

SONGBIRD ESTATES PLC

Restatement of financial information to comply with International Financial Reporting Standards

Introduction

Songbird Estates plc (the 'company') is presenting its unaudited consolidated accounts for the year ended 31 December 2006 restated in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union. Previously the group (Note 2) prepared its financial statements in accordance with United Kingdom Generally Accepted Accounting Practice ('UK GAAP'). This announcement quantifies the effect of IFRS on the group's reported results and balance sheet and the comparatives expected to be used in the group's interim report for the six months ended 30 June 2007 and the audited financial statements for the year ending 31 December 2007.

The principal differences for the group between reporting under IFRS as compared to UK GAAP are:

- (a) Recognising revaluation surpluses and deficits on investment properties in the income statement.
- (b) Providing in full on an undiscounted basis for deferred tax on revaluations. In addition, recognition of deferred tax assets in respect of unclaimed Enterprise Zone Allowances ('EZAs') and tax losses is required.
- (c) Amortising tenant incentives over the full term of the lease or to the first lease break option if earlier, rather than over the term to the first open market rent review.
- (d) Under IFRS all derivative financial instruments ('derivatives'), including hedges, are held on the balance sheet at fair value. The default treatment under this standard is for movements in fair values to be recognised in the income statement which will impact reported profits. However, if an entity can demonstrate that its derivatives are effective hedges of specific risks it can choose to adopt hedge accounting. The group has adopted hedge accounting in respect of a number of its derivatives.
- (e) Ceasing to amortise goodwill but instead testing for impairment. In light of the revaluation of development properties and properties under construction to fair value, which includes amounts previously shown separately as goodwill under UK GAAP, the company has written down upon conversion the goodwill arising under UK GAAP on the acquisition of Canary Wharf Group plc ('Canary Wharf Group') to £nil.

The application of IFRS has also changed the presentation of cash and of the cashflow statement. Cash and cash equivalents exclude deposits with original maturities in excess of three months. These amounts, which at present comprise construction related deposits, are classified as monetary deposits. Under IFRS the cashflow statement shows cashflows derived from three types of activities – operating, investing and financing. However, the underlying cashflows of the group do not change as a result of applying IFRS and the underlying performance of the business is also unchanged.

The group's transition date for the adoption of IFRS is 1 January 2006. This transition date has been selected in accordance with IFRS 1 'First-time adoption of International Financial Reporting Standards'. The group is required to establish its IFRS accounting policies for the year ended 31 December 2007 and apply these retrospectively to determine its opening IFRS balance sheet at the transition date of 1 January 2006 and the comparative information for the year ended 31 December 2006. However, advantage has been taken of the exemption afforded by IFRS 1 in relation to business combinations such that the acquisition of Canary Wharf Group in May 2004 has not been restated to comply with IFRS 3 'Business combinations'.

In preparing the IFRS accounts, the group has adjusted amounts reported previously in the financial statements prepared in accordance with UK GAAP. An explanation of how the transition has affected the group's financial results and position is set out in the following tables and accompanying narrative.

		31 December 2006 £m	30 June 2006 £m	31 December 2005 £m
Reconciliation of equity	Notes			
Equity shareholders' funds under UK GAAP		1,254.5	1,069.2	892.0
IFRS adjustments:				
Write-off of goodwill	(i)	(66.4)	(70.7)	(72.6)
Revaluation of development properties	(ii)	271.6	166.1	97.9
Deferred tax	(iii)	(148.5)	(127.7)	29.4
Fair value of derivative instruments	(iv)	(72.0)	(64.2)	(124.2)
Foreign currency translation	(iv)	18.2	6.1	(7.8)
D Share valuation	(v)	(1.8)	(1.7)	(4.7)
Minority interest in IFRS adjustments	(ix)	(27.2)	7.7	1.9
Equity shareholders' funds under IFRS		1,228.4	984.8	811.9
Adjusted net asset value per share				
- UK GAAP		£2.74	£2.29	£1.85
- IFRS		£2.64	£2.17	£1.72

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Introduction (continued)

Adjusted Net Asset Value ('NAV') per share includes the external valuation surplus on trading properties but excludes the fair value of debt and related derivatives and deferred taxation and is calculated on a fully diluted basis after reclassifying the SG Shares as equity.

		Year ended 31 December 2006 £m	Six months ended 30 June 2006 £m
Reconciliation of profit	Notes		
Loss attributable to ordinary shareholders under UK GAAP		(19.9)	(16.2)
IFRS adjustments:			
Tenant incentives	(vi)	25.6	13.0
Deferral of negotiation costs	(vii)	1.8	1.0
Revaluation surplus on investment properties	(viii)	722.1	424.1
Deferred tax	(iii)	(117.2)	(130.4)
Non-amortisation of goodwill and other goodwill adjustments	(i)	6.2	1.9
Fair value of derivative instruments	(iv)	22.3	39.0
Foreign currency translation	(iv)	26.0	13.9
D Share valuation	(v)	2.9	3.0
Minority interest in IFRS adjustments	(ix)	(266.7)	(141.4)
Profit attributable to ordinary shareholders under IFRS		403.1	207.9

Notes

- (i) Goodwill arising on acquisition has been subject to an impairment review on conversion to IFRS and has been written down to £nil.
- (ii) The company has taken the option to revalue development properties where the intention is to hold the completed properties for investment purposes.
- (iii) Deferred tax is required to be provided in full on all differences between carrying values for accounts purposes and those for taxation. In particular, deferred tax is now provided on revaluation surpluses and allowance has been made for tax planning.
- (iv) The fair value of all derivatives such as interest rate swaps is now recognised in the group balance sheet at each reporting date. In the case of the US dollar denominated A5 notes, the mark to market on the related interest rate hedges is offset by the translation gain on the notes.
- (v) Until the share capital amendments approved in January 2007 the D Share carried the right to a dividend based on 20% of the increase in value of the group's retail assets. The nature of the dividend entitlement was such that the D Share falls to be treated as a derivative for IFRS purposes and is restated to fair value.
- (vi) The cost of tenant incentives is now amortised over the term of the leases concerned rather than over the period to the first open market rent review.
- (vii) Initial direct costs which comprise lease negotiation costs are now amortised over the term of the leases concerned rather than being expensed as incurred.
- (viii) The surpluses and deficits arising on the periodic revaluation of the investment property portfolio are now taken through the income statement.
- (ix) The minority interest is adjusted for its share of the IFRS adjustments.

SONGBIRD ESTATES PLC

Consolidated Income Statements (IFRS restated)

for the year ended 31 December 2006 and the six months ended 30 June 2006

	Note	Unaudited Year ended 31 December 2006			Unaudited Six months ended 30 June 2006		
		Underlying* £m	Capital, tax and other £m	Total £m	Underlying* £m	Capital, tax and other £m	Total £m
Revenue:							
Gross development, rental and related income	4	436.8	–	436.8	184.8	–	184.8
Cost of sales		(153.9)	–	(153.9)	(45.2)	–	(45.2)
Net development, rental and related income	4	282.9	–	282.9	139.6	–	139.6
Share of associates and joint ventures	9	(0.3)	–	(0.3)	(0.1)	–	(0.1)
Administrative expenses		(38.7)	–	(38.7)	(17.0)	–	(17.0)
Other income		1.9	–	1.9	0.2	–	0.2
Net revaluation gains	5	–	722.1	722.1	–	424.1	424.1
Operating profit		245.8	722.1	967.9	122.7	424.1	546.8
Net financing costs							
- financing income	6	46.1	–	46.1	22.9	–	22.9
- financing expenses	6	(272.3)	19.1	(253.2)	(138.0)	45.5	(92.5)
- exceptional refinancing gains	6	–	123.3	123.3	–	123.3	123.3
		(226.2)	142.4	(83.8)	(115.1)	168.8	53.7
Profit for the period before taxation	3	19.6	864.5	884.1	7.6	592.9	600.5
Taxation expense							
- deferred tax	7		(179.1)	(179.1)		(241.0)	(241.0)
Profit for the period after taxation			685.4	705.0		351.9	359.5
Attributable to:							
Equity holders of the company				403.1			207.9
Minority interest				301.9			151.6
				705.0			359.5
Earnings per share							
- basic and diluted	3			92.3p			48.1p

* As defined in Note 3.

SONGBIRD ESTATES PLC

Consolidated Statement of Recognised Income and Expense

for the year ended 31 December 2006 and the six months ended 30 June 2006

	Unaudited Year ended 31 December 2006 £m	Unaudited Six months ended 30 June 2006 £m
Profit for the period after taxation	705.0	359.5
Transferred from equity in respect of cashflow hedges	7.4	4.1
Tax on items transferred from equity	(2.2)	(1.2)
	5.2	2.9
Revaluation of development property	172.9	68.2
Gains on cashflow hedges	22.5	16.9
Deferred tax on items taken directly to equity	(58.5)	(25.5)
Net income recognised directly in or transferred from equity	142.1	62.5
Total recognised income and expense for the period	847.1	422.0
Attributable to:		
Equity holders of the company	489.4	245.8
Minority interest	357.7	176.2
	847.1	422.0

SONGBIRD ESTATES PLC

Consolidated Balance Sheet (IFRS restated)

at 31 December 2006 and 30 June 2006

	Note	Unaudited 31 December 2006 £m	Unaudited 30 June 2006 £m
Assets			
Non current assets			
Investment properties	8	5,895.6	5,594.9
Properties under construction	8	94.3	–
Development properties	8	414.9	430.0
Other property, plant and equipment	8	0.4	2.3
		<hr/>	<hr/>
		6,405.2	6,027.2
Other non current assets			
Derivative financial instruments	12	11.5	5.6
Investments	9	12.8	12.4
		<hr/>	<hr/>
		6,429.5	6,045.2
Current assets			
Trade and other receivables	10	49.0	52.7
Tenant incentives and deferred negotiation costs	10	163.6	148.3
Monetary deposits	12	147.5	136.8
Cash and cash equivalents	12	882.4	994.0
		<hr/>	<hr/>
		1,242.5	1,331.8
Total assets			
		<hr/>	<hr/>
		7,672.0	7,377.0
Liabilities			
Current Liabilities			
Current portion of long term borrowings	12	(103.5)	(80.1)
Trade and other payables	11	(383.9)	(351.6)
		<hr/>	<hr/>
		(487.4)	(431.7)
Non current liabilities			
Borrowings	12	(4,427.5)	(4,470.1)
Derivative financial instruments	12	(155.0)	(144.2)
Deferred tax liabilities	7	(181.4)	(209.3)
Other non current liabilities	13	(40.6)	(46.6)
		<hr/>	<hr/>
		(4,804.5)	(4,870.2)
Total liabilities			
		<hr/>	<hr/>
		(5,291.9)	(5,301.9)
Net assets			
		<hr/>	<hr/>
		2,380.1	2,075.1
Equity			
Share capital	14	43.9	43.9
Other reserves	15	453.6	405.2
Retained earnings	15	730.9	535.7
		<hr/>	<hr/>
Total equity attributable to members of the company		1,228.4	984.8
Minority interests			
Minority interests	15	1,151.7	1,090.3
		<hr/>	<hr/>
Total equity and reserves		2,380.1	2,075.1
Adjusted NAV per share			
	3	£2.64	£2.17

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Consolidated Cashflow Statement (IFRS restated)

for the year ended 31 December 2006 and the six months ended 30 June 2006

	Note	Unaudited Year ended 31 December 2006 £m	Unaudited Six months ended 30 June 2006 £m
Cashflows from operating activities			
Cash generated from operations	17	221.6	107.7
Interest paid		(270.7)	(136.9)
Interest received		46.3	21.2
Interest element of finance lease rentals		(5.1)	(3.5)
Financing expenses		(4.0)	(1.2)
Breakage costs		(0.5)	(0.5)
Net cash outflow from operating activities		(12.4)	(13.2)
Cashflows from investing activities			
Development expenditure		(68.5)	(18.8)
Purchase of property, plant and equipment		(7.3)	(3.5)
Sale of investment properties		27.0	27.0
Proceeds from construction contracts		131.8	39.9
Investment in and loans to joint ventures		(10.5)	(9.7)
Net cash inflow from investing activities		72.5	34.9
Cashflows from financing activities			
Dividends paid		(78.0)	(78.0)
Dividends paid to minority shareholders		(120.1)	–
Redemption of securitised debt		(11.9)	(5.4)
Repayment of finance leases		(836.6)	(836.6)
Redemption of secured loans		(210.1)	(207.0)
Repayment of SG Shares		(27.3)	(27.3)
Drawdown of Songbird loans		175.2	165.7
Drawdown of secured loans		300.0	302.3
Repayment of Songbird loans		(198.8)	(171.3)
Net cash outflow from financing activities		(1,007.6)	(857.6)
Net decrease in cash and cash equivalents		(947.5)	(835.9)
Cash and cash equivalents at 1 January 2006		1,829.9	1,829.9
Cash and cash equivalents at period end	12	882.4	994.0

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Notes to the Financial Statements (IFRS restated)

for the year ended 31 December 2006 and the six months ended 30 June 2006

1. BASIS OF PREPARATION

The financial information presented in this announcement has been prepared in accordance with IFRS and International Financial Reporting Interpretations Committee ('IFRIC') interpretations as adopted by the European Union ('EU') and therefore comply with Article 4 of the EU International Accounting Standards ('IAS') Regulation. The financial information contained in this announcement reflects the current versions of the standards and interpretations released to date and therefore should be regarded as provisional. Accordingly, the financial information for 2006 actually used for and presented as comparative figures with the 2007 interim and final consolidated financial statements may be different. In addition, the financial information contained in this announcement does not constitute a complete set of financial statements (including all comparative figures and all required notes) and therefore does not purport to show a true and fair view of the group's financial position and results of operations in accordance with IFRS for the six months ended 30 June 2006 or the year ended 31 December 2006.

These financial statements have been prepared under the historical cost convention as modified by the revaluation of land and buildings and certain financial instruments. A summary of the more important group accounting policies, which have been applied consistently in all material respects throughout the year and the previous year, is set out below.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The principal impacts of adopting IFRS and the disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are given in Note 19.

2. SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENTS, KEY ASSUMPTIONS AND ESTIMATES

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiaries for the periods reported (the 'group'). Subsidiaries are those entities controlled by the company. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases.

Associates and joint ventures are accounted for under the equity method, whereby the consolidated balance sheet incorporates the group's share of the net assets of the relevant entities. The consolidated income statement incorporates the group's share of associate profits after tax. An entity is classified as an associated undertaking when the group has significant influence over the economic activity of an undertaking but does not have control. An entity is classified as a joint venture where the contractual arrangement by which the group undertook to join an economic activity provides joint control.

Intra-group balances and any unrealised gains and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

(b) Acquisitions and business combinations

Where properties are acquired through corporate acquisitions and there are no significant assets or liabilities other than property and related debt, the acquisition is treated as an asset acquisition. In all other cases the acquisition is accounted for as a business combination, in which case, the assets and liabilities of a subsidiary or joint venture are measured at their estimated fair value at the date of acquisition.

(c) Investment properties and properties occupied by Canary Wharf Group

Investment properties are those properties that are held either to earn rental income or for capital appreciation or both.

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Notes to the Financial Statements (IFRS restated)

for the year ended 31 December 2006 and the six months ended 30 June 2006

Investment properties are measured initially at cost, including related transaction costs. After initial recognition at cost, investment properties are carried at their fair values based on a professional valuation made as of each reporting date. Properties are treated as acquired at the point when the group assumes the significant risks and returns of ownership and as disposed when these are transferred to the buyer. Additions to investment properties consist of costs of a capital nature and, in the case of investment properties under development, capitalised interest. Certain internal staff and associated costs directly attributable to the management of schemes during the construction phase are also capitalised.

The difference between the fair value of an investment property at the reporting date and its carrying amount prior to re-measurement is included in the income statement as a valuation gain or loss. When the group begins to redevelop an existing investment property for continued future use as an investment property, the property remains an investment property and is accounted for as such.

When the group begins to redevelop an existing investment property with a view to sale, the property is transferred to inventories and held as a current asset. The property is re-measured to fair value as at the date of the transfer with any gain or loss being taken to the income statement. The re-measured amount becomes the deemed cost at which the property is then carried in inventories.

Property occupied by the group is carried at fair value based on a professional valuation made as of each reporting date. Additions consist of costs of a capital nature.

(d) Investment properties under development

Development properties are those properties held with the intention to develop for future use as an investment property. When construction commences on such property, it is re-classified as an investment property under construction. Properties for investment, under construction and development properties are recognised at fair value at each reporting date. Any gain or loss on re-measurement is taken direct to equity unless any loss in the period exceeds any net cumulative gain previously recognised in equity. In the latter case, the amount by which the loss in the period exceeds the net cumulative gain previously recognised is taken to the income statement. On completion, the property is transferred to investment property with any final difference on re-measurement accounted for in accordance with the foregoing policy.

Gross borrowing costs associated with direct expenditure on properties under development or undergoing major refurbishment are capitalised. The interest capitalised is calculated using the group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amount capitalised is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalised as from the commencement of the development work until the date of practical completion. The capitalisation of finance costs is suspended if there are prolonged periods when development activity is interrupted.

(e) Other property, plant and equipment

Other property, plant and equipment comprises computers, furniture, fixtures and fittings and improvements to group offices. These assets are stated at cost less accumulated depreciation, and are depreciated on a straight-line basis over their estimated useful lives of between two and three years.

(f) Long-term construction contracts

Construction contracts consist of properties that are being constructed in accordance with long term development contracts and will ultimately be sold to a third party. Properties held for sale are shown at the lower of cost (being the carrying value at the previous year end plus subsequent additions) and net realisable value. Revenue on long term construction contracts is recognised according to the stage reached in the contract by reference to the value of work completed using the percentage of completion method. An appropriate estimate of the profit attributable to work completed is recognised once the outcome of the contract can be estimated reliably. Gross amounts due from customers for contract work are shown as amounts recoverable on contracts. The gross amount due comprises costs incurred plus recognised profits less the sum of recognised losses and progress billings. Where the sum of recognised losses and progress billings exceeds costs incurred plus recognised profits, the amount is shown as payments on account.

(g) Trade receivables

Trade receivables are recognised initially at fair value. A provision for impairment is established where there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables concerned.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

SONGBIRD ESTATES PLC

Notes to the Financial Statements (IFRS restated)

for the year ended 31 December 2006 and the six months ended 30 June 2006

- (i) **Monetary deposits**
Amounts held on deposit with original maturities in excess of three months are classified as monetary deposits and accounted for at amortised cost.
- (j) **Trade and other payables**
Trade and other payables are stated at cost.
- (k) **Goodwill**
Goodwill arising on consolidation represents the excess of the cost of acquisitions over the group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.
- (l) **Provisions**
A provision is recognised in the balance sheet when the group has a constructive or legal obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cashflows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.
- (m) **Borrowings**
Borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings 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 borrowings, using the effective interest method.
- (n) **Pension benefits**
Contributions to defined contribution schemes are expensed as they fall due.
- (o) **Share capital**
Ordinary shares are classed as equity. External costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.
- The SG Shares are classified as a liability and are included in amounts payable in more than one year.
- The finance cost of the SG Shares is classified as a financing expense in the income statement and, when accrued, included in amounts payable within one year. The excess of amounts paid over interest accrued, in accordance with the shareholders' rights, serves to reduce the carrying value of the liability included in amounts payable.
- The D Share is classified as a derivative stated at its fair value in amounts payable within one year. Movements in the fair value of the D Share are classified as a financing expense in the income statement.
- The consideration paid, including any directly attributable incremental costs, by any group entity to acquire the company's equity share capital ('treasury shares'), is deducted from equity until the shares are cancelled, reissued or disposed of. Where treasury shares are sold or reissued, the net consideration received is included in equity.
- (p) **Share-based payments**
The cost of granting share options and other share-based remuneration to employees and directors in accordance with Canary Wharf Group's share scheme is allocated to the same expense category as the employment cost of the relevant employees. The majority of members of the scheme are able to opt for a cash settlement, calculated in accordance with the terms of the grant at the end of the vesting period and linked to the value of B Shares at that date. Accordingly a liability is recorded based on the market value of the B Shares at each balance sheet date. The resulting values are recognised in the income statement over the vesting period of the options and other grants on a straight-line basis.

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(q) Revenue

Revenue comprises rental income, service charges and other recoveries from tenants of the group's investment and trading properties, and income arising on long term contracts. Service charges and other recoveries include directly recoverable expenditure together with any chargeable management fees.

Rental income from investment properties leased out under an operating lease is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted, including rent-free periods, are recognised as an integral part of the net consideration for the use of the property and are therefore also recognised on the same, straight-line basis. An adjustment is made to ensure that the carrying value of the related property, including the accrued rent, amortised lease incentives and negotiation costs, does not exceed the external valuation.

Contingent rents, being those lease payments that are not fixed at the inception of a lease, for example turnover rents, are recorded as income in the periods in which they are earned.

Where revenue is obtained by the sale of assets, it is recognised when significant risks and returns have been transferred to the buyer. In the case of sale of properties, this is on completion.

(r) Expenses

Property and contract expenditure incurred prior to the exchange of a contract is expensed as incurred.

Direct costs incurred in negotiating and arranging a new lease are amortised on a straight-line basis over the period from the date of lease commencement to the earliest termination date.

(s) Impairment

The carrying amounts of the group's non-financial assets, other than investment property (see (c) above), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of an asset is the greater of its net selling price and its value in use. The value in use is determined as the net present value of the future cashflows expected to be derived from the asset, discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount of an asset. An impairment loss is reversed only to the extent that the asset's carrying amount after the reversal does not exceed the amount that would have been determined, net of applicable depreciation, if no impairment loss had been recognised.

(t) Derivatives

The group uses foreign currency exchange and interest rate swap derivatives to help manage its risks of changes in foreign currency exchange rates and interest rates. In accordance with its treasury policy, the group does not hold or issue derivatives for trading purposes.

In order for a derivative to qualify for hedge accounting, the group is required to document the relationship between the item being hedged and the hedging instrument. The group is also required to demonstrate an assessment of the relationship between the hedged item and the hedging instrument which shows that the hedge will be effective on an ongoing basis. The effectiveness testing is re-performed at each balance sheet date to ensure that the hedge remains highly effective.

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Notes to the Financial Statements (IFRS restated)

for the year ended 31 December 2006 and the six months ended 30 June 2006

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the income statement. If the cashflow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net profit or loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

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

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value, with gains or losses reported in the income statement.

(u) **Income tax**

Deferred tax is provided in full using the balance sheet liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted. The deferred tax effect of fair value adjustments arising from business combinations is incorporated in the consolidated balance sheet.

No provision is made for temporary differences (i) arising on the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and (ii) relating to investments in subsidiaries to the extent that the group is able to control the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rate that is expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except where it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(v) **Leases**

i) Operating leases – leases in which substantially all risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

ii) Finance leases – leases of assets where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The finance charges are charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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Notes to Financial Statements (IFRS restated)

for the year ended 31 December 2006 and the six months ended 30 June 2006

- (w) **Dividends**
Dividend distributions to the company's shareholders are recognised in the group's financial statements in the period in which the dividends are paid or approved by the company's shareholders.
- (x) **Significant judgements, key assumptions and estimates**
- (i) **Trading properties**
Trading properties are carried at the lower of cost and net realisable value. The latter is assessed by the group having regard to suitable external advice and knowledge of recent comparable transactions.
- (ii) **Trade receivables**
The group is required to judge when there is sufficient objective evidence to necessitate the impairment of individual trade receivables. It does this on the basis of the age of the relevant receivables and external evidence of the credit status of the debtor entity.
- (iii) **Exceptional items**
Exceptional items are defined as those items which are sufficiently material by either their size or nature as to require separate disclosure. Deciding which items meet the definition requires the group to exercise its judgement.
- (iv) **Valuation of investment and development properties**
The group uses the valuation performed by its independent valuers as the fair value of its properties. The valuation is based upon assumptions including future rental income, anticipated maintenance costs, the appropriate discount rate, and, in the case of development properties, the estimated costs to completion. The valuers also make reference to market evidence of transaction prices for similar properties.
- (v) **Outstanding rent reviews**
Where the rent review date has passed, and the revised annual rent has not yet been agreed, rent is accrued from the date of the rent review based upon an estimation of the revised annual rent. The estimate is derived from knowledge of market rents for comparable properties.
- (vi) **Turnover rents**
Turnover rents are calculated based on tenant turnover in relevant units. Tenant turnover is estimated based on prior years or comparable tenants in the event that actual turnover numbers are not available.
- (vii) **Financial instruments**
The fair values of financial instruments are determined by reference to the prices available on the markets on which they are traded or by reference to valuations provided by third party financial institutions.
- (viii) **Vacant leasehold provisions**
Under the terms of certain agreements for lease Canary Wharf Group committed to lease space on short-term sub-leases. In calculating the liability under these sub-leases, assumptions are made including inter alia, allowances for void periods and costs associated with re-letting the space and the level of future market rents.

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for the year ended 31 December 2006 and the six months ended 30 June 2006

3. PERFORMANCE MEASURES

	Year ended 31 December 2006		Six months ended 30 June 2006	
	Earnings £m	Pence per share	Earnings £m	Pence per share
Earnings per share (diluted)				
Underlying earnings	19.6	4.5	7.6	1.8
Add: capital, tax and other items	685.4	157.0	351.9	81.3
Total earnings	705.0	161.5	359.5	83.1
Less: minority interest	(301.9)	(69.2)	(151.6)	(35.0)
Profit for the period after taxation	403.1	92.3	207.9	48.1

Underlying earnings exclude gains on investment property revaluations, movements in the fair value of ineffective hedging instruments and other derivatives, interest payable on the SG Shares, exceptional refinancing gains and deferred taxation.

Earnings per share has been calculated by reference to the profit attributable to equity shareholders of £403.1 million for the year ended 31 December 2006 and £207.9 million for the six months ended 30 June 2006 and on the weighted average of 436.5 million ordinary shares in issue for the year ended 31 December 2006 and 433.0 million ordinary shares in issue for the six months ended 30 June 2006. The numbers of ordinary shares exclude the SG Shares, the D Share and B Shares held in trust in connection with Canary Wharf Group's share option plan. There were no dilutive instruments in issue at either date.

Subsequent to the year end, 14,478,260 B Shares were issued to British Land (Joint Ventures) Limited and the D Share was redeemed by the company.

Adjusted NAV is calculated as follows:

	31 December 2006 £m	30 June 2006 £m
Balance sheet net assets	2,380.1	2,075.1
Add back: deferred tax	181.4	209.3
Mark to market of derivatives	53.8	58.1
Add: surplus arising on trading properties	84.4	18.8
	2,699.7	2,361.3
Minority interest in balance sheet	(1,151.7)	(1,090.3)
Minority interest on adjustments above	(125.3)	(112.1)
Reclassify SG Shares and D Share as equity	142.6	142.6
Add back accrued finance charges on SG Shares and D Share	59.3	37.3
Adjusted net assets	1,624.6	1,338.8
Adjusted NAV per share	£2.64	£2.17

Adjusted NAV per share includes the external valuation surplus on construction contracts at 31 December 2006 of £84.4 million (30 June 2006 – £18.8 million) but excludes fair value adjustments on derivatives and deferred taxation. In addition the SG Shares and the D Share are treated as equity whereas under IFRS the SG Shares are treated as a debt instrument and the D Share is treated as a derivative.

At 31 December 2006 the number of shares in issue was 616.1 million (30 June 2006 – 616.1 million).

In January 2007 14,478,260 B Shares were issued in exchange for the cancellation of the dividend and distribution rights attaching to the D Share. The impact of this issue was to reduce adjusted net asset value per share by 6p to £2.58.

SONGBIRD ESTATES PLC

Notes to the Financial Statements (IFRS restated)

for the year ended 31 December 2006 and the six months ended 30 June 2006

4. REVENUE

	Year ended 31 December 2006 £m	Six months ended 30 June 2006 £m
Rent receivable	255.7	124.7
Spreading of incentives, committed rent increases and letting fees	24.4	12.1
	<u>280.1</u>	<u>136.8</u>
Service charge income	53.6	27.4
Long term development contract income	76.4	8.9
Miscellaneous income	26.7	11.7
Gross development, rental and related income	436.8	184.8
Service charge and other direct property expenses	(82.2)	(40.5)
Release of provisions relating to leasehold commitments	4.7	4.2
Long-term development contract expenditure	(76.4)	(8.9)
Net development, rental and related income	282.9	139.6

5. NET REVALUATION GAINS ON PROPERTY AND INVESTMENTS

	Year ended 31 December 2006 £m	Six months ended 30 June 2006 £m
In income statement		
Revaluation of investment properties	722.1	424.1
In consolidated statement of changes in equity		
Revaluation of development properties	172.9	68.2
	<u>895.0</u>	<u>492.3</u>

6. NET FINANCING COSTS

	Year ended 31 December 2006 £m	Six months ended 30 June 2006 £m
Interest receivable on:		
Deposits and securities	46.1	22.9
Interest payable on:		
Notes and debentures	(151.2)	(77.5)
Songbird loans	(39.1)	(18.9)
Other bank loans and overdrafts	(78.3)	(37.7)
Obligations under finance leases	(4.4)	(3.9)
	<u>(273.0)</u>	<u>(138.0)</u>
Development interest capitalised	0.7	–
	<u>(272.3)</u>	<u>(138.0)</u>
Other financing income/(costs) resulting from impact of derivatives:		
Valuation movements on fair value derivatives	33.7	44.6
Valuation movements on translation of foreign currency debt	22.9	13.1
Valuation movement on fair value of D Share	(17.2)	(1.6)
Finance costs of SG Shares (Note 12)	(12.9)	(6.5)
Hedging reserve recycling	(7.4)	(4.1)
	<u>19.1</u>	<u>45.5</u>
Net financing expenses	(207.1)	(69.6)
Re-financing gains		
Gains relating to finance lease repayment	123.3	123.3
Net financing (costs)/income	(83.8)	53.7
Total financing income	46.1	22.9
Total financing expenses	(129.9)	30.8
Net financing (costs)/income	(83.8)	53.7

SONGBIRD ESTATES PLC

Notes to Financial Statements (IFRS restated)

for the year ended 31 December 2006 and the six months ended 30 June 2006

Financing fees included in interest payable totalled £17.1 million in the year ended 31 December 2006 (six months ended 30 June 2006 - £10.1 million).

Interest on development expenditure has been capitalised at a rate of 6.2% and included in additions to properties under construction in Note 8.

During the six months ended 30 June 2006 the group recognised gains on the acquisition of finance leases totalling £123.3 million.

7. TAXATION

	Year ended 31 December 2006 £m	Six months ended 30 June 2006 £m
Tax charge		
Origination and reversal of temporary differences	(179.1)	(241.0)
Group total taxation	(179.1)	(241.0)
Tax reconciliation		
Group profit on ordinary activities before taxation	884.1	600.5
Tax on profit on ordinary activities at UK corporation tax rate of 30%	(265.2)	(180.2)
Effects of:		
Tax losses and other timing differences	75.7	(63.9)
Expenses not deductible for tax purposes	10.4	3.1
Group total taxation	(179.1)	(241.0)

The tax charge for both periods relates solely to deferred tax.

No provision for corporation tax has been made in the consolidated results of the group for the year ended 31 December 2006 or the six months ended 30 June 2006 due to tax losses arising in the year, the availability of tax losses brought forward from previous periods and other tax reliefs available. It is anticipated that remaining capital losses and other tax reliefs, including EZAs, will reduce future tax charges.

SONGBIRD ESTATES PLC

Notes to the Financial Statements (IFRS restated)

for the year ended 31 December 2006 and the six months ended 30 June 2006

	Losses & tax credits £m	Revaluation deficits £m	Fair value of derivatives £m	Acquisition adjustments £m	Other £m	Total £m
Deferred tax assets						
At 1 January 2006	277.2	10.0	60.0	40.7	1.6	389.5
Net charge to income statement for the period	(110.2)	5.3	(12.1)	(1.3)	(0.2)	(118.5)
Charged to equity	–	(3.4)	(4.6)	–	–	(8.0)
At 30 June 2006	167.0	11.9	43.3	39.4	1.4	263.0
Net charge to income statement for the period	(11.4)	6.2	4.2	(1.2)	(0.4)	(2.6)
Charged to equity	–	1.0	(1.0)	–	–	–
At 31 December 2006	155.6	19.1	46.5	38.2	1.0	260.4

	Potential EZA claw back £m	Revaluation surpluses £m	Fair value of derivatives £m	Acquisition adjustments £m	Other £m	Total £m
Deferred tax liabilities						
At 1 January 2006	(1.4)	(286.6)	–	(43.1)	–	(331.1)
Net charge to income statement for the period	(185.5)	65.0	–	(2.0)	–	(122.5)
Charged to equity	–	(17.0)	(1.7)	–	–	(18.7)
At 30 June 2006	(186.9)	(238.6)	(1.7)	(45.1)	–	(472.3)
Net charge to income statement for the period	73.8	(6.2)	(0.2)	(2.9)	–	64.5
Charged to equity	–	(32.4)	(1.6)	–	–	(34.0)
At 31 December 2006	(113.1)	(277.2)	(3.5)	(48.0)	–	(441.8)

Net deferred tax asset/(liability)	Total £m
1 January 2006	58.4
30 June 2006	(209.3)
31 December 2006	(181.4)

It has not been possible to determine the amounts which will crystallise within one year as required by IFRS as it is not possible to determine which properties, if any, will be sold in the next financial year.

A deferred tax asset has been recognised on the mark to market of debt and other adjustments relating to Canary Wharf Group's tax position at the date of acquisition. This deferred tax asset will be amortised to the income statement in line with the amortisation of the fair value adjustments which gave rise to the asset.

SONGBIRD ESTATES PLC

Notes to the Financial Statements (IFRS restated)

for the year ended 31 December 2006 and the six months ended 30 June 2006

8. INVESTMENT, DEVELOPMENT AND CONSTRUCTION PROPERTIES AND PLANT AND EQUIPMENT

Non current assets at 31 December 2006 comprised:

	Invest- ment properties £m	Develop- ment properties £m	Properties under construction for investment £m	Construction contracts £m	Sub- total £m	Plant & equip- ment £m	Total £m
Market value at 1 January 2006	5,301.5	357.0	–	–	5,658.5		
Exclude brought forward:							
- tenant incentives - unamortised negotiation costs	(130.7)	–	–	–	(130.7)		
	(2.7)	–	–	–	(2.7)		
Carrying value at 1 January 2006	5,168.1	357.0	–	–	5,525.1	2.4	5,527.5
Additions	9.4	25.4	5.5	31.1	71.4	0.1	71.5
Transfers	–	(107.0)	55.4	53.5	1.9	(1.9)	–
Revaluations:							
- included in income statement	722.1	–	–	–	722.1	–	722.1
- included in statement of recognised income and expense	–	139.5	33.4	–	172.9	–	172.9
Transfer to tenant incentives and guaranteed rent uplift balances	(4.0)	–	–	–	(4.0)	–	(4.0)
Transfer to cost of sales	–	–	–	(76.4)	(76.4)	–	(76.4)
Transfer to payments on account	–	–	–	(8.2)	(8.2)	–	(8.2)
Depreciation	–	–	–	–	–	(0.2)	(0.2)
Carrying value at 31 December 2006	5,895.6	414.9	94.3	–	6,404.8	0.4	6,405.2
Adjust for:							
Tenant incentives at 31 December 2006 (Note 10)	159.1	–	–	–	159.1		
Unamortised lease negotiation costs at 31 December 2006 (Note 10)	3.7	0.1	0.7	–	4.5		
Market value at 31 December 2006	6,058.4	415.0	95.0	–	6,568.4		

SONGBIRD ESTATES PLC

Notes to the Financial Statements (IFRS restated)

for the year ended 31 December 2006 and the six months ended 30 June 2006

Non current assets at 30 June 2006 comprised:

	Investment properties £m	Development properties £m	Construction contracts £m	Sub-total £m	Plant & equipment £m	Total £m
Market value at 1 January 2006	5,301.5	357.0	–	5,658.5		
Exclude brought forward:						
- tenant incentives	(130.7)	–	–	(130.7)		
- unamortised negotiation costs	(2.7)	–	–	(2.7)		
Carrying value at 1 January 2006	5,168.1	357.0	–	5,525.1	2.4	5,527.5
Additions	4.5	22.7	6.3	33.5	–	33.5
Transfers	–	(17.9)	17.9	–	–	–
Revaluations:						
- included in income statement	424.1	–	–	424.1	–	424.1
- included in statement of recognised income and expense	–	68.2	–	68.2	–	68.2
Transfer to tenant incentives and guaranteed rent uplift balances	(1.8)	–	–	(1.8)	–	(1.8)
Transfer to cost of sales	–	–	(8.9)	(8.9)	–	(8.9)
Transferred to payments on account	–	–	(15.3)	(15.3)	–	(15.3)
Depreciation	–	–	–	–	(0.1)	(0.1)
Carrying value at 30 June 2006	5,594.9	430.0	–	6,024.9	2.3	6,027.2
Adjust for:						
Tenant incentives at 30 June 2006 (Note 10)	144.6	–	–	144.6		
Unamortised lease negotiation costs at 30 June 2006 (Note 10)	3.7	–	–	3.7		
Market value at 30 June 2006	5,743.2	430.0	–	6,173.2		

In accordance with IFRS 1 and IAS 17 'Leases', the group has reviewed the classification of all leases at the opening balance sheet date of 1 January 2006. In reviewing the leases, land and buildings were considered separately using the approach recommended by the British Property Federation ('BPF') in guidance notes on the application of IFRS in a UK context. This review did not identify any leases which need to be treated as finance leases.

Valuation

The fair value of the group's properties has been arrived at on the basis of valuations carried out by the group's external valuers, CB Richard Ellis, Surveyors and Valuers ('CBRE'), Savills Commercial Limited, Chartered Surveyors ('Savills') or Cushman & Wakefield, Healey & Baker, Real Estate Consultants ('CWHB'). The valuations, which conform to International Valuation Standards, were arrived at by reference to market evidence of transaction prices for similar properties.

The properties have been valued individually and not as part of a portfolio and no allowance has been made for expenses of realisation or for any taxation which might arise. The valuations reflect usual deductions in respect of purchaser's costs and, in particular, full liability for UK Stamp Duty as applicable at the valuation date.

Cumulative interest capitalised in development properties at 31 December 2006 amounted to £0.7 million (30 June 2006 – £nil). Included in investment properties is an amount of £30.1 million (30 June 2006 – £26.3 million) in respect of property occupied by the group, which in the opinion of the directors is not material for separate classification. The historical cost of properties held as non current assets was £4,460.6 million (30 June 2006 – £4,476.7 million).

SONGBIRD ESTATES PLC

Notes to Financial Statement (IFRS restated)

for the year ended 31 December 2006 and the six months ended 30 June 2006

Construction contracts

Construction contracts comprise amounts recoverable under long term development contracts less payments on account. The amounts for payments on account at the balance sheet date are as follows:

	20 Churchill Place £m	15 Canada Square £m	Total £m
Advances received	182.3	92.5	274.8
Contract revenue recognised as revenue in the year	(35.6)	(40.8)	(76.4)
Offset from construction contracts	(6.3)	(1.9)	(8.2)
Deferred interest	5.2	0.2	5.4
Gross amount due to customers for contract work at 31 December 2006	145.6	50.0	195.6

9. INVESTMENTS

	31 December 2006 £m	30 June 2006 £m
Joint ventures	12.6	12.1
Other investments	0.2	0.3
Total	12.8	12.4

Joint ventures

In April 2005, the British Waterways Board appointed Canary Wharf Group, together with Ballymore Properties Limited ('Ballymore'), as its partner for the development of Wood Wharf, a site adjacent to the Canary Wharf estate. The Wood Wharf Limited Partnership ('WWLP') has been established to oversee the development of an approximately 6.5 million sq ft (gross) mixed use scheme in which the group has a 25.0% effective interest. Canary Wharf Group has provided interest free long term loans to fund the working capital requirements of the partnership which are repayable out of development profits.

The group's share of profits and losses of WWLP is as follows:

	Year ended 31 December 2006 £m	Six months ended 30 June 2006 £m
Summarised profit and loss accounts:		
Other expenses	(0.7)	(0.2)
Net financing costs	(0.4)	(0.3)
Net underlying loss before and after tax	(1.1)	(0.5)
Group share	(0.3)	(0.1)

	31 December 2006 £m	30 June 2006 £m
Net assets	43.1	40.1
Group share	10.7	10.0

The funding of WWLP has been accounted for as an investment in a joint venture and comprises an initial entry premium plus expenses of £2.2 million together with the group's share of the net assets of WWLP. The results of WWLP attributable to the group have been derived from the WWLP management accounts. The group's share of the results and net assets is as shown above.

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Other investments

Canary Wharf Group owns 52,079 0.1p B preferred ordinary shares and 72,050 0.1p ordinary shares in HighSpeed Office Limited ('HSO'), an unlisted company registered in England and Wales, being approximately 13% of its nominal share capital. The principal activity of HSO is the provision of broadband telecommunications services. The fair value of this investment on acquisition of Canary Wharf Group was £0.6 million. During the year ended 31 December 2006 the carrying value of the investment was written down to £0.2 million (after a total provision of £0.4 million), based on the net asset value of HSO at that date.

10. TRADE AND OTHER RECEIVABLES

	31 December 2006 £m	30 June 2006 £m
Due within one year:		
Trade receivables	6.0	9.3
Other receivables	10.5	19.1
Prepayments and accrued income	32.5	24.3
Total trade and other receivables	49.0	52.7

Prepayments and accrued income exclude the cumulative adjustment in respect of lease incentives. Lease incentives include rent-free periods and other incentives given to lessees on entering into lease arrangements.

	Rent-free periods £m	Other tenant incentives £m	Deferred negotiation costs £m	Total £m
1 January 2006	67.7	63.0	2.7	133.4
Transfer from investment properties (Note 8)	–	4.0	–	4.0
Recognition of rent during rent-free periods	27.4	–	–	27.4
Amortisation of lease incentives	–	(3.0)	–	(3.0)
Deferred lease negotiation costs (net)	–	–	1.8	1.8
31 December 2006	95.1	64.0	4.5	163.6

	Rent-free periods £m	Other tenant incentives £m	Deferred negotiation costs £m	Total £m
1 January 2006	67.7	63.0	2.7	133.4
Transfer from investment properties (Note 8)	–	1.8	–	1.8
Recognition of rent during rent-free periods	13.5	–	–	13.5
Amortisation of lease incentives	–	(1.4)	–	(1.4)
Deferred lease negotiation costs (net)	–	–	1.0	1.0
30 June 2006	81.2	63.4	3.7	148.3

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Notes to the Financial Statements (IFRS restated)

for the year ended 31 December 2006 and the six months ended 30 June 2006

11. TRADE AND OTHER PAYABLES

	31 December 2006 £m	30 June 2006 £m
Trade payables	13.5	7.8
Taxation and social security costs	5.3	1.2
Other payables	30.8	24.2
Other accruals	83.7	110.1
Deferred income	55.0	55.4
Payments on account (Note 8)	195.6	152.9
Total trade and other payables	383.9	351.6

12. NET DEBT

	31 December 2006 £m	30 June 2006 £m
Securitised debt	2,577.3	2,587.9
Songbird loans	522.6	539.2
Secured loans	1,330.7	1,339.8
Finance lease obligations	42.0	42.0
SG Shares and associated financing costs	151.3	144.9
D Share derivative liability	50.6	35.0
Gross debt	4,674.5	4,688.8
Current liability	103.5	80.1
Non current liability	4,427.5	4,470.1
Derivatives included in non current assets	(11.5)	(5.6)
Derivatives included in non current liabilities	155.0	144.2
Cash and cash equivalents	(882.4)	(994.0)
Monetary deposits	(147.5)	(136.8)
Net debt	3,644.6	3,558.0
Current liabilities comprise:		
Accrued interest payable	22.6	22.4
Repayable within one year	21.6	20.4
Financing costs of SG Shares	8.7	2.3
D Share derivative liability	50.6	35.0
Long-term borrowings repayable within one year	103.5	80.1

Cash and cash equivalents totalled £882.4 million at 31 December 2006 (30 June 2006 – £994.0 million), comprising deposits placed on money market at call and term rates. Cash deposits included £145.2 million at 31 December 2006 (30 June 2006 – £175.5 million) held as cash collateral for the group's borrowings and a further £24.7 million (30 June 2006 – £6.4 million) charged as security for the group's obligations. Unsecured cash deposits totalled £712.5 million at 31 December 2006 (30 June 2006 – £812.1 million). The effective interest rate on short term deposits was 5.0% at 31 December 2006 (30 June 2006 – 4.5%) and the deposits had an average maturity of 64 days (30 June 2006 – 71 days).

Monetary deposits comprise amounts held on deposit with original maturities in excess of three months. These deposits are charged, relate to Canary Wharf Group's construction contracts and mature over the life of those contracts.

As a result of the redemption rights attaching to the SG Shares, the SG Shares are classified as creditors falling due in more than one year and the income statement includes a charge to profit in respect of the SG Shares accumulated at 8% per annum, subject to an increase in the coupon in certain circumstances. The accrued finance charges (comprising dividends accrued but not declared or paid) in respect of this class of shares are included in current liabilities as interest payable. At 31 December 2006 £8.7 million was accrued in respect of the SG Shares (30 June 2006 – £2.3 million).

Prior to the share capital amendment approved in January 2007 the D Share carried an entitlement to a dividend for each year in the five year period commencing 1 July 2004 based on 20% of the incremental increase in the value of the group's retail assets. As a result of this entitlement the D Share falls to be treated as a derivative under IFRS and is stated at its estimated fair value within current liabilities. The estimated fair value under IFRS at 31 December 2006 was £50.6 million (30 June 2006 – £35.0 million). Movements in the estimated fair value were charged to the income statement as a finance cost.

Subsequent to the year end, on 26 January 2007, the dividend rights on the D Share were cancelled in exchange for B Shares, following which the D Share was redeemed.

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The amounts at which borrowings are stated, including share capital reclassified as debt, comprise:

	Securitised debt £m	Songbird loans £m	Secured loans £m	Finance lease obligations £m	Total borrow- ings £m	SG and D Shares £m	Total £m
As at 1 January 2006	2,630.6	542.4	1,285.4	1,002.0	5,460.4	209.4	5,669.8
Drawdown in year	–	175.2	300.0	–	475.2	–	475.2
Effective interest rate adjustment	(2.7)	4.6	(1.5)	(3.2)	(2.8)	–	(2.8)
Accrued finance charges	(5.1)	(0.5)	1.2	3.1	(1.3)	24.5	23.2
Reclassify to equity	–	–	–	–	–	(4.7)	(4.7)
Repaid in period	(11.9)	(198.8)	(210.1)	(836.6)	(1,257.4)	(27.3)	(1,284.7)
Movements in fair value of derivatives and foreign exchange	(33.6)	(0.3)	(44.3)	–	(78.2)	–	(78.2)
Gain on acquisition of finance lease	–	–	–	(123.3)	(123.3)	–	(123.3)
At 31 December 2006	2,577.3	522.6	1,330.7	42.0	4,472.6	201.9	4,674.5

Payable within one year or on demand	18.9	4.3	21.0	–	44.2	59.3	103.5
Payable in more than one year	2,476.1	518.6	1,248.2	42.0	4,284.9	142.6	4,427.5
Derivatives classified as:							
Non current assets	(5.6)	(0.3)	(5.6)	–	(11.5)	–	(11.5)
Non current liabilities	87.9	–	67.1	–	155.0	–	155.0
	2,577.3	522.6	1,330.7	42.0	4,472.6	201.9	4,674.5

	Securitised debt £m	Songbird loans £m	Secured loans £m	Finance lease obligations £m	Total borrow- ings £m	SG and D Shares £m	Total £m
As at 1 January 2006	2,630.6	542.4	1,285.4	1,002.0	5,460.4	209.4	5,669.8
Drawdown in year	–	165.7	302.3	–	468.0	–	468.0
Effective interest rate adjustment	(1.5)	3.4	(1.2)	(3.2)	(2.5)	–	(2.5)
Accrued finance charges	(2.6)	(1.0)	1.0	3.1	0.5	2.5	3.0
Reclassify to equity	–	–	–	–	–	(4.7)	(4.7)
Repaid in period	(5.4)	(171.3)	(207.0)	(836.6)	(1,220.3)	(27.3)	(1,247.6)
Movements in fair value of derivatives and foreign exchange	(33.2)	–	(40.7)	–	(73.9)	–	(73.9)
Gain on acquisition of finance lease	–	–	–	(123.3)	(123.3)	–	(123.3)
At 30 June 2006	2,587.9	539.2	1,339.8	42.0	4,508.9	179.9	4,688.8

Payable within one year or on demand	20.3	–	22.5	–	42.8	37.3	80.1
Payable in more than one year	2,494.4	539.2	1,251.9	42.0	4,327.5	142.6	4,470.1
Derivatives classified as:							
- non current assets	(5.6)	–	–	–	(5.6)	–	(5.6)
- non current liabilities	78.8	–	65.4	–	144.2	–	144.2
	2,587.9	539.2	1,339.8	42.0	4,508.9	179.9	4,688.8

All the borrowings of Canary Wharf Group are secured against designated property interests of Canary Wharf Group. The Songbird loans are secured against the assets of the company and/or its subsidiaries.

Hedge accounting

The group uses interest rate swaps and interest rate collars to hedge exposure to the variability in cashflows on floating rate debt, including its bank facilities and floating rate bonds, caused by movements in market rates of interest. At 31 December 2006 the fair value of these derivatives resulted in the recognition of a net liability of £143.5 million (30 June 2006 – £138.6 million). Of this net liability, an asset of £11.2 million was in respect of interest rate swaps which qualify for hedge accounting (30 June 2006 – asset of £5.6 million) and a net liability of £154.7 million was in respect of interest rate swaps and collars which do not qualify for hedge accounting (30 June 2006 – £144.2 million).

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for the year ended 31 December 2006 and the six months ended 30 June 2006

Comparison of market values and book values

	31 December 2006		
	Market value £m	Book value £m	Difference £m
Securitisations	(2,583.7)	(2,495.0)	(88.7)
Songbird loans	(522.9)	(522.9)	–
Secured loans	(1,265.6)	(1,269.2)	3.6
Finance leases	(42.0)	(42.0)	–
SG Shares	(617.5)	(151.3)	(466.2)
D Share derivative	(50.6)	(50.6)	–
	(5,082.3)	(4,531.0)	(551.3)
Other financial assets/(liabilities)			
- interest rate derivative assets	11.5	11.5	–
- interest rate derivative liabilities	(155.0)	(155.0)	–
Cash and monetary deposits	1,029.9	1,029.9	–
Total	(4,195.9)	(3,644.6)	(551.3)

The differences are shown before any tax relief. Short term debtors and creditors have been excluded from the disclosures. The fair value of the sterling denominated fixed rate bonds has been determined by reference to the prices available on the markets on which they are traded. The fair values of other debt instruments have been calculated by discounting cashflows at the relevant zero coupon LIBOR interest rates prevailing at the balance sheet date. The fair value of the SG Shares has been derived by reference to the market value of the B Shares although the rights attaching to the SG Shares are different from the rights attaching to the B Shares. For a summary of the rights attaching to each class of shares refer to Note 20 of the 2006 Report and Financial Statements. The fair value of the D Share derivative liability has been derived by reference to the market value of the B Shares at 31 December 2006 applied to the number of B Shares issued to the holder of the D Share subsequent to the year end. At previous balance sheet dates, fair values were calculated by reference to the anticipated growth in the value of the retail portfolio at that time.

13. OTHER NON CURRENT LIABILITIES

Provisions:	Vacant leasehold properties	Other lease commitments	Total
	£m	£m	£m
1 January 2006	21.9	34.5	56.4
Utilisation of provision	(6.8)	(6.6)	(13.4)
Unwind of discount	0.7	0.9	1.6
Release of provision	(2.1)	(1.9)	(4.0)
31 December 2006	13.7	26.9	40.6

Provisions:	Vacant leasehold properties	Other lease commitments	Total
	£m	£m	£m
1 January 2006	21.9	34.5	56.4
Utilisation of provision	(3.5)	(3.9)	(7.4)
Unwind of discount	0.7	1.1	1.8
Release of provision	(2.9)	(1.3)	(4.2)
30 June 2006	16.2	30.4	46.6

Vacant leasehold properties

At 31 December 2006 the provision for the estimated net liability in respect of vacant leasehold properties, discounted at 6.2% being the group's weighted average cost of debt at that date, was stated at £13.7 million.

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Notes to Financial Statements (IFRS restated)

for the year ended 31 December 2006 and the six months ended 30 June 2006

Other lease commitments

In connection with an agreement for lease signed in 2001 Canary Wharf Group entered into a rent support commitment under which it may contribute a maximum of £10 per sq ft per annum towards the difference between the passing rent payable by a tenant at its previous premises and the rent achievable on any sub-lease. The maximum amount payable in respect of this commitment at 31 December 2006 had reduced to £26.6 million (nominal) with a present value of £20.7 million calculated on the basis of a discount rate of 6.2%. This amount has been provided for in full and will be subject to review at each subsequent balance sheet date.

In connection with the sale of certain properties during 2005 Canary Wharf Group agreed to provide rental support in respect of either unexpired rent-free periods or until the next rent review date. A provision in respect of these commitments was recognised at the date of disposal. The remaining provision at 31 December 2006 was £6.2 million calculated on the basis of a discount rate of 6.2%.

14. SHARE CAPITAL

Issued, allotted and fully paid at 31 December 2006		Number	£m
Equity Shares:			
– A Shares		260,849,750	26.1
– B Shares		178,513,389	17.8
		<u>439,363,139</u>	<u>43.9</u>
Shares not classified as equity:			
– D Share		1	–
– SG Shares		176,754,408	17.7
Total issued share capital		<u>616,117,548</u>	<u>61.6</u>

As at 31 December 2006 a total of 616,117,548 shares were in issue. Subsequent to the year end 14,478,260 B Shares were issued to British Land (Joint Ventures) Limited and the D Share was redeemed by the company.

15. OTHER RESERVES

	Note	Share premium £m	Treasury shares £m	Revaluation reserve ¹ £m	Hedging reserve £m	Total other reserves £m	Minority interest £m	Retained earnings ² £m	Total £m
At 1 January 2006		375.5	(1.0)	41.7	(54.5)	361.7	914.1	406.9	1,682.7
Profit for the year after taxation		–	–	–	–	–	–	705.0	705.0
Valuation movements on development properties	8	–	–	172.9	–	172.9	–	–	172.9
Gains on effective hedges	12	–	–	–	22.5	22.5	–	–	22.5
Tax on items taken direct to equity	7	–	–	(51.8)	(6.7)	(58.5)	–	–	(58.5)
Net income recognised directly in equity		–	–	121.1	15.8	136.9	–	705.0	841.9
Transfer to minority interest		–	–	(47.5)	(8.3)	(55.8)	357.7	(301.9)	–
Transferred to income:									
- cashflow hedges		–	–	–	7.4	7.4	–	–	7.4
Tax on transfers		–	–	–	(2.2)	(2.2)	–	–	(2.2)
Total recognised income and expense for the period		–	–	73.6	12.7	86.3	357.7	403.1	847.1
Transfer on SG Shares		5.2	–	–	–	5.2	–	(1.1)	4.1
Reserve movements in respect of share plan		–	0.4	–	–	0.4	–	–	0.4
Dividends paid		–	–	–	–	–	(120.1)	(78.0)	(198.1)
At 31 December 2006		380.7	(0.6)	115.3	(41.8)	453.6	1,151.7	730.9	2,336.2

Notes:

1. The revaluation reserve relates to development properties.
2. Includes revaluation surpluses in respect of investment properties that are recognised as income under IFRS.

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Notes to Financial Statements (IFRS restated)

for the year ended 31 December 2006 and the six months ended 30 June 2006

	Note	Share premium £m	Treasury shares £m	Revaluation reserve ¹ £m	Hedging reserve £m	Total other reserve £m	Minority interest £m	Retained Earnings ² £m	Total £m
At 1 January 2006		375.5	(1.0)	41.7	(54.5)	361.7	914.1	406.9	1,682.7
Profit for the year after taxation		–	–	–	–	–	–	359.5	359.5
Valuation movements on development properties	8	–	–	68.2	–	68.2	–	–	68.2
Gains on cashflow hedges	12	–	–	–	16.9	16.9	–	–	16.9
Tax on items taken direct to equity	7	–	–	(20.4)	(5.1)	(25.5)	–	–	(25.5)
Net income recognised directly in equity		–	–	47.8	11.8	59.6	–	359.5	419.1
Transfer to minority interest		–	–	(18.8)	(5.8)	(24.6)	176.2	(151.6)	–
Transferred to income:									
- cashflow hedges		–	–	–	4.1	4.1	–	–	4.1
Tax on items taken direct to equity		–	–	–	(1.2)	(1.2)	–	–	(1.2)
Total recognised income and expense for the period		–	–	29.0	8.9	37.9	176.2	207.9	422.0
Transfer on SG Shares		5.2	–	–	–	5.2	–	(1.1)	4.1
Reserve movements in respect of share plan		–	0.4	–	–	0.4	–	–	0.4
Dividends paid		–	–	–	–	–	–	(78.0)	(78.0)
At 30 June 2006		380.7	(0.6)	70.7	(45.6)	405.2	1,090.3	535.7	2,031.2

Notes:

1. The revaluation reserve relates to development properties.
2. Includes revaluation surpluses in respect of investment properties that are recognised as income under IFRS.

Dividends

The amount recognised as dividends paid comprises:

	£m
Payment on A Shares	47.0
Payment on B Shares	31.0
	<u>78.0</u>

An interim dividend of 18p per share was paid on 19 April 2006 totalling £110.9 million of which £32.9 million was paid to the SG shareholders which are classified as debt for the purposes of IFRS.

16. SHARE BASED PAYMENTS

During the year ended 31 December 2006 Canary Wharf Group operated the Canary Wharf 2004 Deferred Share Plan (the 'Deferred Plan') in conjunction with the Canary Wharf Employees' Share Ownership Plan Trust ('the Trust'). The rules of the Deferred Plan allow the majority of participants who were granted options to elect to take a cash equivalent value in substitution for exercising their options.

During the year ended 31 December 2006 options over 1,279,200 B Shares were exercised under the Deferred Plan (30 June 2006 – 1,237,950), and participants with options over a further 121,750 B Shares elected to take a cash sum in substitution for exercising their options (30 June 2006 – nil). At 31 December 2006, options over 938,970 B Shares were outstanding (30 June 2006 – 1,101,970).

At 31 December 2006, the trustee of the Trust held 1,124,973 B Shares.

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Notes to Financial Statements (IFRS restated)

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At 31 December 2006 the group had accrued £1.0 million in respect of its liability under the Deferred Plan. Of this amount £0.5 million related to shares over which options had vested but had not been exercised at the balance sheet date.

No change in accounting treatment for share options is required upon adoption of IFRS as the group had adopted FRS 20 at 31 December 2006 which is equivalent to IFRS 2 'Share based payment'.

17. NOTES TO THE CASHFLOW STATEMENT

Reconciliation of profit on ordinary activities before tax to cash generated from operations.

	Year ended 31 December 2006 £m	Six months ended 30 June 2006 £m
Profit on ordinary activities before tax	884.1	600.5
Non-cash movements		
Net valuation gains on investment properties and investments	(722.1)	(424.1)
Share of loss after tax of associates	(0.3)	(0.1)
Spreading of tenant incentives, committed rent increases and letting fees	(24.4)	(12.1)
Write back of acquisition fees	(2.2)	–
Depreciation	0.2	0.1
Share options	0.5	0.5
	<u>(748.3)</u>	<u>(435.7)</u>
Operating cashflows before changes to working capital and other cash movements	135.8	164.8
Changes to working capital and other cash movements		
Net financing costs	207.1	69.9
Refinancing charges (Note 6)	(123.3)	(123.3)
Utilisation of provisions	(17.2)	(9.2)
Increase in receivables	(2.0)	(9.2)
Increase in payables	21.2	14.7
Cash generated from operations	<u>221.6</u>	<u>107.7</u>

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for the year ended 31 December 2006 and the six months ended 30 June 2006

18. SEGMENTAL REPORTING

The group's business segments comprise: property investment (including all completed office and retail properties); and property development (including office properties under construction, land held for future development and the group's investment in WWLP).

	Year ended 31 December 2006			Six months ended 30 June 2006		
	Property Invest- ment £m	Property Develop- ment £m	Total £m	Property invest- ment £m	Property Develop- ment £m	Total £m
Revenue	360.4	76.4	436.8	175.9	8.9	184.8
Cost of sales	(77.5)	(76.4)	(153.9)	(36.3)	(8.9)	(45.2)
	282.9	–	282.9	139.6	–	139.6
Other income	1.9	–	1.9	0.2	–	0.2
Interest income	46.0	0.1	46.1	22.9	–	22.9
Interest expense	(129.9)	–	(129.9)	30.8	–	30.8
Loss from joint ventures	–	(0.3)	(0.3)	–	(0.1)	(0.1)
Movement on hedges	29.9	–	29.9	21.0	–	21.0
Revaluation gains	722.1	172.9	895.0	424.1	68.2	492.3
Segment recognised income and expense before unallocated expenses and tax	952.9	172.7	1,125.6	638.6	68.1	706.7
Unallocated expenses			(38.7)			(17.0)
Taxation			(239.8)			(267.7)
Total recognised income and expense			847.1			422.0
Segment assets	5,895.6	509.2	6,404.8	5,594.9	430.0	6,024.9
Cash and monetary deposits	879.9	150.0	1,029.9	993.5	137.3	1,130.8
Other assets	158.7	78.6	237.3	209.2	12.1	221.3
Consolidated total assets	6,934.2	737.8	7,672.0	6,797.6	579.4	7,377.0
Segment liabilities						
Payments on account	–	(195.6)	(195.6)	–	(152.9)	(152.9)
Other current liabilities	(243.0)	(48.8)	(291.8)	(241.2)	(37.6)	(278.8)
Borrowings	(4,427.5)	–	(4,427.5)	(4,470.1)	–	(4,470.1)
Derivatives	(155.0)	–	(155.0)	(144.2)	–	(144.2)
Other non current liabilities	(40.6)	–	(40.6)	(46.6)	–	(46.6)
	(4,866.1)	(244.4)	(5,110.5)	(4,902.1)	(190.5)	(5,092.6)
Segment net assets before deferred tax	2,068.1	493.4	2,561.5	1,895.5	388.9	2,284.4
Deferred tax			(181.4)			(209.3)
Total assets less total liabilities			2,380.1			2,075.1

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19 RECONCILIATION OF UK GAAP TO IFRS

The group's transition date for the adoption of IFRS is 1 January 2006. This transition date has been selected in accordance with IFRS 1.

The principal differences for the group between reporting under IFRS as compared to UK GAAP, which are noted in the following tables are;

- (i) The cost of tenant incentives, such as rent-free periods, is now amortised over the term of the leases concerned rather than over the period to the first review to market rents.
- (ii) Lease negotiation costs are now amortised over the term of the leases concerned rather than being expensed as incurred.
- (iii) The surpluses and deficits arising on the periodic revaluation of the investment property portfolio are now taken through the income statement.
- (iv) Goodwill arising on acquisition is no longer amortised but kept on the balance sheet and reviewed regularly for impairment. In light of the revaluation of development properties and properties under construction to fair value which includes amounts previously shown separately as goodwill under UK GAAP, the company has written down the goodwill arising on the acquisition of the Canary Wharf Group under UK GAAP to £nil upon conversion to IFRS.
- (v) The company has taken the option to revalue development properties where the intention is to hold the completed properties for investment purposes. The surplus on revaluation is taken to equity.
- (vi) The fair value of all derivatives such as interest rate swaps is now recognised in the group balance sheet. In the case of the US dollar denominated A5 notes, the mark to market on the related interest hedges is offset by the translation gain on the notes.
- (vii) Prior to the share capital amendments approved in January 2007 the D Share carried the right to a dividend based on 20% of the increase in value of the group's retail assets. The nature of this dividend entitlement is such that it falls to be treated as a derivative for IFRS purposes and is restated at fair value at each balance sheet date.
- (viii) Deferred tax is required to be provided in full on all differences between the carrying value for accounts purposes and those for taxation. In particular deferred tax is now provided on revaluation surpluses and deferred tax assets recognised in respect of unclaimed EZAs and tax losses.
- (ix) The minority interest is adjusted for its share of the IFRS adjustments.
- (x) Deposits with original maturity in excess of three months are classified as monetary assets rather than cash or cash equivalents.

The application of IFRS has also changed the presentation of the cashflow statement which now shows cashflows derived from three types of activities – operating, investing and financing. In addition, under IFRS, the cashflow statement includes all cashflows in respect of cash and cash equivalents.

The overall cashflows of the group do not change as a result of using IFRS. The underlying performance of the business is unchanged.

As a general rule, the group is required to establish its IFRS accounting policies for the year ended 31 December 2007 and apply these retrospectively to determine its opening IFRS balance sheet at the transition date of 1 January 2006 and the comparative information for the year ended 31 December 2006. However, advantage has been taken of the exemption afforded by IFRS 1 in relation to business combinations such that the acquisition of Canary Wharf Group in May 2004 has not been restated to comply with IFRS 3 'Business combinations'.

In preparing the IFRS accounts, the group has adjusted amounts reported previously in the financial statements prepared in accordance with UK GAAP. Quantification of how the transition has affected the group's financial performance and position is set out in the following tables in respect of each of :

- Consolidated balance sheet as at 31 December 2006.
- Consolidated income statement for year ended 31 December 2006.
- Consolidated balance sheet as at 30 June 2006.
- Consolidated income statement for six months ended 30 June 2006.
- Consolidated balance sheet as at 1 January 2006.

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Notes to Financial Statements (IFRS restated)

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Consolidated Balance Sheet (IFRS restated) as at 31 December 2006

	UK GAAP balances in IFRS format £m	Tenant incentives (i) £m	Negotiation costs (ii) £m	Investment property revaluation (iii) £m	Goodwill (iv) £m	Revalue development properties (v) £m	Derivatives (vi) £m	Foreign currency (vi) £m	D Share (vii) £m	Deferred tax (viii) £m	Minority interest (ix) £m	Reclassifi- cations (x) £m	IFRS £m
Assets													
Non current assets													
Investment properties	5,958.8	(59.5)	(3.7)	–	–	–	–	–	–	–	–	–	5,895.6
Properties under construction	53.1	–	(0.7)	–	–	41.9	–	–	–	–	–	–	94.3
Development properties	192.0	–	(0.1)	–	–	223.0	–	–	–	–	–	–	414.9
Other property plant and equipment	0.4	–	–	–	–	–	–	–	–	–	–	–	0.4
	6,204.3	(59.5)	(4.5)	–	–	264.9	–	–	–	–	–	–	6,405.2
Other non current assets													
Investments	12.8	–	–	–	–	–	–	–	–	–	–	–	12.8
Deferred tax	–	–	–	–	–	–	–	–	–	–	–	–	–
Derivatives	–	–	–	–	–	–	11.5	–	–	–	–	–	11.5
Goodwill	66.4	–	–	–	(66.4)	–	–	–	–	–	–	–	–
	6,283.5	(59.5)	(4.5)	–	(66.4)	264.9	11.5	–	–	–	–	–	6,429.5
Current assets													
Trade and other receivables	53.5	–	–	–	–	–	–	–	–	–	–	(4.5)	49.0
Tenant incentives and deferred negotiation costs	99.6	59.5	4.5	–	–	–	–	–	–	–	–	–	163.6
Monetary assets	–	–	–	–	–	–	11.5	–	–	–	–	147.5	147.5
Cash and cash equivalents	1,025.4	–	–	–	–	–	–	–	–	–	–	(143.0)	882.4
	1,178.5	59.5	4.5	–	–	–	–	–	–	–	–	–	1,242.5
Total assets	7,462.0	–	–	–	(66.4)	264.9	11.5	–	–	–	–	–	7,672.0

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Consolidated Balance Sheet (IFRS restated) as at 31 December 2006 (Continued)

	UK GAAP balances in IFRS format £m	Tenant incentives (i) £m	Negotiation costs (ii) £m	Investment property revaluation (iii) £m	Goodwill (iv) £m	Revalue development properties (v) £m	Derivatives (vi) £m	Foreign currency (vi) £m	D Share (vii) £m	Deferred tax (viii) £m	Minority interest (ix) £m	Reclassifi- cations (x) £m	IFRS £m
Liabilities													
Current Liabilities													
Current portion of long term borrowings	(101.7)	–	–	–	–	–	–	–	(1.8)	–	–	–	(103.5)
Trade and other payables	(390.6)	–	–	–	–	6.7	–	–	–	–	–	–	(383.9)
Non current liabilities													
Borrowings	(4,517.2)	–	–	–	–	–	71.5	18.2	–	–	–	–	(4,427.5)
Derivatives	–	–	–	–	–	–	(155.0)	–	–	–	–	–	(155.0)
Deferred tax liabilities	(32.9)	–	–	–	–	–	–	–	–	(148.5)	–	–	(181.4)
Other non current liabilities	(40.6)	–	–	–	–	–	–	–	–	–	–	–	(40.6)
Total liabilities	(5,083.0)	–	–	–	–	6.7	(83.5)	18.2	(1.8)	(148.5)	–	–	(5,291.9)
Net assets	2,379.0	–	–	–	(66.4)	271.6	(72.0)	18.2	(1.8)	(148.5)	–	–	2,380.1
Equity													
Share capital	43.9	–	–	–	–	–	–	–	–	–	–	–	43.9
Other reserves	1,439.9	–	(0.8)	(1,059.8)	–	271.6	(98.2)	–	–	(51.7)	(47.4)	–	453.6
Retained earnings	(229.3)	–	0.8	1,059.8	(66.4)	–	26.2	18.2	(1.8)	(96.8)	20.2	–	730.9
Total equity attributable to members of the company	1,254.5	–	–	–	(66.4)	271.6	(72.0)	18.2	(1.8)	(148.5)	(27.2)	–	1,228.4
Minority interests	1,124.5	–	–	–	–	–	–	–	–	–	27.2	–	1,151.7
Total equity and reserves	2,379.0	–	–	–	(66.4)	271.6	(72.0)	18.2	(1.8)	(148.5)	–	–	2,380.1

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Notes to Financial Statements (IFRS restated)

for the year ended 31 December 2006 and the six months ended 30 June 2006

Consolidated Income Statement (IFRS restated) for the year ended 31 December 2006

	UK GAAP balances in IFRS format £m	Tenant incentives (i) £m	Negotiation costs (ii) £m	Investment property revaluation (iii) £m	Goodwill (iv) £m	Revalue development properties (v) £m	Derivatives (vi) £m	Foreign currency (vi) £m	D Share (vii) £m	Deferred tax (viii) £m	Minority interest (ix) £m	Reclassifi- cations (x) £m	IFRS £m
Revenue	411.2	25.6	–	–	–	–	–	–	–	–	–	–	436.8
Cost of sales	(153.9)	–	–	–	–	–	–	–	–	–	–	–	(153.9)
Gross profit	257.3	25.6	–	–	–	–	–	–	–	–	–	–	282.9
Administrative expenses	(46.7)	–	–	–	6.2	–	–	–	–	–	–	–	(38.7)
Other income	1.9	–	–	–	–	–	–	–	–	–	–	–	1.9
Share of associates and joint ventures	(0.3)	–	–	–	–	–	–	–	–	–	–	–	(0.3)
Net valuation gains on property and investment	–	(25.6)	(1.0)	748.7	–	–	–	–	–	–	–	–	722.1
Operating profit	212.2	–	0.8	748.7	6.2	–	–	–	–	–	–	–	967.9
Financing income	46.1	–	–	–	–	–	–	–	–	–	–	–	46.1
Financing costs before exceptional item	(304.4)	–	–	–	–	–	22.3	26.0	2.9	–	–	–	(253.2)
Exceptional gain relating to repayment of debt	123.3	–	–	–	–	–	–	–	–	–	–	–	123.3
Profit on ordinary activities before tax	77.2	–	0.8	748.7	6.2	–	22.3	26.0	2.9	–	–	–	884.1
Tax	(61.9)	–	–	–	–	–	–	–	–	(117.2)	–	–	(179.1)
Profit on ordinary activities after tax	15.3	–	0.8	748.7	6.2	–	22.3	26.0	2.9	(117.2)	–	–	705.0
Minority interest	(35.2)	–	–	(293.4)	–	–	–	–	–	–	26.7	–	(301.9)
Loss attributable to members	(19.9)	–	0.8	455.3	6.2	–	22.3	26.0	2.9	(117.2)	26.7	–	403.1
Brought forward profits/(losses)	(130.3)	–	–	604.5	(72.6)	–	3.9	(7.8)	(4.7)	20.4	(6.5)	–	406.9
Dividends	(78.0)	–	–	–	–	–	–	–	–	–	–	–	(78.0)
Reserves transfer	(1.1)	–	–	–	–	–	–	–	–	–	–	–	(1.1)
Retained earnings	(229.3)	–	0.8	1,059.8	(66.4)	–	26.2	18.2	(1.8)	(96.8)	20.2	–	730.9

SONGBIRD ESTATES PLC

Notes to Financial Statements (IFRS restated)

for the year ended 31 December 2006 and the six months ended 30 June 2006

Consolidated Balance Sheet (IFRS restated) at 30 June 2006

	UK GAAP balances in IFRS format £m	Tenant incentives (i) £m	Negotiation costs (ii) £m	Investment property revaluation (iii) £m	Goodwill (iv) £m	Revalue development properties (v) £m	Derivatives (vi) £m	Foreign currency (vi) £m	D Share (viii) £m	Deferred tax (viii) £m	Minority interest (ix) £m	Reclassifi- cations (x) £m	IFRS £m
Assets													
Non current assets													
Investment properties	5,645.5	(46.9)	(3.7)	–	–	–	–	–	–	–	–	–	5,594.9
Properties under construction	–	–	–	–	–	–	–	–	–	–	–	–	–
Development properties	263.9	–	–	–	–	166.1	–	–	–	–	–	–	430.0
Other property, plant and equipment	2.3	–	–	–	–	–	–	–	–	–	–	–	2.3
	5,911.7	(46.9)	(3.7)	–	–	166.1	–	–	–	–	–	–	6,027.2
Other non current assets													
Investments	12.4	–	–	–	–	–	–	–	–	–	–	–	12.4
Deferred tax	–	–	–	–	–	–	–	–	–	–	–	–	–
Derivatives	–	–	–	–	–	–	5.6	–	–	–	–	–	5.6
Goodwill	70.7	–	–	–	(70.7)	–	–	–	–	–	–	–	–
	5,994.8	(46.9)	(3.7)	–	(70.7)	166.1	5.6	–	–	–	–	–	6,045.2
Current assets													
Trade and other receivables	54.8	–	–	–	–	–	–	–	–	–	–	(2.1)	52.7
Tenant incentives and deferred negotiation costs	97.7	46.9	3.7	–	–	–	–	–	–	–	–	–	148.3
Monetary assets	–	–	–	–	–	–	–	–	–	–	–	136.8	136.8
Cash and cash equivalents	1,128.7	–	–	–	–	–	–	–	–	–	–	(134.7)	994.0
	1,281.2	46.9	3.7	–	–	–	–	–	–	–	–	–	1,331.8
Total assets	7,276.0	–	–	–	(70.7)	166.1	5.6	–	–	–	–	–	7,377.0

SONGBIRD ESTATES PLC

Consolidated Balance Sheet (IFRS restated) at 30 June 2006 (Continued)

	UK GAAP balances in IFRS format £m	Tenant incentives (i) £m	Negotiation costs (ii) £m	Investment property revaluation (iii) £m	Goodwill (iv) £m	Revalue development properties (v) £m	Derivatives (vi) £m	Foreign currency (vi) £m	D Share (vii) £m	Deferred tax (viii) £m	Minority interest (ix) £m	Reclassifi- cations (x) £m	IFRS £m
Liabilities													
Current liabilities													
Current portion of long term borrowings	(78.4)	–	–	–	–	–	–	–	(1.7)	–	–	–	(80.1)
Trade and other payables	(351.6)	–	–	–	–	–	–	–	–	–	–	–	(351.6)
Non current liabilities													
Borrowings	(4,550.6)	–	–	–	–	–	74.4	6.1	–	–	–	–	(4,470.1)
Derivatives	–	–	–	–	–	–	(144.2)	–	–	–	–	–	(144.2)
Deferred tax liabilities	(81.6)	–	–	–	–	–	–	–	–	(127.7)	–	–	(209.3)
Other non current liabilities	(46.6)	–	–	–	–	–	–	–	–	–	–	–	(46.6)
Total liabilities	(5,108.8)	–	–	–	–	–	(69.8)	6.1	(1.7)	(127.7)	–	–	(5,301.9)
Net assets	2,167.2	–	–	–	(70.7)	166.1	(64.2)	6.1	(1.7)	(127.7)	–	–	2,075.1
Equity													
Share capital	43.9	–	–	–	–	–	–	–	–	–	–	–	43.9
Other reserves	1,250.9	–	–	(870.8)	–	166.1	(107.1)	–	–	(17.7)	(16.2)	–	405.2
Retained earnings	(225.6)	–	–	870.8	(70.7)	–	42.9	6.1	(1.7)	(110.0)	23.9	–	535.7
Total equity attributable to members of the company	1,069.2	–	–	–	(70.7)	166.1	(64.2)	6.1	(1.7)	(127.7)	7.7	–	984.8
Minority interests	1,098.0	–	–	–	–	–	–	–	–	–	(7.7)	–	1,090.3
Total equity and reserves	2,167.2	–	–	–	(70.7)	166.1	(64.2)	6.1	(1.7)	(127.7)	–	–	2,075.1

SONGBIRD ESTATES PLC

Notes to Financial Statements (IFRS restated)

for the year ended 31 December 2006 and the six months ended 30 June 2006

Consolidated Income Statement (IFRS restated) for the six months ended 30 June 2006

	UK GAAP balances in IFRS format £m	Tenant incentives (i) £m	Negotiation costs (ii) £m	Investment property revaluation (iii) £m	Goodwill (iv) £m	Revalue development properties (v) £m	Derivatives (vi) £m	Foreign currency (vi) £m	D Share (vii) £m	Deferred tax (viii) £m	Minority interest (ix) £m	Reclassifi- cations (x) £m	IFRS £m
Revenue	171.8	13.0	–	–	–	–	–	–	–	–	–	–	184.8
Cost of sales	(45.2)	–	–	–	–	–	–	–	–	–	–	–	(45.2)
Gross profit	126.6	13.0	–	–	–	–	–	–	–	–	–	–	139.6
Administrative expenses	(19.9)	–	1.0	–	1.9	–	–	–	–	–	–	–	(17.0)
Other operating income	0.2	–	–	–	–	–	–	–	–	–	–	–	0.2
Share of associates and joint ventures	(0.1)	–	–	–	–	–	–	–	–	–	–	–	(0.1)
Net valuation on property and investments	–	(13.0)	(1.0)	438.1	–	–	–	–	–	–	–	–	424.1
Operating profit	106.8	–	–	438.1	1.9	–	–	–	–	–	–	–	546.8
Financing income	22.9	–	–	–	–	–	–	–	–	–	–	–	22.9
Financing costs before exceptional item	(148.4)	–	–	–	–	–	39.0	13.9	3.0	–	–	–	(92.5)
Exceptional item: - gain relating to repayment of debt	123.3	–	–	–	–	–	–	–	–	–	–	–	123.3
Profit on ordinary activities before tax	104.6	–	–	438.1	1.9	–	39.0	13.9	3.0	–	–	–	600.5
Tax	(110.6)	–	–	–	–	–	–	–	–	(130.4)	–	–	(241.0)
Profit on ordinary activities after tax	(6.0)	–	–	438.1	1.9	–	39.0	13.9	3.0	(130.4)	–	–	359.5
Minority interest	(10.2)	–	–	(171.8)	–	–	–	–	–	–	30.4	–	(151.6)
Loss attributable to members	(16.2)	–	–	266.3	1.9	–	39.0	13.9	3.0	(130.4)	30.4	–	207.9
Brought forward losses	(130.3)	–	–	604.5	(72.6)	–	3.9	(7.8)	(4.7)	20.4	(6.5)	–	406.9
Dividends	(78.0)	–	–	–	–	–	–	–	–	–	–	–	(78.0)
Reserves	(1.1)	–	–	–	–	–	–	–	–	–	–	–	(1.1)
	(225.6)	–	–	870.8	(70.7)	–	42.9	6.1	(1.7)	(110.0)	23.9	–	535.7

SONGBIRD ESTATES PLC

Notes to Financial Statements (IFRS restated)

for the year ended 31 December 2006 and the six months ended 30 June 2006

Consolidated Balance Sheet (IFRS restated) at 1 January 2006

	UK GAAP balances in IFRS format £m	Tenant incentives (i) £m	Negotiation costs (ii) £m	Investment property revaluation (iii) £m	Goodwill (iv) £m	Revalue development properties (v) £m	Derivatives (vi) £m	Foreign currency (vi) £m	D Share (vii) £m	Deferred tax (viii) £m	Minority interest (ix) £m	Reclassifi- cations (x) £m	IFRS £m
Assets													
Non current assets													
Investment properties	5,204.7	(33.9)	(2.7)	-	-	-	-	-	-	-	-	-	5,168.1
Properties under construction	-	-	-	-	-	-	-	-	-	-	-	-	-
Development properties	259.1	-	-	-	-	97.9	-	-	-	-	-	-	357.0
Other property, plant and equipment	2.4	-	-	-	-	-	-	-	-	-	-	-	2.4
	5,466.2	(33.9)	(2.7)	-	-	97.9	-	-	-	-	-	-	5,527.5
Other non current assets													
Investments	2.8	-	-	-	-	-	-	-	-	-	-	-	2.8
Derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax	29.0	-	-	-	-	-	-	-	-	29.4	-	-	58.4
Goodwill	72.6	-	-	-	(72.6)	-	-	-	-	-	-	-	-
	5,570.6	(33.9)	(2.7)	-	(72.6)	97.9	-	-	-	29.4	-	-	5,588.7
Current assets													
Trade and other receivables	75.0	-	-	-	-	-	-	-	-	-	-	-	75.0
Tenant incentives and deferred negotiation costs	96.8	33.9	2.7	-	-	-	-	-	-	-	-	-	133.4
Monetary assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash and cash equivalents	1,829.9	-	-	-	-	-	-	-	-	-	-	-	1,829.9
Total assets	7,572.3	-	-	-	(72.6)	97.9	-	-	-	29.4	-	-	7,627.0

SONGBIRD ESTATES PLC

Consolidated Balance Sheet (IFRS restated) at 1 January 2006 (Continued)

	UK GAAP balances in IFRS format £m	Tenant incentives (i) £m	Negotiation costs (ii) £m	Investment property revaluation (iii) £m	Goodwill (iv) £m	Revalue development properties (v) £m	Derivatives (vi) £m	Foreign currency (vi) £m	D Share (vii) £m	Deferred tax (viii) £m	Minority interest (ix) £m	Reclassifi- cations (x) £m	IFRS £m
Liabilities													
Current liabilities													
Current portion of long term borrowings	(70.7)	–	–	–	–	–	–	–	(4.7)	–	–	–	(75.4)
Trade and other payables	(174.8)	–	–	–	–	–	–	–	–	–	–	–	(174.8)
Non current liabilities													
Borrowings	(5,462.4)	–	–	–	–	–	53.4	(7.8)	–	–	–	–	(5,416.8)
Derivatives	–	–	–	–	–	–	(177.6)	–	–	–	–	–	(177.6)
Deferred tax liabilities	–	–	–	–	–	–	–	–	–	–	–	–	–
Other non current liabilities	(56.4)	–	–	–	–	–	–	–	–	–	–	–	(56.4)
Total liabilities	(5,764.3)	–	–	–	–	–	(124.2)	(7.8)	(4.7)	–	–	–	(5,901.0)
Net assets	1,808.0	–	–	–	(72.6)	97.9	(124.2)	(7.8)	(4.7)	29.4	–	–	1,726.0
Equity													
Share capital	43.3	–	–	–	–	–	–	–	–	–	–	–	43.3
Other reserves	979.0	–	–	(604.5)	–	97.9	(128.1)	–	–	9.0	8.4	–	361.7
Retained earnings	(130.3)	–	–	604.5	(72.6)	–	3.9	(7.8)	(4.7)	20.4	(6.5)	–	406.9
Total equity attributable to members of the company	892.0	–	–	–	(72.6)	97.9	(124.2)	(7.8)	(4.7)	29.4	1.9	–	811.9
Minority interests	916.0	–	–	–	–	–	–	–	–	–	(1.9)	–	914.1
Total equity and reserves	1,808.0	–	–	–	(72.6)	97.9	(124.2)	(7.8)	(4.7)	29.4	–	–	1,726.0