CANARY WHARF FINANCE II PLC

31 August 2011

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 half yearly financial report for the period ended 30 June 2011, 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 30 August 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.

Two copies of the 30 June 2011 Half Yearly Financial Report will be submitted to the UK Listing Authority ("UKLA") in accordance with Paragraph 9.6.1 of the Listing Rules. The document will shortly be available for inspection at the UKLA's Document Viewing Facility, which is situated at 25 North Colonnade, Canary Wharf, London E14 5HS.

Dated: 31 August 2011

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INTERIM MANAGEMENT STATEMENT

This interim management statement relates to the six months ended 30 June 2011 and contains information that covers the period from 1 January 2011 to 30 August 2011, the date of publication of this interim management statement.

BUSINESS REVIEW

The company is a wholly owned subsidiary of Canary Wharf Group plc and its ultimate parent undertaking is Songbird Estates plc.

Canary Wharf Finance II plc is a finance vehicle that issues securities which are backed by commercial mortgages over high profile properties within the Canary Wharf estate. The company is engaged in the provision of finance to the Canary Wharf group, comprising Canary Wharf Group plc and its subsidiaries ('the group'). All activities take place within the United Kingdom.

At 30 June 2011, the company had £2,433,291,200 (31 December 2010: £2,462,057,521) 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.

The securitisation has the benefit of an arrangement with AIG which covers the rent in the event of a default by the tenant of 33 Canada Square over the entire term of the lease. At 30 June 2010 AIG had posted £259.4 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.

Following publication of its latest criteria for assessing counterparty risk in all new and existing structured finance securities and covered bonds, Standard and Poor's Financial Services LLC ("S&P") duly downgraded the notes on 15 July 2011. Following this downgrade, the ratings of the notes were as follows:

Class	Moody's	Fitch	S&P
A1	Aaa	AAA	A+
A3	Aaa	AAA	A+
A7	Aaa	AAA	A+
B	A1	AA	A+
B3	A1	AA	A+
C2	Baa1	A	A
D2	Ba1	BB	BBB

Other than the downgrade in the rating of the notes, no significant non-routine events or transactions occurred during the period from 1 January 2011 to 30 August 2011.

As shown in the company's profit and loss account, the company's profit after tax for the six month period was £4,154,338 (period ended 30 June 2010: loss of £29,162,260).

The balance sheet shows the company's financial position at the period end and indicates that net liabilities were £110,938,565 (31 December 2010: £122,749,050).

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) ('FRS 26') and its impact on other financial reporting standards. FRS 26 requires recognition of the mark to market of derivative financial instruments, which hedge the company's exposure to interest rate fluctuations, but the mark to market of the company's debtor loan and securitised debt has not been recognised. Adjusting for the effects of FRS 26 the net asset value of the company at 30 June 2011 was as follows:

Audited 31 December 2010 £		Unaudited 30 June 2011 £	Unaudited 30 June 2010 £
(122,749,050)	Net liabilities per balance sheet	(110,938,565)	(142,758,625)
126,478,135	Add back: Effects of FRS 26	114,792,615	146,361,000
3,729,085	Adjusted net assets	3,854,050	3,602,375

KEY PERFORMANCE INDICATORS

Audited 31 December 2010 £		Unaudited 30 June 2011 £	Unaudited 30 June 2010 £
2,462,057,521	Securitised debt	2,433,291,200	2,490,823,841
150,011,694	Financing cost (before adjustments for FRS26)	73,428,874	75,205,877
251,619	Adjusted profit before tax and FRS26	124,965	124,909
16.5 years	Weighted average maturity of debt	16.2 years	16.8 years
6.2%	Weighted average interest rate	6.2%	6.2%

The adjusted profit before tax comprises the profit on ordinary activities before tax of £4,154,338 (period ended 30 June 2010: loss of £29,162,260) adjusted for the FRS 26 items listed in Note 3, totalling £4,029,373 (period ended 30 June 2010: £29,287,169).

GOING CONCERN

The directors are required to prepare the financial statements for each financial period 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 30 June 2011 the company had a deficit of £110,938,565 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.

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.

These risks, which are summarised below are unchanged from the risks and uncertainties disclosed in the directors' report to the financial statements for the year ended 31 December 2010.

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, throughout 2010 and the first half of 2011 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 the 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 consequences arising from this concentration.

Financing risk

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

The company holds debenture finance in sterling at both fixed and floating rates and uses interest rate swaps to modify its exposure to interest rate fluctuations. All of the company's borrowings are fixed after taking account of interest rate hedges. All borrowings are denominated in sterling and the company has no intention to borrow amounts in currencies other than sterling.

The company enters into derivative financial instruments solely for the purposes of hedging its financial liabilities. No derivatives are entered into for speculative purposes.

The company is not subject to externally imposed capital requirements.

The company's securitisation is subject to a maximum loan minus cash to value ('LMCTV') ratio covenant.

The maximum LMCTV ratio is 100.0%. 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 July 2011 would have been 73.1%. The securitisation is not subject to a minimum interest coverage ratio. The 30 June 2011 valuations were not available at the date of signing this interim management statement.

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

DIRECTORS' RESPONSIBILITY STATEMENT

The board of directors, comprising A P Anderson II, R J J Lyons (as alternate to A P Anderson II), G Iacobescu, J R Garwood (as alternate to G Iacobescu) and P Harned, confirms to the best of its knowledge that:

- the condensed set of financial statements, which has been prepared in accordance with the applicable set of accounting standards give a true and fair view of the assets, liabilities, financial position and profit or loss of the company as required by Rule 4.1.12 (3a) of the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority (the 'DTRs'); and

- the interim management statement includes a fair review of the information required by Rule 4.2.7 of the DTRs (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year).

PROFIT AND LOSS ACCOUNT FOR THE SIX MONTHS ENDED 30 JUNE 2011

Audited Year ended 31 December 2010 £		Note	Unaudited Six months ended 30 June 2011 £	Unaudited Six months ended 30 June 2010 £
(14,100)	Administrative expenses		(7,350)	(7,050)
(14,100)	**OPERATING LOSS**		(7,350)	(7,050)
150,277,413	Interest receivable and similar income	**2**	73,561,189	75,337,836
(167,124,503)	Interest payable and similar charges	**3**	(69,399,501)	(104,493,046)
(16,861,190)	**PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION**		4,154,338	(29,162,260)

–	Tax on profit/(loss) on ordinary activities	4	–	–
(16,861,190)	**PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE PERIOD/YEAR**	8	4,154,338	(29,162,260)

Movements in reserves are shown in Note 8 of this Half Yearly Financial Report.

All amounts relate to continuing activities in the United Kingdom.

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

The Half Yearly Financial Report for the six months ended 30 June 2011 was approved by the Board of Directors on 30 August 2011.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE SIX MONTHS ENDED 30 JUNE 2011

Audited Year ended 31 December 2010 £		Unaudited Six months ended 30 June 2011 £	Unaudited Six months ended 30 June 2010 £
(16,861,190)	Profit/(loss) for the financial period/year	4,154,338	(29,162,260)
(38,123,761)	Fair value movement on effective hedging instruments	207,571	(38,282,920)
16,144,271	Interest paid on effective hedging instruments	7,936,734	8,096,920
(1,005,836)	Hedge reserve recycling	(488,158)	(507,831)
(39,846,516)	Total recognised gains/(losses) relating to the period/year	11,810,485	(59,856,091)

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

BALANCE SHEET AT 30 JUNE 2011

Audited 31 December 2010 £			Unaudited 30 June 2011 £	Unaudited 30 June 2010 £
	CURRENT ASSETS			
	Debtors	5		
2,476,097,668	Amounts falling due after one year		2,446,747,119	2,505,469,849
88,243,855	Amounts falling due within one year		87,166,992	88,405,287
1,554,889	Cash at bank		1,689,129	1,441,134
2,565,896,412			2,535,603,240	2,595,316,270
(86,069,657)	**CREDITORS: Amounts falling due within one year**	6	(85,002,071)	(86,244,045)
2,479,826,755	**NET CURRENT ASSETS**		2,450,601,169	2,509,072,225
2,479,826,755	**TOTAL ASSETS LESS CURRENT**		2,450,601,169	2,509,072,225

	LIABILITIES			
(2,602,575,805)	**CREDITORS: Amounts falling due after more than one year**	**7**	(2,561,539,734)	(2,651,830,850)
(122,749,050)	**NET LIABILITIES**		(110,938,565)	(142,758,625)
	CAPITAL AND RESERVES			
50,000	Called-up share capital		50,000	50,000
(55,702,781)	Hedging reserve	**8**	(48,046,634)	(63,411,286)
(67,096,269)	Profit and loss account	**8**	(62,941,931)	(79,397,339)
(122,749,050)	**SHAREHOLDER'S DEFICIT**		(110,938,565)	(142,758,625)

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

NOTES TO THE INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2011

1. PRINCIPAL ACCOUNTING POLICIES

The Half Yearly Financial Report has been prepared on a going concern basis and in accordance with pronouncements on interim reporting issued by the Accounting Standards Board and 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 GAAP.

The financial information relating to the six months ended 30 June 2011 and 30 June 2010 is unaudited.

The results for the year ended 31 December 2010 are not statutory accounts. A copy of the statutory accounts for the year has been delivered to the Register of Companies. The auditor's report on those accounts was not qualified, did not contain any reference to any matters which the auditor drew attention by way of emphasis without qualifying the report and did not contain statements under Section 498(2) or (3) of the Companies Act 2006.

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

2. INTEREST RECEIVABLE AND SIMILAR INCOME

Audited Year ended 31 December 2010		Unaudited Six months ended 30 June 2011	Unaudited Six months ended 30 June 2010
£		£	£
16,892	Bank interest receivable	11,176	7,870
150,260,521	Interest receivable from group undertakings	73,550,013	75,329,966
150,277,413		73,561,189	75,337,836

3. INTEREST PAYABLE AND SIMILAR CHARGES

Audited Year ended 31 December		Unaudited Six months ended	Unaudited Six months ended

2010 £		30 June 2011 £	30 June 2010 £
150,011,694	Interest payable on securitised debt (Note 7)	73,428,874	75,205,877
18,118,645	Fair value adjustments on derivative financial instruments	(3,541,215)	29,795,000
(1,005,836)	Hedge reserve recycling (Note 8)	(488,158)	(507,831)
167,124,503		69,399,501	104,493,046

Included in the interest payable on securitised debt is £843,381 (30 June 2010: £749,746) payable in respect of notes acquired by a fellow subsidiary undertaking.

4. TAXATION

No provision for corporation tax has been made since the taxable profit for the period 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

Audited 31 December 2010 £		Unaudited 30 June 2011 £	Unaudited 30 June 2010 £
	Due within one year:		
86,109,563	Loan to fellow subsidiary undertaking	85,040,671	86,284,622
2,132,406	Amounts owed by fellow subsidiary undertakings	2,124,006	2,119,331
1,886	Accrued interest receivable	2,315	1,334
88,243,855		87,166,992	88,405,287
	Due after more than one year:		
2,476,097,668	Loan to fellow subsidiary undertaking	2,446,747,119	2,505,469,849

The loans to a fellow subsidiary undertaking bear fixed rates of interest between 5.12% and 6.81% and are repayable in instalments between 2005 and 2035. At 30 June 2011 the fair value of the loan was £2,497,546,981 (31 December 2010: £2,564,980,000, calculated by reference to the fair values of the company's financial liabilities.

Other amounts owed by group companies are non-interest bearing.

6. CREDITORS: Amounts falling due within one year

Audited 31 December 2010 £		Unaudited 30 June 2011 £	Unaudited 30 June 2010 £
86,062,607	Securitised debt (Note 7)	84,996,071	86,236,995
7,050	Accruals and deferred income	6,000	7,050
86,069,657		85,002,071	86,244,045

The amount of the securitised debt due within one year comprises £27,463,431 (31 December 2010: £28,529,967) of interest and £57,532,640 (31 December 2010:

£57,532,640) of capital.

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

Audited 31 December 2010 £		Unaudited 30 June 2011 £	Unaudited 30 June 2010 £
2,476,097,670	Securitised debt	2,446,747,119	2,505,469,850
126,478,135	Derivative financial instruments	114,792,615	146,361,000
2,602,575,805		2,561,539,734	2,651,830,850

The amounts at which borrowings are stated comprise:

Audited 31 December 2010 £		Unaudited 30 June 2011 £	Unaudited 30 June 2010 £
2,592,442,295	Brought forward	2,533,630,310	2,592,442,295
(57,532,640)	Repaid in period	(28,766,321)	(28,766,320)
(4,847,330)	Amortisation of issue premium	(2,353,564)	(2,442,816)
3,567,985	Accrued financing expenses	1,769,334	1,769,331
2,533,630,310	Carried forward	2,504,279,759	2,563,002,490
57,532,640	Payable within one year or on demand	57,532,640	57,532,640
2,476,097,670	Payable after more than one year	2,446,747,119	2,505,469,850
2,533,630,310		2,504,279,759	2,563,002,490

The company's securitised debt was issued in tranches, comprising classes A1, A3, A7, B, B3, C2 and D2. 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 30 June 2011 £56,051,914 (31 December 2010: £58,405,478) remained unamortised.

At 30 June 2011 there were accrued financing costs of £14,936,645 (31 December 2010: £13,167,311) relating to future increases in margins as described below.

The securitised debt has a face value of £2,433,291,200 (31 December 2010: £2,462,057,521), of which £1,707,291,200 (31 December 2010: £1,736,057,521) carries fixed rates of interest between 5.95% and 6.80%. The other £726,000,000 (31 December 2010: £726,000,000) of the securitised debt 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 notes, including the margins, are between 5.11% and 5.80%.

The market value of the securitised debt at 30 June 2011 was £2,382,754,366 (31 December 2010: £2,441,522,000). At 30 June 2011 the fair value of the interest rate derivatives resulted in the recognition of a liability of £114,792,615 (31 December 2010: £126,478,135). Of this liability, £58,336,185 was in respect of interest rate swaps which qualify for hedge accounting (31 December 2010: £66,480,490) and £56,456,430 was in respect of interest rate swaps which do not qualify for hedge accounting (31 December 2010: £59,997,645).

£26,101,000 of B3 notes, £35,338,000 of C2 notes and £58,339,000 of D2 notes are held by a fellow subsidiary undertaking.

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

8. RESERVES

	Hedging reserve	Profit and loss account	Total
	£	£	£
At 1 January 2011	(55,702,781)	(67,096,269)	(122,799,050)
Profit for the period	–	4,154,338	4,154,338
Fair value movement on effective hedging instruments	207,571	–	207,571
Interest paid on effective hedging instruments	7,936,734	–	7,936,734
Transferred to the profit and loss account:			
Movements on discontinued hedge accounting	(488,158)	–	(488,158)
At 30 June 2011	(48,046,634)	(62,941,931)	(110,988,565)

9. CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS

As at 30 June 2011 and 31 December 2010 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 7.