(1,233,839)
Fair value adjustment	(52,410,303)	28,803,719
At 31 December	<u>1,622,033,502</u>	<u>1,706,676,001</u>

Comprising:

	2021 £	2020 £
Loan to fellow subsidiary undertaking due after more than one year	1,592,708,302	1,677,350,801
Loan to fellow subsidiary undertaking due within one year	29,325,200	29,325,200
	<u>1,622,033,502</u>	<u>1,706,676,001</u>

The fair value of the loans to group undertakings at 31 December 2021 was £ 1,832,728,937 (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.

CANARY WHARF FINANCE II PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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

	Interest	Effective interest	Repayment	2021 £m	2020 £m
A1	6.465%	6.151%	By instalment 2009-2033	199.3	221.7
A3	5.962%	5.814%	By instalment 2032-2037	400.0	400.0
A7	5.409%	5.298%	January 2035	222.0	222.0
B	6.810%	6.409%	By instalment 2005-2030	121.0	127.9
B3	5.593%	5.544%	January 2035	77.9	77.9
C2	6.276%	6.059%	January 2035	239.7	239.7
D2	7.071%	6.743%	January 2035	125.0	125.0
				<u>1,384.9</u>	<u>1,414.2</u>
Unamortised premium				12.2	13.9
Accrued financing costs				16.1	17.3
				<u>1,413.2</u>	<u>1,445.4</u>

In January 2017, interest on the tranche A7 loan increased to 5.409% from 5.124% and interest on the tranche B3 loan increased to 5.593% from 5.173%.

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 intercompany loan was £ 1,832,728,937.

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:

	2021 £	2020 £
Within one year	113,903,719	115,602,313
In one to two years	111,658,671	113,903,740
In two to five years	318,450,975	329,421,776
In five to ten years	532,805,858	569,539,291
In ten to twenty years	1,236,955,793	1,300,950,484
At 31 December	<u>2,313,775,016</u>	<u>2,429,417,604</u>
	2021 £	2020 £
Comprising:		
Principal repayments	1,384,862,120	1,414,187,320
Interest repayments	928,912,896	1,015,230,284
At 31 December	<u>2,313,775,016</u>	<u>2,429,417,604</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 intercompany debt.

Other amounts owed by the group undertakings are interest free and repayable on demand.

CANARY WHARF FINANCE II PLC**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021****11. CREDITORS: Amounts falling due within one year**

	2021 £	2020 £
Securitised debt (Note 13)	29,325,200	29,325,200
Trade creditors	11,978	-
Amounts owed to group undertakings	4,284,594	1,660,594
Accruals and deferred income	16,247,587	16,610,737
	<u>49,869,359</u>	<u>47,596,531</u>

Amounts owed to the group undertakings are interest free and repayable on demand.

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

	2021 £	2020 £
Securitised debt (Note 13)	1,286,124,454	1,282,476,486
Derivative financial instruments (Note 14)	306,583,848	394,874,315
	<u>1,592,708,302</u>	<u>1,677,350,801</u>

CANARY WHARF FINANCE II PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

13. SECURITISED DEBT

The amounts at which borrowings are stated comprise:

	2021 £	2020 £
At 1 January	1,311,801,686	1,361,105,263
Repaid in the year	(29,325,200)	(29,325,200)
Amortisation of issue premium	(1,673,865)	(1,769,231)
Movement in accrued financing expenses	(1,233,130)	(1,233,839)
Fair value adjustment	35,880,164	(16,975,307)
At 31 December	1,315,449,655	1,311,801,686
	2021 £	2020 £
Payable within one year or on demand	29,325,200	29,325,200
Payable after more than one year	1,286,124,455	1,282,476,486
	1,315,449,655	1,311,801,686

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 income statement over the life of the relevant notes. At 31 December 2021 £12,224,268 (2020 - £13,898,133) remained unamortised.

At 31 December 2021 there were accrued financing costs of £16,111,292 (2020 - £17,344,422) relating to previous contractual increases in margins.

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

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 2021, AIG had posted £ 95,279,028 as cash collateral in respect of this obligation.

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

CANARY WHARF FINANCE II PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

At 31 December 2021 the securitised debt comprised the following:

Tranche	Principal £m	Fair value £m	Interest	Effective interest	Repayment
A1	199.3	239.0	6.455%	6.151%	By instalment 2009-2033
A3	400.0	554.5	5.952%	5.814%	By instalment 2032-2037
A7	222.0	198.7	Floating	5.298%	January 2035
B	121.0	149.7	6.800%	6.409%	By instalment 2005-2030
B3	77.9	67.6	Floating	5.435%	January 2035
C2	239.7	207.9	Floating	6.059%	January 2035
D2	125.0	108.7	Floating	6.743%	January 2035
	<u>1,384.9</u>	<u>1,526.1</u>			

At 31 December 2020 the securitised debt comprised the following:

Tranche	Principal £m	Fair value £m	Interest	Effective interest	Repayment
A1	221.7	276.5	6.455%	6.149%	By instalment 2009-2033
A3	400.0	586.1	5.952%	5.814%	By instalment 2032-2037
A7	222.0	187.6	Floating	5.311%	January 2035
B	127.9	163.5	6.800%	6.410%	By instalment 2005-2030
B3	77.9	63.5	Floating	5.435%	January 2035
C2	239.7	195.3	Floating	6.071%	January 2035
D2	125.0	101.9	Floating	6.756%	January 2035
	<u>1,414.2</u>	<u>1,574.4</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 - 0.475% per annum; B3 notes - 0.7% per annum; C2 notes - 1.375% per annum; and D2 notes - 2.1% per annum.

The floating rate notes are hedged by means of interest rate swaps and the hedged rates plus the margins are: A7 notes - 5.3985%; B3 notes - 5.5825%; C2 notes - 6.2666%; and D2 notes - 7.0605%.

The effective interest rates include adjustments for the hedges and the issue premium.

The floating rate notes are carried at FVTPL. The fixed rate notes are carried at amortised cost. The total fair value of the debt is £1,526,145,089. Of the carrying value of £1,315.4m, £732.5m is carried at amortised cost and £582.9m is carried at fair value.

The fair values of the sterling denominated notes have been determined by reference to prices available on the markets on which they are traded.

CANARY WHARF FINANCE II PLC**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

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

	2021 £	2020 £
Within one year	84,777,917	82,952,422
In one to two years	87,806,123	81,019,851
In two to five years	244,386,033	234,041,879
In five to ten years	401,696,450	420,336,390
In ten to twenty years	1,151,654,368	1,176,109,117
At 31 December	<u><u>1,970,320,891</u></u>	<u><u>1,994,459,659</u></u>

	2021 £	2020 £
Comprising:		
Principal repayments	1,384,862,120	1,414,187,320
Interest repayments	585,458,771	580,272,339
At 31 December	<u><u>1,970,320,891</u></u>	<u><u>1,994,459,659</u></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 2021 was 10.8 years (2020 - 11.6 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 2021 was 6.1% (2020 - 6.1%).

Details of the derivative financial instruments are set out in Note 14.

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

CANARY WHARF FINANCE II PLC**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021****14. 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 2021 the fair value of these derivatives resulted in the recognition of a net liability of £306,583,848 (2020 - £394,874,315).

At 31 December 2021, the company held the following interest rate swaps:

Hedge type	Swap rate	2021 Fair value £	2020 Fair value £
B3 interest rate swap	4.883%	35,636,512	47,953,275
C2 interest rate swap	4.892%	109,914,136	141,699,235
A7 interest rate swap	4.924%	102,681,472	140,009,828
D2 interest rate swap	4.961%	58,351,728	65,211,977
		<u>306,583,848</u>	<u>394,874,315</u>

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.

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

	2021 £	2020 £
Within one year	29,125,802	32,649,891
In one to two years	23,852,548	32,883,890
In two to five years	74,064,942	95,379,896
In five to ten years	131,109,408	149,202,901
In ten to twenty years	85,301,425	124,841,367
	<u>343,454,125</u>	<u>434,957,945</u>

Changes in interest rates would primarily affect the market value of derivative financial instruments. As 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, any movement in the fair value of the derivatives would be offset by a corresponding movement in the fair value of the loans from fellow subsidiary undertakings in the Statement of Comprehensive Income. As a result a change in interest rates should have no significant impact on net assets.

CANARY WHARF FINANCE II PLC**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021****15. SHARE CAPITAL**

	2021 £	2020 £
Allotted, called up and fully paid		
50,000 (2020 - 50,000) Ordinary shares of £1.00 each	50,000	50,000
	<u>50,000</u>	<u>50,000</u>

16. RESERVES**Hedging Reserve**

Prior to 1 July 2019, financial instruments were carried under the measurement criteria of IAS 39. The B3 and C2 financial instruments were designated as effective hedges of the corresponding notes and carried at Fair Value through Other Comprehensive Income. The hedging relationships were terminated on 1 July 2019 with the adoption of fair value accounting for the floating rate securitised debt. The balance in the hedging reserve is being amortised over the remaining life of the corresponding notes.

Distributable reserves

The distributable reserves of the company differ from its retained earnings as follows:

	2021 £	2020 £
Retained earnings	142,556,626	152,475,512
Hedging reserve	(137,072,876)	(147,056,987)
Distributable reserves	<u>5,483,750</u>	<u>5,418,525</u>

17. OTHER FINANCIAL COMMITMENTS

As at 31 December 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 13.

CANARY WHARF FINANCE II PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

18. CONTROLLING PARTY

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

As at 31 December 2021, 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 registered at 73 Front Street, 5th Floor, Hamilton, HM12, Bermuda.

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 33.1A of FRS 102 allowing the Company not to disclose related party transactions with respect to other wholly-owned group companies.