



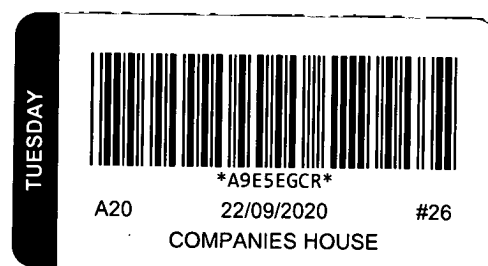
CANARY WHARF
GROUP PLC

CWBC FINANCE (BP1) LIMITED

Registered number: 4610767

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019



CWBC FINANCE (BP1) LIMITED

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CWBC FINANCE (BP1) LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

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 principal activity of the company is to act as a finance company for 1 Churchill Place, Canary Wharf.

BUSINESS REVIEW

As shown in the company's income statement, the company's loss after tax for the year was £3,174,170 (2018 - profit of £3,082,413).

The balance sheet shows the company's financial position at the year end and indicates that net liabilities were £140,460,915 (2018 - £147,299,040).

FUTURE DEVELOPMENTS

Since 31 December 2019 the UK economy has been significantly impacted by the Covid-19 virus which has caused widespread disruption and economic uncertainty. This is considered to be a non-adjusting post balance sheet event and as at the date of signing, the uncertainty is not expected to give rise to a material impact on the assets, liabilities or performance 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.

PRINCIPAL RISKS AND UNCERTAINTIES

The risks and uncertainties facing the business are monitored through regular assessment, formal quarterly 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 company and allocates specific day to day monitoring and control responsibilities to management. As a member of the group, the current key risks of the company include the cyclical nature of the property market particularly following the impact of the Covid-19 virus, concentration risk and financing risk.

Cyclical nature of the property market

The valuation of the Company and Group's assets are subject to many external economic and market factors. Following, uncertainty in the Eurozone experienced in recent years the implications of UK withdrawal from the EU, a General Election, the dramatic impact of Covid-19 across all sectors of the UK and Global economies and the consequent renewed turmoil in the financial markets following, the London real estate market has had to cope with fluctuations in demand.

Although the impact of Covid-19 has been felt acutely across the whole Real Estate sector, the impact has been most pronounced on the Retail and Hospitality sectors where the national lockdown and continued social distancing requirements have dramatically reduced footfall and turnover. Demand in both the residential and office leasing markets has also been significantly affected by the virus. Although restrictions are currently being eased there is no certainty of a return to the pre-Covid-19 conditions and continuing uncertainty has led to further suppression of demand.

Delays are also being experienced in the delivery of new projects as a result of Covid-19 related problems in supply chains and the attendance of workers on site.

The real estate market has been assisted by the depreciation of sterling and the continuing, if diminished, 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.

CWBC FINANCE (BP1) LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Concentration risk

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

Financing risk

The broader economic cycle inevitably leads to movement in inflation, interest rate and bond yields. The terms of the company's borrowings are summarised in Note 12.

The company holds loan finance, in sterling at floating rates and uses interest rate swaps to modify exposure to interest rate fluctuations. The company enters into derivative financial instruments solely for the purposes of hedging its financial assets and liabilities. No derivatives are entered into for speculative purposes.

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

STRATEGY AND 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.

CWBC FINANCE (BP1) LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Transaction Accounting

All derivatives are required to be measured on balance sheet at fair value (mark-to-market).

Certain derivatives may be designated as part of a hedge relationship, whereby the derivative and the underlying hedged item (financial instrument) are accounted for in a manner in order to reduce income statement volatility ("hedge accounting").

In order to apply hedge accounting, the company must comply with the following procedures:

- All hedge relationships proposed must be in line with the company's risk management policy stated above.
- All hedge relationships must be documented in advance, stating the purpose, including the nature of the risk being hedged, the type of hedge being undertaken, the item being hedged and the related hedging instrument and the methodology to be adopted to assess and measure the hedge effectiveness.
- Provide supporting documentation to include excerpts from loan or debenture issuance documentation, detailing principal and amortisation schedules and relevant excerpts from hedging derivative documentation.
- Both prospective and retrospective effectiveness testing are undertaken and approved by the Director of Financial Control.

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.

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 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.

- (b) the interest 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 Company holds a lease interest and therefore in its normal course of business has no engagement with suppliers or customers.

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

The Company is committed to having a strong and positive impact and enhancing the lives of those in the communities in which we work.

CWBC FINANCE (BP1) LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

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

The Company expects the highest standards of conduct from business partners and suppliers with which it engages and complies with all relevant legislation and ethical policies established by Group companies.

(f) the need to act fairly between the 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 Canary Wharf group of companies and is a single member company under section 123 (1) of the Companies Act 2006.

Throughout 2020 the Board will continue to review how the Company can improve engagement with its stakeholders.

KEY PERFORMANCE INDICATORS

The net liability position of the company includes derivatives at fair value, but the mark to market of held to maturity loan receivables and payables has not been recognised.

The directors believe an appropriate measure of the company's performance is the net asset value adjusted for the fair value of the company's fixed rate financial assets and deferred tax as follows:

		2019 £	2018 £
Net liabilities per balance sheet		(140,460,915)	(147,299,040)
Fair value adjustments in of preference shares	10	140,758,313	147,613,786
Adjusted NAV		<u>297,398</u>	<u>314,746</u>

Other key performance indicators:

	2019 £	2018 £
Bank loan	470,715,516	484,220,740
Financing of bank loan	27,653,714	28,432,133
Effective interest rate	5.87%	5.87%
Weighted average maturity of debt (years)	10.3	11.0

Financing cost comprises loan interest payable of £4,800,985 (2018 - £4,436,103) and interest on derivative financial instruments of £22,852,729 (2018 - £23,996,030) (Note 7).

CWBC FINANCE (BP1) LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

This report was approved by the board on 17 September 2020 and signed on its behalf.

A handwritten signature in black ink, appearing to read 'R J J Lyons', with a stylized flourish at the end.

R J J Lyons
Director

CWBC FINANCE (BP1) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £3,174,170 (2018 - profit £3,082,413).

No dividends have been paid or proposed in the year (2018 - £NIL).

DIRECTORS

The directors who served during the year were:

A P Anderson II (resigned 31 December 2019)
Sir George Iacobescu CBE
R J J Lyons
S Z Khan (appointed 31 December 2019)

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 2019 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

Details of the company's future developments are set out in the Strategic Report.

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.

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 17 September 2020 and signed on its behalf.



C E Hillsdon
Secretary

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019**

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 judgments 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.

CWBC FINANCE (BP1) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CWBC FINANCE (BP1) LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion the financial statements of CWBC Finance (BP1) Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

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

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

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.

We have nothing to report in respect of these matters.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

CWBC FINANCE (BP1) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CWBC FINANCE (BP1) LIMITED

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

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.

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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

CWBC FINANCE (BP1) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CWBC FINANCE (BP1) LIMITED

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.



Simon Letts (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
17 September 2020

CWBC FINANCE (BP1) LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 £	2018 £
Interest receivable and similar income	6	41,488,964	51,927,167
Interest payable and expenses	7	(47,034,046)	(51,281,187)
(LOSS)/PROFIT BEFORE TAX		<u>(5,545,082)</u>	<u>645,980</u>
Tax on (loss)/profit	8	2,370,912	2,436,433
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		<u>(3,174,170)</u>	<u>3,082,413</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR			
Hedge reserve recycling		12,063,006	12,396,371
Movement in deferred tax on the hedge reserve balance		(2,050,711)	(2,107,383)
OTHER COMPREHENSIVE INCOME FOR THE YEAR		<u>10,012,295</u>	<u>10,288,988</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>6,838,125</u></u>	<u><u>13,371,401</u></u>

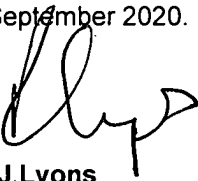
The notes on pages 14 to 26 form part of these financial statements.

CWBC FINANCE (BP1) LIMITED
REGISTERED NUMBER: 4610767

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	2019 £	2018 £
FIXED ASSETS			
Investments	9	10,000	10,000
		<u>10,000</u>	<u>10,000</u>
CURRENT ASSETS			
Debtors: amounts falling due after more than one year	10	528,835,970	528,932,209
Debtors: amounts falling due within one year	10	19,881,697	19,306,116
Cash at bank and in hand		-	7,245
		<u>548,717,667</u>	<u>548,245,570</u>
Creditors: amounts falling due within one year	11	(19,594,298)	(19,008,614)
NET CURRENT ASSETS		<u>529,123,369</u>	<u>529,236,956</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>529,133,369</u>	<u>529,246,956</u>
Creditors: amounts falling due after more than one year	12	(669,594,284)	(676,545,996)
NET LIABILITIES		<u>(140,460,915)</u>	<u>(147,299,040)</u>
CAPITAL AND RESERVES			
Called up share capital	14	1	1
Hedging reserve		(101,798,785)	(111,811,080)
Retained earnings		(38,662,131)	(35,487,961)
		<u>(140,460,915)</u>	<u>(147,299,040)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 17 September 2020.


R J J Lyons
 Director

The notes on pages 14 to 26 form part of these financial statements.

CWBC FINANCE (BP1) LIMITED

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

	Called up share capital	Hedging reserves	Retained earnings	Total equity
	£	£	£	£
At 1 January 2019	1	(111,811,080)	(35,487,961)	(147,299,040)
COMPREHENSIVE INCOME FOR THE YEAR				
Loss for the year	-	-	(3,174,170)	(3,174,170)
Hedging reserve recycling	-	10,012,295	-	10,012,295
OTHER COMPREHENSIVE INCOME FOR THE YEAR	-	10,012,295	-	10,012,295
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	10,012,295	(3,174,170)	6,838,125
AT 31 DECEMBER 2019	1	(101,798,785)	(38,662,131)	(140,460,915)

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital	Hedging reserves	Retained earnings	Total equity
	£	£	£	£
At 1 January 2018	1	(122,100,068)	(38,570,374)	(160,670,441)
COMPREHENSIVE INCOME FOR THE YEAR				
Profit for the year	-	-	3,082,413	3,082,413
Hedging reserve recycling	-	10,288,988	-	10,288,988
OTHER COMPREHENSIVE INCOME FOR THE YEAR	-	10,288,988	-	10,288,988
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	10,288,988	3,082,413	13,371,401
AT 31 DECEMBER 2018	1	(111,811,080)	(35,487,961)	(147,299,040)

The notes on pages 14 to 26 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

1. GENERAL INFORMATION

CWBC Finance (BP1) Limited is a private 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").

Replacement of LIBOR as an interest rate benchmark

It is anticipated that LIBOR will be replaced or discontinued after the end of 2021, as part of global financial regulators' project to reform interest rate benchmarks. The Company will therefore re-negotiate and/or otherwise amend to accommodate such change in benchmarks, where related instruments mature after 2021.

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

The directors are required to prepare the financial statements for each financial year on a going concern basis, unless to do so would not be appropriate. Having made the requisite enquiries, the directors have a reasonable expectation that the company has adequate resources to continue its operations for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

At 31 December 2019 the company had a deficit of £140.5m attributable solely to the fair value of its derivative financial instruments. The company recognises the fair value of its derivative financial instruments on its balance sheet while the financial instrument being hedged is held at amortised historical cost. The market value of the financial instrument being hedged at 31 December 2019 was £140.8m higher than its book value (Note 10).

Notwithstanding the deficit in net assets resulting from the treatment of derivative financial instruments, the directors have prepared the financial statements on a going concern basis on the grounds that the Company will be able to meet its obligations as they fall due for a period of not less than 12 months from the date of the financial statements.

The directors have also reached the view that the value of the company's assets at the balance sheet date was not less than the amount of its liabilities for the purposes of Section 123(2) of the Insolvency Act 1986.

The impact of the Covid-19 virus is described in Note 17.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. ACCOUNTING POLICIES (CONTINUED)

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 accounts which are intended to give a true and fair view.

2.4 Investments

Investments in subsidiaries are stated at cost less any provision for impairment.

Other investments are stated at cost less any provision for impairment.

Income from investments is recognised as the company becomes entitled to receive payment. Dividend income from investments in companies is recognised when received or irrevocably declared.

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.

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.

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.

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, unless the total cost does not represent the value of a financing transaction on an arm's length basis. In this case the present value of future payments discounted at a market rate of interest for a similar debt instrument is used in place of proceeds and the difference between the two amounts is accounted for as a capital contribution.

Subsequent to initial recognition, loans payable 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.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows (including all fees that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

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.

In order for a derivative to qualify for hedge accounting, the company is required to document the relationship between the item being hedged and the hedging instrument. The company is also required to demonstrate an assessment of the relationship between the hedged item and the hedging instrument for its economic relationship, effects of credit risk and hedge ratio. This shows that the hedge will be effective on an on-going basis. The effectiveness testing is re-performed at each balance sheet date to ensure that the hedge remains effective.

The changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in other comprehensive income. The changes in the fair value of derivative financial instruments that are designated and effective as fair value hedges are recognised against the item being hedged. The changes in the fair value of any ineffective portions of hedges or undesignated financial instruments are recognised in the profit and loss account.

Hedge accounting is discontinued when the company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained until the forecast transaction occurs. If the hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period.

2.6 Taxation

Current tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of timing difference. Deferred tax relating to investment property is measured using the tax rates and allowances that apply to the sale of the asset.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expenses or income.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

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.

The fair values of derivative financial instruments with other group undertakings are calculated using discounted forecast cash flows. The forecast LIBOR curve is derived from swap rates available on Bloomberg.

For the year ended 31 December 2019, 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

Auditor's remuneration of £6,000 for the audit of the company for the year ended 31 December 2019 (2018: £6,000) has been borne by another group undertaking.

5. EMPLOYEES

The Company has no employees other than the directors, who did not receive any remuneration (2018 - £NIL).

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2019 £	2018 £
Interest receivable and similar income	41,488,964	51,927,167
	<u>41,488,964</u>	<u>51,927,167</u>

CWBC FINANCE (BP1) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Interest receivable and similar income consists of the following:

		2019 £	2018 £
Bank interest receivable		6,706	3,682
Finance income from preference share assets	10	21,284,728	21,192,852
Finance income adjustments		(1,883,533)	(1,935,586)
Fair value adjustment on derivative financial instrument	13	15,698,384	25,426,938
Interest receivable on derivative financial instrument		6,382,679	7,239,281
		<u>41,488,964</u>	<u>51,927,167</u>

Finance income from preference share assets comprises dividends receivable on the B redeemable preference shares and C redeemable preference shares.

The finance income adjustment is the accretion of the initial deficit on the hedging arrangement.

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2019 £	2018 £
Financing cost of bank loan	4,800,985	4,436,103
Derivative financial instruments finance charge	42,195,313	46,806,210
Loan fees	-	19,533
Other interest payable	37,748	19,341
	<u>47,034,046</u>	<u>51,281,187</u>

The derivative financial instruments finance charge consists of the following:

	2019 £	2018 £
Interest on derivative financial instruments	22,852,729	23,996,030
Hedge reserve recycling (Note 15)	12,063,006	12,396,371
Fair value adjustment on derivative financial instrument (Note 13)	7,279,578	10,413,809
	<u>42,195,313</u>	<u>46,806,210</u>

CWBC FINANCE (BP1) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019****8. TAXATION**

	2019 £	2018 £
Current tax on profits for the year	-	-
TOTAL CURRENT TAX	-	-
DEFERRED TAX		
Origination and reversal of timing differences	(2,370,912)	(2,436,433)
TOTAL DEFERRED TAX	(2,370,912)	(2,436,433)
TAXATION ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES	<u>(2,370,912)</u>	<u>(2,436,433)</u>

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% (2018 - 19.0%). The differences are explained below:

	2019 £	2018 £
(Loss)/profit on ordinary activities before tax	<u>(5,545,082)</u>	<u>645,980</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.0% (2018 - 19.0%)	(1,053,566)	122,736
EFFECTS OF:		
Dividends from UK companies	(4,044,098)	(4,026,642)
Changes in rates of tax	278,931	286,639
Group relief	2,447,821	1,180,834
TOTAL TAX CREDIT FOR THE YEAR	<u>(2,370,912)</u>	<u>(2,436,433)</u>

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

Enacted in the Finance Act (No.2) 2015 is a reduction in the corporation tax rate to 17.0% on 1 April 2020. Deferred tax has been provided by reference to this enacted corporation tax rate.

Following the year end, in the 2020 Budget, HM Treasury announced their intention not to cut corporation tax beyond 19%.

HMRC is currently enquiring into the tax treatment of certain transactions of the company and the potential outcome of such enquiries has been taken into account in the computation of the tax charge.

The company is a member of a REIT headed by Stork Holdings Limited. As a consequence all qualifying property rental business is exempt from corporation tax. Only income and expenses relating to non-qualifying activities will continue to be taxable.

CWBC FINANCE (BP1) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

9. FIXED ASSET INVESTMENTS

	Investment in subsidiary companies £
COST OR VALUATION	
At 1 January 2019	10,000
At 31 December 2019	<u>10,000</u>

At 31 December 2019, the company held 10,000 (2018: 10,000) ordinary £1 shares, 8,588,122,179 (2018: 8,834,522,610) class B redeemable preference shares of 0.00001p each and 38,483,429,467 (2018: 39,587,551,346) class C redeemable preference shares of 0.00001p each in CWBC Finance Two (BP1) Limited, a wholly owned finance company registered in England and Wales.

The preference shares have been designated as financial assets and included within debtors.

Financial information is only presented in these financial statements about the company as an individual undertaking and not about its group because the company and its subsidiary undertaking are included in the consolidated financial statements of a larger group (Note 18).

The directors are of the opinion that the value of the company's investments at 31 December 2019 was not less than the amount shown in the company's balance sheet.

Subsidiary is incorporated in England and Wales and registered at One Canada Square, Canary Wharf, London E14 5AB.

CWBC FINANCE (BP1) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

10. DEBTORS

	2019 £	2018 £
DUE AFTER MORE THAN ONE YEAR		
Redeemable preference shares	456,484,226	470,715,516
Financial instruments	72,351,744	58,216,693
	<u>528,835,970</u>	<u>528,932,209</u>
	2019 £	2018 £
DUE WITHIN ONE YEAR		
Redeemable preference shares	18,228,330	17,630,639
Amounts owed by group undertakings	409,990	410,123
Prepayments and accrued income	1,243,377	1,265,354
	<u>19,881,697</u>	<u>19,306,116</u>

At 31 December 2019, the company held 8,588,122,179 (2018: 8,834,522,610) class B redeemable preference shares of 0.00001p each and 38,483,429,467 (2018: 39,587,551,346) class C redeemable preference shares of 0.00001p each in CWBC Finance Two (BP1) Limited.

Prior to 17 March 2015 the company also held 43,412,208,237 class A redeemable preference shares of 0.00001p each. On that day, CWBC Finance Two (BP1) Limited converted all of its class A redeemable 0.00001p preference shares into class C redeemable 0.00001p preference shares. Following the conversion, there were 43,202,935,895 class C redeemable 0.00001p preference shares and 9,641,346,863 class B redeemable 0.00001 preference shares in issue.

Redeemable class A and B preference shares were originally issued at 1p each but during 2013 CWBC Finance Two (BP1) Limited undertook a capital reduction canceling and extinguishing 0.99999p of its liability in each of those shares. That resulted in the creation of £543,496,651 of distributable reserves facilitating future scheduled dividends on the all redeemable preference shares.

The preference shares have been designated as financial assets and are included within debtors.

The class B redeemable preference shares carry a coupon rate of LIBOR plus 3.005% and are redeemable by installments until 2034. The class C redeemable preference shares carry a coupon rate of LIBOR plus 3.779% and are redeemable by installments until 2034. The weighted average maturity of the receivables at 31 December 2019 was 10.3 years (2018: 11 years).

The element of the preference share receivables due within one year comprises £3,997,040 of accrued dividends (2018: £4,125,416) and £14,231,290 (2018: £13,505,223) of capital.

The fair value hedge was dedesignated in 2015. From that date the accumulated balance in respect of fair value movements and other related items is being amortised over the life of the preference shares. At 31 December 2019 the total remaining balance was £15,894,995 (2018: £17,458,327).

CWBC FINANCE (BP1) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

The amounts at which the financial receivables are stated comprise:

	2019 £	2018 £
At 1 January	505,804,483	519,873,341
Repaid in the year	(13,505,223)	(12,747,552)
Fair value hedge amortisation	(1,563,333)	(1,606,536)
Movement in accrued interest	(128,376)	285,230
At 31 December	490,607,551	505,804,483
	2019 £	2018 £
Due within one year	18,228,330	17,630,639
Due after more than one year	472,379,221	488,173,844
	490,607,551	505,804,483

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

	B Preference Shares £	C Preference Shares £	2019 £	2018 £
Within one year	5,783,887	28,870,958	34,654,845	35,375,726
In one to two years	5,831,918	28,985,813	34,817,731	36,276,763
In two to five years	18,111,258	89,111,062	107,222,320	112,539,345
In five to ten years	32,183,375	155,035,155	187,218,530	193,847,787
In ten to twenty years	59,411,054	272,837,038	332,248,092	376,456,508
	121,321,492	574,840,026	696,161,518	754,496,129
Principal repayments	85,881,222	384,834,295	470,715,517	484,220,739
Interest repayments	35,440,270	190,005,731	225,446,001	270,275,390
	121,321,492	574,840,026	696,161,518	754,496,129

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.

The fair values of the preference shares have been determined by reference to the fair value of the external bank loan in Note 12 and the derivatives in Note 13. The fair value of the B preference share receivables was £109,172,340 (2018 - £112,719,916) and the fair value of the C preference share receivables was £518,196,484 (2018 - £536,572,937).

CWBC FINANCE (BP1) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

The mark-to-market adjustment that has not been recognised in the accounts is determined as follows:

	2019 £	2018 £
Fair value of B preference shares	109,172,340	112,719,916
Fair value of C preference shares	518,196,484	536,572,937
Less: debtors > 1 year (net of deferred tax)	(472,379,221)	(488,173,844)
Less: capital element of debtors < 1 year	(14,231,290)	(13,505,223)
	<u>140,758,313</u>	<u>147,613,786</u>

The carrying values of other debtors due within one year also represent their fair values.

11. CREDITORS: Amounts falling due within one year

	2019 £	2018 £
Bank loans	14,231,290	13,505,223
Accruals and deferred income	5,363,008	5,503,391
	<u>19,594,298</u>	<u>19,008,614</u>

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

	2019 £	2018 £
Bank loans	456,484,226	470,715,517
Derivative financial instruments	13 213,110,058	205,830,479
	<u>669,594,284</u>	<u>676,545,996</u>

The amounts at which financial liabilities are stated comprise:

	2019 £	2018 £
Opening balance	484,220,740	496,968,292
Repaid in the year	(13,505,224)	(12,747,552)
Closing balance	<u>470,715,516</u>	<u>484,220,740</u>

CWBC FINANCE (BP1) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

	2019 £	2018 £
Payable within one year	14,231,290	13,505,223
Payable after more than one year	456,484,226	470,715,517
	<u>470,715,516</u>	<u>484,220,740</u>

The loan bears interest at a rate of LIBOR plus 0.2% and is repayable by instalments until July 2034. The fair value of the loan at 31 December 2019 and 31 December 2018 was equivalent to its carrying value.

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

	2019 £	2018 £
Within one year	18,653,221	19,113,943
In one to two years	19,291,149	20,433,275
In two to five years	64,216,853	67,890,129
In five to ten years	128,635,726	131,669,898
In ten to twenty years	296,394,056	330,253,941
	<u>527,191,005</u>	<u>569,361,186</u>

	2019 £	2018 £
Comprising:		
Principal repayments	470,715,516	484,220,740
Interest repayments	56,475,489	85,140,446
	<u>527,191,005</u>	<u>569,361,186</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 borrowings.

The weighted average maturity of the debt at 31 December 2019 was 10.3 years (2018: 11 years).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

13. DERIVATIVE FINANCIAL INSTRUMENTS

Until March 2015 the company used an interest rate swap to hedge the fair value of its fixed rate financial assets. The portion of the swap that related to class A redeemable 0.00001p preference shares was designated as a highly effective fair value hedge, with a movement in its value being taken to financial receivables. On 17 March 2015 the fair value hedge was dedesignated. From then on the movement of the fair value of this hedge together with a movement in the fair value of the portion of the hedge previously not designated has been taken to the income statement. At 31 December 2019 the derivative was carried at £213,110,058 (2018 - £205,830,479), together with a separate interest accrual of £4,331,799 (2018 - £4,357,711).

The company entered into an on-market interest rate swap with its subsidiary undertaking in 2013. During the year ended 31 December 2015 the company entered into another on-market interest rate swap. These swaps are not designated as hedges. At 31 December 2019 a £56,456,749 (2018 - £40,758,365) asset has been recognised in relation to the fair value movement on this swap.

The following table shows the undiscounted cash (inflows) and outflows in relation to the company's derivative financial instruments based on the company's prediction of future movements in interest rates.

	Intra-group Derivatives £	External Derivative £	2019 £	2018 £
Within one year	(6,551,065)	22,658,320	16,107,255	16,247,184
In one to two years	(6,508,257)	22,034,839	15,526,582	15,843,488
In two to five years	(16,765,770)	59,771,237	43,005,467	44,649,217
In five to ten years	(19,469,095)	78,051,898	58,582,803	62,177,889
In ten to twenty years	(11,340,329)	47,689,872	36,349,543	46,202,567
	<u>(60,634,516)</u>	<u>230,206,166</u>	<u>169,571,650</u>	<u>185,120,345</u>

Changes in interest rates would primarily affect the market value of derivative financial instruments. These changes would impact on carrying value of the debtor loan, the Income Statement, the Statement of Changes in Equity and the Statement of Financial Position as follows:

A +0.5% parallel shift in the interest rate curve used to value the derivatives, with all other variables held constant, would debit the value of the derivatives by £4.7 million and credit the Income Statement with the same amount.

A -0.5% parallel shift in the interest rate curve used to value the derivatives, with all other variables held constant, would credit the value of the derivatives by £4.9 million and debit the Income Statement with the same amount.

The 0.5% sensitivity has been selected based on the directors' view of a reasonable interest rate curve movement assumption.

14. SHARE CAPITAL

	2019 £	2018 £
Allotted, called up and fully paid		
1 (2018 - 1) Ordinary share of £1.00	<u>1</u>	<u>1</u>

CWBC FINANCE (BP1) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

15. HEDGING RESERVE

	2019 £	2018 £
At 1 January	(111,811,080)	(122,100,068)
Hedge reserve recycling	12,063,006	12,396,371
Movements in deferred tax on the hedge reserve balance	(2,050,711)	(2,107,383)
	<u>(101,798,785)</u>	<u>(111,811,080)</u>

The hedge reserve relates to a discontinued cash flow hedge arrangement.

16. OTHER FINANCIAL COMMITMENTS

As at 31 December 2019 and 31 December 2018 the company had given a fixed charge over substantially all its assets to secure the borrowings referred to in Note 12.

17. POST BALANCE SHEET EVENTS

Since 31 December 2019 the UK economy has been significantly impacted by the Covid-19 virus which has caused widespread disruption and economic uncertainty. This is considered to be a non-adjusting post balance sheet event and as at the date of signing, the uncertainty is not expected to give rise to a material impact on the assets, liabilities or performance of the company.

18. CONTROLLING PARTY

The company's immediate parent undertaking is Canary Wharf Investments Limited, a subsidiary of Canary Wharf Holdings Limited.

As at 31 December 2019, 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.