CANARY WHARF FINANCE II PLC
Registered Number: 3929593

30 JUNE 2009 HALF YEARLY FINANCIAL REPORT

CANARY WHARF FINANCE II PLC

HALF YEARLY FINANCIAL REPORT

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CANARY WHARF FINANCE II PLC

INTERIM MANAGEMENT STATEMENT

This interim management statement relates to the six months ended 30 June 2009 and contains information that covers the period from 1 January 2009 to 26 August 2009, 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.

The principal activity of the company is to act as a finance company. 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 2009, the company had £2,548,356,480 (31 December 2008: £2,551,811,921) 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.

No significant non-routine events or transactions occurred during the period from 1 January 2009 to 26 August 2009.

As shown in the company's profit and loss account, the company's profit after tax for the six month period was £53,727,564 (period ended 30 June 2008: £10,724,786).

The balance sheet shows the company's financial position at the period end and indicates that net liabilities were £83,716,114 (31 December 2008: £194,252,290).

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 2009 was as follows:

31 December 2008 £		30 June 2009 £	30 June 2008 £
(194,252,290)	Net (liabilities)/assets per balance sheet	(83,716,114)	3,827,454
197,460,000	Effects of FRS 26	87,066,000	(843,000)
3,207,710	Adjusted net assets	3,349,886	2,984,454

The adjusted net assets position reflects the financial position that would result from the scheduled back to back repayment of the company's debt and debtor loan.

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

KEY PERFORMANCE INDICATORS

31 December 2008 £		30 June 2009 £	30 June 2008 £
2,551,811,921	Securitised debt	2,548,356,480	2,555,267,362
154,263,224	Financing cost (before adjustments for FRS 26)	76,699,771	76,985,149
420,039	Adjusted profit before tax and FRS 26	142,176	196,783
17.9 years	Weighted average maturity of debt	17.4 years	18.4 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 £53,727,564 (period ended 30 June 2008: £10,724,786) adjusted for the FRS 26 items listed in Note 3, totalling £53,585,388 (period ended 30 June 2008: £10,528,003).

GOING CONCERN

The company's business activities, together with the factors likely to affect its future development, performance and position (including the principal risks and uncertainties) are set out in this interim management statement. The finances of the company and its liquidity position and borrowings are, where relevant, also described in this statement.

As a result of the fair value of its derivative financial instruments the company is in a net liability position at 30 June 2009. However, the company's debtor loan provides an income stream which the directors forecast will enable it to meet its obligations as they fall due for a period of not less than twelve months from the signing date of this interim management statement.

Having made the requisite enquiries, the directors have a reasonable expectation that the company will have adequate resources to continue its operations for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the Half Yearly Financial Report.

PRINCIPAL RISKS AND UNCERTAINTIES

The risks and uncertainties facing the business are monitored through continuous assessment, regular formal quarterly reviews and discussion at audit committee and board level for the group. 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 group member, the current key risks of the company include the property market upheaval, 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 2008.

The property market upheaval

The valuation of the group's assets is subject to many external economic and market factors which are cyclical in nature. The unprecedented turmoil in the financial markets has been reflected in the property market by such factors as the oversupply of available space in the office market, a recent 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. Such issues are kept under constant review so that the company can react appropriately. The impact of the ongoing upheaval 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.

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 2008 valuations of the properties upon which the company's notes are secured, the LMCTV ratio was 86.2%, excluding the £224.0m of cash collateral posted by American International Group, Inc. ('AIG') in respect of 25 Bank Street, and 78.6% including such cash collateral. The securitisation is not subject to a minimum interest coverage ratio. The 30 June 2009 valuations were not available at the date of signing this interim management statement.

The unprecedented turmoil in the financial markets has resulted in an unusually pronounced negative impact on the real estate market. In the current difficult economic environment there is an increased risk that further softening of yields could put pressure on the LMCTV ratio covenant.

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

CANARY WHARF FINANCE II PLC

INTERIM MANAGEMENT STATEMENT

DIRECTORS' RESPONSIBILITY STATEMENT

The board of directors, comprising G Iacobescu, A P Anderson II and B Niles, confirm to the best of their knowledge that:

a) the condensed set of financial statements on pages 7 to 13, which has been prepared in accordance with the applicable set of accounting standards, gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Company as required by Rule 4.2.4 of the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority ('the DTRs'); and

b) 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).

Signed on behalf of the board by:

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A P Anderson II
Director
26 August 2009

INDEPENDENT REVIEW REPORT TO CANARY WHARF FINANCE II PLC

We have been engaged by the company to review the condensed set of financial statements in the Half Yearly Financial Report for the six months ended 30 June 2009 which comprises the profit and loss account, the statement of total recognised gains and losses, the balance sheet and related Notes 1 to 9. We have read the other information contained in the Half Yearly Financial Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The Half Yearly Financial Report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in Note 1, the annual financial statements of the company are prepared in accordance with United Kingdom Generally Accepted Accounting Practice. The condensed set of financial statements included in this half-yearly financial report have been prepared in accordance with the accounting policies the company intends to use in preparing its next annual financial statements.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

INDEPENDENT REVIEW REPORT TO CANARY WHARF FINANCE II PLC

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the Half Yearly Financial Report for the six months ended 30 June 2009 is not prepared, in all material respects, in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte LLP

Deloitte LLP
Chartered Accountants and Registered Auditors
26 August 2009
London, United Kingdom

CANARY WHARF FINANCE II PLC

UNAUDITED PROFIT AND LOSS ACCOUNT
FOR THE SIX MONTHS ENDED 30 JUNE 2009

Audited Year ended 31 December 2008 £		Note	Unaudited Six months ended 30 June 2009 £	Unaudited Six months ended 30 June 2008 £
(13,950)	Administrative expenses		(6,900)	(7,050)
(13,950)	**OPERATING LOSS**		(6,900)	(7,050)
154,697,213	Interest receivable and similar income	2	76,848,847	77,188,982
(238,533,469)	Interest payable and similar charges	3	(23,114,383)	(66,457,146)
(83,850,206)	**(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**		53,727,564	10,724,786
–	Tax on (loss)/profit on ordinary activities	4	–	–
(83,850,206)	**(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE PERIOD**	8	53,727,564	10,724,786

All amounts relate to continuing activities in the United Kingdom.

The Notes on pages 10 to 13 form an integral part of this Half Yearly Financial Report.

The Half Yearly Financial Report for the six months ended 30 June 2009 was approved by the Board of Directors on 26 August 2009.

CANARY WHARF FINANCE II PLC

UNAUDITED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE SIX MONTHS ENDED 30 JUNE 2009

Audited Year ended 31 December 2008 £		Unaudited Six months ended 30 June 2009 £	Unaudited Six months ended 30 June 2008 £
(83,850,206)	(Loss)/profit for the financial year	53,727,564	10,724,786
(87,373,784)	Fair value adjustment on effective hedging instruments	55,878,562	13,777,756
(3,744,216)	Payments/(receipts) from effective hedging instruments	1,457,438	(1,927,756)
(1,082,755)	Hedge reserve recycling	(527,388)	(546,003)
(176,050,961)	Total recognised gains/(losses) relating to the year	110,536,176	22,028,783

The Notes on pages 10 to 13 form an integral part of this Half Yearly Financial Report.

CANARY WHARF FINANCE II PLC

UNAUDITED BALANCE SHEET AS AT 30 JUNE 2009

Audited 31 December 2008 £		Note	Unaudited 30 June 2009 £	Unaudited 30 June 2008 £
	CURRENT ASSETS			
	Debtors:	5		
2,593,864,979	Amounts falling due after one year		2,564,355,281	2,620,527,116
63,939,148	Amounts falling due within one year		89,113,193	42,795,911
1,031,711	Cash at bank		1,189,590	820,885
2,658,835,838			2,654,658,064	2,664,143,912
(61,763,148)	**CREDITORS: Amounts falling due within one year**	6	(86,952,897)	(40,632,340)
2,597,072,690	**NET CURRENT ASSETS**		2,567,705,167	2,623,511,572
2,597,072,690	**TOTAL ASSETS LESS CURRENT LIABILITIES**		2,567,705,167	2,623,511,572
(2,791,324,980)	**CREDITORS: Amounts falling due after more than one year**	7	(2,651,421,281)	(2,619,684,118)
(194,252,290)	**NET (LIABILITIES)/ASSETS**		(83,716,114)	3,827,454
	CAPITAL AND RESERVES			
50,000	Called-up share capital		50,000	50,000
(88,900,434)	Hedging reserve	8	(32,091,822)	14,604,318
(105,401,856)	Profit and loss account	8	(51,674,292)	(10,826,864)
(194,252,290)	**SHAREHOLDER'S (DEFICIT)/FUNDS**		(83,716,114)	3,827,454

The Notes on pages 10 to 13 form an integral part of this Half Yearly Financial Report.

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 2008, which are prepared in accordance with UK GAAP.

The financial information relating to the six month periods ended 30 June 2009 and 30 June 2008 is unaudited.

The results for the year ended 31 December 2008 are not statutory accounts. A copy of the statutory accounts for the year has been delivered to the Registrar of Companies. The auditors report on those accounts was not qualified, did not contain a reference to any matters which the auditors drew attention by way of emphasis without qualifying the report and did not contain statements under Section 237(2) or (3) of the Companies Act 1985.

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 2008 £		Unaudited Six months ended 30 June 2009 £	Unaudited Six months ended 30 June 2008 £
164,282	Bank interest receivable	21,938	67,866
154,532,931	Interest receivable from group undertakings	76,826,909	77,121,116
154,697,213		76,848,847	77,188,982

3. INTEREST PAYABLE AND SIMILAR CHARGES

Audited Year ended 31 December 2008 £		Unaudited Six months ended 30 June 2009 £	Unaudited Six months ended 30 June 2008 £
154,263,224	Interest payable on securitised debt (Note 7)	76,699,771	76,985,149
85,353,000	Fair value adjustments on derivative financial instruments	(53,058,000)	(9,982,000)
(1,082,755)	Hedge reserve recycling (Note 8)	(527,388)	(546,003)
238,533,469		23,114,383	66,457,146

Of the interest payable on securitised debt £3,863,902 (30 June 2008: £nil) was due to a fellow subsidiary undertaking.

4. TAXATION

No provision for corporation tax has been made since the tax 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. It is anticipated that group relief and other tax reliefs will impact on future tax charges. There is no unprovided deferred taxation.

5. DEBTORS

Audited 31 December 2008 £		Unaudited 30 June 2009 £	Unaudited 30 June 2008 £
	Due within one year:		
61,804,637	Loans to fellow subsidiary undertaking	86,994,209	40,677,267
2,122,931	Amount owed by fellow subsidiary undertaking	2,116,031	2,109,256
11,580	Accrued interest receivable	2,953	9,388
63,939,148		89,113,193	42,795,911
	Due in more than one year:		
–	Derivative financial instruments	–	1,415,000
2,593,864,979	Loans to fellow subsidiary undertaking	2,564,355,281	2,619,112,116
2,593,864,979		2,564,355,281	2,620,527,116

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 2009 the fair value of the loan was £2,057,029,000 (31 December 2008: £2,132,101,000), calculated by reference to the fair values of the company's financial liabilities.

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

6. CREDITORS: Amounts falling due within one year

Audited 31 December 2008 £		Unaudited 30 June 2009 £	Unaudited 30 June 2008 £
61,756,248	Securitised debt (Note 7)	86,945,997	40,625,290
6,900	Accruals and deferred income	6,900	7,050
61,763,148		86,952,897	40,632,340

The amount of the securitised debt due within one year comprises £29,413,357 (31 December 2008: £29,534,488) of interest and £57,532,640 (31 December 2008: £32,221,760) of capital.

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

Audited 31 December 2008 £		Unaudited 30 June 2009 £	Unaudited 30 June 2008 £
2,593,864,980	Securitised debt	2,564,355,281	2,619,112,118
197,460,000	Derivative financial instruments	87,066,000	572,000
2,791,324,980		2,651,421,281	2,619,684,118

On 2 April 2009, 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 securitised debt has a face value of £2,548,356,480 (31 December 2008: £2,551,811,920), of which £1,822,356,480 (31 December 2008: £1,825,811,920) carries fixed rates of interest between 5.95% and 6.80%. The other £726,000,000 (31 December 2008: £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 5.12% and 5.80%.

The market value of the securitised debt at 30 June 2009 was £1,969,963,000 (31 December 2008: £1,934,641,000). At 30 June 2009 the fair value of the interest rate derivatives resulted in the recognition of a net liability of £87,066,000 (31 December 2008: £197,460,000). Of this net liability, £44,393,000 was in respect of interest rate swaps which qualify for hedge accounting (31 December 2008: £101,729,000) and £42,673,000 was in respect of interest rate swaps which do not qualify for hedge accounting (31 December 2008: £95,731,000).

The amounts at which the securitised debt is stated comprise:

Audited 31 December 2008 £		Unaudited 30 June 2009 £	Unaudited 30 June 2008 £
2,631,990,588	Brought forward	2,626,086,740	2,631,990,588
(6,910,880)	Repaid in period	(3,455,440)	(3,455,440)
1,007,032	Deferred financing expenses	(743,379)	(2,512,150)
2,626,086,740	Carried forward	2,621,887,921	2,626,022,998
32,221,760	Payable within one year or on demand	57,532,640	6,910,880
2,593,864,980	Payable after more than one year	2,564,355,283	2,619,112,118
2,626,086,740		2,621,887,921	2,626,022,998

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 30 June 2009 £65,730,772 (31 December 2008: £68,243,480) remained unamortised.

The notes are secured on certain property interests in fellow subsidiary undertakings and the rental income stream therefrom.

8. RESERVES

	Hedging reserve	Profit and loss account	Total
	£	£	£
At 1 January 2009	(88,900,434)	(105,401,856)	(194,302,290)
Profit for the period	–	53,727,564	53,727,564
Fair value adjustment on effective hedging instruments	55,878,562	–	55,878,562
Payments on effective hedging instruments	1,457,438	–	1,457,438
Movements on discontinued hedge accounting transferred to the profit and loss account	(527,388)	–	(527,388)
At 30 June 2009	(32,091,822)	(51,674,292)	(83,766,114)

9. CAPITAL COMMITMENTS

As at 30 June 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 7.