CANARY WHARF
GROUP PLC

CANARY WHARF FINANCE II PLC
26 APRIL 2024

PUBLICATION OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2023

Pursuant to sections 4.1 and 6.3.5 of the Disclosure and Transparency Rules, the board of Canary Wharf Finance II plc (the "Company") is pleased to announce the publication of its annual financial report for the year ended 31 December 2023, which has been approved by the board and signed on the date of this announcement and will shortly be available from www.canarywharf.com/Investor Relations.

The information contained within this announcement does not comprise statutory accounts within the meaning of the Companies Act 2006 and is provided in accordance with section 6.3.5 of the Disclosure and Transparency Rules.

In compliance with the Listing Rule 9.6.1, a copy of the 31 December 2023 annual financial report will be submitted to the UK Listing Authority via the National Storage Mechanism and will shortly be available to the public for inspection at https://www.fca.org.uk/markets/primary-markets/regulatory-disclosures/national-storage-mechanism.

Dated: 26 April 2024

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Company Secretary
Canary Wharf Finance II plc

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Principal place of business, domicile of entity and country of incorporation:
United Kingdom

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 £1,326,211,720 (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.

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-

KEY PERFORMANCE INDICATORS

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

	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 over hedging 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:

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.

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.

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.

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.

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.

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.

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:

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.

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 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 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 initiatives and communicate performance to our stakeholders. External assurance over this report is obtained to provide 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.

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.

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.

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	3	**119,472,302**	81,320,171
Bank interest receivable	3	**17,388**	11,426
Loan interest payable	4	**(119,338,496)**	(81,181,239)
Hedge reserve recycling	4	**(10,057,528)**	(10,020,455)
LOSS BEFORE TAX		**(9,973,236)**	(9,907,699)
Tax on loss	6	**–**	–
LOSS FOR THE FINANCIAL YEAR		**(9,973,236)**	(9,907,699)
OTHER COMPREHENSIVE INCOME FOR THE YEAR			
Hedge reserve recycling	13	**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 numbered notes 1 to 17 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
as at 31 December 2023

	Note	**2023** **£**	2022 £
CURRENT ASSETS			
Debtors:			
Amounts falling due after more than one year	7	**955,034,884**	1,289,142,436
Amounts falling due within one year	7	**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	8	**(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	9	**(955,034,884)**	(1,289,142,438)
NET ASSETS		**5,730,798**	5,646,506
CAPITAL AND RESERVES			
Called up share capital	12	**50,000**	50,000
Hedging reserve	13	**(116,994,893)**	(127,052,421)
Retained earnings	13	**122,675,691**	132,648,927
		5,730,798	5,646,506

The numbered notes 1 to 17 form part of these financial statements.

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 13)	–	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	(137,027,876)	142,556,626	**5,533,750**
Loss for the year	–	–	(9,907,699)	**(9,907,699)**
Hedge reserve recycling (Note 13)	–	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 numbered 1 to 17 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.

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. AUDITORS' REMUNERATION

	2023	2022
	£	£
Fees to the company's auditor for the 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.

4. 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

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2023	2022
	£	£
Interest payable on securitised debt (Note 11)	**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 8) and creditors due within one year (Note 9).

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

6. 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
	–	–

7. TAXATION

	2023 £	2022 £
Deferred tax		
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	**–**	–

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

In 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 25.2% (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 – 19.0%).

8. 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 to 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)
Debt modification charge	**40,787,671**	-
Fair value adjustment	**(45,861,574)**	(271,428,957)
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:

Class	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 2 years	**81,890,076**	**109,749,258**
In 2 to 5 years	**227,576,085**	**303,610,876**
In 5 to 10 years	**500,632,089**	**622,136,170**
In 10 to 20 years	**798,214,780**	**1,052,567,138**
At 31 December	**1,961,570,587**	**2,199,772,100**

	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.

9. CREDITORS: Amounts falling due within one year

	2023	2022
	£	£
Securitised debt (Note 10)	**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

Amount 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.

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

	2023	2022
	£	£
Securitised debt (Note 11)	**871,491,929**	1,218,521,786
Derivative financial instruments (Note 12)	**83,542,955**	70,620,652
	955,034,884	1,289,142,438

11. 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 6 properties at Canary Wharf, owned by fellow subsidiary undertakings, and the rental income stream therefrom.

The securitisation continues to have the benefit of an arrangement with AIG which covers the rent in the event of a default by the tenant of 33 Canada Square over the entire term of the lease. At 31 December 2022, AIG had posted £52,125,032 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.

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 3 months.

Interest on the floating rate notes is at 3 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 2 years	**71,494,093**	107,009,231
In 2 to 5 years	**189,299,008**	282,990,943
In 5 to 10 years	**440,456,869**	572,214,039
In 10 to 20 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 12.

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

12. 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).

13. 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

14. 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

15. 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 11.

16. 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.

17. 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.