



CANARY WHARF  
GROUP PLC

## CWCB FINANCE II LIMITED

Registered number: 3605340

### DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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# **CWCB FINANCE II LIMITED**

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## **CWCB FINANCE II LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016**

The directors present their report and the financial statements for the year ended 31 December 2016.

In preparing this report, the directors have taken advantage of the small companies exemptions.

#### **PRINCIPAL ACTIVITY**

The principal activity of the company is to act as a finance company.

#### **RESULTS AND DIVIDENDS**

The profit for the year, after taxation, amounted to £NIL (2015 - £NIL).

No dividends have been paid or proposed for the year (2015 - £NIL).

#### **DIRECTORS**

The directors who served during the year were:

A P Anderson II  
Sir George Iacobescu CBE  
R J J Lyons

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 2016 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.

#### **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.

#### **POST BALANCE SHEET EVENTS**

Events after the balance sheet date are described in Note 14.

This report was approved by the board on 29 June 2017 and signed on its behalf.



J R Garwood  
Secretary

**DIRECTORS' RESPONSIBILITIES STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2016**

The directors are responsible for preparing 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;
- 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 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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CWCB FINANCE II LIMITED**

We have audited the financial statements of CWCB Finance II Limited for the year ended 31 December 2016, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 15. The relevant financial reporting framework that has been applied in their preparation is the applicable law and the 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'.

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.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR**

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**OPINION ON FINANCIAL STATEMENTS**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**OPINION ON OTHER MATTER 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with those financial statements; and the Directors' Report has been prepared in accordance with applicable legal requirements.

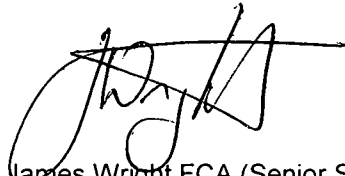
In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CWCB FINANCE II LIMITED (CONTINUED)

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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; or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the Directors' Report or from the requirement to prepare a Strategic Report.



James Wright FCA (Senior Statutory Auditor)

for and on behalf of

**Deloitte LLP**

Statutory Auditor

London, UK

29 June 2017

**CWCB FINANCE II LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016 £	2015 £
Administrative expenses		(40,000)	(40,000)
<b>OPERATING LOSS</b>		<b>(40,000)</b>	<b>(40,000)</b>
Interest receivable and similar income	7	142,831,399	153,107,408
Interest payable and similar charges	8	(131,406,644)	(142,174,802)
Potential premium on repayment of loan from fellow subsidiary undertaking	11	(11,384,755)	(10,892,606)
<b>PROFIT BEFORE TAX</b>		<b>-</b>	<b>-</b>
Tax on profit		-	-
<b>PROFIT FOR THE YEAR</b>		<b>-</b>	<b>-</b>
<b>OTHER COMPREHENSIVE INCOME NET OF TAX</b>		<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>-</b>	<b>-</b>

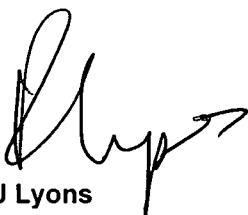
The notes on pages 8 to 14 form part of these financial statements.

**CWCB FINANCE II LIMITED**  
**REGISTERED NUMBER: 3605340**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2016**

	Note	2016 £	2015 £
<b>CURRENT ASSETS</b>			
Debtors: amounts falling due after more than one year	9	2,554,146,813	2,566,585,583
Debtors: amounts falling due within one year	9	56,473,230	34,453,082
Cash at bank and in hand		9,798,180	9,801,798
		<u>2,620,418,223</u>	<u>2,610,840,463</u>
Creditors: amounts falling due within one year	10	(62,270,779)	(51,155,654)
<b>NET CURRENT ASSETS</b>		<u>2,558,147,444</u>	<u>2,559,684,809</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>2,558,147,444</u>	<u>2,559,684,809</u>
Creditors: amounts falling due after more than one year	11	(2,558,147,443)	(2,559,684,808)
<b>NET ASSETS</b>		<u>1</u>	<u>1</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	12	1	1
		<u>1</u>	<u>1</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 June 2017.



**R J J Lyons**  
Director

The notes on pages 8 to 14 form part of these financial statements.



**CWCB FINANCE II LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Called up share capital	Total equity
	£	£
At 1 January 2016	1	1
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	-	-
<b>AT 31 DECEMBER 2016</b>	<u>1</u>	<u>1</u>

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Called up share capital	Total equity
	£	£
At 1 January 2015	1	1
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	-	-
<b>AT 31 DECEMBER 2015</b>	<u>1</u>	<u>1</u>

The notes on pages 8 to 14 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**1. GENERAL INFORMATION**

CWCB Finance II Limited is an English Limited Company registered 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 Directors' 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 4).

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.

**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 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**

Debtors 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**2. ACCOUNTING POLICIES (CONTINUED)**

**Loans receivable**

Loans receivable 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 subject to contractual terms and arrangements that are non-standard they are recognised initially at fair value. The fair value is assessed as the present value of most likely cash flows, subject to the limitations of the underlying terms. 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 the net proceeds including transaction costs, unless the gross proceeds do 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 the redemption value being recognised in the Income Statement over the period of the loan, using the effective interest method.

Where loans are subject to contractual terms and arrangements that are non-standard they are recognised initially at fair value. The fair value is assessed as the present value of most likely cash flows, subject to the limitations of the underlying terms. Any movements are recognised in the income statement.

**2.5 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.

**3. PRESENTATIONAL ADJUSTMENT**

In the financial statements for the year ended 31 December 2015, the fair value movement of loans from group undertakings was included separately in the income statement using the caption 'Group creditor adjustment'. In presenting these financial statements the comparative amount has been moved to within interest payable.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**4. CRITICAL ACCOUNTING JUDGMENTS 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.

**Valuation of intercompany debt**

In assessing the carrying value of the non-standard loans, the company forecasts the present value of the most likely contractual cash flows of the underlying instrument. Estimates and judgments are made in the timing and quantum of the cash flows, the discount rate applied as well as the impact of the underlying terms that can be triggered in the agreements to change the cash flows. These assessments are reviewed and amended annually.

**5. AUDITOR'S REMUNERATION**

Auditor's remuneration of £800 (2015 - £800) for the audit of the company has been borne by another group undertaking.

**6. EMPLOYEES**

The company has no employees other than the directors, who did not receive any remuneration (2015 -£NIL).

**7. INTEREST RECEIVABLE AND SIMILAR INCOME**

	2016 £	2015 £
Interest receivable from group undertakings	154,965,252	152,645,135
Fair value movement on loans to group undertakings	(12,438,770)	-
Bank interest receivable	304,917	462,273
	<u>142,831,399</u>	<u>153,107,408</u>

**8. INTEREST PAYABLE AND SIMILAR CHARGES**

	2016 £	2015 £
Loans from group undertakings	155,230,168	153,067,408
Fair value movement on loans from group undertakings	(23,823,524)	(10,892,606)
	<u>131,406,644</u>	<u>142,174,802</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**9. DEBTORS**

	2016 £	2015 £
<b>DUE AFTER MORE THAN ONE YEAR</b>		
Loans owed by group undertakings	2,554,146,813	2,566,585,583
	<u>2,554,146,813</u>	<u>2,566,585,583</u>

	2016 £	2015 £
<b>DUE WITHIN ONE YEAR</b>		
Amounts owed by group undertakings	56,473,230	34,453,082
	<u>56,473,230</u>	<u>34,453,082</u>

Amounts owed by group undertakings due within one year consists of the following:

	2016 £	2015 £
Amounts owed by parent undertaking	1	1
Amounts owed by fellow subsidiary undertakings	22,187,753	22,424,424
Loans to fellow subsidiary undertakings	34,285,476	12,028,657
	<u>56,473,230</u>	<u>34,453,082</u>

The loans to a fellow subsidiary undertaking, due within one year, bear interest at a rate linked to bank deposits held by a fellow subsidiary undertaking and are repayable on demand.

£313,885,583 (2015 - £313,885,583) of the loans to fellow subsidiary undertakings due after more than one year carries interest at 10%, subject to certain caps, and is repayable on 22 April 2034. The fellow subsidiary undertakings' liabilities under these loans is capped upon maturity at the net assets of the fellow subsidiary undertakings. Consequently, at 31 December 2016, the carrying value of the loans have been reduced from the initial carrying amount by £11,278 (2015 - £Nil).

£628,700,000 (2015 - £628,700,000) of the loans to fellow subsidiary undertakings due after more than one year carries interest at 6.95%, subject to certain caps, and is repayable on 22 April 2038.

The remaining £1,624,000,000 (2015 - £1,624,000,000) of the loans to fellow subsidiary undertakings due after more than one year carries interest at 10%, subject to certain caps, and is repayable on 22 April 2038. The fellow subsidiary undertakings' liabilities under these loans is capped upon maturity at the net assets of the fellow subsidiary undertakings. Consequently, at 31 December 2016, the carrying value of the loans have been reduced from the initial carrying amount by £12,427,492 (2015 - £Nil).

Other amounts due by group undertakings are interest free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016

10. CREDITORS: Amounts falling due within one year

	2016 £	2015 £
Amounts owed to group undertakings	62,270,779	51,155,654
	<u>62,270,779</u>	<u>51,155,654</u>

Amounts owed to group undertakings consists of the following:

	2016 £	2015 £
Amounts owed to fellow subsidiary undertakings	32,945,579	21,830,454
Loans from fellow subsidiary undertakings linked to debentures	11 29,325,200	29,325,200
	<u>62,270,779</u>	<u>51,155,654</u>

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

• **NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**11. CREDITORS: Amounts falling due after more than one year**

	2016 £	2015 £
Amounts owed to group undertakings	2,558,147,443	2,559,684,808
	<u>2,558,147,443</u>	<u>2,559,684,808</u>

Amounts owed to group undertakings consists of the following:

	2016 £	2015 £
Loans from fellow subsidiary undertakings linked to debentures	1,604,995,770	1,634,320,970
Other loans from fellow subsidiary undertakings	953,151,673	925,363,838
	<u>2,558,147,443</u>	<u>2,559,684,808</u>

£1,604,995,770 (2015 - 1,634,320,970) of the loans from fellow subsidiary undertakings is repayable in instalments until April 2030 and bears interest at a rate linked to an issue of debentures by a fellow subsidiary undertaking. The instalments due within one year total £29,325,200 (2015 - £29,325,200).

In June 2014, the company repaid £577,900,000 of loans together with £168,746,800 in respect of a potential redemption premium. Until settled, interest is charged on the potential redemption premium at 6.455% per annum. The company has paid an additional £27,231,515 of interest up to 22 January 2017 and has been credited with interest of £304,917 (2015 - £462,273) earned on the amounts paid over. A total charge of £10,892,606 (2015 - £10,892,606) has been recognised in the profit and loss account for the year. An additional expense in relation to the settlement of £492,149 has been incurred in the year (2015 - £NIL).

The other loan from a fellow subsidiary undertaking of £953,151,673 (2015 - £925,363,838) accrues interest at 10% per annum and is repayable on 22 April 2034. The company's liability under this loan is capped upon maturity at the net assets of the company. Consequently, at 31 December 2016, this loan has been reduced from its initial carrying amount by £208,258,045 (2015 - £184,434,521), resulting in a credit to the income statement of £23,823,524 (2015 - £10,892,606).

**12. SHARE CAPITAL**

	2016 £	2015 £
<b>Allotted, called up and fully paid</b>		
1 Ordinary share of £1	<u>1</u>	<u>1</u>

**13. OTHER FINANCIAL COMMITMENTS**

As at 31 December 2016 and 31 December 2015 the company had given fixed and floating charges over substantially all its assets to secure the commitments of certain other group undertakings.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**14. POST BALANCE SHEET EVENTS**

Following the disposal of 10 Upper Bank Street and related partial redemption of the A1 Notes in June 2014, an issue arose as to whether Canary Wharf Finance II plc as issuer was entitled to redeem the notes without payment of any premium ('SPENS'). The Trustee dealt with this by requiring the issuer to lodge an amount equivalent to SPENS (£168.7m) in an escrow account pending resolution of the issue by a court declaration. In the meantime interest of 6.455% per annum accrued on the escrow account. Following an initial hearing in July 2015, judgment at first instance was eventually delivered in favour of the noteholders in January 2016. The issuer however successfully applied for leave to appeal this decision and a hearing date in the Court of Appeal was set for 13/14 June 2017.

Although no agreement was reached with the noteholders at a formal mediation hearing in May 2017, contact was maintained with noteholder representatives and eventually an offer was agreed, comprising:

1. payment of SPENS on future redemptions at a rate of gilts plus 20 bps (or gilts flat in relation to voluntary redemptions of bonds not associated with the sale or release of properties); and
2. a principal and interest split of 25% for Canary Wharf Finance II plc and 75% for the noteholders. This translated into a £51.24m payment to Canary Wharf Finance II plc from the escrow account on 14 June 2017. This will be recorded as an interest credit in the 2017 financial statements.

The court proceedings have now been withdrawn.

**15. CONTROLLING PARTY**

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

As at 31 December 2016, 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 102.33.1A of FRS 102 allowing the company not to disclose related party transactions with respect to other wholly-owned group companies.