

CANARY WHARF FINANCE II PLC

Registered Number: 03929593

30 JUNE 2023 HALF YEARLY FINANCIAL REPORT

CANARY WHARF FINANCE II PLC

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CANARY WHARF FINANCE II PLC

INTERIM MANAGEMENT STATEMENT

This interim management statement relates to the 6 months ended 30 June 2023 and contains information that covers the period from 1 January 2023 to 19 September 2023, 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 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. The group owns, manages and develops the Canary Wharf Estate (the 'Estate') in East London. References to 'the Group' and 'Canary Wharf Group' refer to Stork Holdco LP and its subsidiaries. All activities take place within the United Kingdom. The company plans to continue trading in the same manner for the foreseeable future.

At 30 June 2023, the company had £1,340,874,320 (31 December 2022 – £1,355,536,920) 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.

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.

Results for the period

As shown in the company's Income Statement, the company's loss after tax for the 6 month period was £4,959,754 (period ended 30 June 2022 – loss of £4,948,001).

This loss included hedge reserve recycling recognised in the Income Statement of £5,024,076 (period ended 30 June 2022 – £5,005,643). Including the hedge reserve recycling impact in other comprehensive income the profit for the period was £64,322 (period ended 30 June 2022 – £57,642).

The balance sheet shows the company's financial position at the period end and indicates that net assets were £5,710,828 (31 December 2022 – £5,646,506).

The weighted average maturity of the company's securitised debt is 9.67 years (31 December 2022 – 10.1 years). The weighted average interest rate of the securitised debt is 6.04% (31 December 2022 – 6.1%).

CANARY WHARF FINANCE II PLC

INTERIM MANAGEMENT STATEMENT (Continued)

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 2023.

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 current geopolitical climate and its potential impact on the economy, the cyclical nature of the property market, concentration risk, financing risk, climate risk and policy and planning risks.

Geopolitical climate

The geopolitical backdrop has been exceptionally turbulent in the UK and internationally over the past few years. We have also seen a marked increase in Industrial Action, in part due to falling real wages, resulting in numerous days of tube and train strikes impacting the Estate.

Russia's invasion of Ukraine is still ongoing and has driven longer term security, economic, and energy policy shifts within Europe, with implications for UK businesses and consumers. The Group has no contractual relationships with any entity or individuals based in Russia, Belarus or Ukraine. However, the impact of a war in Europe and sanctions targeted at Russia and certain individuals may impact on the UK and world economy, particularly on energy prices. The long term impacts of these issues remain difficult to predict.

Cyclical nature of the property market

The valuation of the 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 uncertainty in the Eurozone, implications of the UK's withdrawal from the EU, the Russian invasion of Ukraine and sanctions imposed on Russia as a consequence. During the year, the rapid rise in interest rates has brought significant turmoil to the debt and capital markets with consequential impact on investor confidence whilst the longer term impact of Covid-19 on flexible working has led to occupiers reviewing their requirements for office space. These factors have had adverse implications for the property market and particularly negative market sentiment towards office assets which has impacted valuations at the period end.

The real estate market has to date, however, been assisted by the depreciation of sterling since the UK's exit from the EU 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.

CANARY WHARF FINANCE II PLC

INTERIM MANAGEMENT STATEMENT (Continued)

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 54.0% of tenants. Wherever possible steps are still taken to mitigate or avoid material consequences arising from this concentration.

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

Financing risk

The broader economic cycle inevitably leads to movements in inflation, interest rates and bond yields. The company has borrowing at floating and fixed rates of interest. Where required the company uses derivative financial instruments to manage exposure to interest rate fluctuations.

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 2023 valuations of the properties upon which the company's notes are secured, the LMCTV ratio at the interest payment date in July 2023 was 45.2%. 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).

CANARY WHARF FINANCE II PLC

INTERIM MANAGEMENT STATEMENT (Continued)

Climate risk

The Group considers sustainability to be at the forefront of our business, and as an organisation we have a vision to transform urban spaces into extraordinary environments. In 2020, the Group published its Net Zero Carbon Pathway, a roadmap for reaching net zero carbon by 2030. The Group also published ambitious Science Based Targets (SBTs) ratified by the Science Based Targets Initiative (SBTi).

Failure to meet these commitments could result in reputational damage for the Group and subsequent damage to our relationship with customers, suppliers and other stakeholders. Similarly, inaccurate claims around sustainable practices could result in the Group being subject to fines under the Green code leading to both financial and reputational harm.

Being an integrated developer, contractor and property manager, we are in a unique position to embed sustainable principles right from the initial design of our buildings. However, there are increasing legal and regulatory requirements for building performance for which the Group is required to remain compliant. Failing to meet these requirements could lead to significant reputational damage and adversely impact asset values.

Whilst we are aware of these risks, we do not consider the Group to be at considerable risk of non compliance. We are actively engaging with many industry groups including the UK Green Building Council (UKGBC), the Better Building Partnership (BBP) and Concrete Zero to ensure we remain up to date with all regulations. We also actively monitor the operational performance of our buildings, and retrofit older buildings where possible, to ensure compliance. Our dedicated sustainability team produce an annual sustainability report to drive sustainable initiatives and communicate performance to our stakeholders. We obtain external assurance over this report to provide confidence to our stakeholders. The Group actively engages in sustainable practices and is working in partnership with the Eden Project to transform the Canary Wharf Estate into a biodiverse environment.

Policy and planning risks

All of the Group's assets are currently located within London. Appropriate contact is maintained with local and national Government, but changes in Governmental policy on planning, tax or other regulations could limit the ability of the Group to maximise the long term potential of its assets. These risks are closely monitored.

The principal risks facing the Group are discussed in the Annual Report of Canary Wharf Investment Holdings plc, which does not form part of this report.

CANARY WHARF FINANCE II PLC

DIRECTORS' RESPONSIBILITIES 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), J Justin Turner (alternate director to Sir George Iacobescu CBE) and Rebecca J Worthington, confirms to the best of its knowledge that:

- the condensed set of financial statements on pages 7 – 17 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');
- 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). The interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein); and
- the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

Signed on behalf of the board by:



S Z Khan
Director
19 September 2023

CANARY WHARF FINANCE II PLC

INDEPENDENT REVIEW REPORT TO CANARY WHARF FINANCE II PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half yearly financial report for the 6 months ended 30 June 2023 which comprises the statement of comprehensive income, the balance sheet, the statement of changes in equity and related notes 1 to 9.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half yearly financial report for the 6 months ended 30 June 2023 is not prepared, in all material respects, in accordance with Financial Reporting Standard 104 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom (ISRE (UK) 2410). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in Note 1, the annual financial statements of the company are 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"). The condensed set of financial statements included in this half yearly financial report have been prepared in accordance with Financial Reporting Standard 104 "Interim Financial Reporting".

Conclusion Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This Conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410; however future events or conditions may cause the entity to cease to continue as a going concern.

CANARY WHARF FINANCE II PLC

INDEPENDENT REVIEW REPORT TO CANARY WHARF FINANCE II PLC (Continued)

Responsibilities of the directors

The directors are responsible for preparing the half yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half yearly financial report, the directors are responsible for assessing the group'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.

Auditor's Responsibilities for the review of the financial information

In reviewing the half-yearly financial report, we are responsible for expressing to the company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our Conclusion, including our Conclusion Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the company in accordance with ISRE (UK) 2410. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review 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, for our review work, for this report, or for the conclusions we have formed.


Deloitte LLP
Statutory Auditor
London, UK

19 September 2023

CANARY WHARF FINANCE II PLC

STATEMENT OF COMPREHENSIVE INCOME for the 6 months ended 30 June 2023

Audited year ended 31 December 2022 £		Note	Unaudited 6 months ended 30 June 2023 £	Unaudited 6 months ended 30 June 2022 £
(37,602)	Administrative expenses		(9,613)	(12,360)
(37,602)	OPERATING LOSS		(9,613)	(12,360)
81,331,597	Interest receivable	2	39,796,139	40,700,198
(91,201,694)	Interest payable	3	(44,746,280)	(45,635,839)
(9,907,699)	LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(4,959,754)	(4,948,001)
–	Tax on loss on ordinary activities	4	–	–
(9,907,699)	LOSS ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE PERIOD/YEAR		(4,959,754)	(4,948,001)
OTHER COMPREHENSIVE INCOME				
10,020,455	Hedge reserve recycling		5,024,076	5,005,643
10,020,455	OTHER COMPREHENSIVE INCOME FOR THE PERIOD/YEAR		5,024,076	5,005,643
112,756	TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR		64,322	57,642

The Notes on pages 11 to 17 form an integral part of this Half Yearly Financial Report.

CANARY WHARF FINANCE II PLC

STATEMENT OF FINANCIAL POSITION as at 30 June 2023

Audited 31 December 2022 £		Note	Unaudited 30 June 2023 £	Unaudited 30 June 2022 £
	CURRENT ASSETS			
	Debtors:	5		
1,289,142,436	Amounts falling due after one year		1,226,784,730	1,405,445,743
53,811,347	Amounts falling due within one year		59,635,208	50,751,752
3,843,290	Cash at bank		575,800	3,374,335
<u>1,346,797,073</u>			<u>1,286,995,738</u>	<u>1,459,571,830</u>
(52,008,129)	Creditors: Amounts falling due within one year	6	(54,500,078)	(48,534,594)
<u>1,294,788,944</u>	NET CURRENT ASSETS		<u>1,232,495,660</u>	<u>1,411,037,236</u>
	TOTAL ASSETS LESS CURRENT LIABILITIES			
1,294,788,944			1,232,495,660	1,411,037,236
(1,289,142,438)	Creditors: Amounts falling due after more than one year	7	(1,226,784,832)	(1,405,445,844)
<u>5,646,506</u>	NET ASSETS		<u>5,710,828</u>	<u>5,591,392</u>
	CAPITAL AND RESERVES			
50,000	Called up share capital		50,000	50,000
(127,052,421)	Hedging reserve		(122,028,345)	(132,067,233)
132,648,927	Retained earnings		127,689,173	137,608,625
<u>5,646,506</u>	SHAREHOLDER'S FUNDS		<u>5,710,828</u>	<u>5,591,392</u>

The Notes on pages 11 to 17 form an integral part of this Half Yearly Financial Report.

Approved by the board on 19 September 2023 and signed on its behalf by:



S Z Khan
Director

CANARY WHARF FINANCE II PLC

STATEMENT OF CHANGES IN EQUITY for the 6 months ended 30 June 2023

	Called up share capital £	Hedging reserve £	Retained earnings £	Total £
At 1 January 2022	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	<u>50,000</u>	<u>(132,067,233)</u>	<u>137,608,625</u>	<u>5,591,392</u>
Loss for the period	–	–	(4,959,698)	(4,959,698)
Other comprehensive income	–	5,014,812	–	5,014,812
Total comprehensive income	–	5,014,812	(4,959,698)	55,114
At 31 December 2022	<u>50,000</u>	<u>(127,052,421)</u>	<u>132,648,927</u>	<u>5,646,506</u>
Loss for the period	–	–	(4,959,754)	(4,959,754)
Other comprehensive income	–	5,024,076	–	5,024,076
Total comprehensive income	–	5,024,076	(4,959,754)	64,322
At 30 June 2023	<u>50,000</u>	<u>(122,028,345)</u>	<u>127,689,173</u>	<u>5,710,828</u>

The Notes on pages 11 to 17 form an integral part of this Half Yearly Financial Report.

CANARY WHARF FINANCE II PLC

NOTES TO THE INTERIM REPORT for the 6 months ended 30 June 2023

1. ACCOUNTING POLICIES

The year end 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 2023. The full accounting policies of the company, set out in the 2022 statutory accounts, have been applied in preparing this Interim Report.

The financial information relating to the 6 months ended 30 June 2023 and 30 June 2022 is unaudited.

A copy of the statutory accounts for the year ended 31 December 2022 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 a 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.

CANARY WHARF FINANCE II PLC

NOTES TO THE INTERIM REPORT for the 6 months ended 30 June 2023 (Continued)

2. INTEREST RECEIVABLE AND SIMILAR INCOME

Audited year ended 31 December 2022 £		Unaudited 6 months ended 30 June 2023 £	Unaudited 6 months ended 30 June 2022 £
11,426	Bank interest receivable	7,178	261
81,320,171	Interest receivable from Group undertakings	39,788,961	40,699,937
<u>81,331,597</u>		<u>39,796,139</u>	<u>40,700,198</u>

3. INTEREST PAYABLE AND SIMILAR CHARGES

Audited year ended 31 December 2022 £		Unaudited 6 months ended 30 June 2023 £	Unaudited 6 months ended 30 June 2022 £
81,181,239	Interest payable on securitised debt (Note 7)	39,722,204	40,630,196
10,020,455	Hedge reserve recycling	5,024,076	5,005,643
<u>91,201,694</u>		<u>44,746,280</u>	<u>45,635,839</u>

Included within interest payable on securitised debt is £752,507 (June 2022 – £800,129) amortisation of issue premium. The hedge reserve recycling relates to the release of accumulated historic fair value movements on derivative financial instruments that were part of an effective cash flow hedge.

Fair value adjustments

Audited year ended 31 December 2022 £		Unaudited 6 months ended 30 June 2023 £	Unaudited 6 months ended 30 June 2022 £
(235,963,196)	Derivative financial instruments (Note 7)	(36,033,045)	(139,717,378)
(35,465,761)	Securitised debt (note 7)	(9,954,723)	(31,470,817)
271,428,957	Loan to fellow subsidiary undertaking (Note 5)	45,987,768	171,188,195
<u>-</u>		<u>-</u>	<u>-</u>

CANARY WHARF FINANCE II PLC

NOTES TO THE INTERIM REPORT for the 6 months ended 30 June 2023 (Continued)

4. TAXATION

Audited year ended 31 December 2022 £		Unaudited 6 months ended 30 June 2023 £	Unaudited 6 months ended 30 June 2022 £
	Tax charge		
–	Current tax chargeable to income	–	–
–		–	–
	Tax reconciliation		
(9,907,699)	Loss on ordinary activities before taxation	(4,959,754)	(4,948,001)
(1,882,463)	Tax on loss at UK corporation tax rate	(1,091,146)	(940,120)
	Effects of:		
1,903,886	Fair value movements	–	951,072
(21,423)	Group relief	1,091,146	(10,952)
–		–	–

5. DEBTORS

Audited 31 December 2022 £		Unaudited 30 June 2023 £	Unaudited 30 June 2022 £
	Due within one year:		
29,325,200	Loan to fellow subsidiary undertaking	29,325,200	29,325,200
15,610,878	Accrued interest on loan to fellow subsidiary undertaking	15,629,968	15,540,418
8,875,269	Amounts owed by fellow subsidiary undertakings	14,680,040	5,886,134
53,811,347		59,635,208	50,751,752
	Due after more than one year:		
1,289,142,436	Loan to fellow subsidiary undertaking	1,226,784,730	1,405,445,743
1,289,142,436		1,226,784,730	1,405,445,743

CANARY WHARF FINANCE II PLC

NOTES TO THE INTERIM REPORT for the 6 months ended 30 June 2023 (Continued)

The loan to a fellow subsidiary undertaking comprises:

Audited 31 December 2022 £		Unaudited 30 June 2023 £	Unaudited 30 June 2022 £
1,622,033,502	Brought forward	1,318,467,636	1,622,033,502
(29,325,200)	Repaid in period	(14,662,600)	(14,662,600)
(1,578,497)	Amortisation of issue premium	(752,507)	(800,128)
(1,233,212)	Accrued financing expenses	(954,731)	(611,636)
(271,428,957)	Fair value adjustment	(45,987,768)	(171,188,195)
<u>1,318,467,636</u>	Carried forward	<u>1,256,110,030</u>	<u>1,434,770,943</u>
29,325,200	Payable within one year or on demand	29,325,200	29,325,200
1,289,142,436	Payable after more than one year	1,226,784,830	1,405,445,743
<u>1,318,467,636</u>		<u>1,256,110,030</u>	<u>1,434,770,943</u>

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 (see Note 7). The total fair value of the loans to fellow subsidiary undertakings at 30 June 2023 was £1,224,656,709 (31 December 2022 – £1,325,641,286), 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.

CANARY WHARF FINANCE II PLC

NOTES TO THE INTERIM REPORT for the 6 months ended 30 June 2023 (Continued)

6. CREDITORS: Amounts falling due within one year

Audited 31 December 2022 £		Unaudited 30 June 2023 £	Unaudited 30 June 2022 £
29,325,200	Securitised debt (Note 7)	29,325,200	29,325,200
15,661,393	Accrued interest on debt	15,684,999	15,594,319
–	Accounts payable	62,958	126,729
7,020,468	Amounts owed to Group undertakings	9,416,241	3,477,306
1,068	Accruals and deferred income	10,680	11,040
<u>52,008,129</u>		<u>54,500,078</u>	<u>48,534,594</u>

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

7. CREDITORS: Amounts falling after more than one year

Audited 31 December 2022 £		Unaudited 30 June 2023 £	Unaudited 30 June 2022 £
1,218,521,786	Securitised debt	1,192,197,225	1,238,579,374
70,620,652	Derivative financial instruments	34,587,607	166,866,470
<u>1,289,142,438</u>		<u>1,226,784,832</u>	<u>1,404,445,844</u>

CANARY WHARF FINANCE II PLC

NOTES TO THE INTERIM REPORT for the 6 months ended 30 June 2023 (Continued)

The amounts at which borrowings are stated comprise:

Audited 31 December 2022 £		Unaudited 30 June 2023 £	Unaudited 30 June 2022 £
1,315,449,655	Brought forward	1,247,846,985	1,315,449,655
(29,325,200)	Repaid in period	(14,662,600)	(14,662,600)
(1,578,497)	Amortisation of issue premium	(752,507)	(800,128)
(1,233,212)	Accrued financing expenses	(954,730)	(611,536)
35,465,761	Fair value adjustment	(9,954,723)	(31,470,817)
<u>1,247,846,985</u>	Carried forward	<u>1,221,522,425</u>	<u>1,267,904,574</u>
	Payable within one year or on demand	29,325,200	29,325,200
29,325,200	Payable after more than one year	1,192,197,225	1,238,579,374
1,218,521,785			
<u>1,247,846,985</u>		<u>1,221,522,425</u>	<u>1,267,904,574</u>

The principal terms of the company's borrowings are:

Tranche	Principal £m	Interest	Hedged rate	Repayment
A1	165.7	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	110.6	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
	<u>1,340.9</u>			

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 2023 £9,893,264 (31 December 2022 – £10,645,771) remained unamortised.

The notes are secured on 6 properties at Canary Wharf, owned by fellow subsidiary undertakings, and the rental income stream therefrom. The 6 properties are 1 Canada Square, 33 Canada Square, 20 Bank Street, 40 Bank Street, 10 Cabot Square/5 North Colonnade and 20 Cabot Square/10 South Colonnade.

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%.

CANARY WHARF FINANCE II PLC

NOTES TO THE INTERIM REPORT for the 6 months ended 30 June 2023 (Continued)

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 2023 was £1,190,069,104 (31 December 2022 – £1,255,020,633). 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 2023, the fair value of the interest rate derivatives resulted in the recognition of a liability of £34,587,607 (31 December 2022 – £70,620,652). 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 2023, AIG had posted £60,804,480 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 and at 30 June 2023 remains undrawn.

8. CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS

As at 30 June 2023 and 31 December 2022, 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.

9. CONTROLLING PARTY

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

As at 30 June 2023, 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.