

# **SONGBIRD ESTATES PLC**

**22 SEPTEMBER 2011**  
**ANNOUNCEMENT OF RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011**

The Board of Songbird Estates plc is pleased to announce its results for the six months ended 30 June 2011.

The information in this announcement, which was approved by the Board of Directors on 21 September 2011, does not comprise statutory accounts within the meaning of the Companies Act 2006.

# SONGBIRD ESTATES PLC

## OPERATIONAL SUMMARY

- On 21 September 2011 **Canary Wharf Group declared a dividend of 7.042p per share** totalling £45.0m of which £31.2m will be receivable by SFL, a wholly owned subsidiary of the Company. The Board proposes that the **proceeds will be used to pay the accumulated coupon payable on the Preference Shares** of £14.2m (Note (i)). The balance of funds remaining in the Company will be used for general working capital purposes.
- **Adjusted NAV per share increased by 7p or 3.7% to 194p** in comparison with 187p at 31 December 2010 (Note (ii)).
- **Net assets increased to £1,895.6m** at 30 June 2011 **from £1,753.6m at 31 December 2010, an increase of £142.0m or 8.1%** (Note (ii)). This was attributable to an increase in the value of the property portfolio of £88.0m, the underlying profit for the period of £6.6m and the release of a provision for deferred tax of £43.3m.
- The **market value of the investment property portfolio increased** by 1.9% **to £4,726.5m**. After allowing for capital expenditure and adjustments for lease incentives, the **carrying value of the investment portfolio increased by 1.8%** (Note (iii)).
- Including development sites, **the market value of the property portfolio** at 30 June 2011 **was £5,006.5m** which compares with £4,907.0m at 31 December 2010 (Note (iii)).
- The **benchmark initial yield for the office portfolio was unchanged at 5.35%** at 30 June 2011 (Note (iii)).
- The **weighted average equivalent yield for the office portfolio was 5.3%** at 30 June 2011, in comparison with 5.2% at 31 December 2010 (Note (iii)).
- The **weighted average equivalent yield for the retail portfolio was 5.2%**, in comparison with 5.4% at 31 December 2010 (Note (iii)).
- **Underlying profit before tax** for the period **was £6.6m** (six months ended 30 June 2010 – £13.1m) (Note (iv)). The **profit after tax** for the period **was £135.3m** (six months ended 30 June 2010 – £14.2m).
- At 30 June 2011 the **weighted average unexpired lease term** for the retained investment portfolio was **16.6 years** (or 15.4 years assuming the exercise of break options) (Note (v)).
- Substantial progress has been made on **the Crossrail station which continues to be on time and within budget** (Note (vi)).
- **Retail footfall is up by 3.3%** and **plans to expand retail on the Estate by 43,000 sq ft have been approved** (Note (vii)).
- Construction on **20 Fenchurch Street commenced in January 2011** and is progressing on schedule and within budget. The **20 Fenchurch Street Limited Partnership** has made the decision **to proceed with full build out** of the scheme (Note (viii)).
- In July 2011 **Canary Wharf Group and Qatari Diar concluded an agreement with Shell to redevelop the Shell Centre** (Note (i)).
- In August 2011 Canary Wharf Group announced that **EMA had agreed a prelet of 250,000 sq ft** in a new office building of over 500,000 sq ft to be constructed **at 25 Churchill Place** (Note (i)).

### Note:

- (i) Refer to Note 17.
- (ii) See Business Review – Balance Sheet and Key Performance Indicators.
- (iii) See Business Review – Valuations for a comparison with the carrying value for accounts purposes and details of movements in yields.
- (iv) See Note 1 for basis of preparation and Note 2.
- (v) See Business Review – Property Portfolio for basis of calculation.
- (vi) See Business Review – Crossrail.
- (vii) See Business Review – Retail.
- (viii) See Business Review – Fenchurch Street.

# SONGBIRD ESTATES PLC

## RESULTS IN BRIEF

		<b>Unaudited Six months ended 30 June 2011 £m</b>	Unaudited Six months ended 30 June 2010 £m
Rental income	(i)	<b>124.6</b>	153.5
Underlying operating profit	(ii), (vii)	<b>107.2</b>	141.2
Capital and other items:			
– write down of Lehman incentives		–	(50.1)
– movement in carrying value of investments in associates	(iii)	<b>4.6</b>	(2.3)
– net revaluation movements	(iv)	<b>88.0</b>	177.6
– net movement on fair value of derivatives, hedging reserve and finance cost of non equity shares	(v)	<b>(1.6)</b>	(149.6)
Underlying profit before tax	(ii)	<b>6.6</b>	13.1
Profit/(loss) on ordinary activities before tax	(ii)	<b>97.6</b>	(11.3)
Tax	(vi)	<b>37.7</b>	25.5
Profit after tax	(ii)	<b>135.3</b>	14.2
Basic and diluted earnings per share	(vii)	<b>11.7p</b>	0.5p

Note:

- (i) See Note 3.
- (ii) See Unaudited Condensed Consolidated Income Statement.
- (iii) See Note 8.
- (iv) See Note 4.
- (v) See Note 5.
- (vi) See Note 6.
- (vii) See Note 2.

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# SONGBIRD ESTATES PLC

## CHAIRMAN'S OPERATIONAL REVIEW

### Introduction

A busy first half of 2011 for Canary Wharf Group and two key transactions shortly following the end of the period have maintained momentum for the Group. The first of these transactions was the joint venture with Qatari Diar to redevelop the Shell Centre which, following the successful Drapers Gardens development and the 20 Fenchurch Street joint venture, continues the diversification of development activity into the City and Central London markets. Confidence in the market at Canary Wharf is reflected in the decision in August to proceed with the construction of a building in excess of 500,000 sq ft at 25 Churchill Place following the prelet of 250,000 sq ft to EMA.

In the face of turbulent macro economic conditions and concerns on the levels of sovereign debt in Europe and the US the outlook for the second half of the year is less certain. However, in the London market, where supply of high quality Grade A space is still limited and the number of development completions is still relatively low there remain opportunities for the Group to add value and to maximise returns on projects.

Over recent years the structure of the Company has been greatly simplified. It is now debt free and has only the Ordinary Shares and Preference Shares in issue. The dividend received in April was largely utilised to maintain payments on the Preference Shares although in July the opportunity to increase our holding in Canary Wharf Group was taken through the acquisition of a further 741,387 ordinary shares for an aggregate consideration of £2.24m. The dividend of 7.042p per share which has today been declared by Canary Wharf Group plc will, on receipt, similarly be used to maintain payments on the Preference Shares and for general corporate purposes.

### FINANCIAL REVIEW

Adjusted NAV per share increased during the six months by 7p or 3.7% from £1.87 at 31 December 2010 to £1.94 at 30 June 2011. Net assets increased from £1,753.6m at 31 December 2010 to £1,895.6m at 30 June 2011, an increase of £142.0m or 8.1%. The increase in net assets was primarily attributable to the increase in the carrying value of the Group's property portfolio by £88.0m, the underlying profit before tax for the period of £6.6m and a deferred tax credit of £43.3m.

The market value of the investment portfolio increased by 1.9% in the first half of 2011, primarily reflecting a hardening in rental values. The benchmark initial yield for the office portfolio remained unchanged at 5.35%. For the retail portfolio the weighted average equivalent yield was 5.2% at 30 June 2011 in comparison with 5.4% at 31 December 2010. Including development sites, the market value of the total property portfolio increased to £5,006.5m at 30 June 2011, against £4,907.0m at 31 December 2010, an increase of £99.5m or 2.0%.

Underlying profit before tax for the first half of 2011 of £6.6m compared with £13.1m for the comparative period in 2010. The reduction in underlying profit was attributable to a reduction in rental income, following the sale of two properties in the previous year, partly offset by reduced financing costs following the repayment of the Shareholder Loan in October 2010. The results for the period are covered in more detail in the Business Review.

At 30 June 2011, the Group had unsecured cash deposits of £945.3m, of which £940.2m are attributable to Canary Wharf Group. The weighted average cost of Canary Wharf Group debt was 6.2% and the weighted average maturity was 14.3 years. This compares with the weighted average unexpired lease term of 15.4 years assuming exercise of all breaks.

The Company remains debt free, other than the Preference Shares. Net of cash, the Group's look-through LTV at 30 June 2011 was 60.2%.

The Preference shares were issued in 2009 and the proceeds were used in part to increase the Group's holding of shares in Canary Wharf Group from 60.8% to 69.3%. The first opportunity to repay them arises in October 2011 and a Committee of directors continues to review the options in relation to the Preference Shares.

### OPERATIONAL REVIEW

Activity in 2011 has been successful both on and off the Estate with good progress on new developments and with strong letting activity.

#### Construction and development

At Canary Wharf construction of the new Crossrail station continues to be on schedule and on budget. The site will be ready for tunnelling in August 2012. Discussions are also continuing with J.P. Morgan on taking the Riverside South site up to grade.

In the fourth quarter of 2011 construction will proceed on the 20 floor tower at 25 Churchill Place which will be over 500,000 sq ft when complete. The sub structure for this building has already been developed and the European Medicines Agency will occupy the promenade and lower 9 floors on a 25 year lease at an initial rent of £46.50 psf.

# SONGBIRD ESTATES PLC

## CHAIRMAN'S OPERATIONAL REVIEW (Continued)

Following conclusion of the joint venture with Land Securities and subsequent syndication of part of Canary Wharf's equity in position in 2010, construction of 20 Fenchurch Street began in January this year. Construction is on schedule and piling has now been completed. To illustrate the value which Canary Wharf can add to a project, an application has been made to vary the existing planning consent. This consent will add a further 8,000 sq ft to the lettable area and will add efficiencies to the construction and use of this iconic building. On this project Canary Wharf Group will receive fees for acting as Construction Manager and as Joint Development Manager with Land Securities.

The 50:50 joint venture with Qatari Diar, to redevelop the Shell Centre site at the South Bank provides an opportunity to be involved with one of London's most significant redevelopment projects. Canary Wharf Group was chosen for the project particularly because of its ability to execute projects such as this and will act as sole Construction Manager and as joint Development Manager with Qatari Diar. The aggregate £300m payment for the site is conditional on planning permission being received within three years.

### Leasing

Since the start of 2011 leases or prelets have been concluded with rents ranging from £37.50 psf to £43.50 psf. In August £46.50 psf was achieved on the prelet to the European Medicines Agency. These rents were achieved on transactions over a variety of different sized lettings and lengths of term but they all reflect an upward trend in rents on lettings at Canary Wharf in the year to date.

### Retail

The Group enjoyed a strong a retail performance in the period, with both turnover and footfall increasing year on year. All units are currently occupied or in solicitors hands and there is strong interest from retailers who are not currently present at Canary Wharf. This demand and the increase in population to around 105,000 when Shell and J.P.Morgan staff arrive at Canary Wharf in 2012 will partially be satisfied by the 43,000 sq ft extension of retail into the car park spaces for the Jubilee Place mall. Despite the tough retail climate, a number of clients are also expanding on the Estate, including Jaeger and Aquascutum. The new outlets opening at Canary Wharf since January include coffee shops, an electrical goods outlet, a pharmacy, restaurants and clothing outlets. Boisdale has also opened a new 12,000 sq ft live jazz, whisky and cigar restaurant and has added to visitor numbers in the evenings and at weekends.

### CONCLUSION

A productive start to 2011 with a further extension of activity in Central London and successful lettings/prelets at Canary Wharf has helped place the Group in a strong position to cope with macro economic uncertainty. The Company is obviously not immune to the impact of such uncertainty but the board is confident that the robust underlying fundamental elements of the business and its strong management team will ensure that the Company is well positioned throughout the economic cycle.

# SONGBIRD ESTATES PLC

## BUSINESS REVIEW

The following Business Review is intended to provide shareholders with an overall summary of the business of the Group both during the six months ended and, as at 30 June 2011, as well as summarising significant events which have occurred subsequent to this date.

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

### Property Portfolio

The principal asset of the Company is its indirect investment in Canary Wharf Group which is engaged in property investment and development, and is primarily focused on the development of the Estate. Canary Wharf Group is also involved through joint ventures in the development of Wood Wharf, the redevelopment of 20 Fenchurch Street and, since July 2011, the Shell Centre. At 30 June 2011 Canary Wharf Group's investment portfolio comprised 16 completed properties (out of the 35 constructed on the Estate) totalling approximately 6.9m sq ft NIA.

The weighted average unexpired lease term for the investment property portfolio at 30 June 2011 was approximately 16.6 years, or 15.4 years assuming the exercise of outstanding break options (31 December 2010 – 16.9 years or 15.7 years respectively).

In connection with the sale of 25 Bank Street to J.P. Morgan in December 2010, a surrender was agreed of J.P. Morgan's space on floors 44 to 46 of One Canada Square totalling 87,500 sq ft. This space was previously leased to April 2013 and J.P. Morgan paid a surrender premium equivalent to the foregone rent and service charges, together with dilapidations. Vacant possession of this space was achieved in February 2011 and gaining this space early is of benefit to Canary Wharf Group given the current limited availability of space on the owned Estate. Including the space surrendered by J.P. Morgan, which has the benefit of the rental prepayment, the investment property portfolio was 97.3% let at 30 June 2011 (31 December 2010 – 97.1%). Excluding the space surrendered by J.P. Morgan, the investment portfolio was 96.1% let. Of the square footage under lease, 79.4% does not expire or cannot be terminated by tenants during the next 10 years.

As well as the rental income generated from the properties owned by Canary Wharf Group, income is generated from managing the Estate.

### Leasing

In the six months ended 30 June 2011, the following leases were completed:

- in One Canada Square, Metlife Services took an additional 22,072 sq ft on level 50 for a 10 year term with a break option after 5 years.
- Citihub renewed its lease of 2,376 sq ft on level 6 of One Canada Square for a further 5 years.
- in 40 Bank Street, China Construction Bank took an additional 2,154 sq ft and Interquest Group took a new lease over 2,666 sq ft.

All options to sublet space back to Canary Wharf Group have been exercised and at 30 June 2011 the estimated net present value of sublet liabilities was approximately £34.1m discounted at 6.2%, being Canary Wharf Group's weighted average cost of debt (31 December 2010 – £37.6m, discounted at 6.3%). These sublet commitments have been reflected in the market valuation of the Group's properties.

### Retail

The retail offering at Canary Wharf has continued to do well in contrast to the difficult trading environment being experienced in the wider retail market. Footfall in the year to date has increased by 3.3% and there have been notable new openings including Boisdale, Moss Bros, Holland & Barrett and Pure Sports Medicine. These new tenants will shortly be joined by Iberica and Taylor Street Baristas. All units are currently let or in solicitor's hands demonstrating a continuing high level of demand from occupiers.

The retail portfolio benefits from a resident working population which is expected to increase to over 105,000 with the relocation of J.P. Morgan and Shell staff early in 2012. The retail offering provides a secure, waterside location with park amenities which is attractive not only to the resident working population but to other shoppers as well. Canary Wharf Group believes that these features will continue to underpin the performance of the retail offering in comparison to other retail centres. Confidence in the future of retail at Canary Wharf is demonstrated by the decision to expand the Jubilee Place Mall into what were formerly car parking areas. This will provide an additional 43,000 sq ft of space and the opportunity to attract new brands to the Estate.

# SONGBIRD ESTATES PLC

## BUSINESS REVIEW (Continued)

### Development

In August 2011 Canary Wharf Group announced that EMA had agreed a prelet of 250,000 sq ft in a new office building of over 500,000 sq ft to be constructed at 25 Churchill Place.

EMA will occupy the promenade, ground and the first nine office floors in the 20 storey building. The agreed rent is £46.50 psf commencing 1 January 2015 with five yearly upwards-only rent reviews. The length of the lease is 25 years with no break options and EMA has staged options to take an additional four floors of around 27,500 sq ft each. EMA will receive the equivalent of a 37 month rent free period in cash, which will be used to pay for EMA's fit out of the building.

In accordance with Canary Wharf Group's development strategy at Canary Wharf, the building's substructure has already been completed. Work on the tower will begin in the fourth quarter of 2011. The balance of the space will be marketed by Canary Wharf Group as construction progresses. As a result of the prelet to EMA, Canary Wharf Group is in advanced discussions about funding for the project with a number of lenders.

In January 2010 Canary Wharf Group acquired a long leasehold interest in 1 Park Place. This site benefits from two alternative planning consents for (approximately) 214,000 sq ft or 950,000 sq ft of development but Canary Wharf Group will shortly submit an application for a revised scheme of approximately 700,000 sq ft.

Canary Wharf Group has also acquired the remaining property interests at Heron Quays West and as a result secured full control of this important development site with consent for an office scheme of 1.3m sq ft. A number of alternative development options, both for office and also mixed office and residential use, are being considered for this site.

Consent has been granted on the adjacent Newfoundland site for 200,000 sq ft of mixed use development and the possibility of integrating this site with 1 Park Place is also being considered.

The remaining development site at North Quay has planning consent for 2.4m sq ft.

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	0.53
- North Quay	2.39
- Heron Quays West	1.33
- Newfoundland	0.23
- Crossrail retail	0.11
- 1 Park Place (proposed development)	0.70
	<hr/>
	5.29
	<hr/>
Wood Wharf (25.0% share of 4.62m sq ft)	1.15
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Sold to J.P. Morgan:	
- Riverside South (Canary Wharf Group acting as development and construction manager)	1.90
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Canary Wharf Group has continued to work with Ballymore and BWB on the redevelopment of Wood Wharf. The master plan for this 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 and detailed consent was granted on 3 buildings totalling 1.5m sq ft in July 2009.

The site at Riverside South was acquired by J.P. Morgan in November 2008 and Canary Wharf Group has been appointed to act as development and construction manager under a contract with a term to October 2016. Under the terms of this contract Canary Wharf Group acquired a right of first offer in the event J.P. Morgan decide to sell the site. Initial infrastructure works have been completed on the site and J.P. Morgan has instructed Canary Wharf Group to bring the development to street level.

Canary Wharf Group has received £76.0m as an advance of developers' profit in conjunction with this development. This sum will be set against Canary Wharf Group's entitlement to future profits if J.P. Morgan proceeds with full construction.

# SONGBIRD ESTATES PLC

## BUSINESS REVIEW (Continued)

### Fenchurch Street

In 2010 Canary Wharf Group formed with Land Securities 20 FSLP, a 50:50 joint venture to develop 20 Fenchurch Street in the City. The existing property, which was acquired as a cleared site with some ancillary retail neighbouring holdings, was sold by Land Securities to this partnership for a consideration of £90.2m, in line with the March 2010 valuation. After syndication, Canary Wharf Group has retained a 15.0% equity interest in this project.

Planning consent for the proposed 37 storey building was granted in October 2009. This will provide approximately 690,000 sq ft of world class space in floor plate sizes of 14,000 sq ft to 28,000 sq ft, with a sky garden on the top 3 floors. Some revisions to the consented scheme, recommended by Canary Wharf Group to improve its buildability and letting prospects, have been incorporated and received planning consent in July 2011. Construction commenced on site in January 2011 and is progressing on schedule and within budget. The foundation installation has been completed, enabling works are in progress and the basement concrete works are about to commence. 20 FSLP has made the decision to proceed with full build out of the scheme, targeting completion in April 2014.

Land Securities and Canary Wharf Group have been appointed as joint development managers and both are responsible for leasing, with Land Securities taking the lead. Canary Wharf Contractors Limited, a wholly owned subsidiary of Canary Wharf Group, has been appointed as construction manager.

### Shell Centre

In July 2011 Canary Wharf Group and Qatari Diar concluded an agreement to redevelop the Shell Centre. Canary Wharf Group and Qatari Diar have entered into a 50:50 joint venture, contributing £150.0m each to secure the 5.25 acre site on a 999 year lease. Canary Wharf Group's contribution is being satisfied from existing corporate resources. The aggregate £300.0m payment for the site is conditional on planning permission being received for the project within three years. Canary Wharf Group will act as construction manager for the project and will also be joint development manager with Qatari Diar. For these roles, fees will be generated from the transaction and apportioned between the parties based upon their broad level of contribution.

The development will be mixed use, comprising office, retail and residential space. The 27 storey tower in the middle of the Shell Centre will be preserved and retained by Shell. Shell will also take a 210,000 sq ft prelet of one of the new office buildings to be constructed on the site.

Discussions will now commence with local planning authorities and relevant stakeholders to establish planning consent, detailed designs and a timetable for construction of a project which will re-energise an important section of the South Bank.

### Crossrail

Construction commenced on the Crossrail station in May 2009 and in June 2011 Canary Wharf Group fulfilled its funding obligations to the project. CLRL will pay a fixed price of £350.0m and Canary Wharf Group bears the risk for the difference between actual costs and the fixed price payable by CLRL. The original anticipated total cost of the station was £500.0m. Construction of the station box continues, with excavation completed and the track level slab under construction. The box is expected to be completed and handed over to CLRL by summer 2012 and the project is on schedule and within budget. The first trains are due to run in 2018 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.

Canary Wharf Group's contribution to the station will be credited against any transport Section 106 contributions for certain agreed development sites on the Estate to the station (comprising 25 Churchill Place, North Quay, Heron Quays West (including Newfoundland) and Riverside South) which may be required as part of the London Plan. Accordingly, costs borne by the Group on construction of the station are allocated to Canary Wharf Group's development properties.

### Valuations

The net assets of the Group, as stated in its Condensed Consolidated Balance Sheet as at 30 June 2011, were £1,895.6m. In arriving at this total:

- (i) properties held as investments were carried at £4,532.6m, which represents the market value of those properties of £4,726.5m at that date as determined by Canary Wharf Group's external valuers, CBRE, Savills or Cushman, less an adjustment of £185.8m for tenant incentives and £8.1m for deferred negotiation costs; and
- (ii) properties held for development were carried at £280.0m, representing their market value.

# SONGBIRD ESTATES PLC

## BUSINESS REVIEW (Continued)

At 30 June 2011 the yields applied in deriving the market valuation of the investment properties can be summarised as:

	<b>30 June 2011</b>	31 December 2010
	%	%
Office portfolio:		
Weighted average initial yield	<b>5.0</b>	4.8
Weighted average equivalent yield	<b>5.3</b>	5.2
Retail portfolio:		
Weighted average initial yield	<b>5.0</b>	4.9
Weighted average equivalent yield	<b>5.2</b>	5.4

The market value of the investment portfolio increased by £88.0m or 1.9% over the period. After allowing for capital expenditure and adjustments in respect of lease incentives, the carrying value of the investment portfolio increased by £79.1m over the six months, or 1.8%. The increase was largely attributable to the benefit of new leases and the burn off of rent free periods.

CBRE and Savills have provided a joint opinion as at 30 June 2011 that the market value of sites held for development, comprising North Quay, Heron Quays West, Newfoundland, 1 Park Place, 25 Churchill Place and Crossrail retail, was £280.0m, in comparison with £268.5m at 31 December 2010. In valuing the properties held for development, the valuers have allowed for estimated costs to complete, including an allowance for fit out and developer's profit. In addition they have allowed for letting, disposal, marketing and financing costs. The market value of £280.0m represents an increase of 3.3% after additions, over the market value at 31 December 2010. This increase was largely attributable to 25 Churchill Place where heads of terms for the letting to EMA were agreed in May 2011.

The market value of the entire property portfolio increased by £99.5m or 2.0% in the current period and excluding additions and adjustments for tenant incentives, the carrying value increased by £88.0m or 1.9%. The increase in value was driven by the factors referred to earlier.

		<b>30 June 2011</b>		31 December 2010		30 June 2010	
	Notes	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
Retained portfolio:							
Investment properties	(i)	<b>4,532.6</b>	<b>4,726.5</b>	4,445.5	4,638.5	4,241.8	4,432.0
Properties held for development		<b>280.0</b>	<b>280.0</b>	268.5	268.5	262.5	262.5
		<b>4,812.6</b>	<b>5,006.5</b>	4,714.0	4,907.0	4,504.3	4,694.5
Sold investment property	(ii)	–	–	–	–	346.7	350.0
		<b>4,812.6</b>	<b>5,006.5</b>	4,714.0	4,907.0	4,851.0	5,044.5
Property under construction:							
- Riverside South	(iii)	<b>76.0</b>	<b>131.7</b>	74.6	127.3	72.0	124.9
		<b>4,888.6</b>	<b>5,138.2</b>	4,788.6	5,034.3	4,923.0	5,169.4

Note:

- (i) 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 30 June 2011 was £193.9m (31 December 2010 – £193.0m, 30 June 2010 – £193.5m). Market value in existing state is shown prior to these amounts.
- (ii) 25 Bank Street was sold in December 2010. Market value in existing state was shown before tenant incentives and deferred negotiation costs totalling £3.3m at 30 June 2010. The total carrying value of the investment property portfolio was £4,588.5m at 30 June 2010 and the total market value of the investment property portfolio at that date was £4,782.0m.
- (iii) The carrying value in the Condensed Consolidated Balance Sheet at 30 June 2011 is stated net of £58.2m of costs transferred to cost of sales (31 December 2010 – £55.6m, 30 June 2010 – £51.9m) and £17.8m transferred to payments on account (31 December 2010 – £19.0m, 30 June 2010 – £20.1m). Market value in existing state includes the present value of the minimum developer's profit from the sale of Riverside South assuming J.P. Morgan does not proceed with full build out, discounted where applicable, at Canary Wharf Group's weighted average cost of debt which was 6.3% at 31 December 2010 and 30 June 2010, and excludes the profit recognised on the disposal of the site in 2008.

# SONGBIRD ESTATES PLC

## BUSINESS REVIEW (Continued)

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 and of the recent preletting of 25 Churchill Place.

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 on the previous page, 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.

## Operating Results

The following review of the Group's operating results relates to the six months ended 30 June 2011. The comparatives relate to the six months ended 30 June 2010.

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. Revenue for the six months ended 30 June 2011 was £175.6m, against £158.5m for the six months ended 30 June 2010, of which rental income, prior to the adjustments required to spread lease incentives and committed rent increases, was £124.6m (six months ended 30 June 2010 – £153.5m). The fall in rental income was primarily attributable to the sale of two properties in 2010.

In the first quarter of 2010 the Administrator ceased paying rent on 25 Bank Street. As a result the unamortised incentives attributable to Lehman's lease totalling £50.1m were written off to the Condensed Consolidated Income Statement and disclosed as a Capital and Other item. The impact of spreading lease incentives, was to increase rental income by £1.4m in the six months ended 30 June 2011 (six months ended 30 June 2010 – reduction of £3.6m, excluding the accelerated charge relating to Lehman).

Service charge income increased from £34.5m to £36.7m and miscellaneous income, including insurance rents and fees recognised on the provision of development and construction management services reduced from £11.0m to £10.3m over the period. The overall increase in income from property management was primarily attributable to lettings achieved in 2010. In the six months ended 30 June 2010 the Group also recognised £1.5m of income in connection with lease termination agreements.

The six months ended 30 June 2011 included £2.6m of turnover recognised on the construction of pre sold property and accounted for as construction contracts (six months ended 30 June 2010 – £11.7m). The reduction in revenue from this source was due to the completion of the initial phase of infrastructure works on the Riverside South site.

Cost of sales includes rents payable and property management costs, movements on provisions for the remaining vacant leasehold properties and certain other lease commitments, as well as costs recognised on the construction of pre sold properties. Rents payable and property management costs were £48.8m in comparison with £48.4m for the six months ended 30 June 2010. Taking into account service charge and miscellaneous income totalling £45.6m, a deficit on property management of £3.2m was recorded (six months ended 30 June 2010 – £2.9m).

Provisions relating to the remaining vacant leasehold property, rent support commitments and certain other obligations of Canary Wharf Group increased by £1.6m before adjustment for discounting in the six months ended 30 June 2011, compared with a net reduction in such provisions totalling £0.8m in the six months ended 30 June 2010. In addition, the six months ended 30 June 2010 included £1.5m of dilapidations and other costs attributable to the termination of leases in the period.

Cost of sales for the six months ended 30 June 2011 also included £2.6m of costs recognised on the construction of the Riverside South site. Cost of sales for the six months ended 30 June 2010 included £6.7m of costs on construction of properties held for sale, net of the release of £5.0m of surplus accruals relating to properties that were completed in prior years. No profit has been recognised on the construction contract entered into in connection with the sale of Riverside South although the potential surplus has been taken into account in calculating adjusted NAV (see Note 2).

For the six months ended 30 June 2011 net development, rental and related income was £122.6m, an increase of £19.9m compared with the six months ended 30 June 2010. The increase was primarily attributable to the write off in the previous year of £50.1m of unamortised Lehman incentives, partly offset by the reduction of £26.2m in other recognised rental income attributable to the sale of two properties in 2010, together with the reduction of £5.0m in profit recognised on pre sold properties.

In addition to its share of the operating loss of associates in the period of £0.1m, the Group has recognised its share of the revaluation surplus recorded on 20 Fenchurch Street totalling £4.6m. This surplus has been taken to the Condensed Consolidated Income Statement and classified as a Capital and Other item. In the six months ended 30 June 2010 the Group recognised its share of the operating loss of associates in the period of £0.1m, and an impairment of £2.3m against its investment in associates, also classified as a Capital and Other item.

# SONGBIRD ESTATES PLC

## BUSINESS REVIEW (Continued)

Administrative expenses for the six months ended 30 June 2011 were £16.1m in comparison with £14.6m for the six months ended 30 June 2010. The increase in administrative expenses was primarily attributable to the accounting cost recognised in connection with the share allocation entered into by Canary Wharf Group (see Note 16) which vested in June 2011.

Other operating income was £0.8m for the six months ended 30 June 2011 (six months ended 30 June 2010 – £3.1m). During the comparative period Canary Wharf Group earned certain additional fees in connection with one of the properties completed in 2009.

Underlying operating profit (as defined in Note 2) for the six months ended 30 June 2011 was £107.2m in comparison with £141.2m for the six months ended 30 June 2010. £26.2m of the fall of £34.0m was attributable to the reduction in recognised rental income and £5.0m was attributable to the recognition of profit on pre sold properties in the comparative period. The increase in administrative expenses of £1.5m and the reduction in other income of £2.3m also contributed to the fall.

In addition to the underlying operating profit, a net revaluation surplus of £88.0m was recognised in the Condensed Consolidated Income Statement in the period compared with £177.6m in the six months ended 30 June 2010. The changes in the valuation of the property portfolio are explained in more detail in the Business Review – Valuations and Note 4.

Total operating profit for the six months ended 30 June 2011 was £199.8m against a profit of £266.4m for the six months ended 30 June 2010. The change was attributable to movements in property revaluations and the other factors referred to above.

Underlying net financing costs for the six months ended 30 June 2011 were £100.6m against £128.1m for the six months ended 30 June 2010. The reduction in underlying net interest payable of £27.5m was in part attributable to a reduction in interest payable following the repayment of the Shareholder Loan and of loans secured against the buildings located at 5 Churchill Place and at 10 Cabot Square and 20 Cabot Square. This was partly offset by reduced investment revenues following the repayment in October 2010 of the Drapers Gardens construction loan facility which was acquired by Canary Wharf Group in January 2010. Movements in the fair value of derivative financial instruments and the financing costs of non equity shares, resulted in a net charge of £1.6m being recognised in the Condensed Consolidated Income Statement as a Capital and Other item in the six months ended 30 June 2011 compared with a charge of £149.6m in the six months ended 30 June 2010.

The profit before tax for the six months ended 30 June 2011 was £97.6m in comparison with a loss of £11.3m for the six months ended 30 June 2010. The results for the six months ended 30 June 2011 and the six months ended 30 June 2010 included certain Capital and Other profits and losses as described above. The underlying profit before tax for the six months ended 30 June 2011 was £6.6m (six months ended 30 June 2010 – £13.1m), the reduction being mainly attributable to reduced rental income following the sale of two buildings in 2010, offset by the reduction in net interest payable.

Tax for the six months ended 30 June 2011 comprised a corporation tax charge of £5.6m, together with a deferred tax credit of £43.3m. The credit for deferred tax in the six months ended 30 June 2011 was primarily attributable to the expiry of the period in which EZAs could potentially have been clawed back on certain properties on the Estate. The tax charge for the six months ended 30 June 2010 comprised a corporation tax charge of £3.6m, together with a deferred tax credit of £29.1m. The credit for deferred tax in the six months ended 30 June 2010 was primarily attributable to the tax effect of the mark to market adjustment on Canary Wharf Group's derivative financial instruments.

The contingent tax payable if Canary Wharf Group were 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.

The profit after tax for the six months ended 30 June 2011 was £135.3m in comparison with a profit of £14.2m for the six months ended 30 June 2010.

The basic and diluted earnings per share for the six months ended 30 June 2011 was 11.7p (Note 2) compared with 0.5p for the six months ended 30 June 2010. No adjustment arose from the dilution attributable to the Warrants as the average market price of Ordinary Shares during the period of 147p did not exceed the exercise price.

## Balance Sheet and Key Performance Indicators

Net assets in the Group's Condensed Consolidated Balance Sheet were £1,895.6m at 30 June 2011, up by £142.0m from £1,753.6m at 31 December 2010. The increase in net assets was primarily attributable to the increase in the carrying value of properties held as non current assets by £88.0m over the period (Note 4), the underlying profit for the period of £6.6m and the release in the deferred tax provision of £43.3m.

# SONGBIRD ESTATES PLC

## BUSINESS REVIEW (Continued)

The Company's objective is to manage its investment in Canary Wharf Group so as to maximise net asset values from its property investment and development activities, although the Group is impacted by movements in the wider property market. The Board considers that the most appropriate indicator of the Group's performance is adjusted net asset value per share attributable to members of the Company together with any dividends paid. 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 the pre sold property under construction but excludes deferred tax and fair value adjustments on derivatives. The calculation of adjusted NAV is disclosed in Note 2 and indicates that adjusted NAV per share increased by 3.7% from 187p to 194p.

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

	Note	30 June 2011 £m	31 December 2010 £m	Proforma 30 June 2010 £m	30 June 2010 £m
Adjusted net assets attributable to members of the Company	(i)	1,484.9	1,429.7	1,298.8	1,167.0
Fair value adjustment in respect of financial assets and liabilities net of tax thereon	(ii)	(189.6)	(229.7)	(250.4)	(250.4)
Deferred tax	(iii)	(69.2)	(109.6)	(63.8)	(63.8)
Non controlling interest in above adjustments		79.6	104.3	96.6	96.6
<b>Adjusted NNNAV</b>		<b>1,305.7</b>	<b>1,194.7</b>	<b>1,081.2</b>	<b>949.4</b>
Adjusted NAV per share	(i), (iv)	£1.94	£1.87	£1.70	£1.78
Adjusted NNNAV per share	(iv)	£1.71	£1.56	£1.41	£1.45

Note:

- (i) Refer to Note 2.
- (ii) The fair value adjustment comprises the mark to market of derivatives in Note 12 and the after tax difference between the market value and book value of debt (Note 12).
- (iii) Refer to Note 6.
- (iv) Calculation based on 764.9m Ordinary Shares in issue for 30 June 2011, 31 December 2010 and proforma 30 June 2010 calculations (30 June 2010 – 655.5m).

## Borrowings

In June 2011 Canary Wharf Group entered into a £92.3m 5 year facility secured against 50 Bank Street. The facility carries interest at LIBOR plus a margin of 2.0%. The exposure to movements in LIBOR is fully hedged at an all in rate including margins of 4.415%.

As part of the Company's refinancing in 2009, the Company issued £275.0m of Preference Shares which carry a quarterly coupon of 2.5% payable in arrears. In April 2011 the Company paid the outstanding Preference Dividend calculated to 31 March 2011 of £14.0m. At 30 June 2011 a liability of £6.9m was recognised in respect of the accrued unpaid coupon on the Preference Shares (31 December 2010 – £6.9m).

At 30 June 2011, net debt (including derivative financial instruments at fair value, net of monetary deposits and cash and cash equivalents) stood at £2,896.1m, an increase of £18.7m from £2,877.4m at 31 December 2010. The components of net debt are shown in Note 12.

The increase in total borrowings including derivatives at fair value, from £3,990.7m to £4,027.0m primarily reflects the drawdown of the £92.3m loan against 50 Bank Street, less scheduled amortisation under Canary Wharf Group's securitisation and other secured debt and by movements in the fair value of derivative instruments.

The increase in total borrowings was accompanied by an increase in cash and cash equivalents from £1,108.2m to £1,125.8m, primarily attributable to the loan drawdown referred to earlier, partly offset by spending on construction including the Crossrail station.

At 30 June 2011 the Group's weighted average cost of debt was 6.2% including credit wraps, but excluding the coupon on the Preference Shares (31 December 2010 – 6.3%). 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.

Excluding the Preference Shares, the weighted average maturity of the Group's loans was 14.3 years at 30 June 2011 (31 December 2010 – 14.9 years). Note 12 includes a summary of the key financial covenants applicable to each of the Group's facilities.

# SONGBIRD ESTATES PLC

## BUSINESS REVIEW (Continued)

### Cash Flow

Cash generated from operations for the six months ended 30 June 2011 was £113.4m in comparison with £98.5m for the six months ended 30 June 2010. The six months ended 30 June 2011 included £7.5m of proceeds and £2.3m of construction costs on pre sold properties compared with £36.2m and £18.9m respectively in the six months ended 30 June 2010. Excluding the impact of these cash flows, cash generated from operations increased from £81.2m to £108.2m. No corporation tax was paid in the six months ended 30 June 2011, whereas £3.2m was paid in the first half of 2010. The increase in cash generated from operations excluding the impact of construction contracts was primarily attributable to movements in working capital.

Cash flows from investing activities resulted in a cash outflow of £36.2m for the six months ended 30 June 2011 compared with £12.0m for the six months ended 30 June 2010. The six months ended 30 June 2011 included £32.6m of development expenditure on properties to be retained by Canary Wharf Group. The six months ended 30 June 2010 included £76.4m of development expenditure and £125.5m for Canary Wharf Group to acquire the substantial majority of the Drapers Gardens loan facility and to fund the remaining costs incurred on that project. These expenditures were partly offset by the receipt from the sale of 5 Churchill Place of £190.0m, prior to allowing for the repayment of the construction loan and its associated interest rate swap.

The net cash inflow from financing activities for the six months ended 30 June 2011 totalled £59.3m compared with an outflow of £143.6m for the six months ended 30 June 2010. The six months ended 30 June 2011 comprised £92.3m before fees drawn down on the loan facility secured against 50 Bank Street, partly offset by £33.0m of scheduled amortisation on Canary Wharf Group's securitisation and other secured debt. The six months ended 30 June 2010 included the repayment of £123.5m drawn on the 5 Churchill Place construction loan facility together with £40.2m of scheduled amortisation.

### Principal Risks and Uncertainties

The principal risks and uncertainties identified by the Group were summarised in the 2010 Report and Financial Statements (refer to Principal Risks and Uncertainties and Treasury Objectives in the Business Review Section).

The risks and uncertainties facing the business of the consolidated Group are monitored through continuous assessment, regular and formal quarterly review and discussion at audit committee and Board level of both the Company and Canary Wharf Group. The principal risks and uncertainties continue to include the cyclical nature of the property market, financing risk, concentration risk and policy and planning risk.

# SONGBIRD ESTATES PLC

## UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011

Audited Year ended 31 December 2010			Unaudited Six months ended 30 June 2011			Unaudited Six months ended 30 June 2010			
Underlying* £m	Capital and other £m	Total £m	Note	Underlying* £m	Capital and other £m	Total £m	Underlying* £m	Capital and other £m	Total £m
409.7	(50.1)	359.6		175.6	–	175.6	208.6	(50.1)	158.5
(109.9)	–	(109.9)	3	(53.0)	–	(53.0)	(55.8)	–	(55.8)
299.8	(50.1)	249.7		122.6	–	122.6	152.8	(50.1)	102.7
			3						
(0.2)	2.7	2.5		(0.1)	4.6	4.5	(0.1)	(2.3)	(2.4)
			8						
(38.6)	–	(38.6)		(16.1)	–	(16.1)	(14.6)	–	(14.6)
7.4	–	7.4		0.8	–	0.8	3.1	–	3.1
–	327.9	327.9		–	88.0	88.0	–	177.6	177.6
			4						
–	155.1	155.1		–	–	–	–	–	–
–	144.5	144.5		–	–	–	–	–	–
			2						
268.4	580.1	848.5		107.2	92.6	199.8	141.2	125.2	266.4
25.8	–	25.8		3.6	–	3.6	15.1	–	15.1
			5						
(265.4)	(127.1)	(392.5)		(104.2)	(1.6)	(105.8)	(143.2)	(149.6)	(292.8)
			5						
–	(18.0)	(18.0)		–	–	–	–	–	–
			5						
(239.6)	(145.1)	(384.7)		(100.6)	(1.6)	(102.2)	(128.1)	(149.6)	(277.7)
28.8	435.0	463.8		6.6	91.0	97.6	13.1	(24.4)	(11.3)
			2						
		(42.9)				37.7			25.5
			6						
		420.9				135.3			14.2
			2						
		277.8				88.8			3.5
		143.1				46.5			10.7
		420.9				135.3			14.2
		41.3p				11.7p			0.5p
			2						

\* As defined in Note 2.

# SONGBIRD ESTATES PLC

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2011

Audited Year ended 31 December 2010 £m		Unaudited Six months ended 30 June 2011 £m	Unaudited Six months ended 30 June 2010 £m
420.9	Profit for the period after tax	<b>135.3</b>	14.2
44.4	Transferred from equity in respect of cash flow hedges	<b>6.2</b>	14.9
(13.7)	Tax on items transferred from equity	<b>(2.9)</b>	(4.2)
30.7	Other comprehensive profit for the period	<b>3.3</b>	10.7
<b>451.6</b>	<b>Total comprehensive profit for the period</b>	<b>138.6</b>	24.9
	Attributable to:		
299.1	Equity holders of the Company	<b>91.1</b>	10.9
152.5	Non controlling interests	<b>47.5</b>	14.0
<b>451.6</b>		<b>138.6</b>	24.9

# SONGBIRD ESTATES PLC

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Share premium £m	Treasury Shares £m	Cancelled share reserve £m	Hedging reserve £m	Total other reserves £m	Non controlling interests £m	Retained earnings £m	Share capital £m	Total £m
1 January 2011	1,195.1	(10.9)	59.5	(66.7)	1,177.0	642.0	(141.9)	76.5	1,753.6
Profit for the period after tax	-	-	-	-	-	-	135.3	-	135.3
Net income recognised	-	-	-	-	-	-	135.3	-	135.3
Transferred to non controlling interests	-	-	-	(1.0)	(1.0)	47.5	(46.5)	-	-
Transferred to income:									
- cash flow hedges	-	-	-	6.2	6.2	-	-	-	6.2
Tax on transfers	-	-	-	(2.9)	(2.9)	-	-	-	(2.9)
Total comprehensive income and expense for the period	-	-	-	2.3	2.3	47.5	88.8	-	138.6
Reserves movements in respect of Treasury Shares	-	0.5	-	-	0.5	-	2.9	-	3.4
<b>30 June 2011</b>	<b>1,195.1</b>	<b>(10.4)</b>	<b>59.5</b>	<b>(64.4)</b>	<b>1,179.8</b>	<b>689.5</b>	<b>(50.2)</b>	<b>76.5</b>	<b>1,895.6</b>

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Share premium £m	Treasury Shares £m	Cancelled share reserve £m	Hedging reserve £m	Total other reserves £m	Non controlling interests £m	Retained earnings £m	Share capital £m	Total £m
1 January 2010	1,071.0	(9.4)	59.5	(88.0)	1,033.1	512.6	(419.7)	65.6	1,191.6
Profit for the period after tax	-	-	-	-	-	-	14.2	-	14.2
Net income recognised	-	-	-	-	-	-	14.2	-	14.2
Transferred to non controlling interests	-	-	-	(3.3)	(3.3)	14.0	(10.7)	-	-
Transferred to income:									
- cash flow hedges	-	-	-	14.9	14.9	-	-	-	14.9
Tax on transfers	-	-	-	(4.2)	(4.2)	-	-	-	(4.2)
Total comprehensive income and expense for the period	-	-	-	7.4	7.4	14.0	3.5	-	24.9
<b>30 June 2010</b>	<b>1,071.0</b>	<b>(9.4)</b>	<b>59.5</b>	<b>(80.6)</b>	<b>1,040.5</b>	<b>526.6</b>	<b>(416.2)</b>	<b>65.6</b>	<b>1,216.5</b>

# SONGBIRD ESTATES PLC

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2010

	Share premium £m	Treasury Shares £m	Cancelled share reserve £m	Hedging reserve £m	Total other reserves £m	Non controlling interests £m	Retained earnings £m	Share capital £m	Total £m
1 January 2010	1,071.0	(9.4)	59.5	(88.0)	<b>1,033.1</b>	512.6	(419.7)	65.6	<b>1,191.6</b>
Profit for the year after taxation	-	-	-	-	-	-	420.9	-	<b>420.9</b>
Net income recognised	-	-	-	-	-	-	420.9	-	<b>420.9</b>
Transferred to non controlling interests	-	-	-	(9.4)	<b>(9.4)</b>	152.5	(143.1)	-	-
Transferred to income:									
- cash flow hedges	-	-	-	44.4	<b>44.4</b>	-	-	-	<b>44.4</b>
Tax on transfers	-	-	-	(13.7)	<b>(13.7)</b>	-	-	-	<b>(13.7)</b>
Total comprehensive income and expense for the period	-	-	-	21.3	<b>21.3</b>	152.5	277.8	-	<b>451.6</b>
Issue of Ordinary Shares (net of expenses)	124.1	-	-	-	<b>124.1</b>	-	-	10.9	<b>135.0</b>
Reserve movements in respect of Treasury Shares	-	(1.5)	-	-	<b>(1.5)</b>	-	-	-	<b>(1.5)</b>
Dividends paid by subsidiary undertaking	-	-	-	-	-	(23.1)	-	-	<b>(23.1)</b>
<b>31 December 2010</b>	<b>1,195.1</b>	<b>(10.9)</b>	<b>59.5</b>	<b>(66.7)</b>	<b>1,177.0</b>	<b>642.0</b>	<b>(141.9)</b>	<b>76.5</b>	<b>1,753.6</b>

### Description of the nature and purpose of each reserve

The Treasury Shares reserve represents the cost of Ordinary Shares held in the Trust. Movements in this reserve are explained in Note 16.

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 Condensed Consolidated Income Statement in the same period in which the hedged item affects net profit or loss.

Non controlling interests represents those shareholdings in Canary Wharf Group which are not owned by Songbird. On 20 July 2011, SFL acquired 741,387 ordinary shares in Canary Wharf Group, taking the total number of shares owned to 443,305,541, representing 69.37% of the issued share capital.

Retained earnings includes revaluation surpluses in respect of investment and development properties that are recognised in the Condensed Consolidated Income Statement.

# SONGBIRD ESTATES PLC

## UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET AT 30 JUNE 2011

Audited 31 December 2010 £m	Note	Unaudited 30 June 2011 £m	Unaudited 30 June 2010 £m
<b>Assets:</b>			
<b>Non current assets</b>			
4,445.5	7	4,532.6	4,588.5
268.5	7	280.0	262.5
1.0	7	0.8	1.3
<u>4,715.0</u>		<u>4,813.4</u>	<u>4,852.3</u>
<b>Other non current assets</b>			
43.0	8	51.1	158.9
193.0	10	193.9	193.5
<u>4,951.0</u>		<u>5,058.4</u>	<u>5,204.7</u>
<b>Current assets</b>			
67.6	9	98.0	42.2
5.1	12	5.1	5.1
1,108.2	12	1,125.8	869.6
<u>1,180.9</u>		<u>1,228.9</u>	<u>916.9</u>
<u>6,131.9</u>		<u>6,287.3</u>	<u>6,121.6</u>
<b>Total assets</b>			
<b>Liabilities:</b>			
<b>Current liabilities</b>			
(98.7)	12	(98.4)	(106.7)
(267.8)	11	(285.2)	(227.7)
<u>(366.5)</u>		<u>(383.6)</u>	<u>(334.4)</u>
<b>Non current liabilities</b>			
(3,595.0)	12	(3,650.9)	(4,122.5)
(297.0)	12	(277.7)	(372.2)
(109.6)	6	(69.2)	(63.8)
(10.2)	13	(10.3)	(12.2)
<u>(4,011.8)</u>		<u>(4,008.1)</u>	<u>(4,570.7)</u>
<u>(4,378.3)</u>		<u>(4,391.7)</u>	<u>(4,905.1)</u>
<b>Total liabilities</b>			
<u>1,753.6</u>		<u>1,895.6</u>	<u>1,216.5</u>
<b>Net assets</b>			
<b>Equity</b>			
76.5		76.5	65.6
1,177.0		1,179.8	1,040.5
(141.9)		(50.2)	(416.2)
<u>1,111.6</u>		<u>1,206.1</u>	<u>689.9</u>
<b>Total equity attributable to members of the Company</b>			
642.0		689.5	526.6
<u>1,753.6</u>		<u>1,895.6</u>	<u>1,216.5</u>
<b>Total equity</b>			

# SONGBIRD ESTATES PLC

## UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011

Audited Year ended 31 December 2010 £m		Unaudited Six months ended 30 June 2011 £m	Unaudited Six months ended 30 June 2010 £m
	Note		
348.9		<b>113.4</b>	98.5
(266.3)		<b>(120.6)</b>	(137.1)
25.7		<b>3.2</b>	5.0
(0.5)		<b>(0.1)</b>	(0.1)
–		<b>(1.4)</b>	–
(40.5)		<b>–</b>	(15.9)
67.3		<b>(5.5)</b>	(49.6)
(127.5)		<b>(32.6)</b>	(76.4)
(0.1)		<b>–</b>	(0.1)
659.7		<b>–</b>	190.0
(15.2)		<b>(3.6)</b>	(125.5)
(1.5)		<b>–</b>	–
515.4		<b>(36.2)</b>	(12.0)
(23.1)		<b>–</b>	–
(123.5)		<b>–</b>	(123.5)
(59.0)		<b>(28.8)</b>	(30.3)
(18.2)		<b>(4.2)</b>	–
(348.7)		<b>–</b>	(9.9)
–		<b>92.3</b>	–
140.0		<b>–</b>	–
(5.0)		<b>–</b>	–
23.2		<b>–</b>	20.1
(135.0)		<b>–</b>	–
(549.3)		<b>59.3</b>	(143.6)
33.4		<b>17.6</b>	(205.2)
1,074.8		<b>1,108.2</b>	1,074.8
1,108.2	12	<b>1,125.8</b>	869.6

# SONGBIRD ESTATES PLC

## NOTES TO THE ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011

### 1. BASIS OF PREPARATION

The financial information presented in this announcement has been prepared in accordance with the accounting policies adopted in the last annual financial statements for the year ended 31 December 2010. The accounting policies applied in the preparation of this financial information are consistent with those that will be adopted in the statutory accounts for the year ending 31 December 2011. The full accounting policies of the Group are set out in the last Annual Report.

The financial information for the six months ended 30 June 2011 has been reviewed but is unaudited and was approved by the Board on 21 September 2011. A copy of the statutory accounts for the year ended 31 December 2010 has been delivered to the Registrar of Companies. The auditors' report on these accounts was not qualified, did not contain a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain statements under Section 498(2) or (3) of the Companies Act 2006.

The financial information contained in this announcement does not constitute a complete set of financial statements (including all comparative figures and all required notes). The financial information does not therefore constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006 and does not purport to show a true and fair view of the Group's financial position and results of operations in accordance with IFRS for the six months ended 30 June 2011.

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.

### 2. PERFORMANCE MEASURES

Earnings per share was as follows:

Audited Year ended 31 December 2010			Unaudited Six months ended 30 June 2011			Unaudited Six months ended 30 June 2010	
Earnings £m	Per share p		Earnings £m	Per share p		Earnings £m	Per share p
28.8	4.3	Underlying earnings	6.6	0.9		13.1	2.0
435.0	64.7	Capital and other items	91.0	12.0		(24.4)	(3.8)
(42.9)	(6.4)	Tax	37.7	5.0		25.5	3.9
420.9	62.6	Profit after tax	135.3	17.9		14.2	2.1
(143.1)	(21.3)	Less: Non controlling interests	(46.5)	(6.2)		(10.7)	(1.6)
277.8	41.3	Profit after tax attributable to members of the Company	88.8	11.7		3.5	0.5

# SONGBIRD ESTATES PLC

## NOTES TO THE ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011 (Continued)

Underlying earnings exclude movements on property revaluations, movements in the fair value of ineffective hedging instruments and other derivatives, interest payable on the Preference Shares, refinancing costs and tax and, in the six months ended 30 June 2010, the write down of unamortised Lehman incentives.

Earnings per share has been calculated by reference to the profit attributable to equity shareholders of £88.8m in the six months ended 30 June 2011 (year ended 31 December 2010 – £277.8m, six months ended 30 June 2010 – £3.5m) and on the weighted average of 756.7m Ordinary Shares in issue for the six months ended 30 June 2011 (year ended 31 December 2010 – 672.5m, six months ended 30 June 2010 – 648.5m). The weighted average number of Ordinary Shares excludes the shares held by the Trust.

On 11 October 2010 the Company issued a total of 109,375,000 Ordinary Shares through the Open Offer of which 1,174,972 shares were acquired by the Trust. These shares were not issued at a discount and therefore there is no requirement to adjust the comparative period's earnings per share.

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 Announcement the Warrants would equate to an additional 28,835,517 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 of 147p did not exceed the exercise price.

Adjusted NAV is calculated as follows:

Audited 31 December 2010 £m		Unaudited 30 June 2011 £m	Proforma 30 June 2010 £m	Unaudited 30 June 2010 £m
1,753.6	<b>Balance sheet net assets</b>	<b>1,895.6</b>	1,325.2	1,216.5
109.6	Add back: deferred tax	<b>69.2</b>	63.8	63.8
297.0	Mark to market of derivatives	<b>277.7</b>	372.2	372.2
	Add:			
–	– uplift in value of investment property	–	200.0	200.0
52.7	– surplus arising on Riverside South	<b>55.7</b>	52.9	52.9
<u>2,212.9</u>		<u><b>2,298.2</b></u>	<u>2,014.1</u>	<u>1,905.4</u>
(642.0)	Non controlling interests in balance sheet	<b>(689.5)</b>	(503.5)	(526.6)
(141.2)	Non controlling interests on adjustments above	<b>(123.8)</b>	(211.8)	(211.8)
<u>1,429.7</u>	<b>Adjusted net assets</b>	<u><b>1,484.9</b></u>	<u>1,298.8</u>	<u>1,167.0</u>
187p	<b>Adjusted NAV per share</b>	<b>194p</b>	170p	178p

Adjusted NAV per share includes the external valuation surplus on construction contracts of £55.7m (31 December 2010 – £52.9m, 30 June 2010 – £52.9m). Adjusted NAV per share excludes deferred tax and fair value adjustments on derivatives.

At 30 June 2010 adjusted NAV also included the uplift in value of 25 Bank Street attributable to the arrangement with AIG which provided for the payment of the shortfall for 4 years of contracted rent from first draw down following a default by Lehman. For balance sheet purposes the market value of the building which was £350.0m at 30 June 2010, excluded the benefit of the arrangement with AIG as this could not be transferred to a purchaser of the property. The market value adjusted for the arrangement with AIG was £550.0m at 30 June 2010. 25 Bank Street was sold in December 2010 and the arrangement with AIG was terminated in consideration for which a payment of £144.5m was received by Canary Wharf Group.

The number of shares in issue at 30 June 2011 and at 31 December 2010 was 764.9m Ordinary Shares. The 30 June 2010 proforma adjusted net assets and NAV per share set out above were based on information which was provided in the prospectus issued in September 2010 in connection with the Open Offer, and adjusts for the effects of the Open Offer, Shareholder Loan repayment and the Canary Wharf Group and Preference Dividends as if these transactions had happened on 30 June 2010. At 30 June 2010, there were 655.5m Ordinary Shares in issue.

# SONGBIRD ESTATES PLC

## NOTES TO THE ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011 (Continued)

### 3. REVENUE

Audited Year ended 31 December 2010 £m		Unaudited Six months ended 30 June 2011 £m	Unaudited Six months ended 30 June 2010 £m
287.5	Rent receivable	124.6	153.5
(50.1)	Write off of Lehman incentives and deferred leasing costs	–	(50.1)
(3.6)	Recognised incentives and committed rent increases	1.4	(3.6)
<u>233.8</u>		<u>126.0</u>	<u>99.8</u>
74.3	Service charge income	36.7	34.5
17.8	Miscellaneous income	10.3	11.0
18.3	Receivable on termination of leases	–	1.5
15.4	Construction contract revenue	2.6	11.7
<u>359.6</u>	<b>Gross development, rental and related income</b>	<u>175.6</u>	<u>158.5</u>
(98.9)	Service charge and other direct property expenses	(48.8)	(48.4)
1.8	Movements in accruals and provisions for leasehold commitments	(1.6)	0.8
(2.4)	Payments on termination of leases	–	(1.5)
(10.4)	Construction contract expenditure	(2.6)	(6.7)
<u>249.7</u>	<b>Net development, rental and related income</b>	<u>122.6</u>	<u>102.7</u>

### 4. NET REVALUATION MOVEMENTS ON PROPERTY AND INVESTMENTS

Audited Year ended 31 December 2010 £m		Unaudited Six months ended 30 June 2011 £m	Unaudited Six months ended 30 June 2010 £m
332.6	Revaluation of investment properties	79.1	182.6
(4.7)	Revaluation of development properties	8.9	(5.0)
<u>327.9</u>		<u>88.0</u>	<u>177.6</u>

# SONGBIRD ESTATES PLC

## NOTES TO THE ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011 (Continued)

### 5. NET FINANCING COSTS

Audited Year ended 31 December 2010 £m		Unaudited Six months ended 30 June 2011 £m	Unaudited Six months ended 30 June 2010 £m
25.8	<b>Interest revenue</b>		
	Deposits and securities	<b>3.6</b>	15.1
	<b>Interest expense</b>		
(152.3)	Notes and debentures	<b>(73.4)</b>	(76.5)
(34.0)	Shareholder Loan	-	(26.4)
(78.5)	Other bank loans and overdrafts	<b>(30.7)</b>	(40.2)
(0.6)	Obligations under finance leases	<b>(0.1)</b>	(0.1)
(265.4)		<b>(104.2)</b>	(143.2)
(239.6)	Underlying net financing costs	<b>(100.6)</b>	(128.1)
	<b>Other financing income/(costs) relating to derivatives and non equity shares</b>		
(67.4)	Valuation movements on fair value of derivatives	<b>19.3</b>	(119.1)
(30.6)	Finance costs of non equity shares (Note 12)	<b>(14.7)</b>	(15.6)
(29.1)	Hedging reserve recycling	<b>(6.2)</b>	(14.9)
(127.1)		<b>(1.6)</b>	(149.6)
(366.7)	<b>Net financing expense</b>	<b>(102.2)</b>	(277.7)
	<b>Costs on repayment of debt</b>		
(18.0)	Secured debt	-	-
(18.0)		-	-
(384.7)	<b>Net financing costs</b>	<b>(102.2)</b>	(277.7)
25.8	Total financing income	<b>3.6</b>	15.1
(410.5)	Total financing expense	<b>(105.8)</b>	(292.8)
(384.7)	Net financing costs	<b>(102.2)</b>	(277.7)

The interest rate swap associated with the loan facility secured against the buildings at 10 Cabot Square and 20 Cabot Square was broken when the associated loan was repaid in November 2010 at a cost of £23.7m. Fees of £1.0m were also incurred on repayment of this loan. Accounting adjustments, comprising the write off of unamortised deferred fees and the recycling of the unamortised balance on the hedging reserve, were also taken to the Condensed Consolidated Income Statement. This resulted in a charge to the Condensed Consolidated Income Statement of £18.0m in the year ended 31 December 2010 which was classified as a Capital and Other item.

# SONGBIRD ESTATES PLC

## NOTES TO THE ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011 (Continued)

### 6. TAX

Audited Year ended 31 December 2010 £m		Unaudited Six months ended 30 June 2011 £m	Unaudited Six months ended 30 June 2010 £m
	<b>Tax (charge)/credit</b>		
(35.7)	Current tax charge to income	(5.6)	(3.6)
(7.2)	Deferred tax	43.3	29.1
(42.9)	<b>Group total tax</b>	<b>37.7</b>	<b>25.5</b>
	<b>Tax reconciliation</b>		
463.8	Profit/(loss) for the period before tax	97.6	(11.3)
(129.9)	Tax on (profit)/loss at UK corporation tax rate	(25.9)	3.2
	Effects of:		
4.1	Change in tax rate	–	–
2.4	Adjustments in respect of prior years	–	0.6
93.4	Indexation of capital gains, restriction of losses and movement on deferred tax provisions	64.0	23.7
(9.0)	Expenses not deductible for tax purposes	(0.2)	(0.2)
(3.9)	Deferred tax assets not recognised on losses	(0.2)	(1.8)
(42.9)	<b>Group total tax</b>	<b>37.7</b>	<b>25.5</b>

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

Non current assets and construction contracts at 30 June 2011 comprised:

	Investment properties £m	Development properties £m	Construction contracts £m	Sub-total £m	Plant & equipment £m	Total £m
Market value at 1 January 2011	4,638.5	268.5	–	4,907.0		
Adjust for:						
– tenant incentives*	(184.4)	–	–	(184.4)		
– unamortised lease negotiation costs*	(8.6)	–	–	(8.6)		
Carrying value at 1 January 2011	4,445.5	268.5	–	4,714.0	1.0	4,715.0
Additions	8.0	2.6	1.4	12.0	–	12.0
Revaluation movement	79.1	8.9	–	88.0	–	88.0
Transfer to cost of sales	–	–	(2.6)	(2.6)	–	(2.6)
Transfer to payments on account	–	–	1.2	1.2	–	1.2
Depreciation	–	–	–	–	(0.2)	(0.2)
<b>Carrying value at 30 June 2011</b>	<b>4,532.6</b>	<b>280.0</b>	<b>–</b>	<b>4,812.6</b>	<b>0.8</b>	<b>4,813.4</b>
Adjust for:						
– tenant incentives* unamortised lease	185.8	–	–	185.8		
– negotiation costs*	8.1	–	–	8.1		
<b>Market value at 30 June 2011</b>	<b>4,726.5</b>	<b>280.0</b>	<b>–</b>	<b>5,006.5</b>		

\*Refer to Note 10.

# SONGBIRD ESTATES PLC

## NOTES TO THE ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011 (Continued)

In November 2008 Canary Wharf Group entered into an agreement with J.P. Morgan for the development of the Riverside South site on the Estate. Canary Wharf Group will act as development and construction manager in relation to the site and has received £76.0m as an advance of developer's profit. This sum will be set against Canary Wharf Group's entitlement to future profits arising from the development. Income earned on this project subsequent to the sale of the site in 2008 has been deferred and will be recognised in the profit and loss account in accordance with IFRS. No profit has been recognised on this project to date. The 2008 agreement, which was previously due to expire in 2013, was modified in 2010 and extended to October 2016. As part of this modification, Canary Wharf Group's option to purchase the site was changed to a right of first offer.

### Valuation

The fair value of Canary Wharf Group's properties has been arrived at on the basis of valuations carried out by the external valuers, CBRE, Savills or Cushman at 30 June 2011. The valuations, which conform to International Valuation Standards, were arrived at by reference to market evidence of transaction prices for similar properties.

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

### Properties under construction

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. £350.0m of the cost of the station will be met from the Crossrail budget and the balance by the Group. The anticipated cost to the Group has been accounted for when incurred as additions to development properties and allocated to each development property on a sq ft basis. The Group's contribution will be applied against any transport Section 106 contributions for certain agreed development sites on the Estate which may be required as part of the London Plan. Canary Wharf Group assesses that it had fulfilled its funding obligations under the terms of the agreement by 30 June 2011.

## 8. INVESTMENTS

The investments balance comprises:

	<b>30 June 2011 £m</b>	31 December 2010 £m
Shares	9.7	9.7
Loans	45.6	42.0
	<b>55.3</b>	51.7
Fees on acquisition	2.6	2.6
Share of post acquisition losses	(0.7)	(0.6)
Revaluation movements	4.6	–
Impairment of investment	(10.7)	(10.7)
	<b>51.1</b>	43.0
Investments comprise:		
Associates and joint ventures	50.9	42.8
Other investments	0.2	0.2
	<b>51.1</b>	43.0

# SONGBIRD ESTATES PLC

## NOTES TO THE ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011 (Continued)

The carrying value of the investment in associates and joint ventures comprised:

At 30 June 2011	WWLP £m	Drapers Gardens £m	20 FSLP £m	Total £m
Initial investment	–	6.7	0.1	6.8
Fees on acquisition	1.9	0.7	–	2.6
Equity funding	–	2.3	–	2.3
Loan funding including fees	26.6	–	19.0	45.6
Recognised share of losses	(5.9)	(5.1)	–	(11.0)
Revaluation surplus	–	–	4.6	4.6
	<b>22.6</b>	<b>4.6</b>	<b>23.7</b>	<b>50.9</b>

### Associates and joint ventures

In October 2010, Canary Wharf Group announced that it had entered into a joint venture with Land Securities to develop 20 Fenchurch Street. The property was sold by Land Securities to the joint venture at a price of £90.2m, in line with the March 2010 valuation. After syndication, Canary Wharf Group has a 15.0% equity interest in the joint venture and will act as construction manager and joint development manager. Canary Wharf Group's investment was stated at £19.1m at 30 June 2011 (31 December 2010 – £16.4m) representing the initial investment plus associated fees, together with subsequent funding. At 31 March 2011, an external valuation resulted in a revaluation surplus of £30.8m on the project of which £4.6m is attributable to the Group. The Group's share of the revaluation surplus has been taken to the Condensed Consolidated Income Statement and classified as a Capital and Other item.

The carrying value of the Group's investment in WWLP includes an initial entry premium and expenses totalling £1.9m together with the Group's share of the net assets of WWLP. At 30 June 2011 the Group's investment in WWLP was written down by £5.9m reflecting a valuation undertaken by CBRE and including the Group's share of recognised losses totalling £1.7m (31 December 2010 – £5.8m and £1.6m respectively).

WWLP has entered into a non recourse bank loan facility of £5.8m which has been drawn down fully and is repayable in 2013. Canary Wharf Group has also loaned £26.6m (31 December 2010 – £25.7m) to WWLP in the form of redeemable notes which are interest free and redeemable at par in 2030. This bank loan must first be repaid before the loan provided to WWLP by Canary Wharf Group can be repaid. All loans must be repaid in full prior to any dividends being declared.

The investment in WWLP includes an initial entry premium and expenses of £1.9m and is stated net of Canary Wharf Group's share of WWLP's losses since acquisition and a provision for impairment. At 30 June 2011 this provision remained at £4.2m.

In June 2007, Canary Wharf Group entered into a joint venture to undertake the redevelopment of Drapers Gardens in the City. The property was completed in 2009 and in November 2010 the joint venture entities completed the sale of the property. Certain of the profits and losses on disposal were shared equally with the other joint venture partners and the residual assets are to be shared in proportion to their equity holdings. At 30 June 2011 the Group continued to carry its investment in the remaining joint venture entities at its anticipated share of net assets.

WWLP and Drapers Gardens have 31 December year ends and 20 FSLP has a 31 March year end. The results of WWLP, Drapers Gardens and 20 FSLP attributable to the Group have been derived from their latest available management accounts after making any necessary adjustments. The Group's share of the profits and losses of its joint ventures and associates is as follows:

Summarised profit and loss accounts for the six months ended 30 June 2011	WWLP £m	Drapers Gardens £m	20 FSLP £m
Net operating profit	0.2	–	30.8
Net financing costs	(0.6)	–	–
Net (loss)/profit before and after tax	(0.4)	–	30.8
<b>Group share</b>	<b>(0.1)</b>	<b>–</b>	<b>4.6</b>

# SONGBIRD ESTATES PLC

## NOTES TO THE ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011 (Continued)

Summarised balance sheets at 30 June 2011	WWLP £m	Drapers Gardens £m	20 FSLP £m
Total assets	135.2	16.5	159.2
Total liabilities	(44.8)	(5.3)	(1.0)
Net assets	90.4	11.2	158.2
<b>Group share</b>	<b>22.6</b>	<b>4.6</b>	<b>23.7</b>

### 9. TRADE AND OTHER RECEIVABLES

Audited 31 December 2010 £m		Unaudited 30 June 2011 £m	Unaudited 30 June 2010 £m
3.4	Trade receivables	9.6	3.2
18.6	Other receivables	67.1	16.6
2.4	Contract balances	–	4.7
43.2	Prepayments and accrued income	21.3	17.7
67.6		98.0	42.2

### 10. TENANT INCENTIVES AND OTHER NON CURRENT RECEIVABLES

Non current receivables comprise:

	Rent free periods £m	Other tenant incentives £m	Total tenant incentives £m	Deferred negotiation costs £m	Total £m
1 January 2011	81.7	102.7	184.4	8.6	193.0
Recognition of rent during rent free periods	6.9	–	6.9	–	6.9
Amortisation	(2.8)	(2.7)	(5.5)	(0.6)	(6.1)
Deferred lease negotiation costs	–	–	–	0.1	0.1
<b>30 June 2011</b>	<b>85.8</b>	<b>100.0</b>	<b>185.8</b>	<b>8.1</b>	<b>193.9</b>

### 11. TRADE AND OTHER PAYABLES

Audited 31 December 2010 £m		Unaudited 30 June 2011 £m	Unaudited 30 June 2010 £m
12.6	Trade payables	16.1	17.5
7.4	Tax and social security costs	1.3	0.9
55.0	Corporation tax	60.6	26.5
20.7	Other payables	20.4	12.9
134.6	Other accruals and deferred income	143.2	139.7
37.5	Payments on account (Note 7)	43.6	30.2
267.8		285.2	227.7

# SONGBIRD ESTATES PLC

## NOTES TO THE ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011 (Continued)

### 12. NET DEBT

Audited 31 December 2010 £m		Unaudited 30 June 2011 £m	Unaudited 30 June 2010 £m
2,591.1	Securitised debt	2,547.4	2,647.1
–	Shareholder Loan	–	129.8
1,082.2	Other secured loans	1,161.7	1,488.4
41.6	Finance lease obligations	41.3	41.3
<u>3,714.9</u>		<u>3,750.4</u>	<u>4,306.6</u>
275.8	Non equity shares and associated financing costs	276.6	294.8
<u>3,990.7</u>	Gross debt	<u>4,027.0</u>	<u>4,601.4</u>
98.7	Current liabilities	98.4	106.7
	Non current liabilities:		
3,595.0	– borrowings	3,650.9	4,122.5
297.0	– derivatives included in non current liabilities	277.7	372.2
<u>3,990.7</u>	Gross debt	<u>4,027.0</u>	<u>4,601.4</u>
(1,108.2)	Cash and cash equivalents	(1,125.8)	(869.6)
(5.1)	Monetary deposits	(5.1)	(5.1)
<u>2,877.4</u>	Net debt	<u>2,896.1</u>	<u>3,726.7</u>
	Current liabilities comprises:		
32.7	Accrued interest payable	25.3	27.3
66.0	Borrowings repayable within one year	66.2	72.9
–	Financing costs of non equity shares	6.9	6.5
<u>98.7</u>		<u>98.4</u>	<u>106.7</u>

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

Cash and cash equivalents totalled £1,125.8m at 30 June 2011 (31 December 2010 – £1,108.2m, 30 June 2010 – £869.6m), principally comprising deposits placed on the money markets at call and term rates. Cash deposits included £169.0m at 30 June 2011 (31 December 2010 – £194.4m, 30 June 2010 – £132.3m) held as cash collateral for Canary Wharf Group's borrowings and a further £11.5m (31 December 2010 – £14.0m, 30 June 2010 – £14.2m) charged as security for Canary Wharf Group's obligations. Unsecured cash deposits totalled £945.3m at 30 June 2011 (31 December 2010 – £899.8m, 30 June 2010 – £723.1m).

Monetary deposits comprise amounts held on deposit with original maturities in excess of three months or which are not held for the purpose of meeting short term cash commitments. These deposits relate to Canary Wharf Group's construction contracts.

The Preference Shares, which were issued on 14 October 2009, are non-voting and non-convertible carrying a fixed cumulative dividend of 2.5% paid quarterly in arrears compounding quarterly to the extent not paid. No dividend can be paid by the Company on the Ordinary Shares without the consent of at least 75% of the Preference Shareholders or until the Preference Shares are redeemed. Two years after the date of issue the Preference shares are redeemable at the option of the Company. If, however, the Company opts to redeem within 30 months of issue there is a 5% premium on the issued amount which reduces to three percent 30 – 42 months after issue and to two percent 42 months to 5 years from issue. The Preference Shares are redeemable at the option of the holder after the fifth anniversary of issue on any date falling prior to seven years after the date of issue. The Company can, however, elect not to redeem them and pay an increased dividend of 3.25% which further increases to 3.75% on the sixth anniversary of issue.

As a result of the terms and conditions of the Preference Shares, such shares have been classified as borrowings and the Condensed Consolidated Income Statement includes a charge to profit in respect of the coupon payable. In April 2011, the cumulative Preference Dividend payable of £14.0m was settled in cash. At 30 June 2011 the accrued finance charge for the Preference Shares was £6.9m (31 December 2010 – £6.9m).

# SONGBIRD ESTATES PLC

## NOTES TO THE ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011 (Continued)

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

	Securitised debt £m	Other secured loans £m	Finance lease obligations £m	Total borrow- ings £m	Non equity shares £m	Total £m
1 January 2011	2,591.1	1,082.2	41.6	3,714.9	275.8	3,990.7
Drawn down in period	–	92.3	–	92.3	–	92.3
Effective interest rate adjustment	(1.7)	(0.8)	–	(2.5)	0.8	(1.7)
Accrued finance charges	(1.5)	(0.2)	(0.3)	(2.0)	13.9	11.9
Repaid in period	(28.8)	(4.2)	–	(33.0)	(13.9)	(46.9)
Movements in fair value of derivatives	(11.7)	(7.6)	–	(19.3)	–	(19.3)
<b>30 June 2011</b>	<b>2,547.4</b>	<b>1,161.7</b>	<b>41.3</b>	<b>3,750.4</b>	<b>276.6</b>	<b>4,027.0</b>
Payable within one year or on demand	79.5	12.0	–	91.5	6.9	98.4
Payable in more than one year	2,353.2	986.7	41.3	3,381.2	269.7	3,650.9
Derivatives classified as: – non current liabilities	114.7	163.0	–	277.7	–	277.7
	<b>2,547.4</b>	<b>1,161.7</b>	<b>41.3</b>	<b>3,750.4</b>	<b>276.6</b>	<b>4,027.0</b>

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

- (1) At 30 June 2011 the following notes issued by CWF II, a subsidiary of Canary Wharf Group, were outstanding:

Class	Principal £m	Interest	Repayment
A1	1,113.8	6.455%	By instalment from 2009 to 2030
A3	400.0	5.952%	By instalment from 2030 to 2035
A7	222.0	Floating	In 2035
B	193.5	6.800%	By instalment from 2005 to 2030
B3	104.0	Floating	In 2035
C2	275.0	Floating	In 2035
D2	125.0	Floating	In 2035
	<b>2,433.3</b>		

In April 2009 Canary Wharf Group repurchased certain floating rate Notes with an aggregate principal amount of £119.7m for an aggregate consideration, excluding accrued interest, of £35.5m. The principal amount of the Notes in issue at 30 June 2011 was £2,433.3m, or £2,313.6m excluding the Notes repurchased. The Notes are secured on certain property interests of Canary Wharf Group and the rental stream therefrom.

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

The Notes are hedged by means of interest rate swaps and the hedged rates plus the margin are: 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.

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 has posted £259.4m as cash collateral in respect of this obligation. The annual fee payable in respect of the arrangement is £2.2m.

# SONGBIRD ESTATES PLC

## NOTES TO THE ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011 (Continued)

(2) In June 2011 Canary Wharf Group entered into a £92.3m 5 year facility secured against 50 Bank Street. The facility carries interest at LIBOR plus a margin of 2.0%. The exposure to movements in LIBOR is fully hedged at an all in rate including margins of 4.415%.

(3) Canary Wharf Group has a £350.0m loan facility secured against the Group's principal retail properties and car parking interests.

The loan facility carries interest at LIBOR plus a margin of 2.75%. The Group has entered into an arrangement whereby the exposure to the movement in 3 month LIBOR rates is fully hedged with fixed interest rate swaps at a weighted average including margins of 7.2%. The loan is repayable in March 2014.

(4) 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 the first half of 2011 £4.2m of the loan was repaid in accordance with the loan agreement reducing the principal at 30 June 2011 to £563.9m.

### Loan covenants

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 7 investment properties representing 67.3% of the investment property portfolio by value. The principal amount outstanding at 30 June 2011 was £2,433.3m or £2,313.6m excluding the Notes repurchased in April 2009 but held by another Group company.

Maximum LMCTV ratio of 100%. Based on the valuations at 30 June 2011, the LMCTV ratio at the interest payment date in July 2011 would have been 72.0%.

The securitisation has no minimum ICR covenant. The 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 £92.3m secured against 50 Bank Street representing 3.2% of the investment property by value.

Maximum LTV ratio of 75%, for the first three years of loan, reducing to 72.5% thereafter. Based on the valuation at 30 June 2011, the LTV was 60.5%.

The ICR covenant is 150.0% and was satisfied throughout the period.

(iii) Loan of £350.0m secured against the principal retail and infrastructure parking properties of Canary Wharf Group, representing 14.1% of the investment property portfolio by value.

Maximum LTV ratio of 70.0%. Based on the valuations at 30 June 2011, the LTV was 52.3%.

The ICR covenant is 120.0% and was satisfied throughout the period. Canary Wharf Group has the ability to remedy any potential breach of covenant by depositing cash.

(iv) Loan of £563.9m secured against One Churchill Place, representing 15.4% 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.

## 13. PROVISIONS

Provisions have been made in respect of the following liabilities:

	Vacant leasehold property £m	Other lease commitments £m	Total £m
1 January 2011	0.4	9.8	10.2
Utilisation of provision	(0.4)	(1.4)	(1.8)
Increase in provision	–	1.9	1.9
<b>30 June 2011</b>	<b>–</b>	<b>10.3</b>	<b>10.3</b>

# SONGBIRD ESTATES PLC

## NOTES TO THE ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011 (Continued)

### Leasehold properties

In the period ended 30 June 2011 the remaining liability for leasehold properties was settled and accordingly the brought forward provision of £0.4m was fully utilised.

### Other lease commitments

In connection with the sale of 5 Churchill Place in January 2010 Canary Wharf Group agreed to pay rents and other costs incurred on two unlet floors for a period of 5 years from the date of sale. At 30 June 2011 this provision totalled £8.2m (31 December 2010 – £7.7m) discounted at 6.2% (31 December 2010 – 6.3%) with the movement reflecting a combination of utilisation, changes in potential future letting assumptions and the discount unwind.

In connection with the sale of certain properties during 2005, Canary Wharf Group agreed to provide rental support and a provision in respect of these commitments was recognised at the date of disposal. The remaining provision at 30 June 2011 was £2.1m calculated on the basis of a discount rate of 6.2% (31 December 2010 – £2.1m discounted at 6.3%).

## 14. NOTES TO THE CASH FLOW STATEMENT

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

Audited Year ended 31 December 2010 £m		Unaudited Six months ended 30 June 2011 £m	Unaudited Six months ended 30 June 2010 £m
463.8	<b>Profit/(loss) before tax</b>	<b>97.6</b>	(11.3)
	<b>Non cash movements</b>		
(327.9)	Net revaluation movements	<b>(88.0)</b>	(177.6)
(155.1)	Profit on disposal of investment property	–	–
(2.5)	Share of (profit)/loss after tax of associates and joint ventures	<b>(4.5)</b>	2.4
50.8	Spreading of tenant incentives, committed rent increases and letting fees	<b>(0.9)</b>	51.2
–	Share allocation adjustment	<b>(2.5)</b>	–
0.6	Depreciation	<b>0.2</b>	0.3
(5.0)	Profit recognised on construction contracts	–	(5.0)
(439.1)		<b>(95.7)</b>	(128.7)
24.7	Operating cash flows before changes to working capital and other cash movements	<b>1.9</b>	(140.0)
	<b>Changes to working capital and other cash movements</b>		
384.7	Net financing costs	<b>102.2</b>	277.7
(2.9)	Utilisation and other movements in provisions	<b>(0.2)</b>	(0.8)
(17.3)	(Increase)/decrease in receivables	<b>(31.4)</b>	9.0
(37.5)	Increase/(decrease) in payables	<b>35.7</b>	(61.5)
32.9	Proceeds from construction contracts	<b>7.5</b>	36.2
(30.3)	Construction contract expenditure	<b>(2.3)</b>	(18.9)
354.3	<b>Cash generated by operations</b>	<b>113.4</b>	101.7
(5.4)	Income tax paid	–	(3.2)
348.9	<b>Net cash from operating activities</b>	<b>113.4</b>	98.5

# SONGBIRD ESTATES PLC

## NOTES TO THE ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011 (Continued)

### 15. CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS

Commitments of Canary Wharf Group for future expenditure are:

	<b>30 June 2011 £m</b>	31 December 2010 £m
Crossrail station	–	44.6
Other construction projects	<b>141.0</b>	85.0

The commitments for future expenditure relate to the completion of construction works where construction was committed at 30 June 2011 including funding commitments to associates and joint ventures. Any costs accrued or provided for in the Condensed Consolidated Balance Sheet at 30 June 2011 have been excluded.

Canary Wharf Group assesses that its commitments in relation to Crossrail have now been satisfied. However, there remains a contingent liability in the event that the total cost of the station exceeds the original total anticipated cost of £500.0m.

### 16. SHARE BASED PAYMENTS

In December 2010 Canary Wharf Group allocated 2,165,000 Ordinary Shares of the 8,217,170 Ordinary Shares held in Trust to certain directors and senior employees of Canary Wharf Group who may elect to have the shares released to them at any time between 30 June 2011 and 31 December 2013 subject to any dealing restrictions. When the beneficiary of the allocation elects to redeem the shares he or she may choose to sell any or all of their allocated shares. In this event Canary Wharf Group may elect to pay the equivalent amount in cash.

At 30 June 2011 a total of 364,750 shares had been released to employees who were beneficiaries of this allocation and Canary Wharf Group elected not to pay the equivalent amount in cash.

The cost to the Group of the allocation, which has been calculated by reference to the share price at the grant date of 142p per Ordinary Share, was £3.4m of which £2.5m was taken to the Condensed Consolidated Income Statement and allocated to administrative expenses in underlying profit and the remainder related to employees of the Group's construction subsidiary and was charged to development properties. The historical cost of released shares was approximately £0.5m.

### 17. EVENTS AFTER THE BALANCE SHEET DATE

On 21 September 2011 Canary Wharf Group plc declared a dividend of 7.042p per share totalling £45.0m of which £31.2m will be receivable by SFL, a wholly owned subsidiary of the Company. The Board proposes that the proceeds will be used to pay the accumulated coupon payable on the Preference Shares of £14.2m. The balance of funds in the Company will be used for general working capital purposes.

#### Shell Centre

In July 2011 Canary Wharf Group and Qatari Diar concluded an agreement with Shell to redevelop the Shell Centre site at South Bank.

Canary Wharf Group and Qatari Diar have entered into a 50:50 joint venture, contributing £150.0m each to secure the 5.25 acre site on a 999 year lease. Canary Wharf Group's contribution is being satisfied from existing corporate resources. The aggregate £300.0m payment for the site is conditional on planning permission being received for the project within three years. Canary Wharf Group will act as the Construction Manager for the project and will also be joint development manager with Qatari Diar. For these roles, fees will be generated for the transaction and apportioned between the parties based upon their broad level of contribution.

Discussions will now commence with local planning authorities and relevant stakeholders to establish planning consent, detailed designs and a timetable for construction of a project which will re-energise an important section of the South Bank.

The development will be mixed use, comprising office, retail and residential space. The 27 storey tower in the middle of the Shell Centre will be preserved and retained by Shell. Shell will also take a 210,000 sq ft prelet of one of the new office buildings to be constructed on the site.

#### 25 Churchill Place

In August 2011 the Group announced that EMA have agreed a prelet of 250,000 sq ft in a new office building of over 500,000 sq ft to be constructed at 25 Churchill Place.

# SONGBIRD ESTATES PLC

## NOTES TO THE ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011 (Continued)

EMA will occupy the promenade, ground and the first nine office floors in the 20 storey building. The agreed rent is £46.50 psf commencing 1 January 2015 with five yearly upwards-only rent reviews. The length of the lease is 25 years with no break options and EMA will receive the equivalent of a 37 month rent free period in cash, which will be used to pay for EMA's fit out of the building.

In accordance with Canary Wharf Group's development strategy at Canary Wharf, the building's substructure has already been completed. Work on the tower will begin in the fourth quarter of 2011. The balance of the space will be marketed by Canary Wharf Group as construction progresses. As a result of the prelet to EMA, Canary Wharf Group is in advanced discussions about funding for the project with a number of lenders.

# SONGBIRD ESTATES PLC

## DEFINITIONS

20 FSLP	20 Fenchurch Street Limited Partnership
Administrator	PricewaterhouseCoopers, administrator of Lehman
AIG	American International Group, Inc
AIM	Alternative Investment Market
Ballymore	Ballymore Properties Limited
Board	Board of directors of the Company
BWB	British Waterways Board
Canary Wharf Group	Canary Wharf Group plc and its subsidiaries
CBRE	CB Richard Ellis Limited, Surveyors and Valuers
CLRL	Cross London Rail Links Limited
Company	Songbird Estates plc
Cushman	Cushman & Wakefield, Real Estate Consultants
CWF II	Canary Wharf Finance II plc
Drapers Gardens	Drapers Gardens scheme in the City of London
EMA	European Medicines Agency
Estate	Canary Wharf Estate including Heron Quays West, Newfoundland, Park Place, Riverside South and North Quay
EU	European Union
EZA	Enterprise Zone Allowances
Group	The Company, its wholly owned subsidiaries and Canary Wharf Group
IAS	International Accounting Standards
IAS 10	International Accounting Standard 10 'Events after the Reporting Period'
ICR	Interest Cover Ratio
IFRS	International Financial Reporting Standards
Knight Frank	Knight Frank LLP
J.P. Morgan	J.P. Morgan Chase & Co
Land Securities	Land Securities Group plc
Lehman	Lehman Brothers Limited (in administration)
LIBOR	London Interbank Offered Rate
LMCTV	Loan Minus Cash to Value
London Plan	Mayor of London Planning document published by the Greater London Authority
LTV	Loan to Value
m	Million
NAV	Net Asset Value
NIA	Net Internal Area
NNNAV	Triple Net Asset Value
Notes	Notes of Canary Wharf Group's securitisation
Open Offer	An open offer for the issue of new Ordinary Shares announced on 23 September 2010
Ordinary Shares	Ordinary Shares of 10p each
Preference Shares	Preference shares of £1.00 each
Preference Dividend	Fixed cumulative dividend of 2.5% per quarter of aggregate amount of nominal value and any share premium paid up on the Preference Shares
psf	per sq ft
Qatari Diar	Qatari Diar Real Estate Investment Company
Refinancing Transactions	The 2009 £620.0m placing and compensatory open offer, £275.0m issue of Preference Shares and £135.0m Shareholder Loan facility
Savills	Savills Commercial Limited, Chartered Surveyors
SFL	Songbird Finance Limited
Shareholder Loan	£135.0m loan facility entered into by SFL and certain significant shareholders repaid in October 2010.
Shell	Shell International Limited
Shell Centre	Shell's headquarters on the South Bank, London
Songbird	The Company and its wholly owned subsidiaries
sq ft	Square feet/square foot
Treasury Shares	Ordinary 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
Warrants	Warrants over the Songbird Estates plc Ordinary Shares of 10p each.
Wood Wharf	7.0m sq ft (gross) mixed use site adjacent to the Estate
WWLP	Wood Wharf Limited Partnership