

CANARY WHARF FINANCE II PLC

Registered number: 03929593

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020



CANARY WHARF FINANCE II PLC

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CANARY WHARF FINANCE II PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

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 L.P.

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

Since March 2020 the UK economy has been significantly impacted by the COVID-19 virus which has caused widespread disruption and economic uncertainty. The crisis had no material impact on the assets, liabilities or performance of the company during the year.

At 31 December 2020, the company had £1,414,187,321 (2019 - £1,443,512,520) 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 2020, AIG had posted £118,730,673 (2019 - £136,586,799) 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.

The ratings of the notes are as follows:

Class	Moody's	Fitch	S&P
A1	Aaa	AAA	A+
A3	Aaa	AAA	A+
A7	Aaa	AAA	A+
B	Aa3	AA	A+
B3	Aa3	AA	A+
C2	A3	A	A
D2	Baa3	BBB	A-

CANARY WHARF FINANCE II PLC

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

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.

	2020	2019
	£	£
Securitised debt	1,414,187,321	1,443,512,520
Financing cost (before adjustment for fair value)	84,909,622	86,643,107
Total comprehensive income	71,060	136,956
Weighted average maturity of debt	11.6 years	12.3 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.

CANARY WHARF FINANCE II PLC

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

PRINCIPAL RISKS AND UNCERTAINTIES

The risks and uncertainties facing the business are monitored through continuous assessment, regular formal reviews and discussion at the Canary Wharf Group Investment Holdings plc audit committee and board. Such discussion focuses on the risks identified as part of the system of internal control which highlights key risks faced by the Group and allocates specific day to day monitoring and control responsibilities as appropriate. As a member of Canary Wharf Group, the current key risks of the company include Covid-19, the cyclical nature of the property market, concentration risk and financing risk.

The COVID-19 pandemic has had a significant impact on the UK economy. Despite this, the Group has demonstrated the resilience of its office rental income and during the year ended 31 December 2020 the Group collected over 99.0% of the office rents billed.

Cyclical nature of the property market

The valuation of the Company and Group's assets are subject to many external economic and market factors. In recent years, the London real estate market has had to cope with fluctuations in demand caused by events such as uncertainty in the Eurozone, the implications of UK withdrawal from the EU and renewed turmoil in the financial markets following the spread of the coronavirus. The full impact of the coronavirus is not yet possible to predict. Any long term continuation of the pandemic will however inevitably affect short and medium term economic performance and confidence, with adverse implications for the property market. The real estate market has to date, however, been assisted by the depreciation of sterling since the EU referendum and the continuing presence of overseas investors attracted by the relative transparency of the real estate market in London which is still viewed as both relatively stable and secure. Property valuations for office properties let on long leases to good covenants have remained relatively strong despite continuing economic uncertainties which are unhelpful to confidence across the wider real estate sector.

Concentration risk

The majority of the Group's real estate assets are currently located on or adjacent to the Estate. Although a majority of tenants have traditionally been linked to the financial services industry, this proportion has now fallen to around only 50.0% of tenants. Wherever possible steps are still taken to mitigate or avoid material consequences arising from this concentration.

Financing risk

The broader economic cycle inevitably leads to movement 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 2020 valuations of the properties upon which the company's notes are secured, the LMCTV ratio at the interest payment date in January 2021 was 42.9%. 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).

CANARY WHARF FINANCE II PLC

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

CORPORATE & SOCIAL RESPONSIBILITY

Canary Wharf Group plc has adopted a formal corporate responsibility policy including environmental and social issues which extends to all of its wholly owned subsidiary undertakings, including the Company. Full details of this policy together with a copy of the latest Canary Wharf Group plc Corporate Responsibility Report can be obtained from www.canarywharf.com.

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, and in doing so have regard (amongst other matters) to:

(a) the likely consequences of any decision in the long term

The Board meets regularly to discuss and make decisions on matters of strategic importance to the business, to promote the long- term success of the Company and to consider the likely long term impact of any such decisions.

In accordance with the Articles of Association the Company has by ordinary resolution appointed each of the directors. Accordingly, there is an alignment of the interests between shareholders and the Board. The Group Executive Chairman and Group Chief Executive Officer are also members of the Board.

(b) the interests of the Company's employees

The Company has no employees other than the directors, who did not receive remuneration from the Company during the year.

(c) the need to foster the Company's business relationships with suppliers, customers and others

The Group has strong and well-established long-term relationships with its suppliers, tenants and customers. This is evidenced by the continuation of links across the full value chain, over many years, with the full range of contractors, advisors and suppliers who interact directly with employees of the company without the intervention of sub-contractors.

(d) the impact of the Company's operations on the community and the environment

The Group publishes an annual Corporate Responsibility report which is available on the Group website. However, in addition to the above, the Group is committed to fostering positive links within the local communities in which it works. The Group has an appointed Group Strategy Director who manages a team which works collaboratively with the London Boroughs of Tower Hamlets and of Lambeth. The Director is also engaged politically and is responsible for the Group's long-term strategy, planning, community and sports events, links with local educational establishments and promotional arts events.

The Group is an established member of the Tower Hamlets Partnership Executive Group which engages with a range of local business leaders. The Group's Personnel Department has well established links with local schools, colleges, universities and with the local job centre.

(e) the desirability of the Company maintaining a reputation for high standards of business conduct

The Group expects the highest standards of conduct from its employees, business partners and suppliers with which it engages. The Group has an established internal risk control and audit process with a range of official policies. In addition, the Internal Audit process is provided independently by Ernst & Young LLP.

The Group is fully compliant with all current GDPR laws and employment legislation.

CANARY WHARF FINANCE II PLC

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

(f) the need to act fairly between members of the Company

The Company's articles of association may be amended by special resolution of the Company's shareholder. The Company is a wholly owned subsidiary within the Stork HoldCo LP group of companies and is a single member company under section 123 (1) of the Companies Act 2006.

Throughout 2021 the Board will continue to review how the Group can improve engagement with its employees and stakeholders.

This report was approved by the board on 28 April 2021 and signed on its behalf.

A handwritten signature in black ink, appearing to read 'S Z Khan', with a long horizontal flourish extending to the right.

S Z Khan
Director

CANARY WHARF FINANCE II PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their report and the financial statements for the year ended 31 December 2020.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £9,877,277 (2019 - profit £10,094,075).

The total comprehensive income for the year, amounted to £71,060 (2019 - £136,956).

No dividends have been paid or proposed in the year (2019 - £NIL).

DIRECTORS

The directors who served during the year were:

K K Al-Thani

J R Garwood (resigned 17 July 2020)

Sir George Iacobescu CBE

S Z Khan

R J J Lyons (alternate director to S Z Khan) (appointed 15 October 2020)

J J Turner (alternate director to Sir George Iacobescu CBE) (appointed 15 October 2020)

Z B Vaughan

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 provides an indemnity to 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. Both the indemnity and insurance were in force during the year ended 31 December 2020 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.

FUTURE DEVELOPMENTS

There have been no significant events since the balance sheet date.

FINANCIAL INSTRUMENTS

The financial risk management objectives and policies together with the principal risks and uncertainties of 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. The Board is committed to maintaining the highest standards of corporate governance, where appropriate for a company of its size and accordingly applies the UK Corporate Governance Code where applicable.

Board Composition

There were at least 2 executive directors and 2 non executive directors throughout 2020. 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.

CANARY WHARF FINANCE II PLC

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

Board Leadership

The Chairman of the Board is also the Group Executive 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 and Committee meetings and is responsible for ensuring compliance with the relevant procedures, rules and regulations.

STATEMENT ON BUSINESS RELATIONSHIPS

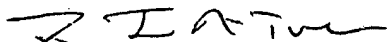
This section is covered in the Strategic Report under part (c) of the Section 172 (1) statement.

DISCLOSURE OF INFORMATION TO AUDITOR

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 auditor is 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 auditor is aware of that information.

This report was approved by the board on 28 April 2021 and signed on its behalf.



J J Turner
Secretary

CANARY WHARF FINANCE II PLC

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

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.

Signed on behalf of the board by:



S Z Khan

Director

Date: 28 April 2021

CANARY WHARF FINANCE II PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CANARY WHARF FINANCE II PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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 31 December 2020 and of its profit 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 of Canary Wharf Finance II plc (the 'company') which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 18.

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).

BASIS OF 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 non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matter	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 £34.6 million which was determined on the basis of 2% of total assets.
Scoping	A full scope audit was performed on the company and no separate components were identified.
Significant changes in our approach	There were no significant changes in our approach from the prior year.

CANARY WHARF FINANCE II PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CANARY WHARF FINANCE II PLC

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:

- Evaluated Management's Business Plan approved in December 2020 by the Board and assessed financial and other indicators to identify whether there are any doubts or material uncertainties in respect of Going Concern;
- Assessed the forecast cash flows, and downside sensitivities over the Going Concern period, including assessing the impact of both the Covid-19 pandemic and Brexit on the forecasts;
- Evaluated the company's access to sources of finance, including undrawn committed bank facilities;
- Assessed Management's historical forecasting accuracy by comparing the prior year forecasts to the current year's actual results; and
- Assessed most recent securitisation report for rental receipts for Q1 2021.

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.

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.

We are required by ISAs (UK) to report in respect of the following matters where: -the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or -the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.	
Key audit matter description	<p>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.</p> <p>The valuation of the company's derivatives is considered a significant risk due to the complexities and judgements taken in arriving at the valuation. Management uses counterparty bank valuations to obtain their fair values and there is a risk of material misstatement that the calculations are incorrect and if the error is not identified, this could result in a material misstatement. Given the degree of judgement involved, we also determined that there was a potential for fraud through possible manipulation of this account balance.</p> <p>The fair value of the derivatives at the year-end was £395 million (2019 - £349 million). This is included as a key source of estimation uncertainty in note 3 and derivative financial instruments in note 14 to the financial statements.</p>

CANARY WHARF FINANCE II PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CANARY WHARF FINANCE II PLC

How the scope of our audit responded to the key audit matter	We obtained an understanding of and assessed the key controls relating to derivative valuations. Working with our internal financial instrument specialists, we performed independent calculations of the fair value of all the company's interest rate swaps, including credit valuation adjustments using key terms per the original contract documentation.
Key observations	Based on our procedures, we conclude that valuation of financial instruments is reasonable.

OUR APPLICATION OF 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	£34.6m (2019: £34.6m prior to restatement).
Basis of determining materiality	2% of total assets (2019: 2% of total assets).
Rationale for the benchmark applied	This reflects the key balance in the financial statements given the Company's primary purpose is to provide funding to the Group by way of the securitisation structure. The entity is a finance vehicle that has issued securities which are backed by commercial mortgages over properties within the Canary Wharf Group estate.

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 2020 audit (2019: 70%). In determining performance materiality, we considered the following factors:

- a) Our risk assessment, including our assessment of the group's overall control environment;
- b) There were no material misstatements identified in the current or previous audits;
- c) There were no significant changes in the business during the period; and
- d) There was low turnover of management and key accounting personnel.

We agreed with the board of directors that we would report to the directors all audit differences in excess of £0.6m (2019: £0.6m) as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the group audit committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

CANARY WHARF FINANCE II PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CANARY WHARF FINANCE II PLC

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

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. A full scope audit was performed on the company and no separate components were identified.

OTHER INFORMATION

<p>The other information comprises the information included in the annual report including the Strategic Report, Directors' Report, and Directors' Responsibilities Statement, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained in the annual report.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>We have nothing to report in this regard.</p>
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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.

CANARY WHARF FINANCE II PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CANARY WHARF FINANCE II PLC

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.

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.

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, our procedures included the following:

- considering the nature of the industry and sector, control environment and business performance;
- enquiring of management and the board of directors, including obtaining and reviewing supporting documentation, concerning the company's 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.
- discussing among the audit engagement team and involving 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 and identified the greatest potential for fraud in the following area: Financial Instruments: Derivative financial instruments. 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 framework 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, Tax Legislation and Listing Rules.

CANARY WHARF FINANCE II PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CANARY WHARF FINANCE II PLC

Audit response to risks identified

As a result of performing the above, we identified Financial Instruments: Derivative Valuations as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, 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 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; 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

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.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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.
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.

CANARY WHARF FINANCE II PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CANARY WHARF FINANCE II PLC

OTHER MATTERS WHICH WE ARE REQUIRED TO ADDRESS

Auditor tenure

Following the recommendation of the group audit committee, we were appointed by the board of directors on its incorporation on 1st 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 20 years, covering the years ended 30 June 2001 to 31 December 2020.

Consistency of the audit report with the additional report to the group 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).

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.



Claire Faulkner FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, UK
28 April 2021

CANARY WHARF FINANCE II PLC

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 £	2019 £
Administrative expenses		(14,007)	(8,952)
OPERATING LOSS		(14,007)	(8,952)
Interest receivable from group companies	6	84,989,312	86,773,071
Bank interest receivable	6	5,377	15,944
Loan interest payable	7	(84,909,622)	(86,643,107)
Hedge reserve recycling	7	(9,948,337)	(4,689,581)
Fair value movements	8	-	14,646,700
(LOSS)/PROFIT BEFORE TAX		(9,877,277)	10,094,075
Tax on (loss)/profit	9	-	-
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(9,877,277)	10,094,075
OTHER COMPREHENSIVE INCOME FOR THE YEAR			
Fair value movement on effective hedging instruments		-	(14,646,700)
Hedge reserve recycling	16	9,948,337	4,689,581
OTHER COMPREHENSIVE INCOME FOR THE YEAR		9,948,337	(9,957,119)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		71,060	136,956

The notes on pages 19 to 32 form part of these financial statements.

CANARY WHARF FINANCE II PLC
REGISTERED NUMBER: 03929593

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020 £	2019 £
CURRENT ASSETS			
Debtors: amounts falling due after more than one year	10	1,677,350,801	1,680,875,352
Debtors: amounts falling due within one year	10	49,463,641	48,215,880
Cash at bank and in hand		3,601,415	3,366,239
		<u>1,730,415,857</u>	<u>1,732,457,471</u>
Creditors: amounts falling due within one year	11	(47,596,531)	(46,184,654)
NET CURRENT ASSETS		<u>1,682,819,326</u>	<u>1,686,272,817</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,682,819,326</u>	<u>1,686,272,817</u>
Creditors: amounts falling due after more than one year	12	(1,677,350,801)	(1,680,875,352)
NET ASSETS		<u><u>5,468,525</u></u>	<u><u>5,397,465</u></u>
CAPITAL AND RESERVES			
Called up share capital	15	50,000	50,000
Hedging reserve	16	(147,056,987)	(157,005,324)
Retained earnings		152,475,512	162,352,789
		<u><u>5,468,525</u></u>	<u><u>5,397,465</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28 April 2021.



S Z Khan
 Director

The notes on pages 19 to 32 form part of these financial statements.

CANARY WHARF FINANCE II PLC

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Called up share capital	Hedging reserve	Retained earnings	Total equity
	£	£	£	£
At 1 January 2020	50,000	(157,005,324)	162,352,789	5,397,465
Loss for the year	-	-	(9,877,277)	(9,877,277)
Hedge reserve recycling (Note 16)	-	9,948,337	-	9,948,337
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	9,948,337	(9,877,277)	71,060
AT 31 DECEMBER 2020	50,000	(147,056,987)	152,475,512	5,468,525

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up share capital	Hedging reserve	Retained earnings	Total equity
	£	£	£	£
At 1 January 2019	50,000	(147,048,205)	152,258,714	5,260,509
Profit for the year	-	-	10,094,075	10,094,075
Fair value movement on effective hedging instruments	-	(14,646,700)	-	(14,646,700)
Hedge reserve recycling	-	4,689,581	-	4,689,581
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	(9,957,119)	10,094,075	136,956
AT 31 DECEMBER 2019	50,000	(157,005,324)	162,352,789	5,397,465

The notes on pages 19 to 32 form part of these financial statements.

CANARY WHARF FINANCE II PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

The impact of the Covid-19 virus is disclosed in the Strategic Report.

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 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.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. A provision for impairment is established where there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the debtor concerned.

CANARY WHARF FINANCE II PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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 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.

CANARY WHARF FINANCE II PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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 using a calculation tool provided by Bloomberg.

At 31 December 2020, the fair value of derivative financial instruments totalled £394,874,315 (2019 - £349,095,289).

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 2020, the fair value of the floating rate securitised notes totalled £548,277,215 (2019 - £566,486,380).

Loan to fellow subsidiary undertaking

Part of the loan to a fellow subsidiary undertakings 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 2020, the fair value of these tranches of the loan to a fellow subsidiary undertaking totalled £943,151,530 (2019 - £915,581,669).

For the year ended 31 December 2020, the financial statements of the company did not contain any significant items that required the application of judgements, apart from those involving estimation.

4. AUDITOR'S REMUNERATION

	2020 £	2019 £
Fees to the auditor for audit related assurance services	8,460	7,460
	<u>8,460</u>	<u>7,460</u>

Auditors remuneration of £9,800 (2019 - £9,500) for the audit of the company has been borne by another group undertaking.

CANARY WHARF FINANCE II PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

5. EMPLOYEES

The Company has no employees other than the directors, who did not receive any remuneration (2019 - £NIL).

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2020 £	2019 £
Interest receivable from group companies	84,989,312	86,773,071
Bank interest receivable	5,377	15,944
	<u>84,994,689</u>	<u>86,789,015</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2020 £	2019 £
Interest payable on securitised debt (Note 13)	84,909,622	86,643,107
Hedge reserve recycling	9,948,337	4,689,581
	<u>94,857,959</u>	<u>91,332,688</u>

8. FAIR VALUE ADJUSTMENTS

	2020 £	2019 £
Derivative financial instruments	45,779,026	17,109,613
Securitised debt	(18,209,165)	4,268,326
Loan to fellow subsidiary undertaking	(27,569,861)	(36,024,639)
	<u>-</u>	<u>(14,646,700)</u>

CANARY WHARF FINANCE II PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

9. TAXATION

	2020 £	2019 £
Current tax on profits for the year	-	-
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	-	-

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is different to the standard rate of corporation tax in the UK of 19.0% (2019 - 19.0%). The differences are explained below:

	2020 £	2019 £
(Loss)/profit on ordinary activities before tax	(9,877,277)	10,094,075
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.0% (2019 - 19.0%)	(1,876,683)	1,917,874
EFFECTS OF:		
Fair value movements not subject to tax	1,890,184	(1,891,852)
Group relief	(13,501)	(26,022)
TOTAL TAX CHARGE FOR THE YEAR	-	-

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

Enacted in the Finance Act 2020 is a provision to hold the rate of corporation tax at 19.0% on 1 April 2020.

Following the year end, in the 2021 Budget, HM Treasury announced its intention to raise corporation tax to 25% in 2023.

CANARY WHARF FINANCE II PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

10. DEBTORS

	2020 £	2019 £
DUE AFTER MORE THAN ONE YEAR		
Loan to fellow subsidiary undertaking due after more than one year	1,677,350,801	1,680,875,352
	<u>1,677,350,801</u>	<u>1,680,875,352</u>
	2020 £	2019 £
DUE WITHIN ONE YEAR		
Other amounts owed by fellow subsidiaries	3,580,353	2,098,450
Loan to fellow subsidiary undertaking due within one year	29,325,200	29,325,200
Accrued interest on loan to fellow subsidiary undertaking	16,558,088	16,792,230
	<u>49,463,641</u>	<u>48,215,880</u>
	2020 £	2019 £
The loan to a fellow subsidiary undertaking comprises:		
At 1 January	1,710,200,552	1,706,598,286
Repaid in the year	(29,325,200)	(29,325,200)
Amortisation of issue premium	(1,769,231)	(1,864,598)
Movement in accrued financing expenses	(1,233,839)	(1,232,575)
Fair value adjustment	28,803,719	36,024,639
At 31 December	<u>1,706,676,001</u>	<u>1,710,200,552</u>
Comprising:		
	2020 £	2019 £
Loan to fellow subsidiary undertaking due after more than one year	1,677,350,801	1,680,875,352
Loan to fellow subsidiary undertaking due within one year	29,325,200	29,325,200
	<u>1,706,676,001</u>	<u>1,710,200,552</u>

The fair value of the loans to group undertakings at 31 December 2020 was £1,969,316,124 (2019 - £1,988,296,841), 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.

CANARY WHARF FINANCE II PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

	Interest	Effective interest	Repayment	2020 £m	2019 £m
A1	6.465%	6.161%	By instalment 2009-2033	221.7	244.2
A3	5.962%	5.824%	By instalment 2032-2037	400.0	400.0
A7	5.409%	5.308%	January 2035	222.0	222.0
B	6.810%	6.420%	By instalment 2005-2030	127.9	134.8
B3	5.593%	5.445%	January 2035	77.9	77.9
C2	6.276%	6.068%	January 2035	239.7	239.7
D2	7.071%	6.753%	January 2035	125.0	125.0
				<u>1,414.2</u>	<u>1,443.6</u>
Unamortised premium				13.9	15.7
Accrued financing costs				17.3	18.6
				<u>1,445.4</u>	<u>1,477.9</u>

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 and C2 tranches of the intercompany loan are carried at fair value. The A1, A3, B and D2 tranches are carried at amortised cost. The total fair value of the intercompany loan was £1,969,316,124.

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:

	2020 £	2019 £
Within one year	115,602,313	117,551,720
In one to two years	113,903,740	115,741,960
In two to five years	329,421,776	335,707,881
In five to ten years	569,539,291	494,901,669
In ten to twenty years	1,300,950,484	1,484,484,940
At 31 December	<u>2,429,417,604</u>	<u>2,548,388,170</u>
	2020 £	2019 £
Comprising:		
Principal repayments	1,414,187,320	1,443,512,520
Interest repayments	1,015,230,284	1,104,875,650
At 31 December	<u>2,429,417,604</u>	<u>2,548,388,170</u>

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.

CANARY WHARF FINANCE II PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

11. CREDITORS: Amounts falling due within one year

	2020 £	2019 £
Securitised debt (Note 13)	29,325,200	29,325,200
Amounts owed to group undertakings	1,660,594	-
Accruals and deferred income	16,610,737	16,859,454
	<u>47,596,531</u>	<u>46,184,654</u>

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

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

	2020 £	2019 £
Securitised debt (Note 13)	1,282,476,486	1,331,780,063
Derivative financial instruments (Note 14)	394,874,315	349,095,289
	<u>1,677,350,801</u>	<u>1,680,875,352</u>

CANARY WHARF FINANCE II PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

13. SECURITISED DEBT

- The amounts at which borrowings are stated comprise:

	2020 £	2019 £
At 1 January	1,361,105,263	1,389,259,312
Repaid in the year	(29,325,200)	(29,325,200)
Amortisation of issue premium	(1,769,231)	(1,864,598)
Movement in accrued financing expenses	(1,233,839)	(1,232,577)
Fair value adjustment	(16,975,307)	4,268,326
At 31 December	1,311,801,686	1,361,105,263
	2020 £	2019 £
Payable within one year or on demand	29,325,200	29,325,200
Payable after more than one year	1,282,476,486	1,331,780,063
	1,311,801,686	1,361,105,263

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 2020 £13,898,133 (2019 - £15,667,363) remained unamortised.

At 31 December 2020 there were accrued financing costs of £17,344,422 (2019 - £18,578,262) 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 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 2020, AIG had posted £118,730,673 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.

CANARY WHARF FINANCE II PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

At 31 December 2020 the securitised debt comprised the following:

Tranche	Principal £m	Fair value £m	Interest	Effective interest	Repayment
A1	221.7	276.5	6.455%	6.149%	By instalment 2009-2033
A3	400.0	586.1	5.952%	5.814%	By instalment 2032-2037
A7	222.0	187.6	Floating	5.311%	January 2035
B	127.9	163.5	6.800%	6.410%	By instalment 2005-2030
B3	77.9	63.5	Floating	5.435%	January 2035
C2	239.7	195.3	Floating	6.071%	January 2035
D2	125.0	101.9	Floating	6.756%	January 2035
	<u>1,414.2</u>	<u>1,574.4</u>			

At 31 December 2019 the securitised debt comprised the following:

Tranche	Principal £m	Fair value £m	Interest	Effective interest	Repayment
A1	244.2	308.1	6.455%	6.151%	By instalment 2009-2033
A3	400.0	590.3	5.952%	5.814%	By instalment 2032-2037
A7	222.0	192.0	Floating	5.298%	January 2035
B	134.8	174.4	6.800%	6.410%	By instalment 2005-2030
B3	77.9	66.6	Floating	5.435%	January 2035
C2	239.7	201.9	Floating	6.058%	January 2035
D2	125.0	105.9	Floating	6.743%	January 2035
	<u>1,443.6</u>	<u>1,639.2</u>			

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 LIBOR plus a margin. The margins on the notes are: A7 notes - 0.475% per annum; B3 notes - 0.7% per annum; C2 notes - 1.375% per annum; and D2 notes - 2.1% per annum.

All of the notes are hedged by means of interest rate swaps and the hedged rates plus the margins are: A7 notes - 5.3985%; 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 £1,574,441,809.

The fair values of the sterling denominated notes have been determined by reference to prices available on the markets on which they are traded.

CANARY WHARF FINANCE II PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

	2020 £	2019 £
Within one year	82,952,422	89,809,309
In one to two years	81,019,851	87,713,767
In two to five years	234,041,879	254,209,302
In five to ten years	420,336,390	365,735,335
In ten to twenty years	1,176,109,117	1,350,476,115
At 31 December	1,994,459,659	2,147,943,828

	2020 £	2019 £
Comprising:		
Principal repayments	1,414,187,320	1,443,512,520
Interest repayments	580,272,339	704,431,308
At 31 December	1,994,459,659	2,147,943,828

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 2020 was 11.6 years (2019 - 12.3 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 2020 was 6.1% (2019 - 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

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 2020 the fair value of these derivatives resulted in the recognition of a net liability of £394,874,315 (2019 - £349,095,289).

At 31 December 2020, the company held the following interest rate swaps:

Hedge type	Swap rate	2020 Fair value £	2019 Fair value £
B3 interest rate swap	4.883%	47,953,275	41,481,707
C2 interest rate swap	4.892%	141,699,235	123,106,320
A7 interest rate swap	4.924%	140,009,828	122,828,674
D2 interest rate swap	4.961%	65,211,977	61,678,588
		<u>394,874,315</u>	<u>349,095,289</u>

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.

	2020 £	2019 £
Within one year	32,649,891	27,673,772
In one to two years	32,883,890	27,888,557
In two to five years	95,379,896	81,167,584
In five to ten years	149,202,901	128,616,027
In ten to twenty years	124,841,367	133,573,293
	<u>434,957,945</u>	<u>398,919,233</u>

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.

CANARY WHARF FINANCE II PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

15. SHARE CAPITAL

	2020 £	2019 £
Allotted, called up and fully paid		
50,000 (2019 - 50,000) Ordinary shares of £1.00 each	50,000	50,000

16. RESERVES

Hedging Reserve

Prior to 1 July 2019, 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. The hedging relationships were terminated on 1 July 2019 with the adoption of 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.

Distributable reserves

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

	2020 £	2019 £
Retained earnings	152,475,512	162,352,789
Hedging reserve	(147,056,987)	(157,005,324)
Distributable reserves	5,418,525	5,347,465

17. OTHER FINANCIAL COMMITMENTS

As at 31 December 2020 and 31 December 2019 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.

CANARY WHARF FINANCE II PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

18. CONTROLLING PARTY

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

As at 31 December 2020, 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.