CANARY WHARF
GROUP PLC

CANARY WHARF FINANCE II PLC
15 SEPTEMBER 2022

PUBLICATION OF THE HALF YEARLY FINANCIAL REPORT FOR THE 6 MONTHS ENDED 30 JUNE 2022

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 2022, 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 15 September 2022, 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 2022 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: 15 September 2022

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INTERIM MANAGEMENT STATEMENT

This interim management statement relates to the 6 months ended 30 June 2022 and contains information that covers the period from 1 January 2022 to 15 September 2022, the date of publication of this interim management statement.

BUSINESS REVIEW

The company is a subsidiary of Canary Wharf Group plc, Canary Wharf Group Investment Holdings 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, the ultimate parent undertaking Stork Holdco LP and the wider group subsidiaries. References to 'the Group' and 'Canary Wharf Group' refer to Stork Holdco LP and its subsidiaries. All activities take place within the United Kingdom.

At 30 June 2022, the company had £1,370,199,520 (31 December 2021 – £1,384,862,120) 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 £4,948,001 (period ended 30 June 2021 – loss of £4,929,325).

This loss included hedge reserve recycling recognised in the Income Statement of £5,005,643 (period ended 30 June 2021 – £4,987,552). Including the hedge reserve recycling impact in other comprehensive income the profit for the period was £57,642 (period ended 30 June 2021 – £58,227).

The balance sheet shows the company's financial position at the period end and indicates that net assets were £5,591,392 (31 December 2021 – £5,533,750).

The weighted average maturity of the company's securitised debt is 10.5 years (31 December 2021 – 10.8 years). The weighted average interest rate of the securitised debt is 6.1% (31 December 2021 – 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 2022.

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 cyclical nature of the property market, concentration risk and financing risk.

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 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. 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 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% 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.

The company has issued debenture finance in sterling at both fixed and floating rates and uses interest rate swaps to modify its exposure to interest rate fluctuations. All of the company's borrowings are fixed after taking account of interest rate hedges. All borrowings are denominated in sterling and the company has no intention to borrow amounts in currencies other than sterling.

The company enters into derivative financial instruments solely for the purposes of hedging its financial liabilities. No derivatives are entered into for speculative purposes.

The company is not subject to externally imposed capital requirements.

The company's securitisation is subject to a maximum loan minus cash to value ('LMCTV') ratio covenant.

The maximum LMCTV ratio is 100.0%. Based on the 30 June 2022 valuations of the properties upon which the company's notes are secured, the LMCTV ratio at the interest payment date in July 2022 was 42.7%. 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, Sir George Iacobescu CBE, Shoaib Z Khan, Katy J Kingston (alternate director to Shoaib Z Khan), Jeremy J Turner (alternate director to Sir George Iacobescu) and Rebecca J Worthington, 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 2022

Audited year ended 31 December 2021 £		Note	**Unaudited 6 months ended 30 June 2022 £**	Unaudited 6 months ended 30 June 2021 £
(72,999)	Administrative expenses		**(12,360)**	(11,460)
(72,999)	**OPERATING LOSS**		**(12,360)**	(11,460)
83,144,521	Interest receivable	2	**40,700,198**	41,610,913
(92,990,408)	Interest payable	3	**(45,635,839)**	(46,528,778)
(9,918,886)	**LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION**		**(4,948,001)**	(4,929,325)
–	Tax on loss on ordinary activities	4	**–**	–
(9,918,886)	**LOSS ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE PERIOD/YEAR**		**(4,948,001)**	(4,929,325)

OTHER COMPREHENSIVE INCOME

9,984,111	Hedge reserve recycling	**5,005,643**	4,987,552
9,984,111	**OTHER COMPREHENSIVE INCOME FOR THE PERIOD/YEAR**	**5,005,643**	4,987,552
65,225	**TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR**	**57,642**	58,227

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 2022 was approved by the Board of Directors on 15 September 2022.

STATEMENT OF FINANCIAL POSITION
as at 30 June 2022

Audited 31 December 2021 £		Note	**Unaudited 30 June 2022 £**	Unaudited 30 June 2021 £
	CURRENT ASSETS			
	Debtors:	5		
1,592,708,302	Amounts falling due after one year		**1,405,445,743**	1,615,808,366
51,682,572	Amounts falling due within one year		**50,751,752**	50,429,644
3,720,537	Cash at bank		**3,374,335**	3,671,989
1,648,111,411			**1,459,571,830**	1,669,909,999
	Creditors:			
(49,869,359)	Amounts falling due within one year	6	**(48,534,594)**	(48,574,881)
1,598,242,052	**NET CURRENT ASSETS**		**1,411,037,236**	1,621,335,118
1,598,242,052	**TOTAL ASSETS LESS CURRENT LIABILITIES**		**1,411,037,236**	1,621,335,118
	Creditors:			
(1,592,708,302)	Amounts falling due after more than one year	7	**(1,405,445,844)**	(1,615,808,366)
5,533,750	**NET ASSETS**		**5,591,392**	5,526,752
	CAPITAL AND RESERVES			
50,000	Called up share capital		**50,000**	50,000
(137,072,876)	Hedging reserve		**(132,067,233)**	(142,069,435)
142,556,626	Retained earnings		**137,608,625**	147,546,187
5,533,750	**SHAREHOLDER'S FUNDS**		**5,591,392**	5,526,752

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 2022

	Called up share capital £	Hedging reserve £	Retained earnings £	**Total £**
At 1 January 2021	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**
Loss for the period	–	–	(4,989,561)	**(4,989,561)**
Other comprehensive income	–	4,996,559	–	**4,996,559**
Total comprehensive income	–	4,996,559	(4,989,561)	**6,998**
At 31 December 2021	50,000	(137,072,876)	142,556,626	**5,533,750**
Loss for the period	–	–	(4,948,001)	**(4,948,001)**
Other comprehensive income	–	5,005,643	–	**5,005,643**
Total comprehensive income	–	5,005,643	(4,948.001)	**57,642**
At 30 June 2022	**50,000**	**(132,067,233)**	**137,608,625**	**5,591,392**

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 2022

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 2022. The full accounting policies of the company, set out in the 2021 statutory accounts, have been applied in preparing this Interim Report.

The financial information relating to the 6 months ended 30 June 2022 and 30 June 2021 is unaudited.

The results for the year ended 31 December 2021 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.

Replacement of LIBOR as an interest rate benchmark

From 24 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. INTEREST RECEIVABLE AND SIMILAR INCOME

Audited year ended 31 December 2021 £		**Unaudited 6 months ended 30 June 2022 £**	Unaudited 6 months ended 30 June 2021 £
–	Bank interest receivable	**261**	–
83,144,521	Interest receivable from Group undertakings	**40,699,937**	41,610,913
83,144,521		**40,700,198**	41,610,913

3. INTEREST PAYABLE AND SIMILAR CHARGES

Audited year ended 31 December 2021 £		**Unaudited 6 months ended 30 June 2022 £**	Unaudited 6 months ended 30 June 2021 £
83,006,297	Interest payable on securitised debt (Note 7)	**40,630,196**	41,541,226
–	Fair value adjustments	**–**	–
9,984,111	Hedge reserve recycling	**5,005,643**	4,987,552
92,990,408		**45,635,839**	46,528,778

Included within interest payable on securitised debt is £800,129 (June 2021 – £847,749) amortisation of issue premium.

Fair value adjustments

Audited year ended 31 December 2021 £		**Unaudited 6 months ended 30 June 2022 £**	Unaudited 6 months ended 30 June 2021 £
(88,290,467)	Derivative financial instruments	**(139,717,378)**	(65,561,091)
35,880,164	Securitised debt	**(31,470,817)**	20,140,561
52,410,303	Loan to fellow subsidiary undertaking	**171,188,195**	45,420,530
–		**–**	–

4. TAXATION

Audited year ended 31 December 2021 £		**Unaudited 6 months ended 30 June 2022 £**	Unaudited 6 months ended 30 June 2021 £
	Tax charge		
–	Current tax chargeable to income	**–**	–
–		**–**	–
	Tax reconciliation		
(9,918,886)	Loss on ordinary activities before taxation	**(4,948,001)**	(4,929,325)
1,884,588	Tax on loss at UK corporation tax rate	**940,120**	936,572
	Effects of:		
(1,896,981)	Fair value movements	**(951,072)**	(947,635)
12,393	Group relief	**10,952**	11,063
–		**–**	–

5. DEBTORS

Audited 31 December 2021 £		**Unaudited 30 June 2022 £**	Unaudited 30 June 2021 £
	Due within one year:		
29,325,200	Loan to fellow subsidiary undertaking	**29,325,200**	29,325,200
16,192,846	Accrued interest on loan to fellow subsidiary undertaking	**15,540,418**	16,235,090
6,164,526	Amounts owed by fellow subsidiary undertakings	**5,886,134**	4,869,354
51,682,572		**50,751,752**	50,429,644
	Due after more than one year:		
1,592,708,302	Loan to fellow subsidiary undertaking	**1,405,445,743**	1,615,808,366
1,592,708,302		**1,405,445,743**	1,615,808,366

The loan to a fellow subsidiary undertaking comprises:

Audited 31 December 2021 £		**Unaudited 30 June 2022 £**	Unaudited 30 June 2021 £
1,706,676,001	Brought forward	**1,622,033,502**	1,706,676,001
(29,325,200)	Repaid in period	**(14,662,600)**	(14,662,600)
(1,673,865)	Amortisation of issue premium	**(800,128)**	(847,749)
(1,233,131)	Accrued financing expenses	**(611,636)**	(611,556)
(52,410,303)	Fair value adjustment	**(171,188,195)**	(45,420,530)
1,622,033,502	Carried forward	**1,434,770,943**	1,645,133,566
29,325,200	Payable within one year or on demand	**29,325,200**	29,325,200
1,592,708,302	Payable after more than one year	**1,405,445,743**	1,615,808,366
1,622,033,502		**1,434,770,943**	1,645,133,566

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 A7, B3 C2 and D2 tranches of the intercompany loan are carried at fair value. The A1, A3 and B tranches are carried at amortised cost. The total fair value of the loans to fellow subsidiary undertakings at 30 June 2022 was £1,537,198,578 (31 December 2021 – £1,832,728,937), 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 2021 £		**Unaudited 30 June 2022 £**	Unaudited 30 June 2021 £
29,325,200	Securitised debt (Note 7)	**29,325,200**	29,325,200
16,246,891	Accrued interest on debt	**15,594,319**	16,288,628
11,978	Accounts payable	**126,729**	–
4,284,594	Amounts owed to Group undertakings	**3,477,306**	2,952,593
696	Accruals and deferred income	**11,040**	8,460
49,869,359		**48,534,594**	48,574,881

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

7. CREDITORS: Amounts falling after more than one year

Audited 31 December 2021 £		**Unaudited 30 June 2022 £**	Unaudited 30 June 2021 £
1,286,124,454	Securitised debt	**1,238,579,374**	1,286,495,142
306,583,848	Derivative financial instruments	**166,866,470**	329,313,224
1,592,708,302		**1,404,445,844**	1,615,808,366

The amounts at which borrowings are stated comprise:

Audited 31 December 2021 £		**Unaudited 30 June 2022 £**	Unaudited 30 June 2021 £
1,311,801,686	Brought forward	**1,315,449,655**	1,311,801,686
(29,325,200)	Repaid in period	**(14,662,600)**	(14,662,600)
(1,673,865)	Amortisation of issue premium	**(800,128)**	(847,749)
(1,233,130)	Accrued financing expenses	**(611,536)**	(611,556)
35,880,164	Fair value adjustment	**(31,470,817)**	20,140,561
1,315,449,655	Carried forward	**1,267,904,574**	1,315,820,342
29,325,200	Payable within one year or on demand	**29,325,200**	29,325,200
1,286,124,455	Payable after more than one year	**1,238,579,374**	1,286,495,142
1,315,449,655		**1,267,904,574**	1,315,820,342

The principal terms of the company's borrowings are:

Tranche	Principal £m	Interest	Hedged rate	Repayment
A1	188.1	6.455%	–	By instalment 2009 – 2030
A3	400.0	5.952%	–	By instalment 2032 – 2035
A7	222.0	SONIA + 0.5943%	5.3985%	January 2035
B	117.5	6.800%	–	By instalment 2005 – 2030
B3	77.9	SONIA + 0.8193%	5.5825%	January 2035
C2	239.7	SONIA + 1.4943%	6.2666%	January 2035
D2	125.0	SONIA + 2.2193%	7.0605%	January 2035
	1,370.2			

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 2022 £11,424,139 (31 December 2021 – £12,224,268) remained unamortised.

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

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 5.40% and 7.06%.

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 2022 was £1,370,332,108 (31 December 2021 – £1,526,145,089). 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 2022, the fair value of the interest rate derivatives resulted in the recognition of a liability of £166,866,470 (31 December 2021 – £306,583,848). 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 2022, AIG had posted £82,605,176 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. The liquidity facility matures on 22 October 2037 and at 30 June 2022 remains undrawn.

8. CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS

As at 30 June 2022 and 31 December 2021, 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.