

CANARY WHARF FINANCE II PLC
9 SEPTEMBER 2024

PUBLICATION OF THE HALF YEARLY FINANCIAL REPORT FOR THE 6 MONTHS ENDED 30 JUNE 2024

Pursuant to sections 4.2 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 half yearly financial report for the 6 months ended 30 June 2024, which will shortly be available from <https://group.canarywharf.com/about-us/investors/canary-wharf-finance-ii-plc>.

The information contained within this announcement, which was approved by the board of directors on 9 September 2024, 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 30 June 2024 half yearly financial report will be submitted to the UK Listing Authority via the National Storage Mechanism and will shortly be available to the public for inspection at www.fca.org.uk/markets/primary-markets/regulatory-disclosures/national-storage-mechanism.

Dated: 9 September 2024

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INTERIM MANAGEMENT STATEMENT

This interim management statement relates to the 6 months ended 30 June 2024 and contains information that covers the period from 1 January 2024 to 9 September 2024, the date of publication of this interim management statement.

BUSINESS REVIEW

The company is a subsidiary of Canary Wharf Group plc, Canary Wharf Group Investment Holdings plc, and its ultimate parent undertaking Stork Holdco LP, an entity registered in Bermuda.

The company is a finance vehicle that issues securities which are backed by commercial mortgages over properties within the Canary Wharf Estate. The company is engaged in the provision of finance to the Canary Wharf Group, comprising Canary Wharf Group Investment Holdings, and the wider group subsidiaries. The Group owns, manages and develops the Canary Wharf Estate (the 'Estate') in East London. All activities take place within the United Kingdom. The company plans to continue trading in the same manner for the foreseeable future.

At 30 June 2024, the nominal value of the loan notes held by the company and listed on the London Stock Exchange was £1,050,744,441 (31 December 2023 – £1,326,211,720). This movement includes the additional early repayment of the A1 and A3 notes on 22nd January 2024. The company had lent the proceeds to a fellow subsidiary undertaking, CW Lending II Limited ('the Borrower') under a loan agreement ('the Intercompany Loan Agreement'). The notes are secured on a pool of properties at Canary Wharf, owned by fellow subsidiary undertakings, and the rental income therefrom.

Going Concern

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

Results for the period

As shown in the company's Income Statement, the company's loss after tax for the 6 month period was £5,086,693 (period ended 30 June 2023 – loss of £4,959,754).

This loss included hedge reserve recycling recognised in the Income Statement of £5,042,960 (period ended 30 June 2023 – £5,024,076). Including the hedge reserve recycling impact in other comprehensive income the loss for the period was £43,733 (period ended 30 June 2023 – profit of £64,322).

The balance sheet shows the company's financial position at the period end and indicates that net assets were £5,687,065 (31 December 2023 – £5,730,798).

The weighted average maturity of the company's securitised debt is 9.20 years (31 December 2023 – 7.69 years). This increase is due to the partial early repayment of the A1 and A3 notes on 22nd January 2024. The weighted average interest rate of the securitised debt is 6.0% (31 December 2023 – 6.1%).

In the opinion of the Board, these Financial Statements enable shareholders to make an informed assessment of the results and activities of the company for the period ended 30 June 2024.

PRINCIPAL RISKS AND UNCERTAINTIES

The company faces several principal risks and uncertainties that could significantly impact its business model and financial performance, primarily centred around market and financing risks.

Market Risk

Market risk is a key risk, as the ability of the company with the support of group companies to meet debt obligations relies on generating sufficient rental income. In recent years, businesses have re-evaluated their office space requirements considering remote working trends and changing business models, leading to a decrease in demand for traditional office spaces. Despite this, the office assets that fund the company's securitisation have maintained a high occupancy rate in recent years with credit worthy tenants and the company continue to secure new deals including an extension with Morgan Stanley until at least 2038. To further navigate these challenges, a proactive approach is adopted in managing our property portfolio. This involves closely monitoring market trends, identifying emerging demand patterns, and adapting our properties to meet evolving tenant demands. Additionally, fostering

strong tenant relationships, offering flexible leasing terms, and enhancing the amenities and services within our office buildings and estate helps to differentiate our properties in a competitive market environment.

Financing Risk

Financing risk is another risk given the company has issued debenture finance in sterling at both floating and fixed rates of interest. The broader economic cycle inevitably leads to movements in inflation, interest rates and bond yields, which can lead to fluctuations in interest payments. To manage this risk, the company uses derivative financial instruments in the form of interest rate swaps to manage its exposure to interest rate fluctuations and does not enter into these arrangements for speculative purposes. 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 is not subject to externally imposed capital requirements, however the company's securitisation is subject to a maximum loan minus cash to value ('LMCTV') ratio covenant. The maximum LMCTV ratio is 100.0%. Based on the 30 June 2024 valuations of the properties upon which the company's notes are secured, the LMCTV ratio at the interest payment date in July 2024 was 49.99%. The securitisation is not subject to a minimum interest coverage ratio. A breach of certain financial covenants can be remedied by depositing eligible investments (including cash).

DIRECTOR'S RESPONSIBILITY STATEMENT

The board of directors, comprising Sheikh Khalifa Al-Thani, Theodor Berklayd, Shoaib Z Khan, Katy J Kingston (alternate director to Shoaib Z Khan), and Rebecca J Worthington, confirms to the best of its knowledge that:

- the condensed set of financial statements which has been prepared in accordance with the applicable set of accounting standards give a true and fair view of the assets, liabilities, financial position and profit or loss of the company as required by Rule 4.2.4 of the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority (the 'DTRs');
- the interim management statement includes a fair review of the information required by Rule 4.2.7 of the DTRs (indication of important events during the first 6 months and description of principal risks and uncertainties for the remaining 6 months of the year). The interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein); and
- the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

STATEMENT OF COMPREHENSIVE INCOME
for the 6 months ended 30 June 2024

		Unaudited 6 months ended 30 June 2024	Unaudited 6 months ended 30 June 2023
	Note	£	£
Administrative expenses		(70,600)	(9,613)
OPERATING LOSS		(70,600)	(9,613)
Interest receivable	2	31,352,117	39,796,139
Interest payable	3	(36,368,210)	(44,746,280)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(5,086,693)	(4,959,754)
Tax on loss on ordinary activities	4	–	–
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE PERIOD/YEAR		(5,086,693)	(4,959,754)
OTHER COMPREHENSIVE INCOME			
Hedge reserve recycling		5,042,960	5,024,076
OTHER COMPREHENSIVE INCOME FOR THE PERIOD/YEAR		5,042,960	5,024,076
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR		(43,733)	64,322

The Notes numbered 1 to 9 form an integral part of this Half Yearly Financial Report.

STATEMENT OF FINANCIAL POSITION
as at 30 June 2024

		Unaudited 30 June 2024	Audited 31 December 2023
	Note	£	£
CURRENT ASSETS			
Debtors:			
Amounts falling due after one year	5	939,069,639	955,034,884
Amounts falling due within one year		47,876,508	356,796,143
Cash at bank		2,592,848	2,082,013
		989,538,995	1,313,913,040
Creditors:			
Amounts falling due within one year	6	(44,782,389)	(353,147,358)
NET CURRENT ASSETS		944,756,606	960,765,682
TOTAL ASSETS LESS CURRENT LIABILITIES			
		944,756,606	960,765,682
Creditors:			
Amounts falling due after more than one year	7	(939,069,541)	(955,034,884)
NET ASSETS		5,687,065	5,730,798
CAPITAL AND RESERVES			
Called up share capital		50,000	50,000
Hedging reserve		(111,951,933)	(116,994,893)
Retained earnings		117,588,998	122,675,691
SHAREHOLDER'S FUNDS		5,687,065	5,730,798

The Notes numbered 1 to 9 form an integral part of this Half Yearly Financial Report.

**STATEMENT OF CHANGES IN EQUITY
for the 6 months ended 30 June 2024**

	Called up share capital £	Hedging reserve £	Retained earnings £	Total £
At 1 January 2023	50,000	(127,052,421)	132,648,927	5,646,506
Loss for the period	–	–	(4,959,754)	(4,959,754)
Other comprehensive income	–	5,024,076	–	5,024,076
Total comprehensive income	–	5,024,076	(4,959,754)	64,322
At 30 June 2023	50,000	(122,028,345)	127,689,173	5,710,828
Loss for the period	–	–	(5,013,482)	(5,013,482)
Other comprehensive income	–	5,033,452	–	5,033,452
Total comprehensive income	–	5,033,452	(5,013,482)	19,970
At 31 December 2023	50,000	(116,994,893)	122,675,691	5,730,798
Loss for the period	–	–	(5,086,693)	(5,086,693)
Other comprehensive income	–	5,042,960	–	5,042,960
Total comprehensive income	–	5,042,960	(5,086,693)	(43,733)
At 30 June 2024	50,000	(111,951,933)	117,588,998	5,687,065

The Notes numbered 1 to 9 form an integral part of this Half Yearly Financial Report.

**NOTES TO THE INTERIM REPORT
for the 6 months ended 30 June 2024**

1. ACCOUNTING POLICIES

The year end statutory accounts have been prepared in accordance with Financial Reporting Standard (FRS) 102 “The Financial Report Standard applicable in the UK and Republic of Ireland”. Accordingly, this condensed set of financial statements has been prepared in accordance with FRS 104 “Interim Financial Reporting”.

The accounting policies applied in the preparation of this Interim Report are consistent with those that will be adopted in the statutory accounts for the year ending 31 December 2024. The full accounting policies of the company, set out in the 2023 statutory accounts, have been applied in preparing this Interim Report.

The financial information relating to the 6 months ended 30 June 2024 and 30 June 2023 is unaudited.

A copy of the statutory accounts for the year ended 31 December 2023 has been delivered to the Registrar of Companies. The auditor’s report on those accounts was not qualified, did not contain any reference to any matters which the auditor drew attention by way of emphasis without qualifying the report and did not contain statements under Section 498(2) or (3) of the Companies Act 2006.

In accordance with FRS 102, the company will be exempt from presentation of a cash flow statement in its next annual financial statements as it will be included in the consolidated financial statements of Canary Wharf Group Investing Holdings plc, and accordingly the company has taken an equivalent exemption in preparing these condensed interim financial statements.

2. INTEREST RECEIVABLE AND SIMILAR INCOME

	Unaudited 6 months ended 30 June 2024 £	Unaudited 6 months ended 30 June 2023 £
Bank interest receivable	17,612	7,178
Interest receivable from Group undertakings	31,334,505	39,788,961
	31,352,117	39,796,139

3. INTEREST PAYABLE AND SIMILAR CHARGES

	Unaudited 6 months ended 30 June 2024 £	Unaudited 6 months ended 30 June 2023 £
Interest payable on securitised debt (Note 7)	31,325,250	39,722,204
Hedge reserve recycling	5,042,960	5,024,076
	36,368,210	44,746,280

Included within interest payable on securitised debt is £828,773 (June 2023 – £752,507) amortisation of issue premium. The hedge reserve recycling relates to the release of accumulated historic fair value movements on derivative financial instruments that were part of an effective cash flow hedge.

Fair value adjustments

	Unaudited 6 months ended 30 June 2024 £	Unaudited 6 months ended 30 June 2023 £
Derivative financial instruments (Note 7)	(40,622,650)	(36,033,045)
Securitised debt (Note 7)	35,483,466	(9,954,723)
Loan to fellow subsidiary undertaking (Note 5)	5,139,184	45,987,768
	-	-

4. TAXATION

	Unaudited 6 months ended 30 June 2024 £	Unaudited 6 months ended 30 June 2023 £
Tax charge		
Current tax chargeable to income	-	-
	-	-
Tax reconciliation		
Loss on ordinary activities before taxation	(5,086,693)	(4,959,754)
Tax on loss at UK corporation tax rate of 25.0% (30 June 2023: 22.0%)	(1,271,673)	(1,091,146)
Effects of:		
Fair value movements	1,260,740	-
Group relief	10,933	1,091,146
	-	-

5. DEBTORS

	Unaudited 30 June 2024 £	Audited 31 December 2023 £
Due within one year:		
Loan to fellow subsidiary undertaking	18,543,912	325,526,903
Accrued interest on loan to fellow subsidiary undertaking	12,109,389	15,331,476
Amounts owed by fellow subsidiary undertakings	<u>17,223,207</u>	<u>15,937,764</u>
	<u>47,876,508</u>	<u>356,796,143</u>
Due after more than one year:		
Loan to fellow subsidiary undertaking	939,069,639	955,034,884
	<u>939,069,639</u>	<u>955,034,884</u>

The loan to a fellow subsidiary undertaking comprises:

	Unaudited 30 June 2024 £	Audited 31 December 2023 £
Brought forward	1,280,561,787	1,318,467,636
Repaid in period	(315,972,798)	(29,325,200)
Amortisation of issue premium	(828,773)	(1,531,718)
Accrued financing expenses	(1,007,481)	(1,975,028)
Fair value adjustment	(5,139,184)	(45,861,574)
Debt modification charge	-	40,787,671
Carried forward	<u>957,613,551</u>	<u>1,280,561,787</u>
Payable within one year or on demand	18,543,912	325,526,903
Payable after more than one year	<u>939,069,639</u>	<u>955,034,884</u>
	<u>957,613,551</u>	<u>1,280,561,787</u>

The loans to a fellow subsidiary undertaking bear fixed rates of interest between 5.41% and 7.07% and are repayable in instalments between 2005 and 2037.

Other amounts owed by Group companies are non-interest bearing and repayable on demand.

The A7, B3 C2 and D2 tranches of the intercompany loan are carried at fair value. The A1, A3 and B tranches are carried at amortised cost (see Note 7). The total fair value of the loans to fellow subsidiary undertakings at 30 June 2024 was £917,656,018 (31 December 2023 – £1,230,385,065), calculated by reference to the fair values of the company's financial liabilities. In the event that the company were to realise the fair value of the securitised debt and the derivative financial instruments, it would have the right to recoup its losses as a repayment premium on its loans to CW Lending II Limited. As such, the fair value of the loans to Group undertakings is calculated to be the sum of the fair value of the securitised debt and the fair value of the derivative financial instruments. The carrying value of financial assets represents the company's maximum exposure to credit risk.

6. CREDITORS: Amounts falling due within one year

	Unaudited 30 June 2024 £	Audited 31 December 2023 £
Securitised debt (Note 7)	18,543,912	325,526,905
Accrued interest on debt	11,871,715	15,385,497
Accounts payable	662	-
Amounts owed to Group undertakings	14,350,100	12,181,686
Accruals and deferred income	70,000	53,270
	<u>44,782,389</u>	<u>353,147,358</u>

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

7. CREDITORS: Amounts falling after more than one year

	Unaudited 30 June 2024 £	Audited 31 December 2023 £
Securitised debt	896,149,236	871,491,929
Derivative financial instruments	42,920,305	83,542,955
	<u>939,069,541</u>	<u>955,034,884</u>

The amounts at which borrowings are stated comprise:

	Unaudited 30 June 2024 £	Audited 31 December 2023 £
Brought forward	1,197,018,834	1,247,846,985
Repaid in period	(315,972,798)	(29,325,200)
Amortisation of issue premium	(828,773)	(1,531,718)
Accrued financing expenses	(1,007,581)	(1,975,027)
Loan fair value adjustment	35,483,466	(58,783,877)
Debt modification charge	-	40,787,671
Carried forward	<u>914,693,148</u>	<u>1,197,018,834</u>
Payable within one year or on demand	18,543,912	325,526,905
Payable after more than one year	896,149,236	871,491,929
	<u>914,693,148</u>	<u>1,197,018,834</u>

The principal terms of the company's borrowings are:

Tranche	Principal £m	Interest	Hedged rate	Repayment
A1	74.5	6.455%	-	By instalment 2009 – 2030
A3	208.0	5.952%	-	By instalment 2024 – 2035
A7	222.0	SONIA + 0.5943%	5.3985%	January 2035
B	103.7	6.800%	-	By instalment 2005 – 2030
B3	77.9	SONIA + 0.8193%	5.5825%	January 2035
C2	239.7	SONIA + 1.4943%	6.2666%	January 2035
D2	125.0	SONIA + 2.2193%	7.0605%	January 2035
	<u>1,050.8</u>			

The class A1, A3 and B notes were issued at a premium which is being amortised to the income statement on a straight line basis over the life of the relevant notes. At 30 June 2024, £8,567,432 (31 December 2023 – £9,444,793) remained unamortised.

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

The company uses interest rate swaps to hedge exposure to the variability in cash flows on floating rate debt caused by movements in market rates of interest. The hedged rates of the floating notes, including the margins, are between 5.40% and 7.06%.

The floating rate notes are carried at fair value through profit or loss. The fixed rate notes are carried at amortised cost. The total fair value of the securitised debt at 30 June 2024 was £917,656,018 (31 December 2023 – £1,146,842,110). The fair values of the sterling denominated notes have been determined by reference to prices available on the market on which they are traded.

At 30 June 2024, the fair value of the interest rate derivatives resulted in the recognition of a liability of £42,920,305 (31 December 2023 – £83,542,955). The fair values of the derivative financial instruments have been determined by reference to the market values provided by a third party valuer.

The securitisation continues to have the benefit of an arrangement with AIG which covers the rent in the event of a default by the tenant of 33 Canada Square over the entire term of the lease. At 30 June 2024, AIG had posted £42,939,690 as cash collateral in respect of this obligation.

The company also has the benefit of a £300.0m liquidity facility provided by Lloyds Bank plc, under which drawings may be made in the event of a cash flow shortage under the securitisation. The liquidity facility matures on 22 October 2037 and at 30 June 2024 remains undrawn.

8. CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS

As at 30 June 2024 and 31 December 2023, the company had given security over all its assets, including security expressed as a first fixed charge over its bank accounts, to secure the notes referred to in Note 7.

9. CONTROLLING PARTY

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

As at 30 June 2024, 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 50.0% by Brookfield Property Partners LP and as to 50.0% by Qatar Investment Authority.