

SONGBIRD ESTATES PLC

25 SEPTEMBER 2008 ANNOUNCEMENT OF RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

The board of Songbird Estates plc is pleased to announce its results for the six months ended 30 June 2008.

The information in this announcement, which was approved by the board of directors on 24 September 2008, does not comprise statutory accounts within the meaning of the Companies Act 1985.

SONGBIRD ESTATES PLC

HIGHLIGHTS

- **The market value of the investment property portfolio** at 30 June 2008 **was £5,658.0m** against £6,211.3m at 31 December 2007, **a reduction of 9.2%** after additions in the period (Note (i)).
- **The market value of the entire property portfolio** at 30 June 2008 **was £6,726.5m** against £7,274.3m at 31 December 2007, **a reduction of 9.6%**, after additions in the period (Note (i)).
- **Net assets fell** from £2,347.7m at 31 December 2007 **to £1,850.9m** at 30 June 2008, **a reduction of 21.2%** primarily as a result of the fall in value of the property portfolio (Note (ii)).
- **Triple net asset value** per share **reduced by 16.6%** from £1.99 **to £1.66** and **adjusted net asset value per share reduced by 30.7%** from £2.15 **to £1.49** (Note (ii)).
- At 30 June 2008 **Canary Wharf Group's investment portfolio** totalling 7.9m sq ft **was 99.7% let**. **The weighted average unexpired lease term was approximately 18.4 years** (or 15.6 years assuming exercise of break options) (Note (iii)).
- In the six months ended 30 June 2008 **transactions over approximately 200,000 sq ft were achieved at rents ranging from £45.00 to £49.00 psf** (Note (iv)).
- **Construction continued on 1.3m sq ft** of which **1.0m sq ft** has been **pre-sold and 86.0% of the remainder** has been **pre-let** (Note (v)).
- **Infrastructure work continued on Riverside South** (1.9m sq ft of potential development) **and staged construction continued at 25 Churchill Place** (515,000 sq ft of potential development). **Construction commenced on the expansion of the retail portfolio on the Estate** (Note (v)).
- Subsequent to the period end, **Canary Wharf Group** announced it had entered into exclusive talks and **signed heads of terms with JPMorgan for the construction of a new building at Riverside South**.

Note:

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

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RESULTS IN BRIEF	Note	Unaudited Six months ended 30 June 2008 £m	Unaudited Six months ended 30 June 2007 £m
Rental receivable	(i)	139.7	138.2
Underlying operating profit	(ii)	210.3	153.7
Capital and other items:			
– other income	(i)	–	8.3
– net revaluation movements in the income statement	(iii)	(594.8)	387.8
– financing revenues relating to derivatives	(iv)	39.1	45.1
– refinancing charges relating to repayment of debt	(iv)	–	(14.3)
Underlying profit before taxation	(ii)	85.8	39.5
Taxation – deferred tax	(v)	88.0	(95.4)
(Loss)/profit after tax	(ii)	(381.9)	371.0
Basic and diluted (loss)/earnings per share	(vi)	(54.0)p	47.1p

Note:

- (i) See Note 3 of the Notes to this announcement.
- (ii) See Unaudited Consolidated Income Statement.
- (iii) See Note 4 of the Notes to this announcement.
- (iv) See Note 5 of the Notes to this announcement.
- (v) See Note 6 of the Notes to this announcement.
- (vi) See Note 2 of the Notes to this announcement.

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SONGBIRD ESTATES PLC

CHAIRMAN'S OPERATIONAL REVIEW

Overview

In the first half of our financial year we can report progress despite challenging market conditions. Notwithstanding the difficult economic environment, lettings on approximately 200,000 sq ft were concluded during the six months to 30 June 2008, with a further 9,700 sq ft completed since the period end. Canary Wharf Group also recently entered into exclusive negotiations with JPMorgan and signed Heads of Terms for the construction of a new European headquarters at Riverside South. These achievements reflect the underlying quality and continuing attraction of space at Canary Wharf to new tenants.

As we announced on 16 September 2008, we have not been immune to the rapidly unfolding financial markets crisis. Lehman, which filed for bankruptcy protection on 15 September 2008, has a lease over 1.023m sq ft at 25 Bank Street, of which 875,000 sq ft (approximately) is occupied by their staff. It has, however, been announced that Nomura has reached agreement to acquire the European and Middle Eastern equities and investment banking operations of Lehman. The Lehman's letting also has the benefit of an agreement with AIG, which provides for the payment of Lehman's rent in the event of a default for up to 4 years from the date of default, and certain credit enhancement and liquidity back-up arrangements as described more fully in the 'Business Review – Lehman'. Until the intentions of the administrator and Nomura become clear, the full impact of the situation concerning Lehman's lease is difficult to quantify.

It remains unclear whether the group's December 2008 property valuations will be negatively impacted by the failure of Lehman and the broader market turmoil. The board is aware of the current air of uncertainty in the financial and real estate markets and keeps the business and financing outlook of the group under close review. Details of the group's financing position as at 30 June 2008 are referred to in Note 12 (Net Debt) to this Interim Report, however, the board remains confident that in view of the continuing attraction of Canary Wharf to new tenants, the longer term prospects of the Estate remain robust.

Operational Highlights

Lettings in the period included approximately 165,000 sq ft to Moody's at a rent of £45.50 per sq ft and, since the period end, smaller lettings comprising 2,000 sq ft with Execujet and 7,700 sq ft with China Construction Bank. Taken together, these lettings, and the proposed JPMorgan transaction, demonstrate the versatility of Canary Wharf, the diversity of its rental income stream and the ability of the group to meet the varying needs of both new and existing tenants.

Construction is continuing on the buildings for State Street, Fimalac, Bear Stearns, now part of JPMorgan, and for KPMG, which together aggregate approximately 1.3m sq ft. Infrastructure works on the proposed new site for JPMorgan and on 25 Churchill Place, as well as work on several extensions to the retail offering at Canary Wharf, are also under way. The continuing negotiations with JPMorgan for a new office at Riverside South are not connected with the building currently being constructed at 5 Churchill Place for Bear Stearns.

There is significant potential for further development at Canary Wharf when market conditions are appropriate. At 25 Churchill Place, development capacity has been increased during the period from 375,000 sq ft to 515,000 sq ft. Planning permission has also been obtained for the development of 1.3m sq ft at Heron Quays West and for a 2.4m sq ft development at North Quay. North Quay will not, however, proceed until completion of construction of the Isle of Dogs Crossrail station, which is to be located at Canary Wharf. During the period, an application was also submitted for a 215,000 sq ft mixed use hotel / serviced apartments / retail development on a new site, adjacent to 15 Westferry Circus, on the Estate.

After reaching agreement with the Secretary of State for Transport, Canary Wharf Group will design, build, and finance construction of the Isle of Dogs Crossrail station, which is an essential future element of the London Transport network. It is envisaged that construction will be financed by a construction loan facility and a contribution from Canary Wharf Group.

Retail at Canary Wharf has continued to grow during the period despite the well publicised challenges within the sector. Average weekly footfall figures continued to remain robust compared with national averages and asset management opportunities during the first six months of the year established new Zone A rental highs at the Cabot Place and Jubilee Place malls.

In order to accommodate continuing retail demand, a new fully let 40,000 sq ft extension to the Cabot Place Mall opened in March 2008 and three projects are currently under construction to extend the existing retail offering across the Estate with names such as Roka and Tom's Kitchen already signed up for units in the extended areas.

Outside of Canary Wharf, and after extensive consultation, a formal planning application has been submitted to LBTH for the approximately 7.0m sq ft gross mixed commercial and residential development at Wood Wharf. Construction is also progressing well on the 300,000 sq ft Drapers Gardens development, in which Canary Wharf Group is a joint venture partner.

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CHAIRMAN'S OPERATIONAL REVIEW

Property Valuations

Reflecting weak external real estate markets, the market value of the group's property portfolio at 30 June 2008, excluding properties under construction held for sale, was £6,138.0m against £6,763.3m at 31 December 2007, a fall of 10.5% disregarding additions. Investment properties reduced in value by 9.2% disregarding additions. This reduction reflects a further softening of yields in the market by approximately 50 bps in comparison with 31 December 2007. The fall in market values at Canary Wharf is in line with the market and has been mitigated by the benefit of new lettings, the expiry of rent free periods and upcoming fixed rent increases.

Financial Review

Net assets fell from £2,347.7m at 31 December 2007 to £1,850.9m at 30 June 2008, a reduction of £496.8m or 21.2%. The reduction was mainly attributable to the fall in value of the group's properties by £734.2m over the period. This was partly offset by the release of £104.3m of deferred tax, the underlying profit for the period of £85.8m and revaluation gains on hedging instruments of £91.7m.

Adjusted net asset value per share at 30 June 2008 was £1.49 in comparison with £2.15 at 31 December 2007, a reduction of 66p. Adjusted net asset value includes the revaluation surplus on construction contracts but excludes deferred tax and fair value adjustments on derivative financial instruments and treats the SG Shares as equity. Adjusted NNNNAV per share fell by 33p to £1.66. The reduction in adjusted net asset value and adjusted NNNNAV per share over the period was mainly attributable to the fall in market valuation of the group's properties.

During the period, Canary Wharf Group declared a dividend of 16p per ordinary share which was paid on 9 April 2008 and used to reduce the company's existing debt.

The underlying profit before tax for the period of £85.8m compares with £39.5m for the first half of 2007, the increase of £46.3m being primarily attributable to the recognition in the first half of 2008 of £52.1m of profit on pre-sold properties, in comparison with £16.6m of profit recognised in the first half of 2007. In addition £15.7m of income was recognised in 2008 in connection with the surrender of certain leases. This space has already been re-let to a range of tenants and the resulting increased rental income will begin to flow during the course of 2009.

Environmental

The environmental impact of buildings and developments is justifiably attracting an increasingly high profile. Canary Wharf Group has recently received recognition for its endeavours in this area, most noticeably the Green Apple Award for the KPMG building, the placing of Canary Wharf Contractors Limited in the *Sunday Times* 50 Best Green Companies awards and being a sector leader in the 2007 Business in the Environmental Index.

Conclusion

It is too early to say what the full impact of the current financial markets turmoil will be on property and rental values across London or, on the property sector in general. Whilst we are not immune to these difficult market conditions, the weighted average length of unexpired leases of the group's investment property portfolio at 30 June 2008 was 18.4 years (excluding outstanding break options), which is one of the best in the sector. This, coupled with our high quality assets, unique location and diversified tenant base, positions the group to weather the current turbulent times and benefit from the eventual market upturn.

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BUSINESS REVIEW

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

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 involved through joint ventures in the development of Wood Wharf and the redevelopment of Drapers Gardens. At 30 June 2008 Canary Wharf Group's investment portfolio comprised 16 completed properties (out of the 30 constructed on the Estate) totalling 7.9m sq ft NIA of which 99.7% was let (31 December 2007 – 7.9m sq ft of which 99.6% 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 completed properties totalling 6.3m sq ft which are in other ownerships.

Canary Wharf Group's properties are under lease to tenants which provide a diversified income stream. At 30 June 2008 the weighted average unexpired lease term for the investment property portfolio was approximately 18.4 years or 15.6 years assuming the exercise of outstanding break options (31 December 2007 – 18.7 years or 15.8 years respectively). Of the square footage under lease, 65.3% does not expire or cannot be terminated by tenants during the next ten years.

Lehman

It is too early to assess the full impact of the failure of Lehman which occurred after the period end. However, Nomura have announced that it has reached agreement to acquire the European equities and investment banking operations of Lehman and efforts are being made by the administrator to sell other parts of the business as a going concern.

Lehman currently lease 1.023m sq ft in 25 Bank Street on a tenancy which is due to expire in July 2033. The obligations of the lease are guaranteed by Lehman Brothers Holdings Inc, the US parent. Of the 1.023m sq ft, Lehman occupies approximately 875,000 sq ft and of the remaining 148,000 sq ft approximately 100,000 sq ft is sub-let until 2013 and the balance sub-let for a maximum of 2 years. This space reverts to Lehman on the expiry of the various sub-leases. The current rent payable by Lehman for the entire building is £41.00 psf which will rise to £53.00 psf in November 2008.

25 Bank Street is included within the CWFII securitisation which has approximately £2.55 billion of notes in issuance. 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 from Lehman, either in its entirety or to cover any shortfall. The agreement is for a period of 4 years from a payment default by Lehman. Under this agreement, AIG are obliged to maintain a certain credit rating. Following the recent downgrade, AIG are now required to either post collateral to meet their obligations under the agreement, or have the commitments under the facility guaranteed by an entity having the requisite credit ratings.

CWFII also has the benefit of a £300.0m liquidity facility provided by Lloyds Bank plc, under which drawings may be made in the event of a cash flow shortage under the securitisation. Holders of the secured bonds issued by CWFII have recourse only to the assets, guarantees and liquidity facility of CWFII and there is no recourse to Canary Wharf Group.

Leasing

During the first half of 2008 Canary Wharf Group announced letting transactions over a total of approximately 200,000 sq ft in One Canada Square.

- An agreement was concluded with Moody's, the international credit rating agency, for approximately 165,000 sq ft on a 15 year lease which included space formerly occupied by the Telegraph on floors 11–16.
- Canary Wharf Group also took a surrender of floor 37 (28,435 sq ft) from Burlington Resources and re-let the space to Abbey Business Centres for a term of 15 years.
- Hartford Life took a short term lease of 2,045 sq ft on floor 29.

The rents achieved on these lettings ranged from £45.00 to £49.00 per sq ft. In addition Global Sage renewed their lease over 3,331 sq ft on floor 27.

Subsequent to the period end China Construction Bank took a 10 year lease on 7,700 sq ft in 40 Bank Street and Execujet took a 5 year lease on 2,000 sq ft in One Canada Square.

All space previously sub-let back to Canary Wharf Group has now been re-let or is subject to call options. At 30 June 2008 the estimated net present value of sub-let liabilities had reduced to approximately £24.7m discounted at 6.2%, being Canary Wharf Group's weighted average cost of debt at that date (31 December 2007 – £30.0m, discounted at 6.1%). These sub-let commitments have been reflected in the market valuation of Canary Wharf Group's properties.

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BUSINESS REVIEW (Continued)

Construction

The following properties were under construction at 30 June 2008:

Property address	NIA sq ft	Expected completion date	Status
20 Churchill Place	300,000	October 2008	Pre-sold to Prudential for occupation by State Street
15 Canada Square	400,000	April 2009	Pre-sold to KPMG
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
	<hr/> 1,320,000		

In addition to the above, work commenced on the expansion of two of Canary Wharf Group's retail malls. This expansion will provide a further 38,000 sq ft of lettable space.

Development Properties

The site at 25 Churchill Place could accommodate approximately 375,000 sq ft of new development on the basis of the previous planning approval but an application to increase the permitted development to approximately 515,000 sq ft has been approved by the LBTH planning committee. At Riverside South initial ground works are under way which will significantly accelerate the completion time for the development and at North Quay local authority consent has been granted for 2.4m sq ft. There is also further development capacity on 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 this site to 1.3m sq ft and a further application has been submitted on the adjacent Newfoundland site for 0.2m sq ft of mixed use development.

In summary the total development capacity at 30 June 2008 on each of Canary Wharf Group's development sites was as follows:

	NIA m sq ft
Based on existing planning permissions:	
– 25 Churchill Place	0.4
– Riverside South	1.9
– North Quay	2.4
– Heron Quays West	1.3
	<hr/> 6.0
Subject to planning consent:	
– 25 Churchill Place increase	0.1
– Newfoundland site	0.2
	<hr/> 6.3

Subsequent to the period end, planning consent was granted for the 25 Churchill Place increase.

Canary Wharf Group has continued to work with Ballymore and 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 approximately 7.0m sq ft gross of mixed commercial, residential and retail development. An outline planning application has been submitted for this development and further design work has been carried out on the first phase of office and residential buildings.

Construction work has continued on Drapers Gardens. The scheme comprises approximately 300,000 sq ft of prime commercial development scheduled for completion in the autumn of 2009. Canary Wharf Group acquired 20.0% of the share capital in the companies that own the property and has assumed the role of development manager with responsibility for the day to day running of the scheme. This represents the first involvement of Canary Wharf Group in a scheme away from the Estate and, coupled with involvement as construction manager on Ballymore's Millharbour project, demonstrates that the skills of Canary Wharf Group are transferable to developments away from the Estate.

Subsequent to the period end the Crossrail project received Royal Assent. Under an agreement between Canary Wharf Group and the Secretary of State for Transport signed in October 2007, Canary Wharf Group will design, build and finance construction of a station on the Estate and, on completion, lease the station to TfL. It is anticipated that construction will be funded by way of a construction loan facility in conjunction with an equity contribution from Canary Wharf Group. Subject to planning permission, Canary Wharf Group has been granted the right to develop a retail complex above the station.

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BUSINESS REVIEW (Continued)

Valuations

The net assets of the group, as stated in its consolidated balance sheet as at 30 June 2008, were £1,850.9m. In arriving at this total:

- (i) properties held as investments were carried at £5,453.3m, which represents the market value of those properties of £5,658.0m at that date as determined by Canary Wharf Group's external valuers, CBRE, Savills or Cushman, less an adjustment of £198.2m for tenant incentives and £6.5m for deferred negotiation costs;
- (ii) properties held for development were carried at £330.0m, representing their market value; and
- (iii) the property under construction to be retained by Canary Wharf Group was carried at £149.3m, representing its market value less an adjustment of £0.7m for deferred negotiation costs.

Excluding additions, the valuation of the investment portfolio on the basis of market value fell by £573.8m or 9.2% over the six months to 30 June 2008. After allowing for adjustments in respect of lease incentives, the carrying value of the investment portfolio reduced by £586.6m over the period. This reduction was primarily driven by a softening in yields in the market by approximately 50 bps. The directors continue to be of the view that the low vacancy rate on the Estate and long average unexpired lease terms put the group in a strong position despite the continuing uncertain economic outlook.

CBRE and Savills have provided a joint opinion as at 30 June 2008 that the market value of properties held for development was £330.0m, in comparison with £452.0m at 31 December 2007. This resulted in a valuation reduction of £166.6m in the period, net of additions, of which £160.8m was recognised in the revaluation reserve and £5.8m in the income statement. 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 £330.0m represents a reduction of 33.5%, after additions, over the market value at 31 December 2007 and reflects a more uncertain outlook for development.

The valuers also provided an opinion at 30 June 2008 that the market value of the property under construction to be retained was £150.0m which resulted in a valuation increase of £19.0m in the period, net of additions. The pre-sold properties under construction had a market value of £588.5m compared with a carrying value of £322.8m before the transfers required by IAS 11.

Excluding properties under construction held for sale, the market value of the property portfolio reduced by £721.4m or 10.5% 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 2008		31 December 2007	
	Carrying value £m	Market value in existing state £m	Carrying value £m	Market value in existing state £m
Investment properties	5,453.3 ⁽¹⁾	5,658.0 ⁽²⁾	6,019.4 ⁽¹⁾	6,211.3 ⁽²⁾
Properties under construction	149.3 ⁽¹⁾	150.0 ⁽²⁾	99.3 ⁽¹⁾	100.0 ⁽²⁾
Properties held for development	330.0	330.0	452.0	452.0
	5,932.6	6,138.0	6,570.7	6,763.3
Pre-sold properties under construction	322.8 ⁽³⁾	588.5	255.2 ⁽³⁾	511.0
	6,255.4	6,726.5	6,825.9	7,274.3

Note:

- (1) The carrying value of investment properties and properties under construction 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 2008 was £204.7m (31 December 2007 – £191.9m) and the adjustment attributable to properties under construction at 30 June 2008 was £0.7m (31 December 2007 – £0.7m).
- (3) The carrying value in the balance sheet at 30 June 2008 is stated net of £311.7m transferred to cost of sales (31 December 2007 – £225.7m), £14.3m to payments on account (31 December 2007 – £29.5m) and costs accrued of £3.2m (31 December 2007 – £nil) in accordance with IAS 11.

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BUSINESS REVIEW (Continued)

Taxation

Canary Wharf Group has EZAs available to shelter future operating profits, taxable profits and gains arising on the sale of properties.

The deferred tax liability recognised in respect of the potential EZA clawback primarily relates to two assets acquired in the year ended 31 December 2006. Substantially all other EZAs available to Canary Wharf Group in future periods are attached to assets that are now of negligible market value following an internal property restructuring in 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 2008. As a result there is no significant deferred tax liability in respect of these EZAs.

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 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 2008. The comparatives relate to the six months ended 30 June 2007.

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 construction contracts in accordance with IAS 11. Revenue for the six months ended 30 June 2008 was £359.7m, against £315.2m for the six months ended 30 June 2007 of which rental income after spreading lease incentives was £151.4m (six months ended 30 June 2007 – £152.0m). The impact of spreading lease incentives was to increase rental income by £11.7m in the six months ended 30 June 2008 (six months ended 30 June 2007 – £13.8m). Excluding this accounting adjustment, rental income increased from £138.2m to £139.7m, an increase of 1.1%, primarily attributable to the benefit of recent rent reviews. In the six months ended 30 June 2008 the group recognised £23.4m of income in connection with the termination by tenants of certain leases on the Estate (six months ended 30 June 2007 – £nil). Service charge income increased from £30.9m to £33.5m and miscellaneous income, including insurance rents, increased from £12.3m to £13.3m over the period. The six months ended 30 June 2008 also included £138.1m of turnover recognised on construction contracts (six months ended 30 June 2007 – £120.0m).

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 construction contracts. Rents payable and property management costs were £44.4m in comparison with £41.4m for the six months ended 30 June 2007. Taking into account service charge and miscellaneous income totalling £46.8m (six months ended 30 June 2007 – £43.2m), a profit on estate management of £2.4m was achieved (six months ended 30 June 2007 – £1.8m). The profits on Estate management are attributable to the low vacancy levels on the Estate.

Provisions relating to vacant leasehold properties, rent support commitments and certain other obligations of Canary Wharf Group reduced by £5.0m in the six months ended 30 June 2008 whereas there was a net increase in such provisions totalling £1.1m in the six months ended 30 June 2007. In addition, the six months ended 30 June 2008 included £7.7m of dilapidations and other costs attributable to the termination of leases in the period (six months ended 30 June 2007 – £nil). Cost of sales for the six months ended 30 June 2008 also included £86.0m (six months ended 30 June 2007 – £103.4m) of costs recognised on construction contracts resulting in £52.1m of profit being recognised in the period (six months ended 30 June 2007 – £16.6m).

For the six months ended 30 June 2008 net development, rental and related income was £226.6m, an increase of £57.3m over the six months ended 30 June 2007, attributable to the factors referred to above.

Administrative expenses for the six months ended 30 June 2008 were £18.0m in comparison with £17.5m for the six months ended 30 June 2007. Underlying operating profit (as defined in Note 2) for the six months ended 30 June 2008 was £210.3m in comparison with £153.7m for the six months ended 30 June 2007. Of the increase of £56.6m, £35.5m was attributable to the recognition of profit on construction contracts and £15.7m to the net proceeds from termination of leases.

Offsetting the underlying operating profit, a net revaluation deficit of £594.8m (Note 4) was recognised in the income statement in the period. Total operating losses for the six months ended 30 June 2008 were £384.5m against a profit of £549.8m for the six months ended 30 June 2007. The movement was attributable to the revaluation deficit and the other factors referred to above.

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BUSINESS REVIEW (Continued)

Underlying net financing costs for the six months ended 30 June 2008 were £124.5m against £114.2m for the six months ended 30 June 2007. Movements on derivative financial instruments together with the finance costs of SG Shares resulted in a net gain of £39.1m being recognised in the income statement in the six months ended 30 June 2008 compared with a gain of £45.1m in the six months ended 30 June 2007. In the six months ended 30 June 2007, Canary Wharf Group restructured its securitised debt, resulting in refinancing charges of £14.3m. No such restructuring took place in the six months ended 30 June 2008. The increase in underlying net interest payable of £10.3m was primarily attributable to the increase in borrowings in the previous year (Note 5).

The loss before taxation for the six months ended 30 June 2008 was £469.9m in comparison with a profit of £466.4m for the six months ended 30 June 2007. The results for the six months ended 30 June 2008 and the six months ended 30 June 2007 included certain capital and other profits and losses as described above. Underlying profit before taxation for the six months ended 30 June 2008 was £85.8m (six months ended 30 June 2007 – £39.5m).

Taxation for the six months ended 30 June 2008, which has been calculated by reference to the anticipated effective tax rate for the year to 31 December 2008, is wholly attributable to deferred tax. In the six months ended 30 June 2008 a deferred tax credit of £88.0m was recognised through the income statement which primarily related to deferred tax on the revaluation deficit, partly offset by movements in the fair values of derivative instruments.

The loss after taxation for the six months ended 30 June 2008 was £381.9m in comparison with a profit of £371.0m for the six months ended 30 June 2007.

The basic and diluted loss per share for the six months ended 30 June 2008 was 54.0p (six months ended 30 June 2007 – earnings of 47.1p) (Note 2).

Balance Sheet

Net assets in the group's balance sheet were £1,850.9m at 30 June 2008, down by £496.8m from £2,347.7m at 31 December 2007. The reduction in net assets was principally attributable to the reduction in the carrying value of properties held as non current assets of £736.9m over the six months (Note 4). This was partly offset by the underlying profit before tax for the period of £85.8m.

Adjusted 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 are treated as equity rather than as a debt instrument for balance sheet purposes. The calculation of adjusted NAV is disclosed in Note 2 which indicates that adjusted NAV per share reduced from £2.15 to £1.49, after the losses in the six months ended 30 June 2008 which were primarily attributable to the fall in the carrying value of properties.

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

	Note	30 June 2008 £m	31 December 2007 £m
Adjusted net assets attributable to members of the company	(i)	940.2	1,354.9
Fair value adjustment in respect of financial assets and liabilities net of tax thereon	(ii)	236.0	4.8
Deferred tax	(iii)	(64.3)	(168.6)
Minority interest in above adjustments		(67.3)	64.2
Adjusted NNNAV		1,044.6	1,255.3
Cumulative dividends	(iv)	512.3	512.3
Adjusted NNNAV before dividends		1,556.9	1,767.6
Adjusted NAV per share	(i)	£1.49	£2.15
Adjusted NNNAV per share	(v)	£1.66	£1.99
Adjusted NNNAV per share before dividends	(v)	£2.47	£2.80

Note:

(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 12), 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 £657.6m, £1.05 per share at 30 June 2008 and 31 December 2007, of which £145.3m was accounted for as a reduction in the liability recorded in respect of the SG Shares (Note 12).

(v) Calculation based on 630.6m shares in issue at 30 June 2008 and 31 December 2007.

SONGBIRD ESTATES PLC

BUSINESS REVIEW (Continued)

Borrowings

In April 2008 a dividend of £62.2m was received by SFL from Canary Wharf Group and this enabled a £60.2m part prepayment of the Songbird loan.

During the period, Canary Wharf Group drew down £33.6m including interest under its £155.0m 3 year construction loan facility secured on 5 Churchill Place.

At 30 June 2008, net debt (including derivative financial instruments at fair value, net of monetary deposits and cash and cash equivalents) stood at £3,957.5m, up by £95.7m from £3,861.8m at 31 December 2007. The components of net debt are shown in Note 12.

The reduction in total borrowings including derivatives from £5,000.7m to £4,906.0m primarily reflects movement in the fair values of derivative instruments. In addition, the movement reflects the repayment of part of the Songbird loan and the scheduled amortisation of the Canary Wharf Group securitised debt and other secured debt, partly offset by draw downs made by Canary Wharf Group under its construction loan facility.

The reduction in total borrowings was accompanied by a reduction in cash and cash equivalents from £1,020.5m to £870.3m, partly as a result of the funding of development works and partly as a result of the dividend paid by Canary Wharf Group to the minority interest.

At 30 June 2008 the group's weighted average cost of debt was 6.5% including credit wraps (31 December 2007 – 6.4%).

Cash Flow

Cash generated from operations for the six months ended 30 June 2008 was £93.4m in comparison with £303.6m for the six months ended 30 June 2007. The six months ended 30 June 2008 included £54.3m of proceeds and £73.4m of costs on construction contracts compared with £217.9m and £34.4m respectively in the six months ended 30 June 2007. Excluding the impact of construction contracts, cash generated from operations reduced from £120.1m to £112.5m. This reduction was primarily attributable to movements in working capital.

Cash flows from investing activities resulted in a cash outflow of £78.5m for the six months ended 30 June 2008 compared with a cash outflow of £30.8m for the six months ended 30 June 2007. The six months ended 30 June 2008 included £74.9m of development expenditure on properties to be retained by Canary Wharf Group (six months ended 30 June 2007 – £23.0m). Cash outflows from financing activities for the six months ended 30 June 2008 totalled £45.5m compared with an inflow of £9.5m for the six months ended 30 June 2007.

No dividends were paid by the company in the six months ended 30 June 2008 whereas dividends totalling £444.4m were paid in the six months ended 30 June 2007, of which £319.7m was paid to A and B shareholders. Dividends paid on the SG Shares in excess of the finance charge accrued totalled £112.0m in the six months ended 30 June 2007. Canary Wharf Group paid a dividend totalling £102.2m in April 2008 of which £40.1m was attributable to the minority interest. The six months ended 30 June 2008 also 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. The six months ended 30 June 2007 included net proceeds of £148.0m arising from restructuring Canary Wharf Group's securitisation, £279.1m on the restructuring of the Songbird loan and £17.8m drawn down under Canary Wharf Group's construction loan facility.

Risks and Uncertainties

The key risks and uncertainties identified by the group were summarised in the 2007 Report and Financial Statements (refer to '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. In the current market there is an increased risk that further softening of yields could put pressure on the loan to value covenants in the Songbird loan facility as detailed in Note 12 (Net Debt).

SONGBIRD ESTATES PLC

UNAUDITED CONSOLIDATED INCOME STATEMENT for the six months ended 30 June 2008

Audited Year ended 31 December 2007			Unaudited Six months ended 30 June 2008			Unaudited Six months ended 30 June 2007			
Underlying* £m	Capital and other £m	Total £m	Note	Underlying* £m	Capital and other £m	Total £m	Underlying* £m	Capital and other £m	Total £m
624.8	–	624.8		359.7	–	359.7	315.2	–	315.2
(239.2)	–	(239.2)		(133.1)	–	(133.1)	(145.9)	–	(145.9)
385.6	–	385.6		226.6	–	226.6	169.3	–	169.3
(1.4)	–	(1.4)		0.7	(2.4)	(1.7)	(0.1)	–	(0.1)
(47.0)	–	(47.0)		(18.0)	–	(18.0)	(17.5)	–	(17.5)
3.1	19.2	22.3		1.0	–	1.0	2.0	8.3	10.3
–	110.4	110.4		–	(592.4)	(592.4)	–	387.8	387.8
340.3	129.6	469.9		210.3	(594.8)	(384.5)	153.7	396.1	549.8
53.4	–	53.4		25.3	–	25.3	23.5	–	23.5
(291.5)	(35.5)	(327.0)		(149.8)	39.1	(110.7)	(137.7)	45.1	(92.6)
–	(14.3)	(14.3)		–	–	–	–	(14.3)	(14.3)
(238.1)	(49.8)	(287.9)		(124.5)	39.1	(85.4)	(114.2)	30.8	(83.4)
102.2	79.8	182.0		85.8	(555.7)	(469.9)	39.5	426.9	466.4
	23.8					88.0			(95.4)
	205.8					(381.9)			371.0
	100.4					(245.2)			212.9
	105.4					(136.7)			158.1
	205.8					(381.9)			371.0
	22.3p					(54.0)p			47.1p

*As defined in Note 2.

SONGBIRD ESTATES PLC

UNAUDITED CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE for the six months ended 30 June 2008

Audited Year ended 31 December 2007 £m		Unaudited Six months ended 30 June 2008 £m	Unaudited Six months ended 30 June 2007 £m
205.8	(Loss)/profit for the period after taxation	(381.9)	371.0
35.8	Transferred from equity in respect of cash flow hedges	1.6	34.1
(10.0)	Tax on items transferred from equity	(0.4)	(9.5)
25.8		1.2	24.6
22.8	Revaluation of development property	(141.8)	94.0
0.3	Share of revaluation of associated undertakings' development property	(0.3)	–
(19.7)	Gains on cash flow hedges	49.4	55.5
(1.0)	Deferred tax on items taken directly to equity	16.7	(38.3)
28.2	Net income recognised directly in or transferred (to)/from equity	(74.8)	135.8
234.0	Total recognised income and expense for the period	(456.7)	506.8
	Attributable to:		
112.8	Equity holders of the company	(284.5)	297.4
121.2	Minority interest	(172.2)	209.4
234.0		(456.7)	506.8

SONGBIRD ESTATES PLC

UNAUDITED CONSOLIDATED BALANCE SHEET at 30 June 2008

Audited 31 December 2007 £m		Note	Unaudited 30 June 2008 £m	Unaudited 30 June 2007 £m
Assets:				
Non current assets				
6,019.4	Investment properties	7	5,453.3	6,288.6
99.3	Properties under construction	7	149.3	64.3
452.0	Development properties	7	330.0	511.0
0.9	Plant and equipment	7	0.8	0.7
6,571.6			5,933.4	6,864.6
Other non current assets				
23.6	Investments	8	25.1	20.0
0.3	Derivative financial instruments	12	29.6	71.6
192.6	Other receivables	10	214.5	182.7
6,788.1			6,202.6	7,138.9
Current assets				
67.2	Trade and other receivables	9	54.9	55.8
118.4	Monetary deposits	12	78.2	111.0
1,020.5	Cash and cash equivalents	12	870.3	1,023.6
1,206.1			1,003.4	1,190.4
7,994.2	Total assets		7,206.0	8,329.3
Liabilities:				
Current liabilities				
(61.8)	Current portion of long term borrowings	12	(65.9)	(56.1)
(449.7)	Trade and other payables	11	(334.4)	(475.6)
(511.5)			(400.3)	(531.7)
Non current liabilities				
(4,844.9)	Borrowings	12	(4,837.8)	(4,804.6)
(94.3)	Derivative financial instruments	12	(31.9)	(11.3)
(168.6)	Deferred tax liabilities	6	(64.3)	(324.6)
(27.2)	Provisions	13	(20.8)	(36.8)
(5,135.0)			(4,954.8)	(5,177.3)
(5,646.5)	Total liabilities		(5,355.1)	(5,709.0)
2,347.7	Net assets		1,850.9	2,620.3
Equity				
45.4	Share capital		45.4	45.4
464.7	Other reserves	14	425.4	536.6
564.7	Retained earnings	14	319.5	677.2
1,074.8	Total equity attributable to members of the company		790.3	1,259.2
1,272.9	Minority interests	14	1,060.6	1,361.1
2,347.7	Total equity and reserves		1,850.9	2,620.3

SONGBIRD ESTATES PLC

NOTES TO THE ANNOUNCEMENT for the six months ended 30 June 2008

1. BASIS OF PREPARATION

The financial information presented in this announcement has been prepared in accordance with IFRS and IFRIC interpretations as adopted by the EU. 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 2008.

The announcement has 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 financial statements for the year ended 31 December 2007. Such accounting policies have been applied consistently in all material respects throughout the period and the previous year. The financial information for the six months ended 30 June 2008 and the six months ended 30 June 2007 is unaudited. A copy of the statutory accounts for the year ended 31 December 2007 has been delivered to the Registrar of Companies. The auditors' report on these accounts was not qualified, 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 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.

2. PERFORMANCE MEASURES

Earnings per share was as follows:

Audited Year ended 31 December 2007			Unaudited Six months ended 30 June 2008		Unaudited Six months ended 30 June 2007	
Earnings £m	Per share p		Earnings £m	Per share p	Earnings £m	Per share p
102.2	22.6	Underlying earnings	85.8	18.9	39.5	8.7
79.8	17.7	Capital and other items	(555.7)	(122.4)	426.9	94.4
23.8	5.3	Taxation	88.0	19.4	(95.4)	(21.1)
205.8	45.6	(Loss)/profit after taxation	(381.9)	(84.1)	371.0	82.0
(105.4)	(23.3)	Less: Minority interest	136.7	30.1	(158.1)	(34.9)
100.4	22.3	(Loss)/profit after taxation attributable to members of the company	(245.2)	(54.0)	212.9	47.1

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, refinancing costs and deferred taxation.

Earnings per share has been calculated by reference to the loss attributable to equity shareholders of £245.2m in the six months ended 30 June 2008 (year ended 31 December 2007 – profit of £100.4m, six months ended 30 June 2007 – profit of £212.9m) and on the weighted average of 453.8m ordinary shares in issue for the six months ended 30 June 2008 (year ended 31 December 2007 – 451.8m, six months ended 30 June 2007 – 452.3m). 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 ANNOUNCEMENT (Continued) for the six months ended 30 June 2008

Adjusted NAV is calculated as follows:

Audited 31 December 2007 £m		Unaudited 30 June 2008 £m	Unaudited 30 June 2007 £m
2,347.7	Balance sheet net assets	1,850.9	2,620.3
168.6	Add back: deferred tax	64.3	324.6
72.5	Mark to market of derivatives	2.3	(81.6)
166.7	Add: surplus arising on properties under construction held for sale	124.5	220.7
<u>2,755.5</u>		<u>2,042.0</u>	<u>3,084.0</u>
(1,272.9)	Minority interest in balance sheet	(1,060.6)	(1,361.1)
(159.8)	Minority interest on adjustments above	(74.9)	(181.8)
30.6	Reclassify SG Shares as equity	30.6	30.6
1.5	Add back: accrued finance charges on SG Shares	3.1	0.1
<u>1,354.9</u>	Adjusted net assets	<u>940.2</u>	<u>1,571.8</u>
£2.15	Adjusted NAV per share	£1.49	£2.49

Adjusted NAV per share includes the external valuation surplus on construction contracts of £265.7m (31 December 2007 – £255.8m, 30 June 2007 – £237.3m), less the cumulative profit recognised on such contracts of £141.2m (31 December 2007 – £89.1m, 30 June 2007 – £16.6m) but excludes fair value adjustments on derivatives and deferred taxation. 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.

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

3. REVENUE

Audited Year ended 31 December 2007 £m		Unaudited Six months ended 30 June 2008 £m	Unaudited Six months ended 30 June 2007 £m
275.3	Rent receivable	139.7	138.2
24.1	Spreading of incentives, committed rent increases and letting fees	11.7	13.8
<u>299.4</u>		<u>151.4</u>	<u>152.0</u>
62.2	Service charge income	33.5	30.9
24.8	Miscellaneous income	13.3	12.3
–	Receivable on termination of leases	23.4	–
238.4	Construction contract revenue	138.1	120.0
<u>624.8</u>	Gross development, rental and related income	<u>359.7</u>	<u>315.2</u>
(87.3)	Service charge and other direct property expenses	(44.4)	(41.4)
(2.6)	Movements in provisions relating to leasehold commitments	5.0	(1.1)
–	Payments on termination of leases	(7.7)	–
(149.3)	Construction contract expenditure	(86.0)	(103.4)
<u>385.6</u>	Net development, rental and related income	<u>226.6</u>	<u>169.3</u>

SONGBIRD ESTATES PLC

NOTES TO THE ANNOUNCEMENT (Continued) for the six months ended 30 June 2008

In 2007 Canary Wharf Group received deferred proceeds totalling £8.3m relating to the sale of two buildings in 2003 and released surplus accruals and deferred income of £10.9m relating to previously disposed properties of which £8.3m was recognised at 30 June 2007. These amounts were classified as other income within capital and other in the consolidated income statement.

4. NET REVALUATION MOVEMENTS ON PROPERTY AND INVESTMENTS

Audited Year ended 31 December 2007 £m		Unaudited Six months ended 30 June 2008 £m	Unaudited Six months ended 30 June 2007 £m
	In income statement		
110.4	Revaluation of investment properties	(586.6)	387.8
–	Revaluation of development property	(5.8)	–
<u>110.4</u>		<u>(592.4)</u>	<u>387.8</u>
–	Share of revaluation of associated undertakings' development property	(2.4)	–
<u>110.4</u>		<u>(594.8)</u>	<u>387.8</u>
	In consolidated statement of recognised income and expense		
22.8	Revaluation of development and construction properties	(141.8)	94.0
0.3	Share of revaluation of associated undertakings' development properties	(0.3)	–
<u>23.1</u>		<u>(142.1)</u>	<u>94.0</u>
<u>133.5</u>		<u>(736.9)</u>	<u>481.8</u>

SONGBIRD ESTATES PLC

NOTES TO THE ANNOUNCEMENT (Continued) for the six months ended 30 June 2008

5. NET FINANCING COSTS

Audited Year ended 31 December 2007 £m		Unaudited Six months ended 30 June 2008 £m	Unaudited Six months ended 30 June 2007 £m
53.4	Interest revenue Deposits and securities	25.3	23.5
	Interest expense		
(157.0)	Notes and debentures	(78.9)	(73.6)
(55.6)	Songbird loans	(31.0)	(24.8)
(78.6)	Other bank loans and overdrafts	(40.7)	(39.2)
(2.1)	Obligations under finance leases	(1.3)	(1.0)
(293.3)		(151.9)	(138.6)
1.8	Development interest capitalised at 6.5%	2.1	0.9
(291.5)	Net interest expense	(149.8)	(137.7)
(238.1)	Underlying net financing costs	(124.5)	(114.2)
	Other financing income/(costs) relating to derivatives		
4.7	Valuation movements on fair value of derivatives	42.3	82.2
3.3	Valuation movements on translation of foreign currency debt	-	3.3
(2.5)	Valuation movement on fair value of D Share (Note 12)	-	(2.5)
(5.2)	Finance costs of SG Shares (Note 12)	(1.6)	(3.8)
(35.8)	Hedging reserve recycling	(1.6)	(34.1)
(35.5)		39.1	45.1
(273.6)	Net financing expenses	(85.4)	(69.1)
	Refinancing costs		
(14.3)	Refinancing fees	-	(14.3)
(287.9)	Net financing costs	(85.4)	(83.4)
53.4	Total financing income	25.3	23.5
(341.3)	Total financing expenses	(110.7)	(106.9)
(287.9)	Net financing costs	(85.4)	(83.4)

Interest payable on the construction loan at 6.5% has been capitalised as incurred.

Refinancing fees in the six months ended 30 June 2007 and year ended 31 December 2007 comprised the write-off of £13.6m deferred fees on certain of the notes repaid in the restructuring of Canary Wharf Group's securitisation and breakage fees paid totalling £0.7m.

SONGBIRD ESTATES PLC

NOTES TO THE ANNOUNCEMENT (Continued) for the six months ended 30 June 2008

6. TAXATION

Audited Year ended 31 December 2007 £m		Unaudited Six months ended 30 June 2008 £m	Unaudited Six months ended 30 June 2007 £m
	Tax credit/(charge)		
23.8	Origination and reversal of temporary differences	88.0	(95.4)
23.8	Group's total taxation	88.0	(95.4)
	Tax reconciliation		
182.0	(Loss)/profit for the period before taxation	(469.9)	466.4
(54.6)	Tax on profit and loss at UK corporation tax rate	131.6	(139.9)
	Effects of:		
88.4	Indexation of capital gains on movement on deferred tax provisions	(34.1)	55.0
(18.2)	Deferred tax assets not recognised on losses	(9.2)	(8.2)
9.4	Change in corporation tax rate	–	–
(1.2)	Expenses not deductible for tax purposes	(0.3)	(2.3)
23.8	Total taxation	88.0	(95.4)

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

The applicable tax rate was 28.0% at 30 June 2008 (31 December 2007 and 30 June 2007 – 30.0%).

No provision for current corporation tax has been made in the consolidated results of the group for the six months ended 30 June 2008, year ended 31 December 2007 or the six months ended 30 June 2007 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 trading losses and other tax reliefs, including EZAs, will reduce future tax charges.

	Losses & tax credits £m	Revaluation deficits £m	Fair value of derivatives £m	Financial instruments £m	Other £m	Total £m
Deferred tax assets						
1 January 2008	106.4	22.1	23.1	33.3	1.0	185.9
(Charge)/credit to income	(37.3)	48.1	(10.4)	(1.2)	(0.2)	(1.0)
Credit/(charge) to equity	–	2.3	(3.8)	–	–	(1.5)
30 June 2008	69.1	72.5	8.9	32.1	0.8	183.4

SONGBIRD ESTATES PLC

NOTES TO THE ANNOUNCEMENT (Continued) for the six months ended 30 June 2008

	Potential EZA clawback £m	Revaluation surpluses £m	Fair value of derivatives £m	Financial instruments £m	Other £m	Total £m
Deferred tax liabilities						
1 January 2008	(76.4)	(253.5)	(0.1)	(24.5)	–	(354.5)
Credit/(charge) to income	–	89.3	(1.0)	0.7	–	89.0
Credit/(charge) to equity	–	25.0	(7.2)	–	–	17.8
30 June 2008	(76.4)	(139.2)	(8.3)	(23.8)	–	(247.7)

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 liability	
1 January 2008	(168.6)
Credit to income	88.0
Credit to equity	16.3
30 June 2008	(64.3)

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.

SONGBIRD ESTATES PLC

NOTES TO THE ANNOUNCEMENT (Continued) for the six months ended 30 June 2008

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

Non current assets and construction contracts at 30 June 2008 comprised:

	Investment properties £m	Develop- ment properties £m	Properties under construction £m	Construction contracts £m	Sub- total £m	Plant & equip- ment £m	Total £m
Market value at 1 January 2008	6,211.3	452.0	100.0	–	6,763.3		
Exclude brought forward:							
- tenant incentives	(186.5)	–	–	–	(186.5)		
- unamortised negotiation costs	(5.4)	–	(0.7)	–	(6.1)		
Carrying value at 1 January 2008	6,019.4	452.0	99.3	–	6,570.7	0.9	6,571.6
Additions	20.5	44.6	31.0	67.6	163.7	–	163.7
Accrued construction contract costs	–	–	–	3.2	3.2	–	3.2
Revaluations:							
- included in income statement	(586.6)	(5.8)	–	–	(592.4)	–	(592.4)
- included in statement of recognised income and expense	–	(160.8)	19.0	–	(141.8)	–	(141.8)
Transfer to cost of sales	–	–	–	(86.0)	(86.0)	–	(86.0)
Transfer to payments on account	–	–	–	15.2	15.2	–	15.2
Depreciation	–	–	–	–	–	(0.1)	(0.1)
Carrying value at 30 June 2008	5,453.3	330.0	149.3	–	5,932.6	0.8	5,933.4
Adjust for:							
Tenant incentives (Note 10)	198.2	–	–	–	198.2		
Unamortised lease negotiation costs (Note 10)	6.5	–	0.7	–	7.2		
Market value at 30 June 2008	5,658.0	330.0	150.0	–	6,138.0		

SONGBIRD ESTATES PLC

NOTES TO THE ANNOUNCEMENT (Continued)

for the six months ended 30 June 2008

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 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 2008 amounted to £4.6m (31 December 2007 – £2.5m). Included in investment properties is an estimated £27.4m (31 December 2007 – £30.5m) 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 £4,608.0m (31 December 2007 – £4,511.9m).

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 2008	66.4	76.7	86.7	229.8
Advances received	1.4	–	13.7	15.1
Contract revenue recognised as revenue in the income statement	(47.5)	(61.1)	(29.5)	(138.1)
Offset from construction contracts	2.1	7.3	5.8	15.2
Deferred interest	2.1	1.7	–	3.8
Gross amount due to customers for contract work at 30 June 2008	24.5	24.6	76.7	125.8

Cumulative amounts accounted for as construction contracts are as follows:

	£m
Advances received	578.9
Recognised as revenue	(452.9)
Offset from construction contracts	(14.3)
Deferred interest	14.1
	125.8

8. INVESTMENTS

The investments balance comprises:

	30 June 2008 £m	31 December 2007 £m
Shares	7.7	7.3
Redeemable notes	18.6	15.5
	26.3	22.8
Fees on acquisition	2.6	2.6
Share of post acquisition losses	(1.3)	(1.0)
Share of fair value movements on derivatives	(0.1)	(1.1)
Share of revaluation movements in development properties	(2.4)	0.3
	25.1	23.6

SONGBIRD ESTATES PLC

NOTES TO THE ANNOUNCEMENT (Continued) for the six months ended 30 June 2008

Investments at 30 June 2008 comprise:

	30 June 2008 £m	31 December 2007 £m
Associated undertakings	24.9	23.4
Other investments	0.2	0.2
	25.1	23.6

Associated undertakings

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.

WWLP has entered into a loan facility of £9.0m, repayable in 2010, of which £6.6m had been drawn down at 30 June 2008 (31 December 2007 – £5.2m). Canary Wharf Group has also loaned £18.6m (31 December 2007 – £15.5m) 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.

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.

In June 2007, Canary Wharf Group entered into a joint venture with MSREF V and Exemplar to undertake the redevelopment of Drapers Gardens. Canary Wharf Group has invested £7.1m 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.

The group's share of the results and net assets of its associated undertakings at 30 June 2008 are as follows:

	WWLP £m	Drapers Gardens £m	Total £m
Other expenses	(0.9)	–	(0.9)
Net financing costs	(0.1)	–	(0.1)
Net loss before tax	(1.0)	–	(1.0)
Write down of development property	–	(13.5)	(13.5)
Movement on fair value of derivative instrument	–	5.0	5.0
Group share:			
Recognised through the income statement	(0.3)	(1.4)	(1.7)
Recognised through the revaluation reserve	–	(0.3)	(0.3)

Summarised balance sheets at 30 June 2008:

	WWLP £m	Drapers Gardens £m	Total £m
Total assets	113.9	112.2	226.1
Total liabilities	(43.4)	(88.5)	(131.9)
Net assets	70.5	23.7	94.2
Group share	17.6	4.7	22.3

SONGBIRD ESTATES PLC

NOTES TO THE ANNOUNCEMENT (Continued) for the six months ended 30 June 2008

9. TRADE AND OTHER RECEIVABLES

Audited 31 December 2007 £m		Unaudited 30 June 2008 £m	Unaudited 30 June 2007 £m
10.4	Trade receivables	3.8	6.0
32.7	Other receivables	24.1	7.9
24.1	Prepayments and accrued income	27.0	41.9
<u>67.2</u>		<u>54.9</u>	<u>55.8</u>

10. 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 2008	123.3	63.2	186.5	6.1	–	192.6
Recognition of rent during rent-free periods	15.1	–	15.1	–	–	15.1
Amortisation	(1.6)	(1.8)	(3.4)	(0.6)	–	(4.0)
Deferred lease negotiation costs	–	–	–	1.7	–	1.7
Due under lease termination agreements	–	–	–	–	9.1	9.1
	<u>136.8</u>	<u>61.4</u>	<u>198.2</u>	<u>7.2</u>	<u>9.1</u>	<u>214.5</u>

11. TRADE AND OTHER PAYABLES

Audited 31 December 2007 £m		Unaudited 30 June 2008 £m	Unaudited 30 June 2007 £m
20.3	Trade payables	26.1	21.2
8.2	Taxation and social security costs	3.7	3.0
37.6	Other payables	9.9	39.1
73.1	Other accruals	77.5	94.2
80.7	Deferred income	91.4	58.1
229.8	Payments on account (Note 7)	125.8	260.0
<u>449.7</u>		<u>334.4</u>	<u>475.6</u>

SONGBIRD ESTATES PLC

NOTES TO THE ANNOUNCEMENT (Continued) for the six months ended 30 June 2008

12. NET DEBT

Audited 31 December 2007 £m		Unaudited 30 June 2008 £m	Unaudited 30 June 2007 £m
2,723.9	Securitised debt	2,696.2	2,671.2
843.7	Songbird loan	797.6	791.9
1,359.4	Other secured loans	1,336.9	1,264.8
41.6	Finance lease obligations	41.6	41.8
32.1	SG Shares and associated financing costs	33.7	30.7
5,000.7	Gross debt	4,906.0	4,800.4
61.8	Current portion of long term borrowings	65.9	56.1
4,844.9	Non current liabilities - borrowings	4,837.8	4,804.6
(0.3)	Derivatives included in non current assets	(29.6)	(71.6)
94.3	Derivatives included in non current liabilities	31.9	11.3
(1,020.5)	Cash and cash equivalents	(870.3)	(1,023.6)
(118.4)	Monetary deposits	(78.2)	(111.0)
3,861.8	Net debt	3,957.5	3,665.8
	Current portion of long term borrowings comprises:		
46.3	Accrued interest payable	43.7	42.2
14.0	Borrowings repayable within one year	19.1	13.8
1.5	Financing costs of SG Shares	3.1	0.1
61.8		65.9	56.1

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

Cash and cash equivalents totalled £870.3m at 30 June 2008 (31 December 2007 – £1,020.5m, 30 June 2007 – £1,023.6m), principally comprising deposits placed on the money markets at call and term rates. Cash deposits included £131.7m at 30 June 2008 (31 December 2007 – £144.0m, 30 June 2007 – £113.5m) held as cash collateral for Canary Wharf Group's borrowings and a further £10.3m (31 December 2007 – £19.8m, 30 June 2007 – £21.7m) charged as security for Canary Wharf Group's obligations. Unsecured cash deposits totalled £728.3m at 30 June 2008 (31 December 2007 – £856.7m, 30 June 2007 – £888.4m).

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 2008 £3.1m was accrued in respect of the SG Shares (31 December 2007 – £1.5m, 30 June 2007 – £0.1m).

On 26 January 2007, the dividend rights on the D Share were cancelled in exchange for 14,478,260 B Shares resulting in a charge to the income statement in the six months ended 30 June 2007 and the year ended 31 December 2007 of £2.5m. Following the exchange for B Shares, the D Share was redeemed.

SONGBIRD ESTATES PLC

NOTES TO THE ANNOUNCEMENT (Continued) for the six months ended 30 June 2008

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

	Securitised debt £m	Songbird loan £m	Other secured loans £m	Con- struction loan £m	Finance lease obligations £m	Total borrow- ings £m	SG Shares £m	Total £m
1 January 2008	2,723.9	843.7	1,320.5	38.9	41.6	4,968.6	32.1	5,000.7
Drawn down in year	–	30.0	–	31.8	–	61.8	–	61.8
Effective interest rate adjustment	(1.4)	1.1	0.6	0.3	–	0.6	–	0.6
Accrued finance charges	(1.0)	(0.7)	0.1	1.8	–	0.2	1.6	1.8
Repaid in period	(3.5)	(60.2)	(3.5)	–	–	(67.2)	–	(67.2)
Movements in fair value of derivatives and foreign exchange	(21.8)	(16.3)	(47.3)	(6.3)	–	(91.7)	–	(91.7)
30 June 2008	2,696.2	797.6	1,270.4	66.5	41.6	4,872.3	33.7	4,906.0
Payable within one year or on demand	40.4	–	26.6	–	–	67.0	3.1	70.1
Payable in more than one year	2,656.6	802.0	1,233.9	68.9	41.6	4,803.0	30.6	4,833.6
Derivatives classified as:								
- non current assets	(1.4)	(4.4)	(21.4)	(2.4)	–	(29.6)	–	(29.6)
- non current liabilities	0.6	–	31.3	–	–	31.9	–	31.9
	2,696.2	797.6	1,270.4	66.5	41.6	4,872.3	33.7	4,906.0

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 an £880.0m facility provided by Citibank. 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 the loan is hedged via an interest swap and cap which serves to fix LIBOR for the amount drawn at 5.928%. The loan is secured on the assets of SFL, including its shares in Canary Wharf Group, and is subject to certain lending covenants which include maximum loan to value (LTV) ratios calculated on two bases as follows:

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

The maximum LTV in (i) is 87.5% and based on the property valuations at 30 June 2008 the ratio was 78.3%. The maximum LTV in (ii) is 70.0% and based on the 30 June 2008 valuations the ratio was 49.6%. The next covenant test, backed by the valuations at 31 December 2008, is required within 45 days of the year end. In the event that these tests reflect an LTV breach there is a 60 day grace period within which it is possible to prepay an amount of the loan to remedy the LTV breach or to arrange for a revised valuation.

In February 2007 Canary Wharf Group entered into a £155.0m three 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%. Canary Wharf Group has an option to roll this facility into an investment facility on practical completion of the building. The investment facility would then be repayable in February 2013. At 30 June 2008 £70.2m (31 December 2007 – £36.6m, 30 June 2007 – £17.8m) had been drawn down against this facility.

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 2008 the fair value of these derivatives resulted in the recognition of a net liability of £2.3m (31 December 2007 – net liability of £94.0m, 30 June 2007 – net asset of £60.3m). Of this net liability, an asset of £26.2m and no liability was recognised in respect of interest rate swaps which qualify for hedge accounting (31 December 2007 – £0.1m and £23.3m respectively, 30 June 2007 – £52.1m and £nil respectively). An asset of £3.4m and a liability of £31.9m was recognised in respect of interest rate swaps and collars which do not qualify for hedge accounting (31 December 2007 – £0.2m and £71.0m respectively, 30 June 2007 – £19.5m and £11.3m respectively).

SONGBIRD ESTATES PLC

NOTES TO THE ANNOUNCEMENT (Continued) for the six months ended 30 June 2008

Comparison of market values and carrying amounts

	30 June 2008			31 December 2007		
	Market value £m	Carrying amount £m	Difference £m	Market value £m	Carrying amount £m	Difference £m
Securitisations	(2,366.0)	(2,697.0)	331.0	(2,594.8)	(2,702.9)	108.1
Songbird loan	(802.0)	(802.0)	–	(831.8)	(831.8)	–
Secured loans	(1,260.5)	(1,260.5)	–	(1,261.0)	(1,263.3)	2.3
Construction loan	(68.9)	(68.9)	–	(35.0)	(35.0)	–
Finance leases	(41.6)	(41.6)	–	(41.6)	(41.6)	–
SG Shares	(203.2)	(33.7)	(169.5)	(318.0)	(32.1)	(285.9)
	(4,742.2)	(4,903.7)	161.5	(5,082.2)	(4,906.7)	(175.5)
Other financial assets/(liabilities):						
- interest rate derivative assets	29.6	29.6	–	0.3	0.3	–
- interest rate derivative liabilities	(31.9)	(31.9)	–	(94.3)	(94.3)	–
Cash and monetary deposits	948.5	948.5	–	1,138.9	1,138.9	–
	(3,796.0)	(3,957.5)	161.5	(4,037.3)	(3,861.8)	(175.5)

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 23 of the 2007 Report and Financial Statements.

13. PROVISIONS

Provisions have been made in respect of the following liabilities:

	Vacant leasehold properties £m	Other lease commitments £m	Total £m
1 January 2008	3.5	23.7	27.2
Utilisation of provision	(0.3)	(2.2)	(2.5)
Unwind of discount	0.2	0.6	0.8
Release of provision	(0.2)	(4.5)	(4.7)
30 June 2008	3.2	17.6	20.8

Vacant leasehold properties

At 30 June 2008 the provision for the estimated net liability in respect of the group's vacant leasehold properties, discounted at 6.5%, being the group's weighted average cost of debt at that date, was stated at £3.2m (31 December 2007 – £3.5m discounted at 6.4%).

At 30 June 2008 £3.2m (31 December 2007 – £11.0m) was held in cash collateral to fund costs to be incurred on the remaining property. The surplus of cash collateral over that required to fund future costs will be released to the group over the period to expiry of the lease in July 2009.

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 2008 had reduced to £17.9m (nominal) with a present value of £14.4m calculated on the basis of a discount rate of 6.5%. This amount has been provided for in full and will be subject to review at each subsequent balance sheet date.

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NOTES TO THE ANNOUNCEMENT (Continued) for the six months ended 30 June 2008

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 2008 was £3.2m calculated on the basis of a discount rate of 6.5%.

14. OTHER RESERVES

	Note	Share premium £m	Treasury shares ¹ £m	Revaluation reserve ² £m	Hedging reserve ³ £m	Total Other Reserves £m	Minority interest £m	Retained earnings ⁴ £m	Total £m
1 January 2008		379.2	(0.4)	128.7	(42.8)	464.7	1,272.9	564.7	2,302.3
Loss for the period after taxation		-	-	-	-	-	-	(381.9)	(381.9)
Valuation movements on development properties	7	-	-	(141.8)	-	(141.8)	-	-	(141.8)
Valuation movements on associated undertakings	8	-	-	(0.3)	-	(0.3)	-	-	(0.3)
Gains on effective hedges	12	-	-	-	49.4	49.4	-	-	49.4
Tax on items taken direct to equity	6	-	-	27.3	(10.6)	16.7	-	-	16.7
Net income recognised directly in equity		-	-	(114.8)	38.8	(76.0)	-	(381.9)	(457.9)
Transfer to minority interest		-	-	45.0	(9.5)	35.5	(172.2)	136.7	-
Transferred to income: - cash flow hedges		-	-	-	1.6	1.6	-	-	1.6
Tax on transfers	6	-	-	-	(0.4)	(0.4)	-	-	(0.4)
Total recognised income and expense for the period		-	-	(69.8)	30.5	(39.3)	(172.2)	(245.2)	(456.7)
Dividends paid by subsidiary undertaking		-	-	-	-	-	(40.1)	-	(40.1)
30 June 2008		379.2	(0.4)	58.9	(12.3)	425.4	1,060.6	319.5	1,805.5

Note:

1. The treasury shares reserve represents the cost of B Shares held in trust in connection with the Canary Wharf Group share option plan.
2. The revaluation reserve relates to development properties and properties under construction to be retained by the group and is not distributable.
3. 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.
4. Includes revaluation surpluses in respect of investment properties that are recognised as income under IFRS.

15. SHARE BASED PAYMENTS

During the six months ended 30 June 2008 Canary Wharf Group operated the Deferred Plan in conjunction with 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 six months ended 30 June 2008, options over 497,470 shares were exercised under the Deferred Plan and participants with options over a further 17,250 B Shares elected to take a cash sum in substitution for exercising their options.

At 30 June 2008 the trustee of the Trust held 468,753 B Shares (31 December 2007 – 966,223) and options over 229,500 shares remained outstanding (31 December 2007 – 744,220).

At 30 June 2008 the group had accrued £0.4m in respect of its liability under the Deferred Plan (31 December 2007 – £0.4m). This amount was calculated by reference to shares over which options had vested but had not been exercised at the balance sheet date.

SONGBIRD ESTATES PLC

NOTES TO THE ANNOUNCEMENT (Continued) for the six months ended 30 June 2008

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 2007 £m		Unaudited Six months ended 30 June 2008 £m	Unaudited Six months ended 30 June 2007 £m
182.0	(Loss)/profit before taxation	(469.9)	466.4
	Non cash movements		
(110.4)	Net revaluation movements	592.4	(387.8)
1.4	Share of loss/(profit) after tax of associates	1.7	(0.1)
(25.7)	Spreading of tenant incentives, committed rent increases and deferred lease negotiation costs	(12.8)	(13.8)
0.4	Depreciation	0.1	0.1
(0.1)	Share options	-	0.1
(89.1)	Profit recognised on construction contracts	(52.1)	(16.6)
<u>(223.5)</u>		<u>529.3</u>	<u>(418.1)</u>
(41.5)	Operating cash flows before changes to working capital and other cash movements	59.4	48.3
	Changes to working capital and other cash movements		
273.6	Net financing costs	85.4	69.2
14.3	Refinancing charges (Note 5)	-	14.3
(13.2)	Utilisation and release of provisions	(7.2)	(3.7)
(12.7)	Decrease/(increase) in receivables	2.4	(9.3)
34.7	(Decrease)/increase in payables	(27.5)	1.3
316.1	Proceeds from construction contracts	54.3	217.9
(117.2)	Construction contract expenditure	(73.4)	(34.4)
<u>454.1</u>	Cash generated from operations	<u>93.4</u>	<u>303.6</u>

17. EVENTS AFTER THE BALANCE SHEET DATE

On 15 September 2008 Lehman entered into administration in the UK and its ultimate parent undertaking, Lehman Brothers Holdings Inc applied for Chapter 11 insolvency protection in the USA.

Lehman currently occupies approximately 1.0m sq ft in 25 Bank Street on a tenancy which is due to expire in July 2033. There are fixed annual rental uplifts from November 2008 until November 2013 when reviews revert to upwards only open market rent every 5 years.

25 Bank Street is included within the Canary Wharf Group securitisation structure. The current rent payable by Lehman is £41 psf which will rise to £53 psf in November 2008. The securitisation has the benefit of an agreement with AIG which provides for payment of the passing rent by AIG in the event of a payment default by Lehman for a period of up to 4 years from default. Holders of the secured bonds of the securitisation structure issued by CWFII have recourse only to the assets, guarantees and liquidity facility of CWFII and there is no recourse to the company or its shareholders.

At 30 June 2008, the group's net assets included £58.7m of unamortised tenant incentives in respect of Lehman. In addition, the group held a provision with a net present value of £14.4m in respect of other ongoing leasehold commitments to Lehman which arose in connection with the agreement for lease in 25 Bank Street. No trade debtors or trade creditors with Lehman were unpaid at 30 June 2008. The market value of 25 Bank Street was £855.0m.

Nomura have announced that they will be acquiring the European equities and investment banking operations of Lehman and efforts are being made by the administrators to sell other parts of the Lehman business as a going concern. Accordingly it is too early to assess the full impact of the administration of Lehman. The board will continue to monitor the situation and will seek to maintain a close dialogue with the administrators.

SONGBIRD ESTATES PLC

DEFINITIONS

AIG	AIG Financial Products Corp.
B Shares	Ordinary Class B Shares of 10p each
Ballymore	Ballymore Properties Limited
bps	basis points
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
company	Songbird Estates plc
Cushman	Cushman & Wakefield, Real Estate Consultants
CWFII	Canary Wharf Finance II plc
Deferred Plan	Canary Wharf Group 2004 Deferred Share Plan
D Share	D Share of 10p
Drapers Gardens Estate	Drapers Gardens scheme in the City of London
EU	European Union
Exemplar	Exemplar Developments LLP
EZAs	Enterprise Zone Allowances
Fimalac	F Marc de Lachariere
Fitch	Fitch Ratings Limited
group	The company, its wholly owned subsidiaries and Canary Wharf Group
IAS 11	International Accounting Standard 11 'Construction Contracts'
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
JPMorgan	JPMorgan Chase & Co
LBTH	London Borough of Tower Hamlets
Lehman	Lehman Brothers Limited
m	million
Moody's	Moody's Investor Services Limited
MSREF V	Morgan Stanley Real Estate Fund V
NAV	Net Asset Value
NIA	Net Internal Area
NNNAV	Triple Net Asset Value
SAL	Songbird Acquisition Limited
Savills	Savills Commercial Limited, Chartered Surveyors
SFL	Songbird Finance Limited
SG Shares	SG Shares of 10p each
Songbird loan	Loan drawn down by either SAL or 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