CANARY WHARF FINANCE II PLC

21 April 2011

PUBLICATION OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

Pursuant to sections 4.1 and 6.3.5 of the Disclosure and Transparency Rules, the board of Canary Wharf Finance II plc is pleased to announce the publication of its annual financial report for the year ended 31 December 2010, which will shortly be available from www.canarywharf.com/Investor Relations.

The information contained within this announcement, which was approved by the board of directors on 21 April 2011, does not comprise statutory accounts within the meaning of the Companies Act 2006 and is provided in accordance with section 6.3.5(2)(b) of the Disclosure and Transparency Rules.

In accordance with Paragraph 9.6.1 of the Listing Rules, a copy of the 31 December 2010 Annual Financial Report will be submitted to the National Storage Mechanism and will shortly be available for inspection at: www.Hemscott.com/nsm.do.

Dated: 21 April 2011

CONTACT FOR QUERIES

J R Garwood
Company Secretary
Canary Wharf Finance II plc
Telephone: 020 7418 2000

MANAGEMENT REPORT

BUSINESS REVIEW

The following business review aims to provide shareholders with an overall summary of the business of the company as at 31 December 2010 and during the year then ended. The main factors likely to affect the future development, performance and position of the business of the company are set out in the principal risks and uncertainties section of this Management Report.

This business review should be read in conjunction with the remainder of the Management Report, the Directors' Report and the financial statements.

At 31 December 2010, the company had £2,462,057,521 (2009: £2,519,590,161) of notes listed on the London Stock Exchange and had lent the proceeds to a fellow subsidiary undertaking, CW Lending II Limited. The notes are secured on seven properties at Canary Wharf, owned by fellow subsidiary undertakings, and the rental income therefrom.

During the previous year a fellow subsidiary undertaking acquired £119.7m of the notes comprising £26.1m of B3 notes, £35.3m of C2 notes and £58.3m of D3 notes. These notes remain in issue.

In November 2010 two of the seven properties on which the notes are secured, 25 Bank Street and 50 Bank Street, were withdrawn from the securitisation and substituted with 10

Cabot Square and 20 Cabot Square. In conjunction with this substitution £65.7m was added to cash collateral held by CW Lending II Limited to cover any shortfall in debt service.

Prior to withdrawing 25 Bank Street, the securitisation had the benefit of a loan facility agreement with American International Group, Inc. ('AIG') which provided for any shortfall in contracted rents under the Lehman lease in the event of a default by Lehman Brothers Limited, the tenant of 25 Bank Street. In November 2010, terms were agreed with AIG for the termination of this facility.

Separately, the securitisation continues to have 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. AIG has posted £258.7 million as cash collateral in respect of this obligation.

The company also has the benefit of a £300.0 million liquidity facility provided by Lloyds Bank plc, under which drawings may be made in the event of a cash flow shortage under the securitisation.

As shown in the company's profit and loss account, the company's loss after tax for the year was £16,861,190 (2009: profit of £55,166,777). This included an unrealised fair value loss on derivative financial instruments of £18,118,645 (2009: gain of £53,852,000).

The balance sheet shows the company's financial position at the year end and indicates that net liabilities were £122,749,050 (2009: £82,902,534).

The financial position of the company as indicated by its balance sheet is impacted by the application of Financial Reporting Standard 26 (Financial Instruments: Recognition and Measurement) ('FRS26') and its impact on other financial reporting standards. Adjusting for the effects of FRS26 the net asset value of the company at 31 December 2010 was as follows:

	31 December 2010 £	31 December 2009 £
Net liabilities per statutory balance sheet	(122,749,050)	(82,902,534)
Add back: Effects of FRS26	126,478,135	86,380,000
Adjusted net assets	3,729,085	3,477,466

KEY PERFORMANCE INDICATORS

	31 December 2010 £	31 December 2009 £
Securitised debt	2,462,057,521	2,519,590,161
Financing cost (before adjustments for FRS26)	150,011,694	153,304,806
Adjusted profit before tax and FRS26	251,619	269,755
Weighted average maturity of debt	16.5 years	17.1 years
Weighted average interest rate	6.2%	6.2%

The adjusted profit before tax comprises the loss on ordinary activities before tax of £16,861,190 (2009: £55,166,777) adjusted for the FRS 26 items listed in Note 4, totalling £17,112,809 (2009: £54,897,022).

PRINCIPAL RISKS AND UNCERTAINTIES

The risks and uncertainties facing the business are monitored through continuous assessment, regular formal quarterly reviews and discussion at Canary Wharf Group plc audit committee and board level. 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 Canary Wharf Group, the current key risks of the company include the cyclical nature of the property market, concentration risk and financing risk.

Cyclical nature of the property market

The valuation of Canary Wharf Group's assets is subject to many external economic and market factors. The turmoil in the financial markets during 2008 and 2009 was reflected in the property market by such factors as the oversupply of available space in the office market, a significant decline in tenant demand for space in London and a change in the market perception of property as an investment resulting in a negative impact on property valuations in general. In the latter half of 2009 and during the course of 2010 there have been signs of a tightening of supply which has resulted in an increase in valuation and compression of yields. Changes in financial and property markets are kept under constant review so that the company can react appropriately. The impact of the ongoing uncertainty in the financial and property markets continues to be closely monitored.

Concentration risk

The majority of Canary Wharf Group's real estate assets are currently located on or adjacent to the Canary Wharf Estate with tenants that are mainly linked to the financial services industry. Wherever possible steps are taken to mitigate or avoid material consequence arising from this concentration.

Financing risk

The broader economic cycle inevitably leads to movements in inflation, interest rates and bond yields.

The company holds debenture finance, at both fixed and floating rates and uses interest rate swaps or caps to modify 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 to a maximum loan minus cash to value ('LMCTV') ratio covenant.

The maximum LMCTV ratio is 100.0%. Based on the 31 December 2010 valuations of the properties upon which the company's notes are secured, the LMCTV ratio at the interest payment date in January 2011 would have been 73.7%. The securitisation is not subject to a minimum interest coverage ratio.

A breach of covenant can be remedied by depositing eligible investments (including cash).

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

Instruments that may be used for managing foreign exchange exposure include:

• Cross currency swaps
• Spot and forward foreign exchange contracts

No hedging activity is undertaken without explicit authority of the board.

Transaction Accounting

Under FRS26, 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 profit and loss account 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 Group Financial Controller.

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.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	31 December 2010	31 December 2009 £
Administrative expenses		(14,100)	(13,950)
OPERATING LOSS		(14,100)	(13,950)
Interest receivable and similar income	**2**	150,277,413	153,588,511
Interest payable and similar charges	**3**	(167,124,503)	(98,407,784)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(16,861,190)	55,166,777

	Note		
Tax on (loss)/profit on ordinary activities	4	-	-
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE YEAR	9	(16,861,190)	55,166,777

Movements in reserves are shown in Note 9 of these financial statements.

All amounts relate to continuing activities in the United Kingdom.

The notes numbered 1 to 11 form an integral part of these financial statements.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2010

	Year Ended 31 December 2010 £	Year Ended 31 December 2009 £
(Loss)/profit for the financial year	(16,861,190)	55,166,777
Fair value movement on effective hedging instruments	(38,123,761)	51,512,715
Interest paid/(received) on effective hedging instruments	16,144,271	5,715,286
Hedge reserve recycling	(1,005,836)	(1,045,022)
Total recognised (losses)/gains relating to the year	(39,846,516)	111,349,756

The notes numbered 1 to 11 form an integral part of these financial statements.

BALANCE SHEET AS AT 31 DECEMBER 2010

	Note	Year Ended 31 December 2010 £	Year Ended 31 December 2009 £
CURRENT ASSETS			
Debtors	5		
Amounts falling due after one year		2,476,097,668	2,534,909,653
Amounts falling due within one year		88,243,855	88,744,717
Cash at bank	6	1,554,889	1,513,916
		2,565,896,412	2,625,168,286
CREDITORS: Amounts falling due within one year	7	(86,069,657)	(86,781,165)
NET CURRENT ASSETS		2,479,826,755	2,538,387,121
TOTAL ASSETS LESS CURRENT LIABILITIES		2,479,826,755	2,538,387,121
CREDITORS: Amounts falling due after more than one year	8	(2,602,575,805)	(2,621,289,655)
NET LIABILITIES		(122,749,050)	(82,902,534)
CAPITAL AND RESERVES			
Called-up share capital		50,000	50,000
Hedging reserve	9	(55,702,781)	(32,717,455)
Profit and loss account	9	(67,096,269)	(50,235,079)
SHAREHOLDER'S DEFICIT	10	(122,749,050)	(82,902,534)

The notes numbered 1 to 11 form an integral part of these financial statements.

NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

1. PRINCIPAL ACCOUNTING POLICIES

This announcement does not constitute the company's statutory accounts for the year ended 31 December 2010 but is derived from those accounts. The statutory accounts for the year ended 31 December 2010 will be delivered to the Registrar of Companies following the company's annual general meeting. The auditors have reported on those accounts and their report was unqualified, did not contain a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain statements under sections 498(2) or (3) of the Companies Act 2006.

This announcement has been prepared on the basis of the accounting policies set out in the company's financial statements for the year ended 31 December 2010 which are prepared in accordance with UK generally accepted accounting principals. Such accounting policies have been applied consistently in all material respects throughout the current and previous years.

In accordance with the provisions of FRS 1 (Revised) the company is exempt from the requirements to prepare cash flow statements, as it is a wholly-owned subsidiary of Canary Wharf Group plc, which has prepared a consolidated cash flow statement.

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 requisite enquiries, the directors have a reasonable expectation that the company has adequate resources to continue its operations for the foreseeable future and hence the financial statements have been prepared on that basis.

At 31 December 2010 the company had a deficit of £122,749,050 attributable solely to the adoption of FRS26. Under the requirements of the standard the company recognises the fair value of its derivative financial instruments in the balance sheet. In the event that the company were to realise the fair value of 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. The standard does not permit this potential asset to be accounted for in conjunction with the hedges

Notwithstanding the deficit in net assets resulting from the treatment of derivative financial instruments required by FRS26, 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.

2. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year Ended 31 December 2010 £	Year Ended 31 December 2009 £
Bank interest receivable	16,892	30,373
Interest receivable from group undertakings	150,260,521	153,558,138
	150,277,413	153,588,511

3. INTEREST PAYABLE AND SIMILAR CHARGES

	Year Ended 31 December 2010 £	Year Ended 31 December 2009 £
Interest payable on securitised debt (Note 8)	150,011,694	153,304,806
Fair value adjustments on derivative financial instruments	18,118,645	(53,852,000)
Hedge reserve recycling	(1,005,836)	(1,045,022)
	167,124,503	98,407,784

Included in the interest payable on securitised debt is £1,571,467 (2009: £1,457,104) payable to a fellow subsidiary undertaking in respect of notes acquired during the previous year (Note 8).

4. TAXATION

	Year Ended 31 December 2010 £	Year Ended 31 December 2009 £
Current tax:		
UK Corporation tax (see below)	-	-
Tax reconciliation:		
(Loss)/profit on ordinary activities before tax	(16,861,190)	55,166,777
Tax on (loss)/profit on ordinary activities at UK corporation tax rate of 28%	(4,721,133)	15,446,698
Effects of:		
Items not chargeable to tax	4,791,586	(15,371,166)
Tax losses and other timing differences	(70,453)	(75,532)
Current tax charge for the year	-	-

No provision for corporation tax has been made since the taxable profit for the year will be covered by the group relief expected to be made available to the company by other companies in the group. No charge will be made by other group companies for the surrender of group relief. There is no unprovided deferred taxation.

5. DEBTORS

	31 December 2010 £	31 December 2009 £
Due within one year:		
Loan to fellow subsidiary undertaking	86,109,563	86,617,063
Amount owed by fellow subsidiary undertakings	2,132,406	2,126,381

Accrued interest receivable	1,886	1,273
	88,243,855	88,744,717
Due in more than one year:		
Loan to fellow subsidiary undertaking	2,476,097,668	2,534,909,653

The loans to a fellow subsidiary undertakings bear fixed rates of interest between 5.31% and 6.81% and are repayable in instalments between 2010 and 2035.

Amounts owed by group undertakings are non-interest bearing.

The amount of the loan due within one year comprises £28,576,923 (2009: £29,084,423) of interest and £57,532,640 (2009: £57,532,640) of capital.

The carrying values of debtors due within one year also represent their fair values. The fair value of the loans to group undertakings at 31 December 2010 was £2,564,980,000 (2009: £2,289,728,000), calculated by reference to the fair values of the company's financial liabilities. The carrying value of financial assets represents the company's maximum exposure to credit risk.

6. FINANCIAL ASSETS

The company's financial assets comprise loans to fellow group undertakings, cash at bank and derivative financial instruments.

Cash at bank totalled £1,554,889 at 31 December 2010 (2009: £1,513,916), comprising £1,545,701 in Sterling (2009: £1,504,720), £2,094 (€2,432) in Euros (2009: £1,474/€2,432) and £7,094 (US$11,012) in US Dollars (2009: £7,722/$11,012), all of which was held as cash collateral for the company's borrowings and has a term of one month or less.

Cash at bank earns interest at floating rates linked to bank deposit rates.

7. CREDITORS: Amounts falling due within one year

	31 December 2010 £	31 December 2009 £
Securitised debt (Note 8)	86,062,607	86,774,115
Accruals and deferred income	7,050	7,050
	86,069,657	86,781,165

The amount of the securitised debt due within one year comprises £28,529,967 (2009: £29,241,475) of interest and £57,532,640 (2009: £57,532,640) of capital.

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

	31 December 2010 £	31 December 2009 £
Securitised debt	2,476,097,670	2,534,909,655
Derivative financial instruments	126,478,135	86,380,000
	2,602,575,805	2,621,289,655

The securitised debt has a face value of £2,462.1m (2009: £2,519.6) of which £1,736.1m (2009: £1,793.6m) carries fixed rates of interest between 5.95% and 6.80%. The other £726.0m (2009: £726.0m) carries floating rates of interest at LIBOR plus a margin. The company uses interest rate swaps to hedge exposure to the variability in cash flows on floating rate debt caused by movements in market rates of interest. The hedged rates of the floating rate notes, including margins, are between 5.11% and

5.80%.

The amounts at which borrowings are stated comprise:

	31 December 2010 £	31 December 2009 £
Brought forward	2,592,442,295	2,626,086,740
Repaid in year	(57,532,640)	(32,221,760)
Amortisation of issue premium	(4,847,330)	(4,990,672)
Accrued financing expenses	3,567,985	3,567,987
Carried forward	2,533,630,310	2,592,442,295
Payable within one year or on demand	57,532,640	57,532,640
Payable after more than one year	2,476,097,670	2,534,909,655
	2,533,630,310	2,592,442,295

Certain of the A1, A3 and B notes were issued at a premium which is being amortised to the profit and loss account on a straight-line basis over the life of the relevant notes. At 31 December 2010 £58,405,478 (2009: £63,252,808) remained unamortised.

During the previous year a fellow subsidiary undertaking acquired £119,778,000 of notes comprising £26,101,000 of B3 notes, £35,338,000 of C2 notes and £58,339,000 of D2 notes. These notes remain in issue and have not been cancelled.

The notes are secured on seven properties at Canary Wharf, owned by fellow subsidiary undertakings, and the rental income stream therefrom.

In November 2010 two of the seven properties on which the notes are secured, 25 Bank Street and 50 Bank Street, were withdrawn from the securitisation and substituted with 10 Cabot Square and 20 Cabot Square. In conjunction with this substitution £65.7m was added to cash collateral held by CW Lending II Limited to cover any shortfall in debt service.

Prior to withdrawing 25 Bank Street, the securitisation had the benefit of a loan facility agreement with AIG which provided for any shortfall in contracted rents under the Lehman lease in the event of a default by Lehman, the tenant of 25 Bank Street. In November 2010, terms were agreed with AIG for the termination of this facility.

Separately, 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 its lease. AIG has posted £258.7m as cash collateral in respect of this obligation.

The company also has the benefit of a £300.0m liquidity facility provided by Lloyds, under which drawings may be made in the event of a cash flow shortage under the securitisation. This facility is renewable annually.

The annual fees payable in respect of the above arrangements currently totals £3.7m.

The market value of the securitised debt at 31 December 2010 was £2,441.7m (2009: £2,203.4m). The fair values of the sterling denominated notes have been determined by reference to prices available on the markets on which they are traded.

The weighted average maturity of the debentures at 31 December 2010 was 16.5 years (2009: 17.1 years).

After taking into account interest hedging arrangements, the weighted average interest rate of the company at 31 December 2010 was 6.2% (2009: 6.2%).

At 31 December 2010 the fair value of interest rate derivatives resulted in the recognition of a net liability of £126,478,135 (2009: £86,380,000). Of this net liability £66,480,490 (2009: £44,501,000) was in respect of interest rate swaps which qualify for hedge accounting and £59,997,645 (2009: £41,879,000) was in respect of interest rate swaps and collars which do not qualify for hedge accounting.

The fair values of the derivative financial instruments have been determined by reference to market values provided by the relevant counter party and have been classified as level 2, as defined in accordance with FRS 29 Financial Instruments: Disclosures.

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.

9. RESERVES

	Hedging reserve	**Profit and loss account**	**Total**
	£	£	£
At 1 January 2010	(32,717,455)	(50,235,079)	(82,952,534)
Loss for the year	-	(16,861,190)	(16,861,190)
Fair value movement on effective hedging instruments	(38,123,761)	-	(38,123,761)
Interest paid on effective hedging instruments	16,144,271	-	16,144,271
Transferred to the profit and loss account:			
Movements on discontinued hedge accounting	(1,005,836)	-	(1,005,836)
At 31 December 2010	(55,702,781)	(67,096,269)	(122,799,050)

Movements on discontinued hedge accounting relate to the B2 and C1 interest rate swaps, for which the hedging instruments have been novated but the forecast transactions to which they relate are still expected to occur.

10. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT

	31 December 2010	31 December 2009
	£	£
Opening shareholders’ deficit	(82,902,534)	(194,252,290)
(Loss)/profit for the year	(16,861,190)	55,166,777
Fair value movement on effective hedging instruments	(38,123.761)	51,512,715
Interest paid on effective hedging instruments	16,144,271	5,715,286
Transferred to the profit and loss account:		
Movements on discontinued hedge accounting	(1,005,836)	(1,045,022)
Closing shareholders’ deficit	(122,749,050)	(82,902,534)

11. CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS

As at 31 December 2010 and 31 December 2009 the company had given a fixed charge over all its assets, including first fixed charges over its bank accounts, to secure the notes referred to in Note 8.