2009
Interim Report

Contents

	Page
Highlights	1
Results in Brief	2
Chairman's Operational Review	3
Business Review	6
Unaudited Condensed Consolidated Income Statement for the six months ended 30 June 2009	14
Unaudited Condensed Consolidated Statement of Comprehensive Income for the six months ended 30 June 2009	15
Unaudited Condensed Consolidated Statement of Changes in Equity	16
Unaudited Condensed Consolidated Balance Sheet at 30 June 2009	19
Unaudited Condensed Consolidated Cash Flow Statement for the six months ended 30 June 2009	20
Notes to the Interim Report for the six months ended 30 June 2009	21
Independent Review Report to Songbird Estates plc	41
Definitions	42
Shareholders' Information	44

Highlights

- On 28 August 2009 the company announced it had entered into agreements to raise equity financing and to purchase by 20 October 2009 its Citi senior loan facilities at a 5.0% discount to the amount due to Citi under these facilities at the date of purchase (Note (i)).
- On 18 September 2009 the company announced it had agreed to buy 54,007,620 Canary Wharf Group shares for £112.5m.
- In order to fund the purchase of the Citi senior loan facilities and the acquisition of the Canary Wharf Group shares, the company has today announced a £620.0m (before expenses) proposed placing and compensatory open offer, a £275.0m (before expenses) issue of preference shares and a £135.0m debt facility from certain of its existing shareholders and FIC.
- Underlying profit before tax for the period was £89.7m (six months ended 30 June 2008 – £35.4m) (Note (ii)). The loss for the period after tax was £110.9m (six months ended 30 June 2008 – £418.2m).
- The weighted average initial yield for the office portfolio valuation was 7.3% at 30 June 2009, up by 40 bps since 31 December 2008. The equivalent yield for the retail portfolio valuation was 7.2% at 30 June 2009, up by 60 bps since 31 December 2008 (Note (iii)).
- The market value of the investment property portfolio at 30 June 2009 was £4,247.5m against £4,483.0m at 31 December 2008, a reduction of 5.5% after additions in the period (Note (iii)).
- The market value of the property portfolio to be retained at 30 June 2009 was £4,603.5m against £4,925.5m at 31 December 2008, a reduction of 7.5%, after additions in the period (Note (iii)).
- Net assets fell from £421.8m at 31 December 2008 to £331.2m at 30 June 2009, a reduction of 21.5% primarily as a result of the fall in value of the property portfolio, partly offset by gains recognised on derivative financial instruments (Note (iv)).
- Adjusted triple net asset value per share reduced by 38.0% from 71p to 44p and adjusted net asset value per share reduced by 47.6% from 63p to 33p (Note (iv)).
- At 30 June 2009 Canary Wharf Group's investment portfolio totalling 8.0m sq ft was 97.7% let including the Lehman building. The weighted average unexpired lease term was approximately 16.9 years (or 14.7 years assuming exercise of break options (Note (v)).
- Practical completion achieved on 15 Canada Square, a 0.4m sq ft building pre-sold to KPMG (Note (vi)).
- At 30 June 2009, construction continued on 0.6m sq ft of which 0.3m sq ft has been pre-sold. Subsequent to the period end, practical completion was achieved on 5 Churchill Place, a 0.3m sq ft building of which 83.0% was leased to JP Morgan Markets Limited and on the retail expansion projects at Churchill Place and the Park Pavilion (Note (vi)).
- Construction commenced on the Crossrail station at Canary Wharf (Note (vii)).

Note:

(i) See 'Business Review – Fundraising and Related Transactions'.
(ii) See Note 3.
(iii) See 'Business Review – Valuations'.
(iv) See 'Business Review – Balance Sheet and Key Performance Indicators'.
(v) See 'Business Review – Property Portfolio'.
(vi) See 'Business Review – Construction'.
(vii) See 'Business Review – Crossrail'.

The comparative results of the group at 31 December 2008 and 30 June 2008 have been restated as set out in Note 2 for the adoption of IFRIC 15.

Results in Brief

	Note	Unaudited Six months ended 30 June 2009 £m	Restated* Unaudited Six months ended 30 June 2008 £m
Rent receivable	(i)	**157.2**	139.7
Underlying operating profit	(ii)	**229.1**	159.9
Capital and other items:			
– impairment of investment in associates	(iii)	**(5.2)**	–
– net revaluation movements	(iv)	**(368.2)**	(594.8)
– net derivatives income	(v)	**176.8**	39.1
– net gain on repurchase of securitised debt	(v)	**66.3**	–
Underlying profit before tax	(ii)	**89.7**	35.4
Tax (charge)/credit	(vi)	**(69.7)**	102.1
Loss after tax	(ii)	**(110.9)**	(418.2)
Basic and diluted loss per share	(vii)	**(17.8)p**	(58.9)p

*Restated as set out in Note 2.

Note:

(i) See Note 4.

(ii) See Unaudited Condensed Consolidated Income Statement.

(iii) See Note 9.

(iv) See Note 5.

(v) See Note 6.

(vi) See Note 7.

(vii) See Note 3.

Chairman's Operational Review

The last nine months have been an eventful time for the company during which the Board, and its advisers, have worked tirelessly to explore the various options available to ensure a more appropriate long term financial framework for the company.

I am pleased that I am now able to provide more detail on the company's capital raising and the agreement reached to acquire the £880.0m Citi loan facilities (the "Citi Loan") at a discount of 5.0% to the outstanding principal and accrued interest which was announced on 28 August 2009. The proposed transaction involves the placing and compensatory open offer in respect of £620.0m of ordinary shares, £275.0m of preference shares (together the "Capital Raising") and a £135.0m debt facility. One element of the Capital Raising will be a restructuring of the overall capital structure of the company resulting in a single class of ordinary shares, as opposed to the current structure which comprises three separate share classes. The Capital Raising is designed to bring financial stability to the company and the expectation that it will also improve liquidity for the company's AIM listed shares. The key highlights of the transaction are outlined below in the section 'Financial Position and Capital Raising' with full detail provided in a separate announcement released this morning. Shareholder documentation is being mailed today to all shareholders on the register as at 22 September 2009.

Following the Capital Raising and the acquisition of the Citi Loan, the company will have significantly reduced its level of consolidated borrowing and created a more stable financial structure. The company's shareholding in Canary Wharf Group provides a unique opportunity to benefit from the potential long term growth prospects of one of the world's most prestigious estates. As announced on 18 September 2009, the company has entered into an agreement to acquire a further 54,007,620 ordinary shares in Canary Wharf Group by 20 October 2009 for a consideration of £112.5m, which will increase the company's shareholding (via its wholly owned subsidiary Songbird Finance Limited) to 69.3%.

As well as providing a more stable financial structure, the Capital Raising and associated restructuring will simplify the company's capital and governance structure bringing it more in line with other AIM listed companies. It will also result in all of the company's ordinary shares being admitted to trading on AIM.

The Capital Raising, and the acquisition of the Citi Loan and the additional Canary Wharf Group shares, have been made possible by the support of a number of major shareholders including Qatar Holding, GF Investments and MSREF, all of whom have shown strong commitment to the company and the Canary Wharf Group over the last five years, and FIC, a wholly owned subsidiary of China Investment Corporation, a new major institutional investor whose long term support we are also delighted to have. The significant investment being made by all of these shareholders is a strong vote of confidence in the future of London, Canary Wharf and the company.

The financial problems in the economy have dominated the headlines over the course of the last year. We are, however, now seeing some signs of confidence returning to financial markets and of a recent improvement of prime yields in the property sector. The valuations produced this month as part of the Capital Raising exercise reflect an overall increase since 30 June 2009 of £17.5m (0.5%) in the office portfolio and £20.0m (4.9%) on the retail properties. We can now look forward to the future with a greater degree of confidence.

FINANCIAL POSITION AND CAPITAL RAISING

As previously mentioned, the company intends to raise £895.0m (before expenses) through the Capital Raising by:

- the issue of 43,025,116,080 new ordinary shares through the placing at the offer price of one penny per new ordinary share;
- the issue of 18,974,938,930 new ordinary shares through the compensatory open offer at the offer price of one penny per new ordinary share; and
- the issue of 275,000,000 preference shares of 100 pence each to Qatar Holding and FIC.

In addition, the company has secured a new debt facility of £135.0m from certain of its existing shareholders and FIC, which includes provisions for the issue of warrants (in certain circumstances) as described in the separate Capital Raising announcement.

In connection with the compensatory open offer, JP Morgan Cazenove and MSI as Joint Bookrunners will seek to place any non-accepted shares at a price no lower than one penny per new ordinary share plus associated expenses. In the event the shares are unable to be placed at this price, shareholders who do not take up their entitlements may not receive a payment. The detail of this exercise is also set out in today's separate announcement.

Upon completion of the Capital Raising, which is due to be approved by shareholders at the general meeting of the company to be held on 13 October 2009, the existing B Shares will be renamed Ordinary Shares and the remaining classes of existing shares (being the A Shares

Chairman's Operational Review continued

and the SG Shares) will be converted into Ordinary Shares as part of the proposed capital reorganisation, which will also include a subdivision of the Ordinary Shares.

Following the completion of the Capital Raising and the capital reorganisation, in view of the very large number of shares which this will create, it is expected that the company's Ordinary Shares will be consolidated on the basis of one share for every 100 held.

FINANCIAL REVIEW

Net assets fell from £421.8m at 31 December 2008 to £331.2m at 30 June 2009, a reduction of £90.6m or 21.5%. The reduction was mainly attributable to the fall in the value of the group's properties by £368.2m over the period. This was partly offset by a gain on repurchase of certain of Canary Wharf Group's Notes, revaluation gains on hedging instruments and the underlying profit before tax for the period.

The first half of 2009 saw a further increase in initial rental yields of approximately 40 bps, taking the weighted average initial yield for the office portfolio to 7.3% (31 December 2008 – 6.9%). This movement in initial yields was reflected in the reduction in the market value of the company's property portfolio which at the half year was £4,603.5m in comparison with £4,925.5m at the end of 2008, a decline of 7.5% (See 'Business Review – Valuations'). However, the quantum of the fall in valuation was the smallest since the second half of 2007 when the property market began to turn down and prime yields have subsequently shown signs of falling slightly.

Adjusted NAV per share at 30 June 2009 was 33p in comparison with 63p at 31 December 2008, a reduction of 30p or 47.6%. Adjusted net assets includes the revaluation surplus on construction contracts and the benefit of the arrangements with AIG in relation to 25 Bank Street but excludes deferred tax and fair value adjustments on derivative financial instruments and treats the SG Shares as equity. Adjusted NNNAV per share fell by 27p to 44p in the period. The reductions in adjusted NAV and adjusted NNNAV per share over the period were mainly attributable to the fall in market value of the group's properties.

The underlying profit before tax of £89.7m for the six months ended 30 June 2009 compares with £35.4m for the first half of 2008, the increase of £54.3m being partly attributable to the timing of profit recognition on pre-sold properties. For the first half of 2009 £80.9m of such profit was recognised in comparison with £1.7m for the first half of 2008. This increase reflects the completion of 15 Canada Square in April 2009. In addition, interest receivable was £15.4m lower for the first half of 2009 as a result of the significant falls in interest rates witnessed over the last year.

Offsetting the underlying profit for the period were revaluation movements on properties and derivative financial instruments. The reduction in the value of the property portfolio for the six months of £368.2m was partially offset by a revaluation gain of £176.8m on derivative financial instruments. In addition a gain of £66.3m was recognised on the buyback of certain of Canary Wharf Group's Notes.

The loss after tax for the period was £110.9m primarily as a result of the net impact of the revaluation movements referred to above.

OPERATIONAL REVIEW

Canary Wharf Group has made good progress during the period despite the recent months of uncertainty and continuing difficult market conditions.

Office

Work on the staged development of the Riverside South site at Canary Wharf continues for JP Morgan's new European headquarters on this site.

During the period, practical completion was achieved on 15 Canada Square, a 400,000 sq ft building pre-sold to KPMG. Fit-out works are proceeding with occupancy envisaged for mid 2010. Subsequent to the period end, practical completion was also achieved on 5 Churchill Place, a 314,000 sq ft building of which 262,000 sq ft is pre-let to JP Morgan Markets Limited. It is expected that practical completion on 30 North Colonnade, a 330,000 sq ft building which was pre-sold to Fimalac for occupation by Fitch, will be achieved in September 2009.

As previously disclosed, 350,000 sq ft of the space subject to the Lehman lease on 25 Bank Street is let to Nomura on a two year-sub lease and an additional 90,000 sq ft is sub-let to tenants such as NYSE Euronext and Jones Lang LaSalle Limited. The Administrator is currently continuing to pay rent on the remainder of the space which it continues to occupy.

During the period Morgan Stanley served notice to exercise a break option over its lease of 6 floors in 20 Cabot Square with effect from 1 February 2010, whilst still continuing to occupy or lease more than 1.0m sq ft in other buildings at Canary Wharf. This notice will enable Canary Wharf Group to refurbish the space to meet new market demands. In addition, breaks over 121,800 sq ft have been exercised by tenants in One Canada Square

and a further 26,200 sq ft (approximately) has been sub-leased back to Canary Wharf Group for a term of approximately 9 years.

Detail on the works continuing on Canary Wharf Group's two joint venture arrangements at Drapers Gardens and Wood Wharf can be found in the 'Business Review – Development' section.

Retail

Maintaining close relationships with a strong retail tenant base has remained a priority at Canary Wharf particularly in the current challenging market conditions. Encouragingly, retail tenants have continued to sign up during 2009 including prestigious names such as Jamie's Italian, ROKA, and Canteen, amongst others. Following the period end, practical completion was achieved on the retail expansion projects at Churchill Place and the Park Pavilion, which comprise approximately 37,500 sq ft in aggregate.

Crossrail

Construction has now commenced on the new Crossrail station at Canary Wharf. Planning permission has also been obtained for approximately 100,000 sq ft (NIA) of retail space and a public park above the station, which will be retained by Canary Wharf Group. Following the period end, a significant element of funding on the overall Crossrail project has been secured from EIB.

Conclusion

Today's Capital Raising announcement, taken together with high quality assets, long average unexpired lease terms of 16.9 years (14.7 years assuming the exercise of outstanding break options) and a low vacancy rate at Canary Wharf, indicates the group is well placed to meet future challenges. The Capital Raising and related transactions are a good outcome for the company and will allow shareholders the opportunity to further invest and substantially to maintain their position in the company and the future of Canary Wharf. Together with my board colleagues, I look forward to the future with a strong shareholder base and a financially transformed company to meet anticipated opportunities as London and the UK move out of the current recession.

DAVID PRITCHARD
Chairman

Business Review

The following 'Business Review' is intended to provide shareholders with an overall summary of the business of the group both during the six months ended, and as at, 30 June 2009.

A list of defined terms used throughout this Interim Report is provided in 'Definitions'.

Fundraising and Related Transactions

Subsequent to the period end on 28 August 2009, the company announced that it had entered into agreements to raise equity financing and to purchase by 20 October 2009 the Citi Loan at a 5.0% discount to the outstanding principal and accrued interest at the date of payment. In addition on 18 September 2009 the company announced that it had agreed to buy 54,007,620 Canary Wharf Group shares for £112.5m.

In order to fund the purchase of the Citi Loan and the acquisition of Canary Wharf Group shares the company has today announced a £620.0m (before expenses) proposed placing and compensatory open offer, a £275.0m (before expenses) issue of preference shares and a £135.0m debt facility from certain of its existing shareholders and FIC.

Property Portfolio

The principal asset of the company is its indirect investment in Canary Wharf Group which is engaged in property investment and development, focused on the development of the Estate. Canary Wharf Group is also separately involved through joint ventures in the development of Wood Wharf and the redevelopment of Drapers Gardens. At 30 June 2009 Canary Wharf Group's investment portfolio comprised 16 completed properties (out of the 32 constructed on the Estate) totalling approximately 8.0m sq ft NIA.

The properties of Canary Wharf Group are under lease to high quality tenants. At 30 June 2009 the weighted average unexpired lease term for the investment property portfolio was approximately 16.9 years, including 25 Bank Street let to Lehman, or 14.7 years assuming the exercise of outstanding break options (31 December 2008 – 18.0 years or 15.2 years respectively). Of the square footage under lease, 65.9% does not expire or cannot be terminated by tenants during the next ten years.

At 30 June 2009 the investment property portfolio was 97.7% let, including the 1,023,000 sq ft at 25 Bank Street occupied by the Administrator or sub-let to Nomura and certain other tenants (31 December 2008 – 99.7%). As noted under 'Business Review – Leases', a number of tenants have exercised options to determine their leases at various dates in the next year. If all such leases are taken into account the vacancy rate would rise to 6.9% prior to any re-letting.

As well as the rental income generated from properties, income is generated from managing the entire Estate. In addition to the completed properties owned by Canary Wharf Group there are a further 16 completed properties totalling 7.0m sq ft which are in other ownerships.

Lehman

In September 2008 Lehman went into administration. However, occupation of the Lehman building at 25 Bank Street by the Administrator has continued. Nomura now sub-leases 350,000 sq ft, of the 1,023,000 sq ft leased by Lehman, on a two year sub-lease which expires in March 2011, subject to breaks in September and December 2010. An additional 90,000 sq ft is sub-let to tenants such as Jones Lang LaSalle and NYSE Euronext. An arrangement with AIG supported by cash collateral provides for payment of up to the full amount of the contracted rent at the election of Canary Wharf Group in the event of whole or partial default on rental payments due under the lease for a period of 4 years from the date of any drawdown following rental default. No such default, or election, has occurred at the date of this Interim Report.

Leases

Canary Wharf Group has received notice from Morgan Stanley of the exercise, with effect from 1 February 2010, of the break option relating to the lease of 20 Cabot Square. Morgan Stanley currently occupies approximately 345,500 sq ft over six floors at 20 Cabot Square and will continue to lease this space until February 2010 in accordance with the terms of its lease. Morgan Stanley will also continue to lease 546,500 sq ft at 20 Bank Street on a lease expiring in 2028 and to own and occupy the 448,500 sq ft building at 25 Cabot Square.

As part of the agreement with State Street covering the construction of its new headquarters at 20 Churchill Place, State Street has exercised options to determine its leases over two floors in One Canada Square totalling approximately 58,000 sq ft. In addition, State Street has exercised an option to sub-lease to Canary Wharf Group, for the remaining term of approximately 9 years, one floor in One Canada Square, totalling approximately 26,200 sq ft, which was sub-let from another tenant in the building. The options to determine these leases were granted to provide for the relocation of State Street to 20 Churchill Place, which reached practical completion in December 2008. State Street continues to occupy approximately 57,000 sq ft in One Canada Square on leases which expire in 2018.

Following its acquisition of Bear Stearns, JP Morgan Markets Limited has determined its leases over two floors in One Canada Square totalling approximately 48,000 sq ft. JP Morgan Markets Limited continues to occupy leases over three floors in One Canada Square totalling approximately 87,000 sq ft which have a tenant break in April 2013. JP Morgan Markets Limited also has a short term lease over a further 22,100 sq ft in One Canada Square.

In addition, breaks over 15,800 sq ft in One Canada Square have been exercised by other tenants, of which 2,400 sq ft is with effect from September 2009 and the remainder from January 2010. Canary Wharf Group is in negotiations to renew leases on the majority of this space.

All options to sub-let back to Canary Wharf Group have now been exercised. At 30 June 2009 the estimated net present value of sub-let liabilities was approximately £23.5m discounted at 6.2% being Canary Wharf Group's weighted average cost of debt (31 December 2008 – £20.6m, discounted at 6.2%). These sub-let commitments have been reflected in the market valuation of the group's properties.

CONSTRUCTION

In April 2009 Canary Wharf Group completed the construction of a 400,000 sq ft building at 15 Canada Square which was pre-sold to KPMG in November 2006. KPMG currently occupies 138,000 sq ft in One Canada Square on leases which are subject to break options exercisable on a maximum of four months' notice.

Construction continued on the following properties at 30 June 2009:

Property address	NIA sq ft	Expected/actual completion date	Status
5 Churchill Place	314,000	August 2009	Completed on schedule. 262,000 sq ft pre-let to JP Morgan Markets Limited.
30 North Colonnade	330,000	September 2009	Pre-sold to Fimalac for occupation by Fitch.
	644,000		

In addition to the above, subsequent to the period end, practical completion was achieved on the expansion of two of Canary Wharf Group's retail malls, including the Park Pavilion, a new retail building adjoining One Canada Square. This expansion has provided a further approximately 37,500 sq ft of lettable retail space which is fully let to tenants including Barclays, Jamie's Italian, Lloyds TSB, Roka, Wahaca, Canteen and Drake & Morgan.

Development

The site at 25 Churchill Place can now accommodate approximately 515,000 sq ft of new development. At North Quay, planning consent has been granted for 2.4m sq ft. There is also further development capacity at Heron Quays West subject to acquiring the remaining leasehold interests on the site which are outside the control of Canary Wharf Group. Consent has been granted to increase the development of office space on this site to 1.3m sq ft. Consent has also been granted on the adjacent Newfoundland site for 0.2m sq ft of mixed use development.

In summary, the total development capacity at each of Canary Wharf Group's development sites is as follows:

	NIA m sq ft
Based on existing planning permissions:	
– 25 Churchill Place	0.5
– North Quay	2.4
– Heron Quays West	1.3
– Newfoundland	0.2
– Crossrail retail	0.1
	4.5
Sold to JP Morgan:	
– Riverside South	1.9
	6.4
– Wood Wharf (25% share of 4.6m sq ft)	1.2

The site at Riverside South was acquired by JP Morgan in November 2008 who has instructed Canary Wharf Group to complete on its behalf the design and infrastructure works for a new European headquarters building. Should JP Morgan decide to proceed with full construction, Canary Wharf Group will act as Development and

Business Review continued

Construction Manager. If construction is postponed, or deferred altogether, Canary Wharf Group will retain £76.0m representing a portion of the developer's profit related to the development. If JP Morgan proceeds with full construction, additional fees are due.

Canary Wharf Group has continued to work with Ballymore and BWB on the redevelopment of Wood Wharf. The master plan for the scheme, in which Canary Wharf Group has a 25.0% interest, sets a framework for approximately 7.0m sq ft gross of mixed commercial, residential and retail development. Outline consent for 4.6m sq ft net was granted in May 2009. Further design work has been carried out on the first phase of office buildings and related infrastructure, and detailed consent was granted on three buildings totalling 1.5m sq ft in July 2009.

Construction work has also continued on Drapers Gardens. The scheme comprises approximately 300,000 sq ft of prime commercial development scheduled for completion in November 2009. Canary Wharf Group acquired 20.0% of the share capital in the companies that own the property and is the Development Manager with responsibility for the day to day running of the scheme (see Note 16).

Crossrail

In December 2008 Canary Wharf Group concluded agreements with the Secretary of State for Transport and TfL's subsidiary CLRL to contribute £150.0m towards the cost of the new Crossrail station at Canary Wharf.

Canary Wharf Group will design and construct the Crossrail station for a fixed price of £500.0m, of which £350.0m will be met from Crossrail's £15.9bn budget with Canary Wharf Group bearing the risk in relation to costs above the fixed price limit. Canary Wharf Group's anticipated contribution of £150.0m will be credited against any transport Section 106 contributions for certain agreed development sites on the Estate (comprising North Quay, Heron Quays West (including Newfoundland) and Riverside South) which may be required as part of proposed alterations to the London Plan. Accordingly, costs incurred on construction of the station are allocated to the group's properties held for development.

Construction commenced on the Crossrail station at Canary Wharf in early 2009. The station box is expected to be completed and handed over to CLRL by summer 2012 with the first trains due to run in 2017 when Crossrail opens for passenger service. Planning permission has also been granted for a 100,000 sq ft retail area above the station which will be subject to a long lease to Canary Wharf Group.

Valuations

The net assets of the group, as stated in its consolidated balance sheet as at 30 June 2009, were £331.2m. In arriving at this total:

(i) properties held as investments were carried at £4,047.0m, which represents the market value of those properties of £4,247.5m at that date as determined by Canary Wharf Group's external valuers, CBRE, Savills or Cushman, less an adjustment of £195.0m for tenant incentives and £5.5m for deferred negotiation costs;

(ii) properties held for development were carried at £186.0m, representing their market value; and

(iii) the property under construction to be retained by Canary Wharf Group was carried at £169.3m, representing its market value less an adjustment of £0.7m for deferred negotiation costs.

Adjusting for additions, the valuation of the investment portfolio on the basis of market value fell by £248.5m or 5.5% over the six months to 30 June 2009. After also allowing for adjustments in respect of lease incentives, the carrying value of the investment portfolio reduced by £242.6m over the period. This reduction was primarily driven by an increase in initial yields by approximately 40 bps as a result of which the weighted average initial yield of the office portfolio, increased from 6.9% to 7.3%. At 30 June 2009 the weighted average equivalent yield for the office portfolio, which takes into account the valuers' forecast of future rental values, was 6.3% (31 December 2008 – 6.5%) and for the retail portfolio was 7.2% (31 December 2008 – 6.6%). The directors continue to be of the view that the relatively low vacancy rate on the Estate and long average unexpired lease terms put the group in a strong position to take advantage of any improvement in the economic outlook as and when it occurs.

CBRE and Savills have provided a joint opinion as at 30 June 2009 that the market value of properties held for development was £186.0m, in comparison with £260.0m at 31 December 2008. This resulted in a valuation reduction of £95.9m in the period, net of additions, of which £58.4m served to reduce revaluation surpluses recognised in prior periods and £37.5m related to properties where historic costs are in excess of market value. In valuing the properties held for development, the valuers have allowed for estimated costs to complete, including an allowance for fit-out. In addition they have allowed for letting, disposal, marketing and financing costs. The market value of £186.0m represents a reduction of 34.0%, after additions, over the market value at 31 December 2008 and reflects the current uncertain outlook for development.

The valuers also provided an opinion at 30 June 2009 that the market value of the property under construction to be retained was £170.0m which resulted in a valuation reduction of £29.7m in the period, net of additions. The pre-sold properties under construction had a market value of £329.5m compared with a carrying value of £150.9m before the transfers required by IAS 11.

Excluding properties under construction held for sale, the market value of the property portfolio reduced by £374.1m or 7.5% over the six months, after additions. This reduction in value was driven by the factors referred to earlier.

As previously disclosed, a number of properties are subject to leases back to Canary Wharf Group. These have been taken into account in the valuations summarised in the table below, which shows the carrying value of Canary Wharf Group's properties for accounts purposes in comparison with the supplementary valuations provided by the external valuers.

		30 June 2009		Restated 31 December 2008	
	Note	**Carrying value £m**	**Market value in existing state £m**	Carrying value £m	Market value in existing state £m
Investment properties	1	**4,047.0**	**4,247.5**	4,276.6	4,483.0
Properties under construction	2	**169.3**	**170.0**	181.8	182.5
Properties held for development		**186.0**	**186.0**	260.0	260.0
		4,402.3	**4,603.5**	4,718.4	4,925.5
Pre-sold properties under construction	3	**150.9**	**329.5**	258.4	536.6
		4,553.2	**4,933.0**	4,976.8	5,462.1

Note:

1 The carrying value represents market value less an adjustment for lease incentives and deferred negotiation costs. The tenant incentives and deferred negotiation costs adjustment at 30 June 2009 was £200.5m (31 December 2008 – £206.4m). Market value in existing state is shown prior to these amounts.

2 Market value in existing state is shown before adjustment for deferred negotiation costs totalling £0.7m at 30 June 2009 and 31 December 2008.

3 The carrying value at 30 June 2009 is stated net of £147.8m transferred to cost of sales (31 December 2008 – £256.8m), £8.5m transferred from payments on account of pre-sold properties (31 December 2008 – £8.0m) and the accrued costs of £5.4m (31 December 2008 – accrued £6.4m). The 31 December 2008 figures have been restated as explained in Note 1 and Note 2. Market value in existing state also includes the present value of the minimum developer's profit from the sale of Riverside South discounted at 6.2% being Canary Wharf Group's weighted average cost of debt, calculated on the assumption that JP Morgan will not proceed with full build out, and excludes the profit already recognised on the disposal of the site in 2008.

The valuations are based on assumptions which include future rental income, anticipated void costs, the appropriate discount rate or yield and, in the case of development properties, the estimated costs to completion. In valuing the properties within the group's portfolio the valuers also take account of market evidence of transaction prices for similar properties on the Estate.

Operating Results

The following review of the group's operating results relates to the six months ended 30 June 2009. The comparatives relate to the six months ended 30 June 2008. The comparatives have been restated as set out in Note 2.

Revenue is generated primarily by the rents and service charges earned by Canary Wharf Group from its property interests on the Estate and turnover recognised on pre-sold properties in accordance with IAS 11 and IFRIC 15. Revenue for the six months ended 30 June 2009 was £337.0m, against £295.2m for the six months ended 30 June 2008 of which rental income after spreading lease incentives and committed rent increases was £152.1m (six months ended 30 June 2008 – £151.4m). At 30 June 2009 the board assessed the recoverability of lease incentives incurred in connection with the Lehman lease (see 'Business Review – Lehman'). As a result, these lease incentives continue to be amortised over a shorter period than the lease term leading to a reduction of £4.8m in income in the period. The impact of spreading lease incentives, net of the accelerated charge relating to Lehman was to reduce rental income by £5.1m in the six months ended 30 June 2009 (six months ended 30 June 2008 – increase of £11.7m). Excluding this accounting adjustment, rental income increased from £139.7m to £157.2m, an increase of 12.5%, primarily attributable to the benefit of rent reviews including fixed uplifts in rent. In the six months ended 30 June 2009 the group recognised £14.9m of income in connection with lease termination agreements (six months ended 30 June 2008 – £23.4m).

Business Review continued

Service charge income increased from £33.5m to £36.3m and miscellaneous income, including insurance rents and the provision of tenant specific services outside the standard service charge, reduced from £13.3m to £11.6m over the period. The six months ended 30 June 2009 also included £122.1m of turnover recognised on pre-sold properties (six months ended 30 June 2008 – £73.6m). The movement in revenues on pre-sold properties is attributable to the completion of 15 Canada Square in April 2009.

Cost of sales includes rents payable and property management costs, movements on provisions for vacant leasehold properties and certain other lease commitments, as well as costs recognised on pre-sold properties. Rents payable and property management costs were £46.1m in comparison with £44.4m for the six months ended 30 June 2008. Taking into account service charge and miscellaneous income, a profit on estate management of £1.8m was achieved (six months ended 30 June 2008 – £2.4m).

Provisions relating to the remaining vacant leasehold property, rent support commitments and certain other obligations of Canary Wharf Group reduced by £1.5m in the six months ended 30 June 2009 compared with a net reduction in such provisions totalling £5.0m in the six months ended 30 June 2008. In addition, the six months ended 30 June 2009 included £6.5m of dilapidations and other costs attributable to the termination of leases in the period (six months ended 30 June 2008 – £7.7m). Costs recognised on pre-sold properties totalled £41.2m (six months ended 30 June 2008 – £71.9m), resulting in £80.9m of profit being recognised in the period (six months ended 30 June 2008 – £1.7m).

For the six months ended 30 June 2009 net development, rental and related income was £244.7m, an increase of £68.5m over the six months ended 30 June 2008, the increase being mainly attributable to the timing of profit recognition on the pre-sold properties.

In addition to its share of the operating loss of WWLP in the period of £0.2m, the group has recognised an impairment of £5.2m against its investment in WWLP. This impairment has been taken to the income statement and classified as a capital and other item. In addition the group has recognised provisions totalling £4.5m (31 December 2008 – £5.6m) in respect of its investment in Drapers Gardens, comprising £3.5m (31 December 2008 – £2.9m) for the group's share of the unrecognised loss on interest hedging and £1.0m (31 December 2008 – £2.9m) for the maximum possible equity funding required under the shareholders' agreement, resulting in a charge of £0.6m to the income statement classified as a capital and other item.

Administrative expenses for the six months ended 30 June 2009 were £16.1m in comparison with £18.0m for the six months ended 30 June 2008. The reduction in administrative expenses was primarily attributable to a reduction in leasing expenses and staff costs.

Underlying operating profit (as defined in Note 3) for the six months ended 30 June 2009 was £229.1m in comparison with £159.9m for the six months ended 30 June 2008. Of the increase of £69.2m, £79.2m was attributable to the recognition of profit on pre-sold properties, partially offset by a reduction in net proceeds of £7.3m from the termination of leases.

Offsetting the underlying operating profit, a net revaluation deficit of £368.2m (Note 5) was recognised in the income statement in the period compared with £594.8m in the six months ended 30 June 2008. Total operating losses for the six months ended 30 June 2009 were £144.9m against £434.9m for the six months ended 30 June 2008. The movement was attributable to the reduced revaluation deficit and the other factors referred to above.

Underlying net financing costs for the six months ended 30 June 2009 were £139.4m against £124.5m for the six months ended 30 June 2008. The increase in underlying net interest payable of £14.9m was primarily attributable to lower rates of interest earned on the group's cash balances (Note 6). Movements on derivative financial instruments excluding the repurchase of securitised debt, together with the finance costs of SG Shares, resulted in a net gain of £176.8m being recognised in the income statement in the six months ended 30 June 2009 compared with £39.1m in the six months ended 30 June 2008.

In April 2009 Canary Wharf Group repurchased an aggregate principal amount of £119.7m of certain of the Notes for a consideration, excluding accrued interest, of £35.5m (Note 13). After allowing for deferred fees and, where applicable, stepped interest rate accruals, the group recognised a gain of £83.0m on the repurchase. The repurchased Notes remain in issue, are held by a Canary Wharf Group company, and accordingly remain fully hedged. The fair value of the hedging instruments associated with the repurchased Notes, which had previously been recognised in equity within the hedging reserve, has been taken to the income statement resulting in a charge of £16.7m which has been offset against the £83.0m gain on repurchase. The net gain of £66.3m is classified as a capital and other item.

The loss before tax for the six months ended 30 June 2009 was £41.2m in comparison with £520.3m for the six months ended 30 June 2008. The results for the six months ended 30 June 2009 and the six months ended 30 June 2008 included certain capital and other profits and losses as described above. Underlying profit before tax for the six months ended 30 June 2009 was £89.7m (six months ended 30 June 2008 – £35.4m), the increase being mainly attributable to the timing of profit recognition on the pre-sold properties partly offset by lower interest receivable.

Tax for the six months ended 30 June 2009 comprised a corporation tax charge of £12.8m, together with a deferred tax charge of £56.9m. The charge for deferred tax is primarily attributable to the tax effect of profits recognised on pre-sold properties, the gains on derivatives and the repurchase of securitised debt, partially offset by the revaluation deficit during the period. In the six months ended 30 June 2008 a deferred tax credit of £102.1m was recognised through the income statement which primarily related to deferred tax on the revaluation deficit, partly offset by the movement in fair values of derivative instruments.

The loss after tax for the six months ended 30 June 2009 was £110.9m in comparison with £418.2m for the six months ended 30 June 2008.

The basic and diluted loss per share for the six months ended 30 June 2009 was 17.8p (six months ended 30 June 2008 – 58.9p) (Note 3).

Tax

In 2008 Canary Wharf Group utilised EZAs to shelter for the most part its taxable profits and gains. Going forward, EZAs will continue to shelter just a small part of taxable profits, until they are abolished in 2011 as a result of a change in law. This abolition will result in lost tax relief of £6.2m.

The contingent tax payable if Canary Wharf Group was to dispose of its owned property portfolio at the market values disclosed in this ‘Business Review’ is included in the net deferred tax balance recognised at each balance sheet date (Note 7).

Balance Sheet and Key Performance Indicators

Net assets in the group’s balance sheet were £331.2m at 30 June 2009, down by £90.6m from £421.8m at 31 December 2008. The reduction in net assets was primarily attributable to the reduction in the carrying value of properties held as non current assets by £368.2m over the six months (Note 5). This was partly offset by the unrealised gain on derivative instruments of £187.8m, of which £183.0m was recognised in the income statement and £4.8m in the hedging reserve, and by the underlying profit before tax for the period of £89.7m principally arising from the profits recognised on pre-sold properties.

The company’s objective is to manage its investment in Canary Wharf Group so as to maximise net asset values from its property investment and development activities, although the group is impacted by movements in the wider property market. The board considers that the most appropriate indicator of the group’s performance is adjusted net asset value per share attributable to members of the company prior to the payment of dividends. This measure serves to capture the board’s judgements concerning, inter alia, letting strategy, redevelopment and financial structure.

Adjusted NAV includes the external valuation surplus on pre-sold properties under construction but excludes deferred tax and fair value adjustments on derivatives. In addition, in calculating adjusted NAV, the SG Shares are treated as equity rather than as a debt instrument in accordance with accounting standards. The calculation of adjusted NAV is disclosed in Note 3 and indicates that adjusted NAV per share reduced from 63p to 33p.

Business Review continued

Adjusted NNNAV per share is set out in the following table:

	Note	30 June 2009 £m	Restated 31 December 2008 £m
Adjusted net assets attributable to members of the company	(i)	**205.2**	398.5
Fair value adjustment in respect of financial assets and liabilities net of tax thereon	(ii)	**162.2**	64.4
Deferred tax	(iii)	**(41.7)**	20.8
Minority interest in above adjustments		**(47.2)**	(33.4)
Adjusted NNNAV		**278.5**	450.3
Cumulative dividends	(iv)	**512.3**	512.3
Adjusted NNNAV before dividends		**790.8**	962.6
Adjusted NAV per share	(i)	**£0.33**	£0.63
Adjusted NNNAV per share	(v)	**£0.44**	£0.71
Adjusted NNNAV per share before dividends	(v)	**£1.25**	£1.52

Note:

(i) Refer to Note 3.

(ii) The fair value adjustment comprises the mark to market of derivatives in Note 3 and the after tax difference between the market value and book value of debt (Note 13), excluding the SG Shares which are treated as equity in the NNNAV calculation.

(iii) Refer to Note 7.

(iv) Total dividends paid since the acquisition of Canary Wharf Group in 2004 of £657.6m, or £1.05 per share at 30 June 2009 and 31 December 2008, of which £145.3m was accounted for as a reduction in the liability recorded in respect of the SG Shares (Note 13).

(v) Calculation based on 630.6m shares in issue at 30 June 2009 and 31 December 2008.

Borrowings

During the period, Canary Wharf Group repurchased £119.7m of Notes for an aggregate consideration, excluding accrued interest, of £35.5m (Note 13). This transaction resulted in a reduction in net debt of £66.3m after the recycling of amounts previously recognised in the hedging reserve relating to the derivatives associated with these Notes and other accounting adjustments.

During the period £29.8m was drawn down under the Songbird loan facility and Canary Wharf Group drew down £17.4m, including interest, under its £155.0m construction loan facility secured on 5 Churchill Place.

At 30 June 2009, net debt (including derivative financial instruments at fair value, net of monetary deposits and cash and cash equivalents) stood at £4,054.5m, down by £239.4m from £4,293.9m at 31 December 2008. The components of net debt are shown in Note 13.

The reduction in total borrowings, including derivatives, from £5,480.3m to £5,202.6m primarily reflects movements in the fair values of derivative instruments and the repurchase of Notes. In addition, the reduction reflects the scheduled amortisation under Canary Wharf Group's securitisation and other secured debt, partially offset by draw downs under the Canary Wharf Group construction loan facility and the Songbird loan.

The reduction in total borrowings was accompanied by a reduction in cash and cash equivalents from £1,161.3m to £1,134.7m, primarily as a result of the funding of construction costs and repurchase of Notes, but partially offset by receipts in the period from the pre-sold properties.

At 30 June 2009 the group's weighted average cost of debt was 6.4% including credit wraps (31 December 2008 – 6.4%).

The borrowings of Canary Wharf Group are secured against designated property interests, have no cross default provisions and are subject to lending covenants including maximum LTV ratios and minimum ICRs as outlined in Note 13. Canary Wharf Group was in compliance with its lending covenants at 30 June 2009 and throughout the period then ended. At 30 June 2009 the average maturity of Canary Wharf Group's debt was 14.1 years (31 December 2008 – 14.8 years).

Cash Flow

Cash generated from operations for the six months ended 30 June 2009 was £223.0m in comparison with £93.4m for the six months ended 30 June 2008. The six months ended 30 June 2009 included £126.1m of proceeds and £31.2m of construction costs on pre-sold properties compared with £54.3m and £73.4m respectively in the six months ended

30 June 2008. Excluding the impact of these cash flows, cash generated from operations increased from £112.5m to £128.1m. This increase was primarily attributable to movements in working capital and increased rental income arising from rent reviews and fixed stepped rental uplifts.

Cash flows from investing activities resulted in a cash outflow of £90.0m for the six months ended 30 June 2009 compared with £78.5m for the six months ended 30 June 2008. The six months ended 30 June 2009 included £85.6m of development expenditure on properties to be retained by Canary Wharf Group (six months ended 30 June 2008 – £74.9m).

A net cash inflow from financing activities for the six months ended 30 June 2009 totalled £0.9m compared with an outflow of £45.5m for the six months ended 30 June 2008, which included a £40.1m dividend payment to the minority shareholders. No dividends were paid by the company in the six months ended 30 June 2009 or the six months ended 30 June 2008. The six months ended 30 June 2009 included £29.8m drawn down under the Songbird loan and £17.4m under the construction loan facility, partly offset by £35.5m incurred on the repurchase of Notes and £10.8m on scheduled amortisation on the securitisation and other secured debt. The six months ended 30 June 2008 included £60.2m repaid on the Songbird loan, partly offset by £30.0m drawn down under this loan facility and £31.8m excluding interest drawn down under the construction loan facility.

Risks and Uncertainties

The key risks and uncertainties identified by the group were summarised in the 2008 Report and Financial Statements (refer to 'Principal Risks and Uncertainties' and 'Treasury Objectives' in the 'Business Review' section).

The risks and uncertainties facing the business of the consolidated group are monitored through continuous assessment, regular and formal quarterly review and discussion at audit committee and board level of both the company and Canary Wharf Group. The key risks and uncertainties continue to include the cyclical nature of the property market, financing risk, concentration risk and policy and planning risk. There is a risk that further softening of yields could put pressure on the loan to value covenants in the group's loan facilities as detailed in Note 13 (Net Debt).

Unaudited Condensed Consolidated Income Statement for the six months ended 30 June 2009

Restated* Audited Year ended 31 December 2008 Underlying** £m	Capital and other £m	Total £m		Note	**Unaudited Six months ended 30 June 2009 Underlying** £m**	**Capital and other £m**	**Total £m**	Restated* Unaudited Six months ended 30 June 2008 Underlying** £m	Capital and other £m	Total £m
654.8	–	654.8	Gross development, rental and related income	4	**337.0**	**–**	**337.0**	295.2	–	295.2
(256.3)	–	(256.3)	Cost of sales		**(92.3)**	**–**	**(92.3)**	(119.0)	–	(119.0)
398.5	–	398.5	**Net development, rental and related income**	4	**244.7**	**–**	**244.7**	176.2	–	176.2
(0.5)	(14.5)	(15.0)	Share of associates and joint ventures (after tax)	9	**(0.2)**	**(5.8)**	**(6.0)**	0.7	(2.4)	(1.7)
(41.8)	–	(41.8)	Administrative expenses		**(16.1)**	**–**	**(16.1)**	(18.0)	–	(18.0)
1.6	0.5	2.1	Other income		**0.7**	**–**	**0.7**	1.0	–	1.0
–	(1,773.6)	(1,773.6)	Net revaluation movements	5	**–**	**(368.2)**	**(368.2)**	–	(592.4)	(592.4)
357.8	(1,787.6)	(1,429.8)	**Operating (loss)/profit**		**229.1**	**(374.0)**	**(144.9)**	159.9	(594.8)	(434.9)
			Net financing costs							
47.5	–	47.5	– investment revenues	6	**9.9**	**–**	**9.9**	25.3	–	25.3
(300.9)	(217.1)	(518.0)	– financing income/(costs)	6	**(149.3)**	**176.8**	**27.5**	(149.8)	39.1	(110.7)
–	–	–	– debt repurchase gains	6	**–**	**66.3**	**66.3**	–	–	–
(253.4)	(217.1)	(470.5)			**(139.4)**	**243.1**	**103.7**	(124.5)	39.1	(85.4)
104.4	(2,004.7)	(1,900.3)	**(Loss)/profit for the period before tax**	3	**89.7**	**(130.9)**	**(41.2)**	35.4	(555.7)	(520.3)
		146.8	Tax	7			**(69.7)**			102.1
		(1,753.5)	**Loss for the period after tax**	3			**(110.9)**			(418.2)
			Attributable to:							
		(1,092.5)	Equity shareholders				**(80.9)**			(267.3)
		(661.0)	Minority interest				**(30.0)**			(150.9)
		(1,753.5)					**(110.9)**			(418.2)
			Losses per share							
		(240.7)p	– basic and diluted	3			**(17.8)p**			(58.9)p

* Restated as set out in Note 2.

**As defined in Note 3.

Unaudited Condensed Consolidated Statement of Comprehensive Income for the six months ended 30 June 2009

Restated* Audited Year ended 31 December 2008 £m		**Unaudited Six months ended 30 June 2009 £m**	Restated* Unaudited Six months ended 30 June 2008 £m
(1,753.5)	Loss for the period after tax	**(110.9)**	(418.2)
	Other comprehensive income:		
(19.4)	Revaluation of development property	**–**	(141.8)
(0.3)	Share of revaluation of associate's development property	**–**	(0.3)
(168.3)	Gains/(losses) on cash flow hedges	**4.8**	49.4
39.9	Deferred tax on items taken directly to equity	**0.3**	16.7
(148.1)	Net gain/(loss) recognised directly in or transferred (to)/from equity	**5.1**	(76.0)
3.3	Transferred from equity in respect of cash flow hedges	**21.1**	1.6
(0.9)	Tax on items transferred from equity	**(5.9)**	(0.4)
2.4		**15.2**	1.2
(1,899.2)	**Total comprehensive loss for the period**	**(90.6)**	(493.0)
	Attributable to:		
(1,193.2)	Equity holders of the company	**(66.1)**	(306.6)
(706.0)	Minority interest	**(24.5)**	(186.4)
(1,899.2)		**(90.6)**	(493.0)

*Restated as set out in Note 2.

Unaudited Condensed Consolidated Statement of Changes in Equity for the six months ended 30 June 2009

	Note	Share premium £m	Treasury shares £m	Revaluation reserve £m	Hedging reserve £m	**Total other reserves £m**	Minority interest £m	Retained earnings £m	Share capital £m	**Total £m**
1 January 2009 as previously reported		379.2	(0.2)	77.4	(132.4)	**324.0**	546.8	(456.5)	45.4	**459.7**
Restatement (Note 2)		–	–	–	–	**–**	(14.8)	(23.1)	–	**(37.9)**
1 January 2009 as restated		379.2	(0.2)	77.4	(132.4)	**324.0**	532.0	(479.6)	45.4	**421.8**
Loss for the period after tax		–	–	–	–	**–**	–	(110.9)	–	**(110.9)**
Gains on effective hedges	13	–	–	–	4.8	**4.8**	–	–	–	**4.8**
Tax on items taken direct to equity	7	–	–	–	0.3	**0.3**	–	–	–	**0.3**
Net income recognised directly in equity		–	–	–	5.1	**5.1**	–	(110.9)	–	**(105.8)**
Transferred to minority interest		–	–	–	(5.5)	**(5.5)**	(24.5)	30.0	–	**–**
Transferred to income:										
– cash flow hedges		–	–	–	21.1	**21.1**	–	–	–	**21.1**
Tax on transfers	7	–	–	–	(5.9)	**(5.9)**	–	–	–	**(5.9)**
Total comprehensive income and expense for the period		–	–	–	14.8	**14.8**	(24.5)	(80.9)	–	**(90.6)**
Reserves transfer		–	–	(77.4)	–	**(77.4)**	–	77.4	–	**–**
30 June 2009		**379.2**	**(0.2)**	**–**	**(117.6)**	**261.4**	**507.5**	**(483.1)**	**45.4**	**331.2**

Unaudited Condensed Consolidated Statement of Changes in Equity for the six months ended 30 June 2008

	Share premium £m	Treasury shares £m	Revaluation reserve £m	Hedging reserve £m	**Total other reserves £m**	Minority interest £m	Retained earnings £m	Share capital £m	**Total £m**
1 January 2008 as previously reported	379.2	(0.4)	128.7	(42.8)	**464.7**	1,272.9	564.7	45.4	**2,347.7**
Restatement (Note 2)	–	–	–	–	**–**	5.2	8.0	–	**13.2**
1 January 2008 as restated	379.2	(0.4)	128.7	(42.8)	**464.7**	1,278.1	572.7	45.4	**2,360.9**
Loss for the period after taxation	–	–	–	–	**–**	–	(418.2)	–	**(418.2)**
Valuation movements on development properties	–	–	(141.8)	–	**(141.8)**	–	–	–	**(141.8)**
Valuation movements on associated undertakings	–	–	(0.3)	–	**(0.3)**	–	–	–	**(0.3)**
Gains on effective hedges	–	–	–	49.4	**49.4**	–	–	–	**49.4**
Tax on items taken direct to equity	–	–	27.3	(10.6)	**16.7**	–	–	–	**16.7**
Net income recognised directly in equity	–	–	(114.8)	38.8	**(76.0)**	–	(418.2)	–	**(494.2)**
Transferred to minority interest	–	–	45.0	(9.5)	**35.5**	(186.4)	150.9	–	**–**
Transferred to income:									
– cash flow hedges	–	–	–	1.6	**1.6**	–	–	–	**1.6**
Tax on transfers	–	–	–	(0.4)	**(0.4)**	–	–	–	**(0.4)**
Total comprehensive income and expense for the period	–	–	(69.8)	30.5	**(39.3)**	(186.4)	(267.3)	–	**(493.0)**
Dividends paid by subsidiary undertaking	–	–	–	–	**–**	(40.1)	–	–	**(40.1)**
30 June 2008	**379.2**	**(0.4)**	**58.9**	**(12.3)**	**425.4**	**1,051.6**	**305.4**	**45.4**	**1,827.8**

Unaudited Condensed Consolidated Statement of Changes in Equity for the year ended 31 December 2008

	Share premium £m	Treasury shares £m	Revaluation reserve £m	Hedging reserve £m	**Total other reserves £m**	Minority interest £m	Retained earnings £m	Share capital £m	**Total £m**
1 January 2008 as previously reported	379.2	(0.4)	128.7	(42.8)	**464.7**	1,272.9	564.7	45.4	**2,347.7**
Restatement (Note 2)	–	–	–	–	**–**	5.2	8.0	–	**13.2**
1 January 2008 as restated	379.2	(0.4)	128.7	(42.8)	**464.7**	1,278.1	572.7	45.4	**2,360.9**
Loss for the year after taxation	–	–	–	–	**–**	–	(1,753.5)	–	**(1,753.5)**
Valuation movements on development properties	–	–	(19.4)	–	**(19.4)**	–	–	–	**(19.4)**
Realised revaluation surplus on sale of development property	–	–	(108.4)	–	**(108.4)**	–	108.4	–	**–**
Minority interest on realised revaluation surplus	–	–	42.2	–	**42.2**	–	(42.2)	–	**–**
Tax on realised revaluation surplus	–	–	26.0	–	**26.0**	–	(26.0)	–	**–**
Valuation movement on associated undertakings	–	–	(0.3)	–	**(0.3)**	–	–	–	**(0.3)**
Losses on effective hedges	–	–	–	(168.3)	**(168.3)**	–	–	–	**(168.3)**
Tax on items taken direct to equity	–	–	1.5	38.4	**39.9**	–	–	–	**39.9**
Net income recognised directly in equity	–	–	(58.4)	(129.9)	**(188.3)**	–	(1,713.3)	–	**(1,901.6)**
Transferred to minority interest	–	–	7.1	37.9	**45.0**	(706.0)	661.0	–	**–**
Transferred to income:									
– cash flow hedges	–	–	–	3.3	**3.3**	–	–	–	**3.3**
Tax on transfers	–	–	–	(0.9)	**(0.9)**	–	–	–	**(0.9)**
Total comprehensive income and expense for the period	–	–	(51.3)	(89.6)	**(140.9)**	(706.0)	(1,052.3)	–	**(1,899.2)**
Reserve movements in respect of share plan	–	0.2	–	–	**0.2**	–	–	–	**0.2**
Dividends paid by subsidiary undertaking	–	–	–	–	**–**	(40.1)	–	–	**(40.1)**
31 December 2008	**379.2**	**(0.2)**	**77.4**	**(132.4)**	**324.0**	**532.0**	**(479.6)**	**45.4**	**421.8**

Description of the nature and purpose of each reserve

The treasury shares reserve represents the cost of B Shares held in trust.

The revaluation reserve previously represented the surplus of market value over historical cost of development properties and properties under construction to be retained by the group. As disclosed in Note 1, development properties and properties under construction were previously accounted for under IAS 16, but are now accounted for under IAS 40 and, as a result, movements in the valuations of such properties are required to be taken to the income statement. The brought forward balance on the revaluation reserve has been transferred to retained earnings at the start of the current period.

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of the group's hedging investments together with the amounts deferred in equity under previously effective hedges which are recognised in the income statement in the same period in which the hedged item affects net profit or loss.

Retained earnings includes revaluation surpluses in respect of investment and development properties that are recognised in the income statement.

Unaudited Condensed Consolidated Balance Sheet at 30 June 2009

Restated* Audited 31 December 2008 £m		Note	**Unaudited 30 June 2009 £m**	Restated* Unaudited 30 June 2008 £m
	Assets:			
	Non current assets			
4,276.6	Investment properties	8	**4,047.0**	5,453.3
181.8	Properties under construction	8	**169.3**	149.3
260.0	Development properties	8	**186.0**	330.0
1.9	Plant and equipment	8	**1.7**	0.8
4,720.3			**4,404.0**	5,933.4
	Other non current assets			
22.6	Investments	9	**19.7**	25.1
–	Derivative financial instruments	13	**1.9**	29.6
213.3	Tenant incentives and other non current assets	11	**204.3**	214.5
20.8	Deferred tax asset		**–**	–
4,977.0			**4,629.9**	6,202.6
	Current assets			
43.8	Trade and other receivables	10	**52.1**	54.9
25.1	Monetary deposits	13	**13.4**	78.2
1,161.3	Cash and cash equivalents	13	**1,134.7**	870.3
1,230.2			**1,200.2**	1,003.4
6,207.2	**Total assets**		**5,830.1**	7,206.0
	Liabilities:			
	Current liabilities			
(94.0)	Current portion of long term borrowings	13	**(985.5)**	(65.9)
(294.2)	Trade and other payables	12	**(245.0)**	(366.4)
(388.2)			**(1,230.5)**	(432.3)
	Non current liabilities			
(4,913.5)	Borrowings	13	**(3,940.2)**	(4,837.8)
(472.8)	Derivative financial instruments	13	**(278.8)**	(31.9)
–	Deferred tax liabilities	7	**(41.7)**	(55.4)
(10.9)	Provisions	14	**(7.7)**	(20.8)
(5,397.2)			**(4,268.4)**	(4,945.9)
(5,785.4)	**Total liabilities**		**(5,498.9)**	(5,378.2)
421.8	**Net assets**		**331.2**	1,827.8
	Equity			
45.4	Share capital		**45.4**	45.4
324.0	Other reserves		**261.4**	425.4
(479.6)	Retained earnings		**(483.1)**	305.4
(110.2)	**Total (deficit)/equity attributable to members of the company**		**(176.3)**	776.2
532.0	Minority interests		**507.5**	1,051.6
421.8	**Total equity**		**331.2**	1,827.8

*Restated as set out in Note 2.

Unaudited Condensed Consolidated Cash Flow Statement for the six months ended 30 June 2009

Audited Year ended 31 December 2008 £m		Note	**Unaudited Six months ended 30 June 2009 £m**	Unaudited Six months ended 30 June 2008 £m
	Net cash flows from operating activities			
275.8	Cash generated from operations	15	**223.0**	93.4
(297.3)	Interest paid		**(161.6)**	(149.6)
54.1	Interest received		**11.2**	30.5
(2.5)	Interest element of finance lease rentals		**(0.2)**	(0.5)
(0.5)	Financing expenses		**(1.8)**	–
–	Breakage costs		**(8.1)**	–
29.6	**Net cash inflow/(outflow) from operating activities**		**62.5**	(26.2)
	Cash flows from investing activities			
(169.2)	Development expenditure		**(85.6)**	(74.9)
(1.6)	Purchase of property, plant and equipment		**(0.1)**	–
237.9	Sale of Riverside South		**–**	–
(8.7)	Investment in and loans to associated undertakings		**(4.3)**	(3.6)
58.4	**Net cash (outflow)/inflow from investing activities**		**(90.0)**	(78.5)
	Cash flows from financing activities			
(40.1)	Dividends paid to minority shareholders		**–**	(40.1)
59.6	Draw down of construction loan		**17.4**	31.8
–	Repurchase of securitised debt		**(35.5)**	–
(6.9)	Redemption of securitised debt		**(3.5)**	(3.5)
50.0	Draw down of secured loan		**–**	–
(9.5)	Redemption of secured loans		**(7.3)**	(3.5)
59.9	Draw down of Songbird loan		**29.8**	30.0
(60.2)	Repayment of Songbird loan		**–**	(60.2)
52.8	**Net cash inflow/(outflow) from financing activities**		**0.9**	(45.5)
140.8	Net (decrease)/increase in cash and cash equivalents		**(26.6)**	(150.2)
1,020.5	Cash and cash equivalents at period start		**1,161.3**	1,020.5
1,161.3	**Cash and cash equivalents at period end**	13	**1,134.7**	870.3

Notes to the Interim Report for the six months ended 30 June 2009

1 BASIS OF PREPARATION

The group reported the results for the year ended 31 December 2008 under IFRS as adopted by the EU. The financial information presented in this Interim Report has been prepared in accordance with the accounting policies adopted in the last annual financial statements for the year ended 31 December 2008 except for the adoption of IAS 1 (revised) Presentation of Financial Statements, the IASB's Annual Improvements to IFRS (May 2008) as they relate to construction and development properties and IFRIC 15. The accounting policies applied in the preparation of this financial information are consistent with those that will be adopted in the statutory accounts for the year ending 31 December 2009. The full accounting policies of the group are set out in the last Annual Report. These have been applied in preparing this Interim Report with the exceptions as set out below.

The accounting treatment for property that is being constructed or developed for future use as an investment property has changed. Previously such properties were accounted for under IAS 16 but are now accounted for under IAS 40. This change has been applied prospectively and has resulted in revaluation movements on such properties being recognised in the income statement rather than in equity in the current period. The brought forward revaluation surplus relating to such properties has been transferred to retained earnings. There is no requirement to restate comparatives and accordingly no adjustment has been made to previously reported results for this change in accounting policy.

IFRIC 15 has been adopted in connection with the accounting for the pre-sold properties under construction. IFRIC 15 impacts on the timing of profit recognition on these contracts undertaken by the group. The contracts have been split into three component parts: sale of land; completed construction works at the date of entering into the contracts; and ongoing construction contracts. Previously each contract was accounted for as a single transaction as this reflected the inter-related nature of the component parts which were negotiated and entered into simultaneously. The impact of the adoption of IFRIC 15 is set out in Note 2.

IAS 1 (revised) requires the presentation of a statement of changes in equity as a primary statement separate from the income statement and statement of comprehensive income. The Unaudited Consolidated Statement of Changes in Equity has been included with the other primary statements and shows the changes in each component of equity for each period.

The financial information for the six months ended 30 June 2009 and the six months ended 30 June 2008 is unaudited. A copy of the statutory accounts for the year ended 31 December 2008 has been delivered to the Registrar of Companies. The auditors' report on these accounts was not qualified, but contained an emphasis of matter concerning the ability of the company to continue as a going concern. Other than this, the auditors' report did not contain a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain statements under Section 237(2) or (3) of the Companies Act 1985.

The financial information contained in this Interim Report does not constitute a complete set of financial statements (including all comparative figures and all required notes). The financial information does not therefore constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985 and 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 2009.

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 these estimates. As a result of the application of IFRIC 15 during the period, judgement has been exercised in the allocation of revenue on the pre-sold construction property transactions to the three separate component parts. Revenue has been allocated to the construction elements of these contracts by applying an estimated market rate of return with the residual revenue being allocated to the sale of land.

Notes to the Interim Report for the six months ended 30 June 2009 continued

Going Concern

The financial statements have been prepared on a going concern basis which assumes the group will be able to meet its liabilities as they fall due for the foreseeable future. In preparing the financial statements the directors have taken into account the risks and uncertainties of the business which were set out in the company's financial statements for the year ended 31 December 2008. These risks and uncertainties included financial risks and specifically the directors' view at that time that there was a material risk of a breach of its loan covenants prior to the repayment date of the £880.0m Songbird loan facility should a refinancing not occur.

As set out in the 'Business Review' and Note 17, the directors have concluded their discussions with the loan provider and major shareholders and have announced the underwritten placing and compensatory open offer to shareholders. The capital raising and shareholder loan are subject to a number of conditions including shareholder approval. The current and proposed major shareholders have entered into legally binding commitments and given irrevocable undertakings that they will vote in favour of the proposals. Accordingly, the directors consider that there is reasonable certainty that the proposed capital raising will be successful.

Having made the requisite enquiries, the directors have a reasonable expectation that the company and the group will have adequate resources to continue their operations for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the Interim Report for the six months ended 30 June 2009.

2 SUMMARY OF RESTATEMENT

The effects of adopting IFRIC 15 are summarised below:

Unaudited six months ended 30 June 2009:

	Result without adopting IFRIC 15 £m	Adjustment £m	**As reported £m**
Balance sheet items:			
Trade and other payables	(256.8)	11.8	**(245.0)**
Deferred tax liability	(38.4)	(3.3)	**(41.7)**
Retained earnings	(488.2)	5.1	**(483.1)**
Net assets	322.7	8.5	**331.2**
Income statement items:			
Gross development, rental and related income	266.1	70.9	**337.0**
Cost of sales	(85.8)	(6.5)	**(92.3)**
Tax	(51.7)	(18.0)	**(69.7)**
Basic and diluted earnings per share	(24.0)p	6.2p	**(17.8)p**

Unaudited six months ended 30 June 2008:

	As previously reported £m	Adjustment £m	**As restated £m**
Balance sheet items:			
Trade and other payables	(334.4)	(32.0)	**(366.4)**
Deferred tax liability	(64.3)	8.9	**(55.4)**
Retained earnings	319.5	(14.1)	**305.4**
Net assets	1,850.9	(23.1)	**1,827.8**
Income statement items:			
Gross development, rental and related income	359.7	(64.5)	**295.2**
Cost of sales	(133.1)	14.1	**(119.0)**
Tax	88.0	14.1	**102.1**
Basic and diluted earnings per share	(54.0)p	(4.9)p	**(58.9)p**

Year ended 31 December 2008:

	As previously reported £m	Adjustment £m	**As restated £m**
Balance sheet items:			
Deferred tax asset	6.1	14.7	**20.8**
Trade and other receivables	79.6	(35.8)	**43.8**
Trade and other payables	(277.4)	(16.8)	**(294.2)**
Retained earnings	(456.5)	(23.1)	**(479.6)**
Net assets	459.7	(37.9)	**421.8**
Income statement items:			
Gross development, rental and related income	756.3	(101.5)	**654.8**
Cost of sales	(286.8)	30.5	**(256.3)**
Tax	126.9	19.9	**146.8**
Basic and diluted earnings per share	(233.9)p	(6.8)p	**(240.7)p**

Year ended 31 December 2007:

	As previously reported £m	Adjustment £m	**As restated £m**
Balance sheet items:			
Deferred tax liability	(168.6)	(5.2)	**(173.8)**
Trade and other payables	(449.7)	18.4	**(431.3)**
Retained earnings	564.7	8.0	**572.7**
Net assets	2,347.7	13.2	**2,360.9**

3 PERFORMANCE MEASURES

Earnings per share was as follows:

Restated Audited Year ended 31 December 2008 Earnings £m	Per share p		**Unaudited Six months ended 30 June 2009 Earnings £m**	**Per share p**	Restated Unaudited Six months ended 30 June 2008 Earnings £m	Per share p
104.4	23.0	Underlying earnings	**89.7**	**19.8**	35.4	7.8
(2,004.7)	(441.7)	Capital and other items	**(130.9)**	**(28.8)**	(555.7)	(122.5)
146.8	32.3	Tax	**(69.7)**	**(15.4)**	102.1	22.5
(1,753.5)	(386.4)	Loss after tax	**(110.9)**	**(24.4)**	(418.2)	(92.2)
661.0	145.7	Less: Minority interest	**30.0**	**6.6**	150.9	33.3
(1,092.5)	(240.7)	Loss after tax attributable to members of the company	**(80.9)**	**(17.8)**	(267.3)	(58.9)

Underlying earnings exclude movements on property revaluations, movements in the fair value of ineffective hedging instruments and other derivatives, interest payable on the SG Shares, repurchase/refinancing costs and gains and tax.

Earnings per share has been calculated by reference to the loss attributable to equity shareholders of £80.9m in the six months ended 30 June 2009 (year ended 31 December 2008 – £1,092.5m, six months ended 30 June 2008 – £267.3m) and on the weighted average of 453.8m ordinary shares in issue for the six months ended 30 June 2009 (year ended 31 December 2008 – 453.8m, six months ended 30 June 2008 – 453.8m). The numbers of ordinary shares exclude the SG Shares and the 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.

Notes to the Interim Report for the six months ended 30 June 2009 continued

Adjusted NAV is calculated as follows:

Restated Audited 31 December 2008 £m		Unaudited 30 June 2009 £m	Restated Unaudited 30 June 2008 £m
421.8	**Balance sheet net assets**	**331.2**	1,827.8
(20.8)	Add back: deferred tax	**41.7**	55.4
472.8	Mark to market of derivatives	**276.9**	2.3
	Add:		
155.0	– uplift in value of investment property	**175.0**	–
171.4	– surplus arising on pre-sold properties	**72.7**	156.5
1,200.2		**897.5**	2,042.0
(532.0)	Minority interest in balance sheet	**(507.5)**	(1,051.6)
(305.1)	Minority interest on adjustments above	**(222.0)**	(84.0)
30.6	Reclassify SG Shares as equity	**30.6**	30.6
4.8	Add back: accrued finance charges on SG Shares	**6.6**	3.1
398.5	**Adjusted net assets**	**205.2**	940.1
63p	**Adjusted NAV per share**	**33p**	£1.49

Adjusted NAV per share includes the external valuation surplus on construction contracts of £178.6m (31 December 2008 – £278.2m, 30 June 2008 – £265.7m), less the cumulative profit recognised on such contracts of £105.9m (31 December 2008 – £106.8m, 30 June 2008 – £109.2m) but excludes fair value adjustments on derivatives and deferred tax. In addition, in arriving at adjusted net assets, the SG Shares are treated as equity whereas in the balance sheet the SG Shares are treated as a debt instrument.

At 30 June 2009 and 31 December 2008 adjusted NAV included the uplift in value of 25-30 Bank Street attributable to the arrangement with AIG which provides for the payment of up to 4 years of contracted rent following default by Lehman (see 'Business Review – Lehman'). The market value of the building for balance sheet purposes is £375.0m reflecting the fact that the arrangement with AIG cannot be transferred to a purchaser of the property, whereas the market value adjusted for the arrangement with AIG is £550.0m (31 December 2008 – £410.0m and £565.0m respectively). A fee of approximately £3.6m per annum is payable in relation to this arrangement which is charged to the income statement as a financing cost.

The number of shares in issue was 630.6m at each balance sheet date.

4 REVENUE

Restated Audited Year ended 31 December 2008 £m		**Unaudited Six months ended 30 June 2009 £m**	Restated Unaudited Six months ended 30 June 2008 £m
287.5	Rent receivable	**157.2**	139.7
13.6	Recognised incentives and committed rent increases	**(5.1)**	11.7
301.1		**152.1**	151.4
67.3	Service charge income	**36.3**	33.5
23.8	Miscellaneous income	**11.6**	13.3
24.3	Receivable on termination of leases	**14.9**	23.4
238.3	Construction contract revenue	**122.1**	73.6
654.8	**Gross development, rental and related income**	**337.0**	295.2
(92.2)	Service charge and other direct property expenses	**(46.1)**	(44.4)
20.2	Movements in provisions relating to leasehold commitments	**1.5**	5.0
(8.3)	Expenditure on termination of leases	**(6.5)**	(7.7)
(176.0)	Construction contract expenditure	**(41.2)**	(71.9)
398.5	**Net development, rental and related income**	**244.7**	176.2

5 NET REVALUATION MOVEMENTS ON PROPERTY AND INVESTMENTS

Audited Year ended 31 December 2008 £m		**Unaudited Six months ended 30 June 2009 £m**	Unaudited Six months ended 30 June 2008 £m
	In income statement		
(1,769.8)	Revaluation of investment properties	**(242.6)**	(586.6)
(3.8)	Revaluation of development properties	**(125.6)**	(5.8)
(1,773.6)		**(368.2)**	(592.4)
–	Share of associate's revaluation of development property	**–**	(2.4)
(1,773.6)		**(368.2)**	(594.8)
	In consolidated statement of comprehensive income		
(19.4)	Revaluation of development and construction properties	**–**	(141.8)
(0.3)	Share of associate's revaluation of development property	**–**	(0.3)
(19.7)		**–**	(142.1)
(1,793.3)		**(368.2)**	(736.9)

Following adoption of IAS 40 (amended), the revaluation movement on development properties has been recognised in the income statement for the six months ended 30 June 2009 rather than equity as was the case for previous periods. Of the movement in revaluation of development properties in the period totalling £125.6m, £37.5m relates to properties where market value is less than historical cost (year ended 31 December 2008 – £3.8m, six months ended 30 June 2008 – £5.8m).

The group's share of its associate's revaluation deficit on its development property has been accounted for as disclosed in Note 9. The group's share of its associate's revaluation of development property in the year ended 31 December 2008 and six months ended 30 June 2008 comprises the reversal of the group's share of cumulative revaluation surpluses recognised in previous years.

Notes to the Interim Report for the six months ended 30 June 2009 continued

6 NET FINANCING COSTS

Audited Year ended 31 December 2008 £m		**Unaudited Six months ended 30 June 2009 £m**	Unaudited Six months ended 30 June 2008 £m
	Interest revenue		
47.5	Deposits and securities	**9.9**	25.3
	Interest expense		
(158.3)	Notes and debentures	**(79.1)**	(78.9)
(61.8)	Songbird loan	**(30.5)**	(31.0)
(83.9)	Other bank loans and overdrafts	**(44.6)**	(40.7)
(2.5)	Obligations under finance leases	**(0.2)**	(1.3)
(306.5)		**(154.4)**	(151.9)
5.6	Development interest capitalised at 6.5%	**5.1**	2.1
(300.9)	Net interest expense	**(149.3)**	(149.8)
(253.4)	Underlying net financing costs	**(139.4)**	(124.5)
	Other financing income/(costs) relating to derivatives		
(210.5)	Valuation movements on fair value of derivatives	**183.0**	42.3
(3.3)	Finance costs of SG Shares (Note 13)	**(1.8)**	(1.6)
(3.3)	Hedging reserve recycling	**(4.4)**	(1.6)
(217.1)		**176.8**	39.1
(470.5)	**Net financing income/(expenses)**	**37.4**	(85.4)
	Gains on repurchase of securitised debt:		
–	Gain on repurchase before accounting adjustments	**84.2**	–
–	Fees incurred on repurchase	**(1.3)**	–
–	Write-off of deferred fees	**(1.3)**	–
–	Release stepped interest rate accrual	**1.4**	–
–	Hedge reserve recycling relating to the re-purchase of securitisation debt	**(16.7)**	–
–		**66.3**	–
(470.5)	**Net financing revenues/(costs)**	**103.7**	(85.4)

The financing expenses of the construction loan facility have been capitalised as incurred.

The repurchase gain of £66.3m comprises the gain recorded on the repurchase of Notes in the period (see also Note 13).

7 TAX

Restated Audited Year ended 31 December 2008 £m		Unaudited Six months ended 30 June 2009 £m	Restated Unaudited Six months ended 30 June 2008 £m
	Tax credit/(charge)		
(8.8)	Current tax charge to income	**(12.8)**	–
155.6	Deferred tax	**(56.9)**	102.1
146.8	**Group's total tax**	**(69.7)**	102.1
	Tax reconciliation		
(1,900.3)	Loss for the period before tax	**(41.2)**	(520.3)
541.6	Tax on profit and loss at UK corporation tax rate	**11.5**	145.7
	Effects of:		
(27.8)	Adjustments in respect of prior years	**0.9**	–
(332.5)	Indexation of capital gains, restriction of losses and movement on deferred tax provisions	**(72.5)**	(34.1)
(6.2)	Change in EZA legislation	**–**	–
(0.9)	Expenses not deductible for tax purposes	**(0.1)**	(0.3)
(27.4)	Deferred tax assets not recognised on losses	**(9.5)**	(9.2)
146.8	**Group total tax**	**(69.7)**	102.1

The applicable tax rate was 28.0% at 30 June 2009 (31 December 2008 – 28.5% and 30 June 2008 – 28.0%). The tax rate at 31 December 2008 was calculated by reference to the corporation tax rate of 28.0%, which was in effect for the final three quarters of the year and the previous rate of 30.0% which was in effect for the first quarter of 2008.

	Losses & tax credits £m	Revaluation deficits £m	Fair value of derivatives £m	Financial instruments £m	Other £m	Restated total £m
Deferred tax assets						
1 January 2009 as restated	1.1	68.9	120.3	31.0	0.7	222.0
(Charge)/credit to income	(0.2)	1.5	(46.9)	(1.1)	1.3	(45.4)
Charge to equity	–	–	(5.6)	–	–	(5.6)
30 June 2009	**0.9**	**70.4**	**67.8**	**29.9**	**2.0**	**171.0**

	Potential EZA clawback £m	Revaluation surpluses £m	Fair value of derivatives £m	Financial instruments £m	Other £m	Total £m
Deferred tax liabilities						
1 January 2009	(76.4)	(101.8)	–	(23.0)	–	(201.2)
Credit/(charge) to income	0.5	10.8	(0.5)	(22.3)	–	(11.5)
30 June 2009	**(75.9)**	**(91.0)**	**(0.5)**	**(45.3)**	**–**	**(212.7)**

All deferred tax assets and liabilities may potentially be offset. The amount at which deferred tax is stated, after offsetting for financial reporting purposes, comprises:

	£m
Net deferred tax assets/(liability)	
1 January 2009 as restated	20.8
Charge to income	(56.9)
Charge to equity	(5.6)
30 June 2009	**(41.7)**

Notes to the Interim Report for the six months ended 30 June 2009 continued

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. These deferred tax balances will be amortised to the income statement in line with the amortisation of the fair value adjustments which gave rise to them.

8 INVESTMENT, DEVELOPMENT AND CONSTRUCTION PROPERTIES AND PLANT AND EQUIPMENT

Non current assets and construction contracts at 30 June 2009 comprised:

	Investment properties £m	Development properties £m	Properties under construction £m	Pre-sold properties under construction £m	Sub-total £m	Plant & equipment £m	Total £m
Market value at 1 January 2009	4,483.0	260.0	182.5	–	4,925.5		
Adjust for:							
– tenant incentives*	(200.1)	–	–	–	(200.1)		
– unamortised lease negotiation costs*	(6.3)	–	(0.7)	–	(7.0)		
Carrying value at 1 January 2009	4,276.6	260.0	181.8	–	4,718.4	1.9	4,720.3
Additions	13.0	21.9	17.2	42.5	94.6	0.1	94.7
Revaluation movement:	(242.6)	(95.9)	(29.7)	–	(368.2)	–	(368.2)
Transfer to cost of sales	–	–	–	(41.2)	(41.2)	–	(41.2)
Transfer to payments on account	–	–	–	6.2	6.2	–	6.2
Accrued in accordance with IAS 11	–	–	–	(7.5)	(7.5)	–	(7.5)
Depreciation	–	–	–	–	–	(0.3)	(0.3)
Carrying value at 30 June 2009	**4,047.0**	**186.0**	**169.3**	**–**	**4,402.3**	**1.7**	**4,404.0**
Adjust for:							
– tenant incentives*	195.0	–	–	–	195.0		
– unamortised lease negotiation costs*	5.5	–	0.7	–	6.2		
Market value at 30 June 2009	**4,247.5**	**186.0**	**170.0**	**–**	**4,603.5**		

*Refer to Note 11.

Valuation

The fair value of Canary Wharf Group's properties has been arrived at on the basis of valuations carried out by the external valuers, CBRE, Savills or Cushman at 30 June 2009. 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 tax which might arise. The valuations reflect deductions in respect of purchaser's costs and, in particular, full liability for UK Stamp Duty as applicable at the valuation date.

Cumulative financing costs capitalised in development properties at 30 June 2009 amounted to £13.2m (31 December 2008 – £8.1m). Included in investment properties is an estimated £21.3m (31 December 2008 – £23.9m) in respect of property occupied by Canary Wharf 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 £4,610.0m (31 December 2008 – £4,557.9m).

Pre-sold properties under construction

Pre-sold properties under construction 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:

	Completed buildings £m	30 North Colonnade £m	Riverside South £m	Total £m
1 January 2009 restated	44.2	–	0.2	44.4
Advances received	47.0	18.1	49.4	114.5
Contract revenue recognised as revenue in the income statement	(108.7)	(11.4)	(2.0)	(122.1)
Offset from construction contracts	15.2	–	(9.0)	6.2
Transferred to contract balances	2.3	–	–	2.3
Gross amount due to customers for contract work at 30 June 2009	**–**	**6.7**	**38.6**	**45.3**

On 30 April 2009, the group achieved practical completion of 15 Canada Square, a 400,000 sq ft building which was pre-sold to KPMG in November 2006. Profits have been split into their component parts in accordance with IFRIC 15.

Cumulative amounts accounted for as construction contracts are as follows:

	£m
Advances received	752.6
Recognised as revenue	(723.2)
Offset from construction contracts	(1.8)
Deferred interest	15.4
Transfer to contract balances	2.3
Payments on account (Note 12)	45.3

Total profits of £250.7m had been recognised at 30 June 2009 (31 December 2008 – £169.8m).

On 24 December 2008 Canary Wharf Group entered into agreements with the Secretary of State for Transport and CLRL for the design and construction of the Crossrail station at Canary Wharf for a fixed price of £500.0m. Canary Wharf Group will contribute £150.0m towards the cost and the balance of £350.0m will be met from the Crossrail budget. The anticipated £150.0m cost to Canary Wharf Group will be accounted for when incurred as additions to development properties and allocated to each development property on a sq ft basis. Canary Wharf Group's contribution of £150.0m will be applied against any Section 106 contributions for certain agreed development sites on the Estate which may be required as part of proposed alterations to the London Plan.

Notes to the Interim Report for the six months ended 30 June 2009 continued

9 INVESTMENTS

The investments balance comprises:

	30 June 2009 £m	31 December 2008 £m
Equity shares	**10.6**	9.2
Loans	**25.1**	22.3
	35.7	31.5
Fees on acquisition	**2.6**	2.6
Share of post acquisition losses	**(1.7)**	(1.5)
Impairment of investment	**(16.9)**	(10.0)
	19.7	22.6
Of which:		
Associates	**19.5**	22.4
Other investments	**0.2**	0.2
	19.7	22.6

The carrying value of the investment in associates comprised:

At 30 June 2009

	WWLP £m	Drapers Gardens £m	Total £m
Initial investment	–	6.7	6.7
Fees on acquisition	1.9	0.7	2.6
Equity funding	–	3.3	3.3
Loan funding	24.1	1.0	25.1
Recognised share of losses	(6.5)	(11.7)	(18.2)
	19.5	**–**	**19.5**

Associates

In April 2005, BWB appointed Canary Wharf Group, together with Ballymore, as its partner for the development of Wood Wharf. WWLP has been established to oversee the development of an approximately 7.0m sq ft (gross) mixed use scheme in which Canary Wharf Group has a 25.0% effective interest.

The carrying value of the group's investment in WWLP includes an initial entry premium and expenses totalling £1.9m together with the group's share of the net assets of WWLP. At 30 June 2009 the group's investment in WWLP was written down by £5.2m based on a valuation undertaken by CBRE.

WWLP has entered into a non-recourse loan facility of £9.0m, repayable in 2010, of which £5.8m had been drawn down at 30 June 2009 (31 December 2008 – £6.3m). Canary Wharf Group has also loaned £24.1m (31 December 2008 – £21.6m) to WWLP in the form of redeemable notes which are interest free and redeemable at par in 2030. The £9.0m loan referred to above must first be repaid before the loan provided to WWLP by Canary Wharf Group can be repaid. All loans must be repaid in full prior to any dividends being declared.

In June 2007, Canary Wharf Group entered into a joint venture with MSREF V and Omega to undertake the redevelopment of Drapers Gardens. Canary Wharf Group has invested £11.0m and incurred fees of £0.7m in consideration for a 20.0% stake in the joint venture. The investment has been accounted for as an investment in an associated undertaking.

Drapers Gardens entered into a £172.5m construction loan facility with Lehman which was subsequently syndicated to certain other banks with Lehman retaining an 18.9% share. Following Lehman being placed into administration

there was an interruption to the funding being provided by Lehman and Canary Wharf Group has made additional loans totalling £1.0m (31 December 2008 – £0.7m) to the joint venture to fund its 20% share of the shortfall. Lehman subsequently recommenced funding and all of its lending obligations were satisfied up to 31 May 2009. Subsequently funding for the project has been provided solely by one member of the syndicate on a super senior loan basis. Negotiations are continuing to re-negotiate the loan facility and secure funding for the project beyond practical completion.

The group's investment in the Drapers Gardens joint venture by Canary Wharf Group was written down at 31 December 2008 to £nil. The group has recognised provisions totalling £4.5m (31 December 2008 – £5.6m) comprising £3.5m (31 December 2008 – £2.9m) for the group's share of the loss on a derivative financial instrument and £1.0m (31 December 2008 – £2.7m) for the maximum potential additional funding commitment under the shareholder agreement.

The WWLP and Drapers Gardens entities have 31 December year ends. The results of WWLP and Drapers Gardens attributable to Canary Wharf Group have been derived from their latest available management accounts after making any necessary adjustments. The group's share of profits and losses of its associates is as follows:

Summarised profit and loss accounts for the six months ended 30 June 2009:

	WWLP £m	Drapers Gardens £m
Other expenses	(13.4)	–
Net financing costs	(0.3)	(3.0)
Net underlying loss before and after tax	(13.7)	(3.0)
Group share	(3.5)	(0.6)

At 30 June 2009, the group's unrecognised share of losses of Drapers Gardens was £14.5m (31 December 2008 – £14.5m).

Summarised balance sheets at 30 June 2009:

	WWLP £m	Drapers Gardens £m
Total assets	113.0	73.5
Total liabilities	(35.1)	(153.6)
Net assets	77.9	(80.1)
Group share	19.5	(16.0)

10 TRADE AND OTHER RECEIVABLES

Restated Audited 31 December 2008 £m		**Unaudited 30 June 2009 £m**	Restated Unaudited 30 June 2008 £m
5.8	Trade receivables	**5.0**	3.8
11.6	Other receivables	**26.6**	24.1
–	Contract balances	**2.3**	–
26.4	Prepayments and accrued income	**18.2**	27.0
43.8		**52.1**	54.9

Notes to the Interim Report for the six months ended 30 June 2009 continued

11 TENANT INCENTIVES AND OTHER NON CURRENT RECEIVABLES

Other non current receivables comprise:

	Rent-free periods £m	Other tenant incentives £m	**Total tenant incentives £m**	Deferred negotiation costs £m	Lease termination agreements £m	**Total £m**
1 January 2009	140.4	59.7	**200.1**	7.0	6.2	**213.3**
Recognition of rent during rent-free periods	4.7	–	**4.7**	–	–	**4.7**
Amortisation	(8.0)	(1.8)	**(9.8)**	(1.1)	–	**(10.9)**
Deferred lease negotiation costs	–	–	**–**	0.3	–	**0.3**
Due under lease termination agreements	–	–	**–**	–	(3.1)	**(3.1)**
30 June 2009	**137.1**	**57.9**	**195.0**	**6.2**	**3.1**	**204.3**

Following the entry of Lehman into administration (see 'Business Review – Lehman'), unamortised Lehman tenant incentives are being amortised over a period shorter than the lease term, being the remaining period to the open market rent review date under the lease in November 2013. At 30 June 2009, £55.1m of such incentives were unamortised (31 December 2008 – £61.2m).

12 TRADE AND OTHER PAYABLES

Restated Audited 31 December 2008 £m		**Unaudited 30 June 2009 £m**	Restated Unaudited 30 June 2008 £m
35.5	Trade payables	**22.1**	26.1
6.9	Tax and social security costs	**1.6**	3.7
8.8	Corporation tax	**12.7**	–
15.2	Other payables	**18.6**	9.9
99.6	Other accruals	**67.4**	77.5
83.8	Deferred income	**77.3**	91.4
44.4	Payments on account (Note 8)	**45.3**	157.8
294.2		**245.0**	366.4

13 NET DEBT

Audited 31 December 2008 £m		**Unaudited 30 June 2009 £m**	Unaudited 30 June 2008 £m
2,889.1	Securitised debt	**2,653.1**	2,696.2
876.2	Songbird loan	**900.8**	797.6
1,638.0	Other secured loans	**1,570.1**	1,336.9
41.6	Finance lease obligations	**41.4**	41.6
5,444.9		**5,165.4**	4,872.3
35.4	SG Shares and associated financing costs	**37.2**	33.7
5,480.3	Gross debt	**5,202.6**	4,906.0
94.0	Current liabilities	**985.5**	65.9
	Non current liabilities:		
4,913.5	– borrowings	**3,940.2**	4,837.8
–	– derivatives included in non current assets	**(1.9)**	(29.6)
472.8	– derivatives included in non current liabilities	**278.8**	31.9
5,480.3	Gross debt	**5,202.6**	4,906.0
(1,161.3)	Cash and cash equivalents	**(1,134.7)**	(870.3)
(25.1)	Monetary deposits	**(13.4)**	(78.2)
4,293.9	Net debt	**4,054.5**	3,957.5
	Current liabilities comprises:		
44.6	Accrued interest payable	**50.2**	43.7
44.6	Borrowings repayable within one year	**928.7**	19.1
4.8	Financing costs of SG Shares	**6.6**	3.1
94.0		**985.5**	65.9

Cash and cash equivalents comprise cash held by the group and short term deposits with an original maturity of three months or less.

Cash and cash equivalents totalled £1,134.7m at 30 June 2009 (31 December 2008 – £1,161.3m, 30 June 2008 – £870.3m), principally comprising deposits placed on the money markets at call and term rates. Cash deposits included £125.8m at 30 June 2009 (31 December 2008 – £135.0m, 30 June 2008 – £131.7m) held as cash collateral for Canary Wharf Group's borrowings and a further £7.6m (31 December 2008 – £12.5m, 30 June 2008 – £10.3m) charged as security for Canary Wharf Group's obligations. Unsecured cash deposits totalled £1,001.3m at 30 June 2009 (31 December 2008 – £1,013.8m, 30 June 2008 – £728.3m).

Monetary deposits comprise amounts held on deposit with original maturities in excess of three months or which are not held for the purpose of meeting short term cash commitments. 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, such shares are classified as a non current liability due in more than one year and the income statement includes a charge to profit in respect of the SG Shares accumulated at 8.0% 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 share are included in current liabilities as interest payable. At 30 June 2009 £6.6m was accrued in respect of the SG Shares (31 December 2008 – £4.8m, 30 June 2008 – £3.1m).

Notes to the Interim Report for the six months ended 30 June 2009 continued

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

	Securitised debt £m	Songbird loan £m	Other secured loans £m	Construction loan £m	Finance lease obligations £m	Total borrowings £m	SG Shares £m	Total £m
1 January 2009	2,889.1	876.2	1,520.7	117.3	41.6	5,444.9	35.4	5,480.3
Drawn down in period	–	29.8	–	17.4	–	47.2	–	47.2
Effective interest rate adjustment	(2.8)	1.0	(0.1)	0.5	–	(1.4)	–	(1.4)
Accrued finance charges	0.4	–	(0.4)	1.3	(0.2)	1.1	1.8	2.9
Repaid in period	(3.5)	–	(15.4)	–	–	(18.9)	–	(18.9)
Repurchase of securitisation notes	(119.7)	–	–	–	–	(119.7)	–	(119.7)
Movements in fair value of derivatives	(110.4)	(6.2)	(67.4)	(3.8)	–	(187.8)	–	(187.8)
30 June 2009	**2,653.1**	**900.8**	**1,437.4**	**132.7**	**41.4**	**5,165.4**	**37.2**	**5,202.6**
Payable within one year or on demand	86.7	864.1	28.1	–	–	978.9	6.6	985.5
Payable in more than one year	2,479.4	–	1,269.7	119.1	41.4	3,909.6	30.6	3,940.2
Derivatives classified as:								
– non current liabilities	87.0	36.7	141.5	13.6	–	278.8	–	278.8
– non current assets	–	–	(1.9)	–	–	(1.9)	–	(1.9)
	2,653.1	**900.8**	**1,437.4**	**132.7**	**41.4**	**5,165.4**	**37.2**	**5,202.6**

All the borrowings of Canary Wharf Group are secured against designated property interests of Canary Wharf Group.

The Songbird loan relates to amounts drawn down under the £880.0m facilities provided by Citi. The loan has a repayment date of May 2010 and carries interest at a rate of LIBOR plus a margin of 1.2% to 1.7% dependent on the financial condition of the group. The interest on £800.0m of the loan is hedged via an interest rate swap which serves to fix interest payable on this part of the loan at 5.928%. The balance of the loan carries interest at the prevailing floating LIBOR rate capped at 5.928% via an interest rate cap. The loan is secured on the assets of SFL including its shares in Canary Wharf Group, and is subject to certain lending covenants as summarised later in 'Loan covenants'. The balance on the loan at 30 June 2009 was £866.3m including accrued interest of £6.6m.

In April 2009 Canary Wharf Group repurchased certain floating rate Notes with an aggregate principal amount of £119.7m for an aggregate consideration, excluding accrued interest, of £35.5m. The repurchase of these Notes comprised:

Class of Notes	Principal £m	Aggregate principal amount repurchased £m	Weighted average offer price per £1,000 principal amount	Aggregate consideration excluding accrued interest £m
B3	104.0	26.1	£468	12.2
C2	275.0	35.3	£303	10.7
D2	125.0	58.3	£216	12.6
		119.7		35.5

The Notes repurchased have not been cancelled, remain in issue and, in accordance with the requirements of the securitisation, continue to be fully hedged. The repurchase has been accounted for as an extinguishment of debt. As a result of the repurchase, the related derivatives no longer qualify for hedge accounting. A loss of £16.7m, being the fair value of that element of the derivatives relating to the repurchased notes, has therefore been recycled to the income statement during the period. The gain on the transaction, being the difference between the aggregate principal amount repurchased and the aggregate consideration paid, adjusting for unamortised deferred fees on issue, stepped interest accruals and hedge reserve recycling, has been taken to the income statement and shown within the capital and other column (Note 6).

After taking into account allocated deferred fees, accruals for stepped interest payments, adjustments for ineffective derivatives and transaction fees, the repurchase of Notes resulted in a net gain of £66.3m which has been taken to the income statement. As a result of this transaction, a deferred tax charge of £23.4m has been recognised.

Interest on the floating rate Notes is at three month LIBOR plus a margin. The margins on the Notes are: B3 Notes – 0.28% p.a., increasing to 0.7% in January 2017; C2 Notes – 0.55% p.a., increasing to 1.375% in April 2014; and D2 Notes – 0.84% p.a., increasing to 2.1% in April 2014.

The Notes are hedged by means of interest rate swaps and the hedged rates plus the margin are: B3 Notes – 5.1625%; C2 Notes – 5.4416%; and D2 Notes – 5.8005%. These swaps expire in 2035 concurrent with the Notes.

In addition to the three classes of floating rate Notes referred to above, the following classes of fixed rate Notes remained outstanding at 30 June 2009, carrying the interest rates stated: £1,215.0m of A1 Notes – 6.455%; £400.0m of A3 Notes – 5.952%; £207.4m of B Notes – 6.800%. A further class of floating rate Notes is also outstanding, comprising £222.0m of A7 Notes, carrying a rate of interest of LIBOR plus a margin of 0.19% p.a., increasing to 0.475% in January 2017 and hedged at 5.1135%.

The principal amount outstanding at 30 June 2009 was £2,548.4m or £2,428.7m excluding the Notes re-purchased. The Notes are secured on certain property interests of the group and the rental income stream therefrom. The final maturity date of the securitisation is 2035, subject to earlier amortisation on certain classes.

The securitisation has the benefit of an agreement with AIG which provides for the payment of the contracted rent under the lease following a default by Lehman, either in its entirety or to cover any shortfall. The agreement can be triggered at the option of Canary Wharf Group for a period of 4 years from a payment default by Lehman. The amounts claimed would be repayable by Canary Wharf Group if subsequent recoveries made in respect of amounts claimed or subsequent rentals in the properties exceed the rents that would have been received from Lehman. AIG has posted cash collateral of approximately £224.0m, held in bank accounts in the name of AIG. AIG has granted security over the deposits as collateral for its obligations. The amount initially posted in respect of AIG's obligations is subject to periodic adjustment to reflect movements in interest rates.

Separately, the securitisation has the benefit of a further arrangement with AIG which covers the rent in the event of a default by the tenant of 33 Canada Square, over the entire term of the lease. AIG has posted a further £276.3m as cash collateral in respect of this obligation.

The annual fees payable in respect of the above arrangements total £7.5m.

In February 2007 the group entered into a £155.0m 3 year construction loan facility secured on 5 Churchill Place. Interest is charged at LIBOR plus a margin of 0.9%, hedged at 5.625%. At 30 June 2009 £119.4m including interest had been drawn down under this facility (31 December 2008 – £100.7m). Upon completion of the building, Canary Wharf Group has six months during which time it has an option to convert the construction loan into a 3 year investment loan with a final maturity of August 2012. Practical completion of the building was achieved in August 2009.

A bank loan with an initial principal amount of £369.4m has been secured against 10 Cabot Square and 20 Cabot Square and is repayable in January 2013. Canary Wharf Group entered into an interest swap facility, also to January 2013, at a fixed rate of 5.031%. In March 2009, a portion of the swap was broken at a cost of £8.1m and a new swap entered into which serves to fix the rate of interest at a weighted average, including margins, of 5.6%. During the period £3.5m was repaid in accordance with the terms of the facility and at 30 June 2009 the outstanding principal was £363.5m.

Canary Wharf Group has entered into a £350.0m loan facility secured against Canary Wharf Group's principal retail properties. During the period Canary Wharf Group transferred certain of its car parking interests and certain other retail interests to form part of the security for this loan. The loan facility carries interest at LIBOR plus a variable margin rate subject to prevailing LTV and ICR tests. Canary Wharf Group has entered into an arrangement whereby the exposure to the movement in three month LIBOR rates in the facility is fully hedged with fixed interest rate swaps at a weighted average including margins of 6.1%. The loan is repayable in March 2011.

Notes to the Interim Report for the six months ended 30 June 2009 continued

A bank loan comprising an initial principal of £608.8m is secured against One Churchill Place. The loan amortises with a balloon payment of £155.0m on final maturity in July 2034. The loan carries a hedged interest rate of 5.82%. In the first half of 2009 £3.7m of the loan was repaid in accordance with the loan agreement reducing the principal at 30 June 2009 to £580.0m.

Loan covenants

The Songbird loan is subject to maximum LTV ratios calculated on two bases as follows:

(i) the combined LTV ratio is calculated by reference to the group's consolidated net debt as a proportion of the value of the property portfolio; and

(ii) the Songbird LTV ratio is calculated by reference to the balance of the Songbird loan as a proportion of the company's share of the NAV of Canary Wharf Group.

The maximum LTV in (i) is 87.5% and based on the property valuations at 31 December 2008 the ratio at the last test date on 13 August 2009 was 85.78%. The maximum LTV in (ii) is 70.0% and based on the 31 December 2008 valuations the ratio at the last test date was 66.84%. Substituting the 30 June 2009 valuations for the 31 December 2008 valuations, the ratio in (i) at the last test date would have been 91.78%, and the ratio in (ii) at the last test date would have been 78.85%. The next covenant test, backed by the valuations at 30 June 2009, is required by 15 November 2009, following which, there is a 60 day grace period within which it is possible to prepay an amount of the loan to remedy the LTV breach. As disclosed in the 'Business Review', the company has today announced a £620.0m proposed placing and compensatory open offer, a £275.0m issue of preference shares and a shareholder loan facility of £135.0m to enable it to repurchase the Songbird loan by 20 October 2010.

Canary Wharf Group's loan facilities are subject to financial covenants which include maximum LTV ratios and minimum ICRs. The key covenants for each of its facilities are as follows:

(i) CWF II securitisation, encompassing seven investment properties representing 64.6% of the investment property portfolio by value. The principal amount outstanding at 30 June 2009 was £2,548.4m or £2,428.7m excluding the Notes repurchased.

Maximum ratio of 100%. Based on the valuations at 30 June 2009 the LMCTV ratio at the interest payment date in July 2009 would have been 90.7%, excluding the £224.0m of cash collateral posted by AIG in respect of the 25 Bank Street facility, and 82.6% including such cash collateral.

The securitisation has no minimum ICR covenant. Canary Wharf Group has the ability to remedy a breach of covenant by depositing eligible investments (including cash). The final maturity date of the securitisation is 2035, subject to earlier amortisation on certain classes of Notes.

(ii) Loan of £580.0m secured against One Churchill Place, representing 14.5% of the investment property portfolio by value.

This facility is not subject to any LTV or ICR covenants. The facility has a final maturity of 2034, subject to amortisation over that term.

(iii) Loan of £363.5m secured against 10 Cabot Square and 20 Cabot Square, representing 10.1% of the investment property portfolio by value.

Maximum LTV ratio of 85.0%. Based on the valuations at 30 June 2009 the LTV ratio at the interest payment date in July 2009 would have been 83.8%.

This facility is also subject to a minimum ICR test of 100%. During the period Morgan Stanley gave notice to break its lease of 20 Cabot Square with effect from February 2010. To prevent the serving of the notice leading to a breach of the minimum ICR test, a portion of the swap was broken at a cost of £8.1m and a new swap entered into which serves to fix the rate of interest at a weighted average, including margin, of 5.6%. At this reduced interest rate, the ICR covenant was satisfied throughout the period and the board anticipates that this restructuring will enable Canary Wharf Group to meet its ICR covenants for the remaining term of the loan to January 2013.

Canary Wharf Group has the ability to remedy a breach of ICR or LTV covenants by depositing cash.

(iv) Loan of £350.0m secured against the principal retail and parking properties of Canary Wharf Group, representing 10.8% of the investment property portfolio by value.

Maximum LTV ratio of 75.0%, reducing to 70.0% from March 2010. In order to avoid a potential breach of covenant at the test date in April 2009 additional uncharged properties were added to the facility. In September 2009, Canary Wharf Group deposited cash collateral totalling approximately £8.0m. Following this deposit, based on the valuations at 30 June 2009, the LTV would be 74.9%.

On 7 March 2009 the maximum ICR covenant increased from 110.0% to 120.0%. The maximum ICR covenant was satisfied throughout the period. Canary Wharf Group has the ability to remedy any further potential breach of covenant by depositing cash.

(v) Construction loan facility of £155.0m secured against 5 Churchill Place of which £119.4m was drawn down at 30 June 2009.

Maximum LTV ratio of 80.0% calculated on the value of the property at any time prior to conversion to an investment loan reducing to 70.0% on conversion six months following practical completion, with a requirement to cash collateralise any rent free period at that time. Based on the valuation at 30 June 2009 the LTV was 70.2%. Canary Wharf Group has the ability to remedy a breach of covenant by depositing cash.

The loan will be subject to a minimum ICR of 110.0% from the date six months following practical completion of the property and has a final maturity of August 2012.

Hedge accounting

The group uses interest rate swaps and interest rate collars to hedge exposure to the variability in cash flows on floating rate debt, including its bank facilities and floating rate bonds, caused by movements in market rates of interest. At 30 June 2009 the fair value of these derivatives resulted in the recognition of a net liability of £276.9m (31 December 2008 – net liability of £472.8m). Of this net liability, a liability of £58.2m was recognised in respect of interest rate swaps which qualify for hedge accounting (31 December 2008 – £191.5m). A liability of £220.6m and an asset of £1.9m were recognised in respect of interest rate swaps and collars which do not qualify for hedge accounting (31 December 2008 – £281.3m).

Comparison of market values and carrying amounts

	30 June 2009			31 December 2008		
	Market value £m	**Carrying amount £m**	**Difference £m**	Market value £m	Carrying amount £m	Difference £m
Securitisations	**(1,956.4)**	**(2,566.2)**	**609.8**	(1,945.6)	(2,691.7)	746.1
Songbird loan	**(864.1)**	**(864.1)**	**–**	(833.3)	(833.3)	–
Secured loans	**(1,297.8)**	**(1,297.8)**	**–**	(1,305.6)	(1,305.6)	–
Construction loan	**(119.1)**	**(119.1)**	**–**	(99.9)	(99.9)	–
Finance leases	**(41.4)**	**(41.4)**	**–**	(41.6)	(41.6)	–
SG Shares	**(56.5)**	**(37.2)**	**(19.3)**	(63.6)	(35.4)	(28.2)
	(4,335.3)	**(4,925.8)**	**590.5**	(4,289.6)	(5,007.5)	717.9
Other financial assets/(liabilities):						
– interest rate derivative assets	**1.9**	**1.9**	**–**	–	–	–
– interest rate derivative liabilities	**(278.8)**	**(278.8)**	**–**	(472.8)	(472.8)	–
Cash and monetary deposits	**1,148.1**	**1,148.1**	**–**	1,186.4	1,186.4	–
	(3,464.1)	**(4,054.6)**	**590.5**	(3,576.0)	(4,293.9)	717.9

The differences above are shown before any tax relief. Short term receivables and payables have been excluded from these disclosures as their carrying amount approximates fair value. 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.

Notes to the Interim Report for the six months ended 30 June 2009 continued

The fair values of other debt instruments have been calculated by discounting cash flows 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 23 of the 2008 Report and Financial Statements.

Maturity profile of borrowings

	Securitised debt £m	Songbird loan £m	Other secured loans £m	Construction loan £m	Finance lease obligations £m	SG Shares £m	Total £m
Contractual undiscounted cash flows at 30 June 2009:							
Within one year	184.7	883.7	40.9	1.4	0.6	–	1,111.3
In one to two years	187.9	–	398.4	4.0	0.6	42.2	633.1
In two to five years	581.1	–	490.4	130.5	1.9	–	1,203.9
In five to ten years	934.9	–	186.0	–	3.1	–	1,124.0
In ten to twenty years	1,486.2	–	377.8	–	26.3	–	1,890.3
In twenty to thirty years	1,501.9	–	338.5	–	11.7	–	1,852.1
	4,876.7	883.7	1,832.0	135.9	44.2	42.2	7,814.7
Comprising:							
Principal repayments	2,428.7	859.7	1,293.5	119.4	41.4	31.4	4,774.1
Interest payments	2,448.0	24.0	538.5	16.5	2.8	10.8	3,040.6
	4,876.7	883.7	1,832.0	135.9	44.2	42.2	7,814.7

14 PROVISIONS

Provisions have been made in respect of the following liabilities:

	Vacant leasehold property £m	Other lease commitments £m	Commitments to associates £m	Total £m
1 January 2009	3.0	2.3	5.6	10.9
Utilisation of provision	(0.5)	(0.1)	(1.7)	(2.3)
Release of provision	(1.5)	–	–	(1.5)
Movement on share of associate's derivative instrument	–	–	0.6	0.6
30 June 2009	**1.0**	**2.2**	**4.5**	**7.7**

Leasehold properties

At 30 June 2009 the provision for the estimated net liability in respect of the group's remaining vacant leasehold property, discounted at 6.4%, being the group's weighted average cost of debt at that date, was stated at £1.0m (31 December 2008 – £3.0m discounted at 6.4%). A break notice which was served on the landlord in respect of the final leasehold property. As a result this lease was determined in July 2009 and the group's on-going obligations were extinguished at that point.

Other lease commitments

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, where there is a fixed uplift in rent, until the next rent review date. A provision in respect of these commitments was recognised at the date of disposal. The remaining provision at 30 June 2009 was £2.2m calculated on the basis of a discount rate of 6.4%.

Commitments to associates

The group has recognised £4.5m (31 December 2008 – £5.6m) of provisions in respect of its share of potential liabilities on Drapers Gardens. Further details are disclosed in Note 9 and Note 16.

15 NOTES TO THE CASH FLOW STATEMENT

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

Restated Audited Year ended 31 December 2008 £m		**Unaudited Six months ended 30 June 2009 £m**	Restated Unaudited Six months ended 30 June 2008 £m
(1,900.3)	**Loss before tax**	**(41.2)**	(520.3)
	Non cash movements		
1,773.6	Net revaluation movements	**368.2**	592.4
15.0	Share of loss after tax of associates	**6.0**	1.7
(14.5)	Spreading of tenant incentives, committed rent increases and deferred lease negotiation costs	**5.9**	(12.8)
0.6	Depreciation	**0.3**	0.1
–	Repurchase of securitisation Notes (Note 6)	**(66.3)**	–
(62.3)	Profit recognised on pre-sold properties	**(80.9)**	(1.7)
1,712.4		**233.2**	579.7
(187.9)	Operating cash flows before changes to working capital and other cash movements	**192.0**	59.4
	Changes to working capital and other cash movements		
470.5	Net financing costs	**(37.4)**	85.4
(22.3)	Utilisation and release of provisions	**(2.1)**	(7.2)
13.5	(Increase)/decrease in receivables	**(3.0)**	2.4
(7.1)	Decrease in payables	**(12.5)**	(27.5)
164.7	Proceeds from pre-sold properties	**126.1**	54.3
(155.6)	Construction contract expenditure	**(31.2)**	(73.4)
275.8	**Cash generated by operations**	**231.9**	93.4
–	Income tax paid	**(8.9)**	–
275.8	**Net cash from operating activities**	**223.0**	93.4

16 CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS

	30 June 2009 £m	31 December 2008 £m
Crossrail station	**115**	140
Other construction projects	**88**	162

The commitments for future expenditure relate to the completion of construction works where construction was committed at 30 June 2009. Any costs accrued or provided for in the balance sheet at 30 June 2009 have been excluded.

Sub-let commitments

Under the terms of certain agreements for lease Canary Wharf Group committed to take back certain space on the basis of short term sub-leases at the end of which the space reverts to the relevant tenants. This space has been securitised, but insofar as the securitisation is concerned, the tenants are contracted to pay rent on the entire amount of space leased, whilst taking the covenant of the group on the sub-let space.

Notes to the Interim Report for the six months ended 30 June 2009 continued

The existence of the sub-let commitments has been taken into account in the market valuation of the group's properties at 30 June 2009 and 31 December 2008.

Drapers Gardens

In relation to the Drapers Gardens joint venture, in which certain Canary Wharf Group companies own a 20.0% shareholding, a Canary Wharf Group company has entered into a cost overrun guarantee in favour of the construction loan banks. This serves to guarantee to the banks the cost of any outstanding cost overruns in proportion to its shareholding, subject to an overall cap of £2.3m. This guarantee is joint and several with the other participants in the joint venture. In addition the Canary Wharf Group company has entered into an interest guarantee in favour of the banks, pursuant to which it guarantees 20.0% of the interest due on the construction loan. This guarantee is limited to a maximum period of 12 months' interest following the date of practical completion of the building which is anticipated to occur in November 2009. The maximum amount payable under the guarantee, should it be called, is estimated at £2.8m. These contingent liabilities are in addition to the provisions for the group's share of potential liabilities disclosed in Note 14.

17 EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to the period end on 28 August 2009, the company announced that it had entered into agreements to raise equity financing and to purchase by 20 October 2009 the Citi Loan at a 5.0% discount to the outstanding principal and accrued interest at the date of payment. In addition, on 18 September 2009 the company announced that it had agreed to buy 54,007,620 Canary Wharf Group shares for £112.5m.

In order to fund the purchase of the Citi Loan and the acquisition of Canary Wharf Group shares the company has today announced a £620.0m (before expenses) proposed placing and compensatory open offer, a £275.0m (before expenses) issue of preference shares and a £135.0m debt facility from certain of its existing shareholders and FIC.

Independent Review Report to Songbird Estates plc

We have been engaged by the company to review the financial information in the Interim Report for the six months ended 30 June 2009, which comprises the condensed consolidated income statement, the condensed consolidated balance sheet, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and related Notes 1 to 17. We have read the other information contained in the Interim 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 issued by the Auditing Practices Board. 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 Interim Report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Report in accordance with the AIM Rules of the London Stock Exchange.

As disclosed in Note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this Interim Report has been prepared in accordance with the basis of preparation set out in Note 1.

OUR RESPONSIBILITY

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the Interim 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.

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 Interim Report for the six months ended 30 June 2009 is not prepared, in all material respects, in accordance with the AIM Rules of the London Stock Exchange.

Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK
23 September 2009

Definitions

A Shares	Ordinary Class A Shares of 10p each
Administrator	PricewaterhouseCoopers LLP, administrator of Lehman
AIG	American International Group, Inc.
B Shares	Ordinary Class B Shares of 10p each
Ballymore	Ballymore Properties Limited
bps	basis points (1/100 of 1%)
Board	Board of directors of the company
BWB	British Waterways Board
Canary Wharf Group	Canary Wharf Group plc and its subsidiaries
CBRE	CB Richard Ellis Limited, Surveyors and Valuers
CIC	China Investment Corporation
Citi Facilities	The £880.0m Citi senior loan facilities
CLRL	Cross London Rail Links Limited
company	Songbird Estates plc
Cushman	Cushman & Wakefield, Real Estate Consultants
CWFII	Canary Wharf Finance II plc
Drapers Gardens	Drapers Gardens scheme in the City of London
EIB	European Investment Bank
Estate	Canary Wharf Estate including Heron Quays West, Riverside South and North Quay
EU	European Union
EZAs	Enterprise Zone Allowances
FIC	Fullbloom Investment Corporation (a wholly owned subsidiary of CIC)
Fimalac	F Marc de Lachariere
Fitch	Fitch Ratings Limited
GF Investments	GF Investments II, LLC
group	The company, its wholly owned subsidiaries and Canary Wharf Group
IAS 1 (revised)	International Accounting Standard 1 (revised) 'Presentation of Financial Statements'
IAS 11	International Accounting Standard 11 'Construction Contracts'
IAS 16	International Accounting Standard 16 'Property, Plant and Equipment'
IAS 40	International Accounting Standard 40 'Investment Property'
IASB	International Accounting Standards Board
ICR	Interest Cover Ratio
IFRIC	International Financial Reporting Interpretations Committee
IFRIC 15	International Financial Reporting Interpretations Committee 15 'Agreements for the Construction of Real Estate'
IFRS	International Financial Reporting Standards
JP Morgan	JP Morgan Chase & Co
JP Morgan Cazenove	J.P. Morgan Cazenove Limited
LBTH	London Borough of Tower Hamlets
Lehman	Lehman Brothers Limited
London Plan	Mayor of London planning document published by the Greater London Authority
LMCTV	Loan minus Cash to Value
LTV	Loan to Value
m	million
MSI	Morgan Stanley & Co International plc
Moody's	Moody's Investor Services Limited
MSREF	Morgan Stanley Real Estate Funds
NAV	Net Asset Value
NIA	Net Internal Area
NNNAV	Triple Net Asset Value

Nomura	Nomura International plc
Notes	Notes of Canary Wharf Group's securitisation
Omega	Omega Land Holding II BV
Ordinary Shares	Ordinary Shares of the company arising out of the proposed capital reorganisation and share consolidation
Qatar Holding	Qatar Holding LLC
Related Party Shareholders	Qatar Holding, MSREF and GF Investments
Savills	Savills Commercial Limited, Chartered Surveyors
SFL	Songbird Finance Limited
SG Shares	SG Shares of 10p each
Songbird loan	Loan drawn down by SFL
sq ft	Square feet/square foot
Telegraph	The Telegraph Media Group
TfL	Transport for London
Trust	Canary Wharf Employees' Share Ownership Plan Trust
VAT	Value Added Tax
WWLP	Wood Wharf Limited Partnership

Shareholders' Information

DIRECTORS

Non-Executive Directors

David Pritchard *+#
Johannes Groeller *
Peter Harned
Philip Lader
Jonathan Lane #
Sam Levinson
Alex Midgen *+#
Brian Niles *+#

** Audit Committee*
+ Announcement Committee
 # Executive Committee

Shareholder enquiries

All enquiries relating to holdings of shares in the company should be addressed to the company's registrars:

Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
West Yorkshire HD8 0GA
Telephone: 0871 664 0300*
Facsimile: 020 8639 2342
E-mail: ssd@capitaregistrars.com
Website: www.capitaregistrars.com

**Calls currently cost 10p per minute plus network extras.*

Other enquiries

If you would like more information about Songbird Estates plc please contact John Garwood, Company Secretary.

Registered office and registered number

Registered number: 5043352
One Canada Square
Canary Wharf
London E14 5AB
Telephone: 020 7477 1000
Facsimile: 020 7477 1001
Website: www.songbirdestates.com

ADVISERS

Auditors

Deloitte LLP
2 New Street Square
London EC4A 3BZ

Bankers

The Royal Bank of Scotland Plc
London Corporate SC
PO Box 39952
21/2 Devonshire Square
London EC2M 4XJ

Broker and nominated adviser

JP Morgan Cazenove
20 Moorgate
London EC2R 6DA

Financial PR consultants

Tulchan Communications Group Ltd
Sixth floor
Kildare House
3 Dorset Rise
London EC4Y 8EN

Solicitors

Slaughter and May
One Bunhill Row
London EC2Y 8YY

Weil, Gotshal & Manges
One South Place
London EC2M 2WG

Mixed Sources
Product group from well-managed forests, controlled sources and recycled wood or fiber
Cert no. SGS-COC-2842
www.fsc.org
© 1996 Forest Stewardship Council

Printed on Greencoat 55 Silk manufactured from 45% elemental chlorine free virgin pulp from sustainable sources and 55% recycled fibres.

One Canada Square
Canary Wharf
London E14 5AB