

SONGBIRD ESTATES PLC

26 SEPTEMBER 2007

ANNOUNCEMENT OF RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2007

The board of Songbird Estates plc is pleased to announce its results for the six months ended 30 June 2007.

The information in this announcement, which was approved by the board of directors on 25 September 2007, does not comprise statutory accounts within the meaning of the Companies Act 1985.

SONGBIRD ESTATES PLC

HIGHLIGHTS

- **Net assets increased** from £2,380.1 million at 31 December 2006 to **£2,620.3 million** at 30 June 2007, **an increase of £240.2 million or 10.1%** (Note (i)) after dividends to equity shareholders of £319.7 million.
- **Adjusted net asset value per share reduced by 15p (5.7%)** from £2.64 to **£2.49** (Note (i)) following the payment of dividends totalling 70.5p per share.
- The **market value of the property portfolio** at 30 June 2007 was **£7,465.0 million** against £6,737.4 million at 31 December 2006, **an increase of 9.6%**, after additions in the period (Note (ii)).
- In the six months ended 30 June 2007 **transactions over 665,000 sq ft were achieved including an agreement for sale upon completion of a new 320,000 sq ft building** to Fimalac (Note (iii)).
- At 30 June 2007 **Canary Wharf Group's investment portfolio totalling 7.9 million sq ft was 99.5% let** (31 December 2006 – 7.9 million sq ft of which 95.6% was let). The weighted average unexpired lease term was approximately 19.1 years (or 16.3 years assuming exercise of break options) (Note (iii)).
- **1.32 million sq ft is under construction** of which **1.02 million sq ft has been pre-sold and 86% of the remainder has been pre-let.**
- **Redevelopment of Cabot Place Retail Mall** is under way. **Further infrastructure work also under way on Riverside South** (1.8 million sq ft of potential development) **and at 25 Churchill Place** (350,000 sq ft of potential development) (Note (iv)).
- Canary Wharf Group entered into a joint venture for the **redevelopment of the Drapers Gardens** scheme in the City of London (Note (iv)).

Notes:

- (i) See 'Business Review – Balance Sheet' for further details.
- (ii) See 'Business Review – Valuations' for a comparison with the carrying value for accounts purposes.
- (iii) See 'Business Review – Property Portfolio' for further details.
- (iv) See 'Business Review – Construction' for further details.

SONGBIRD ESTATES PLC

RESULTS IN BRIEF

	Notes	Unaudited Six months ended 30 June 2007 £m	Unaudited Six months ended 30 June 2006 £m
Rental income	(i)	152.0	136.8
Underlying operating profit	(ii)	153.7	122.7
Capital, tax and other items:			
- other income	(i)	8.3	–
- net revaluation gains	(iii)	387.8	424.1
- movements in fair value of derivative instruments	(iv)	45.1	45.5
- refinancing (charges) / gains relating to repayment of debt	(iv)	(14.3)	123.3
- taxation – deferred tax	(v)	(95.4)	(241.0)
Underlying profit on ordinary activities before taxation	(ii)	39.5	7.6
Profit after tax	(ii)	371.0	359.5
Basic and diluted earnings per share	(vi)	47.1p	48.0p

Notes:

- (i) See 'Business Review – Operating Results' for further details.
- (ii) See Unaudited Consolidated Income Statement.
- (iii) See Note 7 of the notes to these financial statements.
- (iv) See Note 5 of the notes to these financial statements.
- (v) See Note 6 of the notes to these financial statements.
- (vi) See Note 2 of the notes to these financial statements.

CHANGE OF DIRECTORS

Pursuant to Rule 17 of the AIM Rules, the company announces that Robert Morrow Gray, non-executive director, has tendered his resignation as a director of the Company effective 25 September 2007 as he is returning to the offices of Morgan Stanley in New York. In accordance with the articles of association of the company, the Morgan Stanley Real Estate Funds have nominated Brian Perry Niles, aged 32, to replace Robert Gray as an MS Director (as defined in the articles of association of the company) with immediate effect. Robert Gray has served as an MS Director of the company since March 2005.

Brian Niles joined Morgan Stanley in 2006 and is currently Deputy Head of European Investing - Morgan Stanley Real Estate and a director of Multi Corporation B.V..

There are no details to be disclosed in respect of Brian Niles under paragraphs (iii) to (viii) of Schedule Two (g) of the AIM Rules.

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SONGBIRD ESTATES PLC

CHAIRMAN'S STATEMENT

Following a successful 2006, we have made an encouraging start in the first six months of 2007. Agreements were concluded on 7 transactions over 665,000 sq ft and construction has commenced on four new buildings at Canary Wharf, together totalling 1.3 million sq ft. Net effective and headline rents at Canary Wharf have also increased during the period. Elsewhere, Canary Wharf Group plc ('Canary Wharf Group') entered into a joint venture with Exemplar Developments for the redevelopment of Drapers Gardens, our first significant venture into development away from Canary Wharf. During the period we have also refinanced and streamlined our corporate structures, including the redemption of the D Share, paving the way for dividend payments during the period totalling 70.5p for each A, B and SG Share.

The board was saddened to learn of the death of Derek Bonham after a long period of illness and sends condolences to his family. Derek was Chairman of the company until September 2005 and played an important role during its formative first year.

Financial Review

The results for the six months ended 30 June 2007 are the group's first set of results presented in accordance with International Financial Reporting Standards ('IFRS'). Comparatives for the periods ended 30 June 2006 and 31 December 2006, previously presented in accordance with UK GAAP, have been restated to comply with IFRS.

Net assets at 30 June 2007 have increased by £240.2 million to £2,620.3 million since 31 December 2006. This increase was driven primarily by the revaluation of the group's properties carried as non-current assets by £481.8 million or 7.5%. This was offset by the two dividends paid on the A and B Shares totalling £319.7 million.

Adjusted net asset value per share reduced by 15p from £2.64 per share to £2.49 per share. Adjusted net asset value per share includes the external valuation surplus on construction contracts but excludes deferred tax and fair value adjustments on derivative financial instruments, and treats the SG Shares as equity. The external revaluation surplus on properties, which amounted to 59.6p per share, excluding the minority interest, was offset by the 70.5p per share of dividends paid during the six months. In addition, 14.48 million shares were issued to British Land (Joint Ventures) Limited in exchange for the cancellation of the distribution rights attaching to the D Share, which diluted adjusted net asset value by 6p per share.

Rental income for the six months was up from £136.8 million to £152.0 million after spreading of lease incentives. This increase reflected the increased occupancy on the Estate and the uplifts achieved on review.

Underlying profit for the period before taxation was £39.5 million in comparison with a profit for the six months ended 30 June 2006 of £7.6 million. Total profit for the period which, in accordance with IFRS, includes the surplus on revaluation of investment properties, was £371.0 million in comparison with £359.5 million for the six months ended 30 June 2006.

Refinancing

In May we concluded a restructuring and refinancing exercise, which resulted in the previous £737.0 million financing arrangements being replaced with an £800.0 million term facility and an £80.0 million revolving interest working capital facility. The new facilities offer increased drawdown capability, lower initial debt costs and greater flexibility on the payment of dividends (see below). Appropriate hedging arrangements have been put in place for this facility.

Dividends and Restructuring

In February the company paid a dividend of 29.5p per share to all shareholders. At the same time shareholders agreed to amend the corporate structure of the company to remove any past and future dividend liability accumulating on the D Share in consideration for the issue of 14,478,260 B Shares in the company. As a result of further restructuring, all of the shares held by the company in Canary Wharf Group are now held by a new wholly-owned subsidiary holding company. Following completion of the refinancing in June, the company paid a further special dividend of 41.0p on each A, B and SG Share. It is envisaged that any future dividends will similarly be special dividends and that a regular dividend policy will, therefore, not be adopted.

Strategic Process

Following on from the 2006 pre-sales agreed with Prudential for a corporate head office for State Street and with KPMG for a new office building, Canary Wharf Group agreed terms at the end of June with Fimalac for the pre-sale of a new £290.0 million London headquarters for Fitch Ratings Limited ('Fitch'). Canary Wharf Group also agreed a significant letting to Barclays Capital, an existing tenant at Canary Wharf, of 301,575 sq ft at 40 Bank Street at a rent in excess of £46 per sq ft. Other lettings include a diverse range of new tenants to Canary Wharf, including Mirae Asset Global Investment Management and Damac Properties. Together these added a further 55,000 sq ft of lettings during the period. Subsequent to the period end Bear Stearns exercised an option over approximately 52,600 sq ft taking their total occupancy in 5 Churchill Place to 259,000 sq ft.

Development

As previously mentioned, construction has now started on four new buildings at Canary Wharf, comprising 1.3 million sq ft with completion due on three buildings in 2009 and on the Fitch headquarters building in early 2010. Infrastructure works have also started on a fifth building at 25 Churchill Place and on the site at Riverside South where there is 1.8 million sq ft of potential development. We have also received planning permission for 2.4 million sq ft of office and retail space on North Quay. On the Heron Quays West site there is permission for development of 600,000 sq ft, and we are considering ways of increasing this capacity.

SONGBIRD ESTATES PLC

Away from the Estate, Canary Wharf Group's joint venture with British Waterways Board and Ballymore Properties Limited ('Ballymore') is moving forward on the development of the Wood Wharf site, adjacent to Canary Wharf. We anticipate lodging a planning application before the end of 2007 for approximately 6.5 million sq ft (gross) of mixed office and residential development. Canary Wharf Group is already providing management services on the Ballymore Millharbour and Crossharbour projects, which will together produce in excess of 2,200 apartments located in ten residential buildings ranging from 7 to 50 storeys. Canary Wharf Group has also entered into a joint venture for the redevelopment of Drapers Gardens in the City of London. This involves the construction of a new approximately 300,000 sq ft of prime commercial office development. Work has started and we expect completion in autumn 2009. Canary Wharf Group has also acquired a 20% equity stake in the companies that own the properties which comprise Drapers Gardens. Canary Wharf Group is now looking for other development opportunities in Central London.

Retail

Retail activity at Canary Wharf continues to go from strength to strength, and this is reflected in increased footfall and turnover throughout the malls. The redevelopment of Cabot Place Retail Mall is on schedule and is expected to increase the existing Cabot Place retail area by 42,600 sq ft. Although completion is not anticipated until March 2008, prominent high street names, such as Zara, Massimo Dutti, River Island and Leon, have already signed up as tenants.

Conclusion

While market conditions are less certain, the Board believes that factors such as the high quality investment portfolio at Canary Wharf which generates a robust income stream, the long term leases with an average of over 19 years before expiry, the high levels of occupation across the Estate and the secure financial structure of the company all position us well to meet future market conditions.

SONGBIRD ESTATES PLC

BUSINESS REVIEW

Property Portfolio

The principal asset of the company is its indirect investment in Canary Wharf Group and its subsidiaries. Canary Wharf Group has two principal business streams: property investment and property development. The activities of Canary Wharf Group are currently focused on the development of the Canary Wharf estate (the 'Estate') including Heron Quays and the adjacent sites at Riverside South and North Quay. Canary Wharf Group is also involved in development through joint ventures relating to land adjacent to the Estate known as Wood Wharf and Drapers Gardens in the City of London. At 30 June 2007 Canary Wharf Group's investment portfolio comprised 16 completed properties (out of the 30 constructed on the Estate) totalling 7.9 million sq ft net internal area ('NIA') of which 99.5% was let (31 December 2006 – 7.9 million sq ft of which 95.6% was let). As well as the rental income generated from properties, income is generated from managing the entire Estate which, in addition to the completed properties owned by Canary Wharf Group, includes a further 14 properties totalling 6.3 million sq ft which are in other ownerships.

Canary Wharf Group's properties are under lease to high quality tenants which provide a diversified income stream. At 30 June 2007 the weighted average unexpired lease term for the office portfolio was approximately 19.1 years (or 16.3 years assuming the exercise of outstanding break options) (31 December 2006 – 19.8 years or 17.1 years assuming the exercise of break options). Of the square footage under lease, 70.1% does not expire or cannot be terminated by tenants during the next ten years.

During the first half of 2007 Canary Wharf Group announced transactions over a total of 665,000 sq ft, including lettings totalling approximately 345,000 sq ft. The lettings concluded during the period comprised the following:

- Barclays Capital agreed to lease a total of 301,575 sq ft in 40 Bank Street on three separate leases expiring in April 2023. Barclays Capital will take up the space on a phased basis over the next 18 months at rents ranging from £44.00 per sq ft to £47.50 per sq ft. In addition Damac Properties and Mirae Asset Global Investment Management took a total of 7,945 sq ft in this building for terms of 5 years and 10 years respectively.
- Bear Stearns took a further 28,780 sq ft in One Canada Square for a 5 year term with break options to coincide with the completion of their new headquarters building at 5 Churchill Place. Subsequent to the period end, Bear Stearns exercised an option over approximately 52,600 sq ft in 5 Churchill Place taking their total occupancy to approximately 259,000 sq ft. Bear Stearns has a further option over the remaining 50,000 sq ft in this building exercisable over the period until completion of the building. During the period, Michael Page also took 6,548 sq ft in One Canada Square for a 5 year term.

As a result of these lettings, occupancy in 40 Bank Street increased to 96.3% and vacancy in the completed buildings on the Estate owned by Canary Wharf Group reduced to 0.5%.

On 29 June 2007 Canary Wharf Group agreed terms with Fimalac for the sale, and an agreement for the construction, of a new £290.0 million headquarters for Fitch. The new building to be built at 30 North Colonnade will comprise approximately 320,000 sq ft and is scheduled for completion in the second half of 2010. On exchange, Canary Wharf Group received an initial payment of £165.4 million from Fimalac in respect of the site.

All space previously sub-let back to Canary Wharf Group has now been re-let or is subject to call options. At 30 June 2007 the estimated net present value of sub-let liabilities had reduced to approximately £34.1 million discounted at 6.0%, Canary Wharf Group's weighted average cost of debt at that date (31 December 2006 – £43.8 million discounted at 6.1%). The remaining sub-let commitments have been reflected in the market valuation of Canary Wharf Group's properties.

Construction

Properties under construction at 30 June 2007 comprised the following:

Property address	Approx. NIA (sq ft)	Expected completion date	Status
20 Churchill Place	300,000	September 2008	Pre-sold to Prudential on completion for occupation by State Street.
15 Canada Square	400,000	April 2009	Pre-sold to KPMG on completion.
5 Churchill Place	300,000	May 2009	259,000 sq ft pre-let to Bear Stearns.
30 North Colonnade	320,000	October 2010	Pre-sold to Fimalac for occupation by Fitch on completion.
	<hr/> 1,320,000		

In addition to the construction of new office buildings, Canary Wharf Group is currently redeveloping the western end of the Cabot Place Retail Mall, with completion anticipated in March 2008. This redevelopment will increase the existing retail area by approximately 42,600 sq ft and will introduce new retailers to the Estate including Zara, Massimo Dutti, River Island and Leon.

SONGBIRD ESTATES PLC

BUSINESS REVIEW (Continued)

The remaining development site on the Estate (known as BP4) could accommodate approximately 0.4 million sq ft of new development. Following the sale of 30 North Colonnade to Fimalac, Canary Wharf Group has decided to proceed with the staged construction of BP4. In addition, Canary Wharf Group has development sites at North Quay and Riverside South. At Riverside South, initial ground works are under way which will accelerate the completion time for the development for any prospective occupant. At North Quay, the local authority granted consent in January 2007 for an increase in the permitted density to 2.4 million sq ft, adding to the 1.8 million sq ft of capacity at Riverside South. There is further development capacity of 0.6 million sq ft on Heron Quays West subject to planning consent. Construction of new buildings on these sites will commence as and when market conditions allow.

The following table summarises the development capacity at each of the above sites:

	NIA (million sq ft)
Based on existing planning permissions:	
– Canary Wharf	0.4
– Riverside South	1.8
– North Quay	2.4
	<hr/> 4.6
Subject to planning application:	
– Heron Quays West	0.6
Total	<hr/> <hr/> 5.2

In addition to the above, Canary Wharf Group is working with Ballymore and British Waterways Board ('BWB') on the redevelopment of the Wood Wharf site. The master plan for the scheme, in which Canary Wharf Group has a 25.0% interest, sets a framework for 6.5 million sq ft gross of mixed commercial, residential and retail development. It is anticipated that a planning application will be submitted later this year.

On 15 June 2007 Canary Wharf Group announced a joint venture with Morgan Stanley Real Estate Fund V ('MSREF V') and Exemplar Developments LLP ('Exemplar'), to undertake the redevelopment of the Drapers Gardens scheme in the City of London. The scheme comprises approximately 300,000 sq ft of prime commercial development and is scheduled for completion in the autumn of 2009. Canary Wharf Group acquired 20% of the share capital in the companies that own the property and will assume the role as development manager with day to day running of the scheme. This represents Canary Wharf Group's first involvement in a scheme away from the Estate and, coupled with involvement as construction manager on Ballymore's Crossharbour and Millharbour developments, will demonstrate that the skills of Canary Wharf Group are transferable to other developments away from the Estate.

Valuations

The net assets of the group, as stated in its consolidated balance sheet as at 30 June 2007, were £2,620.3 million. In arriving at this total:

- (i) properties held as investments were carried at £6,288.6 million, which represents the market value of those properties of £6,470.6 million at that date as determined by Canary Wharf Group's external valuers, CB Richard Ellis Limited, Surveyors and Valuers ('CBRE'), Savills Commercial Limited, Chartered Surveyors ('Savills'), or Cushman & Wakefield, Real Estate Consultants ('Cushman'), less an adjustment of £176.2 million for tenant incentives and £5.8 million for deferred negotiation costs;
- (ii) properties held for development were carried at £511.0 million, representing their market value; and
- (iii) properties under construction to be retained by Canary Wharf Group were carried at £64.3 million, representing their market value less an adjustment of £0.7 million for deferred negotiation costs.

Excluding additions, the valuation of the investment portfolio on the basis of market value increased by £407.0 million or 6.7% over the six months to 30 June 2007. After allowing for adjustments in respect of lease incentives, the carrying value of the investment portfolio increased by £387.8 million over the period. This increase was primarily driven by the benefit of new lettings achieved in the period and an increase in headline rents. In addition there was some compression in yields in the market for properties let on long leases to creditworthy tenants following the announcements regarding the sales of the HSBC and Citigroup headquarters buildings on the Estate.

CBRE and Savills have provided a joint opinion as at 30 June 2007 that the market value of properties held for development was £511.0 million, in comparison with £415.0 million at 31 December 2006, which resulted in a revaluation surplus of £89.8 million in the period, net of additions. 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 £511.0 million represents an increase of 21.3%, excluding additions, over the market value at 31 December 2006, which reflects the continuing strong demand for development sites.

SONGBIRD ESTATES PLC

BUSINESS REVIEW (Continued)

The valuers also provided an opinion at 30 June 2007 that the market value of the property under construction to be retained was £65.0 million which, after transfers to properties under construction and held for sale resulted in a revaluation surplus of £4.2 million in the period. The properties under construction held for sale had a market value of £418.4 million compared with a carrying value of £181.1 million before the transfers required by International Accounting Standard 11 'Construction Contracts' ('IAS11').

The market value of the entire property portfolio including investment properties, properties held for development and properties under construction, increased by £653.8 million or 9.6% over the six months, excluding additions and transfers to construction contracts, this increase has been 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 2007		31 December 2006	
	Carrying value	Market value in existing state	Carrying value	Market value in existing state
	£m	£m	£m	£m
Investment properties	6,288.6 ⁽¹⁾	6,470.6 ⁽²⁾	5,895.6 ⁽¹⁾	6,058.4 ⁽²⁾
Properties under construction	64.3	65.0	94.3	95.0
Properties held for development	511.0	511.0	414.9	415.0
	6,863.9	7,046.6	6,404.8	6,568.4
Properties under construction held for sale	181.1 ⁽³⁾	418.4	84.6 ⁽³⁾	169.0
	7,045.0	7,465.0	6,489.4	6,737.4

Notes:

- (1) The carrying value of investment properties represents market value less an adjustment for lease incentives and deferred negotiation costs.
- (2) Stated at market value in existing state before adjustment for tenant incentives and deferred negotiation costs. The tenant incentives and deferred negotiation costs adjustment attributable to investment properties at 30 June 2007 was £182.0 million (31 December 2006 – £162.8 million).
- (3) The carrying value in the balance sheet at 30 June 2007 is stated net of £179.8 million transferred to cost of sales (year ended 31 December 2006 – £76.4 million), £8.2 million to payments on account (31 December 2006 – £3.3 million) and costs accrued of £8.1 million (31 December 2006 – £nil) in accordance with IAS 11.

Taxation

Canary Wharf Group has Enterprise Zone Allowances ('EZAs') available to shelter future operating profits and taxable profits and gains arising on the sale of properties.

During the year ended 31 December 2006, Canary Wharf Group acquired two finance lessor companies from a third party. A deferred tax liability of £106.9 million was recognised in respect of the potential clawback of EZAs resulting from claims made by these companies at 30 June 2007 (31 December 2006 – £112.7 million).

Substantially all other EZAs available in Canary Wharf Group are attached to assets that are now of negligible market value following an internal property restructuring in the year ended 31 December 2005. As a result there is no uplift in the value of the group's investment properties attributable to the EZAs available to the group. Whereas Canary Wharf Group can claim these EZAs based on the original qualifying expenditure, a third party purchaser would only be able to claim EZAs by reference to the post restructuring values. Furthermore, as these assets to which the EZAs attach are negligible in value, a disposal of the property to which the qualifying expenditure relates would not result in a material clawback of EZAs claimed prior to 30 June 2007. As a result there is no deferred tax liability in respect of these EZAs.

The contingent tax payable if Canary Wharf Group were to dispose of its property portfolio at the market values disclosed in this Business Review is included in the net deferred tax provision recognised for IFRS purposes at each balance sheet date (Note 6).

Operating Results

The following review of the group's operating results relates to the six months ended 30 June 2007. The comparatives relate to the six months ended 30 June 2006.

Turnover is generated primarily by the rents and service charges earned by Canary Wharf Group from its property interests on the Estate. Turnover for the six months ended 30 June 2007 was £315.2 million, against £184.8 million for the six months ended 30 June 2006. Rental income increased from £136.8 million to £152.0 million, an increase of 11.1%. The impact of

SONGBIRD ESTATES PLC

BUSINESS REVIEW (Continued)

spreading lease incentives was to increase rental income by £13.8 million in the six months ended 30 June 2007 (six months ended 30 June 2006 – £12.1 million). Excluding this accounting adjustment, rental income increased from £124.7 million to £138.2 million, an increase of 10.8%, primarily attributable to the benefit of recent lettings and rent reviews. Service charge income increased from £27.4 million to £30.9 million and miscellaneous income (including insurance rents) increased from £11.7 million to £12.3 million over the period. The six months ended 30 June 2007 also included £120.0 million of turnover recognised on construction contracts (six months ended 30 June 2006 – £8.9 million).

Cost of sales includes rents payable and property management costs, movements on provisions for vacant leasehold properties, as well as costs allocated to cost of sales on construction contracts. Rents payable and property management costs were £41.4 million in comparison with £40.5 million for the six months ended 30 June 2006. Taking into account service charge and miscellaneous income totalling £43.2 million (six months ended 30 June 2006 – £39.1 million), a profit on estate management of £1.8 million was achieved (six months ended 30 June 2006 – loss of £1.4 million). The reduction in void costs relates to recent lettings and the consequent increase in occupancy on the Estate. Provisions relating to vacant leasehold properties, rent support commitments and certain other obligations of Canary Wharf Group increased by £1.1 million in the six months ended 30 June 2007, whereas there was a net release of such provisions totalling £4.2 million in the six months ended 30 June 2006. In addition, cost of sales for the six months ended 30 June 2007 included £103.4 million (six months ended 30 June 2006 – £8.9 million) of costs recognised on construction contracts resulting in £16.6 million of profit being recognised in the period (six months ended 30 June 2006 – £nil).

For the six months ended 30 June 2007 net property income was £169.3 million, an increase of £29.7 million over the six months ended 30 June 2006, attributable to the factors referred to above.

Administrative expenses for the six months ended 30 June 2007 were £17.5 million in comparison with £17.0 million for the six months ended 30 June 2006.

Underlying operating profit (as defined in Note 2) for the six months ended 30 June 2007 was £153.7 million in comparison with £122.7 million for the six months ended 30 June 2006. Of the increase of £31.0 million, £16.6 million was attributable to the recognition of profit on construction contracts and £15.2 million to increased rental income.

In addition to the underlying operating profit, net revaluation gains of £387.8 million and £8.3 million of deferred proceeds from the sale of two buildings in 2003 were recognised in the period. Total operating profit for the six months ended 30 June 2007 was £549.8 million against £546.8 million for the six months ended 30 June 2006.

Underlying net financing expenses for the six months ended 30 June 2007 were £114.2 million against £115.1 million for the six months ended 30 June 2006. In the six months ended 30 June 2007, Canary Wharf Group restructured its securitised debt, resulting in refinancing charges of £14.3 million (Note 5). In the six months ended 30 June 2006, Canary Wharf Group recognised a gain of £123.3 million in connection with the acquisition of three finance leases which was classified as an exceptional refinancing gain. Movements on derivative financial instruments resulted in a net gain of £48.9 million being recognised in the income statement in the six months ended 30 June 2007 compared with a gain of £52.0 million in the six months ended 30 June 2006. The reduction in underlying net interest payable of £0.9 million was primarily attributable to an increase in interest receivable.

The profit for the period before taxation for the six months ended 30 June 2007 was £466.4 million in comparison with a profit of £600.5 million for the six months ended 30 June 2006. The results for the six months ended 30 June 2007 and the six months ended 30 June 2006 included certain capital, tax and other profits and losses as described above. Underlying profit before taxation for the six months ended 30 June 2007 was £39.5 million (six months ended 30 June 2006 – £7.6 million).

Taxation for the six months ended 30 June 2007, which has been calculated by reference to the anticipated effective tax rate for the year to 31 December 2007, is wholly attributable to deferred tax. In the six months ended 30 June 2007 the deferred tax charge of £95.4 million recognised through the income statement primarily arose from the requirement to provide for deferred tax on revaluation surpluses and on movements in the fair values of derivative instruments.

The profit for the period after taxation for the six months ended 30 June 2007 was £371.0 million in comparison with a profit of £359.5 million for the six months ended 30 June 2006.

The basic and diluted earnings per share for the six months ended 30 June 2007 was 47.1p (six months ended 30 June 2006 – 48.0p) (Note 2).

Balance Sheet

Net assets in the group's balance sheet were £2,620.3 million at 30 June 2007, up from £2,380.1 million at 31 December 2006. The increase in net assets was principally attributable to the increase in the carrying value of properties held as non current assets of £481.8 million, or 7.5%, over the six months (Note 4). This was partly offset by the dividends paid to equity shareholders during the period of £319.7 million.

Adjusted net asset value ('NAV') includes the external valuation surplus on construction contracts but excludes deferred tax and fair value adjustments on derivatives. In addition, in calculating adjusted NAV, the SG Shares and, until it was redeemed, the D Share are treated as equity rather than as, respectively, a debt instrument and a derivative for balance sheet purposes in accordance with accounting standards. The calculation of adjusted NAV is disclosed in Note 2, which indicates that adjusted NAV per share reduced from £2.64 to £2.49, after dividends paid in the six months ended 30 June 2007 of 70.5p per A, B and SG Share.

SONGBIRD ESTATES PLC

BUSINESS REVIEW (Continued)

Adjusted triple net asset value ('NNNAV') per share is set out in the table below:

	Notes	30 June 2007 £m	31 December 2006 £m
Adjusted net assets attributable to members of the company	(i)	1,571.8	1,624.6
Fair value adjustment in respect of financial assets and liabilities net of tax thereon	(ii)	95.0	(113.4)
Deferred tax	(iii)	(324.6)	(181.4)
Minority interest in further adjustments		90.0	115.6
Adjusted NNNAV		<u>1,432.2</u>	<u>1,445.4</u>
Cumulative dividends	(iv)	512.3	179.9
		<u>1,944.5</u>	<u>1,625.3</u>
Adjusted NNNAV per share	(v)	£2.27	£2.35
Adjusted NNNAV per share before dividends	(v)	£3.08	£2.65

Notes:

- (i) Refer to Note 2.
- (ii) The fair value adjustment comprises the mark to market of derivatives in Note 2 and the after tax difference between the market value and book value of debt (Note 11), excluding the SG Shares which are treated as equity in the NNNAV calculation.
- (iii) Refer to Note 6.
- (iv) Total dividends paid since the acquisition of Canary Wharf Group in 2004 of £657.6 million, £1.05 per share (31 December 2006 – £213.2 million, 34.6p per share) of which £145.3 million (31 December 2006 – £33.3 million) was accounted for as a reduction in the liability recorded in respect of the SG Shares (Note 11).
- (v) Calculation based on 630.6 million shares in issue at 30 June 2007 (31 December 2006 – 616.1 million).

On 14 February 2007, an interim dividend of 29.5p was paid on each of the SG, A and B Shares. Subsequently on 18 June 2007, a further interim dividend of 41.0p was paid. These dividends, in addition to dividends paid up to 31 December 2006, served to reduce adjusted NNNAV per share from £2.91 to £2.10.

In January 2007, 14,478,260 B Shares were issued in exchange for the cancellation of the dividend and distribution rights attaching to the D Share. Had this issue of shares occurred by 31 December 2006, the impact would have been to reduce NNNAV per share by 6p to £2.29.

Borrowings

In May 2007, £800.0 million was drawdown under a new £880.0 million loan facility ('the Songbird loan') which was used to fund the repayment of £520.9 million plus interest outstanding under an existing loan. The balance was used to pay the dividend totalling £258.5 million declared in June 2007.

In April 2007 Canary Wharf Group completed a restructuring of its securitisation involving the redemption of £572.6 million of floating rate notes ('FRNs') and the issue of £726.0 million new non-amortising FRNs. Additional proceeds raised of £153.0 million are represented principally by £51.0 million of Class C2 notes, rated A, and £100.0 million of Class D2 notes, rated BBB. All of the new notes issued have a maturity of October 2037.

During the period, Canary Wharf Group also entered into a £155.0 million 3 year construction loan facility secured on 5 Churchill Place.

At 30 June 2007, net debt (including derivative financial instruments at fair value, net of monetary deposits and cash and cash equivalents) stood at £3,665.8 million, up by £21.2 million from £3,644.6 million at 31 December 2006. The components making up net debt are shown in Note 11.

The increase in total borrowings including derivatives from £4,674.5 to £4,800.4 million primarily reflects the drawdown under the Songbird loan, the effect of restructuring Canary Wharf Group's securitisation and drawdowns made by Canary Wharf Group under its new construction loan facility, as referred to above.

The increase in total borrowings was accompanied by an increase in cash and cash equivalents from £882.4 million to £1,023.6 million, primarily as a result of the drawdowns referred to above and partially offset by the dividends paid.

At 30 June 2007 the group's weighted average cost of debt was 6.1% including credit wraps (31 December 2006 – 6.2%).

Cash Flow

Cash generated from operations for the six months ended 30 June 2007 was £303.6 million in comparison with £141.6 million for the six months ended 30 June 2006. This increase was primarily attributable to net proceeds from construction contracts and increased rental income. The six months ended 30 June 2007 included £165.4 million of payments received arising from the agreement to sell 30 North Colonnade and £16.0 million arising from the agreement to sell 20 Churchill Place (six months ended 30 June 2006 – £174.6 million).

SONGBIRD ESTATES PLC

BUSINESS REVIEW (Continued)

Cash flows from investing activities resulted in a cash outflow of £30.8 million for the six months ended 30 June 2007 compared with a cash inflow of £1.0 million for the six months ended 30 June 2006. The six months ended 30 June 2007 included £23.0 million of development expenditure on properties to be retained by Canary Wharf Group (six months ended 30 June 2006 – £12.8 million). The six months ended 30 June 2006 also included a deferred receipt of £27.0 million from an investment property sold in 2005.

Cash flow from financing activities for the six months ended 30 June 2007 was an inflow of £9.5 million compared with an outflow of £857.6 million for the six months ended 30 June 2006. Dividends were paid totalling £444.4 million in the six months ended 30 June 2007, of which £319.7 million was paid to A and B shareholders, compared with £110.9 million in the six months ended 30 June 2006, of which £78.0 million was paid to A and B shareholders. The six months ended 30 June 2007 included net proceeds of £148.0 million arising from restructuring Canary Wharf Group's securitisation, £279.1 million on the restructuring of the Songbird loan and £17.8 million drawdown under Canary Wharf Group's construction loan facility. Dividends paid on the SG Shares in excess of the finance charge accrued totalled £112.0 million in the six months ended 30 June 2007 (six months ended 30 June 2006 – £27.3 million). The six months ended 30 June 2006 included £836.6 million expended on the acquisition of finance leases by Canary Wharf Group, funded by the removal of restrictions over certain cash collateral accounts totalling £836.7 million. The six months ended 30 June 2006 also included repayment of £203.6 million remaining on Canary Wharf Group's £750.0 million loan facility, funded by the proceeds of a new £300.0 million retail facility.

SONGBIRD ESTATES PLC

UNAUDITED CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

for the six months ended 30 June 2007

Audited Year ended 31 December 2006		Unaudited Six months ended 30 June 2007	Unaudited Six months ended 30 June 2006
£m		£m	£m
705.0	Profit for the period after taxation	371.0	359.5
7.4	Transferred from equity in respect of cash flow hedges	34.1	4.1
(2.2)	Tax on items transferred from equity	(9.5)	(1.2)
5.2		24.6	2.9
172.9	Revaluation of development property	94.0	68.2
22.5	Gains on cash flow hedges	55.5	16.9
(58.5)	Deferred tax on items taken directly to equity	(38.3)	(25.5)
142.1	Net income recognised directly in or transferred from equity	135.8	62.5
847.1	Total recognised income and expense for the period	506.8	422.0
	Attributable to:		
489.4	Equity holders of the company	297.4	245.8
357.7	Minority interest	209.4	176.2
847.1		506.8	422.0

SONGBIRD ESTATES PLC

UNAUDITED CONSOLIDATED BALANCE SHEET

at 30 June 2007

Audited 31 December 2006	Notes	Unaudited 30 June 2007	Unaudited 30 June 2006
£m		£m	£m
Assets			
Non current assets			
5,895.6	Investment properties	6,288.6	5,594.9
94.3	Properties under construction	64.3	–
414.9	Development properties	511.0	430.0
0.4	Other property, plant and equipment	0.7	2.3
6,405.2		6,864.6	6,027.2
Other non current assets			
11.5	Derivative financial instruments	71.6	5.6
12.8	Investments	20.0	12.4
6,429.5		6,956.2	6,045.2
Current assets			
49.0	Trade and other receivables	55.8	52.7
163.6	Tenant incentives and deferred negotiation costs	182.7	148.3
147.5	Monetary deposits	111.0	136.8
882.4	Cash and cash equivalents	1,023.6	994.0
1,242.5		1,373.1	1,331.8
7,672.0	Total assets	8,329.3	7,377.0
Liabilities			
Current liabilities			
(103.5)	Current portion of long-term borrowings	(56.1)	(80.1)
(383.9)	Trade and other payables	(475.6)	(351.6)
(487.4)		(531.7)	(431.7)
Non current liabilities			
(4,427.5)	Borrowings	(4,804.6)	(4,470.1)
(155.0)	Derivative financial instruments	(11.3)	(144.2)
(181.4)	Deferred tax liabilities	(324.6)	(209.3)
(40.6)	Other non current liabilities	(36.8)	(46.6)
(4,804.5)		(5,177.3)	(4,870.2)
(5,291.9)	Total liabilities	(5,709.0)	(5,301.9)
2,380.1	Net assets	2,620.3	2,075.1
Equity			
43.9	Share capital	45.4	43.9
453.6	Other reserves	536.6	405.2
730.9	Retained earnings	677.2	535.7
1,228.4	Total equity attributable to members of the company	1,259.2	984.8
1,151.7	Minority interests	1,361.1	1,090.3
2,380.1	Total equity and reserves	2,620.3	2,075.1

SONGBIRD ESTATES PLC

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2007

Audited Year ended 31 December 2006 £m	Notes	Unaudited Six months ended 30 June 2007 £m	Unaudited Six months ended 30 June 2006 £m
Cash flows from operating activities			
326.3			
(270.7)	16	303.6	141.6
46.3		(149.1)	(136.9)
(5.1)		26.4	21.2
(4.0)		(1.0)	(3.5)
(0.5)		(16.8)	(1.2)
		(0.6)	(0.5)
92.3		162.5	20.7
Cash flows from investing activities			
(41.4)		(23.0)	(12.8)
(7.3)		(0.4)	(3.5)
27.0		-	27.0
(10.5)		(7.4)	(9.7)
(32.2)		(30.8)	1.0
Cash flows from financing activities			
(78.0)		(319.7)	(78.0)
(120.1)		-	-
(27.3)		(112.0)	(27.3)
-		17.8	-
-		726.0	-
(11.9)		(578.0)	(5.4)
(836.6)		-	(836.6)
300.0		-	302.3
(210.1)		(3.7)	(207.0)
175.2		800.0	165.7
(198.8)		(520.9)	(171.3)
(1,007.6)		9.5	(857.6)
(947.5)		141.2	(835.9)
1,829.9		882.4	1,829.9
882.4	11	1,023.6	994.0

Cash flows resulting from construction contracts have been reclassified from investing activities to operating activities to enable an improved understanding of the cash flows of the business.

SONGBIRD ESTATES PLC

NOTES TO THE FINANCIAL STATEMENTS

for the six months ended 30 June 2007

1. BASIS OF PREPARATION

The financial information presented in this Announcement has been prepared in accordance with International Financial Reporting Standards ('IFRS') and International Financial Reporting Interpretations Committee ('IFRIC') interpretations as adopted by the European Union ('EU') and therefore complies with Article 4 of the EU International Accounting Standards ('IAS') Regulation. The financial information contained in this Announcement 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 2007.

These financial statements have been prepared under the historical cost convention as modified by the revaluation of land and buildings and certain financial instruments and the deferred tax thereon and in accordance with the accounting policies set out in the company's announcement 'IFRS Restatement' dated 15 August 2007. Such accounting policies have been applied consistently in all material respects throughout the period and the previous year. The IFRS Restatement included unaudited results for the six months ended 30 June 2006 and audited results for the year ended 31 December 2006. The financial information for the six months ended 30 June 2007 is unaudited. The comparative information for the year ended 31 December 2006 and the six months ended 30 June 2006 has been extracted from the IFRS Restatement. The full financial statements for the year ended 31 December 2006, which were prepared under UK GAAP and which received an unqualified audit report, and did not contain a statement under S237(2) or (3) of the Companies Act 1985, have been filed with the Registrar of Companies.

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

2. PERFORMANCE MEASURES

Audited Year ended 31 December 2006			Unaudited Six months ended 30 June 2007		Unaudited Six months ended 30 June 2006	
Earnings £m	Per share p	Earnings per share (diluted)	Earnings £m	Per share p	Earnings £m	Per share p
19.6	4.5	Underlying earnings	39.5	8.7	7.6	1.8
685.4	157.0	Add: capital, tax and other items	331.5	73.3	351.9	81.3
705.0	161.5	Total earnings	371.0	82.0	359.5	83.1
(301.9)	(69.2)	Less: minority interest	(158.1)	(34.9)	(151.6)	(35.1)
403.1	92.3	Profit for the period after taxation	212.9	47.1	207.9	48.0

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

Earnings per share has been calculated by reference to the profit attributable to equity shareholders of £190.1 million in the six months ended 30 June 2007 (year ended 31 December 2006 – £403.1 million, six months ended 30 June 2006 – £207.9 million) and on the weighted average of 452.3 million ordinary shares in issue for the six months ended 30 June 2007 (year ended 31 December 2006 – 436.5 million, six months ended 30 June 2006 – 433.0 million). The numbers of ordinary shares exclude the SG Shares, the D Share 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.

SONGBIRD ESTATES PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the six months ended 30 June 2007

Adjusted NAV is calculated as follows:

Audited 31 December 2006 £m		Unaudited 30 June 2007 £m	Unaudited 30 June 2006 £m
2,380.1	Balance sheet net assets	2,620.3	2,075.1
181.4	Add back: deferred tax	324.6	209.3
53.8	Mark to market of derivatives	(81.6)	58.1
84.4	Add: surplus arising on properties under construction held for sale	220.7	18.8
2,699.7		3,084.0	2,361.3
(1,151.7)	Minority interest in balance sheet	(1,361.1)	(1,090.3)
(125.3)	Minority interest on adjustments above	(181.8)	(112.1)
142.6	Reclassify SG Shares and D Share as equity	30.6	142.6
59.3	Add back accrued finance charges on SG Shares and D Share	0.1	37.3
1,624.6	Adjusted net assets	1,571.8	1,338.8
£1.99	NAV per share (excluding minority interest)	£2.00	£1.60
£2.64	Adjusted NAV per share	£2.49	£2.17

Adjusted NAV per share includes the external valuation surplus on construction contracts of £237.3 million (31 December 2006 – £84.4 million, 30 June 2006 – £18.8 million), less the profit recognised on such contracts of £16.6 million (31 December 2006 – £nil, 30 June 2006 – £nil) but excludes fair value adjustments on derivatives and deferred taxation. In addition, in arriving at adjusted net assets, the SG Shares, and until it was redeemed, the D Share, are treated as equity whereas in the balance sheet the SG Shares are treated as a debt instrument and the D Share was treated as a derivative.

At 30 June 2007 the number of shares in issue was 630.6 million (31 December 2006 – 616.1 million, 30 June 2006 – 616.1 million).

In January 2007 14,478,260 B Shares were issued to British Land (Joint Ventures) Limited in exchange for the cancellation of the dividend and distribution rights attaching to the D Share. Had this issue of shares occurred by 31 December 2006, the impact would have been to reduce adjusted net asset value per share by 6p to £2.58.

3. REVENUE

Audited Year ended 31 December 2006 £m		Unaudited Six months ended 30 June 2007 £m	Unaudited Six months ended 30 June 2006 £m
255.7	Rent receivable	138.2	124.7
24.4	Spreading of incentives, committed rent increases and letting fees	13.8	12.1
280.1		152.0	136.8
53.6	Service charge income	30.9	27.4
76.4	Long-term development contract income	120.0	8.9
26.7	Miscellaneous income	12.3	11.7
436.8	Gross development, rental and related income	315.2	184.8
(82.2)	Service charge and other direct property expenses	(41.4)	(40.5)
4.7	Changes in provisions relating to leasehold commitments	(1.1)	4.2
(76.4)	Construction contracts expenditure	(103.4)	(8.9)
282.9	Net development, rental and related income	169.3	139.6

SONGBIRD ESTATES PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the six months ended 30 June 2007

4 NET REVALUATION GAINS ON PROPERTY AND INVESTMENTS

Audited Year ended 31 December 2006 £m		Unaudited Six months ended 30 June 2007 £m	Unaudited Six months ended 30 June 2006 £m
722.1	In income statement Revaluation of investment properties	387.8	424.1
172.9	In consolidated statement of recognised income and expense Revaluation of development properties	94.0	68.2
895.0		481.8	492.3

5. NET FINANCING COSTS

Audited Year ended 31 December 2006 £m		Unaudited Six months ended 30 June 2007 £m	Unaudited Six months ended 30 June 2006 £m
46.1	Interest receivable on: Deposits and securities	23.5	22.9
(151.2)	Interest payable on: Notes and debentures	(73.6)	(77.5)
(39.1)	Songbird loan	(24.8)	(18.9)
(78.3)	Other bank loans and overdrafts	(39.2)	(37.7)
(4.4)	Obligations under finance leases	(1.0)	(3.9)
(273.0)		(138.6)	(138.0)
0.7	Development interest capitalised	0.9	–
(272.3)		(137.7)	(138.0)
33.7	Other financing income / (costs) resulting from impact of derivatives: Movements on fair value of derivatives	82.2	44.6
22.9	Movements on translation of foreign currency debt	3.3	13.1
(17.2)	Valuation movement on fair value of D Share (Note 11)	(2.5)	(1.6)
(12.9)	Finance costs of SG Shares (Note 11)	(3.8)	(6.5)
(7.4)	Hedging reserve recycling	(34.1)	(4.1)
19.1		45.1	45.5
(207.1)	Net financing expenses	(69.1)	(69.6)
–	Refinancing (costs) / gains Refinancing fees	(14.3)	–
123.3	Gains relating to finance lease repayment	–	123.3
(83.8)	Net financing (costs) / income	(83.4)	53.7
46.1	Total financing income	23.5	22.9
(129.9)	Total financing expenses	(106.9)	30.8
(83.8)	Net financing (costs) / income	(83.4)	53.7

Financing fees included in interest payable totalled £18.1 million in the six months ended 30 June 2007 (year ended 31 December 2006 – £17.1 million, six months ended 30 June 2006 – £10.1 million).

Interest on development expenditure financed from general funds has been capitalised at a rate of 6.1%, being the weighted average cost of debt of the relevant loan facilities, and included in additions to properties under construction in Note 7. Interest payable on the construction loan has been capitalised as incurred.

SONGBIRD ESTATES PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the six months ended 30 June 2007

Refinancing fees in the six months ended 30 June 2007 comprised the write-off of £13.6 million deferred fees on certain of the notes repaid in the restructuring of Canary Wharf Group's securitisation and breakage fees paid totalling £0.7 million.

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

6. TAXATION

Audited Year ended 31 December 2006 £m		Unaudited Six months ended 30 June 2007 £m	Unaudited Six months ended 30 June 2006 £m
(179.1)	Tax charge		
	Origination and reversal of temporary differences	(139.9)	(241.0)
(179.1)	Group total taxation	(139.9)	(241.0)
	Tax reconciliation		
884.1	Group profit on ordinary activities before taxation	466.4	600.5
(265.2)	Tax on profit on ordinary activities at UK corporation tax rate of 30%	(139.9)	(180.2)
	Effects of:		
75.7	Tax losses and other timing differences	42.2	(63.9)
10.4	Expenses not deductible for tax purposes	2.3	3.1
(179.1)	Group total taxation	(139.9)	(241.0)

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

No provision for current corporation tax has been made in the consolidated results of Canary Wharf Group for the six months ended 30 June 2007, year ended 31 December 2006 or the six months ended 30 June 2006 due to tax losses arising in the periods, the availability of tax losses brought forward from previous periods and other tax reliefs available. It is anticipated that remaining capital losses and other tax reliefs, including EZAs, will reduce future tax charges.

	Losses & tax credits £m	Revaluation deficits £m	Fair value of derivatives £m	Acquisition adjustments £m	Other £m	Total £m
Deferred tax assets						
At 1 January 2007	155.6	19.1	46.5	38.1	1.1	260.4
Net charge to income statement for the period	(32.1)	(15.7)	(27.2)	(4.6)	(0.1)	(48.3)
Charged to equity	–	–	(11.7)	–	–	(11.7)
At 30 June 2007	123.5	34.8	7.6	33.5	1.0	200.4
	Potential EZA clawback £m	Revaluation surpluses £m	Fair value of derivatives £m	Acquisition adjustments £m	Other £m	Total £m
Deferred tax liabilities						
At 1 January 2007	(113.1)	(277.2)	(3.5)	(48.0)	–	(441.8)
Net charge to income statement for the period	5.8	(69.9)	(5.7)	22.7	–	(47.1)
Charged to equity	–	(20.9)	(15.2)	–	–	(36.1)
At 30 June 2007	(107.3)	(368.0)	(24.4)	(25.3)	–	(525.0)
						Total £m
Net deferred tax liability						
1 January 2007						(181.4)
30 June 2007						(324.6)

SONGBIRD ESTATES PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the six months ended 30 June 2007

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

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

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

Non current assets and construction contracts at 30 June 2007 comprised:

	Invest- ment properties	Develop- ment properties	Properties under construction for investment	Construction contracts	Sub- total	Plant & equip- ment	Total
	£m	£m	£m	£m	£m	£m	£m
Market value at 1 January 2007	6,058.4	415.0	95.0	–	6,568.4		
Exclude brought forward:							
- tenant incentives	(159.1)	–	–	–	(159.1)		
- unamortised negotiation costs	(3.7)	(0.1)	(0.7)	–	(4.5)		
Carrying value at 1 January 2007	5,895.6	414.9	94.3	–	6,404.8	0.4	6,405.2
Additions	8.5	6.3	10.8	51.5	77.1	0.4	77.5
Accrued construction contract costs	–	–	–	8.1	8.1	–	8.1
Transfers	–	–	(45.0)	45.0	–	–	–
Revaluations:							
- included in income statement	387.8	–	–	–	387.8	–	387.8
- included in statement of recognised income and expense	–	89.8	4.2	–	94.0	–	94.0
Transfer to tenant incentives and guaranteed rent uplift balances	(3.3)	–	–	–	(3.3)	–	(3.3)
Transfer to cost of sales	–	–	–	(103.4)	(103.4)	–	(103.4)
Transfer to payments on account	–	–	–	(1.2)	(1.2)	–	(1.2)
Depreciation	–	–	–	–	–	(0.1)	(0.1)
Carrying value at 30 June 2007	6,288.6	511.0	64.3	–	6,863.9	0.7	6,864.6
Adjust for:							
Tenant incentives at 30 June 2007 (Note 9)	176.2	–	–	–	176.2		
Unamortised lease negotiation costs at 30 June 2007 (Note 9)	5.8	–	0.7	–	6.5		
Market value at 30 June 2007	6,470.6	511.0	65.0	–	7,046.6		

SONGBIRD ESTATES PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the six months ended 30 June 2007

In June 2007 Canary Wharf Group entered into an agreement for the sale of 30 North Colonnade and received £165.4 million which has been treated as a payment on account. The carrying value of the site of £45.0 million has been transferred from properties under construction held for investment to construction contracts. At 30 June 2007 the carrying value of this and other properties carried as current assets is stated net of amounts taken to cost of sales in accordance with IAS 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. The valuations, which conform to International Valuation Standards, were arrived at by reference to market evidence of transaction prices for similar properties.

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

Cumulative interest capitalised in development properties at 30 June 2007 amounted to £1.6 million (31 December 2006 – £0.7 million). Included in investment properties is an estimated amount of £31.7 million (31 December 2006 – £30.1 million) 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 £4,456.5 million (31 December 2006 – £4,460.6 million).

Construction contracts

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

	20 Churchill Place £m	15 Canada Square £m	30 North Colonnade £m	Total £m
1 January 2007	145.6	50.0	–	195.6
Advances received	16.0	–	165.4	181.4
Contract revenue recognised as revenue	(46.9)	(19.4)	(53.7)	(120.0)
Offset from construction contracts	(1.2)	1.9	–	0.7
Deferred interest	1.8	0.5	–	2.3
Gross amount due to customers for contract work at 30 June 2007	115.3	33.0	111.7	260.0

8. INVESTMENTS

	30 June 2007 £m	31 December 2006 £m
Associates	19.8	12.6
Other investments	0.2	0.2
Total	20.0	12.8

Associated undertakings

In June 2007, Canary Wharf Group entered into a joint venture with MSREF V and Exemplar to undertake the redevelopment of the Drapers Gardens scheme in the City of London. Canary Wharf Group has invested £6.7 million and incurred fees of £0.1 million in consideration for a 20% stake in the joint venture. The investment has been accounted for as an investment in an associated undertaking.

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

SONGBIRD ESTATES PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the six months ended 30 June 2007

9. TRADE AND OTHER RECEIVABLES

Audited 31 December 2006 £m		Unaudited 30 June 2007 £m	Unaudited 30 June 2006 £m
	Due within one year:		
6.0	Trade receivables	6.0	9.3
10.5	Other receivables	7.9	19.1
32.5	Prepayments and accrued income	41.9	24.3
49.0	Total trade and other receivables	55.8	52.7

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

	Rent-free periods £m	Other tenant incentives £m	Deferred negotiation costs £m	Total £m
1 January 2007	95.1	64.0	4.5	163.6
Transfer from investment properties (Note 7)	–	3.3	–	3.3
Recognition of rent during rent-free periods	16.4	–	–	16.4
Amortisation	(0.5)	(2.1)	–	(2.6)
Deferred lease negotiation costs (net)	–	–	2.0	2.0
30 June 2007	111.0	65.2	6.5	182.7

SONGBIRD ESTATES PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the six months ended 30 June 2007

10. TRADE AND OTHER PAYABLES

Audited 31 December 2006		Unaudited 30 June 2007	Unaudited 30 June 2006
£m		£m	£m
13.5	Trade payables	21.2	7.8
5.3	Taxation and social security costs	3.0	1.2
30.8	Other payables	39.1	24.2
83.7	Other accruals	94.2	110.1
55.0	Deferred income	58.1	55.4
195.6	Payments on account (Note 7)	260.0	152.9
383.9	Total trade and other payables	475.6	351.6

11. NET DEBT

Audited 31 December 2006		Unaudited 30 June 2007	Unaudited 30 June 2006
£m		£m	£m
2,577.3	Securitised debt	2,671.2	2,587.9
522.6	Songbird loan	791.9	539.2
1,330.7	Secured loans	1,250.9	1,339.8
–	Construction loan	13.9	–
42.0	Finance lease obligations	41.8	42.0
151.3	SG Shares and associated financing costs	30.7	144.9
50.6	D Share derivative liability	–	35.0
4,674.5	Gross debt	4,800.4	4,688.8
103.5	Current liability	56.1	80.1
4,427.5	Non current liability	4,804.6	4,470.1
(11.5)	Derivatives included in non current assets	(71.6)	(5.6)
155.0	Derivatives included in non current liabilities	11.3	144.2
(882.4)	Cash and cash equivalents	(1,023.6)	(994.0)
(147.5)	Monetary deposits	(111.0)	(136.8)
3,644.6	Net debt	3,665.8	3,558.0
	Current liabilities comprise:		
22.6	Accrued interest payable	42.2	22.4
21.6	Repayable within one year	13.8	20.4
8.7	Financing costs of SG Shares	0.1	2.3
50.6	D Share derivative liability	–	35.0
103.5	Long-term borrowings repayable within one year	56.1	80.1

Cash and cash equivalents totalled £1,023.6 million at 30 June 2007 (31 December 2006 – £882.4 million, 30 June 2006 – £994.0 million), comprising deposits placed on the money markets at call and term rates. Cash deposits included £113.5 million at 30 June 2007 (31 December 2006 – £145.2 million, 30 June 2006 – £175.5 million) held as cash collateral for Canary Wharf Group's borrowings and a further £21.7 million (31 December 2006 – £24.7 million, 30 June 2006 – £6.4 million) charged as security for Canary Wharf Group's obligations. Unsecured cash deposits totalled £888.4 million at 30 June 2007 (31 December 2006 – £712.5 million, 30 June 2006 – £812.1 million). The effective interest rate on short term deposits was 5.6% at 30 June 2007 (31 December 2006 – 5.0%, 30 June 2006 – 4.5%) and the deposits had an average maturity of 57 days (31 December 2006 – 64 days, 30 June 2006 – 71 days).

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

As a result of the redemption rights attaching to the SG Shares, such shares are classified as creditors falling due in more than one year and the income statement includes a charge to profit in respect of the SG Shares accumulated at 8% per annum, subject to an increase in the coupon in certain circumstances. The accrued finance charges (comprising dividends accrued but not declared or paid) in respect of this class of share are included in current liabilities as interest payable. At 30 June 2007 £0.1 million was accrued in respect of the SG Shares (31 December 2006 – £8.7 million, 30 June 2006 – £2.3 million).

SONGBIRD ESTATES PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the six months ended 30 June 2007

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

On 26 January 2007, the dividend rights on the D Share were cancelled in exchange for 14,478,260 B Shares that had a market value of £53.1 million, resulting in a charge to the income statement in the six months ended 30 June 2007 of £2.5 million. Following the exchange for B Shares, the D Share was redeemed.

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

	Securitised debt	Songbird loan	Secured loans	Construction loan	Finance lease obligations	Total borrow- ings	SG and D Shares	Total
	£m	£m	£m	£m	£m	£m	£m	£m
1 January 2007	2,577.3	522.6	1,330.7	–	42.0	4,472.6	201.9	4,674.5
Drawdown in year	726.0	800.0	–	17.8	–	1,543.8	–	1,543.8
Effective interest rate adjustment	(9.8)	(4.6)	–	(1.4)	–	(15.8)	–	(15.8)
Accrued finance charges	(2.9)	1.8	–	0.5	(0.2)	(0.8)	(6.1)	(6.9)
Repaid in period	(578.0)	(520.9)	(3.7)	–	–	(1,102.6)	(112.0)	(1,214.6)
Release of D Share liability	–	–	–	–	–	–	(53.1)	(53.1)
Movements in fair value of derivatives and foreign exchange	(55.7)	(7.0)	(76.1)	(3.0)	–	(141.8)	–	(141.8)
Charges on loan repayment	14.3	–	–	–	–	14.3	–	14.3
30 June 2007	2,671.2	791.9	1,250.9	13.9	41.8	4,769.7	30.7	4,800.4
Payable within one year or on demand	34.9	–	21.1	–	–	56.0	0.1	56.1
Payable in more than one year	2,671.5	799.2	1,244.6	16.9	41.8	4,774.0	30.6	4,804.6
Derivatives classified as:								
- non current assets	(35.2)	(7.3)	(26.1)	(3.0)	–	(71.6)	–	(71.6)
- non current liabilities	–	–	11.3	–	–	11.3	–	11.3
	2,671.2	791.9	1,250.9	13.9	41.8	4,769.7	30.7	4,800.4

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

In May 2007, £800.0 million was drawdown under a new £880.0 million facility which was used to fund repayment of the £520.9 million outstanding under an existing Songbird loan. The new loan has a term of three years and carries an interest rate of LIBOR plus a margin of 1.2% to 1.7% dependant on the financial condition of the group. The new loan is hedged via an interest swap and cap which serve to fix LIBOR for the amount drawn at 5.928%.

In April 2007 the group completed a restructuring of its securitisation involving the redemption of £572.6 million of FRNs and the issue of £726.0 million of new non-amortising FRNs. The new notes issued comprised £220.0 million of Class A7 ('A7'), £104.0 million of Class B3 ('B3'), £275.0 million of Class C2 ('C2') and £125.0 million of Class D2 ('D2'). All of the notes have a maturity of October 2037.

Interest on the new notes is at three month LIBOR plus a margin. The margins on the notes are: A7 – 0.19% per annum, increasing to 0.475% in January 2017; B3 – 0.28% per annum, increasing to 0.7% per annum in January 2017; C2 – 0.55% per annum, increasing to 1.375% in April 2014; and D2 – 0.84% per annum increasing to 2.1% in April 2014.

All of the notes are hedged by means of interest rate swaps and the hedged rates plus the margin are: A7 – 5.1135%; B3 – 5.1625%; C2 – 5.4416% and D2 – 5.8005%.

In February 2007 the group entered into a £155.0 million, 3 year construction loan facility secured on 5 Churchill Place. Interest is charged at LIBOR plus a margin of 0.9% and then hedged at 5.625%.

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 2007 the fair value of these derivatives resulted in the recognition of a net asset of £60.3 million (31 December 2006 – net liability of £143.5 million, 30 June 2006 – net liability of £138.6 million). Of this net asset, an asset of £52.1 million was in respect of interest rate swaps which qualify for hedge accounting (31 December 2006 – £11.2 million, 30 June 2006 – £5.6 million) and a net asset of £8.2 million was in respect of interest rate swaps and collars which do not qualify for hedge accounting (31 December 2006 – liability of £154.7 million, 30 June 2006 – liability of £144.2 million).

SONGBIRD ESTATES PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the six months ended 30 June 2007

Comparison of market values and book values

	30 June 2007			31 December 2006		
	Market value	Book value	Difference	Market value	Book value	Difference
	£m	£m	£m	£m	£m	£m
Securitisations	(2,691.4)	(2,706.4)	15.0	(2,583.7)	(2,495.0)	(88.7)
Songbird loan	(799.2)	(799.2)	-	(522.9)	(522.9)	-
Secured loans	(1,262.1)	(1,265.7)	3.6	(1,265.6)	(1,269.2)	3.6
Construction loan	(16.9)	(16.9)	-	-	-	-
Finance leases	(41.8)	(41.8)	-	(42.0)	(42.0)	-
SG Shares	(476.1)	(30.7)	(445.4)	(617.5)	(151.3)	(466.2)
D Share	-	-	-	(50.6)	(50.6)	-
	(5,287.5)	(4,860.7)	(426.8)	(5,082.3)	(4,531.0)	(551.3)
Other financial assets / (liabilities):						
- interest rate derivative assets	71.6	71.6	-	11.5	11.5	-
- interest rate derivative liabilities	(11.3)	(11.3)	-	(155.0)	(155.0)	-
Cash and monetary deposits	1,134.6	1,134.6	-	1,029.9	1,029.9	-
Total	(4,092.6)	(3,665.8)	(426.8)	(4,195.9)	(3,644.6)	(551.3)

The differences above are shown before any tax relief. Short term debtors and creditors have been excluded from the disclosures. The fair value of the sterling denominated fixed rate bonds has been determined by reference to the prices available on the markets on which they are traded. The fair values of other debt instruments have been calculated by discounting 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 20 of the 2006 Report and Financial Statements.

12. OTHER NON CURRENT LIABILITIES

	Vacant leasehold properties	Other lease commitments	Total
	£m	£m	£m
Provisions:			
1 January 2007	13.7	26.9	40.6
Utilisation of provision	(3.6)	(2.2)	(5.8)
Unwind of discount	0.4	0.8	1.2
Release of provision	0.7	0.1	0.8
30 June 2007	11.2	25.6	36.8

Vacant leasehold properties

At 30 June 2007 the provision for the estimated net liability in respect of vacant leasehold properties, discounted at 6.1%, being the group's weighted average cost of debt at that date, was stated at £11.2 million.

Other lease commitments

In connection with an agreement for lease signed in 2001 Canary Wharf Group entered into a rent support commitment under which it may contribute a maximum of £10 per sq ft per annum towards the difference between the passing rent payable by a tenant at its previous premises and the rent achievable on any sub-lease. The maximum amount payable in respect of this commitment at 30 June 2007 had reduced to £24.3 million (nominal) with a present value of £19.2 million calculated on the basis of a discount rate of 6.1%. This amount has been provided for in full and will be subject to review at each subsequent balance sheet date.

In connection with the sale of certain properties during 2005 Canary Wharf Group agreed to provide rental support in respect of either unexpired rent-free periods or until the next rent review date. A provision in respect of these commitments was recognised at the date of disposal. The remaining provision at 30 June 2007 was £6.4 million calculated on the basis of a discount rate of 6.1%.

SONGBIRD ESTATES PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the six months ended 30 June 2007

13. SHARE CAPITAL

Issued, allotted and fully paid at 30 June 2007	Number	£m
Equity Shares:		
– A Shares	260,849,750	26.1
– B Shares	192,991,649	19.3
	453,841,399	45.4
Shares not classified as equity:		
– SG Shares	176,754,408	17.7
Total issued share capital	630,595,807	63.1

As at 31 December 2006 a total of 616,117,548 shares were in issue. On 24 January 2007 14,478,260 B Shares were issued to British Land (Joint Ventures) Limited and on 26 February 2007 the D Share was redeemed by the company.

The issue of B Shares was funded by the capitalisation of £1,447,826 from the company's share premium account.

14. OTHER RESERVES

	Notes	Share premium £m	Treasury shares £m	Revaluation reserve ¹ £m	Hedging reserve £m	Total other reserves £m	Minority interest £m	Retained earnings ² £m	Total £m
1 January 2007		380.7	(0.6)	115.3	(41.8)	453.6	1,151.7	730.9	2,336.2
Profit for the period after taxation		–	–	–	–	–	–	371.0	371.0
Valuation movements on development properties	7	–	–	94.0	–	94.0	–	–	94.0
Gains on effective hedges	11	–	–	–	55.5	55.5	–	–	55.5
Tax on items taken direct to equity	6	–	–	(20.9)	(17.4)	(38.3)	–	–	(38.3)
Net income recognised directly in equity		–	–	73.1	38.1	111.2	–	371.0	482.2
Transfer to minority interest		–	–	(28.6)	(22.7)	(51.3)	209.4	(158.1)	–
Transferred to income:									
– cash flow hedges		–	–	–	34.1	34.1	–	–	34.1
Tax on transfers		–	–	–	(9.5)	(9.5)	–	–	(9.5)
Total recognised income and expense for the period		–	–	44.5	40.0	84.5	209.4	212.9	506.8
Transfer on D Share redemption		(1.5)	–	–	–	(1.5)	–	53.1	51.6
Dividends paid		–	–	–	–	–	–	(319.7)	(319.7)
30 June 2007		379.2	(0.6)	159.8	(1.8)	536.6	1,361.1	677.2	2,574.9

Notes:

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

Dividends

The amount recognised as dividends paid comprises:

	£m
Payment on A Shares	183.9
Payment on B Shares	135.8
	319.7

SONGBIRD ESTATES PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the six months ended 30 June 2007

An interim dividend of 29.5p per share totalling £186.0 million was paid on 14 February 2007 and a further interim dividend of 41.0p per share totalling £258.4 million was paid on 18 June 2007. Of the total dividend of £444.4 million, £124.7 million was paid to the SG shareholders and classified as a repayment of debt or financing expenses for the purposes of these financial statements.

15. SHARE BASED PAYMENTS

During the six months ended 30 June 2007 Canary Wharf Group operated the Canary Wharf 2004 Deferred Share Plan (the 'Deferred Plan') in conjunction with the Canary Wharf Employees' Share Ownership Plan Trust ('the Trust'). The rules of the Deferred Plan allow the majority of participants who were granted options to elect to take a cash equivalent value in substitution for exercising their options.

During the year ended 31 December 2006 options over 1,279,200 B Shares were exercised under the Deferred Plan (30 June 2006 – 1,237,950), and participants with options over a further 121,750 B Shares elected to take a cash sum in substitution for exercising their options (30 June 2006 – nil). At 30 June 2007, options over 904,470 B Shares were outstanding (31 December 2006 – 938,970, 30 June 2006 – 1,101,970).

At 30 June 2007 the trustee of the Trust held 1,113,473 B Shares.

At 30 June 2007 Canary Wharf Group had accrued £0.9 million in respect of its liability under the Deferred Plan. Of this amount £0.3 million related to shares over which options had vested but had not been exercised at the balance sheet date.

16. NOTES TO THE CASH FLOW STATEMENT

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

Audited Year ended 31 December 2006		Unaudited Six months ended 30 June 2007	Unaudited Six months ended 30 June 2006
£m		£m	£m
884.1	Profit on ordinary activities before tax	466.4	600.5
	Non-cash movements		
(722.1)	Net valuation gains on investment properties and investments	(387.8)	(424.1)
(0.3)	Share of loss after tax of associates	(0.1)	(0.1)
(24.4)	Spreading of tenant incentives, committed rent increases	(13.8)	(12.1)
(2.2)	Write back of acquisition fees	–	–
0.2	Depreciation	0.1	0.1
0.5	Share options	0.1	0.5
–	Profit recognised on construction contracts	(16.6)	–
(748.3)		(418.1)	(435.7)
135.8	Operating cash flows before changes to working capital and other cash movements	48.3	164.8
	Changes to working capital and other cash movements		
207.1	Net financing costs	69.2	69.9
(123.3)	Refinancing charges (Note 5)	14.3	(123.3)
(17.2)	Utilisation of provisions	(3.7)	(9.2)
(2.0)	Increase in receivables	(9.3)	(9.2)
21.2	Increase in payables	1.3	14.7
131.8	Proceeds from construction contracts	217.9	39.9
(27.1)	Construction contract expenditure	(34.4)	(6.0)
326.3	Cash generated from operations	303.6	141.6