

SONGBIRD ESTATES PLC

26 MARCH 2010

PRELIMINARY ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

The Board of Songbird Estates plc is pleased to announce its results for the year ended 31 December 2009.

The information in this announcement, which was approved by the Board of directors on 25 March 2010, does not comprise statutory accounts within the meaning of the Companies Act 2006.

OPERATIONAL SUMMARY

- In October 2009 the Company and its direct subsidiaries raised equity and debt financing totalling £1,030.0m, before expenses, comprising a £620.0m placing and compensatory open offer, a £275.0m issue of Preference Shares and a £135.0m debt facility (Note (i)).
- The Company purchased and repaid its Citi Loans at a 5.0% discount to the amount due to Citi under these facilities at the date of purchase (Note (i)).
- Songbird Finance Limited, a direct subsidiary of the Company, acquired 54,007,620 Canary Wharf Group plc ordinary shares for £112.5m plus fees (Note (i)).
- Underlying profit before tax for the year was £110.7m (2008 – £104.4m) (Note (ii)). Profit after tax for the year was £202.4m (2008 – loss of £1,753.5m).
- Net assets increased to £1,191.6m at 31 December 2009 from £331.2m at 30 June 2009, an increase of £860.4m and of £769.8m from £421.8m at 31 December 2008 (Note (iii)). The increase was attributable to the new equity raised, the increase in the value of the property portfolio, the gains recognised on derivative instruments and the underlying profit for the year.
- Adjusted net asset value per share was 168p in comparison with the 30 June 2009 proforma adjusted NAV per share of 132p following completion of the Refinancing Transactions (Note (iii)).
- Adjusted NNNAV per share was 158p at 31 December 2009 compared with the 30 June 2009 proforma adjusted NNNAV per share of 145p (Note (iii)).
- The market value of the property portfolio at 31 December 2009 was £5,000.0m, an increase of 7.6% since 30 June 2009 excluding additions and a reduction of 0.4% over the year (Note (iv)).
- The weighted average initial yield for the office portfolio was 6.3% at 31 December 2009, an improvement of 100 bps since 30 June 2009 and of 60 bps since 31 December 2008. The initial yield for the retail portfolio was 5.7%, an improvement of 70 bps since 30 June 2009 and 60 bps in the year (Note (iv)).
- The weighted average equivalent yield for the office portfolio was 5.7% at 31 December 2009, an improvement of 60 bps for the six months since 30 June 2009 and 80 bps for the year. The equivalent yield for the retail portfolio was 6.3% at 31 December 2009 an improvement of 90 bps for the six months since 30 June 2009 and 30 bps for the year (Note (iv)).
- At 31 December 2009 Canary Wharf Group's investment portfolio to be retained totalling 8.0m sq ft was 96.2% let (31 December 2008 – 7.9m sq ft of which 99.7% was let) including the building occupied by Lehman. The weighted average unexpired lease term was approximately 15.8 years excluding Lehman (or 14.8 years assuming the exercise of all break options) (Note (v)).
- Practical completion (Note (vi)) was achieved on:
 - 15 Canada Square, a 400,000 sq ft building pre-sold to KPMG;
 - 30 North Colonnade, a 300,000 sq ft building pre-sold to Fimalac for occupation by Fitch; and
 - 5 Churchill Place, a 300,000 sq ft building which was 83.0% pre-let to JPMM.
- In December 2009 Canary Wharf Group exchanged contracts to sell 5 Churchill Place for a total consideration of £208.0m reflecting a yield of 5.9% (Note (v)). The transaction completed in January 2010.
- In 2009 leasing transactions over approximately 125,000 sq ft were achieved (Note (vii)).
- Canary Wharf Group made substantial progress on the Crossrail station project which is within budget and ahead of schedule (Note (viii)).
- In April 2009 Canary Wharf Group repurchased certain securitisation Notes with an aggregate principal amount of £119.7m recognising a gain of £66.3m (Note (ix)).
- Subsequent to the year end, Canary Wharf Group:
 - announced the restructuring of existing leases and a new lease with Barclays Capital over a total of 1,152,000 sq ft consolidating the occupation of Barclays Capital from three into two buildings on the Estate (Note (x));
 - acquired 1 Park Place, a building located adjacent to the Estate, for £17.5m with two alternative planning permissions for 214,000 and 950,000 sq ft (Note (xi));
 - acquired the substantial majority of the drawn balance under the Drapers Gardens construction loan facility for £112.8m (Note (x)); and
 - announced the letting of Drapers Gardens to BlackRock for 290,000 sq ft (Note (xi)).

Note:

- (i) See 'Business Review – Refinancing'.
- (ii) See Note 3.
- (iii) See 'Business Review – Balance Sheet and key performance indicators'.
- (iv) See 'Business Review – Valuations' for a comparison with the carrying value for accounts purposes and details of movements in yields.
- (v) See 'Business Review – Property portfolio' for basis of calculation.
- (vi) See 'Business Review – Construction'.
- (vii) See 'Business Review – Leasing'.
- (viii) See 'Business Review – Crossrail'.
- (ix) See 'Business Review – Borrowings'.
- (x) See 'Business Review – Barclays Capital'.
- (xi) See 'Business Review – Development properties'.

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

RESULTS IN BRIEF

	Note	2009 £m	Restated* 2008 £m
Rental income	(i)	318.4	287.5
Underlying operating profit	(ii), (vii)	370.8	357.8
Capital and other items:			
- other income	(i)	–	0.5
- movement in impairment of investments in associates	(iii)	3.6	(14.5)
- net revaluation movements	(iv)	(15.4)	(1,773.6)
- net derivatives income/(expense)	(v)	164.5	(217.1)
- net gain on repurchase of debt	(v)	71.2	–
Underlying profit before tax	(ii), (vii)	110.7	104.4
Profit/(loss) on ordinary activities before tax	(ii)	334.6	(1,900.3)
Tax	(vi)	(132.2)	146.8
Profit/(loss) after tax	(ii)	202.4	(1,753.5)
Basic and diluted earnings/(loss) per share**	(vii)	57.7p	(972.7)p

*Restated as set out in Note 2.

**The loss per share for 2008 has been adjusted following the Refinancing Transactions as disclosed in Note 3.

Note:

- (i) See Note 4.
- (ii) See Consolidated Income Statement.
- (iii) See Note 9.
- (iv) See Note 5.
- (v) See Note 6.
- (vi) See Note 7.
- (vii) See Note 3.

CONTACT

John Garwood
Company Secretary
Songbird Estates plc
Telephone: 020 7477 1000

James Rossiter / Alison Poole
Brunswick Group LLP
Telephone: +44 (0) 20 7404 5959

CHAIRMAN'S OPERATIONAL REVIEW

The Company ended the year in a much stronger financial position despite the continued turbulence in the property and financial markets throughout 2009, particularly in the first half of the year.

A capital raising exercise was successfully completed in 2009 which involved a £430.3m share placing, a £189.7m compensatory open offer and an issue of £275.0m of Preference Shares. In addition, the Company entered into a new shareholder loan facility of £135.0m. Utilising this new capital the Company acquired the £880.0m Citi Loans at a discount of 5.0% to the outstanding principal and accrued interest at the date of purchase. The acquisition of the Citi Loans significantly reduced the gearing of the Company, leaving it with a more manageable level of debt during this challenging period in the financial markets. The Company, via a wholly owned subsidiary, also acquired a further 54.0m ordinary shares in Canary Wharf Group plc increasing the Company's interest in that company from 60.8% to 69.3%.

All of these transactions have been highly positive for the Company and are a vote of confidence in the achievements of Canary Wharf Group and London as a global business centre. In particular, the successful rump placing of 7,658.3m 0.1p ordinary shares in the open market at a price of 1.32p per share, 32.0% above the 1.0p offer price under the compensatory open offer, is evidence of the value perceived by the market in the Group as a whole. Moreover, the simplification of the share capital structure of the Company has resulted in only one class of Ordinary Shares listed on AIM with all shareholders now holding the same class of shares with equal voting rights.

The capital raising and resulting transactions were only possible with the significant support provided by Qatar Holding, GF Investments and MSREF, together with a new shareholder, Land Breeze, which is a wholly owned subsidiary of CIC. The process as a whole received wide support, as demonstrated by the take-up under both the compensatory open offer and the rump placing, which brought in new institutional shareholders and created greater liquidity in the resulting Ordinary Shares of the Company, whilst also providing a solid shareholder base.

Although there have been signs of improvements in both the investment and occupational parts of the wider UK property market, continuing uncertainty in the financial markets has limited the availability of financing. The Board, however, believes that the financial framework implemented during 2009 places the Company in a stable financial position to respond to evolving market conditions.

FINANCIAL REVIEW

Net assets increased from £331.2m at 30 June 2009 to £1,191.6m at 31 December 2009, an increase of £860.4m. The factors attributable to this increase can be found in the 'Business Review – Balance Sheet and key performance indicators'.

The second half of the year saw a recovery in the property market and a fall in the weighted average equivalent yields for the office portfolio. This yield compression resulted in an increase in the market value of the investment portfolio of £319.4m or 7.5% since June 2009 and £70.9m or 1.6% in the year, both allowing for additions.

Adjusted NAV per share at 31 December 2009 was £1.68 in comparison with a 30 June 2009 proforma adjusted NAV of £1.32 upon completion of the Refinancing Transactions. Adjusted NNNAV per share was £1.58 at 31 December 2009 (see 'Business Review – Balance Sheet and key performance indicators'). The movements in NAV and NNNAV per share were mainly attributable to the increase in valuation of the property portfolio and the underlying retained profit of the Group.

Underlying profit before tax of £110.7m for 2009 compares with £104.4m in 2008 (see 'Business Review – Operating results').

In addition to the underlying profit in the year, the Group recognised a revaluation deficit on its property portfolio of £15.4m compared with a deficit of £1,773.6m in 2008. The reduction in the value of the property portfolio was offset by a revaluation gain of £164.5m on derivative financial instruments (2008 - loss of £217.1m). During 2009 a gain of £66.3m was also recognised on the buyback of certain of Canary Wharf Group's securitisation Notes and a gain of £4.9m on the repayment of the Citi Loans.

The profit after tax in 2009 of £202.4m compares with a loss of £1,753.5m in 2008.

The weighted average cost of debt at 31 December 2009 was 6.4% and the weighted average debt maturity was 13.6 years. At 31 December 2009 the Group had unrestricted cash of £925.2m and total cash and monetary assets of £1,093.1m (31 December 2008 - £1,186.4m).

CHAIRMAN'S OPERATIONAL REVIEW

OPERATIONAL REVIEW

Despite the difficult market conditions in the first half of 2009, Canary Wharf Group made good operational progress throughout the year and this has continued into 2010.

Office

Practical completion was achieved during the year on the properties at 15 Canada Square, 5 Churchill Place and 30 North Colonnade all of which had been either pre-sold or pre-let (see 'Business Review – Construction') at the year end. Lettings were also achieved towards the end of 2009 on approximately 125,000 sq ft to both existing (FSA, Euler Hermes and Novartis) and new (Premier FX Investors) tenants.

During the year Morgan Stanley served notice to exercise a break option, with effect from 1 February 2010, over the six floors it occupied in 20 Cabot Square. Following this exercise Morgan Stanley still occupies approximately 1.0m sq ft on the Estate. Subsequent to the year end, the Group announced a series of transactions with Barclays Capital to consolidate the space occupied by Barclays Capital on the Estate from three into two buildings, being 10 Cabot Square and 20 Cabot Square. Full detail on these leasing transactions and the associated take back of space from Barclays Capital in 40 Bank Street can be found in the 'Business Review – Barclays Capital'.

During the year the Administrator continued to pay rent in 25 Bank Street on all of the remaining space under the Lehman lease and sub-tenants Nomura, NYSE Euronext and Jones Lang LaSalle Limited continue to pay rent on the space they occupy. However, subsequent to the year end the Administrator advised that, with effect from 1 January 2010, it would only pay rent in 25 Bank Street on the space it occupied at that time and that it intends to move out of 25 Bank Street by 31 March 2010. Notwithstanding this, Canary Wharf Group continues to expect full performance of the Lehman lease obligations on the whole of 25 Bank Street until vacation by the Administrator (see 'Business Review – Lehman').

In December 2009 Canary Wharf Group exchanged contracts to sell the long leasehold interest in 5 Churchill Place for a gross aggregate consideration of £208.0m. This sale completed as scheduled in January 2010 crystallising a revaluation surplus of £42.6m. In addition, subsequent to the year end, Canary Wharf Group acquired for £17.5m the long leasehold interests in a 0.9 acre site at 1 Park Place, which already has planning approval for development and is in the heart of the Estate between 25 Cabot Square and 15 Westferry Circus. This acquisition provides a significant development opportunity for Canary Wharf Group going forward.

Construction continued during the year on the staged development of the JP Morgan new European HQ at Riverside South and in May 2009 Canary Wharf Group commenced work on the new Crossrail station to be built at Canary Wharf.

Retail

Retail at Canary Wharf continued to grow during 2009, despite difficult economic conditions, with practical completion achieved towards the end of 2009 on the retail expansion projects at Churchill Place and Park Pavilion. Taken together, these expansion projects increased the retail space on the Estate by approximately 37,000 sq ft. All of the units in the new retail areas are now fully let.

Despite the DLR weekend closures in 2009, ongoing weekend Jubilee Line closures and the general downturn in the retail market during the year, there continues to be a high level of retail occupancy on the Estate, with all units either let or new tenancies in solicitors' hands, and continuing healthy footfall. These factors are reflected in the valuations of the retail properties at 31 December 2009 with a 15.5% increase in the second half of the year. The weighted average equivalent yield for the retail properties was 6.3% at 31 December 2009, down from 7.2% at the half year.

Away from Canary Wharf

Practical completion was achieved in November 2009 on the Drapers Gardens joint venture development, following which, and subsequent to the year end, the building was let to BlackRock for a term of 25 years (further detail on the leasing transaction can be found in 'Business Review – Development properties'). In January 2010 Canary Wharf Group also acquired the significant majority of the undrawn debt for this development for the sum of £112.8m.

On the Wood Wharf site, which adjoins the Estate, detailed consent was obtained during 2009 for three buildings totalling 1.5m sq ft. This site is owned through a joint venture in which Canary Wharf Group has a 25.0% interest and already has the benefit of outline planning permission for the development of 4.6m sq ft net.

CONCLUSION

The Refinancing Transactions completed during 2009 are a clear indication of strong support from both major shareholders and the market in general. An investment in the Company offers a vehicle to investors looking to invest in the financially sound operating business of Canary Wharf Group and to buy into the future prospects for the "Canary Wharf/City" prime office asset class.

CHAIRMAN'S OPERATIONAL REVIEW

Improvements in valuations reflect a high quality letting portfolio, long average unexpired office lease terms of 15.8 years (or 14.8 years assuming the exercise of outstanding break options) with upwards only rent provisions and Canary Wharf Group's ability to provide flexible space to meet the demands of a diverse tenant base with varying requirements for floor space. Canary Wharf Group is well placed to meet the future anticipated demand for good quality large floor plates with readily available high specification space and adequate financial resources to undertake projects both on the Estate and elsewhere in London.

Together with my Board colleagues I am looking forward to working with our strongly supportive shareholder base from a stable financial structure.

BUSINESS REVIEW

The following Business Review aims to provide shareholders with a summary of the business of the Group both during the year ended, and as at, 31 December 2009.

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

Refinancing

In September 2009 the Company announced a £620.0m placing and compensatory open offer, a £275.0m issue of Preference Shares and a new debt facility of £135.0m (together the 'Refinancing Transactions'). The proceeds of the Refinancing Transactions were used to acquire the Citi £880.0m senior loan facilities at a 5.0% discount to the outstanding principal and accrued interest at the date of payment and to acquire a further 54,007,620 Canary Wharf Group plc shares at a cost of £112.5m plus fees.

All of the Refinancing Transactions completed in October 2009 and have resulted in a simplified share capital structure and a more stable financial framework for the Company and its wholly owned subsidiaries.

Property portfolio

The principal asset of the Company is its indirect investment in Canary Wharf Group which is engaged in property investment and development. The activities of Canary Wharf Group are currently 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, which reached practical completion in November 2009. At 31 December 2009 the retained investment portfolio comprised 18 completed properties (out of the 35 constructed on the Estate) totalling 8.0m sq ft of NIA. As well as the rental income generated from completed properties, income is generated from managing the entire Estate which, in addition to the completed properties owned by Canary Wharf Group, includes a further 17 properties totalling 7.6m sq ft which are in other ownerships.

The properties retained by Canary Wharf Group are as follows:

Property address	NIA sq ft	Leased %	External valuation £m	Principal tenants and sub-tenants
One Churchill Place	1,014,400	100.0	675.0	Barclays Bank, BGC, LOCOG
10 Cabot Square	639,000	100.0	305.0	Barclays Capital, WPP Group
20 Cabot Square/5 North Colonnade	562,000	99.8	275.0	Barclays Capital
One Canada Square/10 South Colonnade	1,236,200	94.7	629.6	Bank of New York Mellon, Moodys, JP Morgan, KPMG, Mirror Group, State Street, FSA
33 Canada Square	562,700	100.0	350.0	Citi
20 Bank Street	546,500	100.0	400.0	Morgan Stanley
25-30 Bank Street	1,023,300	98.9	360.0	Lehman, Nomura
40 Bank Street	607,400	64.4	290.0	Skadden, Allen & Overy, BGC, ANZ, JLL, Euronext
50 Bank Street	209,800	100.0	142.0	Northern Trust, Goldenberg Hehmeyer
10 Upper Bank Street	1,000,400	100.0	665.0	Clifford Chance, Infosys, FTSE, Total
Cabot Place Retail	139,600	92.0	129.5	Boots, Tesco, Zara and other retail tenants
Canada Place Retail	72,200	100.0	130.0	Gap, HMV, Next and other retail tenants
Jubilee Place Retail	89,400	100.0	90.5	Boots, Marks & Spencer Food, Wagamama and other retail tenants
Churchill Place Retail	22,400	100.0	15.5	Barclays Bank, Jamie's Italian and other retail tenants
16-19 Canada Square	211,500	100.0	55.1	Waitrose Food & Home, Reebok, Plateau Restaurant
Reuters Plaza	8,900	100.0	9.8	Carluccio's, Smollensky's
Park Pavilion	22,000	100.0	15.0	Lloyds Bank, Canteen, The Parlour, Roka and Wahaca
Car parks	–	–	50.0	
Total	7,967,700	96.2	4,587.0	

The principal tenants have been updated to reflect the lease restructuring with Barclays Capital which was completed in January 2010 (see 'Business Review – Barclays Capital').

BUSINESS REVIEW (Continued)

In addition to the properties shown in the table above, practical completion of 5 Churchill Place was achieved in August 2009 (see 'Business Review – Construction'). Contracts were exchanged for the sale of this property in December 2009 for a total consideration of £208.0m and the transaction was completed in January 2010. The sale will be reflected in the accounts for the six months ended 30 June 2010 and, therefore, the building is carried in the 31 December 2009 Balance Sheet at the anticipated net proceeds.

At 31 December 2009 the investment property portfolio was 96.2% let, allowing for the Morgan Stanley break in 20 Cabot Square and the recently announced restructuring of the leases with Barclays Capital (see 'Business Review – Barclays Capital'). In calculating the year end occupancy level, 25 Bank Street has been treated as fully let because of the subleases in the building and the four years' cover provided by AIG (see 'Business Review – Lehman').

The properties of Canary Wharf Group are under lease to a range of tenants. At 31 December 2009 the weighted average unexpired lease term for the office investment portfolio was approximately 18.4 years, or 17.4 years assuming the exercise of outstanding break options (31 December 2008 – 18.0 years or 15.2 years respectively). The calculation of the weighted average lease term takes account of the recently announced restructuring of the leases with Barclays Capital, excludes 5 Churchill Place and assumes the 25 Bank Street lease with Lehman remains in place. Substituting the original term of the Lehman lease with the four years' cover provided by AIG serves to reduce the weighted average unexpired lease term to 15.8 years (or 14.8 years assuming the exercise of outstanding break options). Of the square footage under lease 68.0% does not expire or cannot be terminated by tenants during the next ten years.

Lehman

In September 2008 Lehman went into administration. Nomura has taken a two year sublease of 358,000 sq ft of the 1,023,000 sq ft leased by Lehman. This sublease will expire in March 2011, subject to breaks in September and December 2010. An additional 115,000 sq ft is sublet to tenants such as Jones Lang LaSalle and NYSE Euronext. An arrangement with AIG, supported by cash collateral, provides for drawings of an amount equal to any contracted rent shortfall in the event of whole or partial default on rental payments due under the lease for a period of four years from the date of first draw down on this facility.

The Administrator has advised that as from 1 January 2010 Lehman will pay rent in respect of 290,146 sq ft only, being the area of 25 Bank Street which it currently occupies and not for the whole of the building. The Administrator has also advised that it proposes to move from the building by 31 March 2010 and from that date will cease to pay rent. Notwithstanding this, Canary Wharf Group continues to demand full performance of the Lehman obligations under the lease and payment of rent on the whole of 25 Bank Street is being pursued in line with a recent High Court ruling on administrator liability. There has been no draw down under the AIG facility at the date these financial statements were approved. Sub-tenants, including Nomura, will continue to pay rent directly to the CWF II securitisation.

Barclays Capital

Subsequent to the year end, Canary Wharf Group and Barclays Bank announced the conclusion of a series of transactions to extend and consolidate the occupation of Barclays Capital from three into two existing buildings on the Estate.

Barclays Capital will take a lease on 345,953 sq ft in 20 Cabot Square recently vacated by Morgan Stanley. This lease will be on the same lease terms and rental outgoings as the restructured leases referred to below. In return Canary Wharf Group will take back, via sub leases, 301,676 sq ft in 40 Bank Street from Barclays Capital in two tranches. The first tranche of 206,708 sq ft has been leased back with an effective date of 1 November 2009 and the second tranche of 94,968 sq ft will be taken back on 1 October 2010.

Barclays Capital's existing leases in 5 North Colonnade and 10 South Colonnade were restructured and new leases granted such that the rent will be £27.50 per sq ft subject to annual RPI increases with a 0% floor and a 5.0% cap compounded annually over the first 5 years with subsequent annual RPI increases over the rest of the term until the expiry of the lease in June 2032.

The new lease on 10 Cabot Square is an overriding lease and Barclays Capital will assume responsibility for the WPP space on levels 9 and 10 (103,854 sq ft) which is leased by WPP until 2016. The rent on this space in 2016 will be at the then passing rent under the overriding lease and will be subject to the same RPI uplifts as the restructured leases. As a result of the restructuring, Barclays Capital will eventually occupy 1,152,000 sq ft in two buildings.

In 2010, Canary Wharf Group has paid a sum of £27.0m to Barclays Capital as a premium for the grant of the take back leases on 40 Bank Street to reflect the tenant fitting out works carried out by Barclays Capital on certain floors. Canary Wharf Group will also pay an inducement to Barclays Capital of approximately £16.0m for the restructuring of the leases on 5 North Colonnade and 10 South Colonnade and a further £11.0m will be paid in relation to construction services to be provided on the former Morgan Stanley space in 20 Cabot Square.

Leasing

In addition to the Barclays Capital restructuring and new leases in respect of 1,152,000 sq ft completed in January 2010, Canary Wharf Group completed letting transactions totalling approximately 125,000 sq ft during 2009.

BUSINESS REVIEW (Continued)

- The FSA has taken leases on levels 26 and 27 in One Canada Square totalling approximately 55,800 sq ft at a rent of £35.00 per sq ft on terms expiring in 2018. One of the leases has a tenant break clause effective at the end of the fifth year. In addition the FSA is occupying level 24 on a short term basis pending completion of the fitout on their new space and has an option on a further floor.
- Euler Hermes restructured its leases for approximately 49,000 sq ft on level 35 and part of level 36, One Canada Square for a term to October 2020.
- Global Sage has taken 2,584 sq ft on part of level 28, One Canada Square.
- MetLife Inc has taken 10,871 sq ft on part of level 28, One Canada Square following expiry of their original lease.
- Novartis has taken 1,995 sq ft on part of level 34, One Canada Square.
- CFA took an additional lease of 1,039 sq ft on part of level 10, One Canada Square.
- Premier FX Investing has taken a lease of 3,553 sq ft on part of level 19, 40 Bank Street.

The above transactions have been concluded on a variety of leases for short to medium terms and rents of between £29.00 per sq ft (for a 10 year fixed term with 15 months rent free) and £42.00 per sq ft (for a three year term with four months rent free).

With effect from 1 February 2010, Morgan Stanley exercised its break option relating to the lease of 20 Cabot Square. Until vacating the building in August 2009 Morgan Stanley occupied approximately 345,500 sq ft over six floors at 20 Cabot Square and continues to lease 546,500 sq ft at 20 Bank Street on a lease expiring in 2028 and to own and to occupy the 448,500 sq ft building at 25 Cabot Square.

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

Following its acquisition of Bear Stearns, JP Morgan has determined its leases over three floors in One Canada Square totalling approximately 70,000 sq ft. JP Morgan continues to occupy space over a further three floors of One Canada Square totalling approximately 87,000 sq ft on leases which have a tenant break in April 2013.

Subsequent to the year end, in February 2010 KPMG exercised breaks in relation to their leases over four floors in One Canada Square totalling approximately 109,796 sq ft and in addition exercised an option to sublease to the Group (for the remaining term of approximately 6.75 years) a further floor in the building comprising 28,579 sq ft. The options to determine these leases were granted in connection with KPMG's relocation to a new headquarters building constructed at 15 Canada Square (see 'Business Review – Construction'). The leases on the five floors will now terminate on 30 June 2010.

In addition breaks over 40,500 sq ft in One Canada Square have been exercised by other tenants, of which 22,100 sq ft is with effect from March 2010 and 18,400 sq ft is with effect from July 2010 or later.

The current status of the floors in One Canada Square referred to above, or, where applicable, the proposed work to be carried out, is summarised below.

Floor	Tenancy	
27	State Street	Re-let to FSA until 2018
26	State Street	Re-let to FSA until 2018, tenant break at year 5
25	JP Morgan/State Street	Stripped to shell and core, under option to FSA
24	State Street	Re-let to FSA on short term basis
31	JP Morgan	Refurbished to new Cat A – marketing floor
7–9/38-39	KPMG	To be stripped to shell and core
50	JP Morgan	To be refurbished to Cat A

All options to sublet space back to Canary Wharf Group have now been exercised. At 31 December 2009, adjusting for the Barclays lease restructuring, the estimated net present value of sublet liabilities was approximately £72.9m discounted at 6.4% being Canary Wharf Group's weighted average cost of debt (31 December 2008 – £20.6m, discounted at 6.2%). The increase in sublet liabilities reflects the take back of space in 40 Bank Street in connection with the restructuring of the Barclays Capital leases. These sublet commitments have been reflected in the market valuation of Canary Wharf Group's properties.

BUSINESS REVIEW (Continued)

Construction

In April 2009 Canary Wharf Group completed the construction of a 400,000 sq ft building at 15 Canada Square which was pre-sold to KPMG in November 2006. The profit on sale of this building has been recognised over the period of its construction.

In August 2009 Canary Wharf Group completed the construction of a 314,000 sq ft building at 5 Churchill Place of which 262,000 sq ft had been pre-let to JP Morgan. Canary Wharf Group exchanged contracts for the sale of this property for £208.0m in December 2009 and completed the transaction in January 2010. In accordance with the Group's policy of recognising disposals at the date of completion, the property was carried as an investment property held for sale at 31 December 2009 at the anticipated net proceeds. In connection with this sale Canary Wharf Group has agreed to provide a fitout allowance for the unlet floors and rental support in respect of the unexpired rent free period on the JP Morgan space and for up to five years on the unlet space.

In September 2009 practical completion was achieved on 30 North Colonnade, a 330,000 sq ft building which was pre-sold to Fimalac for occupation by Fitch. The profit on this building has been recognised over the period of its construction.

In addition to the above, practical completion was achieved during 2009 on the expansion of two of Canary Wharf Group's retail malls, including a new retail building adjoining One Canada Square, Park Pavilion. This expansion has provided approximately 37,500 sq ft of lettable retail space which is fully let to tenants including Barclays, Jamie's Italian, Lloyds, Roka, Wahaca, Canteen and Drake & Morgan.

Development properties

The undeveloped site at 25 Churchill Place can accommodate up to approximately 0.5m sq ft of new development and at North Quay planning consent has been granted for 2.4m sq ft. There is further development capacity at Heron Quays West subject to acquiring the remaining leasehold interests on the site which are outside the control of Canary Wharf Group. Consent has been granted to increase the development of office space on this site to 1.3m sq ft. Consent has also been granted on the adjacent Newfoundland site for 0.2m sq ft of mixed use development.

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

	NIA m sq ft
Based on existing planning permissions:	
- 25 Churchill Place	0.5
- North Quay	2.4
- Heron Quays West	1.3
- Newfoundland	0.2
- Crossrail retail	0.1
	4.5
Acquired subsequent to year end:	
- 1 Park Place	1.0
	5.5
Sold to JP Morgan:	
- Riverside South	1.9
	7.4
Wood Wharf (25% share of 4.6m sq ft)	1.2

Subsequent to the year end Canary Wharf Group acquired the long leasehold interests in 1 Park Place for £17.5m. This site benefits from two planning consents for (approximately) 214,000 sq ft or 950,000 sq ft of development. Although Canary Wharf Group has yet to announce plans for the site, it offers a significant opportunity for future development.

The site at Riverside South was acquired by JP Morgan in November 2008 for £237.9m and JP Morgan has instructed Canary Wharf Group to complete on its behalf the design and infrastructure works for a new European headquarters building. Should JP Morgan decide to proceed with full construction, Canary Wharf Group will act as Development and Construction Manager. If construction is postponed, or deferred altogether, Canary Wharf Group will retain £76.0m representing a portion of the developer's profit related to the development, of which £61.0m had been received by 31 December 2009. If JP Morgan proceeds with full construction, additional fees will be due.

BUSINESS REVIEW (Continued)

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

Practical completion was achieved on Drapers Gardens in November 2009. The scheme comprises approximately 290,000 sq ft of prime commercial development. Canary Wharf Group continues to hold 20.0% of the share capital in the companies that own the property and to act as Development Manager with responsibility for the day to day running of the scheme. Subsequent to the year end in January 2010 Canary Wharf Group purchased for a cash consideration of £112.8m the substantial majority of the drawn balance under the Drapers Gardens construction loan facility.

In February 2010 Canary Wharf Group announced that BlackRock had taken a lease on the whole of Drapers Gardens for a term of 25 years at a rent of £49.00 per sq ft on the office accommodation with a rent free period of 36 months. The rent is subject to open market reviews on every fifth anniversary of the term commencement and, in the case of the first rent review, subject to a floor of 2.5% and a cap of 4.5% compounded annually over the preceding five years.

Crossrail

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

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

Construction commenced on the Crossrail station at Canary Wharf in May 2009 and costs incurred to the end of 2009 totalled £70.1m. This project continues to be on time and within budget. The station box is expected to be completed and handed over to CLRL by summer 2012. The first trains are due to run in 2017 when Crossrail opens for passenger service. Planning permission has also been granted for a 100,000 sq ft retail area above the station which will be subject to a long lease to Canary Wharf Group.

Valuations

The net assets of the Group, as stated in its Consolidated Balance Sheet as at 31 December 2009, were £1,191.6m. In arriving at this total:

- (i) properties held as investments were carried at £4,393.1m, which represents the market value of those properties of £4,587.0m at that date as determined by Canary Wharf Group's external valuers, CBRE, Savills or Cushman, less an adjustment of £188.2m for tenant incentives and £5.7m for deferred lease negotiation costs;
- (ii) 5 Churchill Place, for which an agreement for sale was entered into in December 2009, was carried at £176.2m representing anticipated net proceeds from the sale of this building in January 2010 less £15.1m for tenant incentives and £0.7m for deferred lease negotiation costs; and
- (iii) properties held for development were carried at £221.0m, representing their market value as determined by Canary Wharf Group's external valuers.

In valuing the properties on the Estate the valuers take account of market evidence which included the exchange of contracts in December 2009 to sell 5 Churchill Place, the lettings completed in the second half of the year and the advanced stage of negotiations with Barclays Capital at the Balance Sheet date on the lease restructuring referred to earlier in this 'Business Review'.

The valuation of the investment portfolio to be retained on the basis of market value, excluding additions, increased by £319.4m or 7.5% in the second half of the year. After allowing for adjustments in respect of lease incentives, the carrying value of the investment portfolio increased by £317.8m adjusting for additions over the six months or 7.8%. This increase was primarily driven by the reduction in yields in the market by approximately 60 bps. Over the full year, the carrying value of the investment portfolio increased by £75.2m or 1.7%, adjusting for additions, as a result of a reduction in yields of 80 bps over the year. At 31 December 2009 the weighted average initial yield for the office portfolio was 6.3% (30 June 2009 – 7.3%, 31 December 2008 – 6.9%) and the weighted average equivalent yield was 5.7% (30 June 2009 – 6.3%, 31 December 2008 – 6.5%). The weighted average initial yield for the retail portfolio was 5.7% (30 June 2009 – 6.4%, 31 December 2008 – 6.3%) and the weighted average equivalent yield was 6.3% (30 June 2009 – 7.2%, 31 December 2008 – 6.6%). The directors are of the view that the Group is in a strong position to respond to the recovery in the occupier market.

BUSINESS REVIEW (Continued)

Following the amendment to IAS 40 (see Note 1 for further details), movements in the value of the sites held for development have been taken to the Income Statement whereas in previous years revaluation movements were taken directly to reserves.

CBRE and Savills have provided a joint opinion as at 31 December 2009 that the market value of sites held for development, comprising those sites disclosed in the 'Business Review – Development' was £221.0m, in comparison with £260.0m at 31 December 2008. This resulted in a valuation decrease of £86.7m in the year, net of additions, but an increase of £9.2m since 30 June 2009. At 31 December 2009 the market value of these sites was £1.9m below their historical cost to the Group which includes an allocation of £51.0m representing Canary Wharf Group's contribution to Crossrail to date. In valuing the properties held for development, the valuers have allowed for estimated costs to complete, including an allowance for fitout and developer's profit. In addition they have allowed for letting, disposal, marketing and financing costs.

The investment property held for sale, 5 Churchill Place, was sold in January 2010 for £208.0m less certain adjustments as disclosed in the 'Business Review – Construction'. The consideration reflected an initial yield of 5.9%. After allowing for incentives, rental support and certain other adjustments, the Group recognised a final revaluation surplus of £42.6m on this property.

Excluding properties under construction held for sale, the market value of the entire property portfolio increased by £353.1m or 7.6% in the second half of the year, adjusting for additions. The full year market value fell by £21.0m or 0.4%. These movements were driven by the factors referred to above.

The valuations are based on assumptions which include future rental income, anticipated void costs, the appropriate discount rate or yield and, in the case of development properties, the estimated costs to completion. The valuers also make reference to market evidence of transaction prices for similar properties on the Estate.

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.

		31 December 2009		30 June 2009		31 December 2008	
	Note	Carrying value £m	Market value in existing state £m	Carrying value £m	Market value in existing state £m	Carrying value £m	Market value in existing state £m
Investment properties	1	4,393.1	4,587.0	4,047.0	4,247.5	4,276.6	4,483.0
Investment property held for sale	2	176.2	192.0	–	–	–	–
		4,569.3	4,779.0	4,047.0	4,247.5	4,276.6	4,483.0
Properties under construction	2	–	–	169.3	170.0	181.8	182.5
Properties held for development		221.0	221.0	186.0	186.0	260.0	260.0
		4,790.3	5,000.0	4,402.3	4,603.5	4,718.4	4,925.5
Properties under construction held for sale	3	56.8	115.1	150.9	329.5	258.4	536.6
		4,847.1	5,115.1	4,553.2	4,933.0	4,976.8	5,462.1

Note:

- The carrying value represents market value less an adjustment for lease incentives and deferred lease negotiation costs. The tenant incentives and deferred lease negotiation costs adjustment at 31 December 2009 was £193.9m (30 June 2009 – £200.5m, 31 December 2008 – £206.4m). Market value in existing state is shown prior to these amounts.
- Market value in existing state is shown before adjustment for tenant incentives and deferred lease negotiation costs totalling £15.8m at 31 December 2009 (30 June 2009 and 31 December 2008 deferred lease negotiation costs of £0.7m).
- Properties under construction held for sale comprised: at 31 December 2009 – Riverside South; at 30 June 2009 – Riverside South and 30 North Colonnade; and at 31 December 2008 – Riverside South, 30 North Colonnade and 15 Canada Square. The carrying value at 31 December 2009 is stated net of £40.2m transferred to cost of sales (30 June 2009 – £147.8m, 31 December 2008 – £256.8m), £16.6m transferred to payments on account of pre-sold properties (30 June 2009 – £8.5m, 31 December 2008 – £8.0m) and costs accrued of £nil (30 June 2009 – £5.4m, 31 December 2008 – £6.4m). The 31 December 2008 figures have been restated as explained in Note 2. Market value in existing state includes the present value of the minimum developer's profit from the sale of Riverside South discounted at 6.4% being Canary Wharf Group's weighted average cost of debt, calculated on the assumption that JP Morgan will not proceed with full build out, and excludes the profit recognised on the disposal of the site in 2008.

BUSINESS REVIEW (Continued)**Operating results**

The following review of the Group's operating results relates to the year ended 31 December 2009. The comparatives relate to the year ended 31 December 2008. The comparatives have been restated to reflect the adoption of IFRIC 15 as set out in Note 2.

Revenue is generated primarily by the rents and service charges earned by Canary Wharf Group from its property interests on the Estate and turnover recognised on construction contracts in accordance with IAS 11 and IFRIC 15. Revenue for 2009 was £580.8m, against £654.8m for 2008, of which rental income after spreading lease incentives increased from £301.1m to £313.4m. At 31 December 2009 the Group assessed the recoverability of lease incentives incurred in connection with the Lehman lease (see 'Business Review – Lehman'). As a result, these lease incentives continue to be amortised over a shorter period than the lease term leading to a reduction of £11.9m in income in the year. The impact of spreading lease incentives, net of the accelerated charge for Lehman, was to reduce rental income by £5.0m in 2009 (2008 – increase by £13.6m). Excluding this accounting adjustment, rental income increased from £287.5m to £318.4m, an increase of 10.7%, primarily attributable to the benefit of rent reviews, including fixed uplifts in rent, and increased retail rents. During 2009 the Group recognised £13.5m of income in connection with the termination of certain leases on the Estate by tenants (2008 – £24.3m).

Service charge income increased from £67.3m for 2008 to £73.8m and miscellaneous income, including insurance, rents and the provision of tenant specific services outside the standard service charge, reduced from £23.8m for 2008 to £20.9m for 2009.

Turnover for 2009 also included £159.2m of turnover recognised on pre-sold properties (2008 – £238.3m) and accounted for as a construction contract. The reduction in revenues recognised on pre-sold properties is attributable to the completion of 20 Churchill Place in December 2008, 15 Canada Square in April 2009 and 30 North Colonnade in September 2009.

Cost of sales includes rents payable and property management costs, movements on provisions for vacant leasehold properties and certain other lease commitments, as well as costs recognised on pre-sold properties. Rent payable and property management costs were £91.2m for 2009 in comparison with £92.2m for 2008. Taking into account service charge and miscellaneous income totalling £94.7m (2008 – £91.1m), a surplus was recorded on property management of £3.5m (2008 – deficit of £1.1m). This profit was attributable to the completion of buildings and fitout works during the year on space on which service charges are now recovered.

Provisions relating to the remaining vacant leasehold property, rent support commitments and certain other obligations of Canary Wharf Group reduced by £1.5m in 2009 whereas there was a net reduction in such provisions of £20.2m in 2008. The release of provisions in 2008 primarily related to rental support obligations to Lehman in respect of premises occupied prior to its move to Canary Wharf. These obligations were released following Lehman being placed into administration. Cost of sales for 2009 also included £8.9m of dilapidations and other costs attributable to the termination of leases in the year compared with £8.3m in 2008.

Costs recognised on pre-sold properties totalled £73.5m in 2009 (2008 – £176.0m), resulting in £85.7m of profit being recognised in the year (2008 – £62.3m).

For 2009 net development, rental and related income was £408.7m, an increase of £10.2m over 2008, attributable to the factors referred to above.

In addition to its share of the operating loss of WWLP in the year of £0.3m, the Group has recognised an impairment of £5.6m against its investment in WWLP. This was offset by the write back of provisions against the Drapers Gardens investment of £9.2m. The net write back of £3.6m has been taken to the Income Statement and classified as a capital and other item. This compared with a charge of £14.5m in 2008.

Administrative expenses for 2009 were £40.4m in comparison with £41.8m for 2008. The reduction in administrative expenses was primarily attributable to a reduction in leasing costs incurred by Canary Wharf Group.

Underlying operating profit (as defined in Note 3) for 2009 was £370.8m in comparison with £357.8m for 2008. Of the increase of £13.0m, £23.3m was attributable to the recognition of profit on pre-sold properties and £12.3m to increased rental income, partly offset by a reduction of £18.7m in the release of provisions and £11.4m of lower net proceeds from termination of leases.

A net revaluation deficit of £15.4m (Note 5) was recognised in the Income Statement in the year compared with a deficit of £1,773.6m in 2008. The changes in the valuation of the property portfolio are explained in more detail in the 'Business Review – Valuations'.

The total operating profit for 2009 was £359.0m compared with an operating loss of £1,429.8m in 2008. The movement was attributable to the revaluation movements and the other factors referred to above.

BUSINESS REVIEW (Continued)

Underlying net financing costs (Note 6) for 2009 were £260.1m against £253.4m for 2008. The increase in underlying net interest payable of £6.7m was primarily attributable to lower rates of interest earned on the Group's cash balances (Note 6).

Net financing costs classified as capital and other items includes movements in the market value of derivative financial instruments and gains recorded on the repurchase of debt. Movements on derivative financial instruments and interest payable under the SG Shares and Preference Shares, but excluding the repurchase of debt, resulted in a net gain of £164.5m being recognised in the Income Statement in 2009 compared with a loss of £217.1m in 2008.

In April 2009 Canary Wharf Group repurchased an aggregate principal amount of £119.7m of certain of the Notes for a consideration, excluding accrued interest, of £35.5m (Note 18). After allowing for deferred fees and, where applicable, stepped interest rate accruals, the Group recognised a gain of £83.0m on the repurchase. The repurchased Notes remain in issue, are held by a member of the Canary Wharf Group, and accordingly remain fully hedged. The fair value of the hedging instruments associated with the repurchased Notes, which had previously been recognised in equity within the hedging reserve, has been taken to the Income Statement resulting in a charge of £16.7m which has been offset against the £83.0m gain on repurchase. The net gain of £66.3m is classified as a capital and other item.

In December 2009 the Group repaid its Citi Loans at a 5.0% discount to the amount due to Citi under these facilities at the date of purchase. After allowing for expenses incurred of £2.7m, the write off of unamortised deferred expenses of £1.4m and recognising a charge of £34.9m in connection with the interest rate hedge, which remains in place, the Group reported a gain on the purchase of £4.9m.

The profit for the year before tax for 2009 was £334.6m in comparison with a loss of £1,900.3m for 2008. The results for 2009 and 2008 included certain capital and other profits and losses as described above. Underlying profit before tax for 2009 was £110.7m (2008 – £104.4m).

Tax for 2009 taken to the Income Statement comprised a corporation tax charge of £30.7m and a deferred tax charge of £101.5m, primarily attributable to deferred tax on the revaluation movements in the fair values of derivatives and property recognised in the Income Statement. In 2008 tax comprised a corporation tax charge of £8.8m and a deferred tax credit of £155.6m primarily attributable to deferred tax on the revaluation deficit and movements in the fair values of derivatives recognised in the Income Statement.

The profit for the year after tax for 2009 was £202.4m in comparison with a loss of £1,753.5m for 2008.

The basic and diluted earnings per share (Note 3) for 2009 was 57.7p (2008 as restated – loss of £2.41, 2008 as restated and adjusted for the Refinancing Transactions – loss of £9.73). There were no dilutive instruments at either 31 December 2009 or 31 December 2008.

Tax

In 2009, and going forward, EZAs and plant and machinery capital allowances will shelter a small part of taxable profits.

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

Balance Sheet and key performance indicators

Net assets in the Group's Balance Sheet were £1,191.6m at 31 December 2009, in comparison with £331.2m at 30 June 2009 and £421.8m at 31 December 2008. The increase in net assets over the year was in part attributable to the Refinancing Transactions of the Company, which resulted in an increase in net assets of £537.8m on a proforma basis (see Note 3), and in part to the profit after tax for the year of £202.4m which includes revaluation movements.

The increase in net assets since 30 June 2009 was also primarily attributable to these factors.

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

Adjusted NAV includes the external valuation surplus on construction contracts and the benefit of the arrangement with AIG but excludes deferred tax and fair value adjustments on derivatives. In addition, in calculating adjusted NAV the SG Shares were treated as equity rather than as a debt instrument in accordance with accounting standards. The calculation of adjusted NAV is disclosed in Note 3 and indicates that adjusted NAV per share increased from 63p at 31 December 2008 to £1.68 at 31 December 2009, an increase of £1.05 per share attributable to the factors noted above. The increase in NAV per share since 30 June 2009 was £1.35 from 33p per share.

BUSINESS REVIEW (Continued)

In comparison with the 30 June 2009 proforma adjusted NAV following completion of the Refinancing Transactions of £1.32, adjusted NAV at 31 December 2009 was 36p per share or 27.3% higher.

The calculation of adjusted NAV per share is set out in Note 3. Adjusted NNNAV per share is set out in the following table:

	Note	31 December 2009 £m	Proforma 30 June 2009 £m	30 June 2009 £m	Restated 31 December 2008 £m
Adjusted net assets attributable to members of the Company	(i)	1,098.7	867.0	205.2	398.5
Fair value adjustment in respect of financial assets and liabilities net of tax thereon	(ii)	(6.0)	162.2	162.2	64.4
Deferred tax	(iii)	(88.7)	(41.7)	(41.7)	20.8
Minority interest in above adjustments		29.1	(37.0)	(47.2)	(33.4)
Adjusted NNNAV		1,033.1	950.5	278.5	450.3
Adjusted NAV per share	(i), (iv)	£1.68	£1.32	£0.33	£0.63
Adjusted NNNAV per share	(iv)	£1.58	£1.45	£0.44	£0.71

Note:

- (i) Refer to Note 3.
- (ii) The fair value adjustment comprises the mark to market of derivatives in Note 3 and the after tax difference between the market value and book value of debt (Note 18), excluding the SG Shares which, until their conversion, were treated as equity in the NNNAV calculation.
- (iii) Refer to Note 7.
- (iv) Calculation based on 655.5m Ordinary Shares in issue for 31 December 2009 and proforma 30 June 2009 calculations (30 June 2009 and 31 December 2008 - 630.6m A, B and SG Shares).

Principal risks and uncertainties

The principal risks and uncertainties facing the business of the consolidated Group are monitored through continuous assessment, regular and formal quarterly reviews and discussion at audit committee and Board level of both the Company and Canary Wharf Group. The Boards and audit committees of the Group focus on the risks identified as part of the Group's systems of internal control which highlight, amongst others, key risks faced by the Group and allocate specific day to day monitoring and control responsibilities as appropriate. The current key risks of the consolidated Group include the cyclical nature of the property market, financing risk, concentration risk and policy and planning risks.

Cyclical nature of the property market

The valuation of the Group's assets is subject to many external economic and market factors. The turmoil in the financial markets during 2008 and 2009 was reflected in the property market by such factors as the oversupply of available space in the office market, a significant decline in tenant demand for space in London and a change in the market perception of property as an investment resulting in a negative impact on property valuations in general. In the latter half of 2009 and since the year end there have been signs of a tightening of supply which has resulted in an increase in valuation and a compression in yields. Changes in financial and property markets are kept under constant review so that the Group can react appropriately and tailor the business plans of the Group accordingly. The impact of the ongoing uncertainty in the financial and property markets continues to be closely monitored.

Financing risk

The broader economic cycle inevitably leads to movements in inflation, interest rates and bond yields. The Group finances its operations largely through a mixture of surplus cash, secured borrowing and debentures. The Group borrows at both fixed and floating rates and uses interest rate swaps or caps to modify exposure to interest rate fluctuations. All of the Group's facilities are fixed after taking account of interest rate hedging and cash deposits held as cash collateral.

The ongoing financial markets' uncertainty continues to significantly limit the availability of funding. In common with other UK property companies, such lack of financing facilities may have an impact on the business of the Group if the lending markets remain limited for the foreseeable future.

While the new Shareholder Loan put in place in September 2009 is for an initial 12 month period, the Company has the option to roll over the facility for a further 12 months. The Board continues to monitor the financial markets with the aim of identifying an appropriate financing arrangement for the Company. The weighted average maturity of the Group's loans is 13.6 years.

BUSINESS REVIEW (Continued)*Concentration risk*

The majority of the Group's real estate assets are currently located on or adjacent to the Estate with tenants mainly linked to the financial services industry. Wherever possible steps are taken to mitigate or avoid material consequences arising from this concentration. The focus of the Group continues to remain on and around the Estate. Where value can be added Canary Wharf Group will, however, consider opportunities elsewhere.

Policy and planning risks

All of the Group's assets are currently located within London. Appropriate contact is maintained with local and national government, but changes in governmental policy on planning or tax could limit the ability of the Group to maximise the long term potential of its assets. These risks are being closely monitored in light of the forthcoming general and local elections.

Borrowings

As part of the refinancing referred to in the 'Business Review – Refinancing' the Group's Citi Loans were repaid in October 2009 at a 5.0% discount to the amount due to Citi under these facilities at the date of purchase.

Also as part of the Company's refinancing, SFL entered into the new £135.0m Shareholder Loan. At 31 December 2009, £113.1m had been drawn under this facility including interest. This loan matures in October 2010 subject to SFL having the option to extend the repayment date for a period of 364 days subject to certain conditions. Interest on the loan is payable at 7.0%.

As part of the Company's refinancing, the Company issued £275.0m of Preference Shares which carry a quarterly coupon of 2.5% payable in arrears. To date no dividend has been paid to the Preference shareholders and at 31 December 2009 a liability of £5.4m was recognised in respect of the accrued unpaid coupon.

During the year, Canary Wharf Group drew down £20.5m including interest under its £155.0m 3 year construction loan facility secured on 5 Churchill Place. The total amount drawn at 31 December 2009 was £123.4m. This loan facility was repaid upon completion of the sale of 5 Churchill Place in January 2010.

At 31 December 2009, net debt (including derivative financial instruments at fair value and net of monetary deposits and cash and cash equivalents) stood at £3,531.4m, down by £762.5m from £4,293.9m at 31 December 2008. The components making up net debt are shown in Note 18.

During the year, Canary Wharf Group repurchased £119.7m of Notes for an aggregate consideration, excluding accrued interest, of £35.5m (Note 18). This transaction resulted in a gain of £66.3m after the recycling of amounts previously recognised in the hedging reserve relating to the derivatives associated with these Notes and other accounting adjustments.

The reduction in total borrowings, including derivatives, from £5,480.3m to £4,624.5m primarily reflects the repayment of the Citi Loans, the repurchase of securitised debt (Note 18 (1)) and movements in the fair value of the Group's derivatives, partly offset by the issue of Preference Shares and draw downs made under the construction loan and Shareholder Loan.

The reduction in total borrowings was accompanied by a reduction in cash and cash equivalents from £1,161.3m to £1,074.8m. The reduction in cash was primarily attributable to funding of construction expenditure including Crossrail and the repurchase of securitisation debt.

At 31 December 2009 the Group's weighted average cost of debt was 6.4% including credit wraps, but excluding the coupon on the Preference Shares (31 December 2008 – 6.4%).

Cash flow

Cash generated from operating activities for 2009 was £297.8m in comparison with £275.8m for 2008. This increase was primarily attributable to an increase in net proceeds from construction contracts and working capital movements. 2009 included £147.9m of such proceeds and £105.2m of costs on construction contracts compared with £164.7m and £155.6m respectively for 2008. Excluding the impact of construction contracts, cash generated from operations reduced from £266.7m to £255.1m. Corporation tax of £14.8m was paid in the year, whereas no tax was paid in 2008. This reduction was primarily attributable to movements in working capital and tax paid, partly offset by increases in rental income arising from rent reviews and fixed stepped rent increases.

Cash flows from investing activities resulted in a cash outflow of £226.3m for 2009 compared with an inflow of £58.4m for 2008. In 2009 cash outflows included £98.3m of development expenditure, the cost of acquiring Canary Wharf Group shares (including fees) of £113.4m and £9.2m spent on the acquisition of Ordinary Shares by Canary Wharf Group's employee benefit share trust. In 2008 proceeds of £237.9m were included on the sale of Riverside South less £169.2m of development expenditure.

BUSINESS REVIEW (Continued)

Cash flows from financing activities for 2009 resulted in an inflow of £128.0m compared with £52.8m for 2008. 2009 included certain of the cashflows connected to the refinancing of the Company comprising £619.7m from the issue of Ordinary Shares, £275.0m from the issue of Preference Shares and £113.1m from Shareholder Loan draw downs less fees for the equity issue of £24.3m. This caption also includes the repayment of the Citi Loans totalling £837.3m, offset by draw downs totalling £44.7m made under the Citi Loans prior to the repayment, and £20.5m under the construction loan facility, together with the amortisation of secured loans and securitisation debt totalling £47.9m. In 2008, £59.6m was drawn down under Canary Wharf Group's construction loan facility, £50.0m under Canary Wharf Group's retail loan facility and £59.9m under the Citi Loans. This was partly offset by a £60.2m part repayment of the Citi Loans. Canary Wharf Group paid a dividend totalling £102.2m in April 2008 of which £40.1m was attributable to the minority interest.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out elsewhere in this 'Business Review'. The finances of the Group, its liquidity position and borrowing facilities are described in the 'Business Review – Borrowings' and the risks faced by the Group, in particular the financial covenant risks, are set out in the 'Business Review – Principal risks and uncertainties' and Note 18.

The Group has considerable financial resources and at 31 December 2009 Canary Wharf Group had cash balances totalling £914.9m. In addition Canary Wharf Group enjoys the benefit of leases with a weighted average unexpired lease term of 17.4 years (including the Lehman lease but assuming the exercise of all breaks), and the average maturity of the Group's debt at 31 December 2009 was 13.6 years. At 31 December 2009 the occupancy level was 96.2% allowing for the Morgan Stanley break in 20 Cabot Square and the recently announced restructuring of the leases with Barclays Capital. Accordingly, the directors believe that the Group is well placed to manage its business risks successfully despite the continuing uncertain economic climate.

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2009

	Note	Underlying** £m	2009 Capital and other £m	Total £m	Underlying** £m	Restated* 2008 Capital and other £m	Total £m
Gross development, rental and related income	4	580.8	–	580.8	654.8	–	654.8
Cost of sales		(172.1)	–	(172.1)	(256.3)	–	(256.3)
Net development, rental and related income	4	408.7	–	408.7	398.5	–	398.5
Share of associates and joint ventures after tax	9	(0.3)	3.6	3.3	(0.5)	(14.5)	(15.0)
Administrative expenses		(40.4)	–	(40.4)	(41.8)	–	(41.8)
Other income		2.8	–	2.8	1.6	0.5	2.1
Net revaluation movements	5	–	(15.4)	(15.4)	–	(1,773.6)	(1,773.6)
Operating profit/(loss)		370.8	(11.8)	359.0	357.8	(1,787.6)	(1,429.8)
Net financing costs							
- investment revenues	6	14.2	–	14.2	47.5	–	47.5
- financing costs	6	(274.3)	164.5	(109.8)	(300.9)	(217.1)	(518.0)
- debt repurchase gains	6	–	71.2	71.2	–	–	–
		(260.1)	235.7	(24.4)	(253.4)	(217.1)	(470.5)
Profit/(loss) for the year before tax		110.7	223.9	334.6	104.4	(2,004.7)	(1,900.3)
Tax	7			(132.2)			146.8
Profit/(loss) for the year after tax	3			202.4			(1,753.5)
Attributable to:							
Equity holders of the Company				131.0			(1,092.5)
Minority interest				71.4			(661.0)
				202.4			(1,753.5)
Earnings/(loss) per share							
- basic and diluted***	3			57.7p			(972.7)p

* Restated as set out in Note 2.

** As defined in Note 3.

*** Restated as set out in Note 3.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2009

	2009 £m	Restated* 2008 £m
Profit/(loss) after tax	202.4	(1,753.5)
Other comprehensive income:		
Revaluation of development property	–	(19.4)
Share of revaluation of associated undertakings' development property	–	(0.3)
Gains/(losses) on cash flow hedges	11.7	(168.3)
Deferred tax on items taken directly to equity	–	39.9
Net income/(loss) recognised directly in or transferred to/(from) equity	11.7	(148.1)
Transferred from equity in respect of cash flow hedges	60.1	3.3
Tax on items transferred from equity	(8.0)	(0.9)
	52.1	2.4
Total comprehensive income/(loss) for the year	266.2	(1,899.2)
Attributable to:		
Equity holders of the Company	175.4	(1,193.2)
Minority interest	90.8	(706.0)
	266.2	(1,899.2)

*Restated as set out in Note 2.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2009

	Share premium £m	Treasury shares £m	Revaluation reserve £m	Cancelled share reserve £m	Hedging reserve £m	Total other reserves £m	Minority interest £m	Retained earnings £m	Share capital £m	Total £m
1 January 2009 as previously reported	379.2	(0.2)	77.4	–	(132.4)	324.0	546.8	(456.5)	45.4	459.7
Restatement (Note 2)	–	–	–	–	–	–	(14.8)	(23.1)	–	(37.9)
1 January 2009 as restated	379.2	(0.2)	77.4	–	(132.4)	324.0	532.0	(479.6)	45.4	421.8
Profit for the year after tax	–	–	–	–	–	–	–	202.4	–	202.4
Gain on effective hedges	–	–	–	–	11.7	11.7	–	–	–	11.7
Net income recognised	–	–	–	–	11.7	11.7	–	202.4	–	214.1
Transferred to minority interest	–	–	–	–	(19.4)	(19.4)	90.8	(71.4)	–	–
Transferred to income:										
- cash flow hedges	–	–	–	–	60.1	60.1	–	–	–	60.1
Tax on transfers	–	–	–	–	(8.0)	(8.0)	–	–	–	(8.0)
Total comprehensive income and expense for the period	–	–	–	–	44.4	44.4	90.8	131.0	–	266.2
Issue of Ordinary Share capital (net of expenses)	533.6	–	–	–	–	533.6	–	–	65.1	598.7
Cancellation of deferred shares	–	–	–	44.9	–	44.9	–	–	(44.9)	–
Reserves transfer on conversion of SG Shares	158.2	–	–	14.6	–	172.8	–	(145.3)	–	27.5
Transfer on acquisition of shares in Canary Wharf Group	–	–	–	–	–	–	(110.2)	(3.2)	–	(113.4)
Reserve movements in respect of treasury shares	–	(9.2)	–	–	–	(9.2)	–	–	–	(9.2)
Reserves transfer	–	–	(77.4)	–	–	(77.4)	–	77.4	–	–
31 December 2009	1,071.0	(9.4)	–	59.5	(88.0)	1,033.1	512.6	(419.7)	65.6	1,191.6

Description of the nature and purpose of each reserve

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

The revaluation reserve previously represented the surplus of market value over historical cost of development properties and properties under construction to be retained by the Group. As disclosed in Note 1, development properties and properties under construction held for future use as investment properties were previously accounted for under IAS 16, but are now accounted for under IAS 40 and as a result movements in the valuations of such properties are required to be taken to the Income Statement. There is no requirement to restate comparatives and accordingly no adjustment has been made to previously reported results for this change in accounting policy. The brought forward balance on the revaluation reserve has been transferred to retained earnings at the start of the current period.

The cancelled share reserve comprises the nominal value of 601,068,076 deferred shares which were cancelled as part of the Refinancing Transactions.

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

Retained earnings include revaluation surpluses in respect of the Group's properties that are recognised in the Income Statement.

CONSOLIDATED BALANCE SHEET

at 31 December 2009

	Note	2009 £m	Restated* 2008 £m	Restated* 2007 £m
Assets:				
Non current assets				
Investment properties	8	4,393.1	4,276.6	6,019.4
Investment property held for sale	8	176.2	–	–
Properties under construction	8	–	181.8	99.3
Development properties	8	221.0	260.0	452.0
Plant and equipment	8	1.5	1.9	0.9
		4,791.8	4,720.3	6,571.6
Other non current assets				
Investments	9	25.5	22.6	23.6
Derivative financial instruments	17	–	–	0.3
Tenant incentives and other non current assets	11	209.7	213.3	192.6
Deferred tax asset	7	–	20.8	–
		5,027.0	4,977.0	6,788.1
Current assets				
Trade and other receivables	10	51.9	43.8	67.2
Monetary deposits	12	18.3	25.1	118.4
Cash and cash equivalents	13	1,074.8	1,161.3	1,020.5
		1,145.0	1,230.2	1,206.1
Total assets		6,172.0	6,207.2	7,994.2
Liabilities:				
Current liabilities				
Current portion of long term borrowings	15	(105.9)	(94.0)	(61.8)
Trade and other payables	14	(264.1)	(294.2)	(431.3)
		(370.0)	(388.2)	(493.1)
Non current liabilities				
Borrowings	16	(4,249.6)	(4,913.5)	(4,844.9)
Derivative financial instruments	17	(269.0)	(472.8)	(94.3)
Deferred tax liabilities	7	(88.7)	–	(173.8)
Provisions	19	(3.1)	(10.9)	(27.2)
		(4,610.4)	(5,397.2)	(5,140.2)
Total liabilities		(4,980.4)	(5,785.4)	(5,633.3)
Net assets		1,191.6	421.8	2,360.9
Equity				
Share capital		65.6	45.4	45.4
Other reserves		1,033.1	324.0	464.7
Retained earnings		(419.7)	(479.6)	572.7
Total equity/(deficit) attributable to members of the Company		679.0	(110.2)	1,082.8
Minority interests		512.6	532.0	1,278.1
Total equity		1,191.6	421.8	2,360.9

*Restated as set out in Note 2.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2009

	Note	2009 £m	Restated* 2008 £m
Net cash flows from operating activities			
Cash generated from operations	22	297.8	275.8
Interest paid		(277.6)	(297.3)
Interest received		16.5	54.1
Interest element of finance lease rentals		(0.2)	(2.5)
Financing expenses		(20.7)	(0.5)
Breakage costs		(4.0)	–
Net cash inflow from operating activities		11.8	29.6
Cash flows from investing activities			
Development expenditure		(98.3)	(169.2)
Purchase of property, plant and equipment		(0.2)	(1.6)
Sale of Riverside South		–	237.9
Investment in and loans to associates		(5.2)	(8.7)
Acquisition of own shares		(9.2)	–
Acquisition of shares in Canary Wharf Group		(113.4)	–
Net cash (outflow)/inflow from investing activities		(226.3)	58.4
Cash flows from financing activities			
Dividends paid to minority shareholders		–	(40.1)
Draw down of construction loan		20.5	59.6
Repurchase of securitised debt		(35.5)	–
Redemption of securitised debt		(32.2)	(6.9)
Draw down of secured loan		–	50.0
Repayment of secured loans		(15.7)	(9.5)
Draw down of Citi Loans		44.7	59.9
Repayment of Citi Loans		(837.3)	(60.2)
Issue of Ordinary Share capital		619.7	–
Fees on issue of Ordinary Share capital		(24.3)	–
Issue of Preference Shares		275.0	–
Draw down of Shareholder Loan		113.1	–
Net cash inflow from financing activities		128.0	52.8
Net (decrease)/increase in cash and cash equivalents		(86.5)	140.8
Cash and cash equivalents at start of year		1,161.3	1,020.5
Cash and cash equivalents at end of year	13	1,074.8	1,161.3

*Restated as set out in Note 2.

NOTES TO THE ANNOUNCEMENT
for the year ended 31 December 2009

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. While the financial information contained in this Announcement has been prepared in accordance with IFRS, this Announcement does not itself contain sufficient information to comply with IFRS. This Announcement does not constitute the Group's statutory accounts for the year ended 31 December 2009 but is derived from those accounts. Statutory accounts for 2008 have been delivered to the Registrar of Companies and those for 2009 will be delivered following the company's annual general meeting. The auditors have reported on those accounts. Their report on the 2009 statutory accounts was unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under s498(2) or (3) of the Companies Act 2006.

This 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. The following new accounting standards and interpretations have been adopted by the Group in 2009:

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

An amendment to IAS 40 (part of the IASB's Annual Improvements to IFRS (May 2008)) has changed the accounting treatment for property that is being constructed or developed for future use as an investment property. Previously such properties were accounted for under IAS 16 but are now accounted for under IAS 40. This change has been applied prospectively and has resulted in revaluation movements on such properties being recognised in the Income Statement rather than in equity in the current year. The brought forward revaluation surplus relating to such properties has been transferred to retained earnings. There is no requirement to restate comparatives and accordingly no adjustment has been made to previously reported results for this change in accounting policy; and

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

Other than the above, this Announcement has been prepared in accordance with the accounting policies set out in the company's financial statements for the year ended 31 December 2008. A copy of the statutory accounts for the year ended 31 December 2008 has been delivered to the Registrar of Companies. The auditors' report on these accounts was unqualified but modified to include an emphasis of matter paragraph on the uncertainty as to the Group's ability to continue as a going concern 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.

The financial information has been prepared on a going concern basis, which assumes the Group will be able to meet its liabilities as they fall due, for the foreseeable future.

NOTES TO THE ANNOUNCEMENT
for the year ended 31 December 2009

2. SUMMARY OF RESTATEMENT

The effects of adopting IFRIC 15 are summarised below:

Year ended 31 December 2009:	Result without IFRIC 15 £m	Adjustment £m	As reported £m
Balance Sheet items:			
Trade and other receivables	51.9	–	51.9
Trade and other payables	(264.1)	–	(264.1)
Retained earnings	(419.7)	–	(419.7)
Net assets	1,191.6	–	1,191.6
Income Statement items:			
Gross development, rental and related income	527.3	53.5	580.8
Cost of sales	(171.2)	(0.9)	(172.1)
Tax	(117.5)	(14.7)	(132.2)
Basic earnings per share	47.6p	10.1p	57.7p
Year ended 31 December 2008:	As previously reported £m	Adjustment £m	As restated £m
Balance Sheet items:			
Deferred tax asset	6.1	14.7	20.8
Trade and other receivables	79.6	(35.8)	43.8
Trade and other payables	(277.4)	(16.8)	(294.2)
Retained earnings	(456.5)	(23.1)	(479.6)
Net assets	459.7	(37.9)	421.8
Income Statement items:			
Gross development, rental and related income	756.3	(101.5)	654.8
Cost of sales	(286.8)	30.5	(256.3)
Tax	126.9	19.9	146.8
Basic earnings per share (as adjusted for the Refinancing Transactions)	(945.0)p	(27.7)p	(972.7)p

NOTES TO THE ANNOUNCEMENT
for the year ended 31 December 2009

3. PERFORMANCE MEASURES

Basic earnings per share

	2009		Restated 2008	
	Earnings £m	Per share p	Earnings £m	Per share p
Underlying profit for the year before tax	110.7	48.8	104.4	92.9
Capital and other items	223.9	98.7	(2,004.7)	(1,784.9)
Tax	(132.2)	(58.3)	146.8	130.7
Profit/(loss) after tax	202.4	89.2	(1,753.5)	(1,561.3)
Less: minority interest	(71.4)	(31.5)	661.0	588.6
Profit/(loss) after tax attributable to members of the Company	131.0	57.7	(1,092.5)	(972.7)

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

The loss per share for the year ended 31 December 2008 as restated for the adoption of IAS 40 and IFRIC 15 but prior to reflecting the Refinancing Transactions was (240.7)p calculated by reference to 453.8m A Shares and B Shares.

Earnings per share for 2009 has been calculated by reference to the profit attributable to equity shareholders of £131.0m for 2009 (2008 – loss of £1,092.5m) and on the weighted average of 226.9m Ordinary Shares in issue for 2009 (2008 as restated – 112.3m Ordinary Shares). The number of Ordinary Shares excludes the shares held in trust in connection with Canary Wharf Group's employee share benefit plan.

On 14 October 2009 the Company issued a total of 65,553,896,186 new 0.1p ordinary shares through a placing and compensatory open offer and as a result of the conversion of the A Shares and SG Shares and the renaming of the B Shares. This issue of ordinary shares has the same effect for the purpose of calculating the number of shares as a rights issue. This issue of shares was priced at 1p per 0.1p ordinary share and represented a discount to the fair value of the existing shares. The shares were subsequently consolidated on a 100 to 1 basis. In accordance with IAS 33 the number of shares used for the calculation of the comparative year's earnings and losses per share has been adjusted for the discounted share issue and consolidation in order to provide a comparable basis for the current year.

Warrants were issued in connection with the Shareholder Loan for a total of 2,836,666,668 ordinary shares with a strike price of 1.5p. If exercised at the date of this report the Warrants would equate to an additional 28,366,667 Ordinary Shares with an exercise price of 150p each. No dilution arises from the Warrants as the average market price of Ordinary Shares during the period did not exceed the exercise price.

NOTES TO THE ANNOUNCEMENT
 for the year ended 31 December 2009

The 30 June 2009 proforma adjusted net assets set out below is based on information which was provided in the prospectus issued in September 2009 in connection with the Refinancing Transactions, and adjusts for the effects of the Refinancing Transactions as if they had occurred on 30 June 2009.

	31 December 2009 £m	Proforma 30 June 2009 £m	30 June 2009 £m	Restated 31 December 2008 £m
Balance Sheet net assets	1,191.6	869.0	331.2	421.8
Adjustment for: deferred tax	88.7	41.7	41.7	(20.8)
Mark to market of derivatives	269.0	276.9	276.9	472.8
Add: uplift in value of investment property	190.0	175.0	175.0	155.0
Add: surplus arising on construction contracts	58.3	72.7	72.7	171.4
	1,797.6	1,435.3	897.5	1,200.2
Minority interest in Balance Sheet	(512.6)	(394.4)	(507.5)	(532.0)
Minority interest on adjustments above	(186.3)	(173.9)	(222.0)	(305.1)
Reclassify SG Shares as equity	–	–	30.6	30.6
Add back accrued finance charges on SG Shares	–	–	6.6	4.8
Adjusted net assets	1,098.7	867.0	205.2	398.5
Adjusted NAV per share	168p	132p	33p	63p
Number of shares (m)	655.5	655.5	630.6	630.6

Adjusted NAV per share includes the external valuation surplus on construction contracts of £58.3m at 31 December 2009 (31 December 2008 – £278.2m), less the cumulative profit recognised on these contracts of £nil (31 December 2008 – £106.8m) and fair value adjustments on derivatives and deferred tax. In addition, in arriving at adjusted net assets the SG Shares were, until their conversion, treated as equity whereas in the Balance Sheet the SG Shares were treated as a debt instrument.

In addition, adjusted NAV includes the uplift in value of 25-30 Bank Street attributable to the arrangement with AIG which provides for the payment of the shortfall on 4 years of contracted rent from first draw down following a default by Lehman (see 'Business Review – Lehman'). The market value of the building at 31 December 2009 for Balance Sheet purposes is £360.0m whereas the market value adjusted for the arrangement with AIG is £550.0m reflecting the fact that the arrangement cannot be transferred to a purchaser of the property. A fee of approximately £3.6m per annum is payable in relation to this arrangement which is charged to the Income Statement as a financing cost.

At 31 December 2009 the number of shares in issue was 655.5m Ordinary Shares. For the purposes of calculating proforma adjusted NAV per share, the number of shares in issue has been deemed to be 655.5m Ordinary Shares. At 31 December 2008 and 30 June 2009 there were 630.6m A Shares, B Shares and SG Shares in issue, which has been used as the denominator in calculating adjusted NAV per share at those dates.

NOTES TO THE ANNOUNCEMENT
for the year ended 31 December 2009

4. REVENUE

	2009 £m	Restated 2008 £m
Rent receivable	318.4	287.5
Recognised incentives, committed rent increases and letting fees	(5.0)	13.6
	313.4	301.1
Service charge income	73.8	67.3
Miscellaneous income	20.9	23.8
Receivable on termination of leases	13.5	24.3
Construction contract revenue	159.2	238.3
	580.8	654.8
Gross development, rental and related income	580.8	654.8
Service charge and other direct property expenses	(91.2)	(92.2)
Movement in provisions relating to leasehold commitments	1.5	20.2
Payments on termination of leases	(8.9)	(8.3)
Construction contract expenditure	(73.5)	(176.0)
	408.7	398.5
Net development, rental and related income	408.7	398.5

5. NET REVALUATION MOVEMENTS ON PROPERTY AND INVESTMENTS

	2009 £m	2008 £m
In Income Statement		
Revaluation of investment properties	71.3	(1,769.8)
Revaluation of development properties	(86.7)	(3.8)
	(15.4)	(1,773.6)
In Consolidated Statement of Comprehensive Income		
Revaluation of development and construction properties	–	(19.4)
Share of associate's revaluation of development property	–	(0.3)
	–	(19.7)
	(15.4)	(1,793.3)

Following adoption of IAS 40 (amended), the revaluation movement on development properties has been recognised in the Income Statement for the year ended 31 December 2009 rather than equity as was the case for previous years.

NOTES TO THE ANNOUNCEMENT
for the year ended 31 December 2009

6. NET FINANCING COSTS

	2009 £m	2008 £m
Interest revenue		
Deposits and securities	14.2	47.5
Interest expense		
Notes and debentures	(149.6)	(158.3)
Songbird Loans	(51.1)	(61.8)
Other bank loans and overdrafts	(76.8)	(83.9)
Obligations under finance leases	(1.6)	(2.5)
	(279.1)	(306.5)
Development interest capitalised at 6.525%	4.8	5.6
	(274.3)	(300.9)
Underlying net financing costs	(260.1)	(253.4)
Other financing income/(costs) relating to derivatives		
Valuation movements on fair value of derivatives	184.0	(210.5)
Finance costs of non equity shares (Note 18)	(7.4)	(3.3)
Hedging reserve recycling	(12.1)	(3.3)
	164.5	(217.1)
Net financing expenses	(95.6)	(470.5)
Gains on repurchase of debt:		
– Securitised debt	66.3	–
– Citi Loans	4.9	–
	71.2	–
Net financing costs	(24.4)	(470.5)
Total financing income	85.4	47.5
Total financing expenses	(109.8)	(518.0)
Net financing costs	(24.4)	(470.5)

The financing expenses of the construction loan facility were capitalised as incurred from first draw down in 2007 to practical completion of the building in August 2009.

NOTES TO THE ANNOUNCEMENT
for the year ended 31 December 2009

7. TAX

	2009	Restated
	£m	2008
	£m	£m
Tax charge		
Current tax charge to income	(30.7)	(8.8)
Deferred tax	(101.5)	155.6
Group total tax	(132.2)	146.8
Tax reconciliation		
Group profit/(loss) on ordinary activities before tax	334.6	(1,900.3)
Tax on profit/(loss) on ordinary activities at UK corporation tax rate of 28.0% (2008 – 28.5%)	(93.7)	541.6
Effects of:		
Adjustments in respect of prior years	1.1	(27.8)
Indexation of capital gains, restriction of losses and movement on deferred tax provisions	(23.3)	(332.5)
Change in EZA legislation	–	(6.2)
Expenses not deductible for tax purposes	(0.9)	(0.9)
Deferred tax assets not recognised on losses	(15.4)	(27.4)
Group total tax	(132.2)	146.8

The tax rate of 28.5% for 2008 was calculated by reference to the current corporation tax rate of 28.0% which was in effect for the final three quarters of 2008 and the previous rate of 30.0% which was in effect for the first quarter of 2008.

NOTES TO THE ANNOUNCEMENT
 for the year ended 31 December 2009

8. INVESTMENT DEVELOPMENT AND CONSTRUCTION PROPERTIES AND PLANT AND EQUIPMENT
Non current assets and construction contracts at 31 December 2009 comprised:

	Investment properties £m	Investment property held for sale £m	Development properties £m	Properties under construction £m	Construction contracts £m	Total £m	Plant & equipment £m	Total £m
Market value at 1 January 2009	4,483.0	–	260.0	182.5	–	4,925.5		
Adjust for brought forward:								
– tenant incentives*	(200.1)	–	–	–	–	(200.1)		
– unamortised lease negotiation costs*	(6.3)	–	–	(0.7)	–	(7.0)		
Carrying value at 1 January 2009	4,276.6	–	260.0	181.8	–	4,718.4	1.9	4,720.3
Additions	41.3	–	47.7	6.5	89.0	184.5	0.2	184.7
Transfer to tenant incentives	–	(8.2)	–	–	–	(8.2)	–	(8.2)
Revaluation movement	75.2	(3.9)	(86.7)	–	–	(15.4)	–	(15.4)
Transfer	–	188.3	–	(188.3)	–	–	–	–
Transfer to cost of sales	–	–	–	–	(73.5)	(73.5)	–	(73.5)
Transfer to payments on account	–	–	–	–	(8.6)	(8.6)	–	(8.6)
Accrued in accordance with IAS11	–	–	–	–	(6.9)	(6.9)	–	(6.9)
Depreciation	–	–	–	–	–	–	(0.6)	(0.6)
Carrying value at 31 December 2009	4,393.1	176.2	221.0	–	–	4,790.3	1.5	4,791.8
Adjust for:								
– tenant incentives*	188.2	15.1	–	–	–	203.3		
– unamortised lease negotiation costs*	5.7	0.7	–	–	–	6.4		
Market value at 31 December 2009	4,587.0	192.0	221.0	–	–	5,000.0		

* Refer to Note 11 for further details.

No property interests were held under operating leases and classified as investment properties.

Valuation

The fair value of Canary Wharf Group's properties has been arrived at on the basis of valuations carried out by external valuers, CBRE, Savills or Cushman as at 31 December 2009 with the exception of 5 Churchill Place which is carried at a Directors' valuation based on the net proceeds received upon disposal. The valuations, which conform to International Valuation Standards, were arrived at by reference to market evidence of transaction prices for similar properties.

The assumptions on which the valuations are based are summarised in the 'Business Review – Valuations'.

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

5 Churchill Place achieved practical completion in August 2009 and £4.8m of interest was capitalised in 2009 up to its practical completion. Cumulative interest capitalised in development properties at 31 December 2009 amounted to £12.9m.

NOTES TO THE ANNOUNCEMENT
for the year ended 31 December 2009

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:

	Completed buildings £m	Riverside South £m	Total £m
31 December 2008 (as restated)	44.2	0.2	44.4
Advances received	76.9	64.2	141.1
Contract revenue recognised as revenue in the Income Statement	(133.4)	(25.8)	(159.2)
Offset from construction contracts	7.6	(16.2)	(8.6)
Transfer to contract balances (Note 10)	4.7	–	4.7
Gross amount due to customers for contract work at 31 December 2009	–	22.4	22.4

Amounts recoverable on construction contracts which comprise the excess of turnover recognised over payments received have been transferred to contract balances in Trade and Other Receivables.

On 30 April 2009, Canary Wharf Group achieved practical completion of 15 Canada Square, a 400,000 sq ft building which was pre-sold to KPMG in November 2006. On 30 September 2009, Canary Wharf Group achieved practical completion of 30 North Colonnade, a 330,000 sq ft building pre-sold in 2007 to Fimalac for occupation by Fitch. The profits earned on construction contracts have been split into their component parts in accordance with IFRIC 15.

Cumulative amounts accounted for as construction contracts are as follows:

	£m
Advances received	779.2
Recognised as revenue	(760.3)
Offset from construction contracts	(16.6)
Deferred interest	15.4
Transfer to contract balances	4.7
Payments on account (Note 14)	22.4

Total profits of £255.4m had been recognised at 31 December 2009 (31 December 2008 as restated – £169.8m).

On 24 December 2008 Canary Wharf Group entered into agreements with the Secretary of State for Transport and CLRL for the design and construction of the Crossrail station at Canary Wharf for a fixed price of £500.0m. Canary Wharf Group will contribute £150.0m towards the cost and the balance of £350.0m will be met from the Crossrail budget. The anticipated £150.0m cost to Canary Wharf Group will be accounted for when incurred as additions to development properties and allocated to each development property on a sq ft basis. Canary Wharf Group's contribution of £150.0m will be applied against any Section 106 contributions for certain agreed development sites on the Estate which may be required as part of proposed alterations to the London Plan. At 31 December 2009, such costs totalled £70.1m, of which £19.1m has been allocated to the Riverside South construction contract and £51.0m to development properties.

NOTES TO THE ANNOUNCEMENT
for the year ended 31 December 2009

9. INVESTMENTS

The investments balance comprises:

	31 December 2009 £m	31 December 2008 £m	31 December 2007 £m
Shares	10.7	9.2	7.3
Loans	26.0	22.3	15.5
	36.7	31.5	22.8
Fees on acquisition	2.6	2.6	2.6
Share of post acquisition losses	(1.8)	(1.5)	(1.0)
Share of fair value movement on derivatives	(2.5)	–	(1.1)
Share of revaluation movement on development properties	–	–	0.3
Impairment of investment	(9.5)	(10.0)	–
	25.5	22.6	23.6

The fair values of all equity securities are based on the net assets of those companies as adjusted for the fair values of assets and liabilities.

Investments comprise:

	31 December 2009 £m	31 December 2008 £m	31 December 2007 £m
Associates	25.3	22.4	23.4
Other investments	0.2	0.2	0.2
	25.5	22.6	23.6

The carrying value of the investment in associates comprised:

At 31 December 2009	WWLP £m	Drapers Gardens £m	Total £m
Initial investment	–	6.7	6.7
Fees on acquisition	1.9	0.7	2.6
Equity funding	–	3.4	3.4
Loan funding	25.0	1.0	26.0
Recognised share of losses	(7.0)	(6.4)	(13.4)
	19.9	5.4	25.3

The share of associates' profits and losses recognised in the Income Statement in 2009 comprised:

	WWLP £m	Drapers Gardens £m	Total £m
Other expenses	(0.3)	–	(0.3)
Movement in recognised impairment losses	(5.6)	6.1	0.5
Release of provision for maximum potential equity subscription	–	2.7	2.7
Release of provision for share of loss on derivative financial instruments	–	0.4	0.4
	(5.9)	9.2	3.3

NOTES TO THE ANNOUNCEMENT
for the year ended 31 December 2009

10. TRADE AND OTHER RECEIVABLES

	2009	2008	2007
	£m	£m	£m
Trade receivables	4.1	5.8	10.4
Other receivables	24.0	11.6	32.7
Contract balances (Note 8)	4.7	–	–
Prepayments and accrued income	19.1	26.4	24.1
Total trade and other receivables	51.9	43.8	67.2

11. TENANT INCENTIVES AND OTHER NON CURRENT ASSETS

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	Total tenant incentives £m	Deferred negotiation costs £m	Lease termination agreements £m	Total £m
31 December 2008	140.4	59.7	200.1	7.0	6.2	213.3
Transfer from investment properties (Note 8)	–	8.2	8.2	–	–	8.2
Recognition of rent during rent free periods	14.8	–	14.8	–	–	14.8
Amortisation	(16.1)	(3.7)	(19.8)	(0.8)	–	(20.6)
Deferred lease negotiation costs	–	–	–	0.2	–	0.2
Paid under lease termination agreements	–	–	–	–	(6.2)	(6.2)
31 December 2009	139.1	64.2	203.3	6.4	–	209.7

Following the entry of Lehman into administration (see 'Business Review – Lehman') the directors have concluded that the unamortised tenant incentives at that date of £61.2m should be amortised over a period shorter than the lease term and accordingly such incentives are now being amortised over the remaining period to the open market rent review date under the lease in November 2013. Previously such incentives were amortised over the period to the first lease break in July 2033. This will be subject to review at each subsequent Balance Sheet date.

12. MONETARY DEPOSITS

Monetary deposits comprise amounts held on deposit with original maturities in excess of three months or 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.

	2009	2008	2007
	£m	£m	£m
Monetary deposits held at bank	18.3	25.1	115.9
Accrued contractual interest on monetary deposits held at bank	–	–	2.5
	18.3	25.1	118.4

NOTES TO THE ANNOUNCEMENT
for the year ended 31 December 2009

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	2009 £m	2008 £m	2007 £m
Unsecured cash	925.2	1,013.8	856.7
Collateral for borrowings	139.4	135.0	144.0
Security for obligations	10.2	12.5	19.8
	<u>1,074.8</u>	<u>1,161.3</u>	<u>1,020.5</u>

14. TRADE AND OTHER PAYABLES

	2009 £m	2008 £m	2007 £m
Trade payables	23.4	35.5	20.3
Tax and social security costs	5.2	6.9	8.2
Corporation tax	24.8	8.8	–
Other payables	13.8	15.2	37.6
Other accruals	72.0	99.6	73.1
Deferred income	102.5	83.8	80.7
Payments on account (Note 8)	22.4	44.4	211.4
Total trade and other payables	<u>264.1</u>	<u>294.2</u>	<u>431.3</u>

15. CURRENT PORTION OF LONG TERM BORROWINGS

Current portion of long term borrowings comprises:

	2009 £m	2008 £m	2007 £m
Accrued interest payable	27.0	44.6	46.3
Repayable within one year:			
– securitised debt	57.5	32.3	6.9
– secured loans	14.9	12.3	7.1
Financing costs of SG Shares	6.5	4.8	1.5
Long term borrowings repayable within one year	<u>105.9</u>	<u>94.0</u>	<u>61.8</u>

The terms of the Group's loan facilities are summarised in Note 18.

16. BORROWINGS

Non current liability borrowings comprise:

	2009 £m	2008 £m	2007 £m
Securitised debt	2,447.3	2,630.1	2,664.1
Citi Loans	–	833.3	831.8
Shareholder Loan	108.3	–	–
Secured loans	1,256.6	1,278.0	1,241.8
Construction loan	123.4	99.9	35.0
Finance lease obligations	41.3	41.6	41.6
	<u>3,976.9</u>	<u>4,882.9</u>	<u>4,814.3</u>
SG Shares	–	30.6	30.6
Preference Shares	272.7	–	–
	<u>4,249.6</u>	<u>4,913.5</u>	<u>4,844.9</u>

The terms of the Group's loan facilities are summarised in Note 18.

NOTES TO THE ANNOUNCEMENT
for the year ended 31 December 2009

17. DERIVATIVE FINANCIAL INSTRUMENTS

Hedge accounting

The Group uses interest rate swaps and interest rate caps 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 31 December 2009 the fair value of these derivatives resulted in the recognition of a liability of £269.0m (31 December 2008 – liability of £472.8m, 31 December 2007 – liability of £94.0m). None of this liability was in respect of interest rate swaps which qualify for hedge accounting (31 December 2008 – a liability of £191.5m, 31 December 2007 – an asset of £0.1m and a liability of £23.3m) and a liability of £269.0m was in respect of interest rate swaps and collars which do not qualify for hedge accounting (31 December 2008 – a liability of £281.3m, 31 December 2007 – an asset of £0.2m and a liability of £71.0m respectively).

	2009	2008	2007
	£m	£m	£m
Assets:			
Songbird Loans	–	–	0.2
Other secured loans	–	–	0.1
	<u>–</u>	<u>–</u>	<u>0.3</u>
Liabilities:			
Securitisation	(86.4)	(197.4)	(21.0)
Songbird Loans	(21.0)	(42.9)	(12.1)
Other secured loans	(145.9)	(215.1)	(57.3)
Construction loan	(15.7)	(17.4)	(3.9)
	<u>(269.0)</u>	<u>(472.8)</u>	<u>(94.3)</u>
	<u>(269.0)</u>	<u>(472.8)</u>	<u>(94.0)</u>

18. NET DEBT

	2009	2008	2007
	£m	£m	£m
Securitised debt	2,613.4	2,889.1	2,723.9
Songbird Loans	129.3	876.2	843.7
Other secured loans	1,561.3	1,638.0	1,359.4
Finance lease obligations	41.3	41.6	41.6
	<u>4,345.3</u>	<u>5,444.9</u>	<u>4,968.6</u>
Non equity shares and associated financing costs	279.2	35.4	32.1
Gross debt	<u>4,624.5</u>	<u>5,480.3</u>	<u>5,000.7</u>
Current liabilities	105.9	94.0	61.8
Non current liabilities:			
– borrowings	4,249.6	4,913.5	4,844.9
– derivatives included in non current assets	–	–	(0.3)
– derivatives included in non current liabilities	269.0	472.8	94.3
Gross debt	<u>4,624.5</u>	<u>5,480.3</u>	<u>5,000.7</u>
Cash and cash equivalents	(1,074.8)	(1,161.3)	(1,020.5)
Monetary deposits	(18.3)	(25.1)	(118.4)
Net debt	<u>3,531.4</u>	<u>4,293.9</u>	<u>3,861.8</u>

As a result of the terms and conditions of the Preference Shares, such shares have been classified as borrowings and the Income Statement includes a charge to profit in respect of the coupon payable calculated at 2.5% per quarter. The accrued finance charge for the Preference Shares was £5.4m at 31 December 2009 and is classified as part of long term borrowings.

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 for the year ended 31 December 2009

As a result of the redemption rights attaching to the SG Shares, such shares were, until converted, classified as borrowings and the Income Statement included a charge to profit in respect of the SG Shares accumulated at 8.0% per annum, subject to increases in the coupon to a maximum of 10.0%. The accrued finance charges (comprising dividends accrued or declared in respect of this class of share) are included in the current portion of long term liabilities as interest payable (Note 15). At 31 December 2009, £6.5m was accrued in respect of the SG Shares dividend (31 December 2008 – £4.8m, 31 December 2007 – £1.5m).

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

	Securitised debt £m	Songbird Loans £m	Other secured loans £m	Construction loan £m	Finance lease obligations £m	Total borrowings £m	Non equity shares £m	Total £m
1 January 2009	2,889.1	876.2	1,520.7	117.3	41.6	5,444.9	35.4	5,480.3
Drawn down in year	–	157.8	–	20.5	–	178.3	275.0	453.3
Effective interest rate adjustment	(4.8)	(4.9)	(3.3)	0.8	–	(12.2)	(8.0)	(20.2)
Accrued finance charges	(8.0)	–	(10.3)	2.2	(0.3)	(16.4)	7.4	(9.0)
Repaid in year	(32.2)	–	(23.8)	–	–	(56.0)	–	(56.0)
Repurchased in year	(119.7)	(877.9)	–	–	–	(997.6)	–	(997.6)
Movements in fair value of derivatives	(111.0)	(21.9)	(61.1)	(1.7)	–	(195.7)	–	(195.7)
Converted to share capital	–	–	–	–	–	–	(30.6)	(30.6)
31 December 2009	2,613.4	129.3	1,422.2	139.1	41.3	4,345.3	279.2	4,624.5
Payable within one year or on demand	79.7	–	19.7	–	–	99.4	6.5	105.9
Payable in more than one year	2,447.3	108.3	1,256.6	123.4	41.3	3,976.9	272.7	4,249.6
Derivatives classified as: - non current liabilities	86.4	21.0	145.9	15.7	–	269.0	–	269.0
	2,613.4	129.3	1,422.2	139.1	41.3	4,345.3	279.2	4,624.5

All the borrowings of Canary Wharf Group are secured against designated property interests of Canary Wharf Group. The Songbird Loans are secured against the assets of the Company and the shares in its subsidiaries.

- (1) The Citi Loans related to amounts drawn down under the £880.0m facilities provided by Citi. The loan had a repayment date of May 2010 and carried interest at a rate of LIBOR plus a margin of 1.2% to 1.7% dependent on the financial condition of the Group. The interest on £800.0m of the loan was hedged via an interest rate swap which served to fix interest payable on this part of the loan at 5.928%. The balance of the loan carried interest at the prevailing floating LIBOR rate capped at 5.928% via an interest rate cap. The loan was secured on the assets of SFL including its shares in Canary Wharf Group.

As part of the Refinancing Transactions, the Citi Loans were repurchased by the Group in October 2009 at a 5.0% discount to the amount due to Citi under these facilities at the date of purchase. The swap instruments connected to the Citi Loans were not cancelled as part of the Refinancing Transactions and continue to be payable as if the Citi Loans remained in place. This arrangement expires in May 2010.

After taking into account fees paid on repurchase, unamortised deferred fees and providing for the future payments due under the interest rate swap, the Group recognised a gain of £4.9m on the repurchase.

At the same time SFL entered into a £135.0m Shareholder Loan. This facility carries an interest rate fixed at 7.0% and is repayable in October 2010. SFL may at its option extend repayment of the loan by an additional 364 days subject to certain conditions as summarised later in 'Financial risks – Loan covenants'. The Shareholder Loan is secured on the assets of SFL, including its shares in Canary Wharf Group.

- (2) In April 2009 Canary Wharf Group repurchased certain floating rate Notes with an aggregate principal amount of £119.7m for an aggregate consideration, excluding accrued interest, of £35.5m.

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

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

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

All of the floating Notes are hedged by means of interest rate swaps and the hedged rates plus the margin are: A7 Notes – 5.1135%; B3 Notes – 5.1625%; C2 Notes – 5.4416%; and D2 Notes – 5.8005%. These swaps expire in 2035 concurrent with the Notes.

In addition to the three classes of floating rate Notes referred to above, the following classes of fixed rate Notes remained outstanding at 31 December 2009, carrying the interest rates stated: £1,189.7m of A1 Notes – 6.455%; £400.0m of A3 Notes – 5.952%; £203.9m of B Notes – 6.800%.

The principal amount of the Notes outstanding at 31 December 2009 was £2,519.6m, or £2,399.9m excluding the Notes repurchased. The Notes are secured on certain property interests of Canary Wharf Group and the rental income stream therefrom.

The CWF II securitisation has the benefit of an agreement with AIG which provides at the election of Canary Wharf Group for the payment of the contracted rent under the lease following a default by Lehman, either in its entirety or to cover any shortfall. The agreement is for a period of four years from first draw down. The amounts claimed would be repayable by Canary Wharf Group if subsequent recoveries made in respect of amounts claimed or subsequent rentals in the properties exceed the rents that would have been received from Lehman. AIG has posted cash collateral of approximately £224.0m, held in bank accounts in the name of AIG and has granted security over the deposits as collateral for its obligations. The amount initially posted in respect of AIG's obligations is subject to periodic adjustment to reflect movements in interest rates. No amount had been drawn under this agreement at the date of approving this report.

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

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

CWF II also has the benefit of a £300.0m liquidity facility provided by Lloyds, under which drawings may be made in the event of a cash flow shortage under the securitisation. This facility is renewable annually.

The weighted average maturity of the debentures at 31 December 2009 was 16.7 years. The debentures may be redeemed at the option of the issuer in an aggregate amount of not less than £1.0m on any interest payment date subject to the current rating of the debentures not being adversely affected and certain other conditions affecting the amount to be redeemed.

- (3) In February 2007 Canary Wharf Group entered into a £155.0m 3 year construction loan facility secured on 5 Churchill Place. Interest was charged at LIBOR plus a margin of 0.9% hedged at 5.625%. At 31 December 2009 £123.4m (31 December 2008 – £100.7m) including interest had been drawn down under this facility. Practical completion of the building was achieved in August 2009 and the loan was repaid in January 2010 upon completion of the sale of the building.
- (4) Canary Wharf Group has a £350.0m loan facility which was originally secured against Canary Wharf Group's principal retail properties. During the year Canary Wharf Group transferred its car parking interests and certain other retail interests to form part of the security for this loan.

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The loan facility carried interest at LIBOR plus a variable margin rate subject to prevailing LTV and ICR tests. Canary Wharf Group originally entered into an arrangement whereby the exposure to the movement in three month LIBOR rates in the facility was fully hedged with fixed interest rate swaps at a weighted average, including margins, of 6.1%. The loan was repayable in March 2011.

On 17 December 2009, the facility repayment date was extended from 7 March 2011 to 17 December 2014 in consideration for a fee of £4.0m and the margin on the loan was fixed at 2.75% for the duration of the loan. The negative mark to market valuation on the pre-existing swaps, amounting to £19.97m, was blended into a new 5 year swap to 2014, executed at an all-in rate of 4.425%. The interest rate on the loan is therefore fixed at 7.2%.

- (5) A bank loan with an initial principal amount of £369.4m has been secured against 10 Cabot Square and 20 Cabot Square and is repayable in January 2013. Canary Wharf Group entered into an interest rate swap, also to January 2013, at a fixed rate of 5.031%. In March 2009, a portion of the swap was broken at a cost of £8.1m and a new swap entered into which serves to fix the rate of interest at a weighted average, including margin, of 5.6%. During the year £8.1m was repaid in accordance with the terms of the facility and at 31 December 2009 the outstanding principal was £358.9m.
- (6) A bank loan comprising an initial principal of £608.8m is secured against One Churchill Place. The loan amortises with a balloon payment of £155.0m on maturity in July 2034. The loan carries a hedged interest rate of 5.82%. In 2009 £7.5m of loan principal was repaid in accordance with the loan agreement reducing the principal at 31 December 2009 to £576.2m.
- (7) Canary Wharf Group's obligations under its finance lease are secured by first ranking fixed and floating charges over the property which is the subject of the finance lease and over certain cash deposits (Note 13). The rate of interest implicit in the finance lease was 1.0% at 31 December 2009 (31 December 2008 – 4.9%). The present value of minimum finance lease payments was £41.3m at 31 December 2009 (31 December 2008 and 31 December 2007 – £41.6m). The finance lease is repayable in more than 5 years.

Financial risks***Interest rate risk***

The Group finances its operations through a mixture of surplus cash, bank borrowings and debentures. The Group borrows principally in sterling at both fixed and floating rates of interest and then uses interest rate swaps, caps or collars to generate the desired interest profile and to manage the Group's exposure to interest rate fluctuations. The Group's policy is to keep the majority of its borrowings at fixed rates and all of the Group's borrowings at 31 December 2009, 31 December 2008 and 31 December 2007 were fixed after taking account of interest rate hedging and cash deposits held as cash collateral (Note 13).

Liquidity risk

The Group's policy is to ensure continuity of funding and at 31 December 2009 the average maturity of Canary Wharf Group's debt was 14.0 years (31 December 2008 – 14.8 years, 31 December 2007 – 16.2 years). Shorter term flexibility has historically been achieved by holding cash on deposit and through construction facilities with a term of typically 3 to 6 years arranged to fund the development of new properties. At 31 December 2009 SFL had undrawn facilities totalling £22.0m that may be borrowed by SFL to fund the payment of interest and certain other working capital purposes subject to certain limitations. SFL's facility is repayable in full in October 2010 but may be rolled over at its option for a further year in consideration of a fee and subject to certain conditions.

Loan covenants

Any extension of the Shareholder Loan is conditional on dividends due on the Preference Shares up to 1 October 2010 being paid and on the LTV ratio determined by reference to the Company's financial statements being equal to or less than 92.5% on the original repayment date. For this purpose the LTV test would be calculated on the basis of the valuations as at 30 June 2010. The LTV based on the valuations as at 31 December 2009 was 8.4%.

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

- (i) CWF II securitisation, encompassing seven investment properties representing 61.2% of the investment property portfolio by value. The principal amount outstanding at 31 December 2009 was £2,519.6m or £2,399.9m excluding the repurchased Notes.

Maximum LMCTV ratio of 100%. Based on the valuations at 31 December 2009, the LMCTV ratio at the interest payment date in January 2010 would have been 83.8%, excluding the £224.0m of cash collateral posted by AIG in respect of the 25 Bank Street facility, and 76.2% including such cash collateral.

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

- (ii) Loan of £576.2m secured against One Churchill Place, representing 14.7% of the investment property portfolio by value.

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

- (iii) Loan of £358.9m secured against 10 Cabot Square and 20 Cabot Square, representing 12.6% of the investment property portfolio by value. Both properties are now primarily let to Barclays Capital.

Maximum LTV ratio of 85.0%. Based on the valuations at 31 December 2009 the LTV ratio at the interest payment date in January 2010 would have been 62.7%.

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

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

- (iv) Loan of £350.0m secured against the principal retail and infrastructure parking properties of Canary Wharf Group, representing 11.5% of the investment property portfolio by value.

Maximum LTV ratio of 75.0%, reducing to 70.0% from March 2010. Based on the valuations at 31 December 2009, the LTV was 66.8%.

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

- (v) Construction loan facility of £155.0m secured against 5 Churchill Place of which £123.4m was drawn down at 31 December 2009.

This loan was repaid in January 2010 following the sale of the property.

19. PROVISIONS

Provisions have been made in respect of the following liabilities:

	Vacant leasehold properties £m	Other lease commitments £m	Commitments to associates £m	Total £m
31 December 2008	3.0	2.3	5.6	10.9
Utilisation of provision	(0.5)	(0.1)	–	(0.6)
Unwind of discount	–	(0.1)	–	(0.1)
Change in provision	(1.5)	–	–	(1.5)
Liability for share of associated undertakings commitments	–	–	(5.6)	(5.6)
31 December 2009	1.0	2.1	–	3.1

Vacant leasehold properties

At 31 December 2009 the provision for the estimated net liability in respect of vacant leasehold properties, discounted at 6.4% being the Group's weighted average cost of debt at that date, was £1.0m (31 December 2008 – £3.0m discounted at 6.4%, 31 December 2007 – £3.5m discounted at 6.4%). A break notice was served on the landlord in respect of the final leasehold property. As a result this lease was determined in July 2009 and the Group's ongoing obligations were extinguished at that point. At 31 December 2009, £1.0m (31 December 2008 – £2.3m) was held as cash collateral to fund costs on the remaining property.

NOTES TO THE ANNOUNCEMENT
for the year ended 31 December 2009

Other lease commitments

In connection with the sale of certain properties during 2005 Canary Wharf Group agreed to provide rental support either in respect of unexpired rent free periods or until the next rent review date. A provision in respect of these commitments was recognised at the date of disposal. The remaining provision at 31 December 2009 was £2.1m calculated on the basis of a discount rate of 6.4% (31 December 2008 – £2.3m discounted at 6.4%, 31 December 2007 – £4.6m, discounted at 6.4%). The obligation under one of these commitments expired in 2008. The remaining commitment relates to the lease back of certain car parking spaces which will expire in 2028.

20. SHARE CAPITAL

Issued share capital comprises:

	2009 £m	2008 £m
Equity shares:		
– A Shares	–	26.1
– B Shares	–	19.3
– Ordinary Shares	<u>65.6</u>	<u>–</u>
	65.6	45.4
Shares not classified as equity:		
– SG Shares	–	17.7
– Preference Shares	275.0	–
Total	<u>340.6</u>	<u>63.1</u>

21. DIVIDENDS

On 24 September 2009 the Board declared a dividend of £6.5m to reflect the accrued rights to the preferential dividend on the SG Shares up to the date of conversion of such shares. This dividend would become payable on 1 October 2010 in the event all of the Preferential Dividends accrued from the date of issue of the Preference Shares to 30 September 2010 are paid. The amount of dividend accrued on the Preference Shares at 31 December 2009 was £5.4m.

In the event the SG dividend is not paid on or before 1 October 2010 interest shall accrue on the unpaid amount at the prevailing rate quoted by RBS on 6 month deposits or, if no such rate is quoted, at 7.0% pa.

NOTES TO THE ANNOUNCEMENT
for the year ended 31 December 2009

22. NOTES TO THE CASH FLOW STATEMENT

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

	2009 £m	Restated 2008 £m
Profit on ordinary activities before tax	334.6	(1,829.3)
Non cash movements		
Net valuation movements on properties	15.4	1,773.6
Share of (profit)/loss after tax of associates	(3.3)	15.0
Spreading of tenant incentives, committed rent increases and letting fees	5.6	(14.5)
Depreciation	0.6	0.6
Profit recognised on construction contracts	(85.7)	(133.3)
	<u>(67.4)</u>	<u>1,641.4</u>
	267.2	(187.9)
Changes to working capital and other cash movements		
Net financing costs	95.6	470.5
Refinancing gains (Note 6)	(71.2)	–
Utilisation of and other movements in provisions	(2.0)	(22.3)
Increase in receivables	(1.5)	13.5
Decrease in payables	(18.2)	(7.1)
Proceeds from construction contracts	147.9	164.7
Construction contract expenditure	(105.2)	(155.6)
	<u>312.6</u>	<u>275.8</u>
Cash generated from operations		
Income tax paid	(14.8)	–
	<u>297.8</u>	<u>275.8</u>
Net cash from operating activities		

23. FINANCIAL COMMITMENTS

Commitments of Canary Wharf Group for future expenditure:

	2009 £m	2008 £m
Crossrail station	80.0	140.0
Other construction projects	99.0	162.0
	<u>179.0</u>	<u>302.0</u>

Sublet commitments

Under the terms of certain agreements for lease Canary Wharf Group has committed to take back certain space on the basis of short term subleases at the end of which the space reverts to the relevant tenants. This space has been securitised but, insofar as the securitisations are concerned, the tenants are contracted to pay rent on the entire amount of space leased, whilst taking the covenant of Canary Wharf Group's subsidiaries on the sublet space. The existence of the sublet commitments has been taken into account in arriving at the market valuation of the Group's properties at 31 December 2009.

NOTES TO THE ANNOUNCEMENT
 for the year ended 31 December 2009

The table below summarises these sublets, including the rent payable for the next financial year, net of any rent receivable and adjusted to include the Barclays Capital transaction which was completed in January 2010:

Property	Leaseholder	Original sublet sq ft	Re-let sq ft	Net rent ⁽²⁾ £m	Rent review date	Rent review basis	Term commencement	Expiry or first break
10 Upper Bank Street	Clifford Chance	52,100	52,100	0.82	–	–	Jul 2003	Jul 2013
25–30 Bank Street	Lehman	100,900	90,100 ⁽¹⁾	3.29	Nov 2009	Fixed ⁽³⁾	Jul 2003	Jul 2013
One Churchill Place	Barclays	133,400	133,400	0.55	Jul 2014	OMR up only	Jul 2004	Jul 2019
One Churchill Place	Barclays	129,700	129,700	0.13	–	OMR up only	Jul 2004	Jul 2014
40 Bank Street	Skadden	19,500	19,500	0.69	–	–	Mar 2003	Sep 2010
40 Bank Street	Skadden	19,500	19,500	0.31	–	–	Mar 2003	Mar 2013
40 Bank Street	Barclays	92,865	–	4.20	Jul 2012	OMR up only	Nov 2009	Jul 2018
40 Bank Street	Barclays	56,516	–	2.68	Jul 2012	OMR up only	Nov 2009	Apr 2020
40 Bank Street	Barclays	57,227	–	2.52	Jul 2012	OMR up only	Nov 2009	Dec 2017
40 Bank Street	Barclays	94,968	–	1.63	Jul 2012	OMR up only	Oct 2010	Dec 2017
One Canada Square	State Street	26,200	26,200 ⁽⁴⁾	1.24	Jun 2013	OMR up only	May 2009	Jun 2018
		782,876	470,500	18.06				

Note:

- (1) A call option was granted on 10,800 sq ft of sublet space in 25-30 Bank Street which has not been exercised.
 (2) The net annual sublet rental obligations will decrease over time with the expiration of re-letting rent free periods.
 (3) The July 2009 rent review was fixed at £54.49 per sq ft and is followed by annual increases to £59.65 per sq ft in 2012.
 (4) Level 24 occupied by FSA on a short-term basis pending completion of fitout of floors 26 and 27.

24. EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to the year end, Canary Wharf Group made a number of announcements concerning post Balance Sheet transactions.

On 15 January 2010 Canary Wharf Group concluded a series of transactions to extend and consolidate the occupation of Barclays Capital from three into two buildings at Canary Wharf. For further detail refer to 'Business Review – Barclays Capital'. Also on 15 January 2010, Canary Wharf Group announced that it had acquired the long leasehold interests in 1 Park Place, a site adjacent to the existing Estate (see 'Business Review – Development properties').

On 21 January 2010, CWF II announced that the Administrator had advised that from 1 January 2010 Lehman would pay rent in respect of 290,146 sq ft only, being the areas of 25 Bank Street occupied by Lehman and not for the whole building. The Administrator also advised that Lehman intends to vacate the building by 31 March 2010 and will cease paying rent on 25 Bank Street from that date (see 'Business Review – Lehman').

On 20 January 2010, Canary Wharf Group announced that it had purchased, for a consideration of £112.8m, the substantial majority of the drawn balance under the Drapers Gardens loan facility. Subsequently on 4 February 2010, Canary Wharf Group announced the letting of the Drapers Gardens development, to BlackRock (see 'Business Review – Development properties').

In January 2010 Canary Wharf Group completed the disposal of 5 Churchill Place and repaid the associated loan.

On 26 February 2010 KPMG exercised breaks in relation to their leases over four floors in One Canada Square totalling approximately 109,796 sq ft and in addition exercised an option to sublease to Canary Wharf Group (for the remaining term of approximately 6.75 years) a further floor in the building comprising 28,579 sq ft. The options to determine these leases were granted in connection with KPMG's relocation to a new headquarters building constructed at 15 Canada Square (see 'Business Review – Construction'). The leases on the five floors will now terminate on 30 June 2010.

DEFINITIONS

Administrator	PricewaterhouseCoopers, administrator of Lehman
AIG	American International Group, Inc
A Shares	Ordinary Class A Shares of 10p each
AIM	London Stock Exchange Alternative Investment Market
ANZ	Australia New Zealand Bank Limited
Articles	Current Articles of Association of Songbird Estates plc
bn	Billion
B Shares	Ordinary Class B Shares of 10p each
Ballymore	Ballymore Properties Limited
Barclays	Barclays Bank plc
BlackRock	BlackRock Investment Management (UK) Limited
Board	Board of directors of the Company
BWB	British Waterways Board
Canary Wharf Group	Canary Wharf Group plc and its subsidiaries
Cat A	Category A fitout
CBRE	CB Richard Ellis Limited, Surveyors and Valuers
Citi	Citigroup
Citi Loans	The £880.0m loan facilities entered into by SFL and Citi
CLRL	Cross London Rail Links Limited
Company	Songbird Estates plc
Cushman	Cushman & Wakefield, Real Estate Consultants
CWF II	Canary Wharf Finance II plc
CWHL	Canary Wharf Holdings Limited
Deferred Plan	Canary Wharf Group 2004 Deferred Share Plan
Drapers Gardens	Drapers Gardens scheme in the City of London
Estate	Canary Wharf Estate including Heron Quays West, Riverside South and North Quay
EU	European Union
EZAs	Enterprise Zone Allowances
FIC	Fullbloom Investment Corporation
Fimalac	F Marc de Lachariere
Fitch	Fitch Ratings Limited
FRS 25	Financial Reporting Standard 25 (Financial Instruments: Disclosure and Presentation)
FVTPL	Fair Value Through Profit and Loss
GF Investments	GF Investments II, LLC
Glick Shareholders	Investment vehicles and Trusts connected with Simon Glick and his family
Group	The Company, its wholly owned subsidiaries and Canary Wharf Group
HMRC	Her Majesty's Revenue and Customs
HSBC	Hong Kong and Shanghai Banking Corporation
HSO	HighSpeed Office Limited
IAS	International Accounting Standards
IAS 1 (revised)	International Accounting Standard 1 (revised) 'Presentation of Financial Statements'
IAS 11	International Accounting Standard 11 'Construction Contracts'
IAS 16	Property, Plant and Equipment
IAS 17	International Accounting Standard 17 'Leases'
IAS 28	International Account Standard 28 'Investments in Associates'
IAS 39	International Accounting Standard 39 'Financial Instruments: Recognition and Measurement'
IAS 40	Investment Property
ICR	Interest Cover Ratio
IFRIC	International Financial Reporting Interpretations Committee
IFRIC 15	International Financial Reporting Interpretations Committee 15 'Agreements for the Construction of Real Estate'
IFRS	International Financial Reporting Standards
IFRS 3	International Financial Reporting Standard 3 'Business Combinations'
IFRS 7	International Financial Reporting Standard 7 'Financial Instruments: Disclosures'
IFRS 8	International Financial Reporting Standard 8 'Operating Segments'
JPMM	JP Morgan Markets Limited
Knight Frank	Knight Frank LLP, Property Consultants
Land Breeze	Land Breeze S.a.r.l.
LBTH	London Borough of Tower Hamlets
Lehman	Lehman Brothers Limited (in administration)
Lloyds	Lloyds Banking Group
LMCTV	Loan Minus Cash to Value
London Plan	Mayor of London Planning document published by the Greater London Authority
LTV	Loan to Value

DEFINITIONS (Continued)

m	Million
Morgan Stanley	Morgan Stanley & Co Limited including all related funds, entities and associates
MS	Morgan Stanley Real Estate Fund IV International GP LLC and Morgan Stanley European Real Estate Special Situations II Offshore Inc
MSI	Morgan Stanley & Co International plc
MSMS	Morgan Stanley Mortgage Services Limited
MSREF V	Morgan Stanley Real Estate Fund V
MSSS	MSRESS II Co-Investment Partnership L.P.
NAV	Net Asset Value
NIA	Net Internal Area
NNNAV	Triple Net Asset Value
Nomura	Nomura International plc
Notes	Notes of Canary Wharf Group's securitisation
Omega	Omega Land Holding II BV
OMR	Open Market Rent
Ordinary Shares	Ordinary shares of 10p each
Preference Shares	Preference shares of £1.00 each
Preferential Dividend	Fixed cumulative dividend of 2.5% per quarter of aggregate amount of nominal value and any share premium paid up on Preference Shares
Provision of Services Agreement	A provision of services agreement between the Company and Canary Wharf Group
psf	per sq ft
Qatar Holding	Qatar Holding, LLC
RBS	Royal Bank of Scotland Group plc
Refinancing Transactions	£620.0m placing and compensatory open offer, £275.0m issue of Preference Shares and £135.0m Shareholder Loan facility
Rothschild	NM Rothschild & Sons Limited
S&P	Standard & Poors
SAL	Songbird Acquisition Limited
Savills	Savills Commercial Limited, Chartered Surveyors
SFL	Songbird Finance Limited
SF(Two)L	Songbird Finance (Two) Limited
SG Shares	SG Shares of 10p
Shareholder Loan	£135.0m loan facility entered into by SFL and certain significant shareholders
Significant Shareholders	Glick Shareholders, Land Breeze, MS Shareholders and Qatar Holding
Skadden	Skadden Arps Slate Meagher & Flom LLP
Songbird Loans	Loan drawn down by SFL comprising the Citi Loans and the Shareholder Loan
sq ft	Square feet/square foot
TfL	Transport for London
Treasury Shares	B Shares acquired by any Group entity and not cancelled
Trust	Canary Wharf Employees' Share Ownership Plan Trust
UK	United Kingdom of Great Britain and Northern Ireland
UK GAAP	United Kingdom Generally Accepted Accounting Practice
VAT	Value Added Tax
Warrants	Warrants over the Songbird Estates plc 0.1p ordinary shares in issue at 14 October 2009.
WWLP	Wood Wharf Limited Partnership