CANARY WHARF
GROUP PLC

CANARY WHARF FINANCE II PLC

Registered number: 03929593

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

CANARY WHARF FINANCE II PLC

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CANARY WHARF FINANCE II PLC

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023

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

At 31 December 2023, the company had notes with a nominal value of £1,326,211,720 (2022 - £1,355,536,920) 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 2023, AIG had posted £52,125,032 (2022 - £70,882,100) 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 as of the date of issue of this report are as follows:

Class	Moody's	Fitch	S&P
A1	Aaa	AA	A+
A3	Aaa	AA	A+
A7	Aaa	AA	A+
B	Aa3	A+	A+
B3	Aa3	A+	A+
C2	A3	BBB+	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.

The statement of financial position shows a net current asset position of £960,814,270 and 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.

Accordingly they continue to adopt the going concern basis in preparing the financial statements.

KEY PERFORMANCE INDICATORS

	2023 £	2022 £
Securitised debt - nominal value	1,326,211,720	1,355,563,920
Securitised debt - fair value	1,146,842,110	1,255,020,633
Securitised debt - carrying value	1,197,018,834	1,247,846,985
Financing cost (before adjustment for fair value)	78,550,825	81,181,239
Total comprehensive income	84,292	112,756
Weighted average maturity of debt	7.7 years	10.1 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.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company has adopted Canary Wharf Group Investment Holdings plc ("The Group" principal risks and uncertainties monitoring and management policies. The risks and uncertainties facing the business are monitored through continuous assessment, regular formal reviews and discussion at the Group audit committee and board. The Group recognises that the effective management of risk is key to the business success. As the Group has grown and evolved in recent years, diversifying the profile of the Estate and expanding operations, its risk profile has also evolved. At the same time the Group has needed to navigate the Covid-19 pandemic, changes in how people work, as well as an increasingly challenging global economic, political, and geopolitical environment. The Group has responded by focusing on the creation and protection of value through its Risk Management programme – for the Group's shareholders and investors, its tenants, and for visitors to the Canary Wharf Estate.

The Board has overall responsibility for the Risk Management for the Group. In this role it is underpinned by the Audit Committee and the Executive Risk Committee and supported throughout by the Risk Management team. The Group's Risk Management programme was the subject of extensive revision in 2022 and has been the focus of further investment and development through 2023. The programme is embedded across the Group, with department heads and specialist functions acting as risk managers and risk owners to ensure that management of risk is addressed at every level.

The Group's Risk Management programme is aligned to ISO 31000 (Risk Management) and informed by best practice across all areas of operation, specifically property development, construction, facilities management and property and retail management. The Group is also certified to ISO 45001 (Health & Safety Management), ISO 9001 (Quality Management) and ISO 22301 (Business Continuity), reflecting commitment to best practice.

The Risk Environment

All departments and specialist functions across the Group continually monitor risks in their operating environments and are supported in this by appropriate external expertise and the Risk Management team. The challenges facing the UK and Global economy, the Commercial Real Estate sector, and Geopolitical developments in the Middle East and Ukraine have been a primary focus for the Group over past 12 months, while developments across the sociological, technological, legal, and environmental sectors have also informed the Group's risk assessment process.

Principal Risks – External

1. Macroeconomic

Macroeconomic risks continue to be the most significant category of risks on the Group's register, with inflation, the cost of finance, and consumer spending graded at medium to high likelihoods and impacts. While positive signs have been noted in the UK economy, the UK entered a recession in early 2024, and potential geopolitical impacts on energy supply chains and lingering inflation have raised the prospect that its recovery may be protracted.

Management and mitigation:

Among the control measures adopted by the Group are the continued engagement and support of our shareholders, continued close monitoring of key economic indicators in the context of our strategy and commitments, and planning for a range of potential economic outcomes. The Group also assesses the financial solvency of any potential tenants, suppliers or partners before moving forward with new projects, with assessments performed and reviewed where appropriate, and seeks to ensure it is not over reliant on any one tenant or supplier. Regular stress testing of the Group's business plan is undertaken to assess the impact of an economic downturn on the Group's operations and to ensure the Group's financial position is sufficiently resilient.

2. Office Leasing

At 31 December 2023 the Group owned 12 office assets with a net internal area (NIA) of 6.9m sq ft representing 63.2% of the value of the Group's property portfolio. Risks associated with the Office Leasing market have been prominent for the Group over the past 12 months, with changes in how people work reducing demand for office space, and a shift in tenant demand to premium, sustainable solutions. The risk associated with office leasing has been graded with medium to high likelihood and impact. While the future tenant makeup on the Estate is expected to remain dynamic, the Group has secured a lease extension from Barclays, and continues to engage with its tenants and key stakeholders. The Office Leasing market is expected to present further challenges over the coming 12 months and will continue to be a key focus of risk management.

Management and mitigation:

Whilst occupancy has reduced slightly to 91.1% at 31 December 2023 (2022 – 92.5%), the Group continues to benefit from a WAULT to expiry of 9.5 years. Over recent years the Group has significantly diversified its property portfolio with a number of residential developments completing and further developments in the pipeline. The Group has a strong history of creating value for office tenants, and controls for these risks will continue to focus on engaging with current tenants to understand their requirements, diversifying product offerings, while engaging with new sectors, including Life Sciences, and continuing the development of premium space on the multi dimensional Estate. As part of the Group controls on office leasing, the Group performs regular assessments of the financial solvency of tenants and seeks to ensure it is not over-reliant on any one tenant.

3. Financing Risk

2023 saw a continuation of increasing interest rates resulting in increasing pressure on finance costs and indirectly on property asset values putting pressure on loan to value metrics. These changes and macroeconomic challenges have influenced the financing risk faced by the Group, which is graded at medium to high likelihood and impact. The Group has demonstrated success in this context, with refinancing successfully secured for 15 and 20 Water Street and the Group's Newfoundland BTR residential building. At 31 December 2023, the Group had certain facilities that were due to expire within the next 12 months on 12 Bank Street, 15 and 20 Water Street and 1/5 Bank Street.

Management and mitigation:

The Group's controls in this context are centred on continued engagement with existing partners, exploring other sources of finance and structures, including potential joint venture partnerships. The Group maintains regular forecasting and budgeting processes to allow the ongoing monitoring of the financial performance of the group and appropriate actions, where required, to be taken. Financial covenants are regularly monitored and assessed in conjunction with any new deals or financing and the Group affirms a strict hedging strategy evidenced by 95.1% of total debt at fixed rates or hedged interest. In addition, the Group continues to benefit from the support of its ultimate shareholders and during the year received a further commitment in the form of a £300.0m equity injection.

4. Geopolitical Risk

The past 12 months have marked the most significant escalation in international conflict and Geopolitical tensions in the past 50 years, with conflict in Ukraine and the Middle East. The Group's exposure to these trends is indirect and limited to exposure to increased energy costs and implications for global supply chains. Risks in this context are graded low to medium in terms of both likelihood and impact.

Management and mitigation:

The Group's controls include enhanced monitoring of global developments by specialist inhouse teams and external providers, and forward planning and scenario analysis in terms of energy requirements. The Group maintains strong relationships with occupiers, suppliers and agents to ensure it can appropriately react to changing geopolitical climates and how this might impact the business.

5. Political and Regulatory Risk

The Group continues to monitor risks related to the UK's political landscape, in particular in the context of the forthcoming general election. In regulatory terms, the Group has identified risks from the implementation of the Building Safety Act, and its continued and emerging obligations across the Economic Crime and Corporate Transparency act, anti bribery and corruption, tax evasion, anti money laundering, and modern slavery and human trafficking regulations. These risks are graded as low to medium in terms of likelihood and impact.

Management and mitigation:

The Group's controls in this context centre on regulatory monitoring, the development, maintenance, and implementation of appropriate policies, together with staff training and regular reviews of control effectiveness. On a local scale, the Group engages with Tower Hamlets council to ensure the Group's awareness of any local regulatory changes and impact to the business.

6. Security Risk

The Group places heavy emphasis on providing a secure environment, to ensure that its staff, tenants, and visitors to the Estate can work, live and play in safety. Risks from terrorism and disruptive action have remained stable over the past 12 months, despite an increase in global tensions, and while the Group is facing an increased risk from crime, crime figures remain well below the London average. The Group assesses these risks to be of low to medium impact and likelihood.

Management and mitigation:

The Group's controls in this context centre on its continued investment in its Security and Resilience function, and its cooperation with police and appropriate sections of the UK government. The Group's incident response system, Everbridge, is regularly tested ensuring all staff can be contacted and located in an emergency. The Group also operates a zero tolerance policy in relation to bribery, corruption and fraud and has appropriate policies in place to manage and monitor these risks. All staff undertake mandatory training on these issues.

7. Technology and Cyber Security Risk

The Group recognises that risks from cyber threat actors are evolving in scale and complexity, while at the same time noting that the rapid evolution of technology and information systems, particularly around AI, will be a critical component of its continued success. The Group's risks in this context are graded to be of medium likelihood and impact.

Management and mitigation:

The Group monitors the evolution of risks and employs multilayered controls to address these, including the establishment, implementation and maintenance of appropriate polices, mandatory staff awareness training, and appropriate and proportionate cyber defences with third party providers.

Principal Risks – Internal

8. Development & Construction

The development of the Canary Wharf Estate is continuing, with 3 West Lane and 15 West Lane scheduled for completion in 2024 and One Charter Street in 2025. The Group also has 5.9m sq ft of land on the estate in the development pipeline. Risks associated with Development and Construction programmes include supplier and contractor viability, planning policies and permissions, evolutions in regulatory requirements, and marketplace trends. These risks are predominantly graded at medium likelihood and impact.

Management and mitigation:

Controls focus on monitoring developments across the sector, identifying shifts that have potential impacts on the development and construction pipeline, and developing contingencies and resilience pathways to deliver in line with the Group's strategy. An experienced development team monitor and manage projects from the design through to completion and delivery. The Group also fosters competitive tendering of contracts prior to launching a new project and ensures any new suppliers or partners accept the Group's Supplier Code of Conduct, outlining the responsibilities of our suppliers to secure equitable working conditions as well as responsible handling of social, ethical and environmental concerns throughout the supply chain. The Group also completes ongoing screening and monitoring of it's development partners based on financial and reputational risk.

9. Sustainability

The Group places a strong emphasis on Sustainability, with its ambition to be net zero in terms of emissions, adopting a ‘Nature Positive’ approach to development, driving circularity in waste management, and delivering a positive social impact. Key risks across the Sustainability programme include the accurate representation of the Group’s sustainability progress to regulators and the public, collaboration with supply chains to ensure the Group’s science based targets are met, and increasing legal requirements for building performance targets. 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 codeleading to both financial and reputational harm. These risks are graded as low in terms of likelihood and impact. For a comprehensive overview of the Group’s Sustainability programme please consult the annual sustainability report, available on Canary Wharf Group website, www.group.canarywharf.com.

Management and mitigation:

The Group’s sustainability policies and targets, allied with extensive monitoring and reporting are key controls for this group of risks. These are further enhanced with engagement with key stakeholders across regulatory and industry bodies and through supply chains to ensure that the Group’s objectives continue to be appropriate and on target. The Group is actively engaging with many industry groups including the UK Green Building Council (UKGBC), the Better Building Partnership (BBP) and Concrete Zero to ensure it remains up to date with all regulations. The Group also actively monitors the operational performance of its buildings, and retrofits older buildings where possible, to ensure compliance. The dedicated sustainability team produce an annual sustainability report to drive sustainable initiativesand communicate performance to our stakeholders. External assurance over this report is obtained toprovide confidence to 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. Further details are provided in our corporate responsibility section below.

10. People, Culture & Customers

The Group recognises that its People, Culture and Customers are central to its success. Key risks identified across these sectors include the shortages and losses of staff, and shortfalls in succession planning, which are graded as being low to medium in terms of likelihood and impact.

Management and mitigation:

The Group manages the risks in this context through the establishment and implementation of appropriate policies, supported with a wide range of ethical, wellbeing, and equality, diversity and inclusion initiatives. The Group launched bi annual 360 degree appraisals in 2023 to ensure its people are receiving timely constructive feedback. The Group also fosters inclusive career paths for its employees through the Career Development Framework. Public perception of the Estate and the Group is monitored regularly, allowing the Group to respond where appropriate. Regular communication with customers is maintained through use of the Canary Wharf App and the Group maintains a close relationship with local council Tower Hamlets to foster a collaborative environment which benefits both its people and customers.

11. Health & Safety

The scope of the Group’s operations across construction, facilities management, maintenance and engineering represent a broad range of risks, with key risks focusing on the failures of equipment, systems or processes, in addition to risks presented by rapidly growing technologies such as electric vehicles. These risks are graded as low to medium in terms of likelihood and impact.

The Group places a strong emphasis on Sustainability, with its ambition to be net zero in terms of emissions, adopting a ‘Nature Positive’ approach to development, driving circularity in waste management, and delivering a positive social impact. Key risks across the Sustainability programme include the accurate representation of the Group’s sustainability progress to regulators and the public, collaboration with supply chains to ensure the Group’s science based targets are met, and increasing legal requirements for building performance targets. 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. These risks are graded as low in terms of likelihood and impact.

For a comprehensive overview of the Group's Sustainability programme please consult the annual sustainability report, available on Canary Wharf Group website, www.group.canarywharf.com.

Management and mitigation:

The Group's extensive experience across construction and facilities management is leveraged in this context, with management and mitigation of the risks founded on appropriate and proportionate policies, safety regimes and appropriate investment in expertise and capability. The Group employs competent experienced individuals to provide health and safety expertise and support, ensuring ongoing monitoring of controls and regular reviews of policies and procedures. Regular health and safety training is undertaken by all employees applicable to their roles and responsibilities.

Financing risk

The broader economic cycle inevitably leads to movements 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 2023 valuations of the properties upon which the company's notes are secured, the LMCTV ratio at the interest payment date in January 2024 was 49.4%. 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 POLICIES

Conflicts of interest

A formal process to manage directors' conflicts of interest is observed by the Board. The prescribed process provides a framework within which the directors who are not conflicted can manage potential conflict situations to protect the interests of the Company. An annual review involving self certification by directors is conducted of the conflicts disclosed during the preceding 12 months.

Anti Bribery and Corruption

The Board continues to demonstrate commitment to the prevention of corruption and understands the importance of maintaining a culture in which it is not acceptable at any level. An updated online bribery and corruption awareness training module was launched in February 2023. This is undertaken by all new employees and agency workers and has been completed by 88.0% of the Group's existing employees. The Group has a Code of Business Practices and Ethics and a formal Anti Bribery and Corruption policy, which requires all directors and employees to behave with integrity and in a manner that ensures the objectives of the policies are achieved. The Group has a strict approach to maintaining high standards of finance, business principles and ethics and appropriate risk assessments are undertaken periodically.

Criminal Finances Act 2017

The Criminal Finances Act 2017 established the corporate criminal offence of failing to prevent the criminal facilitation of UK and foreign tax evasion. The Group's Ethics Code and Anti Bribery policies referred to above protect the Group from some aspects of these types of activities. To supplement these policies, the Group also has an Anti Facilitation of Tax Evasion policy and rolled out a mandatory training course to all employees which has been completed by 94.0% of staff. A refresher course was issued in 2023.

Anti Slavery and Human Trafficking

To comply with the Modern Slavery Act 2015 the Group has established controls to combat slavery, servitude, forced or compulsory labour and human trafficking. The Board's adopted policy and formal statement sets out the Group's commitment to prohibiting any form of forced labour or slavery. Online anti slavery and human trafficking training launched in July 2023 is mandatory for all employees and agency workers and to date has been completed by 88.0% of employees.

General Data Protection Regulation (GDPR)

The DPO and management continue to take a risk based approach to address GDPR compliance. A GDPR committee with representation from key senior personnel across the business meets periodically to discuss and communicate data protection issues. Privacy policies are published on CWG's public facing websites. Data protection policies and procedures are in place and appropriate registers are maintained. Online mandatory GDPR refresher training launched in February 2022 has been completed by 92.0% of employees. The Company has also issued Cyber Security training which was completed by 96.0% of employees.

Corporate Responsibility

Sustainability is front and centre for the Group. The Group are aware of the increasing sustainability requirements of current and prospective customers. To deliver sustainability, the Group integrate actions and targets into every phase of project delivery and are 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.

The Group is an active member of many industry groups including the UK Green Building Council (UKGBC), the Better Building Partnership (BBP) and Concrete Zero. 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. The 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. The 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. The Group has an ISO 140001 certified Environmental Management System, and an ISO 50001 Energy Management System.

The Group endeavours to raise awareness and promote effective management of sustainability, environmental and social issues with staff, designers, suppliers, and contractors and also works closely with suppliers and contractors to establish effective environmental supply chain management and to promote the procurement of sustainable products and materials. In 2023, the Group held the Ambition Into Action summit to foster collaboration with the supply chain, and have since launched a supplier training programme designed to support suppliers in understanding their emissions and setting realistic, challenging science based targets.

The Group has 2 ambitious Science Based Targets (SBTs) ratified by the Science Based Targets Initiative (SBTi), as well as an ambition to be net zero, as outlined in its Net Zero Carbon Pathway. Progress against both the Net Zero Carbon Pathway and SBTs are published in the annual Sustainability Report. In 2023, the Group participated in GRESB and CDP Sustainability Benchmarking schemes, receiving a GRESB 5 star rating, and a CDP score of B.

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 for the benefit of its members as a whole.

As a company with no employees, our Section 172 statement reflects our commitment to fulfilling our duties under the Companies Act 2006 while operating in a manner consistent with our role and responsibilities within the group structure.

Our primary obligation lies with our shareholder, Stork HoldCo LP, and our actions are guided by the objective of maximising shareholder value and ensuring the long-term success of the group. We engage with Canary Wharf Group Investment Holdings Plc, an entity under common ownership, to understand their strategic objectives, priorities, and expectations, aligning our decision-making processes accordingly.

While we do not have direct employees, we recognise the broader impact of our activities on the communities in which we operate and society at large. We uphold principles of ethical conduct, integrity, and compliance with relevant laws and regulations, contributing positively to the reputation and sustainability of the group.

Our governance practices prioritise transparency, accountability, and effective communication with Canary Wharf Group Investment Holdings Plc, ensuring that our activities are aligned with the group's overall mission and values. We remain committed to responsible corporate citizenship and to acting in the best interests of the group as a whole.

This report was approved by the board on 26 April 2024 and signed on its behalf.

DocuSigned by:

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R J Worthington
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023

The directors present their report and the financial statements for the year ended 31 December 2023.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £9,973,236 (2022 - loss £9,907,699).

The total comprehensive income for the year, amounted to £84,292 (2022 - £112,756).

No dividends have been paid or proposed in the year (2022 - £NIL).

DIRECTORS

The directors who served during the year and in the year to date were:

K K Al-Thani
T Berklayd
Sir George Iacobescu CBE
S Z Khan
K J Kingston (alternate director to S Z Khan)
J J Turner (alternate director to Sir George Iacobescu CBE)
R J Worthington

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 has in place a qualifying third-party indemnity provision for 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 and any associated companies. Both the indemnity and insurance were in force during the period ended 31 December 2023 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.

No directors have any interests in any shares of the Company.

FUTURE DEVELOPMENTS AND POST BALANCE SHEET EVENTS

See note 18 for details of significant events since the balance sheet date.

The directors expect the general level of activity other than this to remain consistent with 2023 in the forthcoming year.

FINANCIAL INSTRUMENTS

The financial risk management objectives and policies together with the principal risks and uncertainties with regard to the use of financial instruments by 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 2023. 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.

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 AUDITORS

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 auditors are 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 auditors are aware of that information.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

This report was approved by the board on 26 April 2024 and signed on its behalf.

DocuSigned by:

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R J Worthington
Director

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023

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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R J Worthington
Director
Date: 26-04-2024

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 31st December 2023 and of its loss 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 19.

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: • *Financial instruments : Derivative Valuations*
Materiality	The materiality that we used in the current year was £26.6m 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 as being a finance vehicle the company has a significant balance of listed debt, which would be the major focus of the company's stakeholders. Moreover, the fair value of the derivative financial instruments is based on quoted prices in active markets which entails a certain level of volatility. Management uses counterparty bank valuations to obtain their fair values and there is a risk of material misstatement that the calculations performed are incorrect. The fair value of the derivatives at the year-end resulted in the recognition of a net liability of £83.5m (2022: £70.6m). 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	Our audit procedures included: • 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.
Key observations	Based on our testing, we are satisfied that valuation of derivatives is appropriate.

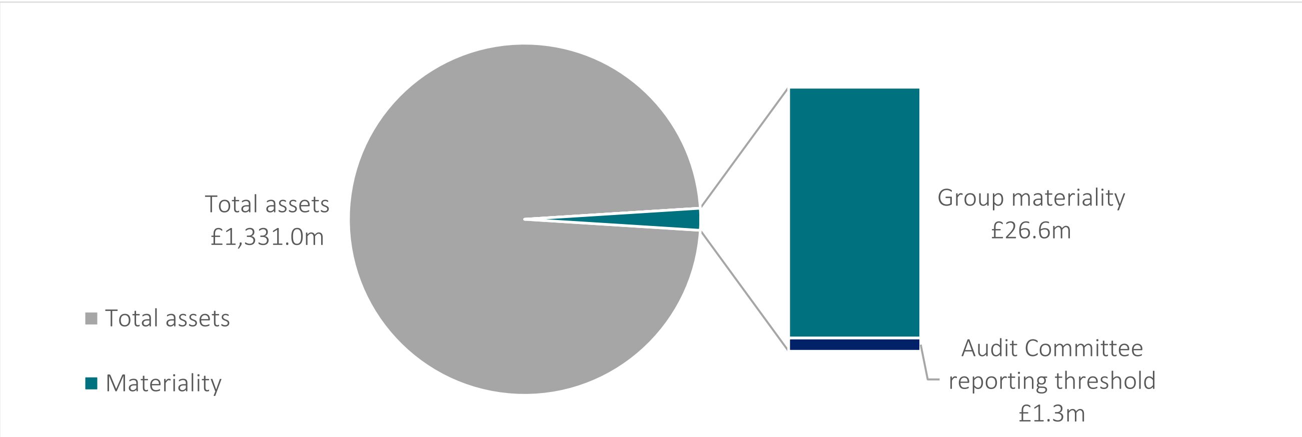
6. Our application of materiality

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	£26.6m (2022: £26.9m)
Basis for determining materiality	2% of total assets (2022: 2% of total assets)
Rationale for the benchmark applied	Total assets reflect the key balance in the financial statements given the company's primary purpose is to provide funding to the Canary Wharf Group, comprising Canary Wharf Group plc and its subsidiaries ('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 2023 audit (2022: 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 Audit Committee all audit differences in excess of £1.3m (2022: £1.3m), 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 entity 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.

7.2. Our consideration of the control environment

Given the nature of the company's activities we did not adopt a controls reliance approach or rely on controls; 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.

7.3. Our consideration of climate-related risks

As set out in the Corporate Social Responsibility section of the Strategic Report, the Group has undertaken a number of sustainability initiatives in order to mitigate climate-related risks.

As part of our audit, we have obtained an understanding of management's process and controls in considering the impact of climate risks and assessed whether the risks identified by management are complete and consistent with our understanding of the Group.

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, including those that are specific to the company's sector;
- 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, financial instruments 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. 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, 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 the health and safety legislation and employment legislation.

11.2. Audit response to risks identified

As a result of performing the above, we did not identify any key audit matters related to the potential risk of fraud or non-compliance with laws and regulations.

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 22 years, covering the years ending 30 June 2002 to 31 December 2023.

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.

DocuSigned by:

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Georgina Robb (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

26 April 2024

CANARY WHARF FINANCE II PLC

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 £	2022 £
Administrative expenses		(66,902)	(37,602)
Operating loss		(66,902)	(37,602)
Interest receivable from group companies	6	119,472,302	81,320,171
Bank interest receivable	6	17,388	11,426
Loan interest payable	7	(119,338,496)	(81,181,239)
Hedge reserve recycling	7	(10,057,528)	(10,020,455)
Loss before tax		(9,973,236)	(9,907,699)
Tax on loss	9	-	-
Loss for the financial year		(9,973,236)	(9,907,699)
Other comprehensive income for the year			
Hedge reserve recycling		10,057,528	10,020,455
Other comprehensive income for the year		10,057,528	10,020,455
Total comprehensive income for the year		84,292	112,756

The notes on pages 25 to 38 form part of these financial statements.

CANARY WHARF FINANCE II PLC
REGISTERED NUMBER: 03929593

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Note	2023 £	2022 £
Current assets			
Debtors: amounts falling due after more than one year	10	955,034,884	1,289,142,436
Debtors: amounts falling due within one year	10	356,796,143	53,811,347
Cash at bank and in hand		2,082,013	3,843,290
		1,313,913,040	1,346,797,073
Creditors: amounts falling due within one year	11	(353,147,358)	(52,008,129)
Net current assets		960,765,682	1,294,788,944
Total assets less current liabilities		960,765,682	1,294,788,944
Creditors: amounts falling due after more than one year	12	(955,034,884)	(1,289,142,438)
Net assets		5,730,798	5,646,506
Capital and reserves			
Called up share capital	15	50,000	50,000
Hedging reserve	16	(116,994,893)	(127,052,421)
Retained earnings		122,675,691	132,648,927
		5,730,798	5,646,506

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 26 April 2024.

R J Worthington
Director

The notes on pages 25 to 38 form part of these financial statements.

CANARY WHARF FINANCE II PLC

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

	Called up share capital	Hedging reserve	Retained earnings	Total equity
	£	£	£	£
At 1 January 2023	50,000	(127,052,421)	132,648,927	5,646,506
Loss for the year	-	-	(9,973,236)	(9,973,236)
Hedge reserve recycling (Note 16)	-	10,057,528	-	10,057,528
Total comprehensive income for the year	-	10,057,528	(9,973,236)	84,292
At 31 December 2023	50,000	(116,994,893)	122,675,691	5,730,798

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Called up share capital	Hedging reserve	Retained earnings	Total equity
	£	£	£	£
At 1 January 2022	50,000	(137,072,876)	142,556,626	5,533,750
Loss for the year	-	-	(9,907,699)	(9,907,699)
Hedge reserve recycling (Note 16)	-	10,020,455	-	10,020,455
Total comprehensive income for the year	-	10,020,455	(9,907,699)	112,756
At 31 December 2022	50,000	(127,052,421)	132,648,927	5,646,506

The notes on pages 25 to 38 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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 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.

The balance sheet shows a net current asset position of £960,765,682 and 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.

Accordingly they continue to adopt the going concern basis in preparing the financial statements.

2.3 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.

2.4 Segment information

The company has a single operating segment, being the provision of finance to the Canary Wharf Group, comprising Canary Wharf Group plc and its subsidiaries. All activities take place within the United Kingdom. Therefore, no segmental information has been prepared.

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.

2. ACCOUNTING POLICIES (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.

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 Chatham Financial.

At 31 December 2023, the fair value of derivative financial instruments totalled £83,542,955 (2022 - £70,620,652).

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 2023, the fair value of the floating rate securitised notes totalled £485,466,290 (2022: £546,225,195).

Loan to fellow subsidiary undertaking

Part of the loan to a fellow subsidiary undertaking 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 2023, the fair value of these tranches of the loan to a fellow subsidiary undertaking totalled £569,009,245 (2022 - £616,845,847).

For the year ended 31 December 2023, the preparation of financial statements requires the application of judgments for significant items that involve estimation.

4. AUDITORS' REMUNERATION

	2023 £	2022 £
Fees payable to the company's auditor and its associates for the audit of the company's interim financial statements	12,600	11,748

Auditors remuneration of £13,860 (2022 - £13,200) for the year end audit of the company has been borne by another group undertaking.

5. EMPLOYEES

The Company has no employees other than the directors, who did not receive any remuneration (2022 - £NIL).

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2023 £	2022 £
Interest receivable from group companies	119,472,302	81,320,171
Bank interest receivable	17,388	11,426
	119,489,690	81,331,597

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2023 £	2022 £
Interest payable on securitised debt (Note 13)	78,550,825	81,181,239
Debt modification charge	40,787,671	-
Hedge reserve recycling	10,057,528	10,020,455
	129,396,024	91,201,694

On 22 December 2023, the Company gave notice of a partial repayment of £71.5m A1 notes and £192.0m A3 notes of its securitisation. The notice crystalised spens of £40.5m to bring the total repaid on 22 January 2024 to £304.0m. The debt modification resulted in a charge to the income statement of £40.8m which has been recognised in the year within interest payable and the same amount has been recognised within interest receivable as due from a fellow subsidiary. These amounts are included within debtors due wthin one year (Note 10) and creditors due within one year (Note 11).

The repayment released security over 10 Cabot Square following the execution of the amendment of lease arrangements with Barclays Bank plc.

8. FAIR VALUE ADJUSTMENTS

	2023 £	2022 £
Derivative financial instruments	12,922,303	(235,963,196)
Securitised debt	(58,783,877)	(35,465,761)
Loan to fellow subsidiary undertaking	45,861,574	271,428,957
	-	-

9. TAXATION

	2023 £	2022 £
Deferred tax		
Taxation on profit on ordinary activities	-	-

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

n October 2022, the government announced changes to the Corporation Tax rate from 1 April 2023, increasing the main rate of Corporation Tax to 25%.

The tax assessed for the year is different to the standard rate of corporation tax in the UK of 23.5% (2022 - 19.0%). The differences are explained below:

	2023 £	2022 £
Loss on ordinary activities before tax	(9,973,236)	(9,907,699)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.5% (2022 - 19.0%)	(2,345,760)	(1,882,463)
Effects of:		
Fair value movements not subject to tax	2,365,586	1,903,886
Group relief	(19,826)	(21,423)
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 23.5% (2022 – 19%).

10. DEBTORS

	2023 £	2022 £
Due after more than one year		
Loan to fellow subsidiary undertaking due after more than one year	955,034,884	1,289,142,436
	955,034,884	1,289,142,436

	2023 £	2022 £
Due within one year		
Other amounts owed from fellow subsidiaries	15,937,764	8,875,269
Loan to fellow subsidiary undertaking due within one year	325,526,903	29,325,200
Accrued interest on loan to fellow subsidiary undertaking	15,331,476	15,610,878
	356,796,143	53,811,347

	2023 £	2022 £
The loan to a fellow subsidiary undertaking comprises:		
At 1 January	1,318,467,636	1,622,033,502
Repaid in the year	(29,325,200)	(29,325,200)
Amortisation of issue premium	(1,531,718)	(1,578,497)
Movement in accrued financing expenses	(1,975,028)	(1,233,212)
Fair value adjustment	(45,861,574)	(271,428,957)
Debt modification charge	40,787,671	-
At 31 December	1,280,561,787	1,318,467,636

Comprising:

	2023 £	2022 £
Loan to fellow subsidiary undertaking due after more than one year	955,034,884	1,289,142,436
Loan to fellow subsidiary undertaking due within one year	325,526,903	29,325,200
	1,280,561,787	1,318,467,636

The fair value of the loans to group undertakings at 31 December 2023 was £1,230,385.065 (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.

On 22 December 2023, the Company gave notice of a partial repayment of £71.5m A1 notes and £192.0m A3 notes of its securitisation. The notice crystalised spens of £40.5m to bring the total repaid on 22 January 2024 to £304.0m. The debt modification resulted in a charge to the income statement of £40.8m which has been recognised in the year within securitised debt. The repayment released security over 10 Cabot Square following the execution of the amendment of lease arrangements with Barclays Bank plc.

The same amount is due at the balance sheet date from a fellow subsidiary and is shown within the loan to a fellow subsidiary due within one year balance in debtors due within one year.

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

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

	Interest	Effective interest	Repayment	2023 £m	2022 £m
A1	6.455%	6.151%	By instalment 2009-2033	154.5	176.9
A3	5.952%	5.814%	By instalment 2024-2037	400.0	400.0
A7	5.114%	5.298%	January 2035	222.0	222.0
B	6.800%	6.409%	By instalment 2005-2030	107.1	114.1
B3	5.163%	5.435%	January 2035	77.9	77.9
C2	5.442%	6.059%	January 2035	239.7	239.7
D2	5.801%	6.743%	January 2035	125.0	125.0
				1,326.2	1,355.6
Unamortised premium				9.4	10.6
Accrued financing costs				12.9	14.9
				1,348.5	1,381.1

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, C2 and D2 tranches of the intercompany loan are carried at fair value. The A1, A3 and B2 tranches are carried at amortised cost. The total fair value of the intercompany loan was £1,230,385,065 (2022: £1,325,641,286).

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:

	2023 £	2022 £
Within one year	353,257,557	111,658,658
In one to two years	81,890,076	109,749,258
In two to five years	227,576,085	303,610,876
In five to ten years	500,632,089	622,136,170
In ten to twenty years	798,214,780	1,052,567,138
At 31 December	1,961,570,587	2,199,722,100

	2023 £	2022 £
Comprising:		
Principal repayments	1,326,211,720	1,355,536,920
Interest repayments	635,358,867	844,185,180
At 31 December	1,961,570,587	2,199,722,100

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.

11. CREDITORS: Amounts falling due within one year

	2023 £	2022 £
Securitised debt (Note 13)	325,526,905	29,325,200
Amounts owed to group undertakings	12,181,686	7,020,468
Accruals and deferred income	15,438,767	15,662,461
	353,147,358	52,008,129

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

On 22 December 2023, the Company gave notice of a partial repayment of £71.5m A1 notes and £192.0m A3 notes of its securitisation. The notice crystalised spens of £40.5m to bring the total repaid on 22 January 2024 to £304.0m. The debt modification resulted in a charge to the income statement of £40.8m which has been recognised in the year within securitised debt above. The repayment released security over 10 Cabot Square following the execution of the amendment of lease arrangements with Barclays Bank plc.

The same amount is due at the balance sheet date from a fellow subsidiary and is shown within the loan to a fellow subsidiary due within one year balance in debtors due within one year.

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

	2023 £	2022 £
Securitised debt (Note 13)	871,491,929	1,218,521,786
Derivative financial instruments (Note 14)	83,542,955	70,620,652
	955,034,884	1,289,142,438

13. SECURITISED DEBT

The amounts at which borrowings are stated comprise:

	2023 £	2022 £
At 1 January	1,247,846,985	1,315,449,655
Repaid in the year	(29,325,200)	(29,325,200)
Amortisation of issue premium	(1,531,718)	(1,578,497)
Movement in accrued financing expenses	(1,975,027)	(1,233,212)
Fair value adjustment	(58,783,877)	(35,465,761)
Debt modification	40,787,671	-
At 31 December	1,197,018,834	1,247,846,985

	2023 £	2022 £
Payable within one year or on demand	325,526,905	29,325,200
Payable after more than one year	871,491,929	1,218,521,785
	1,197,018,834	1,247,846,985

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 2023 £9,444,793 (2022 - £10,645,771) remained unamortised.

At 31 December 2023 there were accrued financing costs of £12,903,052 (2022: £14,878,080) 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 six properties are 1 Canada Square, 33 Canada Square, 20 Bank Street, 40 Bank Street, 5 North Colonnade and 20 Cabot Square/South Colonnade.

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 2023, AIG had posted £52,125,032 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.

At 31 December 2023 the securitised debt comprised the following:

Tranche	Principal £m	Fair value £m	Interest	Effective interest	Repayment
A1	154.5	162.2	6.455%	6.151%	By instalment 2009-2033
A3	400.0	392.0	5.952%	5.814%	By instalment 2024-2037
A7	222.0	170.9	Floating	5.298%	January 2035
B	107.1	107.1	6.800%	6.409%	By instalment 2005-2030
B3	77.9	56.9	Floating	5.435%	January 2035
C2	239.7	170.2	Floating	6.059%	January 2035
D2	125.0	87.5	Floating	6.743%	January 2035
	1,326.2	1,146.8			

At 31 December 2022 the securitised debt comprised the following:

Tranche	Principal £m	Fair value £m	Interest	Effective interest	Repayment
A1	176.9	180.4	6.455%	6.151%	By instalment 2009-2033
A3	400.0	412.0	5.952%	5.814%	By instalment 2032-2037
A7	222.0	186.5	Floating	5.298%	January 2035
B	114.1	116.3	6.800%	6.409%	By instalment 2005-2030
B3	77.9	65.1	Floating	5.435%	January 2035
C2	239.7	195.3	Floating	6.059%	January 2035
D2	125.0	99.4	Floating	6.743%	January 2035
	1,355.6	1,255.0			

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 SONIA plus a credit adjustment spread. The margins on the notes are: A7 notes - 0.19% per annum; B3 notes - 0.28% per annum; C2 notes - 0.55% per annum; and D2 notes - 0.84% per annum.

The floating rate notes are hedged by means of interest rate swaps and the hedged rates plus the margins are: A7 notes - 5.3984%; 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 £1,147m. Of the carrying value of £1,156m (excluding the debt modification charge), £671m is carried at amortised cost and £485m 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.

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

	2023 £	2022 £
Within one year	351,826,786	107,497,343
In one to two years	71,494,093	107,009,231
In two to five years	189,299,008	282,990,943
In five to ten years	440,456,869	572,214,039
In ten to twenty years	786,634,554	1,031,389,360
At 31 December	1,839,711,310	2,101,100,916

	2023 £	2022 £
Comprising:		
Principal repayments	1,326,211,720	1,355,536,920
Interest repayments	513,499,590	745,563,996
At 31 December	1,839,711,310	2,101,100,916

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 2023 was 7.69 years (2022 - 10.1 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 2023 was 6.1% (2022 - 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.

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 2023 the fair value of these derivatives resulted in the recognition of a net liability of £83,542,955 (2022 - £70,620,652).

At 31 December 2023, the company held the following interest rate swaps:

Hedge type	Swap rate	2023 Fair value £	2022 Fair value £
B3 interest rate swap	4.883%	9,577,209	7,931,370
C2 interest rate swap	4.892%	29,708,909	25,097,359
A7 interest rate swap	4.924%	28,066,112	23,776,418
D2 interest rate swap	4.961%	16,190,725	13,815,505
		83,542,955	70,620,652

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.

	2023 £	2022 £
Within one year	1,430,771	4,161,315
In one to two years	10,395,983	2,740,027
In two to five years	38,277,077	20,619,933
In five to ten years	60,175,220	49,922,131
In ten to twenty years	11,580,226	21,177,778
	121,859,277	98,621,184

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.

15. SHARE CAPITAL

	2023 £	2022 £
Allotted, called up and fully paid		
50,000 (2022 - 50,000) Ordinary shares of £1.00 each	50,000	50,000

16. RESERVES

Hedging Reserve

The company holds swaps for the B3, C2, A7 and D2 notes. From July 2019, with the adoption of measurement criteria of IAS39, the company carries the B3, C2, A7 and D2 notes and the associated tranches of its intercompany loans at fair value through profit and loss. There is no continuing hedge accounting.

The hedging reserve balance comprises the unamortised balance of the discontinued hedge accounting on for the B2, C1, B3 and C2 notes.

Hedge accounting was applied for swaps on the B2 and C1 notes between 2005 and 2007, when the B2 and C1 notes were replaced by B3 and C2 notes. The combined balance in the hedging reserve at that time was a debit of £14,680,000, which is being amortised to October 2027, the remaining life of the B2 and C1 notes. At the year end, the unamortised balance was £1,157,129 (2022: £1,546,488).

Hedge accounting was applied for swaps on the B3 and C2 notes between 2007 and 2019. The balance of the hedge reserve associated with these notes was a credit of £165,163,014, which is being amortised until January 2035, the remaining life of the B3 and C2 notes. At the year end, the unamortised balance was £118,152,022 (2022: £128,598,909).

Distributable reserves

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

	2023 £	2022 £
Retained earnings	122,675,691	132,648,927
Hedging reserve	(116,994,893)	(127,052,421)
Distributable reserves	5,680,798	5,596,506

17. OTHER FINANCIAL COMMITMENTS

As at 31 December 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 13.

18. POST BALANCE SHEET EVENTS

Partial early repayment of A1 and A3 notes

In a notice dated 20 December 2023, holders of the notes were notified of the intended redemption of:

(a) £71,500,000 in aggregate principal amount of the Class A1 notes; and

(b) £192,000,000 in aggregate principal amount of the Class A3 notes,

on the interest payment date on 22 January 2024.

The redemption was in addition to the amortisation amount required to be paid in respect of the Class A1 notes of £5,603,580.

The expected principal amount outstanding of the Class A1 notes following the making of the payment and amortisation was: £77,398,420.

The expected principal amount outstanding of the Class A3 notes following the making of the payment and amortisation was: £208,000,000.

After serving the aforementioned irrevocable notice of early repayment to the debt holders in the year ending 31 December 2023, an additional premium of £40.5m was due to the holders. Of this amount £6.4m relates to the A1 notes and £34.1m the A3 notes. This was paid on 22 January 2024.

Release of 10 Cabot Square

The above partial early repayment of A1 and A3 notes has released security over 10 Cabot Square, London, which used to be a Mortgaged Property in respect of the securitisation.

19. CONTROLLING PARTY

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

As at 31 December 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.

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.